

Society of District Council Treasurers Response to the provisional local government finance settlement for 2022/23

District councils deliver 86 of the 130 most valued and visible public services to every household, in every street in non-metropolitan England. From housing, homelessness, economic growth and regeneration, active lifestyles and leisure, parks and greenspaces, to recycling and waste collection.

Over the past decade they have taken an enormous financial hit. Nationally there has been a 35% reduction in real-terms spending power. Mainstream income generating activities, such as parking and leisure, that fund many of the most vital services took the hardest hit during the pandemic and will take time to recover.

The provisional settlement is a step forward with a share of the £822m made available for the 2022-23 services grant, and we welcome the retention of New Homes Bonus funding and the Lower Tier Services Grant at current levels.

However, this will not be enough to cover the substantial cost and income pressures faced over the next year. The District Councils Network estimate the impact of the new Health and Social Care Levy, wage inflation and general inflation to be £80m at an absolute minimum compared to £37M in additional services grant. In addition, there are further pressures across waste collection, leisure services, supported housing and homelessness that they estimate amount to well over £100m.

The situation is exacerbated by the constraints on our ability to raise income. The provisional settlement preserved our current council tax raising flexibility but gave no extra flexibility. The fact that government includes the maximum council tax increase as part of Core Spending Power, masks a cut to the overall level of funding to some districts. An increase in council tax is essential to fund the cost pressures discussed in the paragraph above, instead these cost pressures are having to be absorbed by districts.

Business rates base, and fees and charges, income remain depressed by the impact of the pandemic. The emergence of the Omicron variant is likely to reverse the gradual recovery seen this year. In addition, recent changes to curb commercial activity further reduce the capacity to grow other income sources.

Without further support and flexibilities, many districts will be faced with unpalatable choices about cutting visible services that communities rely on and will be unable to invest in important priorities for the future: jobs, regeneration, and levelling up. There's currently no funding for the very significant costs of delivering net zero and adapting our places to climate change.

Beyond the immediate finance settlement, it's vital that district councils don't lose out from changes to the distribution of local government funding after 2023-24. The government must stick to its commitment to provide transitional protection for any 'losers.'