DELIVERING GROWTH

INVESTMENT

SHOULD I STAY OR SHOULD I GROW?

A Business Roadmap for Fiscal Devolution

British Chambers of Commerce

WHERE BUSINESS BELONGS

CONTENTS

FOREWORD

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For too long, devolution has been talked about as a question of structures, boundaries and constitutional design. The reality is, it's an economic issue. Does devolution help businesses and the communities they are based in grow?

The UK remains one of the most centralised economies in the developed world, and that has consequences. Too often, towns and cities have been expected to attract investment, improve skills and close productivity gaps without having the right tools to do the job.

So, the next phase of devolution, particularly in England, should be judged less by the architecture it creates and more by what it changes on the ground.

If local leaders make tough calls on housing, transport, employment land, skills or infrastructure, they should see more of the return when those decisions pay off. Without that fiscal feedback loop, local places carry the risk while the centre keeps most of the reward.

As devolution develops, policymakers should keep asking a practical question: will this help businesses hire, invest and trade? Will it help places raise productivity, bring in private investment and create better jobs?

Central government still has a vital role in setting the rules and backing credible local plans. But devolution will only work if it gives places both a clearer stake in growth and the capacity to deliver it, with business, colleges, investors and communities properly involved in shaping local economies.

Get that right, and fiscal devolution can become much more than a transfer of powers. It can become a practical route to more prosperous places, greater investment and a faster-growing UK economy.


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1. INTRODUCTION

A sense of place matters to all of us. It's where we live, where we work, where we socialise, where we run a business. It's our identity. People are proud of where they are from and what that represents. And now, place is increasingly central to decision-making in government.

As the 2022 Levelling Up White Paper, authored by BCC's now President Andy Haldane, pointed out, there have been more than a dozen distinct regional policy regimes across the UK over the past 75 or so years.[1] A lack of consistency and longevity across policy design has led to entrenched inequality, inconsistent delivery and a lack of clear positive outcomes.

The UK Government's English Devolution White Paper, published in December 2024, and subsequent legislation in 2025 signalled a major shift in devolution policy towards a more consistent approach. It set out a long-term ambition for decentralising power away from Westminster and into local and regional authorities.[2] The BCC strongly supported this change, recognising its potential to unlock regional growth, empower local leadership, and foster stronger collaboration between public and private sectors.

The previous administration committed to publishing at this year's Budget a roadmap for future fiscal devolution which will cover "plans to give regional leaders control of a share of some national taxes" and be "focused on sharing and retaining a portion of existing revenues".[3]

Since entering Downing Street, the new Prime Minister, Andy Burnham, has made it clear that further devolution is a key priority for him, with clear statements of intent published early on in his premiership through a Cabinet Statement focusing on 'Rewiring the State'.[4] He has also recommitted to the publication of a fiscal devolution roadmap at the Autumn Budget.

Business welcomes this commitment. Firms make long-term decisions based on predictability. Time and again, businesses tell us that the biggest killer of investment and growth is uncertainty. A full and detailed devolution roadmap should include the intended destination and how government plans to get there. It should also lay out the conditions and rules attached to each phase of the journey, and a timetable for implementation.

Recent delays to Local Government Reorganisation (LGR) process, in light of legal considerations and the evolving policy landscape are unwelcome. Given the uncertainty that this has led to, it is imperative that the government speedily clarifies next steps as soon as possible, in order to avoid leaving significant parts of the country in limbo. Uncertainty is the biggest barrier to business confidence, whilst continuing to use up precious resource time of local authorities takes away from areas such as economic growth.

The business perspective must be central to the fiscal devolution roadmap. As the representative voice of businesses across the UK through our network of 51 long established Chambers of Commerce, the British Chambers of Commerce has unique insights into what works and what doesn't. This report draws on that insight, sets out the key tests from business, and a three-stage roadmap for fiscal devolution.

Our central ambition: it must deliver growth.

Much of the current narrative on devolution relates to England. However, the business principles for devolution set out in this report are ones businesses across the UK wide Chamber network want to see. The journey set out in this report is one welcomed by our colleagues from Belfast, to Cardiff, to Edinburgh. As this report sets out, if government is to deliver growth in every postcode, devolution must be inclusive, focused on economic growth, and business-led. With the right structures and partnerships, devolution can be a powerful driver of prosperity across the whole UK.

DEVOLUTION PHASE	FISCAL DEVELOPMENTS	BUSINESS AND CHAMBER ROLE
Short term (Autumn Budget 2026 to 2027-28)	Consolidation of existing plans and further devolved growth spending and remit	Role to play on Business Growth Boards, Local Skills Improvement Plan alignment and development, helping to build and support delivery of devolution offer
Medium term (2028 to end of Parliament)	Revenue assignment – stake in proceeds of local economic growth. Reform key taxes, including business rates	Business input into revenue use, local areas to generate pipelines and supply chains for Good Growth Funds
Long term (2030 and beyond)	More devolved powers and responsibilities, including potentially local tax autonomy	Work with business to develop tax offer, provide business oversight

2. BRITAIN IS NOT YET REAPING THE FULL BENEFITS OF DEVOLUTION

Devolution can lead to better decisions and has a clear growth dividend

The case for devolution is clear. Local decision-makers have a much better understanding of their area than civil servants many miles away. They know where the opportunities lie and what challenges need to be tackled.

This has a potential growth dividend, a relationship that has been empirically shown in research by the OECD. Their research suggests a broadly positive relationship between growth and fiscal devolution - a 10 percentage point increase in tax devolution can lead to an approximately 0.1 percentage point increase in economic growth.[5]

To reap the benefits of devolution, policy design matters. When a regional authority retains part of the revenue generated by a national tax base, for example, they have a stronger reason for supporting policies that increase that tax base.

But Britain is currently one of the most fiscally centralised countries

The challenge is that Britain is starting on the back foot. It is, by some distance, the most fiscally centralised country in the G7. This means local areas have very limited tax raising powers compared to their counterparts in other countries. In the latest set of figures for which comparable data exists, just 4.8% of UK tax revenue was raised locally, compared to between 27-33% in peer economies across the G7.[6] This matters, as it makes it harder for local areas to capture the fiscal benefit of local growth which they help to deliver – as any additional money they raise goes straight into central Government coffers.

Not only are local tax raising powers limited, the majority of local government's revenue funding comes from national sources. Analysis shows that 62% of local government revenue in the UK comes from central government grants, the highest of any G7 economy.[7]

Local areas currently have little say over how money is spent in their areas

This level of grant dependency is a fiscal chokehold that limits what mayors and local authorities can actually do. Even when powers have nominally been devolved to mayors and their strategic or combined authorities, the scale and conditions of their funding are still set annually, or over a spending review period, by the Treasury. This situation leaves local and regional leaders not just unable to influence how money is spent in their areas, it also makes it impossible to plan with multi-year certainty, especially with significant growth projects taking a number of years.

Britain is not currently maximising the growth benefits of devolution

All of this matters as business investment decisions require certainty. A lack of certainty stymies business growth, investment and job creation. For example, in our July 2026 Quarterly Economic Survey, we found just 17% of surveyed firms were planning to invest in their organisations over the coming months – a post pandemic low, driven by uncertainty.[8] And grant dependency makes it harder for local areas to reap the potential growth dividend of devolution.

The fact local areas are not reaping the benefits from investing in growth is often perceived to be holding back growth itself. As a local politician, is there as much incentive to increase employment land if you do not benefit from the additional business rates income? Why would you approve that additional housing development that may lower local house prices and is unpopular with some constituents if you do not see any of the additional income tax receipts? It may not be the only factor in making local decisions, but it is a significant factor.

There is an opportunity to address this and deliver growth across the UK

The new Prime Minister's desire to give local areas a greater say as well as greater fiscal autonomy offers a significant opportunity. To make a difference to people in these areas devolution's primary objective should be to deliver economic growth. Devolution shouldn't be judged by the range of powers transferred from Whitehall but instead on whether it helps businesses to invest, employ, trade and grow.

Businesses welcome the Prime Minister's recent announcements, but are looking closely at the detail.

Simply transferring financial risk from Whitehall to local areas, giving them all of the responsibility and none of the control will not work. The introduction of tax raising powers matters because it increases accountability. If Mayors are given the responsibility of using locally raised funds for local purposes, they become even more accountable to their local electorate.

Greater local accountability should lead to a business community and electorate having a stronger say on local issues. To reap devolution's growth dividend, this is critical. Employer involvement from the outset in spending priorities leads to decisions that will deliver local economic growth. Increased devolution should empower everyone in civil society and business. Only by working together to implement greater place-based decision making can we make it a success.

Doncaster Sheffield Airport: devolution in action

The campaign to save and reopen Doncaster Sheffield Airport demonstrates what devolution can make possible.

Without access to long-term devolved gainshare funding, the scale of investment required would have been beyond the resources of the City of Doncaster Council or other local stakeholders acting alone. A joined-up South Yorkshire approach enabled the region to respond collectively to the airport's closure and build the case for intervention. Although DSA is a strategically important asset for South Yorkshire and the North, supporting connectivity, investment and thousands of potential jobs, it was not, in all likelihood, sufficiently significant to the national economy for the UK Government to have initiated a rescue. Devolution allowed the region to take responsibility for its own economic priorities, while the South Yorkshire Mayor's enhanced access to ministers, including the Prime Minister and Chancellor, helped secure vital national engagement at critical stages of the campaign.

Devolution was therefore a necessary, but not fully sufficient, condition for saving DSA. Political leadership, sustained campaigning and the tenacity of the City of Doncaster Council and local communities were also essential. Importantly, the South Yorkshire Chamber network, led by Doncaster Chamber, was instrumental in mobilising businesses across the region, maintaining pressure on decision-makers and demonstrating the strength of private-sector support; indeed, this was at its most impactful during meetings with the PM and Chancellor.

The experience also highlights lessons for the next phase of devolution: regional governance and relationships have not always worked perfectly and, at times, disagreements and complex decision-making have either impeded or slowed down progress. Nevertheless, DSA provides a powerful example of devolved funding, strategic regional leadership and an organised business voice combining to pursue an economic opportunity that would otherwise have been lost.

3. BUSINESS PRINCIPLES THAT HELP ENSURE DEVOLUTION DELIVERS GROWTH ACROSS THE UK

The British Chambers of Commerce and our Chamber Network represent businesses in every part of the UK. Based on our work across the network, we have identified eight key principles policymakers should follow in both the design and implementation of a future devolution system.

Principle 1

Devolution's aim must be greater growth and prosperity – this will give local people the breathing space they need

Businesses want the transfers of power from Westminster to the nations and regions to be clearly tied to delivering growth and prosperity, not purely political expediency. Devolution must be a mechanism to drive inclusive economic growth. The Government's new devolution framework prioritises strategic authorities, especially mayoral authorities, with key growth powers over spatial planning, housing, transport and economic development. This is a welcome step in the right direction. However if growth in every postcode is to become a reality, then all areas must be in a position to benefit from such deals.

Principle 2

Devolution must lead to long-term investment and funding certainty

As set out earlier, certainty is key for business investment. The introduction of Integrated Settlements and long-term investment funds is a positive step in this sense. The BCC wants to see predictable, multi-year funding for local growth priorities, including infrastructure, digital connectivity, and workforce development through Local Skills Improvement Plans (LSIPs). This should include certainty around devolution of funding and functions of ALBs such as Innovate UK, where appropriate.

Principle 3

Devolution must ensure places benefit from going for growth

If the goal of any transfer of powers to regions and local areas is to increase place-based growth, fiscal and policy powers must be structured so that the areas exercising them capture a meaningful and sustained share of the economic benefit that is generated.

Therefore, the future devolution of any tax raising powers should have mechanisms built in that actively incentivise strategic authorities to invest in growth driving measures. This means supporting and facilitating private sector business investment decisions and acting as partner in risk-sharing models where appropriate, as seen with recent National Wealth Fund investments. It similarly means the public sector becoming more comfortable with longer term investment horizons, something that integrated settlements should make easier. This is as much about behavioural alignment and shift as it is about the policy architecture. Without any meaningful safeguard of revenue retention, the incentive to properly invest and go for growth collapses.

Principle 4

By putting business at the heart of local decision making, growth can be delivered

Local businesses must be active partners in shaping devolved strategies. Chambers of Commerce, as the representatives of business in place, should be formally included in governance structures such as Local Growth Plans, Business Boards and Mayoral Councils to ensure business needs are reflected in policy and investment decisions. This will ensure decisions are made that support local economic growth. There are examples of this already happening well across the Chamber network at different levels.

Greater devolution of spending or tax-raising powers from Westminster to local areas need clear, democratic accountability to local firms, who themselves are local residents. Businesses want a real say in local decision-making that affects them, not endless tick-box consultations by central government and local authorities. Chambers of Commerce are accountable to their business membership, they have a reach beyond members, and have a deep knowledge of local business requirements. They can, therefore, work with Mayoral Strategic Authorities (MSAs) and other bodies to make business participation a reality.

Principle 5

Economic development funding must be ringfenced

Too many councils use 'un-ringfenced' monies intended for economic development to plug holes in their statutory budgets. In straitened times, it can be understandable why this happens but in doing so, businesses are often seeing their ever-increasing business rates spent on things that in no way benefit the business community. Firms will not support greater devolution of spending unless money granted for the purpose of local growth is actually spent on local growth. Devolved spending needs to be transparent to businesses and residents so that local taxpayers know how their resources are ultimately spent.

Principle 6

Devolution must work for all areas

The Devolution White Paper introduced a default framework, moving away from bespoke deals. The BCC supports this standardisation but urges a degree of flexibility to accommodate local economic contexts. Non-mayoral arrangements should remain viable where appropriate. What is clear is that no area can or should be left behind on the devolution journey. Local Government Reorganisation (LGR) must be completed as quickly as possible to enable further devolution to take place. Fiscal devolution arrangements should reflect functional economic geographies rather than solely administrative boundaries. Areas with strong economic identities, supply chains and labour markets should not be disadvantaged simply for not conforming to traditional metropolitan structures. The benefits of devolution should be reaped no matter whether you live in Kent or Inverness, Wrexham or Manchester. This is not about a one-size fits all model, but rather one that takes each area on their own journey.

Principle 7

Devolution should give local areas the ability to support local firms

Devolution should give areas more power to support local businesses. All local government procurement frameworks should prioritise local SMEs when it comes to accessing public sector contract supply chains. Latest data from the BCC and Tussell's SME Procurement Tracker for England shows that only 21% of all public sector procurement was with SMEs in 2025.[9] Local government is actually the success story here. English local authorities spent £21.9bn with SMEs in 2025 whilst also increasing growth in SME spending year-on-year since 2020, in complete contrast to central government and the NHS. This trend must continue. Devolved authorities should be expected to publish targets for local SME participation in supply chains and report transparently on the proportion of procurement spend retained within their local economies.[10]

Principle 8

Devolution needs to sit alongside a coherent national policy framework

Whilst local autonomy is rightly a driving force behind any devolution settlement, there will always remain a need for national consistency in areas such as regulation, trade, immigration and major infrastructure. Proper devolution should not fragment the UK's internal market or create barriers to business.

The BCC's Devolution Scorecard sets out how success can be measured

The scorecard below brings these principles to life by setting out what successful delivery looks like and how it can be delivered. It should serve as a helpful guide to government in its thinking ahead of the publication of its devolution roadmap.

BCC DEVOLUTION PRINCIPLE	WHAT SUCCESSFUL DELIVERY LOOKS LIKE	HOW SUCCESS IS DELIVERED
Principle 1 Devolution's aim must be greater growth and prosperity, to give local people breathing space	A clear economic purpose - each devolved power or funding stream makes a demonstrable contribution to investment, productivity, employment or skills. Devolution is judged by improvements in economic outcomes, not simply by the number of powers transferred.	Strategic authorities publish measurable economic objectives through their Local Growth Plans. Objectives are developed with the local business community and supported by a clear baseline, targets and regular reporting. Devolved powers over spatial planning, housing, transport and economic development extend to all areas, so growth reaches every postcode
Principle 2 Devolution must lead to long-term investment and funding certainty	Strategic authorities and their partners can plan, commission and invest over several years rather than respond to short-term funding competitions. Businesses have confidence that agreed infrastructure, digital connectivity and workforce priorities will survive annual funding cycles.	Government provides consolidated, predictable multi-year settlements with clear conditions, review points and indicative future allocations. Local Growth Plans contain investable pipelines, milestones and expected outcomes. Skills and workforce investment is aligned with Local Skills Improvement Plans.
Principle 3 Devolution must ensure places benefit from going for growth	Places retain a meaningful and sustained share of the additional revenues generated by local growth. Authorities have a clear incentive to support employment land, housing, regeneration, infrastructure and private investment because successful growth strengthens their future fiscal position.	Revenue assignment and retention arrangements reward growth above a transparent baseline while maintaining equalisation. Settlements protect a meaningful local gain from successful investment. Authorities publish how growth-related powers and investment have expanded the local tax base and economic capacity.
Principle 4 By putting business at the heart of local decision making, growth can be delivered	Business insight influences priorities before decisions are made. Local Growth Plans and investment programmes reflect identifiable business needs. Firms can see how their evidence has affected decisions, and business participation continues through implementation, scrutiny and evaluation.	Chambers, as a channel for business voices, have a defined role in developing Local Growth Plans, informing investment priorities and monitoring delivery through Local Business Growth Boards, Mayoral Councils or equivalent structures. Strategic authorities publish how business evidence has been considered, while final decisions remain with democratically elected leaders.

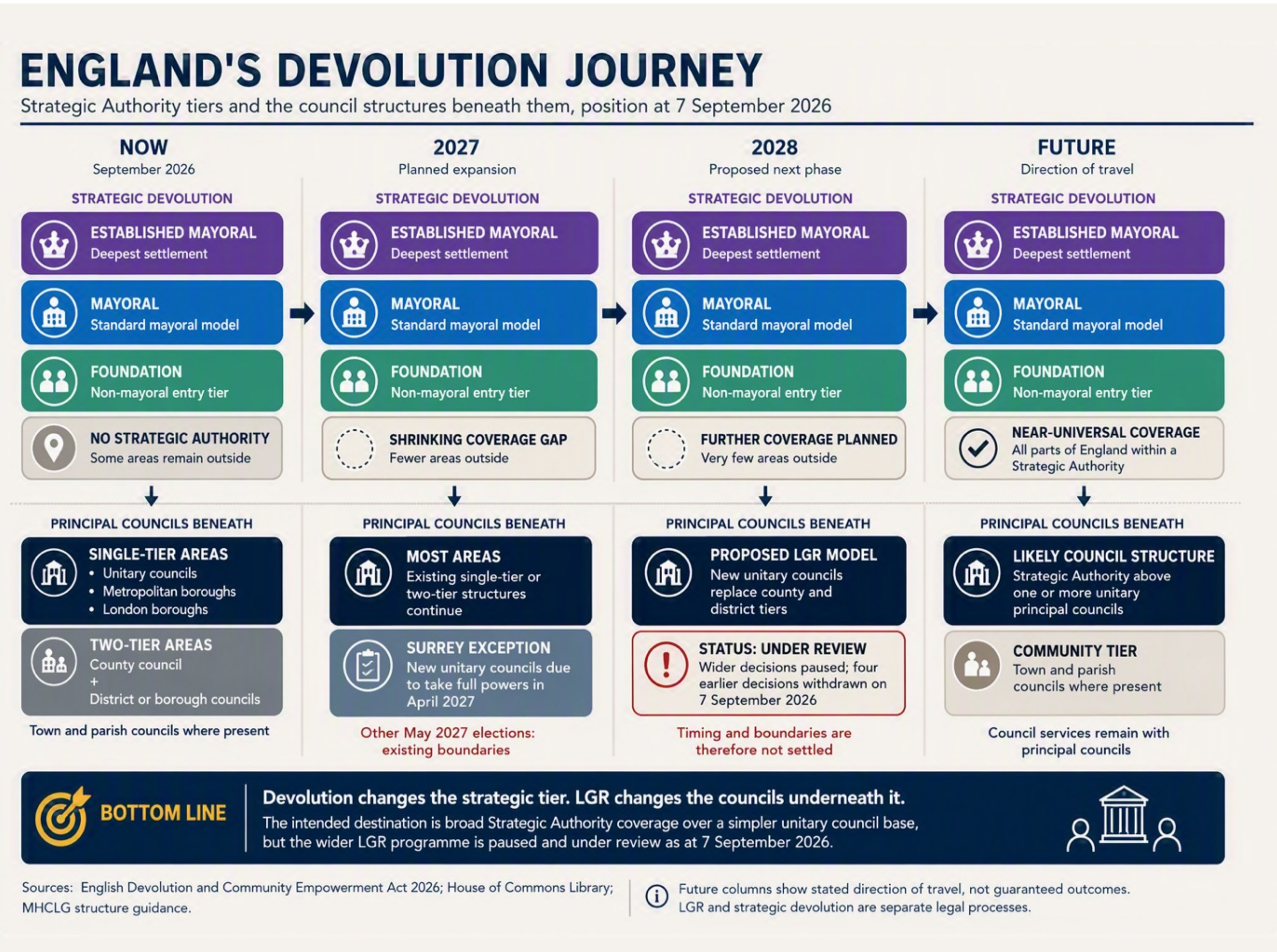
BCC DEVOLUTION PRINCIPLE	WHAT SUCCESSFUL DELIVERY LOOKS LIKE	HOW SUCCESS IS DELIVERED
Principle 5 Economic development funding must be ringfenced	Funding intended for growth reaches activity that supports investment, enterprise, skills, infrastructure and productivity rather than being routinely diverted to unrelated service pressures. Businesses and residents can trace allocations through to programmes and outcomes.	Growth funding has defined purposes and transparent reporting arrangements. Strategic authorities publish spending information, explain material changes in allocation and distinguish clearly between economic development expenditure and general statutory spending.
Principle 6 Devolution must work for all areas	Every area can access a workable route to devolution and a core level of funding, powers and strategic leadership. The national framework provides consistency while allowing arrangements to reflect functional economic geographies and local circumstances, including non-mayoral models where appropriate. No place is left in a permanent second tier.	Government completes the devolution map, progresses local government reorganisation where required and publishes a clear baseline offer, readiness criteria and route to further powers. Equalisation protects a reasonable funding baseline, while capacity support helps newer or less-developed authorities progress.
Principle 7 Devolution should give local areas the ability to support local firms	Local firms, particularly SMEs, have better access to business support, public procurement and major local supply chains. Devolved institutions use their convening, commissioning and purchasing power to strengthen local enterprise without creating unnecessary barriers or burdens.	Strategic authorities use trusted partners such as Chambers to provide a clear business support service and publish procurement plans, contract pipelines and SME participation data. Requirements and documentation are proportionate, payment is prompt, and Chambers support pre-market engagement and help identify local supply-chain capacity.
Principle 8 Devolution needs to sit alongside a coherent national policy framework	Businesses operating across different areas do not face new barriers to trade, conflicting rules, duplicated administration or higher compliance costs. Local flexibility operates within a coherent UK framework for regulation, trade, immigration and major infrastructure.	Central government defines the matters requiring national consistency. New devolved proposals are assessed for cross-boundary effects, compliance costs and barriers to trade. Common standards and interoperable systems remain the default where fragmentation would impose costs on firms.

4. ENGLAND'S FISCAL JOURNEY

The English local government landscape is changing

Over the last few years, the local government landscape has changed significantly. We have seen county councils forming combined county councils, new areas joining Greater Manchester with a small number of city regions getting devolution settlements and Integrated Settlements. We have also seen an increasing number of areas getting a mayor and those areas getting greater powers.

More recently, English Devolution and Community Empowerment Act has seen the creation of strategic authorities. Local government reorganisation will lead to the abolition of the current two-tier system of local government, replacing it with unitary authorities. (For more detail on the current structures, see the chart below.)



Despite a greater focus on devolution, progress on fiscal devolution has been limited

Local areas have been given increasing local powers, whether that is over transport, health or skills. However, progress on fiscal devolution has been more limited. Local and regional areas currently hold only a small number of fiscal levers, and none currently function as a genuine growth lever.

Business Rates, alongside council tax, remain the main locally-raised sources of revenue for councils. While business rates are the largest local tax on business, 'local' undersells how centrally controlled the system is. Most of the system, including the multiplier and the redistribution mechanism are currently set nationally. The same is true for council tax, which while set locally, is set within a clear framework set by central government.

What has changed, however, is that in a number of pilot areas, local councils have been able to retain a proportion of their business rates growth, creating a clearer incentive for local areas to go for growth.

While many local areas remain at the mercy of a central government bidding culture, some areas have seen greater consolidation of funding streams.

Integrated Settlements and local growth funds have led to consolidated, fewer ringfenced funding streams for areas with devolution deals, replacing some of the competitive "bidding pot" culture of the 2010s.

A further area of fiscal devolution is skills and employment funding. This has already been partially devolved in mayoral areas. If it is kept aligned with Local Skills Improvement Plans (LSIPs) and genuine employer demand, this is where there is some of the clearest potential to support local growth going forwards. This is because the best way to determine the skills needs for a local population is through engaging with the employers, education providers and learners in that area.

North East Devolved skills funding - putting employers at the centre

The North East shows how devolution can create a more responsive skills system, better aligned with local employers' needs. Through its work on the North of Tyne and Tees Valley Local Skills Improvement Plans (LSIPs), the North East Chamber of Commerce has provided an important feedback loop, gathering employer intelligence and helping ensure skills provision reflects the changing regional economy.

LSIPs are making a significant difference to the skills landscape in the region. They identify a need and then apply practical solutions, with funding decisions taken locally and in close collaboration between partners.

One example of this is the North East Future Leaders programme. The North of Tyne and Tees Valley LSIPs identified the need for workplace communication and 'soft' professional skills to be taught to young people in their early careers or before starting in the world of work. A programme was put together by the Chamber and Gateshead College, working with other partners and funded by sponsorship and the LSIP programme. The first cohort of 30 young people completed the programme in early summer and the feedback from employers has been extremely positive.

This is increasingly important as employers face rapid technological change, evolving skills requirements, productivity pressures and rising costs.

But the business benefit of devolved skills policy depends on whether funding and decision-making genuinely follow employer demand. Businesses need a system that can respond to changing circumstances while giving employers, providers and partners enough certainty to plan ahead.

The North East experience highlights the need for:

- Local decision-making
- Meaningful employer involvement
- Flexible provision
- Predictable, multi-year funding

Devolution should make the skills system more responsive to business – not simply transfer responsibility from national to regional government.

Fees and charges such as planning, licensing, parking and other similar local charges are one of the ways in which local authorities are able to raise some discretionary income. However, the sums involved are often too small and linked to service cost-recovery, so have no meaningful benefit to council funds.

Taken together, these elements make clear that the key issue is a lack of devolved revenue, not a lack of devolved institutions. Without meaningful fiscal levers, devolved institutions will have their hands tied with the levers of economic growth firmly out of reach.

Government now plans to give local areas greater control over local tax revenue

On 31 July 2026, the Burnham Cabinet published a new policy paper entitled Rewiring the State.[11] The document reiterates the government's commitment to delivering 'good growth in every part of the UK' and sets out the direction of travel for making significant Machinery of Government (MOG) and policy changes to help them achieve this.

This includes greater control for mayors of key growth levers (see Box 1) as well as a range of steps to develop stronger local institutions (see Box 2). Importantly it sets out the Government's ambition to give local areas greater control over local tax revenue. Under the plans every mayor will be able to receive a share of their local income tax beginning in 2028, which will replace grants from central government. There will also be greater retention of the revenue from business rates for local councils and strategic authorities. Strategic authorities will be able to introduce an Overnight Visitor Levy from 2028. There is also a desire to rebalance public investment, including considering the balance of subsidies versus other finance mechanisms.

But many of the key tests to ensure devolution delivers growth are not yet met.

Drawing on our eight principles that must be met to ensure devolution delivers growth across the UK, we have taken stock of the English fiscal devolution journey. The verdict across the piece is 'amber' rated.

England's fiscal devolution journey is now well underway, but more progress needs to be made to ensure we get the best return from it.

SUPPORTING LOCAL LEADERS TO DRIVE GROWTH AND IMPROVE PUBLIC SERVICES

- Empowering mayors to offer local tailored technical or vocational routes from 14. Control of 16-19 budget
- Powers, flexibility and accountability to bring together education, employment, health and local support.
- Control over local transport, housing, innovation, local energy and cultural investment, as well as commuter rail services. Transport schemes approval threshold rising to £500m.
- Support mayors to establish Good Growth Funds[12] backed by the Public Finance Institutions (PuFins)

DEVELOPING STRONG LOCAL INSTITUTIONS

- Ensure every area in England has, or is in the process of establishing, a strategic authority by end of 2027 with blanket coverage by end of 2028.
- Work with non-ready areas to establish non-mayoral foundation strategic authorities with an enhanced set of powers
- Wider programme of ensuring capacity and capability is devolved to these institutions as well
- Chief Execs of MSAs will become Local Accounting Officers with a stronger role for Local Audit Office.

BCC DEVOLUTION PRINCIPLE	OVERALL JUDGEMENT	ASSESSMENT	ILLUSTRATIVE PLACE-BASED EVIDENCE
Principle 1 Devolution's aim must be greater growth and prosperity, to give local people breathing space	Partly achieved	Growth is now an explicit purpose of devolution, and well-functioning authorities can align transport, skills, housing and regeneration around a common economic strategy. However, the system does not yet provide consistent evidence that devolution itself has raised productivity, investment, employment or household prosperity across England. Inputs and institutional change remain easier to demonstrate than additional economic outcomes.	Greater Manchester has long-established powers and an integrated settlement, giving it greater capacity to coordinate investment. Newer authorities do not yet have comparable delivery maturity or a sufficiently long outcomes record.
Principle 2 Devolution must lead to long-term investment and funding certainty	Largely achieved in leading places, but not yet universal	Multi-year Integrated Settlements are a material improvement on short-term competitive funds. They allow eligible mayoral strategic authorities to plan pipelines, move resources across themes and commission with greater certainty. The principle is not fully achieved because access remains tiered, some funding still sits outside settlements, and newer or non-established authorities retain shorter and more fragmented funding horizons.	The West Midlands, for example, has been able to plan across consolidated funding streams. By June 2026, seven mayoral strategic authorities had multi-year settlements to 2029-30, but other places have a weaker offer.
Principle 3 Devolution must ensure places benefit from going for growth	Not yet achieved	Places have stronger powers to support development, but they do not yet retain a clear, meaningful and sustained share of the additional national revenues created by local growth. Existing local tax-retention mechanisms are partial and do not amount to a transparent devolution-wide settlement that rewards additional productivity, employment or investment while preserving equalisation. The fiscal incentive envisaged by the principle therefore remains incomplete.	Authorities can use tools such as business rate retention arrangements and development-related income, but there is no general mechanism through which strategic authorities retain a defined share of the wider tax uplift generated by successful local growth.
Principle 4 By putting business at the heart of local decision making, growth can be delivered	Uneven and only partly achieved	Formal business engagement exists in several areas, but it is not consistently embedded before priorities are set, nor is there a common expectation that authorities show how business evidence changed a decision. Practice ranges from sustained co-design and board-level input to periodic consultation. Business influence therefore depends too heavily on local relationships and institutional choice.	The North East Business and Economy Board provides a formal route for business input. Comparable arrangements, including transparent feedback showing how business views affected priorities, are not standard across all strategic authorities.

BCC DEVOLUTION PRINCIPLE	OVERALL JUDGEMENT	ASSESSMENT	ILLUSTRATIVE PLACE-BASED EVIDENCE
Principle 5 Economic development funding must be ringfenced	Limited and not securely achieved	Integrated Settlements improve flexibility and traceability, but they do not create a universal, permanent ringfence around economic-development funding. In a system under wider fiscal pressure, flexibility can also make it harder for businesses to follow money from allocation to programme and economic result. Reporting and outcome frameworks are improving, but they remain inconsistent between places.	Established mayoral authorities operate clearer settlement and outcomes frameworks. Elsewhere, growth and business-support spending is often spread across several institutions, funding streams and reporting systems.
Principle 6 Devolution must work for all areas	Substantial institutional progress, but unequal delivery	England is working towards nationwide strategic-authority coverage, and the framework now provides clearer routes into devolution. Yet the depth of powers, funding flexibility, analytical capacity and delivery capability still varies markedly. Mature mayoral authorities receive the strongest settlement, while newer, foundation or uncovered areas face a thinner offer and longer path to comparable capability.	By June 2026, England had 18 mayoral and two foundation strategic authorities. That is major progress on coverage, but only eligible established mayoral authorities can access the deepest funding flexibilities.
Principle 7 Devolution should give local areas the ability to support local firms	Partly achieved, but fragmented	Strategic authorities increasingly coordinate business support, skills, regeneration and procurement, and Integrated Settlements recognise business productivity as an economic-development responsibility. However, the offer to firms remains inconsistent: gateways, procurement pipelines, SME participation data and supply-chain engagement are not yet standard. Local firms can still face a fragmented landscape across councils, strategic authorities and national programmes.	More mature authorities can convene partners and align local programmes around business productivity. Across England there is not yet a consistent single gateway or common standard for publishing contract pipelines and SME participation.
Principle 8 Devolution needs to sit alongside a coherent national policy framework	Largely achieved so far	Devolved discretion has mainly covered place-based functions such as transport, skills, housing, planning and economic development. Core frameworks for trade, immigration, employment law and most business regulation remain national, limiting new barriers for firms operating across boundaries. The principle will require continued discipline as powers deepen, particularly where local rules, data systems or procurement requirements could diverge.	Greater Manchester has accumulated broad place-based powers while core market regulation remains national. To date, devolution has not created material internal trade barriers for firms operating across England.

5. WHY DEVOLVED NATION LOCAL AREAS COULD BENEFIT FROM GREATER FISCAL DEVOLUTION

The devolved nations are further ahead in their devolution journey

Scotland, Wales and Northern Ireland already exercise significant devolved powers through their own legislatures and governments. They have significant control over devolved policy areas, differential tax rates in the case of Scotland, and a different regulatory environment in Northern Ireland post the Windsor Framework.

But their regions and local areas would equally benefit from further devolution

However, the case for stronger place-based decision making is relevant to all four corners of the UK. Across the four nations, there is a growing recognition that economic growth is often best driven at the regional and local level, city-regions and local labour markets rather than solely through national institutions.

This should be a priority for UK and devolved governments

As a result, future devolution discussions should not be limited to the relationship between Westminster and the devolved administrations. Consideration must be given to how major city-regions and regional growth partnerships across Scotland, Wales and Northern Ireland can access greater flexibility, longer term investment and stronger incentives to support growth.

In Scotland - greater fiscal devolution should be extended

As an example, Glasgow and Edinburgh are two core cities which are vital in the journey to drive economic growth. The economy across Scotland's central belt generates some £100bn of output, is home to 3.5 million people and is identified in the government's Industrial Strategy as a 'core economic corridor'.[13]

Neither city lacks the ambition, the partnership working or the institutional capability to take on greater responsibility. Their City Region Deals are among the most established and best delivered in the UK, built in close collaboration with both governments. What they lack, relative to comparable English regions, is the depth of fiscal devolution and policy flexibility now being extended south of the border.

This should not be seen as an attempt to bypass the Scottish Government. Scottish cities are working closely with the Holyrood administration on the enabling legislation and direction of travel.

However, funding decisions taken at Westminster, on integrated settlements, on capital allocations and on how such spending interacts with the Barnett Formula, are inescapably a UK Government matter, and England's integrated settlements and major capital programmes have produced no equivalent support for the city regions of the devolved nations.

And while efforts to date have rightly been focused on the central growth belt, it is important that devolution in Scotland works for all areas, including the many rural communities. Everywhere from Inverness to the Islands and the Borders should benefit as much from devolution as the city regions.

Glasgow City Region - devolution in action

The £190m Investment Zone demonstrates what regional devolution can make possible. Shaped around three sectors identified by the region's own economists as its strongest growth prospects (space, semiconductors, and maritime), it is expected to draw some £300m of initial private investment and to support between 7,000 and 10,000 jobs.

Both the UK and Scottish Governments confirmed a dedicated tax site at the Advanced Manufacturing Innovation District Scotland and Glasgow Airport in March 2026. The most consequential feature is fiscal: the additional business rates generated across the zone, worth up to £162m over 25 years, will be retained and reinvested regionally rather than returned to central government. Without a regional partnership able to assemble the evidence, the sites, and the business case, the scale of investment required would have been beyond the resources of any one of the eight councils acting alone.

Devolution was therefore a necessary condition, though not on its own a sufficient one. What made the case answerable was a demonstrated record of delivery: the region's Innovation Accelerator drew co-investment at two and a half times the public contribution, well above the Treasury's expectation of matching it pound for pound, and UK Research and Innovation went on to pre-select the region for a further £50m rather than put it through another competition. Equally important has been an organised business voice, with the chamber network keeping the regional case in front of ministers in both governments and lending private-sector weight to arguments that councils alone could not have carried.

In Wales - build on the network of regional growth partnerships and recognise cross-border functional geographies

In recent years, Wales has developed a network of regional growth partnerships through the Cardiff Capital Region, Swansea Bay City Deal, North Wales Growth Deal and Mid Wales Growth Deal. These provide the foundations of a more regionalised growth model, bringing together local authorities, businesses, universities and both governments around shared economic priorities.

Particularly significant is North Wales, whose economy is closely integrated with neighbouring areas of north-west England through shared labour markets, transport links, supply chains and major industrial assets. The economic relationship between North Wales, Cheshire, Merseyside and the wider North West highlights the importance of recognising functional economic geographies that extend beyond administrative boundaries.

In Northern Ireland - extend devolution beyond Belfast

The Belfast Region City Deal provides a useful example of how local authorities, the Northern Ireland Executive and the UK Government can work together to support innovation, digital infrastructure, regeneration and skills investment. Similar opportunities exist to build stronger place-based growth partnerships across other parts of Northern Ireland where economic challenges and opportunities extend beyond individual council boundaries.

Given Northern Ireland's unique trading position and the importance of cross-border economic activity on the island of Ireland, future growth arrangements should focus on improving productivity, infrastructure connectivity, skills development and innovation capacity while recognising the distinctive economic circumstances faced by Northern Ireland businesses.

6. INTERNATIONAL EXAMPLES - THE OPTIONS FOR THE UK

Levels of centralisation and fiscal devolution vary across the world. Not all countries are as centralised as the UK where more than 95% of tax revenue ends up in the hands of central government.[14]

Looking at how different systems commit to varying levels of devolution is helpful in considering if some of these models might be of use here in the UK.

The key distinction between these models is between the amount of money received from nationally collected revenue streams and the extent to which local areas actually have a financial stake in economic growth.

As we have already argued, of course an allocated share of a nationally designed and collected tax can provide funding certainty for regions, but it does not provide autonomy and freedom to deliver local solutions. The OECD themselves very deliberately distinguish between overall revenue collected in a country and the functions exercised - or not - by sub-national authorities.[15]

For simplicity's sake, there are broadly three types of fiscal devolution along this stratum:

- Revenue Assignment: Where a fixed share of a centrally defined tax is allocated to sub-national authorities and where they have little to no discretion over either the rates or base of that tax. Japan is an example of such a model.
- National Base with rate setting abilities: Where the national authority sets the tax base and the broad parameters but sub-national authorities can set rates or multipliers. Germany is one example of such a model.
- Full tax raising powers: Where the sub-national authorities have full meaningful control over the tax base, such as is the case in Switzerland.

JAPAN

The Japanese model of 'revenue assignment' perhaps most closely resembles the current and desired future model of fiscal devolution here in England, as set out by the UK Government.

Under the Japanese model, Local Allocation Tax is funded through statutory shares of several national taxes. The current statutory shares include 33.1% of an area's nationally collected income tax and corporation tax, 50% of liquor tax, 19.5% of consumption tax, alongside 100% of local corporation tax.[16]

The Japanese example is useful because it highlights a situation where regional governments are receiving a predictable and useable share of national taxes whilst preserving a single taxation system across the country as a whole. It demonstrates that revenue allocation can make a substantial difference to local areas, while incentivising growth and the creation of employment land and housing, without creating the same degree of fiscal devolution found in Germany or Switzerland.

GERMANY

Germany is a helpful international example to look at when exploring how local taxation interacts with business activity. Germany's 'Gemeinden' have the power to vary business taxes to attract firms. Municipalities in Germany levy the 'Gewerbesteuer' (trade/business tax) on business profits. The tax base and rules are determined nationally, but municipalities set their own 'Hebesatz' multiplier. The statutory minimum has historically been 200%; the tax is then calculated by applying the municipal multiplier to the tax measurement amount.[17]

The result is a notable variation between the varying municipalities. For example, in 2025, Munich applied a 490% multiplier, while nearby Grünwald applied a multiplier of 240%. With the standard 3.5% tax rate, this would imply effective trade-tax rates of approximately 17.2% and 8.4%, respectively.

This example is important because it highlights the significant differences that can occur between different authorities depending on finances, with richer authorities often able to levy a lower tax rate, as also seen with council tax in England.

With the German example, the lesson for the UK is that an incremental approach could allow strategic authorities and their equivalents a defined share of income growth from a national tax base and/or give authorities limited rate-setting powers within national guardrails once sufficient system architecture is in place.

SWITZERLAND

Switzerland has in place a much deeper form of fiscal federalism. The federal government, cantons and municipalities all participate in taxation, and the 26 cantons have a high degree of tax autonomy. Cantons have their own tax laws and can generally choose which taxes to levy, subject to federal constitutional constraints. Municipalities receive taxing powers through the cantonal system.[18]

The main consequence of such a federalised system is that tax policy is embedded in a much wider set of sub-national responsibilities. Cantons have substantial responsibility for public services and policy, and they compete on their overall economic and fiscal environment with each other.

Relevant in the Swiss example is the role of equalisation. Fiscal capacity and capability varies widely across the cantons, and Switzerland operates intergovernmental equalisation to reduce disparities whilst maintaining the autonomy of each canton.

The lesson for the UK is the importance of ensuring institutional systems are in place. Stronger fiscal incentives work better where elected government has enough responsibility to influence policy outcomes, sufficient revenue to pay for it and an equalisation mechanism that ensures there's at least a baseline of funding.

7. A BUSINESS ROADMAP FOR FISCAL DEVOLUTION

There is both a need and a demand for greater devolution across all parts of the UK, both in England where measures currently lag behind Scotland, Wales and Northern Ireland, but also at a sub-national level in the devolved nations. There is a significant upside from getting devolution right – it can lead to better decisions, greater local accountability and, most importantly, local growth and improved living standards.

To secure that growth dividend, business, with Chambers of Commerce as their local representatives, need to be at the heart of devolution. A flexible framework is required that works for all areas. As the international comparisons have shown, successful fiscal devolution occurs when responsibilities, revenues, incentives and accountability are developed in tandem.

This is not about a one-size fits all model - instead devolution must be a journey

As we approach the next steps in the devolution journey, one thing is clear: this process cannot and should not be treated as a one-off transfer of powers with local authorities left to get on with it. That will not work.

Instead, it must be a managed progression from initial devolution of spending, through revenue assignment and retention, towards limited local tax autonomy. It might well be the case that such a full end point is never reached. But what's most important is that the journey is undertaken in such a way that local people – which includes business owners and employees - are front and centre of decision making. That must be in a way that both gives firms certainty and allows for learning to be taken on board along the way.

Devolution roadmap in three distinct phases

Businesses want to see greater devolution and we believe this should be delivered in three phases. While the roadmap below relates to an English context, the principles and journey is one businesses across the Chamber network want to see in each devolved nation.

DEVOLUTION PHASE	FISCAL DEVELOPMENTS	BUSINESS AND CHAMBER ROLE
Short term (Autumn Budget 2026 to 2027-28)	Consolidation of existing plans and further devolved growth spending and remit	Role to play on Business Growth Boards, Local Skills Improvement Plan alignment and development, helping to build and support delivery of devolution offer
Medium term (2028 to end of Parliament)	Revenue assignment – stake in proceeds of local economic growth. Reform key taxes including business rates	Business input into revenue use, local areas to generate pipelines and supply chains for Good Growth Funds
Long term (2030 and beyond)	More devolved powers and responsibilities, including potentially local tax autonomy	Work with business to develop tax offer, provide business oversight

Phase 1: Short Term (Autumn Budget 2026 – end of 27/28)

At the Autumn Budget, the Chancellor of the Exchequer should announce a comprehensive spending devolution package with implementation beginning from April 2027. This phase one of the roadmap should build directly on existing devolution deals and the current direction of travel (e.g. integrated settlements) to provide greater certainty.

It needs to extend devolution beyond the areas currently benefitting, by devolving and providing greater certainty over key growth budgets, such as skills, and emphasise measures that will support local business growth.

Phase one needs to 'colour in the map'

All areas should have the opportunity to access all devolution options. Currently, approximately only 50% of the population in England resides under a Strategic/Combined Authority, creating an uneven playing field and a postcode lottery.

Ensuring all local authorities become, or are on track to become, strategic authorities is already an explicit government intention. But a focus of phase one should be to 'colour in the map' for the entirety of England as soon as possible. This should include completing Local Government Reorganisation (LGR) in order to ensure that all areas have the opportunity to access the benefits of being a Strategic Authority.

It should also consolidate growth funding locally

A priority for the government should be to bring together local economic development funds in expanded, multi-year integrated settlements for strategic authorities. This would reduce the Whitehall culture of creating pots of funding for areas to bid for, whilst also giving strategic authorities greater flexibility to align investment with local economic circumstances and priorities. These settlements should cover at least one spending review period, with future indicative allocations beyond that.

Skills funding should be devolved and aligned with employer demand

Where this is not already happening, control of skills, employment spending and programme design should be progressively consolidated at strategic authority level, with a statutory requirement to demonstrate alignment with employer demand. National oversight of qualifications, assessment and inspections should remain, as should a nationally controlled Growth and Skills Levy.

Local Skills Improvement Plans (LSIPs) in England should be the principal business evidence base for any devolved skills and workforce programmes. Authorities should be required to explain publicly if their decisions depart from LSIPs evidence base. Chambers and other Employer Representative Bodies should be embedded in the design, commissioning and evaluation process of LSIPs with commissioning set at a national level to ensure a consistent skills delivery framework. To date, LSIPs have been key to local growth with more than 65,000 employers having engaged with LSIPs and over 26,000 learners completing training created through LSIPs.

SOMERSET + SKILLS

As Mark Bolton, the Principal and CEO of Yeovil College puts it:

"Yeovil College sits at the heart of Somerset and Dorset, an area not yet benefitting from devolved powers over skills policy. While the narrative around devolution is full of exciting opportunity, the current uncertainty around timelines and practical outcomes makes planning difficult for both local businesses and training providers. Businesses need stability, continuity, and at the very least clarity about the future to plan effectively. Achieving this through a Wessex devolution deal will make a big and positive difference - unlocking access to funding and policy initiatives that can support the business community and us as training providers. A Wessex devolution deal needs to move faster. We cannot afford further delays."

Local Business Growth Boards must be established

Where they are not already in place, every strategic authority should establish a Local Business Growth Board to provide independent business scrutiny of the strategic authority's economic strategy and investment programmes. Chambers, as the voice of place-based business, should have a formal place on these boards and the wider membership should reflect all sizes of businesses and key local sectors. Business growth boards should co-design the Local Growth Plan, identify barriers to business investment and be able to provide pipelines for procurement and skills needs of the region.

Trusted local business support should be funded via a Single Business Gateway

Strategic authorities should work with Chambers of Commerce to create a clear business support offering that helps firms navigate the business environment and access things such as export support and services, start up, scale up and exit business support, skills provision, and financing.

There is no need for strategic authorities to create a new body, Chambers are already delivering this and stand ready to support any growth in these ambitions. Better alignment is needed when provision funding, which often sits with local authorities, is not delivering programmes that work for the reality of what business or their communities need. It's also important to recognise the need to reach the right balance between commissioning powers and delivery. Without decoupling commissioning and delivery, there is an accountability issue whereby you could have an MSA commissioning, delivering and then marking their own homework. All delivery programmes therefore should be put out to tender.

Devolution should use procurement as a growth tool

Being part of a supply chain can often be a key driver of growth for SMEs. Therefore, strategic authorities should publish plans for increasing SME participation in their supply chains, including contract pipelines, proportionate requirements, standardised documentation and prompt payment. Chambers can support pre-market engagement and identify local supply chain capacity as seen by the work Somerset and Suffolk Chambers have done with Hinkley Point and Sizewell respectively.[19]

WEST MIDLANDS COMBINED AUTHORITY – EXPORT SUPPORT PROGRAMME

In the West Midlands, three Chambers of Commerce – Coventry & Warwickshire, the Black Country and Greater Birmingham, came together to deliver an export support programme commissioned by the WMCA in response to a recommendation by the Business Commission West Midlands research from Greater Birmingham Chamber of Commerce (GBCC).

590 outcomes were recorded across 285 businesses, including:

- 171 businesses increased productivity.
- 76 businesses adopted new technologies or processes.
- 57 businesses entered new markets.
- 53 businesses increased profitability.
- 46 businesses introduced new or improved products/services.
- 45 businesses increased export orders and volumes.
- 40 businesses safeguarded jobs.
- 26 businesses won new orders as a direct result of the programme.

This case study shows the power of partnership working in delivering a funded programme that they were able to deliver effectively, with clear outcomes. Central to the success were relationships within the business community.

Phase 2: Medium Term (2028 to end of the Parliament)

Phase 1 of our proposed roadmap is about building in certainty. Phase 2 is then about properly incentivising growth by assigning revenues to strategic authorities and rewarding successful growth and economic prosperity.

If phase 1 is implemented correctly, phase 2 should be seen as a natural progression of devolution, aiming to give greater powers and certainty to all areas, leading to growth in every postcode.

Give local areas a genuine stake in the receipts from growth

In phase 2, strategic authorities and councils everywhere should receive a direct and predictable stake in the proceeds of local economic growth. In doing so, the share of revenue must be creating a genuine growth incentive rather than simply moving one pot of money from the centre to the local level.

This includes greater business rates retention, alongside transparency on spend

Reform of the business rates system is a long term and consistent ask of the business community. As it currently exists, the system acts as a barrier to growth. It's a cost of doing business before even opening the door and switching on the light.

Alongside fundamental redesign of the system, strategic authorities and councils should retain a larger share of their business rates base, potentially up to 100%. This is already happening in different areas, and should be rolled out more widely. The objective should be to reward local areas that take steps that increase productive commercial activity. Local Business Growth Boards should be consulted on the use of additional receipts. Authorities should also publish an annual account showing how retained rates have been invested and led to growth to ensure a high degree of transparency.

Local areas should be assigned a share of their Income Tax Growth

The retention of income tax for some strategic authority areas has already been announced and is something business has welcomed. Income tax should continue to be set, collected and administered nationally, but strategic authorities should receive a share of growth in receipts generated within their area. A baseline should be set at the start of each settlement period, uprated with inflation. Whilst recognising that the easiest way to assign revenue is via individual place of residence, there remains a risk that this approach would weaken incentives to invest in employment land and city or town centres if it is based on geographic areas that do not reflect economic realities. It is for government to decide the best methodology to use but we would urge any system to avoid placing additional reporting burdens on businesses.

Allow development of Good Growth Funds to reduce local barriers to growth

As seen with the creation of the Greater Manchester Good Growth Fund, strategic authorities should be able to establish Good Growth Funds with the support of the National Wealth Fund, British Business Bank, Homes England and the other Public Finance Institutions (PuFins). These should blend a range of opportunities and financing. Chambers can help to build credible project pipelines, local supply chain capabilities, and ensure opportunities reach businesses, especially SMEs. Public funding should be used to address identifiable market failures and reduce risk instead of displacing viable private investment.[20]

The focus on the Overnight Visitor Levy could negatively impact growth

The BCC has broadly opposed the introduction of an Overnight Visitor Levy (OVL) or 'Tourist Tax' as bad for business, whilst recognising views differ across different regions of the Chamber network.

Government has now confirmed that strategic authorities will be able to introduce an OVL and retain the funds raised. In this context, we believe that sensible introduction means a nationally set base system with standardised metrics - at least to begin with. Local implementation should not go ahead without evidenced business support. Future conversations might then focus on varying local rates (see phase 3).

Corporation Tax Assignment

In phase 2, the government could potentially explore the devolution of elements of both Corporation Tax and VAT.

The retention of corporation tax based on local economic activity could be a revenue assignment model, rather than devolution of the tax itself. Corporation tax rates, reliefs, administration and compliance would remain national, in order to preserve a consistent UK-wide tax system and avoid additional burdens on business.

A well-designed model could strengthen incentives for local leaders to support business investment, productivity and business growth by creating a clearer link between local economic success and local fiscal rewards. Any approach should avoid rewarding areas simply because corporate headquarters are located there. Instead, allocation should reflect underlying economic activity through measures such as employment, payroll or other indicators of productive activity.

Given the complexity of attributing corporation tax receipts geographically, government should work with the strategic authorities and businesses to develop and test robust methodologies before wider implementation. A limited pilot involving mature strategic authorities could assess whether such a scheme provides a stable and meaningful incentive for long-term economic growth whilst also not increasing admin burden on business.

Pilot VAT assignment

We believe in phase 2 the Government should also explore a pilot programme under which MSAs could receive a share of VAT growth attributable to their area. The rates, collection and compliance should remain entirely national and such a pilot would assign revenue, not devolve the tax completely.

One potential issue is that VAT returns do not identify where within the UK the goods and services are consumed, so local receipts can be harder to identify. There may be lessons to be learnt from Scotland here. One way around this would be the existing Scottish VAT assignment model - which shows that an estimate can be constructed using expenditure data.[21] However, implementation for Scotland has not yet been activated, with the methodology subject to revision.[22] This should be monitored closely for learnings that inform a pilot elsewhere.

GOOD GROWTH FUNDS

Greater Manchester's Good Growth Fund shows how devolved institutions can combine public funding, borrowing and long-term investment to unlock development at scale.

The fund is GMCA's vehicle for delivering an integrated pipeline of housing, employment, innovation and infrastructure schemes. It uses grants, loans and equity, while seeking to attract private capital and recycle returns into projects. More than £900 million has been committed, with investment intended to address viability gaps and spread growth across Greater Manchester's ten boroughs. BCC President Andy Haldane endorsed the approach, describing it as "a fantastically innovative way of solving a really deep-rooted longstanding problem in the UK, which is that far too little money is flowing outside of the South East". He argued that the model should be replicated across the country "to make good on the holy grail that is national growth".

Support more local areas to borrow against future revenue streams and explore bonds to finance growth enabling infrastructure

Local Authorities already have statutory borrowing powers within certain frameworks, including not being able to borrow to meet day-to-day revenue costs and proving affordability. Similarly, MSAs have borrowing powers for transport functions and opportunities for wider borrowing based on a range of factors.

Therefore, in phase 2, we suggest the creation of a pilot for financially mature strategic authorities to support additional capital borrowing against a ring-fenced share of future assigned or retained revenues. This would not exempt them from existing requirements or allow borrowing for ordinary revenue expenditure. But it would give greater certainty that an agreed revenue stream could be used to invest in order to boost growth. Eligible investment could include enabling infrastructure, employment land, regeneration schemes and other areas. Each would need to provide a clear business case showing a link between investment and future revenues or returns on investment.

Government should also seriously consider allowing public development corporations to issue bonds against future income streams, a mechanism of funding infrastructure that is commonplace in countries like Germany, France and the Netherlands – countries with much better local infrastructure. Several UK financial institutions have expressed interest in this type of investment product, particularly in higher demand parts of the UK with strong economic fundamentals, creating a win-win of private sector investment to help unlock economic growth. Importantly these changes come at no additional cost to the Treasury. Other measures, such as re-aligning UK public finance accounting rules with ESA 2010 or supporting local areas to obtain credit ratings, would also help give local areas a genuine lever to improve their local economies through issuing local bonds.

Alongside greater fiscal devolution, phase two needs to strengthen equalisation

One of the key issues with devolving more funding to areas is the differences in tax base and funding requirements for each region. As previously discussed, equalisation should guarantee a baseline whilst preserving a meaningful reward for growth.

Phase 3: Longer term (post-election)

As phase 2 lays the foundations for incentivising local growth, phase 3 should give mature strategic authorities limited powers to vary selected local taxes within nationally determined parameters and other opportunities.

Give mature areas the ability to vary tax rates - within a national framework

At this stage in the English devolution journey, we believe an appropriate model to explore would be one in which national government retains the tax base, definitions and other elements, whilst qualifying strategic authorities may vary elements such as rates or multipliers. This would be similar to the German example set out in Chapter 6. We believe the governments of the 4 nations should continue to hold conversations about their respective systems in order to find as much alignment as possible.

Before this happens - strategic authorities must pass a devolution readiness test

Before being able to access any further fiscal powers at phase 3, strategic authorities should have to undertake a Devolution Readiness Test. The test should provide a transparent, nationally consistent route through which mature strategic authorities can apply for additional fiscal powers. We believe this is important because greater autonomy must be matched with strong accountability. An MSA seeking additional fiscal powers should be able to demonstrate it can use those powers responsibly, transparently and ultimately in pursuit of growth.

Potential areas for a Devolution Readiness Test to focus on include:

AREA	EVIDENCE
Capacity and capability	Proof that the MSA has the leadership and people capabilities and capacities to handle and use the additional powers
Sound financial management	A sustainable medium to long term financial position, clear audit trails and fiscal rules being followed
Business participation	Business engagement at all stages of the devolution journey and ability to hold to account and scrutinise. Use of Local Business Growth Board
Record of delivery	Evidence that existing devolved powers have been used successfully and led to measurable outcomes for growth, employment and other objectives
Credible Local Growth Plan	A costed and evidence-led strategy for growth
National coherence	Evidence that the requested powers will not fragment the internal market, create additional burdens on business or false borders, or undermine policies requiring national consistency

In phase three - tax retention should be embedded further

Phase 2 establishes the principle that places should share in the fiscal gains generated by growth. Phase 3 should deepen the incentive for authorities that have demonstrated competent delivery with options such as longer retention periods.

Local variation of business rates could incentivise growth

The business rates system is one area where variation and autonomy could be introduced. Authorities could vary a defined regional component of the multiplier, set within a national range in either direction. This would also enable them to set their own reliefs, within reason, to support specific local conditions. This would give mature authorities a genuine, visible, fiscal lever linked to commercial activity which could for example support targeted regeneration, investment zones or high streets.

Local areas should also get greater flexibility over local reliefs and incentives

National reliefs cannot always reflect every local market failure or issue. A suite of local reliefs and incentives could help authorities respond to weak property markets or unlock investment that would otherwise not happen. This would need to be correcting a specific barrier, not subsidising activity that would have occurred anyway. This could include specific incentives around regeneration sites or town centre improvements.

Additional borrowing against future retained revenues should be supported

Authorities with a successful track record of borrowing against devolved or project income or issuing bonds in Phase 2 should be able to borrow at a greater scale against a defined share of future revenues to finance productive capital investment. Power should remain project specific, and shouldn't become a general facility for supporting day-to-day expenditure. A level of infrastructure is required before housing, employment land or private investment projects can proceed. Bringing a proportion of future revenue forward could solve this issue and align local investment with the future fiscal benefits it creates.

Local areas should share in the gains from major projects

Whilst not a substitute for national infrastructure funding, where strategic authorities invest in major transport, regeneration or infrastructure projects, they should be able to retain a negotiated share of the additional national tax revenues generated. Local areas often carry delivery risk while much of the fiscal benefit returns to the Exchequer. A gainshare agreement would allow successful places to recycle part of that benefit into further local growth.

We believe that national government should aim to have a mature framework for controlled local tax autonomy by the early 2030s, subject to readiness and wider economic conditions. By then, strategic authorities should control substantial growth-related spending, revenue assignment should be predictable and in place, with mature audit processes and equalisation. Most importantly, business participation should be embedded across strategic authority processes and decision making.

8. CONCLUSION

We are at a crossroads in the history of devolution. Devolution can deliver a more productive and responsive economy - but only if it changes and empowers the institutions delivering it and draws on the experience of businesses.

Business has set out eight clear principles and a roadmap for devolution in this report – all with the stated aim of delivering growth. The short-term priority should be to 'colour in the devolution map', consolidate funding and build strong local partnerships. The medium-term task is to give authorities a direct share in the revenues generated by growth in their areas. The longer-term task is to introduce carefully controlled tax flexibility for places that demonstrate the capacity to use it responsibly.

We know there is much to be done but the government should use the Autumn Budget to publish a clear and detailed roadmap on the direction of travel, informed by this report.

For business, the test is simple. Does devolution make it easier to invest, recruit, trade, innovate and grow? Does it produce better infrastructure, more responsive skills provision and clearer local leadership? Do firms have a meaningful voice in decisions funded by the taxes they pay?

If the answer is yes, devolution will move beyond an institutional project and become an economic one that drives growth and investment in every region, for everyone. This is what businesses and communities need, and what Chambers across the country are ready to help deliver.

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21. https://www.gov.uk/government/statistics/scottish-vat-assignment-experimental-statistics/scottish-vat-assignment-2021-supplementary-information
22. https://www.gov.uk/government/statistics/scottish-vat-assignment-experimental-statistics/scottish-vat-assignment-2021-supplementary-information

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