GLAECONOMICS

ONS Consultation Response

Sub-national Public Sector Finances Consultation

September 2017

1. **Have you used, or do you intend to use, any data supplied in the CRPSF bulletin?**
   Yes

2. **Please specify the data, how you have used or intend to use them, and the underlying reason for using the data.**
   The GLA intends to use this data to help develop a more detailed picture of London's finances that will inform more robust, evidence-based policy development. For example, it will be used to better understand London's tax contribution and net fiscal balance, particularly in relation to other UK nations and English regions. This new regional data will also increase transparency in terms of how government finances are raised and spent, and ultimately improve accountability. In addition, with the possibility of greater fiscal devolution to the Capital and other city regions, such data will be vital going forwards. This includes supporting our tax projections to elude to our future budgets, as well as supporting our voice in the devolution debate more generally.

   More specifically, the GLA intends to use this data to look at how new and vital infrastructure projects could be financed. For instance, now that we are more aware of the tax-take from each area we will be able to look at whether a supplement could help fund that particular scheme.

   Similarly, we will also be able to make a better judgement as to whether a policy will 'pay for itself', e.g. moving people on in employment (progression) for instance, may 'pay back' depending on the level of job achieved; moving people back into work may have a greater impact in some areas than others.

3. **Referring to the presentations of data within these tables, are there any additional presentations of data that you would like to be included?**
   No

4. **Please provide details of additional data presentations that you would like to see.**
   N/A

5. **Please indicate your preferred approach to apportioning North Sea revenue to countries and regions?**
   Both

6. **Please provide a rationale for your response to Q5.**
   The GLA sees merit in apportioning North Sea revenue using both the population and geographical approaches. For example, the geographical approach may reflect where the North Sea revenue is collected in reality and, is therefore, a viable option. On the other hand, the oil and gas reserves can be considered a UK asset that happens to be mostly in Scotland, so the revenue

should be more evenly distributed across the UK – i.e. a population approach. This also removes some of the distortive aspects of allocating nearly all the North Sea revenue to Scotland. Overall, given that there are pros for the geographical and population shares, the GLA would like to see both approaches being used.

7. **Have you read or consulted the methodology guide that accompanies the CRPSF bulletin?**
   Yes

8. **How useful did you find the methodology guide?**
   Quite

9. **Please provide reasons for your answer to Q8.**
   The methodology note was detailed and clear, but having all information on Northern Ireland in one place would have been useful, as would any next steps ONS is thinking about.

10. **Do you have any comments or suggested improvements to any of the apportionment methods used?**
    As stated in previous consultation responses, while the GLA is comfortable with the 'who pays' and 'who benefits' principles for revenue estimation, the GLA would favour a workplace-based approach (rather than a residence-based approach) that assigns tax revenue based on an individual's place of work. This could be instead of, or in addition to, the existing approach. Undertaking a workplace-based approach is particularly important for understanding London's economy, where, in many areas, a lot of tax revenue is raised by a significant proportion of people who do not live in London (i.e. in the City of London).

11. **Have you used any of the publications listed below?**
    Northern Ireland Net Fiscal Balance Report – Y

    Government Expenditure and Revenue Scotland – Y

    Government Expenditure and Revenue Wales – Y

    HMRC Disaggregation of Tax Receipts – Y

    HMT Country and Regional Analysis – Y

    DWP country and regional tables – Y

    Other country/regional publications – N

12. **If Y to Q11, please identify these.**
    The GLA has used these publications to identify the amount of tax revenue and government expenditure in and around the UK. This underpins work on the GLA's financial budgets, as well as work calling for greater fiscal devolution to London. For example, the HMT Country and Regional Analysis was used in a recent publication looking at transport expenditure in the UK regions and the HMRC Disaggregation of Tax Receipts was used to underpin the GLA's tax projection models.

13. **Have you found the CRPSF bulletin to be a useful addition to the publications listed in Q11?**
    Yes

14. Do you have any views on how ONS and the producers of these publications should work together to provide a suite of data and publications that best meet user needs?
No

15. Should the CRSPF bulletin become a regular annual publication?
Yes

16. Please give reasons for your response to Q15.
A regular, annual country and regional publication that presents public sector finances, on a comparable basis, at the NUTS1 level, would be very helpful to the GLA and others. GLA Economics, as well as City Corporation and the London Finance Commission, have had to devote significant resources to understanding how much has been raised in London and how/where it was spent. Going forward, the GLA could use this sort of data to develop ideas around infrastructure financing, and produce analysis on whether particular policies are likely to become self-financing or make 'financial sense' from a public finances perspective. A periodical on the regional breakdown of current levels of spending and receipts would provide valuable input to the debate around fiscal devolution and regional policy making. Following not only the increase in powers to the Scottish government, but the more recent devolution of increased business rates revenue to London government, there is a stronger need for regional current spending and receipts data.

17. The CRPSF was published in May 2017, while some other country and regional publications are published at different points in the year. Is there a particular point in the year that you see as the most suitable time to publish the CRPSF?
The GLA would like to see this data published as soon as it becomes available while still allowing for maximum accuracy (i.e. fewest revisions) and a full picture of every nation or region of the UK.

18. Have you read the Sub-regional public sector finances scoping study?
Yes

19. How useful did you find the scoping study?
Quite

20. Please elaborate on your response to Q19.
The scoping study has highlighted a number of issues with national public sector finance datasets that have also previously been raised by the GLA. Namely, that it is difficult to produce regional breakdowns given the level of information contained in and published by the national datasets. It was also interesting to read the ONS views on how these datasets can nonetheless be used to create sub-regional estimates, though disappointing that there is no meaningful methodology yet. Therefore, we would reiterate our desire for sub-regional public sector finance estimates and encourage the ONS and data providers to work towards these.

21. Have you used, or do you intend to use, any of the sub-regional PSF estimates that are currently available from sources outside the ONS?
Y

22. Please specify for each data source used: a) the data accessed; b) the geographical area(s) to which the data relate; c) the purpose underlying the use of the data.
In the past, we have used sub-regional public sector finance estimates from the Centre for Cities to show the tax contribution and expenditure of different parts of London. However, as the scoping study notes, this does so at a high level with groupings and some missing information. At

a higher level of geographical aggregation, we have used estimates from Cebr and the City of London for the same purpose.

23. How useful would estimates of net fiscal balance be for the following geographies?
Combined authorities/city regions – Very

Local enterprise partnerships – Very

Local authority districts – Very

Other

24. Please elaborate your answer(s) to Q23.
Any estimates for additional sub-regional geographies would be very useful to the GLA and others. Such sub-regional estimates would help to improve transparency and accountability by providing a more detailed picture of London's finances. This is particularly the case given the prospect of greater fiscal devolution.

25. Which is your preferred measure of public sector revenues, where applicable?
Both

26. Please elaborate on your response to Q22.
While a resident-based measure is often easier to calculate and usually the default position, the GLA would like to see public sector revenues measured using both a resident and workplace-based approaches. That is because we believe that public sector revenues should be based on where they are actually raised. For some taxes like stamp duty, the appropriate measure may be resident-based as the tax is directly linked to where someone lives. However, for other taxes like income tax, a workplace-based measure may be more applicable as income is more closely linked to work than residence.

The issue of whether a residence or workplace measure is used is of particular importance to London given the high levels of commuting into the Capital. The tax generated by these commuters would not be captured in a resident-based measure and would underplay the role of the Capital. Consequently, this further shows the important need for looking at public sector revenues on a workplace measure.

27. What role do you believe ONS should play in relation to the production of sub-regional estimates going forward?
The GLA believes the ONS should continue to produce and publish sub-regional estimates, not only for public sector finances, but in all areas of the economy. A better understanding of sub-regional economies allows for more informed policy making and creates a more accurate and transparent picture of the UK economy as a whole.

28. Do you have any additional comments or suggestions concerning public sector finance estimates at the country and regional level, or the sub-regional levels?
The GLA would like to reiterate our long running concerns about the quality and detail of sub-national statistics (public sector finance estimates, and more generally) together with the time lags involved in producing such statistics. The lack of timely estimates of sub-national GVA for example, can mean that official estimates of the size of the output of London's economy can be up to two years out of date. In other instances, the lack of a sub-national breakdown or a sub-national version of a broad number of UK-wide statistics has hindered analysis of London's economy both within the GLA and national government. Given the size of London's economy

(London accounts for 23 per cent of UK GVA), this is detrimental to a detailed understanding and analysis of the UK's economy as a whole. These are concerns that have been raised by the GLA in response to previous consultations by the ONS and UK Statistics Authority including the call for evidence to Charles Bean's Review of economic statistics[1].