Commission recommends greater tax devolution to help the capital drive UK growth after Brexit

In July, the Mayor of London, Sadiq Khan, re-appointed the London Finance Commission to bring forward new beefed-up devolution measures that would 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 now set out its interim conclusions which propose the most wide-ranging devolution proposals ever recommended for the capital or any UK city – measures that could be adopted in other parts of the country.

This report comes on the back of a major new survey jointed commissioned by the GLA and LFC that suggested around six in ten Londoners agree in principle that London government should have more control of tax and spending on public services in the capital.

In 2013, the original London Finance Commission concluded that Londoners should have a more direct say over a greater proportion of the taxes raised in their city. It proposed devolving the full suite of property tax revenues - including council tax, stamp duty land tax and business rates – giving London the ability to invest in its own infrastructure and promote economic growth. These proposals are strongly endorsed by the new Commission.

New proposals include:

Devolving a proportion of Income Tax and VAT London – London generated £38.6 billion in Income Tax in 2013/14, 32 per cent of London's total tax revenue and 23 per cent of the country's total. The city is also expected to raise £20.8 billion of VAT by 2017/18. The London Finance Commission is proposing the assignment of a small proportion of the income tax yield to London (based on residence). The Commission is also proposing assigning a small share of London's VAT (as in Scotland). The amounts of devolved tax would depend on the progress towards service devolution in the capital, with the potential for London to pay small tariff to national government to ensure that the financial position for London government was fiscally neutral following reform. That is, the Treasury would not be worse off after reform.

Control of the apprenticeship levy – This requires all employers operating in the UK, with a pay bill over £3 million each year, to make an investment in apprenticeships. The Commission recommends that London should have the same powers as the Scottish and Welsh governments, with the ability to keep part of the levy. This additional revenue could be used to target resources at sectors with potential shortfalls in labour supply as a result of leaving the European Union.

Tony Travers said: "The London Finance Commission is asking for Londoners to have more control over taxes and spending to ensure that Brexit does not undermine the city's capacity to grow and to generate tax for the UK as a whole. The recommendations in the report may sound radical, but are modest when compared to other international cities like New York and Frankfurt, and are supported by public opinion. London is not an island; the whole country benefits from London's growth both economically and culturally, so when London prospers the rest of the country prospers as well. Our devolution proposals will give London the tools it needs to accelerate its growth from which the entire country will benefit.

The Commission supports the proposals from the Mayor and London Councils for the Government to agree a devolution deal for London, granting the capital more control over skills, training and employment, planning powers and housing grants, suburban rail services, criminal justice and health services.

NOTES TO EDITORS:

The London Finance Commission found in 2013 that only seven per cent of tax paid by London residents and businesses is redistributed directly by locally elected bodies (the Mayor and borough councils). This contrasts with other world cities; for example, 74 per cent of London's funding comes from centralised grants, compared to 31 per cent in New York, 25 per cent in Berlin, 17 per cent in Paris and eight per cent in Tokyo. London is also a 'tax exporter', home to 13 per cent of the population but generating 18.5 per cent of the national tax take.
Polling research can be found here:

https://files.datapress.com/london/dataset/gla-poll-results/2016-10-07T09:34:53/TNS%20poll%20Oct%202016.pdf