

15 November 2018

Fiscal devolution update

Purpose

For discussion and direction.

Summary

This paper outlines proposed next steps to support the future development of policy related to fiscal devolution.

Recommendation

Members of the People and Places Board are asked to consider the proposed work plan set out below and comment as appropriate on its focus and oversight arrangements.

Action

Officers to incorporate Members' comments into the development of future work related to fiscal devolution, as described.

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Fiscal devolution update

Overview

1. The City Regions Board commissioned two pieces of research in the 2017/18 board cycle to support internal policy development and discussion related to fiscal devolution:
 - 1.1. **Fiscal devolution modelling** – the Board commissioned econometric modelling to provide members with an overview of what specific instances of fiscal devolution might look like in practice.
 - 1.2. **Fiscal devolution messaging** – the Board also commissioned research to better understand public perceptions of fiscal devolution specifically and devolution generally. This research adds to the regular pieces of analysis that the LGA commissions, including polling of both residents and parliamentarians to gauge support for key policy proposals including those relating to devolution.
2. The People and Places Board and the Resources Board were kept informed of progress throughout the course of the year and all three boards have now discussed the findings of both pieces of research.
3. From their comments officers have proposed a work plan in three areas: acting on the findings of the devolution messaging report; progressing work on a tourism levy; and, exploring an e-commerce levy.
4. This work plan has now been considered and agreed by the Chairs of the City Regions and Resources Boards and the Chairman of the People and Places Board. It is presented below for consideration and comment by members of the People and Places Board.

Acting on the findings of the devolution messaging report

5. The findings of the devolution messaging report clearly resonated with members of all three boards. It has therefore been agreed that officers will work with Board Chairs to draft a paper that raises this subject as an issue for formal consideration by the LGA's Leadership Board.
6. This work will build on short term supportive messaging within the Spending Review campaign plan and additionally take account of any lessons or evidence from the City Regions Board's ongoing Urban Leadership work and the People and Places Board's Post-Brexit England Commission.
7. Over the coming months, one of the main strands of the Spending Review campaign will be to focus on explaining to the public the breadth of council services. Subsequently we will develop a plan of campaign activity over the next six to eighteen months that seeks to further highlight the expertise that exists within councils to the general public.
8. In the longer term it has also been agreed that the LGA will give due consideration to broader questions relating to the public perception of local government's culture and character, and the complexities of accommodating differential public service responsibilities across localities and institutions within a coherent national brand.

Progressing work on the tourist levy

9. There was strong interest from all three Boards in understanding in more detail how a tourist levy might work in practice. The Culture, Tourism and Sport Board has also explored this issue and it would make sense for future work to be aligned across all four boards.
10. As the freedom to introduce a local tourism levy is already an established LGA lobbying line it was proposed that any future work focuses on 'road-testing' the levy's theoretical and technical arguments within the wider context of councils' role in regulating and supporting the tourism industry. This work will also provide an opportunity to consider the extent to which Business Improvement Districts provide an effective vehicle to introducing a tourist levy within an area.
11. It was therefore agreed that the Culture, Tourism and Sport Board would be commissioned to take forward this work, subject to their agreement, with the three other boards kept updated on progress.

Exploring an e-commerce levy

12. Both the City Regions Board and the Resources Board expressed interest in exploring the design and potential benefits of an e-commerce levy, directly linking it to the consequences for high streets arising from the shift in retail activity towards firms with a predominantly digital footprint.
13. At the Autumn Budget the Chancellor announced that from April 2020, the Government will introduce a new 2 per cent tax on the revenues of certain digital businesses to ensure that the amount of tax paid in the UK is reflective of the value they derive from their UK users.
14. The LGA has called for measures to be taken on retailers who may not pay business rates on retail premises and we welcomed this as a first step. However, we believe a portion of the money raised from this measure should be used to fund local services and, in turn, are of the view that more needs to be done to develop the detail of how such a levy might benefit public services and local retail economies in practice.
15. The Environment, Economy, Housing and Transport Board has policy responsibility for town high streets. As this piece of work would require specific technical expertise, it is proposed that a research specification is drafted for consideration by Lead Members of all four boards, with a view to commissioning external research in support of future lobbying activity.
16. Subject to consideration regarding resource availability, it is proposed that the Resources Board would take this work forward with other Boards kept updated on progress.

Next Steps

17. **Members of the People and Places Board are asked to consider the proposed work plan set out above and comment as appropriate on its focus and oversight.**