

Public Accounts Committee
House of Commons
London
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20 March 2025

Dear Public Accounts Committee,

South East Councils (SEC) is a cross-party local government association that serves as the voice of 44 member councils across the South East of England.

The South East faces a whole host of unique challenges, as one of the most expensive regions to live and buy or rent a home. Councils in the South East have been at risk of issuing Section 114 Notices and have required exceptional financial support packages as in the rest of the country.

The Twenty-First Report of Session 2023–24 on Levelling up funding to local government by the Public Accounts Committee (PAC) cited evidence from South East Councils (SEC) that the bidding process for local government funding had contributed to a “begging bowl culture”.

SEC has long campaigned for Government to address the ultimate issue of local government finance through reform that brings powers closest to residents through their local Councillors, who are closest to their local areas. It is vital that, whatever form of reorganisation and devolution soon takes shape, that the fundamental principle of local government financial sustainability remains at the forefront.

Securing a Greater South East

Our Securing a Greater South East (SAGSE) agenda called on Government to devolve financial powers to allow the South East to decide on its own future across five key areas: Efficient transport to keep our region moving; Affordable, decent housing to grow sustainably; Collaboration for a cleaner and greener future and; Improved skills provision to complete successfully.

If the regions are empowered to become less dependent on funding allocations from the centre, meaningful fiscal devolution could empower councils to deliver better value for taxpayers, through a stronger relationship between local tax retention and local growth. Devolution and reorganisation could support this, but it is too early to say whether the new Councils will be supported in this way.

The South East 1,000

Since its inception in 2020, the South East 1,000 Regional Monitor, produced annually with Savanta ComRes, has increasingly found respondents support the control of certain taxes, levies, or charges at the local or regional level rather than the national 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.

Work of the South East APPG

SEC is secretariat to the All-Party Parliamentary Group for the South East (APPG SE). With Tan Dhesi MP (Slough) as Chair, the group has 36 members, over a third of MPs in the South East.

APPG SE's 2024 inquiry *The South East and 'Global Britain': what role for transport infrastructure in underpinning Britain's plan to trade and grow?* heard of the potential of public-private partnerships to help Councils become more financially sustainable by reducing their reliance on Central Government funding. This remains a viable route for local authorities, post-reorganisation, to build upon, if empowered through smart devolution of the right fiscal responsibilities.

Local government financial sustainability

For local government to become financially sustainable, either Councils need adequate funding from the centre, or must be empowered to raise funding at the local or regional level. Given the "difficult decisions" being undertaken by Chancellor of the Exchequer Rachel Reeves, SEC expects there is more headroom to make progress in local government financial sustainability in the latter.

Whilst the introduction of the first multiyear Settlement in a decade in 2026-27 is a welcome step forward towards greater certainty and reliability of funding from the centre, it is critical that it provides sufficient funding to ensure the long-term financial viability of all councils.

SEC also welcomes the Government's commitment to reduce the number of funding pots to give Councils more flexibility to focus on how to spend on priorities in their local areas and not have to constantly skew their objectives to meet the latest directive from Westminster.

Councils across the South East stand ready to play their part in the Government's growth agenda. We encourage Government to design reforms of local government finance in a way that further incentivises councils to help deliver that growth.

A stronger local government could be empowered with meaningful fiscal devolution with a stronger relationship between tax, spend and local growth. The financial "reward" local authorities receive linked to local business rates growth could be expanded upon, building towards a closer relationship between local tax retention and driving local growth and infrastructure projects.

Councils also have a role to play in reforming how services are delivered to maximise outcomes for local communities. For example, Councils are paying far above what is necessary in the market for social care and SEND provision. Working closely together, Government intervention in the right places could help local government deliver far more sustainable services.

Overall, local government financial sustainability can be improved if Government take meaningful steps to address the ultimate issue of local government finance. Part of this includes collaborating with Councils on tactful interventions to support smart reforms, help reduce costs and improve efficiencies.

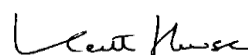
Yours faithfully,



Cllr Phil North
SEC Chair
(Conservative, Test Valley)



Cllr Liz Terry
SEC Deputy Chair
(Labour, Reading)



Cllr Keith House
SEC Deputy Chair
(Liberal Democrat, Eastleigh)



Cllr Hannah Dalton
SEC Deputy Chair
(Independent, Epsom & Ewell)