

Written evidence submitted by South East Councils

“The new Government is attempting to reform local government on a dramatic scale.

Negotiations on devolution arrangements are taking place across the country and the prospect of abolition is looming over large numbers of councils in the South East due to mandatory reorganisation.

New ministers have talked about curbing endless directions from above, as in recent years, and enabling local councillors get on and focus on future delivery for local communities.

There are a range of views across our region on the new plans and ambitions, some will be supportive, others perhaps neutral, however there are some that will remain to be convinced that this tumultuous period will not feel like more of the same.

For years Councils have weathered a storm of significant financial challenges. Turbulence in Westminster has directly translated into instability in budgets at the local level.

Whilst this Government is taking steps in the right direction by introducing multi-year settlements and bringing an end to competitive funding pots, there is a risk of trying to do too much, too soon.

Reorganisation is no panacea. While it offers a chance to reform local government finances under new structures, it remains another central Government mandate that is diverting attention away from a focus on sensible long-term decisions to serve local residents.

The newly formed combined authorities will find themselves facing the same, ultimate issue, of local government finance – with fresh debates over whether the first multi-year settlement is sufficient.

South East Councils (SEC) has long campaigned for reform of local government finance to bring fiscal decision-making closer to communities to be held accountable through local democracy.

SEC brings together a diverse mix of local authority views – sometimes with differing opinions - however a common theme is that locally elected representatives are best placed to make decisions about their area.

Opportunities exist across tax, spend, and more closely tying retention to local growth to empower Councils, bring an end to culture of the begging bowl, and make local government finances sustainable.”

- Cllr Philip North – Chair, South East Councils, Leader of Test Valley Borough Council

1. Introduction

- 1.1. [South East Councils \(SEC\)](#) 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 and a recognised affiliate of the Local Government Association (LGA).
- 1.2. Our [Securing a Greater South East \(SAGSE\)](#) agenda aims to ensure our region is an even better place to live, work and do business. It reflects a cross-party and multi-tier effort amongst our membership to work together for communities across the South East.
- 1.3. Each year SEC publishes the [South East 1,000](#) regional monitor with polling agency Savanta ComRes to produce a unique monitor of public, business and civic cohorts. The latest edition was published in [February 2024](#).
- 1.4. SEC has long campaigned for reform of local government finance and has repeatedly engaged with departmental consultations and committee inquiries on the subject. Our past submissions include:
 - [January 2024](#) | Public Accounts Committee – Levelling up funding to local government
 - [January 2024](#) | Levelling Up, Housing and Communities Committee - Oflog
 - [January 2023](#) | APPG for Left Behind Neighbourhoods Inquiry – Levelling up
 - [August 2022](#) | APPG for Devolution Inquiry – Government’s Levelling Up White Paper
- 1.5. [Resetting the South East: Levelling Up after Brexit, Climate Change and Covid](#) was commissioned by SEC and published by Localis thinktank in March 2022. It explored the challenges local government and called for a post-Covid reset by progressing the levelling up agenda from a debate based on “North versus South” towards an approach based on mutual productivity and nationwide economic growth. It argued that councils in areas of net contribution to the Treasury should be able to raise additional levies to strengthen finances and help councils best serve their residents.
- 1.6. [Restoration and Resilience: Building Capacity and Capability to Deliver Local Services in the South East](#) followed, jointly commissioned by SEC and South East Employers (SEE) and published by Localis in December 2024. The report argued that the state of local government finances has tested the resilience of local governance. To fix the foundations of council finances, it argued that efforts must be coupled with increased fiscal flexibility, such as greater local autonomy in setting local taxes.
- 1.7. SEC serves as the Secretariat for the All-Party Parliamentary Group (APPG) for the South East, chaired by Tan Dhesi MP. In July 2022, APPG South East published: [Financing the Future – What does levelling up mean for South East England?](#) The report called on Government to address the ultimate issue of local government finance. Meaningful fiscal devolution was proposed as a solution to end the financial turbulence that makes it so difficult for local authorities to plan for the future.
- 1.8. In May 2024, APPG South East published the report following its inquiry: [The South East and ‘Global Britain’: what role for transport infrastructure in underpinning Britain’s plan to trade and grow?](#) The inquiry heard that investment in transport infrastructure has not kept up with the region’s evolving needs. It recommended that fiscal powers be devolved to regional (and local) transport bodies to generate the conditions for public-private partnerships to deliver joint infrastructure projects.
- 1.9. On 15 March 2024, the Public Accounts Committee published its report on [Levelling up funding to local government](#). It listed SEC alongside the LGA as one of two sources of published written evidence, in response to evidence we provided highlighting that competitive bidding pots were contributing to a “begging bowl” culture with Councils required to spend an excessive amount of resources to meet ever-changing demands of ministers rather than being allowed to plan for the long-term for the benefit of their communities.¹

¹ <https://publications.parliament.uk/pa/cm5804/cmselect/cmpubacc/424/report.html>

2. Response

2.1. The road towards a sustainable system of local government finance

2.1.1. **Answering directly in response to the key question posed by this inquiry, SEC would answer “no”, the system of local government finance is not fit for purpose.** Council budgets are on the brink. For years successive budget cuts have hampered the ability of local government to deliver services. Combined with the impacts of Brexit, Covid-19 and an inflationary crisis, costs have risen whilst budgets have been cut.

2.1.2. As of 2025, there are mixed views on the Governments devolution and mandatory reorganisation plans and how they should apply in the South East within the region. Nevertheless, it is clear is that local government has been plunged into uncertainty, yet again, by a shifting ministerial landscape in Westminster. **This next phase of uncertainty is, once again, hindering the ability of local authorities make sensible long-term decisions for their communities in a backdrop of extremely limited resources, especially given that the continued existence of many Councils in the region is unknown.**

2.1.3. A June 2024 an LGA paper revealed that councils in England faced a funding gap of £2.3 billion in 2025/26 and £3.9 billion in 2026/27.² In September 2024, a Unison report suggested an even larger budget gap of £3.4bn funding gap next year, rising to £6.9bn in 2026-27. It placed the South East as the region with the joint second highest funding gap as a percentage of revenue budget at 6.1% alongside Yorkshire and the Humber, after London at 6.8%.³

2.1.4. **South East Councils has long argued that the ultimate issue of local government finance must be addressed.** Problems ranging from the undersupply of social housing to the overburdened infrastructure and stretched planning departments all come back to strained finances – with consequences ranging from poorer services to local residents, to hampered regional growth and national renewal.

2.2. Local government finances and “levelling up”

2.2.1. A flagship policy branded by former Prime Minister Boris Johnson and continued up to Rishi Sunak was Levelling Up. The policy programme aimed to improve standards of living and address regional inequalities across the country. **Yet “levelling up” failed to address the ultimate issue of local government finance.**

2.2.2. Levelling up risked fundamentally misunderstanding that the reallocation of resources away from the South East would hurt nationwide growth given the region’s role in trade on the doorstep of Europe, whilst taking away from our region’s communities often living within pockets of deprivation in the region’s towns, cities, coastal and rural areas with a much higher than average cost of living.

2.2.3. Combined with the use of competitive funding pots during this time conjured up in Whitehall, levelling up as an ethos failed to address the sustainability of local government finances. Pots led to immense waste, with councils competing against their neighbours for funding with no

² <https://www.local.gov.uk/about/news/relationship-reset-whoever-forms-next-government-needed-councils-face-more-ps6bn-funding>

³ <https://www.lgcplus.com/finance/councils-face-6-9bn-funding-gap-by-2026-27-09-09-2024/>

guaranteed change of success. The LGA estimated that the average cost to councils to pursue competitive grants was around £30,000 adding up to £2.25 million per annum.⁴

2.3. Finances, devolution and reorganisation under Sir Keir Starmer

2.3.1. The Labour Government under Sir Keir Starmer has brought with it a programme of devolution and reorganisation. On 24 October 2024, Secretary of State Angela Rayner promised to reset the Government's relationship with councils, pledging to end "diktats from above" and claiming that Government would no longer look to "micro-manage" councils.⁵

2.3.2. After confusion over whether reorganisation and the end of two-tier areas was mandatory, McMahon clarified to the LGC on 22 January 2025: "*There is a requirement that we bring to an end the two-tier system and councils will be required to reorganise.*"⁶

2.3.3. There are of course mixed views on devolution and reorganisation in the South East. However, this inquiry asks whether the current system allows local authorities to make sensible long-term financial choices – and it is fair to say that: **Yet again shifting priorities in Westminster are plunging councils into uncertainty, which makes sensible long-term decisions more difficult.**

2.3.4. SEC welcomed the announcement of "the first multi-year funding Settlement in ten years" on 28 November 2024 to bring much needed certainty to enable local authorities to make sensible long-term choices.⁷ **However, it is unclear how the first multi-year settlement will coincide with the expected abolition of many councils under the mandatory programme of reorganisation.**

2.4. South East Councils and APPG South East

2.4.1. Looking forward towards solutions, **SEC has produced a compendium of works seeking to address how the system of local government finance could be made more sustainable.**

2.4.2. Since 2021 the South East 1,000 Regional Monitor with Savanta ComRes has polled on local government finance, including the devolution of fiscal powers, options for taxes and levies, and public trust in the various levels of government. It has consistently found that **respondents trust their local council more than central Government** and would prefer the devolution of powers closest to the local level. This lies in stark contrast to the preference of the current Government for devolution to shift powers into larger combined authorities preferred to contain around 500,000 people.⁸ It has also found support for local control of more taxes and levies such as the ability to introduce tourist taxes to bolster council finances.

⁴ <https://www.local.gov.uk/publications/reforming-local-government-funding-system-england#:~:text=LGA%20research%20estimated%20that%20the,pots%20of%20money%20across%20Whitehall.>

⁵ <https://mhclgmedia.blog.gov.uk/2024/10/24/deputy-prime-minister-promises-relationship-reset-with-councils/#:~:text=Its%20inaugural%20meeting%20took%20place,that%20people%20can%20rely%20on.%E2%80%9D>

⁶ <https://www.lgcplus.com/politics/governance-and-structure/mcmahon-clarifies-councils-will-be-required-to-reorganise-22-01-2025/>

⁷ <https://questions-statements.parliament.uk/written-statements/detail/2024-11-28/hcws265>

⁸ <https://www.bbc.co.uk/news/articles/c4gjz2lpj1po>

- 2.4.3. Our work with Localis thinktank has produced reports including our foundational work [Resetting the South East: Levelling Up after Brexit, Climate Change and Covid](#) and [Restoration and Resilience: Building Capacity and Capability to Deliver Local Services in the South East](#). These reports have provided insights into the challenges faced by local authorities in the South East. Both recognised that the sustainability of local government finances is paramount and put forward recommendations for both improving efficiencies as well as **enabling councils to play a more substantial role in tax, spend, and economic growth.**
- 2.4.4. Members of Parliament across the South East have also put forward their views through their membership of the All-Party Parliamentary Group for the South East. Chaired by Tan Dhesi MP with SEC serving as the Secretariat, the group now has 36 members and has run two inquiries. The first inquiry [Financing the Future – What does levelling up mean for South East England?](#) revealed major concern amongst local government and business groups that the levelling up agenda presented a major risk to the South East. It called for the ultimate issue of local government finance to be addressed both in respect of the short and long term with an emphasis on certainty and flexibility.
- 2.4.5. The APPG’s second inquiry [The South East and ‘Global Britain’: what role for transport infrastructure in underpinning Britain’s plan to trade and grow?](#) heard that investment in transport infrastructure in the region has not kept up with the region’s evolving needs to prop up a truly ‘Global Britain’. It called for a new holistic approach to transport planning and **recommended that greater fiscal powers be devolved to regional and local transport bodies to work towards a “Golden Era of collaboration” through public-private partnerships** strengthened by a closer relationship between local tax retention and driving local growth and infrastructure projects, as in countries such as the United States. This would allow Councils to ‘stand on their own two feet’ and reduce their reliance on central Government for fiscal sustainability – supported by a strengthened strategic relationship with private sector and regional players with mutual interests in common infrastructure and economic growth.

2.5. Experience from our Members

- 2.5.1. To sum up “on the ground experience” from members on why our system of local government finance is not fit for purpose – we can comment on the four major parts of council funding:
- 2.5.1.1. **1) Settlement Funding Assessment (SFA)** – is supposed to facilitate a needs-based approach of distributing funding. However, much of the statistics underpinning the SFA formula have not been updated for decades and the only considerable update since occurred in 2013/14. **The funding as a result of SFA is therefore disjointed and out of touch with current realities;**
- 2.5.1.2. **2) Business Rates Retention** – councils keeping a proportion of real terms growth in business rates is supposed to incentivise efforts towards local growth. However, **political uncertainty in recent years over promised reforms of Business Rates has forced councils into making suboptimal decisions.** Anticipation of major cuts to local government through scrapping Business Rates has incentivised some councils to save gains into their reserves. Investing money raised into services has been deemed too risky as it may result in a need to more aggressively cut in a short space of time once reform arrives. The result was that the growth incentive of the rewards-based system has been less impactful than it could be.

2.5.1.3. Even if this uncertainty was resolved though, there is **considerable scope to expand on the relationship between local growth and retaining tax receipts at the local level in order to build upon the growth incentive**, empower councils and strengthen growth through emboldened private-public working. This is a point given particular attention in the South East APPG's report "[The South East and 'Global Britain': what role for transport infrastructure in underpinning Britain's plan to trade and grow?](#)" in relation to funding transport infrastructure – but there is scope to expand on the growth incentive in wider reform of Business Rates and local government funding;

2.5.1.4. **3) Specific grants** – as mentioned throughout this submission, grants, particularly competitive bidding results in major cost to councils with no guarantee of success with funds translating into money spent on services. Even if not competitive, the higher the proportion of reliance on specific grants, the more vulnerable councils are to turbulence in Westminster, with uncertainty being a major limiting factor in why the system of local government is not sustainable. **Ever-changing demands from the ministerial level (that create and scrap grants) force councils to constantly skew their long-term objectives**, rather than being enabled to make sensible long-term choices about their future and better serve their residents.

2.5.1.5. **4) Council Tax** – as detailed in our reports with Localis thinktank and backed by data in the South East 1,000, there is considerable weight behind the view that councils should have greater flexibility over local taxes. **Councils should be free to set Council Tax rates** at the level required to deliver effective services in their area. **If these are deemed too high at the local level, voters will hold decision-makers to account at the ballot box in local elections.**

2.5.1.6. One member pointed out that **referenda requirements effectively tie councils to the decisions of their predecessors' and have damaged local democracy by preventing different administrations from distinguishing themselves** through the level of service provision and taxation they would provide. This is despite the greater democratic legitimacy of following council administrations to make decisions on tax and spend in their areas.

2.6. Concluding remarks

2.6.1. **Ultimately, our system of local government finance is not fit for purpose.** Local government does not have enough control over the levels of funding they receive from sources such as local taxation, business rates, central Government grants, and returns on commercial investments, and the funding system does not sufficiently allow or incentivise local authorities to make sensible long-term choices to best serve their residents.

2.6.2. At the highest level, whilst uncertainty exists over the future of many councils at the current time given the Government's mandatory reorganisation and devolution process, the debate on local government finance is expected to continue, but under new arrangements. Combined authorities are not a panacea. Councils in operation after this process will have to review the situation they find themselves in, and reassess how the new system should evolve.

2.6.3. What will be crucial going forward is holding the Government to account to meet their promises. Local government must be allowed to focus on delivering for residents without constant disruptive interventions as a result of changes in Westminster. Local government

needs a period of calm and certainty in order to make sensible long-term choices together with multi-year settlements that are sufficient to fund services.

2.6.4. The debate that will follow is whether these settlements are fair and what further reforms of local government finances are necessary. If central government is unable to adequately fund councils, it must devolve fiscal competencies so that local government can play a greater role in tax, spend and national renewal. Otherwise, the “begging bowl culture” that SEC told the Public Accounts Committee’s inquiry into levelling up funding to local government will remain alive and well.⁹

2.6.5. At the root of our proposals to address the ultimate issue of local government finances is 1) Empowering councils through meaningful fiscal devolution to bring decision-making on tax and spend closer to communities; 2) Strengthening local democracy and accountability to ensure communities are at the forefront of local decision-making; and 3) Bridging the gap between local tax retention and local economic growth – building on mutual incentives for growth – so that councils are able to work more closely with the private sector to deliver joint infrastructure and services more efficiently, better contributing to national renewal.

⁹ <https://publications.parliament.uk/pa/cm5804/cmselect/cmpublic/424/report.html>

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3. Further information

3.1. **Securing a Greater South East**

- 3.1.1. Our [Securing a Greater South East \(SAGSE\)](#) agenda aims to ensure our region is an even better place to live, work and do business. It reflects a cross-party and multi-tier effort amongst our membership to work together for communities across the South East.
- 3.1.2. Our priorities as stated in SAGSE are: (1) Efficient Transport to keep our region moving; (2) Affordable, decent Housing to grow sustainably; (3) Collaboration for a Cleaner and Greener future; and (4) improved Skills provision to compete successfully.
- 3.1.3. For the South East that will require, firstly, devolving financial competencies to allow the South East to decide on how invest in its future – rather than lobbying Whitehall to get our own taxpayers' money back, and secondly, endowing local government with powers to ensure adequate infrastructure and public services provision, to make the South East region attractive as a place to live, work and do business.

3.2. **The South East 1,000 Regional Monitor**

- 3.2.1. Each year SEC publishes the [South East 1,000](#) regional monitor with polling agency Savanta ComRes to produce a unique monitor of public, business and civic cohorts. It is the largest regular survey of councillor, business, and public opinion in the region.
- 3.2.2. Prior to the significant economic shock of the Covid-19 pandemic there had been many questions on the adequacy of local government financing. The slew of section 114 notices issued in the past few years is testament that councils are facing unprecedented pressures, indeed some are now in financial distress.
- 3.2.3. In our latest edition, which was published in [February 2024](#), former Chair Cllr Nick Adams-King said: *“SEC has consistently called for a thorough review, and meaningful reform, of local government finance.”*¹⁰
- 3.2.4. Our polling has repeatedly found that Councillors, business decision-makers and members of the public trust their local council more than central Government to make the right decisions for their local area. In our 2024 edition, when probed over half of all respondents (52%) indicated their local council (up from 50% in the previous monitor), compared to less than one third overall (29%) indicating confidence in central Government.
- 3.2.5. When asked if powers were to be devolved away from central Government at what level they would most like to see these powers transferred to, the clear preference (44%) of all respondents was to town, city or borough level. This is an increase of 5% from the previous monitor. Only 25% of all respondents chose the county option. This is a notable decrease of 9% on the same question in the previous edition.
- 3.2.6. Since its inception in 2020, the SE,1000 has found increasing numbers of respondents holding the view that certain taxes, levies, or charges should not be set or managed at the national level but rather the local or regional level. Two thirds (66%) of Councillors indicated that tourist taxes should be set and managed at the local level compared to only 8% at the national level. Whilst more than 7 in 10 (71%) of Councillors answered that Business Rates should be set and managed at the local level.
- 3.2.7. Local authorities in the South East have faced cost pressures including rising inflation, wage increases, and energy prices, rendering the already weak state of local government finances even less sustainable. Respondents were asked what potential “cuts” scenarios they were most

¹⁰ <https://www.secouncils.gov.uk/media/2024/02/South-East-1000-Doc-2024-FEB-WEB.pdf> (p. 2)

concerned about over the next twelve months. The scenario respondents were most concerned about was with council taxes being raised (49%), followed by cuts to care services for older and disabled people (42%). The top three areas Councillors were worried about being cut were to care services for older and disabled people (50%), care services for children (44%), and services for low-income households and homeless people (43%).

3.2.8. In a climate of turbulent finances and looming cuts, these findings from our SE,1000 could be seen to add weight to the idea that local government finances should be bolstered with fiscal devolution considered. More decisions on tax and spend made closer to local taxpayers could help councils stay afloat, whilst Councillors remain democratically accountable to local residents.

3.2.9. Our polling has consistently found that respondents identify with and trust more their local councils compared to more centralised bodies. The preference for powers to be devolved to the town, city and borough level lies in stark contrast to the stated preference of Government for devolution to shift powers away from this level and into larger combined authorities preferred to contain around 500,000 people.¹¹

3.3. Resetting the South East

3.3.1. [Resetting the South East: Levelling Up after Brexit, Climate Change and Covid](#) was a report commissioned by SEC and published by Localis thinktank in March 2022. The report argued that the perception of the South East is one of greener pastures. This is, however, an unhelpful oversimplification and risks overestimating the sustainability of local government finances, or fiscal resilience, in region.

3.3.2. Whilst there is wealth in the South East, there are still major challenges in education, health, infrastructure, and quality of life, due in large part to the very high cost of living. Inequality within regions can be hidden by the relative affluence of high earners when thinking about places left out of growth and prosperity. Some of the country's most difficult places to live in terms of social mobility are in the region.

3.3.3. As the South East is not as populous overall in the lower rankings – pockets of deprivation are glossed over and go amiss. In fact, the very high cost of living in the most affluent areas make it even more costly for the poorest in our society who reside in these same areas to get by – and by extension – more costly for local councils to support these groups, adding further strain to local government finances here.

3.3.4. The report argued that councils which are in areas of net contribution to the Treasury should be able to raise additional levies to fund investment given their role in powering UK-wide growth and need to invest in infrastructure to this end, in addition to supporting local residents. This could include powers like those afforded to the Mayor of London in the Business Rates Supplement Act or the ability to use expansive Tax- Increment Financing for pro-growth schemes.¹²

3.4. Building Capacity to Deliver Local Services

3.4.1. [Restoration and Resilience: Building Capacity and Capability to Deliver Local Services in the South East](#) followed, commissioned by SEC and South East Employers (SEE) and published by Localis in December 2024. It found that stark inequalities and financial pressures that are increasingly testing the resilience of local governance and sets out a roadmap for sustainable service delivery and regional renewal.

3.4.2. To truly fix the foundations of council finances, the report argued, there is a need, in the context of extreme revenue pressures, for South East local authorities to jointly manage financial pressures through coordinated approaches, especially on cross-boundary issues like social care. This must

¹¹ <https://www.bbc.co.uk/news/articles/c4gjz2lpj1po>

¹² https://www.localis.org.uk/wp-content/uploads/2022/03/046_Resetting-the-South-East_PRFF2.pdf (p. 19)

be coupled with increased fiscal flexibility, such as greater local autonomy in setting council tax rates and the ability to introduce innovative local taxes, which would empower councils to generate revenue in a manner that reflects their unique economic environments and shield them from commercial risks.

- 3.4.3. On the growing tendency of councils to engage in commercial activities and innovative revenue-raising like capital receipts and community bonds, the report argued that there is a need for these to be aligned with long-term financial sustainability with strategic capacity in risk management and public sector commercial expertise bolstered.
- 3.4.4. Recommendations in the report suggested to local authorities in the South East that to boost restore resilience to local government finances and sustainable service delivery they should: (1) strengthen financial governance and strategic leadership; (2) strengthen commercial practices and diversify revenues; (3) collaborate in managing public service contracts.
- 3.4.5. Recommendations to central government covered social care, a major cost in many council budgets, and business rates, a primary mechanism for raising monies: (1) Central government must push on with and accelerate reform of social care funding – Government must expedite its plans for a National Care Service, with clear funding mechanisms to alleviate local authority burdens. Integrating health and social care services, alongside implementing a cap on care costs, will help councils manage growing financial pressures; and (2) Government should expedite the review of funding formulae and reset business rates.¹³

3.5. Findings of the South East APPG – Financing the future

- 3.5.1. The All-Party Parliamentary Group for the South East (APPG SE) published [*Financing the Future – What does levelling up mean for South East England?*](#) in July 2022. The report revealed major concerns amongst local government and business groups that the levelling up agenda, at the time, presented a major risk to the region – by underestimating the needs of communities and scale of financial turbulence being experienced by local authorities in the South East.
- 3.5.2. The Government’s “levelling up” agenda starting under former Prime Minister Boris Johnson aimed to tackle regional inequalities and drive national growth, relying on local government to deliver essential services. However, years of financial cuts, political instability, ministerial churn, and a reliance on competitive funding pots from Whitehall created a fragmented system. Councils were forced to compete, diverting resources to short-term objectives dictated by shifting ministerial priorities, undermining the potential for empowered, bottom-up governance.
- 3.5.3. At the core of the APPG’s report was unsustainability in local government finances. The report called on Government to “address the ultimate issue of local government finance in the short and long term with an emphasis on certainty and flexibility”. Meaningful fiscal devolution was proposed as a key solution to end the financial turbulence that makes it so difficult for local authorities to plan for the future. The ability to set tourism taxes and greater flexibility to set council tax, business rates, property related taxes, and specific local levies were all mentioned.

3.6. Findings of the South East APPG – Transport infrastructure & growth

- 3.6.1. APPG SE published [*“The South East and ‘Global Britain’: what role for transport infrastructure in underpinning Britain’s plan to trade and grow?”*](#) on 16 May 2024. The inquiry heard that investment in transport infrastructure in the region has simply not kept up with the region’s evolving needs to prop up a truly ‘Global Britain’ and called for a new holistic approach to transport planning.
- 3.6.2. As the port of entry for over 60% of the nation’s trade, the fastest growing and most populous region of the UK (larger than Scotland and Wales combined), the South East is plagued by traffic

¹³ <https://www.localis.org.uk/wp-content/uploads/2024/07/Localis-Restoration-and-Resilience-Report-A5-NOV24-PRF05c-Interactive.pdf>

congestion, fragile road networks, inadequate public transport services, and sluggish East-West connections.

- 3.6.3. The inquiry heard how political instability in Westminster has damaged the sustainability of council finances: *“Place leaders have not been able to rely on central Government to provide consistent and predictable revenue streams to underpin the strategic regional and local planning of transport”*.¹⁴
- 3.6.4. Weak local finances have hindered councils in supporting infrastructure development in the South East. The inquiry revealed that limited local tax retention – unlike systems in countries like the USA – restricts councils' ability to fund and drive local growth and infrastructure projects.
- 3.6.5. Consensus was discovered amongst participants in the inquiry that there is great potential for the private sector to play a more significant role in funding transport infrastructure. This could go some way towards making local government finances more sustainable. However, action is required to establish the conditions conducive to public private partnerships to deliver joint projects to move towards any “Golden Era of collaboration”.
- 3.6.6. The reluctance of central Government to devolve to Sub-national Transport Bodies (STBs) and planning authorities has meant decisions continue to be made in Whitehall. The report argued that such decisions could be made more efficiently closer to the local level, recommending that fiscal powers be devolved to regional (and local) transport bodies to help generate the conditions (certainty and reliability) for public-private partnerships to deliver joint infrastructure projects from the bottom-up.

3.7. Local government funding settlements

- 3.7.1. On 28 November 2024, Local Government Minister Jim McMahon confirmed the Government's intent that 2026-27 will mark “the first multi-year funding Settlement in ten years”.¹⁵ SEC welcomed this development having long campaigned on the issue.
- 3.7.2. On 17 December 2021, SEC stated: *“Our member councils have made it clear that continuing the current annual funding settlement is unacceptable, as this brings with it an added element of uncertainty and undermines councils ability to plan for the longer term... At a minimum – a three-year funding settlement for local authorities – is needed, so that councils are better able to plan for the future and continue to deliver essential services to residents.”*¹⁶
- 3.7.3. SEC remains of the view that multi-year funding settlements will make it easier for local authorities to make sensible long-term choices about their future and better serve their residents. This announcement by the new Government under Sir Keir Starmer was a step in the right direction.

3.8. The significance of ongoing devolution negotiations

- 3.8.1. The Devolution White Paper published on 16 December 2024 announced that Government will undertake a programme of devolution and local government reorganisation to usher in a decade of national renewal.
- 3.8.2. The White Paper proposed reorganisation of all two-tier areas and for unitary councils “where there is evidence of failure or where their size or boundaries may be hindering their ability to deliver sustainable and high-quality public services.” It stated that new unitary councils should contain a population of 500,000 or more.¹⁷

¹⁴ https://www.secouncils.gov.uk/media/2024/05/South-East-APPG_Report-Transport-infrastructure-WEB.pdf (p. 3)

¹⁵ <https://questions-statements.parliament.uk/written-statements/detail/2024-11-28/hcws265>

¹⁶ <https://www.secouncils.gov.uk/south-east-can-support-uk-recovery-if-enabled>

¹⁷ <https://www.gov.uk/government/publications/english-devolution-white-paper-power-and-partnership-foundations-for-growth/english-devolution-white-paper>

- 3.8.3. Following the publication of the White Paper by mid-January 2025 at least eighteen councils were seeking election postponement to make way for progressing devolution deals.¹⁸
- 3.8.4. After confusion over whether reorganisation was mandatory and that this meant the mandatory abolition of many District Councils as well as some Unitaries and Counties, Local Government Minister clarified speaking to the LGC on 22 January 2025. He said: *“There is a requirement that we bring to an end the two-tier system and councils will be required to reorganise.”*¹⁹
- 3.8.5. It is unclear how the ongoing devolution negotiations and mandatory reorganisation will coincide with the forthcoming multi-year settlement, given that many councils are expected to be abolished to make way for the formation of the new combined authorities.
- 3.8.6. Whether one agrees with the Government’s devolution and reorganisation plans or not, as there are of course mixed views, what appears to be clear is that yet again local government has been plunged into uncertainty by a shifting ministerial landscape in Westminster. The additional period of uncertainty certainly does little to help local authorities make sensible long-term decisions, given their continued existence is unknown.

¹⁸ <https://www.themj.co.uk/ministry-confirms-councils-seeking-election-postponement>

¹⁹ <https://www.lgcplus.com/politics/governance-and-structure/mcmahon-clarifies-councils-will-be-required-to-reorganise-22-01-2025/>

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