



**TAX AND PUBLIC SPENDING
PRIORITIES**
OCTOBER 2016
GLA INTELLIGENCE

RESEARCH OVERVIEW

Background

In July, the Mayor of London, Sadiq Khan, reformed the London Finance Commission (LFC) to help the Mayor and London's local authorities improve the tax and public spending arrangements for London, in order to safeguard the city's prosperity in the aftermath of the vote to leave the European Union.

Led by Professor Tony Travers from the London School of Economics, the Commission has prepared an interim report to the Treasury that proposes the most wide-ranging devolution proposals ever recommended for the capital.

Aim

The GLA Opinion Research team was commissioned by the LFC to provide public opinion data in relation to tax and public spending priorities in the capital.

Methodology

Quantitative online survey of 1,004 Londoners via TNS Research Ltd.

- Interviews conducted 29 Sept -3 Oct 2016
- The data has been weighted by age, gender and ethnicity
- Analysis for cross-tabulation undertaken by TNS Research Ltd
- All other analysis by the ORS team

KEY FINDINGS – CONTROL & TRUST

- Currently, cities like New York, and other, international cities have significantly more control over the collection and spend of taxes than London has. The majority of Londoners agree in principle that London government should have more control of tax and spending on public services in the capital (58 per cent). Only 13 per cent disagree.
- The public services considered most important to Londoners are health services, public transport, and policing and safety, whilst social services and highways are thought to be the least important.
- There is an appetite among Londoners for London government to have more control over these important public services. 61 per cent think control of suburban railways should be devolved, while 58 per cent favour the devolution of health services.
- Given this general support for devolution of services and control over tax and spend, it is noteworthy that 25 per cent of Londoners would trust the Mayor of London to control spending and taxation that affects people in the capital. The same proportion would trust their London borough. 19 per cent would trust the national government, while 18 per cent would not trust any government agency.

KEY FINDINGS – REFORMS

The survey proposed a series of changes to the way that taxes are collected and spent in the capital.

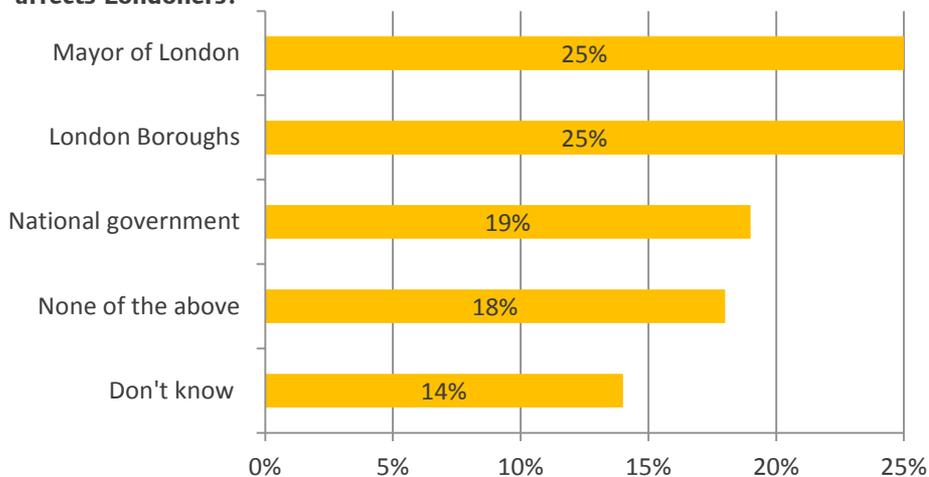
- All tax reforms proposed had greater levels of agreement than disagreement, though **stamp duty reform** had the most public support. 51 per cent would support London having more control over setting the level of stamp duty, and 53 per cent agree that London should retain all or some of the funds collected. People who own their homes outright are more likely to think London should retain the funds collected, compared to others (62 per cent).
- 45 per cent of Londoners agree that London's **council tax** bands should be controlled by London government, in order that they might be revalued in order to better reflect current property prices. 22 per cent disagreed with this measure.
- The London Finance Commission have suggested that a proportion of London's **income tax** could be retained by London government, benefiting local spending decisions. Around half of respondents support retention of a small amount of income tax (49 per cent), while 21 per cent are opposed.
- Views on a proposed **hotel tax** are more divided. 43 per cent support the tax as a mechanism for generating investment for culture and tourism in London. 31 per cent disagree.

PUBLIC SPENDING PRIORITIES

By a considerable margin, the most important public service to Londoners is health services, and this is true across all demographic groups, though felt more acutely by women and by those aged 65+. Public transport was ranked second most important overall, the exception being people aged over 65, who deemed policing to be more important.

There is an appetite among Londoners for London government to have more control over these important public services. 58 per cent agree that London should have more control over health services, while 61 per cent of Londoners think suburban railways should come under London government control - only 12 per cent disagree.

Which level of government do you most trust to control spending and taxation that affects Londoners?



Which are the most important public services to you/your family in London?

Public service	Rank (score)
Health services/NHS	1 (1.9)
Public transport	2 (1.28)
Policing and safety	3 (0.93)
Social housing	4 (0.67)
Schools/colleges	5 (0.54)
Roads and highways	6 (0.38)
Social services	7 (0.3)

Given this, it is perhaps unsurprising that half of Londoners would prefer London government agencies to control spending and taxation for the London area (a quarter for the Mayor, and a quarter London boroughs), while 19 per cent think this responsibility should lie with the national Government. This is consistent across demographic groups.

Significantly more 16-24 year olds, C2DE groups, and BAME Londoners trust the Mayor of London or London Boroughs than trust national government.

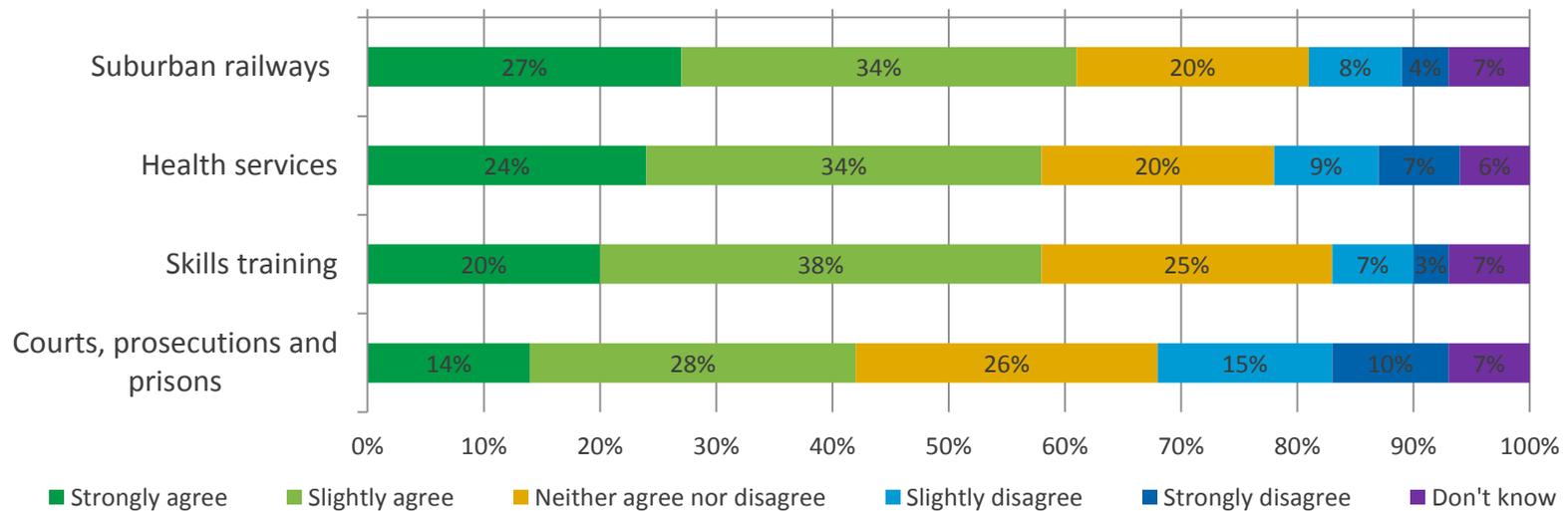
DEVOLUTION OF PUBLIC SERVICES

Currently the Mayor has power over strategic planning and housing, transport and policing, whilst London boroughs control some front line services including education, social services and leisure.

Alongside support for the devolution of suburban railways and health services, 58 per cent of Londoners also agreed London should have greater control over skills training for employment, and 1 in 4 support greater local control over courts, prosecutions, prisons and probation services. A quarter disagreed.

This again reflects the fact that 50 per cent of Londoners most trust tiers of London government to make decisions on public spending, compared to just 18 per cent who trust national government.

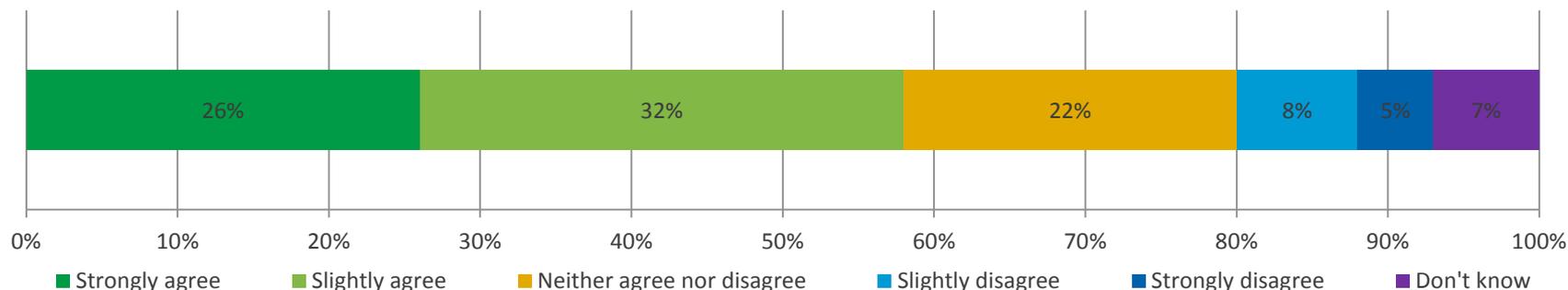
To what extent do you agree or disagree that the Mayor of London and London Councils should have greater control over the following public services?



MORE FINANCIAL CONTROL

Currently, cities like New York, and other large, international cities have significantly more control over the collection and spend of taxes than London has. Echoing the finding that a majority of Londoners would want London government to have more control over important public services, 58 per cent of Londoners think that London government should have more control over taxes and spending in London. Only 13 per cent disagree. Nearly three in ten Londoners neither agreed nor disagreed or weren't sure.

To what extent do you agree or disagree that London government should have more control of taxes and spending in London?



Men were significantly more likely to agree with greater control than women (62 per cent vs. 54 per cent), whilst older people groups were more likely to disagree than younger people (7 per cent 16-24, rising to 18 per cent 65+).

The biggest difference aligns with satisfaction with Sadiq Kahn as the Mayor of London. Of those who are satisfied with the job he is doing as Mayor so far (45 per cent), 76 per cent agree that London government should have more control of taxes and spending in London.

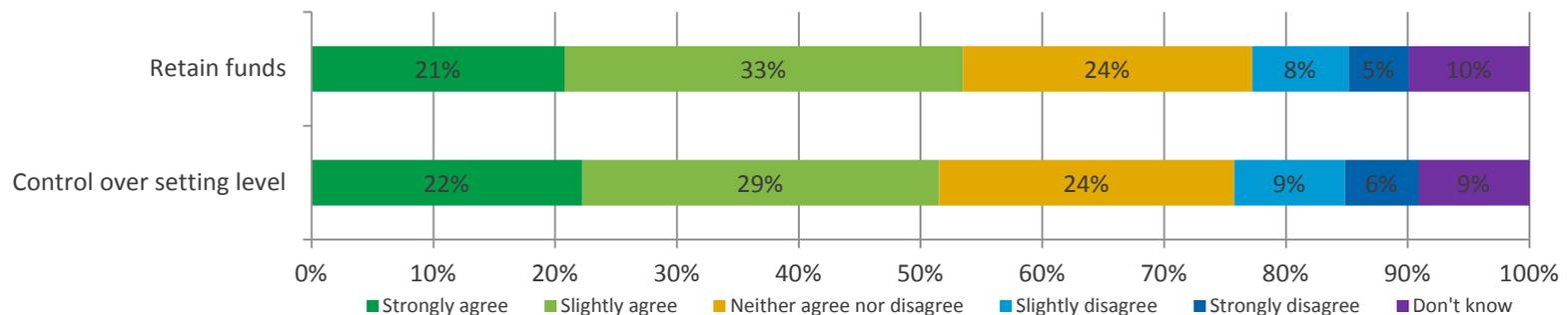
SUPPORT FOR STAMP DUTY REFORM

Stamp duty is paid on the purchase of a property over £15,000 starting at 2% and rising incrementally to 12% for properties in excess of £1.5 million. These charges are set and collected by national Government and redistributed to local authorities. Since the tax is proportional, in London, stamp duty is greater than in the rest of the UK as a result of the inflated property market.

Half of Londoners think that London government should have more control over setting the level of stamp duty on London properties, whilst only 15 percent disagree. Interestingly, these levels of support are consistent across all age groups, gender, social grade and ethnicity. There is only a small difference in the views of people in different tenures, with 56 per cent of homeowners in agreement, compared to 50 per cent of private renters and 43 per cent of social renters.

53 per cent of Londoners agree that the city should retain stamp duty funds, while 12 per cent disagree. This questions sees greater demographic divides, particularly between social grade and tenure. ABC1 respondents are much more likely to agree than C2DE groups (59 per cent compared to 46 per cent), whilst those who own their homes outright are much more likely to agree that London should retain stamp duty (62 per cent compared to 52 per cent of mortgage payers and private renters and 48 per cent of people in social rented accommodation). This may reflect desire of those who are paying stamp duty to see it used in London.

To what extent do you agree or disagree that London should have more control over setting the level of stamp duty on London properties / that London should retain some, or all of the stamp duty funds collected?



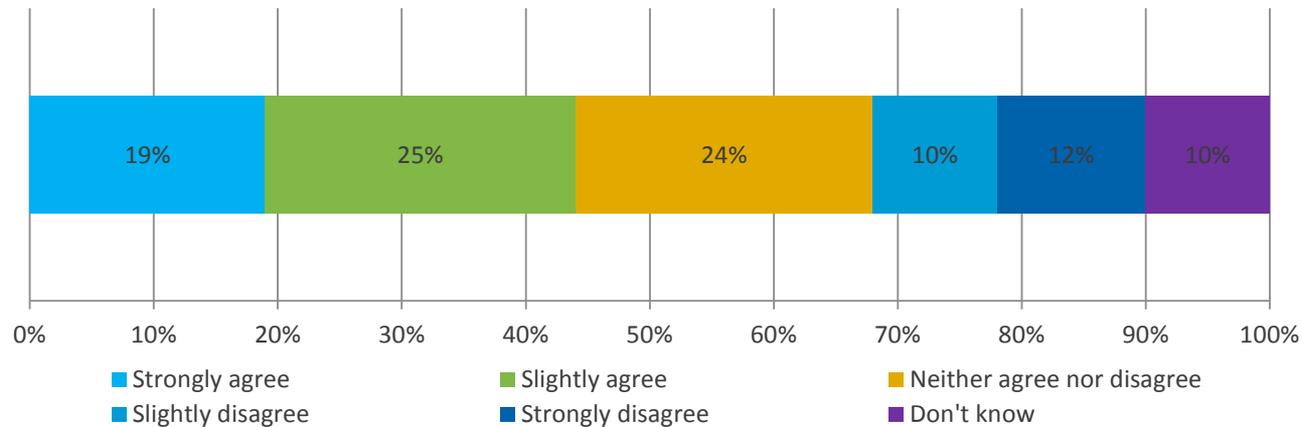
COUNCIL TAX REFORM

Council tax classifies properties in bands based on the 1991 value of the property. Currently, all properties in the UK are classified within one of eight bands of council tax (A to H), based on the value of the property in 1991. The highest council tax band starts at £320,000 yet the average London property prices is £536,000. To make council tax charges more in line with London's property prices, properties could be revalued, and some council tax bands added.

45 per cent of people agree that London's council tax bands should be controlled by London government in order to reflect current property prices, whilst 22 percent disagree and a third don't know or neither agree nor disagree.

Again, demographic differences are slight, but age shows some variation: More of the 16-34 age group tend to agree with the statement (52 per cent) than other age groups. Interestingly however, those least likely to agree are the 55-64 group (35 per cent) followed by the 45-54s (39 per cent). A larger proportion of ABC1s disagree than C2DEs (25% vs 18%), though opinions are consistent across tenures.

To what extent do you agree or disagree that London's council tax bands should be controlled by London government to reflect current property prices?



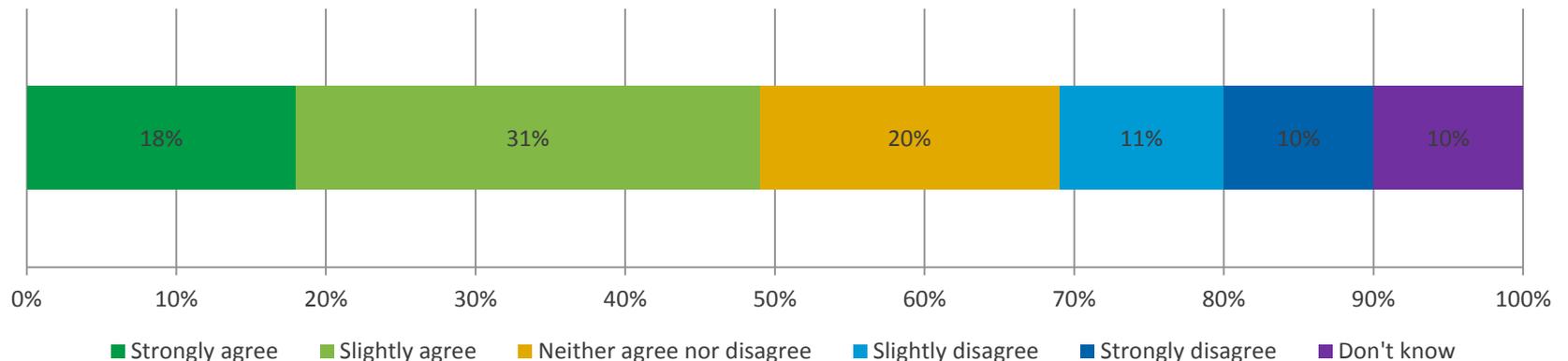
INCOME TAX REFORM

Currently all income tax raised in England is collected by HM Treasury, who then redistribute some of this money to local authorities with directions for expenditure. The London Finance Commission have suggested that a proportion of London's income tax could be retained by London government, with spending decisions made more locally.

Around half of Londoners agree that London government should retain a small amount of income tax generated by London's residents in order to enable decisions around spend to be made locally and to reflect local priorities (49 per cent), compared to 21 per cent who disagree. Demographic differences are absent, with consistency of opinion across age groups, genders, social grades and ethnicities.

The solid level of support for the retention of some income tax is interesting in the context of trust over decision-making in London. More respondents trust the Mayor of London or London Boroughs (25 per cent each) than the national government (19 per cent) to make decisions around public spending in London, and this finding, given the context of the question which included retention of tax for local decision making validates the findings around trust.

To what extent do you agree or disagree that London government should directly retain a small amount of income tax generated by London's residents?

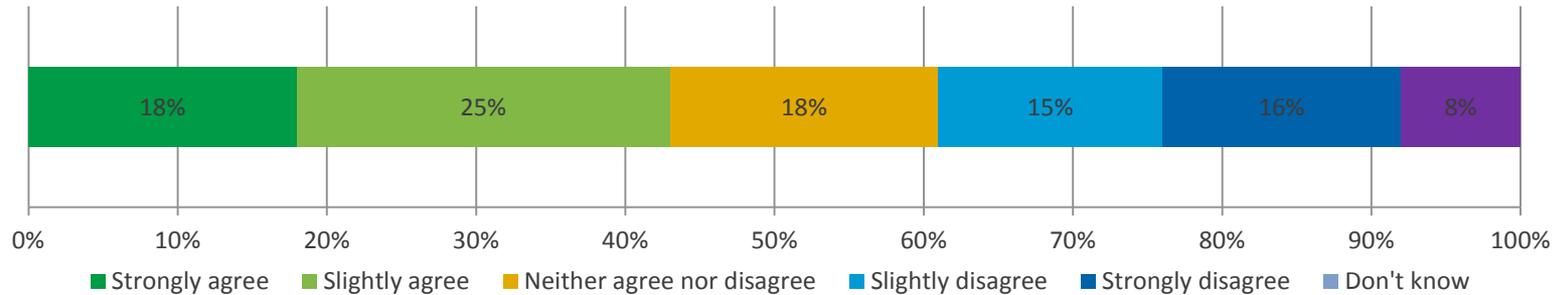


HOTEL TAX PROPOSAL

A hotel tax has been proposed as a way to create investment for culture and tourism, via a small additional charge to be levied on hotel bookings. Londoners opinions on such a hotel tax were divided. 43 per cent supported the tax, while 31 per cent disagreed with the proposal. This may be for a number of reasons, including potential worries about the tourism industry, and the fact that it was the only charge surveyed that included a ring-fence around funds collected.

Men were more likely to support the hotel tax than women (47 per cent vs 39 per cent), while support was stronger among ABC1 than C2DE respondents (47 per cent to 37 per cent). This may reflect an ability to pay.

To what extent do you agree or disagree that a Hotel Tax should be implemented in London, with revenue ring-fenced for culture and related expenditure?



There was no overall consensus on which hotels should be charged. 20 per cent of respondents thought the charge should be implemented on 4* hotels or higher, 15 per cent on 5* hotels only. However, more people thought there shouldn't be a charge at all (15 per cent) than thought it should be levied on all hotels (14 per cent). More than one third of Londoners think that the Mayor should have the power to decide on this tax, followed by 24 per cent who think the decision should fall on the national government.

If a hotel tax were implemented in London, on which hotels should the tax be charged?

