

Local Government Finance
Ministry of Housing, Communities and Local Government
Fry Building
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Dear Local Government Finance Team,

SEC is the voice of most local authorities across the South East of England. As a representative body of 44 member councils, we are a cross-party association that campaigns on behalf of the South East.

The South East is often perceived as a wealthy land of green pastures. However, this unhelpful oversimplification risks misjudging the region's unique combination of challenges and legitimising objectives and principles of reform not in the best interests of any part of the UK.

SEC has campaigned to improve and reform the system of local government finance to make it fit for purpose. It is critical that the guiding objectives and principles underlying local government finances translate into a system that is dependable, reliable and most importantly, allows councils to get on and deliver services for residents of the highest quality.

Our work on local government finance

Our Securing a Greater South East (SAGSE) agenda calls on Government to devolve financial competencies to allow the South East to decide on how invest in its future. With the regions less dependent on funding allocations from the centre, meaningful fiscal devolution could empower councils across the country to deliver better value for taxpayers, through a stronger relationship between local tax retention and driving local growth and infrastructure projects.

Since its inception in 2020, the South East 1,000 Regional Monitor, produced annually with Savanta ComRes, has increasingly found respondents believe that certain taxes, levies, or charges should not be set or managed at the national but rather the local or regional level.

When probed for our 2024 edition, over half of respondents (52%) indicated confidence in their local Council to make decisions for their area compared to less than one third (29%) in central Government. Two thirds (66%) of Councillors indicated that tourist taxes should be set and managed at the local level, and over 7 in 10 (71%) said that Business Rates should be set and managed at the local level.

SEC is secretariat to the All-Party Parliamentary Group for the South East (APPG SE). The group's 2022 report *Financing the Future* heard that Government had not fairly considered the challenges faced by local authorities in the South East including pockets of deprivation and a higher-than-average cost of living. APPG SE's 2024 inquiry into transport infrastructure and growth heard of the great potential of public-private partnerships to help Councils deliver value for taxpayers if enabled.

Objectives and principles of funding reform

As Deputy Prime Minister and Secretary of State Angela Rayner has outlined, it is important that Councils are able to focus on working for local residents rather than "firefighting". Multi-year settlements are a good starting point, though fixing the foundations will require adequate funding.

SEC agrees that much of the data underpinning allocations through the Local Government Finance Settlement is outdated and out of touch with current realities. Many of the statistics used for the Settlement Funding Assessment (SFA) formula have not been updated for decades and the only considerable update since occurred in 2013/14.

The current system for funding local authorities does represent a bad deal for taxpayers in the sense that cuts to local authorities in recent years have reduced the core spending power of Councils and damaged their ability to deliver services most effectively.

However, to assert that “some authorities are struggling to provide basic services whilst others are better off” and compare “one northern city” to an apparently better off “shire county” may be counterproductive. SE APPG’s 2022 inquiry heard that regional investment must not pit North against South and must not come at the price of “levelling down” the South East by redistributing away excessive funding, which would hinder national growth. A recent LGA survey found one in four English Councils could go bankrupt in the next two years and this does not exclude the South East, despite its perceived wealth.

To fix the foundations of local government funding, of course, allocations must be fair. However, in terms of principles, SEC believes that it would be mutually beneficial for the nations and regions for the permanent shift in power away from the centre to include serious and meaningful fiscal devolution with a stronger relationship between tax, spend and local growth. The “reward” for local authorities for local business rates growth should be expanded upon, with the objective in mind of delivering a closer relationship between local tax retention and driving local growth and infrastructure projects.

SEC agrees that it is important for Government to simplify the local funding landscape so that local authorities can plan for effectively. We have long criticised Government’s reliance on an enormous amount of funding pots that have forced Councils to skew their long-term objectives to meet ever-changing demands from the ministerial level, and the use of competitive bidding, which has cost councils an average of £30,000 per bid with no guarantee of securing funding.


The principle of reviewing the demands on local government and the Sales, Fees and Charges system is also supported. SEC has advocated that Councils should be encouraged to actively explore innovation in revenue raising and that serious fiscal devolution would improve service outcomes locally. The South East 1,000 has also repeatedly found support for local control of taxes, levies or charges, including the ability to introduce tourist taxes.

In sum, the system of local government finance in this country is broken. In terms of objectives and principles, the answer lies in empowering Councils to make more meaningful decisions on tax and spend and in placing a greater emphasis on tax retention and local growth, rather than a continued dependence on money paid by Councils to the Treasury and redistributed back in a complex way.

Yours faithfully,



Cllr Philip North
Chair, South East Councils
Leader of Test Valley Borough Council
Conservative Party



Cllr Liz Terry
Deputy Chair, South East Councils
Leader of Reading Borough Council
Labour Party



Cllr Keith House
Deputy Chair, South East Councils
Leader of Eastleigh Borough Council
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Cllr Hannah Dalton
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