

## **Letter on Local Government Finance Settlement 21st October 2024**

To

Steve Race, MP for Exeter

David Reed, MP for Exmouth and Exeter East

As elected councillors on Exeter City Council we are writing to you to urge you to back the measures supported by the Local Government Association (LGA) needed to reform the local government funding system.

Local government is at the heart of democracy in action, responsible for helping to create thriving communities and places, while supporting the most vulnerable people in society. All at a time of ever-reducing budgets, higher and more complex demands, and higher costs.

Ahead of the Budget and Local Government Finance Settlement, we are therefore seeking immediate action to stabilise council finances and protect vital services. It was clear from the budget figures presented at last week's Council meeting how the situation is becoming increasingly difficult. At a district council level additional funding to meet statutory responsibilities alone, such as the growing pressures in temporary accommodation, undertaking council housing repairs and providing effective recycling services is exceptionally difficult. Funding crumbling public infrastructure, building more council homes, supporting leisure services, green spaces and the City's heritage assets is almost impossible.

It is clear to us that without urgent action the ability of councils to deliver crucial services, including supporting some of the most vulnerable in society, is under threat, just at a time that demand is rising.

Councils' capacity to continue to provide vital services needs to be seen in the context of the huge budget reductions they have already faced. Exeter City Council is planning some £3.5m this year and £5.5m over the medium term financial plan.

The LGA estimates that service spending in 2022/23 was 42 per cent lower than it would have been had service spend moved in line with cost and demand pressures since 2010/11. This means councils have made £24.5 billion of savings and efficiencies in their services in this period.

Councils have faced a perfect financial storm: a 22.2 per cent real terms cut in core spending power since 2010/11, spiking inflation in recent years, unfunded increases in the National Living Wage, and growing demand for services. Consequently, councils' costs are increasing more rapidly than funding, with LGA analysis showing English councils facing a £2.3 billion funding gap in 2025/26, rising to £3.9 billion in 2026/27: £6.2 billion over two years.

In February, 18 councils were given Exceptional Financial Support (EFS) from Government to secure their financial sustainability for 2024/25. This is unprecedented and underlines the risk of financial failure becoming systemic without further financial support.

Councils, including Exeter, are also increasingly reliant on the use of their financial reserves to balance budgets. Their un-ringfenced reserves fell by £1.7 billion in 2022/23 and £1.1 billion in 2023/24. While using reserves may provide some short-term resilience, they can only be spent once. This situation is simply not sustainable.

More funding reductions for councils would be disastrous given the acuteness of their financial pressures. This is why, ahead of the Autumn Budget and Local Government Finance Settlement, we are calling on you to back measures which will support and stabilise the sector's finances in 2025/26, including the following:

- A significant and sustained increase in overall funding that reflects current and future costs and demands for services, in particular for temporary accommodation, waste and recycling services, local infrastructure and funding to accommodate any increase in the National Living Wage to at least the level of the real living wage.
- Uprate temporary accommodation subsidy rates to 90% of 2024 Local Housing Allowance rates and increase the Local Housing Allowance itself.
- Work with local government on a planned succession to the Household Support Fund that enables local welfare schemes and emergency support to be maintained.

In the medium term, we are calling on the government to set out how it intends to support councils in 2026/27 and beyond, including:

- The introduction of multi-year settlements and measures to simplify the number of funding pots and end competitive bidding for grant funding, especially for decarbonization projects.
- Providing certainty on finance reforms including the business rates reset, the Fair Funding Review, and reforms to other grants such as the New Homes Bonus, including a commitment to transitional funding.
- Strengthening Housing Revenue Accounts via a long-term rent settlement of at least 10 years alongside restoration of revenue lost to rent caps and cuts, and a sustained and further access to vet low cost finance or grants to build more social housing.
- Additional freedoms and flexibilities relating to council tax, business rates and sales, fees and charges. Where the sector has identified measures that could be introduced for 2025/26 then these should be implemented immediately.

Looking ahead, we want to work with the Government on reforming the local government funding system and forming a long-term plan for greater financial sustainability for councils that also strengthens the link between resources and need.

Stabilising the local government sector financially will not only protect key services, it will also provide a return on investment to the tax-payer, while improving outcomes for the people and places councils serve.

From giving young people a good start in life and pursuing preventative strategies, to unlocking and enabling talents, skills, green spaces and places, a robust and sustainable

local government sector will be critical to the realisation of the Government's ambitions for our country.

Yours sincerely,

Councillor Diana Moore, Leader Green Group

Councillor Michael Mitchel, Leader Liberal Democrat Group

Co-leaders of the Progressive Group, Exeter City Council