

12 JANUARY 2022

## **PR1-22 | PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2022-2023**

We are writing in response to the government's consultation on the provisional local government finance settlement 2022-23.

The National Association of Local Councils (NALC) is the nationally recognised membership and support organisation representing the interests of around 10,000 local (parish and town) councils and many parish meetings in England, and their 100,000 local councillors.

Local councils are the first tier of local government in England. They are the backbone of our democracy and closest to local people, providing our neighbourhoods, villages, towns and small cities with a democratic voice and structure for taking action, contributing in excess of £2 billion of community investment to supporting and improving local communities and delivering neighbourhood level services.

### **Summary**

NALC welcomes the government's decision to recommend a continuation of the deferral of setting referendum principles for local councils for the 2022-23 financial year. However, it remains our view that councils at all levels should be able to set council tax levels without interference from the government or any restrictions placed upon them.

Local councils have taken all available steps over the last three years to demonstrate financial prudence when setting their precept for the forthcoming financial year. We hope and believe that during that time adequate evidence of restraint by local councils has been shown when setting annual precept levels, or minor increases.

Like the government, we are pleased that in 2021-22 the average Band D parish precept increased by just 2.8%. This is the lowest percentage point increase in parish precepts over the last decade and the lowest cash increase since 2015-16. The vast majority of precepts drawn by local councils are very modest in size. It is important to recognise that whilst a 2.8% increase of a principal authority's budget is a considerable sum - it is often a matter of pence for the average Band D for most smaller and medium sized local councils. In many cases, the precept could go up by double figures and it would still only be a matter of pence per

household. The average Band D in 2022-23 will increase by just £1.97 which is 3.7 pence per week.

During the 2022-23 financial year NALC will continue to urge local councils to demonstrate restraint where possible when setting their precepts for the 2023-24 financial year and to engage with local people, especially on any increases.

However, it is imperative that the government understands the severe pressures that many local councils in England have been placed under during the coronavirus pandemic, particularly as a result of having received little financial support from the government to assist their communities at this difficult time. We therefore envisage some inflationary increases in the 2022-23 financial year are likely in local council precepts due to having to self-fund COVID related community activity themselves, especially if the OMICRON variant spreads fast in parished areas, as well as to support their ongoing work on the pandemic recovery.

The government has also stated that local councils will not, unlike the rest of local government, receive compensatory funding for the additional cost burden of the new health and social care levy which we estimate will run into several millions of pounds. It is simply wrong that the first tier of local government is being treated differently to other tiers of local government and potentially forces local councils to consider meeting this new cost burden by increasing their share of council tax and thus passing on the cost to residents. We are strongly urging the government to think again about this approach.

NALC argued in its submission to the Comprehensive Spending Review in 2021 that local councils need sufficient financial independence to be able to help their communities themselves. We believe this needs to be actioned within a programme of much fuller devolution with local councils also being granted the necessary powers to help rebuild their communities. Only in that way will local councils continue to have the flexibility and autonomy needed to respond to challenges faced by their communities.

Local councils are an important and well-established model of community power as local institutions which bring people together in their place, mobilising their energy, resources, influence and relationships to tackle local issues and contribute to national challenges. This community-led, grassroots movement of 10,000 local councils and 100,000 local councillors were at the vanguard of the community response in urban and rural areas – to respond to the pandemic – and will continue to be.

Several further examples are available [here](#) of the work local councils have undertaken since last year to support their communities during the pandemic.

The recommended exemption for 2022-23 will allow local councils to continue leading their places and investing in community services and priorities through their small share of council tax, without the need to hold a referendum on increases.

However, at a time when local councils are growing in number, service delivery and asset management, it remains NALC's firm contention that a multi-year exemption of local councils from referendum principles will allow the necessary time and space for proper medium-term financial planning. NALC is therefore calling on the government to announce a multi-year exemption in the final settlement.

Local councils' slowing down of additional investment in communities is not sustainable. It underscores the need for local councils to access directly dedicated government funding such as for high streets, town centres, parks, leisure centres and other community assets.

In summary, we are asking for the government to ensure that all local councils in England are granted and have the flexible and diverse funding they need to play a crucial role in building strong communities in their places.

NALC would like to reiterate its main asks of the government which it made in its response to the 2021 Comprehensive Spending Review:

- for the government to create a further three-year deal to defer the setting of council tax referendum principles also due to the level of unfunded devolved services passed on to local councils.
- for local councils to be able to bid to central funding pots in their own right such as the Towns Fund, Park Fund, Shared Prosperity Fund, Community Wealth Fund and Community Assets Fund.
- funding for those local councils which had lost income during the pandemic.
- the introduction of safeguards to changes to council tax bases and council tax collection rates.
- a new power for the secretary of state to make payments directly to some or all local councils. This would take in future financial support for local councils to support their communities during the pandemic. Local councils should also be eligible to apply to the Income Compensation Scheme.

- for borrowing rules to be extended to cover revenue spending with relaxed requirements to evidence community support.

In addition, we are also asking the government to compensate local councils for the additional cost burden of the new health and social care levy. It is simply wrong that the first tier of local government is being treated differently to other tiers of local government who will have this additional cost pressure met by the government.

In this context, NALC's answer to the main consultation question applicable to local councils in the consultation document is below:

- 2. Do you agree with the proposed package of council tax referendum principles for 2022-23?
- Yes. NALC welcomes the government's decision to recommend a continuation of the deferral of setting referendum principles for local councils and is calling for this to be made permanent or for the introduction of a further three-year deal to exempt local councils from this annual process.

For further information on this response contact Chris Borg, policy manager, on 07714 771049 or via email at [chris.borg@nalc.gov.uk](mailto:chris.borg@nalc.gov.uk) © NALC 2022