

Everything you need to know about fiscal devolution

12:00 - 13:00

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@antbreach

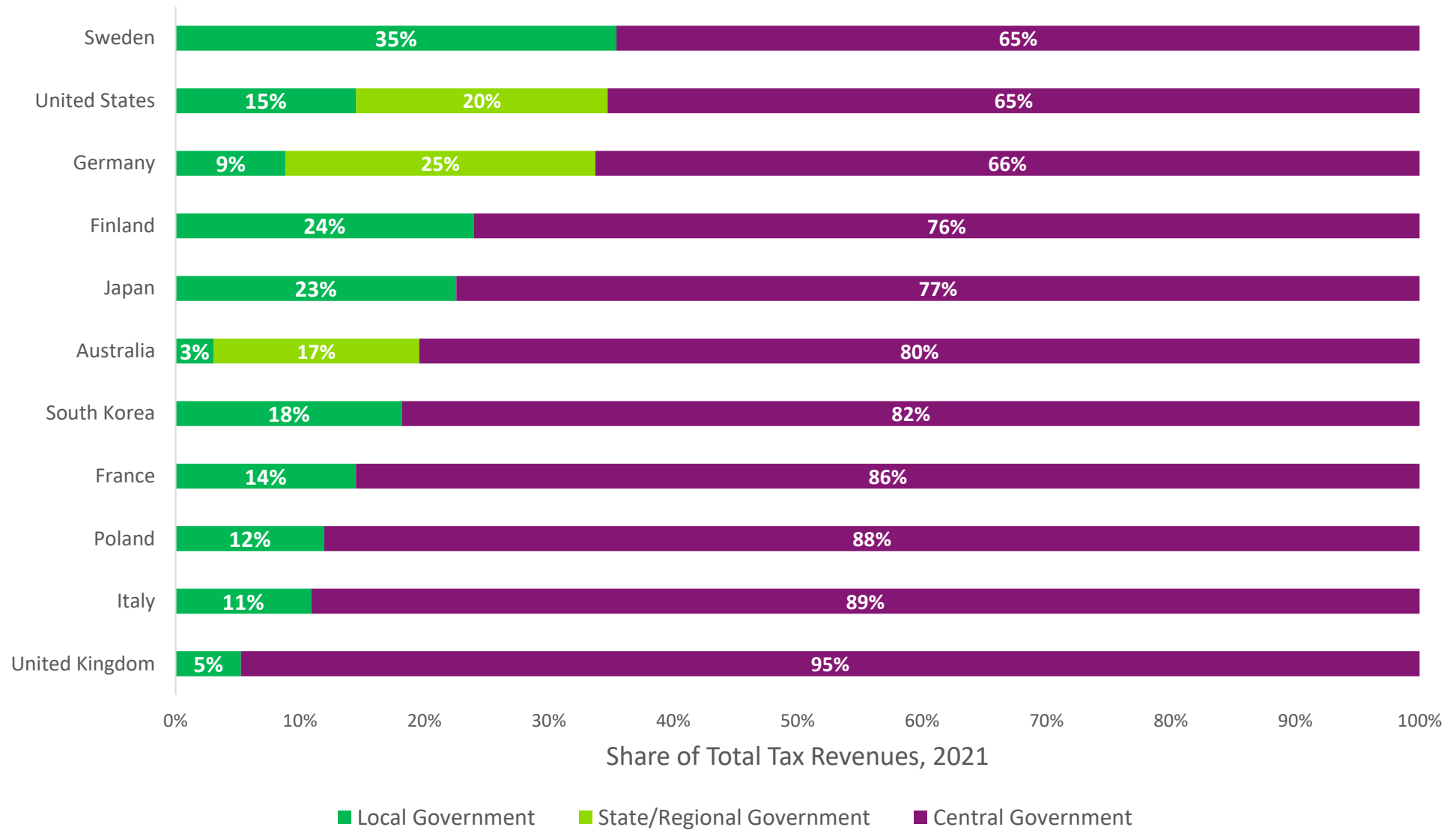




Fiscal devolution would fix local funding crisis by growing local tax bases

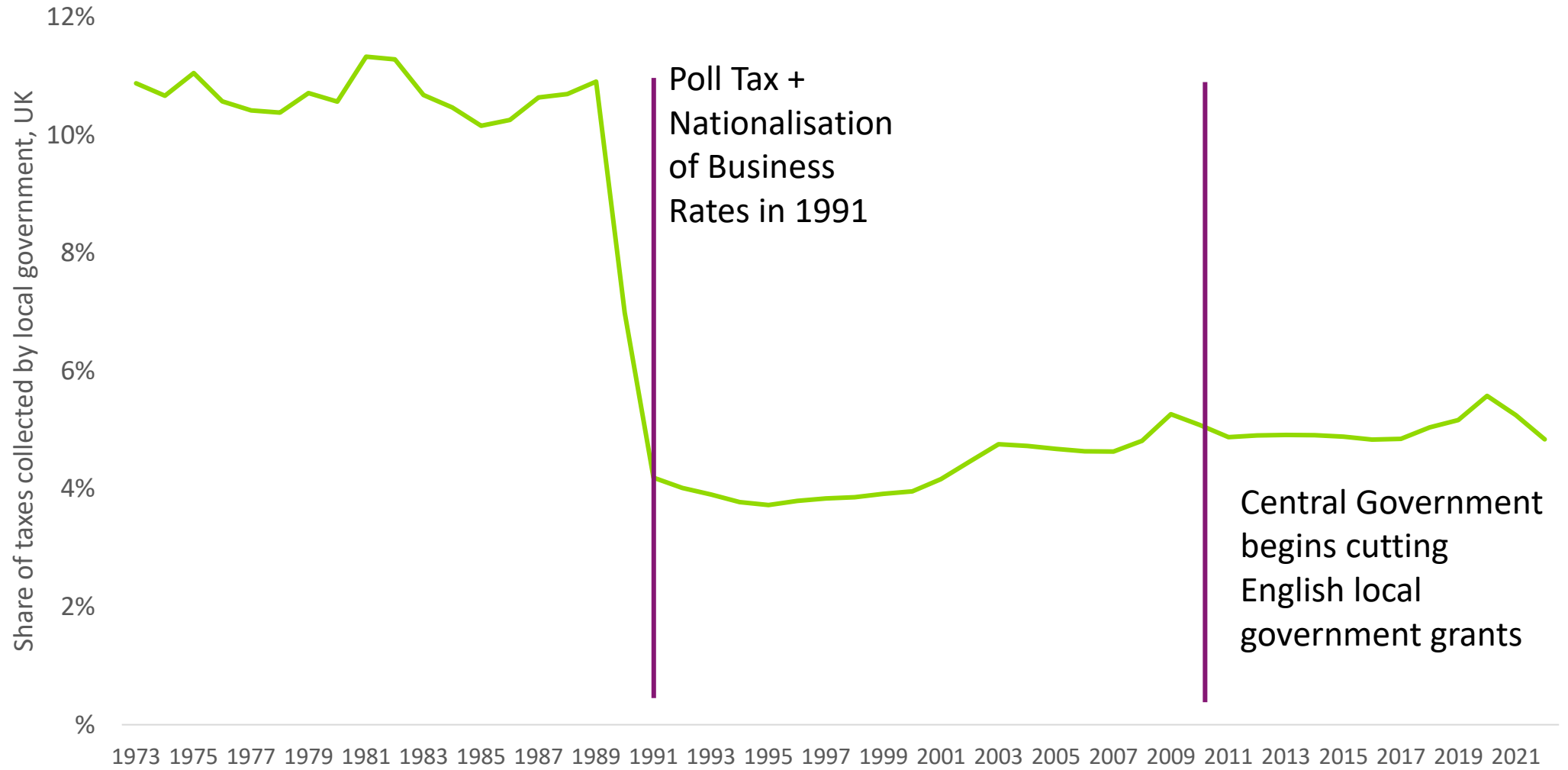
- Local funding system needs more resource
- But more grant probably not a sustainable medium/long-term option
- Amount of resource in the funding system + design of the funding system are different problems
- Centralisation of grant system disconnects councils from their local economy + penalises them if they pursue local (and by extension national) growth
- Devolution has advanced – but few tax powers have been devolved

The UK is unusually fiscally centralised



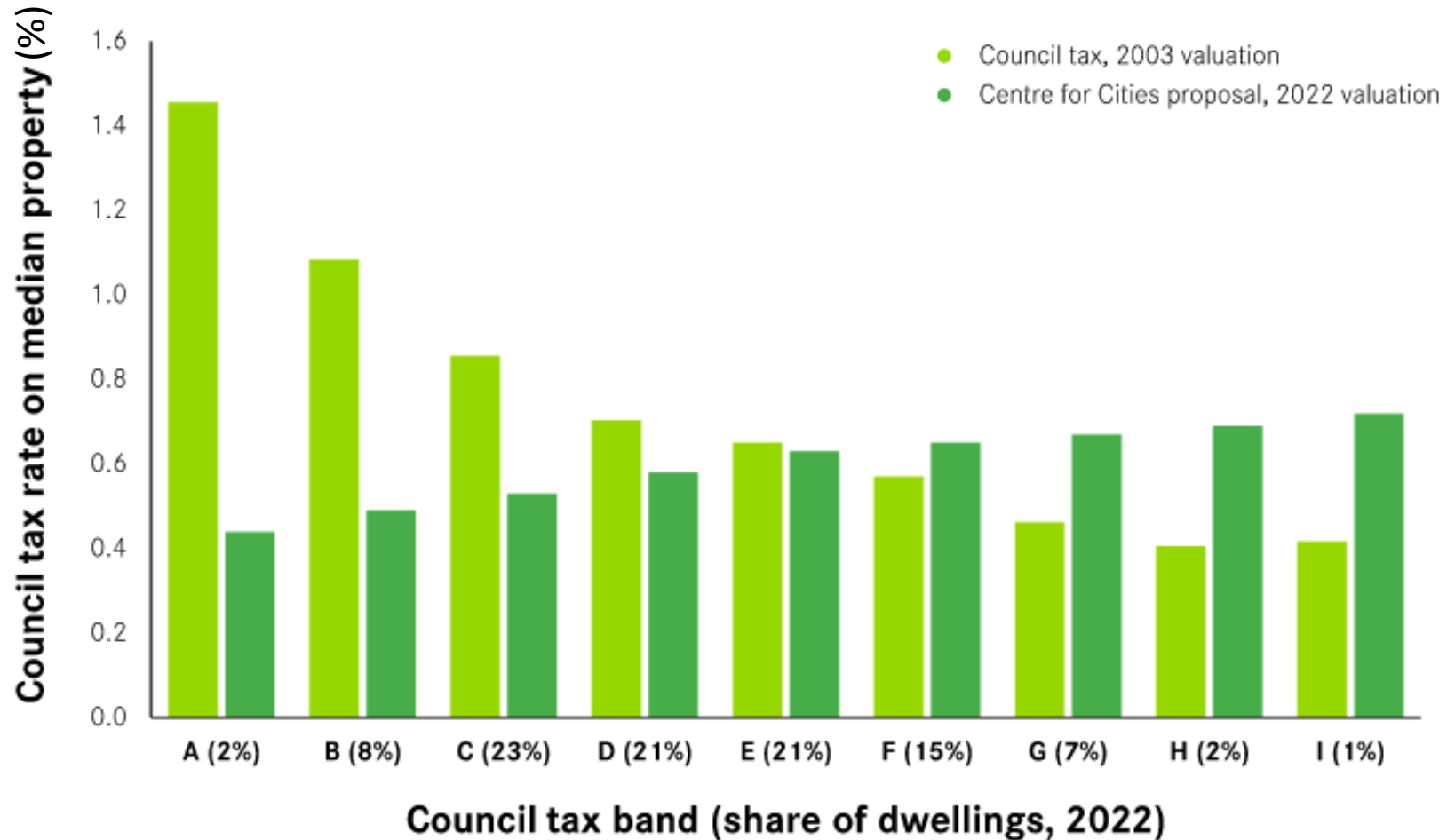
Source: OECD

Fiscal centralisation is (relatively) recent



Fiscal devolution can cut council tax for most households

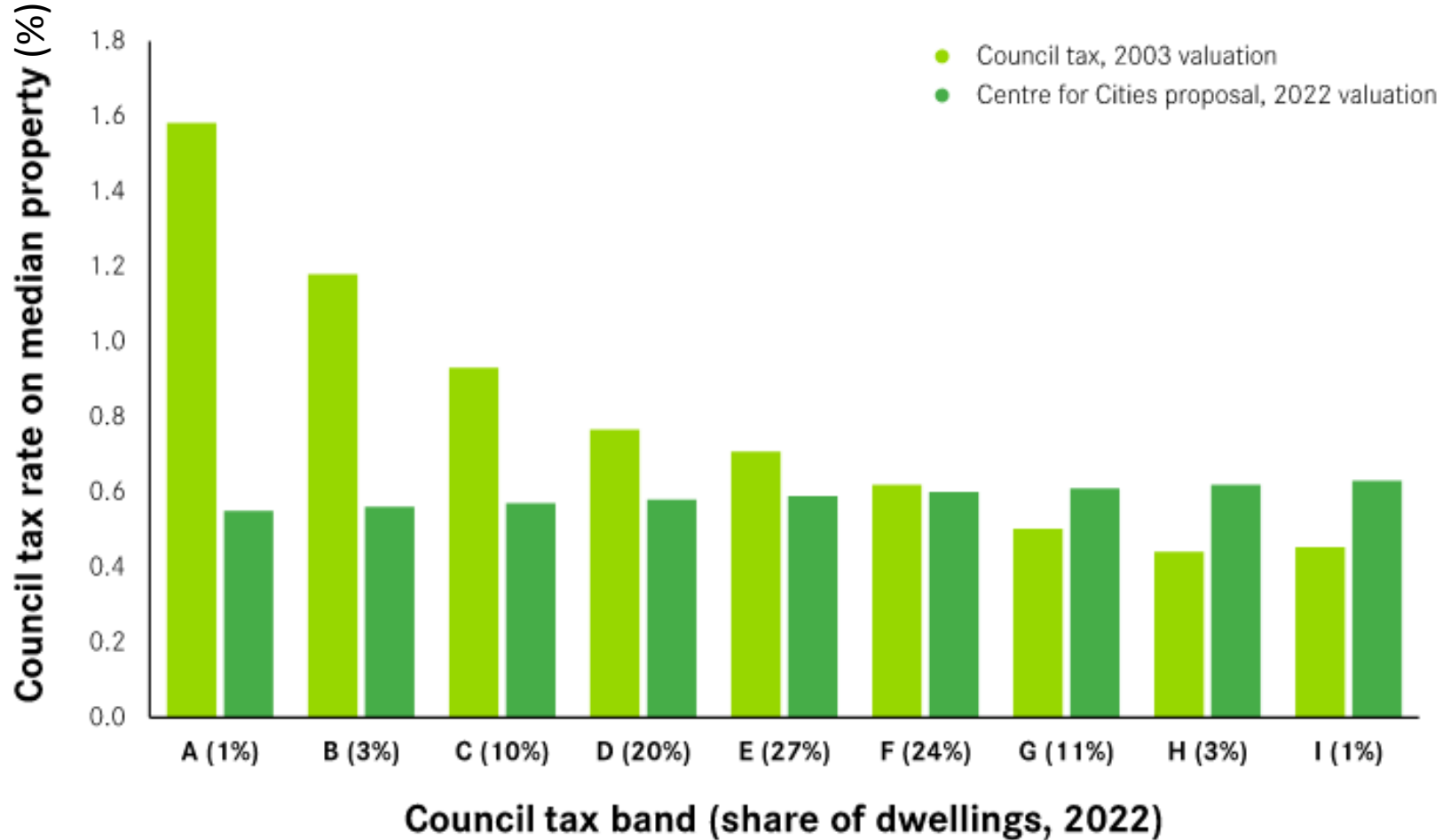
Cardiff



Source: Centre for Cities

Including in affluent areas...

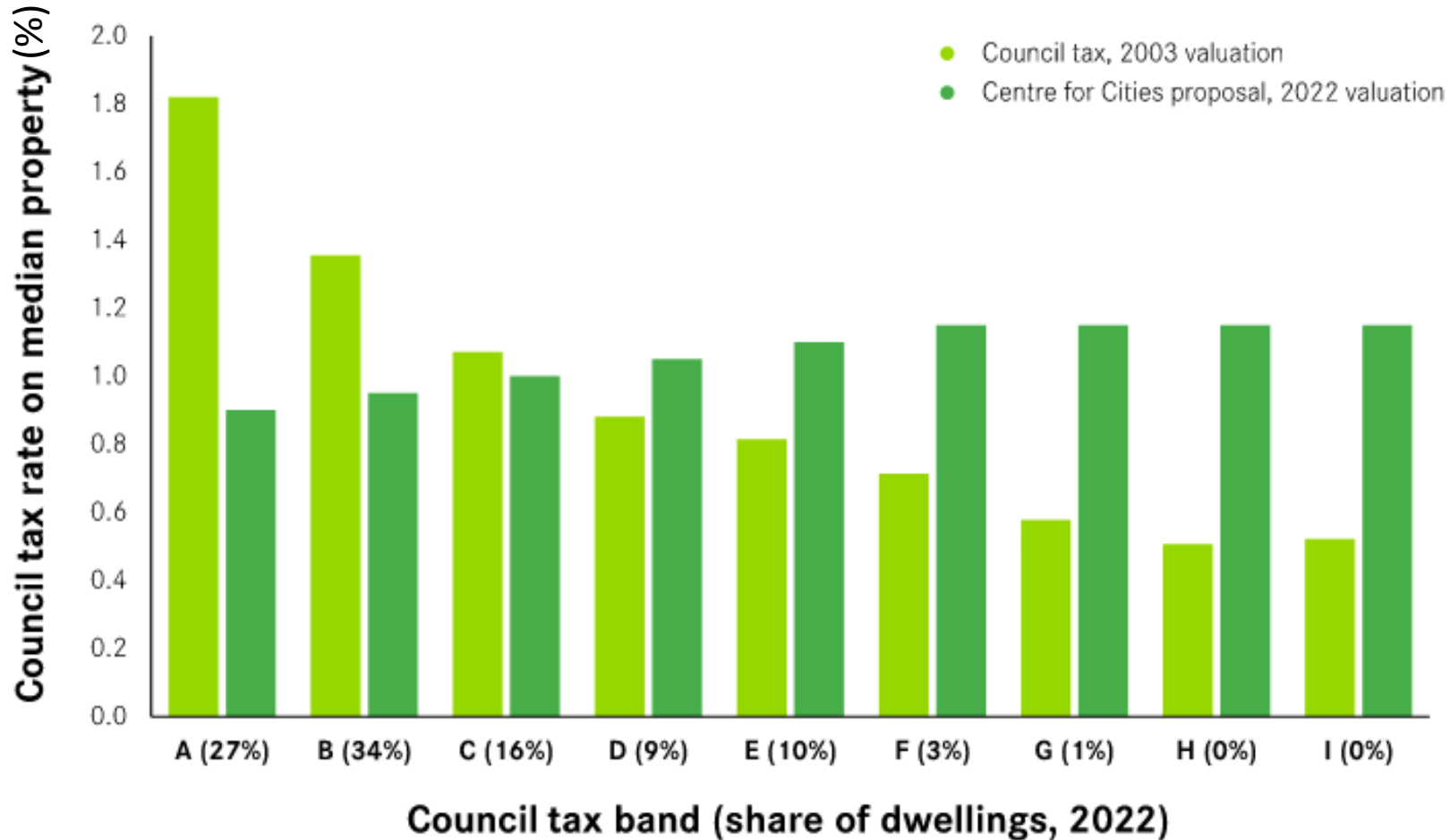
Monmouthshire



Source: Centre for Cities

...and in poorer areas

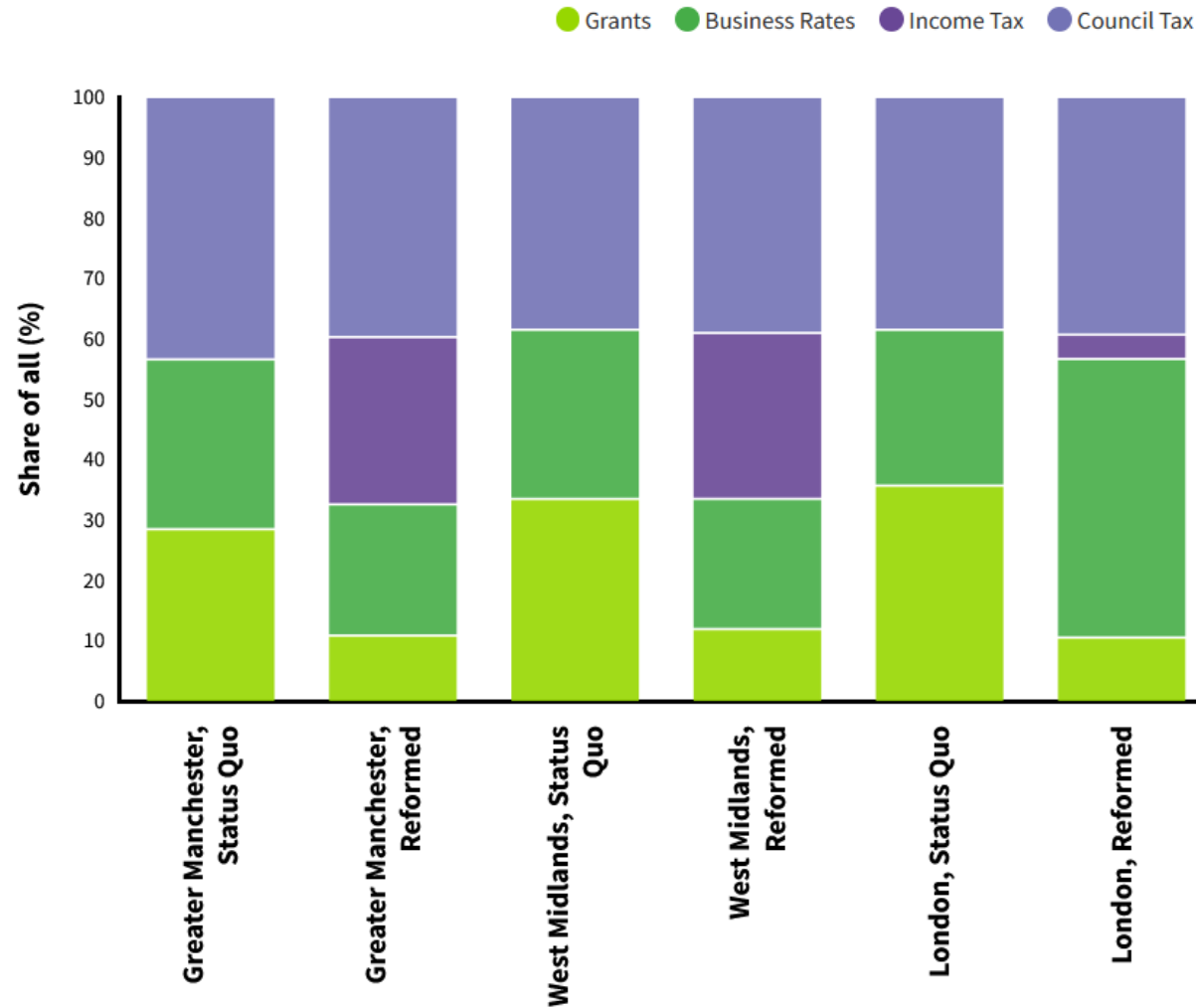
Merthyr Tydfil



Source: Centre for Cities

Sharing income tax can work as a first step

Figure 1: A new funding mix for London, Greater Manchester and the West Midlands





Principles for fiscal devolution

- Short-term, local government needs emergency relief and additional grant
- Medium/long-term, local finance should shift to councils funding services by growing their tax base (and thereby the national economy)
- A broader tax base than property is needed
- Less national redistribution should be paired with more local redistribution
- Fiscal devolution should be to authorities that match economic geography



Centre for Cities' current thinking on fiscal devolution

- 'A triple deal' for Manchester, Birmingham, and London:
<https://www.centreforcities.org/blog/a-very-short-guide-to-fiscal-devolution-in-the-big-cities/>
- Fiscal devolution of council tax in Wales:
<https://www.centreforcities.org/blog/wales-needs-to-go-further-on-council-tax-reform-and-so-does-england/>
- Centralisation Nation: <https://www.centreforcities.org/publication/centralisation-nation/>
- What next for fiscal devolution in urban areas?
<https://www.youtube.com/watch?v=uk6MKkZD66Q>