

A delicate balancing act

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New data from ONS demonstrates to Ministers that tax returns from the South East are essential to subsidise public spending in the rest of the country. It shows that in 2015-16 the Treasury earned some £14.8bn more in taxes from the South East than it spent in our area.

Here at South East England Councils (SEEC) we already knew this and hope that confirmation from ONS will help persuade Ministers that significant South East infrastructure investment is needed to avoid a decline in our vital flow of tax returns to the Treasury. Transport investment is particularly important as the South East road and rail networks are suffering from congestion. This means delays for businesses that eat into their profitability and productivity. And, of course, lower profits mean lower tax returns for the Treasury.

However, there is great competition for transport funding so I want to urge Ministers to take a leaf out of the business rulebook and create an investment portfolio that balances the needs of both established and up-and-coming areas.

Any successful business needs to balance its investment in proven and profitable brands with its investment in other brands that are still developing. Ignoring successful income generators in favour of more uncertain returns is a high risk strategy for anyone – whether a Minister or a business owner.

The ONS figures show that Ministers need to recognise the value of investing in the South East's proven income-generating brand. No one will gain if underinvestment in the South East sees a decline in our area's profitability as this will simply reduce the pot of tax returns to be spent UK-wide.

I reflected on this when reading about calls for £100bn transport investment in the north. Everyone makes arguments for their own areas but in doing this we must take care not to neglect the places that provide the Treasury's spending power.

Although without combined authorities and directly elected Mayors, the South East has its own transport investment needs. SEEC's Missing Links work identified an initial shortlist of 5 major transport routes in need of improvement to overcome congestion and support economic growth. This work is now feeding into more detailed analysis by emerging Sub-national Transport Bodies to produce an updated list of transport improvements needed to support the continued success of the South East economy.

The ONS figures illustrate the importance of the South East economy as we are one of only three parts of the UK making a profit for the Treasury. Nine areas take more out of Treasury than they contribute. It is important to find a way to redress the imbalance but it would be economic madness to risk undermining the strong economies by starving them of investment.

Before the ONS started publishing its data last year, SEEC commissioned its own regular research on the extent to which the South East has funded Treasury. Our research put the South East net contribution at £154bn from 2000-2016 and now ONS confirms our estimates, putting the amount between £145bn and £159bn.

The South East recognises that success also brings a responsibility to help other areas but, of course, we can only do this if we have the support we need to ensure we continue to generate the tax returns that fund Treasury spending.