

16 JANUARY 2023

## **PR1-23 | PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2023 TO 2024**

### **Introduction**

We are writing in response to the government's consultation on the Provisional Local Government Finance Settlement 2023 to 2024.

The National Association of Local Councils (NALC) is the national membership body that works with the 43 county associations of local councils to represent and support England's 10,000 local (parish and town) councils.

Local councils and their 100,000 councillors are the first tier of local government, closest to the people, and play an essential part in delivering hyper local services, building strong communities, and strengthening social fabric.

Local councils cover two thirds of England and a third of the population and invest over £3 billion per year to improve and strengthen communities.

### **Summary**

NALC welcomes the government's decision to recommend a continuation of the deferral of setting referendum principles for local councils for the 2023-24 financial year.

However, we maintain that councils at all levels should be able to set council tax or precept levels without intervention from the government.

The proposal to not set referendum principles on excessive council tax increases for the 2023-24 financial year shows that the government has listened to NALC's call for local councils to be able to increase their small share of council tax without holding a referendum.

This is in the context of just 1.8% of the overall amount of England's council tax being accounted for by the precepts of local councils, recognising that the precept is the main and often only source of dedicated income for local councils.

Unlike principal councils they do not receive revenue support grant or a share of business rates.

Due to principal councils having to work with very tight budgets for several years, local councils have been taking on ever more services, buildings, and land from them.

However, in general, finance has not followed function meaning local councils have had no option but to raise their precepts to some extent to cope. That said, as the vast majority of local councils have relatively modest precepts, even raising them by what might seem to be a significant percentage, has meant an increase of no more than a few pence on council tax bills.

Local councils do not have access to central government funding – across a range of public policy programmes – something which has severely disadvantaged residents in parished areas in recent years. NALC continues to believe that local councils should be able to apply for central government funding schemes on the same basis as principal authorities.

Despite the growing role of local councils in responding to the social, economic, and environmental needs of communities, local councils were not eligible to apply in their own right for government growth funds such as the Community Renewal Fund, Levelling Up Fund, Towns Fund, or UK Shared Prosperity Fund (UKSPF). They are also excluded from the Community Ownership Fund.

Many local councils also faced significant financial pressures during the Coronavirus pandemic due to additional costs, but in particular, lost income.

However, government funding to support local government during the coronavirus pandemic was not passed on from principal councils to local councils. The Government stated they could not fund local councils directly as they had no powers to do so. The government should therefore use the Levelling Up and Regeneration Bill should address this by amending Section 33 of the Local Government Act 2003 to provide ministers of the crown the power to grant fund local councils.

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. This has demonstrated restraint by local councils, and we continue to strongly urge the government to provide a multi-year exemption from referendum principles on excessive council tax increases to create more medium-term financial certainty in the sector.

NALC welcomes the white paper commitment to build local government capacity and capability through ongoing sector support and funding a programme of improvement covering a range of priorities which is reviewed periodically.

Since the National Improvement Strategy for Town and Parish Councils was published in 2016, there has been no direct investment from the government to support the delivery of its vision and initiatives.

This contrasts with the £18 million a year of funding for sector support provided by the Department for Levelling Up, Housing and Communities (DLUHC) to the Local Government Association (LGA).

This underinvestment by the government leads to constraints in increasing the sector's efficiency, securing improvement, and unlocking performance that only the government has the policy and financial levers to help with.

The government should provide NALC directly with a share of funding to support local councils, this can be provided from a proportion of the funding retained by the government when funding to LGA was reduced.

And finally, when giving evidence to the Levelling Up, Housing and Communities Committee on 21 November that work was underway to look at council tax. NALC is strongly urging the government not to overlook the small share of council tax levied by local councils in this review.

### **Consultation questions**

NALC's response to the main consultation question applicable to local councils in the consultation document is below:

- Q3. Do you agree with the proposed package of council tax referendum principles for 2023-24?
- Yes. NALC welcomes the government's decision to recommend a continuation of the deferral of setting referendum principles for local councils for the 2023-24 financial year but 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. This would provide much-needed certainty and allow local councils to plan for the future and continue to support their communities through these challenging times.
- It is also important to recognise that the government does not provide funding to local councils as residents almost entirely fund their services and

activities. NALC will continue to work with ministers to ensure the financial challenges facing local councils and their communities are better understood and addressed, including through direct access to government grant funding programmes.

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