Correspondence address:
South East England Councils
South East Strategic Leaders
Room 215 County Hall
Penrhyn Road
Kingston
Surrey
KT1 2DN

e: philippa.mellish@hants.gov.uk t: 07841 492507
e: heatherbolton@secouncils.gov.uk t: 07966 865525

To South East MPs

5 March 2015

Dear MP,

Devolve property taxes and maximise South East profitability for UK PLC

We write to highlight new research on the benefits of financial devolution in the South East and ask you to support changes allowing property taxes – just 11% of total tax income – to be devolved to councils. The research was conducted for our members in South East England Councils (SEEC) and South East Strategic Leaders (SESL), who together represent all tiers of local government and 9.8m residents.

We welcome the recent report on Financing English Devolution by the Independent Commission on Local Government Finance, particularly their recommendation to allow councils to retain 100% of business rates. Our research takes this further, showing the impact of property tax devolution in the South East. With £80bn profit for the Treasury from 2002-12, the South East is the UK's most profitable economy. We welcome Government support for greater fiscal devolution in Scotland and some cities. However, we believe the economic benefits – both local and UK-wide – would be greater if South East authorities could reinvest local property tax income in infrastructure and services needed to support our proven growth potential.

Allowing South East councils to keep just 11% of taxes instead of non ring-fenced central grants could provide £3.3bn a year for infrastructure and services to support growth. The ability to increase business rate income would incentivise councils to invest in economic growth, while resulting increases in income tax, national insurance and corporation tax would deliver more funds for central Government to spend UK-wide.

Our research, by Local Government Futures, shows potential for greater self-sufficiency and reduced reliance on central Government grants if councils controlled business rates and stamp duty as well as council tax:

- Council tax is just 4.9% of all taxes paid in the South East. All property taxes together reach only 11% of total tax revenue in the South East; devolving these would leave an 89% share for central Government.
- South East council tax, business rates, stamp duty and tax on enveloped dwellings raised £9.8bn in 2013-14.
- In 2015-16 the South East expects £2.93bn in non ring-fenced central grants. Devolving property taxes but removing these grants would give a projected £3.3bn more to invest in infrastructure and services.
- There would need to be re-balancing of devolved taxes among South East authorities to avoid funding reductions in some areas.

An enclosed summary shows how devolving property taxes could make the South East more self sufficient and increase investment in the economy. It would also strengthen links between local taxes and local decisions for voters. We would welcome your support for financial devolution and would be pleased to discuss this further.

Yours sincerely,

Cllr Gordon Keymer CBE
Chairman, South East England Councils

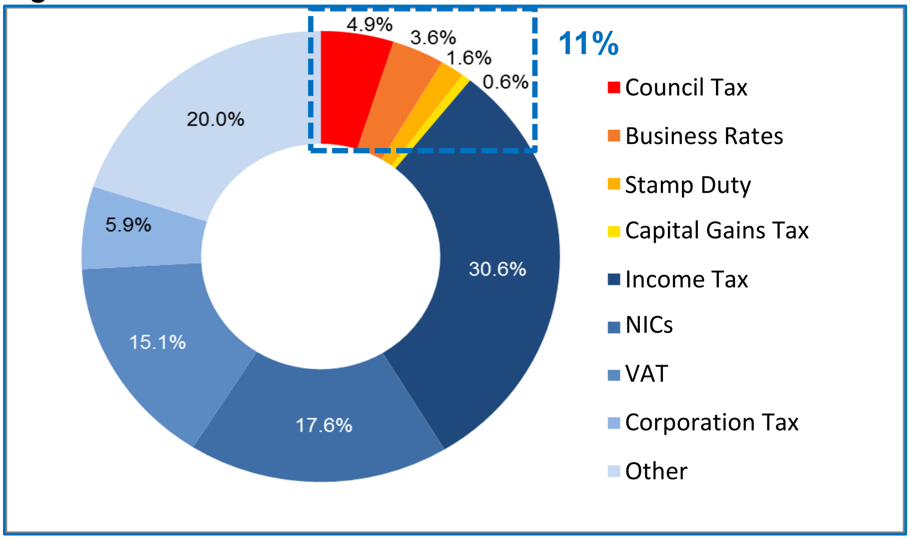
Cllr David Burbage MBE
Chairman, South East Strategic Leaders

Cllr David Hodge
Deputy Chairman, South East England Councils

Cllr Martin Tett
Vice Chairman, South East Strategic Leaders

OVERVIEW OF RESEARCH FINDINGS: SOUTH EAST PROPERTY TAX DEVOLUTION

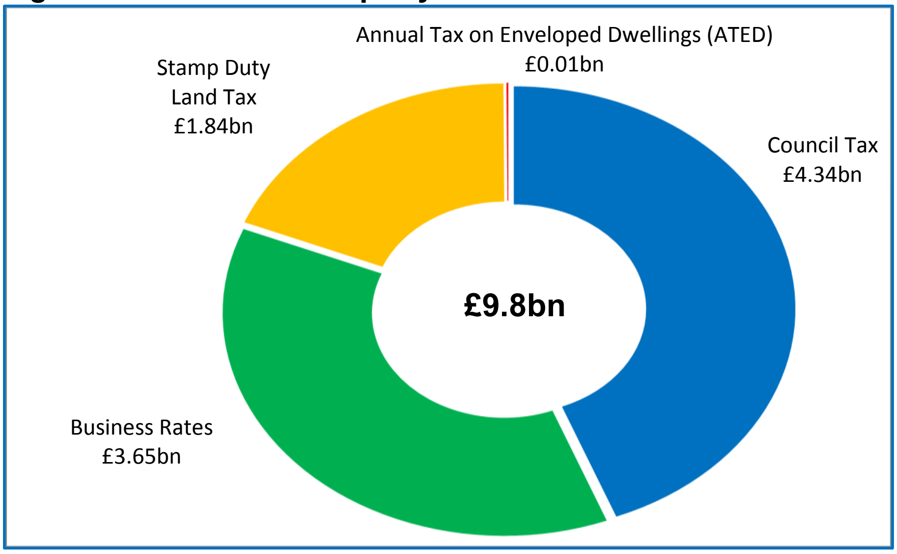
Figure 1- South East Tax Revenues 2010/11



Property taxes only accounted for **11%** of the South East's total tax take in 2010-11.

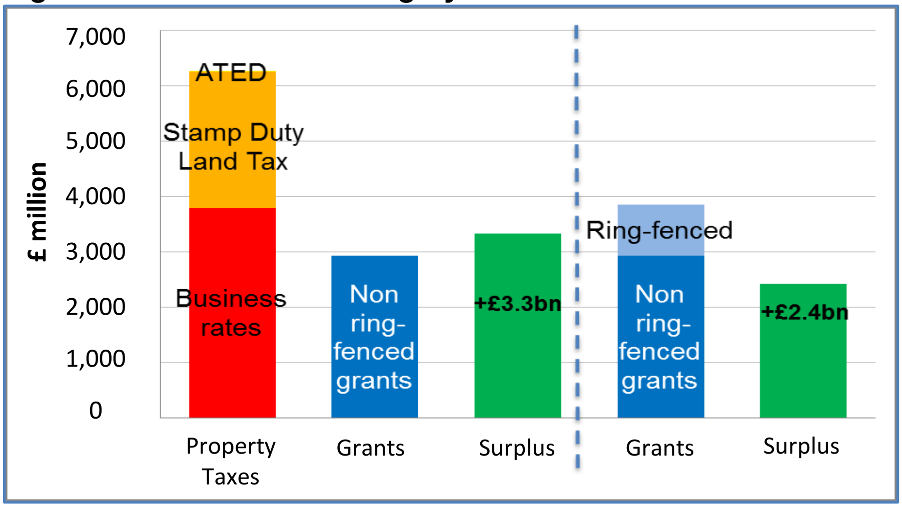
NB: Local Government Futures sourced this data from Oxford Economics' report 'London's Finances and Revenues' 2012

Figure 2- South East Property Tax Revenues 2013/14



In total, property taxes were worth **£9.8bn** to the SEEC-SESL area in 2013-14. This includes council tax, business rates, stamp duty and annual tax on enveloped dwellings (ATED).

Figure 3- Balance of funding by 2015/16



By 2015-16, the South East is forecast to generate property tax of £6.27bn (excluding council tax). Compared to non ring-fenced grants of £2.93bn, this gives a **£3.3bn** funding surplus to invest in infrastructure & services to support economic growth.
With ring-fenced grants included, there would still be a surplus of **£2.4bn**.
Business rates alone, at £3.79bn, would almost cover total central grants of £3.85bn.

Read the [full research online] at [www.secouncils.gov.uk].