

ABERDEEN CITY COUNCIL

COMMITTEE	Full Council
DATE	17 August 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	Additional Powers
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

At its March 2016 meeting, the Council instructed the Head of Economic Development to provide an 'options appraisal' of the devolution of existing and proposed (via the Scotland Bill) powers and the different levers that could be available to the Council. The purpose of this report is to update Elected Members on the findings of this work.

2. RECOMMENDATION(S)

It is recommended that the Council:

- (i) Notes the Empowering Scotland's Cities – Empowering City Government analysis undertaken by Scotland's seven cities calling for a new way of working with the UK and Scottish Governments, and agrees it will provide a framework within which further discussions are progressed.
- (ii) Notes the analysis of additional non-fiscal and fiscal powers the Council could seek to pursue (outlined in the Appendix to this report) and the potential 'costs' and 'benefits' of these; and
- (iii) Based on this analysis, note the priority levers outlined in this report, and instructs officers to assess the implications on the Council's finances if these were to be devolved to the Council.

3. BACKGROUND

Delivery of Scotland's Economic Strategy (March 2015) sets out a framework to increase competitiveness and tackle inequality to support long term economic growth across four priority areas of investment, innovation, inclusive growth and internationalisation. The Strategy highlights that many of the key levers to address competitiveness and inequality are reserved to the UK Government, and that the Scottish Government will make a case for priority powers over economy and welfare – control over a range of personal and business taxes and employment policy - to be transferred to the Scottish

Government, as well as using further powers that have been agreed under the Scotland Bill.

In December 2015, the Council approved a new Regional Economic Strategy, “Securing the future of the North East Economy – A 20-year Vision for the Wellbeing of the Place and Our People”. It sets out the overall ambition for Aberdeen and the wider region to remain a major economic driver of the Scotland and UK economies and sets out a number of key priorities across four key programme areas of:

- Investment in Infrastructure;
- Innovation;
- Inclusive Economic Growth; and
- Internationalisation.

The Strategy sets out how delivery will underpin UK and Scottish Government economic priorities and highlights the fiscal challenge for the Aberdeen City region of maintaining and improving the performance of the economy, against a backdrop of reductions in public spending, low oil prices and resulting pressures on the city and regional economies.

The Strategy indicates that the Aberdeen City region has consistently delivered a higher level of economic growth than other parts of the UK and Scotland, and is a globally competitive location, but investment in the economic infrastructure has not kept pace with its economic success.

Funding the level of investment to deliver its priorities will be influenced by a number of policy drivers including the further devolution of powers to Scotland.

In February 2016, the Council’s Finance, Policy & Resources Committee requested officers to provide a report on how the Aberdeen City Region Deal could be strengthened through the use of additional powers devolved from the Scottish Government to the Council to stimulate growth within the economy of Aberdeen and the wider North East.

At the March 2016 Council meeting, Council was provided with a report on how additional powers devolved from the Scottish Government to the Council could be used to facilitate delivery of the Council’s priorities and contribute to the delivery of the Regional Economic Strategy. It recommended that a further appraisal be carried out of the devolution of existing and proposed (via the Scotland Bill) powers and the different levers that could be available to the Council.

4. MAIN ISSUES

In June 2016, Scotland’s seven cities published [Empowering Scotland's Cities - Empowering City Government](#). This builds on the policy framework above and identifies the non-fiscal and fiscal levers that could be most effectively devolved

to the cities to foster growth, create employment and make Scotland's cities more attractive places to live and do business. The Leaders of each city called for a collaboration with the UK and Scottish Governments in four areas:

1. A shared approach to improving connectivity and infrastructure
2. A radical change in the approach to economic development
3. A shared approach to improving our communities
4. A shared approach to setting a diverse tax system across Scotland.

The report provides a template for the economic levers that cities need in order to deliver their city, regional and national economic priorities. It corroborates Aberdeen's position as a key economic driver for Scotland. Combined, the cities generate £65bn of Scotland's total economic output of £120bn (2015), and Aberdeen accounts for 24% of this. The analysis indicates that Scotland's largest cities (Aberdeen, Edinburgh and Glasgow) are projected to be outperformed by their English counterparts, in terms of average annual GVA growth, attributable to the modest growth rates in working age population in the Scottish cities. It suggests that the current trend of devolution deals in the English cities, and corresponding control to the cities and regions could enable further economic growth there at the expense of Scotland.

Globally competitive cities are those that are facilitating R&D, business activity, infrastructure, digital connectivity, high quality local labour force and leadership, while the direction of travel at the EU level (around the EU Urban Agenda) is to support European cities in policy areas including migration, jobs, housing, circular economy, energy transition and digital transition. Regardless of the context of 'Brexit' for UK cities, the relationship between cities and central governments is changing.

The economic needs of the 'city', as catalysts for economic activity at the wider regional level, are at the heart of the approach to City Deals in Scotland that are all building on the foundations of the city as the driver of regional economies.

A policy to transfer economic levers and responsibilities to cities has been a key feature of English city deals, and while each 'deal' is unique, there are a number of common themes and powers being sought to drive economic growth: transport, digital, enterprise, skills and employability, trade and investment, and fiscal levers. As well as these, a key argument is that more devolved decision making from central to local government is likely to result in a more bespoke response to the economic issues of the cities and wider regions.

This trend was a key part of the discussions on the development of the Aberdeen City Region Deal. Although the Heads of Terms Agreement that was signed in January 2016 provided a 50: 50 investment of £250m by the UK and Scottish Governments (and at the same time the Scottish Government committed a further £254m investment), the focus of this programme is on delivery of transformational economic projects, and did not deliver specific powers or fiscal levers. In this sense, the Aberdeen City Region Deal is the starting point of a long-term improvement programme to build further growth into an already

successful regional economy. It is therefore a key delivery mechanism to achieve the ambitions articulated in the Regional Economic Strategy.

However, additional mechanisms are needed, and indeed, throughout the development of the Deal, the Council, and Aberdeenshire Council, were also continuing to make the case for additional levers that were needed, beyond capital investment, to deliver the regional economic needs. These included:

- A Tourism Levy;
- Regional coordination and influence on 'strategic' utilities delivery and investment plans;
- Control of Air Passenger Duty;
- Visa Waiver Scheme for international students wishing to work and live in the North East of Scotland following their studies;
- Powers to vary Council Tax;
- Property Tax; and
- Non-Domestic Rates control.

For Aberdeen, and, as other cities have been developing their thinking on city region deals, a key feature is the collaboration between the cities and the UK and Scottish Governments. This directly reflects the March 2016 refresh by the Scottish Government of Scotland's Agenda for Cities which reiterates the commitment by the Scottish Government to local decision making, and the benefits of collaboration between the different levels of government in order to deliver Scotland's Economic Strategy priority areas.

5. ANALYSIS

The Council has a crucial role in delivery of economic growth. It is responsible for local economic development, and also other levers such as education, planning, licensing and local transport projects. It is also a key service provider, including delivery of the Business Gateway (with Aberdeenshire Council), trade and investment, employability and skills, external funding and transformational projects and programmes.

The Council, as part of the seven Scottish cities have called on the UK Government and the Scottish Government to discuss a redefinition of existing relationships with Government, a 'new deal' between cities and central governments that will set a framework for the devolution of future powers. Officers of the Council participated in this work and provided evidence on a number of priority (for economic growth) **non-fiscal** and **fiscal** levers. The analysis is provided in Appendix 1 to this report, and based on this a number of priority areas have come forward for further consideration and these are summarised below according to each of the four Programme Areas in the Economic Strategy.

Priority Non-Fiscal Powers		
Regional Economic Priority	Lever – Devolved (including via Scotland Bill)	Lever - Reserved
<i>Investment in Infrastructure</i>	<ul style="list-style-type: none"> - Transport Scotland collaboration (assess via City Region Deal approach) - Strategic Infrastructure Agencies – around margins of Strategic Infrastructure Plan and City Region Deal, convene a strategic utilities group forum - Digital (regional approach via City Region Deal & Digital Place strategy) 	<ul style="list-style-type: none"> - Digital (regional approach via City Region Deal & Digital Place strategy)
<i>Innovation</i>	<ul style="list-style-type: none"> - Economic Development – assess implications of SG Review on innovation and business development support 	
<i>Inclusive Economic Growth</i>	<ul style="list-style-type: none"> - Economic Development – assess implications of SG Review on business development support - Skills – assess implications of SG Review of SDS - Packaging funding from multiple sources into longer term programmes of work with specific target groups and delivery metrics would lead to clearer delivery arrangements, greater coherence of approach and better impact - Housing – greater regional delivery mechanisms via additional commitments by Scottish Government announced at same time as City Region Deal 	<ul style="list-style-type: none"> - Welfare – consider response to the impact of the Scottish Government assuming devolved welfare powers and delivery of a new Scottish Social Security Agency - Councils are well-placed to lead delivery with the appropriate level of resource of the significant changes to be introduced in Scotland
<i>Internationalisation</i>	<ul style="list-style-type: none"> - Economic Development – assess implications of SG Review on trade and investment delivery 	<ul style="list-style-type: none"> - Greater collaboration with UKTI and alignment of UKTI/ SDI support to the international reach of

Priority Non-Fiscal Powers		
Regional Economic Priority	Lever – Devolved (including via Scotland Bill)	Lever - Reserved
		Aberdeen and the North East of Scotland - Immigration

The work by the Scottish cities also proposes a ‘menu’ of local taxes and levies as a starting point for future discussions with the UK Government and the Scottish Government to enable cities align revenue generation capacity to economic growth priorities. These are summarised below according to each of the four Programme Areas in the Economic Strategy.

Priority Fiscal Powers		
Regional Economic Priority	Lever – Devolved (including via Scotland Bill)	Lever - Reserved
<i>Investment in Infrastructure</i>	- Increased retention of NDR - Parking Levy (Local decision) - NDR (distribution changes) on business infrastructure	
<i>Innovation</i>		- Low Carbon project development – Climate Change Levy
<i>Inclusive Economic Growth</i>	- Retention of a portion of Income Tax (Local) - Housing – Property Tax - NDR (relief) – stimulate investment	- Housing – retention of a portion of Capital Gains Tax
<i>Internationalisation</i>	- Tourism Levy - Air Passenger Duty	

For Aberdeen city, and the North East of Scotland, there are a number of benefits from the development of additional powers through a closer relationship with both governments:

- Collaborative gain from a collective and integrated approach to economic growth – collectively as seven cities, but also locally within the city regions;
- Clear definition of roles and responsibilities between central government and local government.
- Enabling of city councils to maintain and enhance its role and responsibility for local economic development, accessing greater resources in the delivery of national outcomes.

- An enhanced role in the economic leadership of the city from further devolved fiscal and non-fiscal levers through the transfer of a range of powers from central government. This could be consistent with the Scottish Government's current review of enterprise agencies, Skills Development Scotland (SDS) and the Scottish Funding Council (SFC).

6. FINANCIAL IMPLICATIONS

The devolution of powers and/ or taxes could bring a series of benefits and risks, and matters arising that would need to be considered further by the Council and the Scottish and UK Government:

- Devolution of taxes could provide more sustainable finances by aligning local revenue generation to local public spend
- How to ensure that additional fiscal revenue is 'ring-fenced' for economic growth uses, in a way that needs of citizens, businesses and the well-being of the place;
- The relationship between any changes from local taxation and consequent changes to the Council's general revenue grant.
- The relationship between any changes from local revenue generation and the wider regional economy and finances of Aberdeenshire Council and Angus Council in particular
- Administration of taxes/ levies and costs of collection etc.
- Displacement and substitution effects between different cities, regions within the UK, Scotland.

7. OTHER IMPLICATIONS

The review by the Scottish Government of SE, HIE, SDS and the SFC will inform how the Council progresses the implementation of Empowering Scotland's Cities. The unique challenges faced by the Aberdeen city and regional economies, as outlined in the Regional Economic Strategy, the response to these, by the Council and its regional partners, and development of the Aberdeen City Region Deal with Aberdeenshire Council in delivery of the Aberdeen City Region Deal all indicate an increased focus on enhanced powers and levers on economic development.

There is a sense that the national agencies are not currently configured, best placed or have the flexibility to help deliver inclusive economic growth at local and regional levels, whether they are best delivered through a single organisation, and particularly in the employability/ skills area. SE, and to a lesser extent SDS, still have a range of international and national 'products' that may be better shaped with local or city region influence. For example, the current approach by the national agencies is to focus on support by key sector and/ or business turnover (account management), whereas the Council, through delivery of a number of business support measures via its economic development service and Business Gateway delivery (by Elevator); its business facing services (e.g. planning, licensing, trading standards), and

its leadership of local economic development, would provide better scope for alignment of national products/ programmes – in particular skills, employability and trade/ export support.

As the review is completed officers will come back to the Council or relevant Committee with a further report in the implications of the review on local government, cities and regional economies. The Council would need to consider the implications of any changes to deliver any service/ remit that may currently be provided at the national level.

8. IMPACT

Improving Customer Experience –

At the heart of the work by the Council and its regional and city partners is to improve the impact of delivery on our customers. This report ensures that all the stakeholders and partners continue to work closely with the private sector and other stakeholders in developing the Council's response to this evolving policy landscape to deliver the long -term economic wellbeing and prosperity of the Aberdeen City Region.

Improving Staff Experience –

Greater responsibility and remit or alignment of economic growth powers will contribute to the existing collaboration and leadership, across the Council's services, and working closely with Aberdeenshire Council and our regional partners. .

Improving our use of Resources –

Any devolution of responsibilities and powers will reduce confusion and overlap in deliver, and could provide opportunities for more effective and efficient use of resources that align to the overall economic priorities of the Council and the wider region, and provides the opportunity for other public and private sector investment and confidence.

Corporate -

The Council's role in leading the delivery of local economic development, and its role as a key city within the Scottish Cities Alliance will ensure it is at maintaining its political leadership in delivery of economic outcomes.

Public

This report and further development of the proposals will have an impact on Aberdeen's citizens as it will focus the key areas of inclusive economic growth.

9. MANAGEMENT OF RISK

The following risks and opportunities would need to be considered in order to understand the potential impacts of this report:

- If any of the fiscal levers in the report were devolved, the balance of risk from the Scottish Government could shift to Councils and the nature of this would need to be considered by officers. In an economic downturn, there could be a risk that future revenues from such income streams may be lower than historical revenues which could be a risk to Aberdeen City Council's financial position in the event of these being devolved.
- Depending on the nature of any reduction in the level of income due to local changes made to the operation of taxes e.g. changing rates or bandings, these may need to be funded locally. The implications of this on the Council's finances would need to be considered.
- The actual share of any devolved taxes received by Aberdeen City may not equate directly to the sums raised in the Aberdeen City Council area, and the distribution methodology would need to be discussed with the Scottish Government.

10. BACKGROUND PAPERS

Aberdeen City Region Deal - Joint Committee, Aberdeen City Council
December 2015 (Agenda Item 7(d))

Regional Economic Strategy & City Region Deal Update, Aberdeen City
Council December 2015 (Agenda Item 7(c))

Aberdeen City Region Deal Heads of Terms Agreement, Finance, Policy &
Resources Committee February 2016 (Agenda Item 7.7)

11. REPORT AUTHOR DETAILS

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Appendix 1 – Analysis of Empowering Scotland’s Cities

1. Non- Fiscal Powers

Lever	Status	Ask/ Rationale	‘Costs’ (of not devolving)	‘Benefits’	Priority for Aberdeen
Transport Scotland	Devolved (D)	<p>Cities require influence on the prioritisation of projects and investment plans</p> <p>Share decision-making on prioritisation of projects and investment</p> <p>Connectivity is key to economic growth and, for Aberdeen, vital in relation to its geographic peripherality and its international economy links</p>	<p>Extensive negotiation at individual city level with Transport Scotland.</p> <p>Transparency and focus on transport outcomes without consideration of city/ regional workforce and business needs</p> <p>Transport development is in isolation to inclusive economic growth mechanisms</p>	<p>Improve relationship between cities and national agencies as cities work collectively with Transport Scotland to deliver joined-up solutions across cities/ metropolitan areas</p> <p>City leadership/ autonomy provides significant profile and investor confidence, and enables cities to work with local stakeholders to maximise connectivity</p> <p>Alignment of local government policies – land use planning, housing, economic development – within city regions and ‘inter-city’</p>	Yes – consider within development of transport proposals under the Aberdeen City Region Deal and city and regional delivery
Infrastructure Agencies	D	Cities require influence on the prioritisation of projects and investment plans	Extensive negotiation at individual city level with a number of agencies	Improve relationship between cities and ‘non-transport’ agencies including Scottish Water,	Yes. While there are good links between agencies and Council services, greater

Lever	Status	Ask/ Rationale	'Costs' (of not devolving)	'Benefits'	Priority for Aberdeen
		Share decision-making on investment plans around water, sewage, waste, low carbon, land and property infrastructure		SEPA, SFT, utilities companies and Zero Waste Scotland etc.	coordination at the city and regional level would result in bringing forward investment in line with other major projects. For example, the role of Scottish Water in delivery of Aberdeen Harbour expansion
Digital	D and Reserved (R)	<p>Fast and effective roll out of digital infrastructure is key to economic growth and productivity gains.</p> <p>Aberdeen city and the wider region performs poorly in relation to the proportion of postcodes with access to superfast connectivity</p> <p>Key part of the City Region Deal and wider public sector efficiency as highlighted in the Digital Place Strategy</p>	Deterring economic growth, and business growth, export growth and inward investment	<p>Shared role in setting policy on digital infrastructure roll-out</p> <p>Scaling up of demand across city region</p>	<p>Yes – consider within development of digital under proposals the Aberdeen City Region Deal and city and regional delivery</p> <p>Aberdeen already has a Digital Place Strategy. Consideration could be given to city-to-city joint working</p>
Economic Development	D	The relationship with Scottish Enterprise could be improved with greater alignment by SE to the Regional Economic Priorities	While the relationship between Aberdeen city region and SE is good, it is recognised that the	As drivers of Scotland and regional economic growth, city councils are best placed to lead, drive and	Yes, although in certain areas – e.g. trade and inward investment delivery may be best

Lever	Status	Ask/ Rationale	'Costs' (of not devolving)	'Benefits'	Priority for Aberdeen
		<p>The establishment of Opportunity North East and a Regional Economic Strategy Group provides an opportunity for a more coherent local and regional support network.</p> <p>This is exacerbated by the additional delivery by SDI and UKTI, and there may be a cluttered landscape</p> <p>In 2015/16, SE employed 1,400 people and has a budget of £228m, the same level of investment by Scotland's Councils.</p>	<p>cities have a role, as civic leaders, for creating the conditions for economic growth</p> <p>At a policy level, cities and their regions can be detached from designing local solutions, and cannot generate the resources to respond</p>	<p>coordinate delivery of business development and enterprise, working with the national agency.</p> <p>Setting of local taxes & levies (see below)</p> <p>City-to-city and regional working to develop local solutions to our economic priorities</p> <p>Greater clarity and leadership on the distinct offer for Aberdeen and wider region and reduced overlap</p>	<p>delivered by a national agency, but at a regional level</p> <p>However, any reconfiguration should be discussed following the review by the Scottish Government of SE. The Council is contributing to the response by Scotland's cities, and regionally through the Regional Economic Strategy Group</p>
Skills	D/ R	<p>While there is a regional skills strategy (draft) the connectivity of that to implementation, and across what is often a cluttered landscape across public, third and private sector organisations, is poor</p> <p>Connectivity between supply side interventions (skills) and demand (employers) is not cohesive</p>	<p>Lack of coordination between cities, regions, government and FE/ HE sectors is resulting in confusion and fragmented delivery, with users (business and learner) potentially contacting a range of agencies</p>	<p>Efficiency and economies of scale, and greater employability and job outcomes</p> <p>Tailoring of national skills interventions to regional and city labour market need (e.g. health, energy, tourism and hospitality)</p>	<p>Yes and especially in context of downturn in oil and gas and Council's emerging locality plans in priority areas</p> <p>However, any reconfiguration should be discussed following the review by the</p>

Lever	Status	Ask/ Rationale	'Costs' (of not devolving)	'Benefits'	Priority for Aberdeen
		<p>The presence of two universities and NESCOL in Aberdeen provides a good opportunity for greater collaboration regionally, and also the labour supply element of inward investment.</p> <p>Local Authorities are responsible for other key strands to achieve economic growth including Business Gateway, Local Economic Development strategies, Education, and Social Care - for employability support to be effectively linked to these strands, it is essential that Local Authorities can directly influence employment support provision based on a robust understanding of their functional economic market area.</p> <p>Local Authorities are ideally situated to contract employment support provision that will be effective in meeting the specific needs of their residents, particularly those with the most complex needs. The key to success is to contract support that takes greater account of local economies and local labour market need</p>	<p>City and regional influence is key to alignment of programmes across public, private and HE/ FE sectors</p>	<p>Closer regional working to improve delivery and drive greater efficiency – for local government there is an obvious link between education, skills programmes and demand</p> <p>The effective devolution of this power would provide responsibility for all funding for employment support and skills development within Council and regional areas. This would provide Councils with the ability to align every aspect of the skills delivery in response to need in their area, and for Aberdeen, embed a regional approach to delivering national policy.</p> <p>By packaging funding from multiple sources into longer term programmes of work with specific target groups and delivery metrics would lead to clearer delivery arrangements, greater coherence of approach and</p>	<p>Scottish Government of SDS and SFC. The Council is contributing to the response by Scotland's cities, and regionally through the Regional Economic Strategy Group</p>

Lever	Status	Ask/ Rationale	'Costs' (of not devolving)	'Benefits'	Priority for Aberdeen
		In 2015/16, SDS employed 1,300 people and has a budget of £170m.		better impact measurement. Decision making for socio-economic development powers, along with resources, would give a more localised solution to inclusive economic growth targets	
Immigration	R	<p>Scotland's economy, and city regions need access to high value skills and working age (16-64 years) people</p> <p>There is a need to increase net migration to provide labour resources to meet demand</p> <p>The restriction on post study work visas for international graduates is a barrier to accessing these skills, which could be exacerbated depending on the detail of negotiations to exit the EU</p>	There is no influence of immigration policy by cities, and particularly internationally competitive city regions such as Aberdeen	<p>Working with the Governments, and HE sector, influence over post study work visa policy would ensure access to international talent and skills</p> <p>Opportunity for greater net migration into cities to boost productivity and economic growth</p> <p>Talent attraction/ retention</p>	Yes but this is a Scottish and cities issue and therefore the Council could contribute through existing networks such as Scottish Cities Alliance
Welfare	Scotland Act 2016	Reform of funding and delivery of welfare has been enacted that will result in £2.6bn of the welfare budget being devolved to Scottish Government. This represents 15% of benefit expenditure to Scotland, and	Replacing the current Work Programme with another centralised system would represent a lost opportunity.	Councils are well-placed to lead delivery with the appropriate level of resource of the significant changes to be introduced in Scotland	Yes and in relation to responding to the impact of the Scottish Government assuming devolved welfare powers and delivery of a

Lever	Status	Ask/ Rationale	'Costs' (of not devolving)	'Benefits'	Priority for Aberdeen
		<p>has more of a focus on non-WA benefits</p> <p>Universal credit will remain reserved. Scottish Government will need to work with cities and regions on a new model</p> <p>Reduced budgets on Work Programme will result in an immediate funding gap in delivery of welfare</p>		<p>Decision making for socio-economic development powers, along with resources, would give a more localised solution to inclusive economic growth targets</p>	<p>new Scottish Social Security Agency</p>
Housing	D	<p>Cities and surrounding regions have a key role in delivery of the Scottish Government's affordable housing targets (50,000 new homes in the next 5 years)</p> <p>£20m of the Government's £50m infrastructure fund is earmarked and committed to Aberdeen and the North East of Scotland (flexible grant/ loan); five-year certainty on affordable housing grant</p> <p>Additional levers may be needed - influence on the prioritisation of projects and investment plans, including first refusal of all public sector land for housing</p>	<p>Threatens the deliverability of Scottish Government targets</p> <p>Difficulty to compete for talent attraction and retain talent/ skills to enable economic growth</p> <p>Piecemeal development of wider public sector estate into housing sites</p>	<p>Already strong relationships between cities and Scottish Government</p> <p>Local administration and delivery of national policy more likely to deliver national targets</p> <p>City-to-city working and at regional level more likely to realise scale of regional housing supply</p> <p>Investor/ developer confidence raised, and key role in delivery</p>	<p>Yes – consider as development of housing proposals under proposals the Scottish Government announced as part of the Aberdeen City Region Deal could provide city and regional delivery</p> <p>(See also Council Report August 17 on Affordable Housing Delivery)</p>

Lever	Status	Ask/ Rationale	'Costs' (of not devolving)	'Benefits'	Priority for Aberdeen

2. Fiscal Powers

Lever	Status	Ask/ Rationale	'Costs' (of not devolving)/ consideration	'Benefits'	Priority for Aberdeen
Tourism Levy	D (new tax)	<p>This would be a new lever to Aberdeen city and would involve a levy on tourists staying in hotels of c£1 a night for each hotel room occupied. The revenue made could be reinvested in cultural assets, help fund the Destination Marketing Organisation and/ or used to fund tourism/ event related activities</p> <p>Needs further analysis by VisitAberdeenshire and partners to understand better the effect on demand and hotel occupancy</p>	<p>Lack of investment in in the well-being of the place (public realm etc.)</p> <p>Pressure across partners to identify budgets for tourism/ leisure/ culture investment</p>	<p>There is an estimated 6,000 hotel rooms in Aberdeen.</p> <p>We also estimate c3,000 rooms in 'future pipeline'. Based on a modest occupancy rate of 60% (from monitoring monthly occupancy rates), a potential levy would attract c£2.0m annually. This does not include any cost of administration of such a scheme.</p>	Yes – and in context of consideration by other cities
Local Income Tax	D	<p>For Aberdeen, the benefit from investment often accrues to the Scottish Government and UK Government via income tax.</p> <p>HMRC report £933m revenues were raised in Aberdeen City from income tax in 2013/14. Retaining 25% of income tax, as proposed by the</p>	<p>Misalignment between spending and direct benefits could constrain realising of economic ambition and impacting the sustainability of public finances.</p>	<p>Depending on nature of settlement, revenues could be used to invest in social infrastructure</p>	Yes, but further analysis required on understanding where tax is generated – e.g. work-place (cities) or residence-place boundaries and the effect on other areas/ travel to work/ learn

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		Scottish Government, could see Aberdeen City Council take on around £235m of revenue per annum (Edinburgh, £405m; Glasgow £219m, Dundee £50m).			areas
Capital Gains Tax	R	<p>Given its close links to income tax the devolution of Capital Gains Tax could be considered along with proposals for local retention of income tax.</p> <p>We estimate that £13m per annum is generated from Aberdeen City Council area based upon a population share.</p>	Misalignment between spending and direct benefits could constrain realising of economic ambition and impacting the sustainability of public finances	<p>Capital Gains Tax generated £293m in 2014/15 in Scotland.</p> <p>Revenues could be ring-fenced for social-housing and/ or public realm</p>	Considered in context of local income tax retention above
Reformed Council Tax	D	<p>The link between infrastructure investment and the additional tax accrued from investment is not clear, and for cities, the benefit often accrues to neighbouring authorities via council tax distribution.</p> <p>Council tax currently accounts for £105m of Aberdeen City Council's revenue per annum, with an existing freeze in Council Tax being lifted in 2017 and councils being given the freedom to raise the rate by 3%. The tax represents 17% of Local Government funding.</p>	This misalignment between investment in economic infrastructure and distribution of the financial benefits impacts on the sustainability of public finances	Further analysis needed in context of potential changes, and the wider Council budget. However, likely that the redistribution of revenues from any changes would be invested into delivery of frontline services	Yes – Not key to the economic growth drivers on assumption it is ring-fenced for frontline service delivery. The future of Council Tax in Scotland remains uncertain with the Commission for Local Tax reform recommending a series of potential changes including a greater alignment of the tax with property values and

Lever	Status	Ask/ Rationale	'Costs' (of not devolving)/ consideration	'Benefits'	Priority for Aberdeen
					land values.
Property Tax	D	<p>Councils can lobby for devolved discretion over elements of the Land and Building Transaction Tax.</p> <p>Affordable housing and particularly targeting 'key workers' is a key strand of the Regional Economic Strategy (RES).</p> <p>LBTT raised £200m on residential transactions and £214m from non-residential transactions in Scotland in 2015/16.</p> <p>This equates to £17m per annum generated from Aberdeen City Council area based upon a population share.</p>		Proceeds could be used to support development of affordable housing/ related frontline services	<p>Yes – but could be taken forward as part of the housing proposals under the additional commitment by the Scottish Government to affordable housing as part of its additional investment alongside the City Region Deal.</p> <p>The Scottish Parliament's Finance Committee will conduct an inquiry, during 2016, into the first year's operation of the tax. Council officers will seek to represent the views of the Council through this inquiry.</p>
Congestion/ Parking levy	Local decision (new tax)	Precedent – no congestion charges or parking levies currently operate in Scotland.	Reducing the number of cars in the City Centre is a priority	If introduced, revenues from a scheme could be ring-fenced for improving public transport or incentivising	Yes – could be considered within the Strategic Parking Review being

Lever	Status	Ask/ Rationale	'Costs' (of not devolving)/ consideration	'Benefits'	Priority for Aberdeen
		Nottingham operates a Workplace Parking Levy that generates £9m annually based on £379 for each car parked for employers who provide 11 or more 'liable' places. Applying this methodology to Aberdeen, around £6m per annum could be generated		other sustainable modes within the city centre area	undertaken as part of the Council's City Centre Masterplan Further analysis would be needed to understand the effect on businesses and people working in the city
Non-Domestic Rates	D	<p>Devolution of business rates in England by 2020 provides a precedent for future consideration in Scotland.</p> <p>Potentially three 'asks' to support the occupation of new empty commercial and industrial property and support inward investment:</p> <ul style="list-style-type: none"> - Setting / varying the poundage rate locally to incentivise private investment. - Application of rates relief – local control. For example, new but unoccupied properties and new build properties already benefit from New Start rates relief for up to 18 months. Extending may be justified on the basis of attracting business relocation to the area - increasing NDR income in the 	<p>Potential displacement and substitution effects need to be understood – city-to-city and in neighbouring administrative areas</p> <p>Business need consistency in setting rate across Council areas</p>	Any ringfencing could be used to accelerate other key business infrastructure – e.g. digital technology infrastructure	<p>Yes but should be considered on a regional/ national basis and discussed with neighbouring councils</p> <p>Consider in context of Community Empowerment Bill</p>

Lever	Status	Ask/ Rationale	'Costs' (of not devolving)/ consideration	'Benefits'	Priority for Aberdeen
		<p>medium term but attracting jobs and demand for houses in the short-term. - Ring-fencing of collected rates in the City / Region</p> <p>Non-domestic rates in Scotland raised £2.8bn in 2015/16, 23% of total council funding. In Aberdeen, non-domestic rates raised £0.21bn in 2015/16, 47% of total council funding.</p>			
Climate Change Levy	R	<p>The climate change levy is one of a number of energy taxes in the UK. The levy is closely linked to emissions targets and energy policy. Its aim is to provide an incentive to increase energy efficiency and to reduce carbon emissions and the revenue from devolving the tax could be used more effectively if it were captured locally and invested in low carbon and fuel poverty initiatives.</p> <p>A proportion of the Climate Change Levy raised in Scotland based on Aberdeen City and Aberdeenshire's share of Scottish GVA (14.8%) suggests Aberdeen City and Shire account for £19m of the overall £131m</p>	Differences in the climate change levy across the UK may give rise to economic distortions whereby activity that produces emissions is moved to lower tax jurisdictions.	If introduced, any additional revenues could be ring-fenced for low carbon projects	Yes – relevance in relation to track record in this area, and diversification plans within the wider energy sector

Lever	Status	Ask/ Rationale	'Costs' (of not devolving)/ consideration	'Benefits'	Priority for Aberdeen
		<p>Scotland pays towards the levy.</p> <p>Aberdeen City share is likely to be around £9m per annum</p>			
Airport Passenger Duty	D	<p>Internationalisation is a key strand of the RES, and global connectivity from the North East of Scotland must be maintained/ enhanced</p> <p>Councils could argue for the authority to set the rates locally to increase affordability of our air travel to and from a City Region, incentivising people to come and go from that airport and increase the economic viability of new routes, both supporting the area's attractiveness to business and leisure tourists.</p> <p>A related ask could be to retain an element of the Duty locally for reinvestment in related air travel infrastructure and route development</p> <p>EY estimates that £305m of Air Passenger Duty is raised in Scotland.</p> <p>In 2015 there were 1,494,849 departing</p>	<p>While it could be advantageous to Aberdeen, it could disadvantage neighbouring airports and regions at the Scottish level.</p>	<p>Aberdeen Airport is more price competitive than competing areas</p> <p>Revenues from any retention could be ring-fenced for investment in related infrastructure/ route development</p>	<p>Yes - should be considered and particularly in response to current economic downturn</p>

Lever	Status	Ask/ Rationale	'Costs' (of not devolving)/ consideration	'Benefits'	Priority for Aberdeen
		terminal passengers from Aberdeen airport and this equates to Aberdeen airport generating an estimated £20.6m per annum in APD.			

The work by the Scottish cities also noted a number of other taxes in the 'menu' that it concluded were less of priority areas at this stage. Areas for future discussion included:

- VAT
- Aggregates Levy
- Betting/ Gaming duties
- Corporation Tax
- North Sea Oil Fund
- Fuel Duty
- Inheritance Tax
- Insurance Premium Tax
- National Insurance Contributions
- Tobacco/ alcohol duty
- Vehicle Excise Duty