

Corporate Policy Committee

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| Date of Meeting: | 9 th February 2023 |
| Report Title: | Notice of Motion - LGA Campaign: 'Save Local Services' |
| Report of: | Jane Burns, Executive Director Corporate Services |
| Report Reference No: | CP/62/22-23 |
| Ward(s) Affected: | Not applicable |

1. Purpose of Report

- 1.1 Council on 14 December 2022 referred a Notice of Motion to the Corporate Policy Committee for consideration. The Notice of Motion relates to the Local Government Association's (LGA) Save Local Services campaign and local government funding. Since then, the Medium Term Financial Strategy has been published for consultation. The detailed report is elsewhere on this agenda.
- 1.2 The Committee is asked to comment on the Motion and decide what action it wishes to take.

2. Executive Summary

- 2.1 The LGA is the national voice of local government working with councils to support, promote and improve local government. It is a political organisation with elected representatives from all different political parties that direct the organisation through boards and panels. However, they always strive to agree a common cross-party position on issues and to speak with one voice on behalf of local government.
- 2.2 The LGA's Save Local Services campaign states that "local government is the fabric of our country. It provides more than 800 services and positively impacts the daily life of every person in every community. However, the future financial sustainability of councils is on a cliff-edge, and the scale of the pressures cannot be met by reducing costs, making efficiencies, or raising council tax. Many now face the

prospect of having to make severe cutbacks to local services. This would not only damage our communities but massively undermine Government ambitions to boost economic growth, level up the country and help residents through the cost-of-living crisis.

- 2.3** The LGA is calling for a long-term plan from Government. Inflation is not going to come down overnight. Reserves can only be spent once. A local service cannot be cut twice. To save the local services we all rely on, councils need adequate funding, in line with inflation and the demand for services, and certainty to plan their budgets to minimise service disruption.”

3.0 Notice of Motion - LGA Campaign “Save Local Services”

Proposed by Councillor M Goldsmith and Seconded by Councillor A Moran

The global pandemic, the Ukrainian war and the impact of Brexit has rocketed inflation to 11.1%, a level not seen for over 40 years. When UK councils set their budgets in February 2022, no one envisaged such high inflation or that its impact would be so quick. In recent months, the price of goods, services and staff wages have all risen at record levels. These increases must be paid NOW but councils have fixed incomes and spending budgets never designed for such high inflation.

For example, the government has now agreed a national pay rise of 6% for all council workers. For decades this had been around 2% and Cheshire East, like most other councils, budgeted for 2%. This 6% wage rise is backdated to April, so it adds £6m to our immediate costs this year. This is about 2% of council tax revenue. It is a cost increase we could not predict, had no control over, did not budget for but must pay immediately.

But this is not the only increase. Councils are not covered by the government’s energy cap either. Therefore, we must pay full market rates to heat schools, libraries, and leisure centres. Construction costs have also gone up 18% and the care homes for our vulnerable residents want immediate price rises too.

Rampant inflation has added £8.9m to Cheshire East’s costs this year. Just to deliver the same services. In February 2022, the day after Russia invaded Ukraine, Full Council debated its latest 4-year spending plan. The Conservatives wanted to use a financial surplus of £2.4m to lower council tax. Instead, the administration put it into the council’s reserve funds. Thank goodness we did. It means Cheshire East can remain solvent this year. We are one of the lucky ones though.

Many councils, of all political types, are now talking about imminent bankruptcy. The Conservative councils of Hampshire and Kent have

requested emergency government support to avoid Section 114 insolvency notices within months.

In the latest budget, the Chancellor allowed council tax to increase by 5% in April 2023. However, this is far too little and far too late. It does nothing to fix the current financial problems caused by uncontrolled inflation. It also does nothing to fix future problems with inflation either. With inflation at 11.1%, a 5% rise in council tax next April means a 6.1% CUT in council funding. This means Cheshire East will have almost £20m less to spend on local services.

The LGA says Local councils need £2.4 billion of emergency funding NOW to keep vital public services going. On budget day, the Daily Telegraph published how central government wasted £14 billion last year on items such as 'Vegan ice cream, a villa party in Naples, staff training by RADA actors and £6,091 on an amusement park in Sydney, Australia'. The government also spent £9.2bn on failed energy companies like Bulb. Therefore, the £2.4 billion councils need to keep vital services running is a fraction of this waste.

The Chancellor also stated the UK is now officially in recession. So, with rampant inflation, economic recession plus councils' facing bankruptcy or savage cuts, the Chancellor's claim to be delivering a plan for "stability, growth and public services" seems rather detached from reality.

Therefore, Cheshire East Council Supports the LGA Campaign to "Save Local Services" AND asks the Government to provide immediate emergency support to address the funding gap for all local councils.

4. Considerations

- 4.1** The LGA have been lobbying government for some time on the impact of national economic factors on local services and local councils. Their Save Local Services campaign is supported on a cross-party basis.
- 4.2** The LGA website includes background information. [Save local services | Local Government Association](#)
- 4.3** The Committee is asked to consider whether to formally demonstrate Cheshire East's support for the campaign.
- 4.4** In terms of immediate emergency support to address the funding gap for councils, the Local Government Provisional Financial Settlement was published on 19 December 2022 by the Department for Levelling Up, Housing and Communities. They have said that for 2023/24, they are making available an increase in Core Spending Power of 9% or almost £5 billion on 2022/23. Total Core Spending Power provided through the local government finance settlement for 2023/24 will be £59.5 billion. Core Spending Power includes Council Tax. The government will set the core referendum limit for increases in Council Tax to 3% per year for 2023/24. In addition, councils with social care responsibilities will be able

to increase the adult social care precept by up to 2% per year. The consultation ran from 19 December 2022 until 16 January 2023.

4.5 On 12 December, the government published a [“policy statement covering our intentions for the local government finance settlement in 2023/24,”](#) and this consultation document builds on that statement. They recognise that certainty is important for budget setting, and the policy statement also included our intentions for parts of the 2024/25 local government finance settlement.

4.6 They propose to increase Revenue Support Grant in line with the Consumer Price Index (CPI), there will be a new round of New Homes Bonus payments, and new funding for social care announced at the Autumn Statement will go through established distribution methodologies like those used for the Social Care Grant and improved Better Care Fund. In recognition of inflationary pressures, they have repurposed the Lower Tier Services Grant to create a new one-off Funding Guarantee to ensure that all authorities will see at least a 3% increase in their Core Spending Power before any decision they make about organisational efficiencies, use of reserves, and council tax levels. They say, “this is a strong settlement for local government which provides local authorities the resources that they need to provide valued services to their communities.”

4.7 [LGA responds to provisional Local Government Finance Settlement | Local Government Association](#)

“The increase in local government core spending power next year, confirmed in today’s provisional settlement, will help councils deal with inflationary and other cost pressures they face. Underlying and existing pressures remain for councils and many still face significant challenges when setting their budgets and trying to protect services from cutbacks. Shire district councils - which provide vital services like planning and waste and recycling collection – will also see a lower core spending power increase next year, which is something the Government should address in the final settlement. Councils want to work with government on a long-term plan to fund local services and a turbocharging of wider devolution where local leaders have sustainable funding and greater freedom to take decisions on how to provide vital services in their communities.”

4.8 From a Cheshire East perspective, the MTFS states that the Council is significantly exposed to national economic changes. Increasing prices impact the Council’s contracts and bills, increasing complexity in demand also contributes to driving up costs. Once the annual budget is set the Council must rely on achieving financial targets or using reserves to manage risks. The Council has historically had limited reserves due to the level of spending required on front line services, as such the national financial challenges are causing significant financial stress.

- 4.9** The legacy of the pandemic continues to be felt across the whole borough. In financial terms the removal of lockdown restrictions and an end to emergency financial support has not led to any period of stability. In fact, the opposite has been true with inflation rising to 11%+ compared to a national target of 2%, and interest rates rising from 0.5% in February 2022 to 3.5%.
- 4.10** The MTFS approved in February 2022 was balanced for a four-year period, whilst still recognising emerging risks inherent with demand led services. These forecasts allowed for growth in essential services such as Social Care and Waste Services. But the forecasts were significantly understated when reviewed in light of the national economic factors referred to above.
- 4.11** To deal with revised spending forecasts the Council must increase income from taxation and charges as well as making savings even in statutory services. Although this is an extremely challenging scenario the Council must produce a balanced budget whilst protecting vulnerable residents.
- 4.12** The Council also has highly ambitious plans to regenerate the area and provide improved infrastructure that supports economic wellbeing. These plans align to the Council's ambition to be greener and promote sustainable development. But spending on major road and town centre projects is also subject to high inflation and increased borrowing costs.
- 4.13** At this stage, there has been no indication given by the government of additional financial support for all local councils for 2023/24.

5. Recommendation

- 5.1** The Committee agree to support the LGA Campaign to "Save Local Services".

6. Reason for Recommendation

- 6.1** To respond to the Notice of Motion submitted on 14 December 2022 within the provisions of the Constitution.

7. Other Options Considered

| Option | Impact | Risk |
|-------------------|---|--|
| Do nothing | A missed opportunity to demonstrate support for the LGA Save Local Services Campaign. | Perception of lack of importance to Cheshire East Council of the issues raised in the campaign |

8. Consultation and Engagement

8.1 The MTFS and budget consultation process runs until 30 January 2023. Feedback will be reviewed and taken into consideration in setting the budget for 2023/24 at Council on 22 February 2023.

9. Implications

9.1 Legal

The are no direct legal implications of supporting the notice of Motion.

9.2 Finance

The are no direct financial implications of supporting the notice of Motion.

9.3 Policy

There are no specific policy implications of supporting the Notice of Motion.

9.4 Equality

There are no specific equality implications of supporting the Notice of Motion.

9.5 Human Resources

There are no specific HR implications of supporting the Notice of Motion.

9.5 Risk Management

There are no specific risk management implications of supporting the Notice of Motion.

9.6 Rural Communities

There are no specific implications for rural communities of supporting the Notice of Motion

9.7 Children and Young People/Cared for Children

There are no specific implications for children and young people and cared for children of supporting the Notice of Motion

9.8 Public Health

There are no specific implications for public health of supporting the Notice of Motion

9.9 Climate Change

There are no specific implications for climate change of supporting the Notice of Motion

Access to Information

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| Contact Officer: | Jane Burns, Executive Director Corporate Services jane.burns@cheshireeast.gov.uk 01270 686013 |
| Appendices: | None |
| Background Papers: | Save local services Local Government Association |