



29 February 2024

Rt Hon. Jeremy Hunt, Chancellor of the
Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

By email: Action.Chancellor@hmtreasury.gov.uk

Copied to: The Rt Hon Alister Jack MP, Secretary of State for Scotland and
Shona Robison MSP, Cabinet Secretary for Finance, Economy and Fair Work

Dear Chancellor,

Local Government and the UK Budget

We are writing to you in our capacity as Leaders of the relevant Local Government associations ahead of the upcoming UK Spring Budget announcement on the 6 March 2024.

On the 13 and 14 February 2024, the UK Local Government Association Forum took place where all four Local Government associations gathered to discuss the opportunities and challenges that currently face Local Government. It was clear that a significant concern is the unprecedented financial challenges that are faced by Local Government across the UK. Real term reductions to public service budgets have been compounded by rising operational costs, escalating demand for services, high inflation rates and an ongoing cost-of-living crisis. Local Government are being asked to deliver the same, and in some areas even more, service provision with less resource. The financial strain on council budgets can clearly be seen as many councils are struggling to set balanced budgets with an increasing number of councils issuing section 114 notices.

Given the shared challenges outlined, we are writing a joint letter to you today ahead of the UK Spring Budget to re-emphasise the key role of Local Government within our economy and communities, and to emphasise the precarious position councils are facing.

Local Government plays a vital role in supporting all communities across the UK in relation to both national and devolved functions. Investing in and empowering councils leads to better value for money for public spending. Council services can act to prevent more costly demand passing to other public sector bodies such as the NHS. The work of local authorities across the four nations is fundamental to empowering communities and creating opportunities for communities

to thrive, which in turn leads to inclusive economic growth. Council services, such as sport and cultural services, boost productivity and reduce pressures on the NHS and social care services by helping people manage their conditions independently. Councils are vital to addressing Government priorities to support more people into work and address employers' skills needs. Significant capital funding is invested into visitor attractions, town and city regeneration, key infrastructure and employment which drives up economic growth. Councils are also key in delivering a just transition to net zero with devolved models for delivery being identified as more efficient and effective. While the four nations have different emission profiles and varied approaches to achieving net zero, the choices they make must ultimately aim towards net zero targets at the UK level.

Challenges faced by Local Government

Recent years have been particularly challenging for Local Government. Cost and demand pressures are rising faster than funding, forcing councils to use reserves which is unsustainable over the longer-term. Inflation has had a significant impact on the pay offers made to the Local Government workforce, as well as impacting other costs such as energy, food and construction. Councils are also faced with increasing challenges around housing as there has not been enough funding to address the severe shortage of affordable homes. This has had a knock-on effect on the construction industry resulting in the loss of jobs and skills preventing local and national economic growth. Additionally, lack of investment in housing has led to the rise in homelessness levels which are predicted to increase further in the next few years. While local council net zero plans have been shown to be effective, on a UK wide scale current climate change goals are not being met and are unlikely to be progressed without greater partnership working between National and Local government.

The UK Autumn Statement and the resultant Barnett consequential did not sufficiently account for these increased costs and challenges. As a result, statutory services are having to be prioritised, meaning disproportionate cuts are being made to preventative services areas such as leisure, culture and cost of living supports which mitigate against the development of negative mental health, wellbeing and poverty. Councils are also faced with increasingly unsustainable workforce challenges with recruitment and retention issues impacting on the services we can provide.

Capital budgets are increasingly under pressure due to sharp increases in the cost of construction and borrowing, which has impacted on our ability to drive forward economic activity. To continue to build our economy and strengthen our communities it is vital that the funding provided is sustainable and reflective of current pressures. Lack of investment will produce poorer outcomes for communities as it will impact on councils' ability to build new schools, build social houses, reduce delayed discharge numbers and invest in projects that will support a just transition to net zero. Lack of investment also means that councils struggle to maintain assets and address ongoing maintenance issues such as reinforced autoclaved aerated concrete (RAAC). Pressure on this year's capital programmes will have even greater consequences than previous years as it further prohibits councils from investing in affordable housing amidst a housing emergency as well as impacting on asylum and resettlement efforts.

Councils have made huge efforts over recent years to reduce costs and make savings by transforming the way services are delivered, and continue to do so. However, it is vital that councils are given multi-year settlements. This would provide greater certainty for local authority budgets, allow for more effective service design and provide Best Value in public spending.

It is vital that all councils have sufficient revenue and capital funding to set balanced budgets for 2024/25 and have the assurance to develop sustainable medium-term financial strategies. We urge you to consider what impact the UK Spring Budget will have on Local Government as the sector urgently needs additional UK financial support to ensure viability. Councils aim to deliver sustainable public services and would like to have the funding flexibility to prioritise preventive services to address existing and future demand. Without additional support, there will be inevitable cuts to essential services provided by the four nations which could have a detrimental impact on sustained efforts to mitigate against poverty and homelessness. Investment in councils will ensure a more efficient delivery of key government policy agendas and should be considered as a valuable asset as we collectively aim to improve outcomes for our communities.

As a united voice, Local Government welcomes further discussions on what can be achieved in the UK Spring Budget, to ensure it provides sufficient investment in Local Government to support communities across the UK.

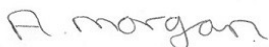
Yours sincerely,



Councillor Shona Morrison
COSLA President



Councillor Shaun Davies
LGA Chair



Councillor Andrew Morgan
WLGA Leader



Councillor Matt Garrett
NILGA President