

## **Exploring fiscal devolution**

### **Purpose**

For discussion and direction.

### **Summary**

The LGA has long campaigned for the devolution of powers and responsibilities to be accompanied by a sustainable system of local government funding. Following discussion on the work of the Independent Commission on Local Government Finance at the last Board, officers were requested to undertake some initial modelling of the Commission's recommendations. Stephen Hughes, Executive Director, will present work to date on modelling greater localisation of fiscal powers.

### **Recommendation**

Members are asked to note progress to date, discuss any implications from the city regions perspective and consider next steps proposed in paragraphs 5.1 and 5.2.

### **Action**

Officers to proceed in line with members' direction.

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### **Position:**

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## **Exploring fiscal devolution**

### **Background**

1. The LGA has long made the case for devolution of powers and responsibilities to be underpinned by a sustainable finance system. Greater fiscal autonomy will enable more places to invest in the infrastructure needed to unlock growth and deliver public services that meet the needs of a twenty-first century society and economy.
2. The Independent Commission on Local Government Finance report, Financing English Devolution<sup>1</sup> recognised that a devolved system of local government finance would need to be accompanied by equalisation. Their final report recommends this take place on a sub-national model.
3. The Chancellor's first speech of the new Parliament opened the door to greater fiscal freedoms for local areas. He said, "Now it's time to think whether we could go further down the road of fiscal devolution. So that you take control of raising more of the money you spend – and, from my way of looking at things, see the rewards from the taxes you cut."<sup>2</sup> It is timely, therefore, to consider how a model of localised fiscal powers might work in practice.

### **Modelling fiscal devolution**

4. At the last City Regions Board, members discussed the Commission's report and the importance of localising fiscal powers. Members recognised the focus is likely to remain on fiscal retention in the short term, but that in the longer term there is a need to ensure there is a serious debate about fiscal devolution. To provide the groundwork for this debate to take place, modelling work on what sub-regional equalisation might look like in practice was commissioned.
5. The LGA's Executive Director, Stephen Hughes, will present work undertaken to date by the finance team. The modelling is based on the Finance Commission's proposition that equalisation is undertaken on a sub-national basis.

### **Next steps**

6. Members are asked to:
  - 6.1. Comment on any implications of the existing work for councils in city regions.
  - 6.2. Give a steer on other areas of modelling to be undertaken and how it might be used most effectively to inform our overall lobbying strategy.

### **Financial Implications**

7. None.

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<sup>1</sup> <http://www.localfinancecommission.org/documents/iclgf-final-report>

<sup>2</sup> <https://www.gov.uk/government/speeches/chancellor-on-building-a-northern-powerhouse>