# Councils in England could unlock £4bn yearly with tax devolution, but government stalls



Local councils across England are on the verge of a seismic shift in fiscal management that promises to deliver over £4 billion annually into local services—and yet, this government insists on clinging to a centralised, out-of-touch system that continues to stifle growth and accountability. A recent analysis commissioned by the County Councils Network (CCN) exposes how devolving fiscal powers—such as allowing councils to retain a share of income tax, stamp duty, the apprenticeship levy, and even introduce a tourist tax—could free local authorities to better serve their communities. But in the face of this opportunity, the government remains hesitant, sidestepping the urgent need for real local control and instead doubling down on a one-size-fits-all approach that hampers economic dynamism.

The report reveals that 37 CCN councils, representing about 45% of England's population and responsible for nearly £390 billion in tax revenue in 2022/23, are already significant contributors to the national coffers. By empowering these councils to retain their share of income tax growth—an estimated £3.8 billion a year—they could unlock vital funding for transport, housing, and skills development, all without raising additional taxes for residents. Furthermore, the proposal to allocate half of the stamp duty on new homes (£237 million), implement a modest tourist levy (£2 per night generating £209 million), and dedicate 10% of apprenticeship levy funds (£120 million) could total around £4.4 billion annually—roughly 10% of their current budgets. This is a pragmatic, growth-oriented approach that the government ignores at its peril.

Yet, instead of embracing these reforms, ministers obstinately cling to traditional revenue streams, claiming that extra taxes are off the table—a misguided stance that ignores the immediate need for decentralisation. Such an approach is short-sighted and out of touch with local realities. Richard Roberts, CCN’s economic growth spokesman, rightly pointed out that "using existing taxes more effectively" could unlock the economic potential of the counties—if only the government had the political will to empower local authorities rather than micro-manage them from Westminster.

This push for fiscal devolution aligns with broader reform efforts, but the government’s lukewarm response suggests a failure to grasp the scale of local aspirations. Deputy Prime Minister Angela Rayner’s vocal support for devolving decision-making powers is commendable, yet practical policy remains elusive. The White Paper on English Devolution hints at the possibility of local pilots and increased autonomy, but concrete action continues to lag behind rhetoric. London Councils, for example, describes the current fiscal framework as “limiting”—a passive way of acknowledging the problem when what is needed is a radical overhaul that prioritises local needs over central control.

Devolving tax powers is more than just a cash boost; it’s about restoring sovereignty to local communities so they can genuinely shape their futures. The capital’s leaders see this clearly, warning that current centralised funding models hinder London’s economic potential and fail to address persistent issues like unemployment and poverty. As they advocate for powers over local taxes, including tourism levies and business rates, it’s evident that the entrenched system isn’t fit for purpose and only entrenches regional disparities.

The debate isn’t confined to England. Scottish regional leaders and business interests have long called for greater devolution, emphasizing that current arrangements hamper growth and overlook the region’s true potential. Meanwhile, London’s Mayor continues to argue that decentralising taxation is vital for the city’s economic recovery—yet our government seems content to ignore these calls, preferring sadly to line their own pockets with centralised revenues, rather than empowering local areas.

As Parliament drafts the Devolution and Community Empowerment Bill, the opportunity to fundamentally overhaul how local services are financed should be embraced—not sabotaged. The question remains: will this government finally listen to the voices demanding real change, or continue to saddle local communities with an outdated, inefficient system that stifles growth? The truth is, the status quo serves Westminster’s interests rather than those of hardworking communities. True devolution would allow local areas to thrive, create jobs, and improve public services—if only the government was brave enough to let go of its centralised grip. But don’t hold your breath; the relentless push for control suggests that local empowerment remains well down the list of government priorities.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.irishnews.com/news/uk/analysis-finds-devolved-tax-powers-could-add-4-billion-for-local-services-UAQZF2Z5RBMKRA272TCH7RHQXU/> - Please view link - unable to able to access data
2. <https://www.standard.co.uk/business/business-news/angela-rayner-london-councils-government-english-england-b1238356.html> - A report commissioned by county councils suggests that devolving fiscal powers could boost local services by over £4 billion annually. The analysis proposes that allowing councils to retain a portion of income tax, stamp duty, and the apprenticeship levy, along with introducing a tourist tax, could significantly enhance funding and stimulate economic growth. The County Councils Network emphasizes that these measures do not advocate for new taxes but aim to utilize existing taxes more effectively. Deputy Prime Minister Angela Rayner has expressed support for fiscal devolution as part of the government's commitment to transferring decision-making powers to local areas.
3. <https://www.publicsectorexecutive.com/articles/fiscal-devolution-could-unlock-ps44-billion-englands-counties> - Empowering England’s counties with new fiscal powers could raise over £4 billion a year to invest in local services, boost economic growth, and support infrastructure, according to a new report commissioned by the County Councils Network. The report argues that devolving a share of housing, income, and tourism taxes to county and unitary councils would be transformational, not by raising taxes but by allowing local areas to retain a portion of the revenue they already generate. The proposed measures include retaining growth in income tax receipts (£3.8bn/year), keeping 50% of stamp duty on new homes (£237m/year), introducing a £2/night tourist tax (£209m/year), and retaining 10% of the Apprenticeship Levy (£120m/year). Together, these could generate £4.4bn annually for county areas—equivalent to 10% of an average county authority’s budget—and £8.9bn nationally. The CCN has outlined how this funding could be reinvested in areas such as transport, skills, regeneration, or local services such as pothole repairs. The report highlights that counties already contribute significantly to the Treasury—raising £390bn in 2023, or 57% of England’s total revenue (excluding London)—but much of this is redistributed centrally.
4. <https://www.publicfinance.co.uk/news/2024/08/government-urged-hand-council-tax-powers-local-authorities> - Local authorities should be given the power to set council tax rates as part of a major shake-up to make local taxation fairer and more sustainable, a leading think-tank has said. Centre for Cities said the government’s commitment to a new era of devolution provided the opportunity to address the lack of fiscal autonomy which lay at the heart of councils’ financial fragility. It called for the power to set council tax rates to be devolved to local and combined authorities to ensure levels are proportionate to the local area, instead of being anchored at band D on a national basis. The move would bring the UK’s fiscal structure more in line with that of international peers, the thinktank said, noting that the share of total tax take collected locally was far lower in the UK than in the rest of the G7 and among the lowest in the OECD. It would also improve the incentive for councils to build houses, as they would be able to fund services by growing their tax base. Major reforms to the council tax system would also see it become more progressive while keeping local authority revenues neutral, the thinktank said. Annual council tax revaluations would address the anomaly of house prices having increased by 372% since the last revaluation, which took place in 1991, while the introduction of three council tax bands – one at the bottom and two at the top - would reflect the reality of property values. Centre for Cities estimates that 68% of households in England could have their annual council tax bill reduced by at least £494 if council taxes were set locally and at more progressive rates. “Councils have no power to spread the tax burden progressively among local residents but plans to widen devolution to all of England offer the chance to change that,” it said. “By making council tax more progressive, local authorities can reduce taxes for most households in a fiscally neutral way – without losing any tax revenue,” it said. Devolution has been a major focus of the government’s early announcements, with an assertion in the King’s Speech that greater devolution in decision-making was a key driver of economic growth. An English Devolution Bill is on the cards to give new powers to metro mayors and combined authorities, supporting local growth plans to bring economic benefit to local areas. Andrew Carter, chief executive of Centre for Cities, said the time was now right to pursue fiscal devolution. “Government should take the opportunity to give places more power over how taxes are collected locally at the same time as it plans to widen devolution of transport and budgeting powers,” he said. “The fragmentation of local authorities and their lack of autonomy over their own revenues are major contributors to local government’s financial instability. These are issues affecting councils across the country, so we need a nationwide reset that neither hiking council tax on everyone nor extra central government grant can provide.”
5. <https://www.cityam.com/devolution-should-london-have-powers-to-raise-its-own-taxes/> - A spokesperson for the Mayor of London said: “Sadiq strongly supports devolving tax powers to London to boost economic growth and build a better, more prosperous city for all. The UK remains one of the most fiscally centralised countries when compared to other OECD countries, curtailing London’s ability to generate the revenue that is needed for economic growth and public services. City Hall’s own analysis suggests that this overly centralised system of revenue generation could have harmed London’s growth potential by billions of pounds in the last decade alone, making the call for fiscal devolution essential to Sadiq’s mission to make London a byword for opportunity once more.”
6. <https://www.pressandjournal.co.uk/fp/politics/scottish-politics/388190/north-east-business-chiefs-call-for-greater-powers-for-councils/> - North-east business leaders have called for local authorities to be given more financial powers to boost economic growth. Aberdeen and Grampian Chamber of Commerce (AGCC) said most of its members want power over funding reform and for business rates and council tax to be devolved. It claimed it made “economic sense” for air passenger duty to be transferred to Holyrood because the tax was “detrimental” to the north-east because the local economy relied on global travel. The proposals are contained within the chamber’s submission to the Smith Commission which is examining more powers for the Scottish Parliament. AGCC claimed councils have been restrained by low-funding settlements, local needs were not being properly met and economic growth was being constrained. It said the region was being “penalised for its success” due to high levels of employment, relatively low levels of deprivation and a high standard of living. It claimed that existing devolved powers do not “appear to understand or reflect that additional investment in the region would generate a higher return on investment than in other areas.”