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Dear Michael,

### **Local Government Finance Settlement for 2022/23**

Thank you for your letter at the end of last year setting out the provisional Local Government Finance Settlement for 2022/23.

Coming after over 10 years of funding cuts, the 2022-23 provisional settlement is a step forward, albeit a small step. The 2022-23 Core Spending Power (CSP) total for Hackney in 2022-23 will not bring us back to our 2010 funding levels and with the underlying demand for services especially in social care and homelessness increasing; spiralling inflation (ONS estimated 5.1% in December); the national insurance increase resulting from the new social care levy; and ongoing spending and income pressures relating to the pandemic (especially in council tax and business rates); we will still have to make significant savings to balance the budget next year.

The social care grant falls way short of meeting real existing cost pressures and the extra demand pressures we face next year and is only a continuation of a string of 'short term' palliative actions rather than the sustainable solution we need. Council tax rises – particularly the adult social care precept – have never been the solution to the long-term pressures faced by councils, particularly in social care which is desperately in need of reform. Increasing council tax raises different amounts of money in different parts of the country, and is unrelated to need. Further there are some doubts as to whether the funding over the next three years to implement the fair cost of care reform, the care cost cap and the extension of the means test threshold will be sufficient. All of the above pressures must be addressed as an immediate priority and this could be

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achieved by redirecting a greater share of the Health and Social Care Levy to social care services.

A further issue is that the CSP assessment for a borough assumes that it will increase its council tax by the maximum 2% plus the 1% adult social care precept. Council tax rises are local decisions that must be taken in light of the impact on local services and residents. It is, therefore, inappropriate to assume maximal increases when presenting official funding figures. Further, this leaves councils facing the tough choice about whether to increase council tax bills to bring in desperately-needed funding at a time when they are acutely aware of the cumulative cost of living crisis and the additional burden rises could place on some households.

On a related matter, the assumption that each authorities' council tax base will continue to increase by the same as the average annual change over the last 5 years completely understates the actual and future potential impact of the pandemic on the tax base – both through lower collection rates and through the increased number of Local Council Tax Support (LCTS) claimants. Many parts of the country are seeing significant shifts in population and demographic change which could have an impact on these projections.

With the spread of Omicron, Covid-19 pressures are again intensifying and costs are rising, underlining the urgency for government to extend emergency and outbreak funding for councils beyond March, to help tackle rising cases and meet a surge in demand for local contact tracing; and given the wider uncertainty we would urge you to continue the Sales, Fees and Charges compensation scheme to cover the whole of 2022-23.

We also do not understand the decision to hold public health grant allocations flat in real terms in 2022-23, given the ongoing pandemic when many pre-existing public health functions have been adversely affected by the capacity and resource to deal with the emergency, and we urge the Government to reconsider this decision and provide a real terms increase in funding.

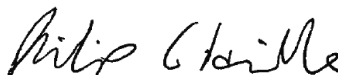
More generally, whilst we support the DfE's attempts to tighten the ring-fence on the Dedicated Schools Grant (DSG) via secondary legislation and the statutory override introduced last year, these changes are temporary and do not resolve the underlying deficits especially around SEND. The current approach (the 'Safety Valve') focusses only on a handful of the worst affected authorities, providing no assistance to the growing number of authorities including Hackney with lower but still significant deficits. We call on the Government, therefore, to set out a robust strategy to support all councils to clear DSG deficits.

Finally, the Government should now provide clarity on which local government funding reforms will happen and when as well as how consultation and engagement with the sector will take place. The Government must ensure that overall local government funding is sufficient when any funding distribution changes are introduced and that no council sees its funding reduced as a result. Alongside London Councils we have also consistently made the case that it is impossible to level up the country while levelling down London especially when it comes to the funding of vital public services.

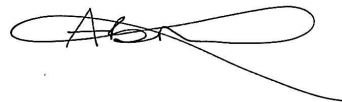
While funding reforms make it difficult for a government to set out a multi-year settlement for local government, this is the fourth one-year settlement in a row for councils which continues to hamper financial planning and their financial sustainability. Only with adequate long-term resources and certainty, can councils including Hackney plan for and deliver the first class services that our residents need and deserve.

As always Hackney, both on the member and officer side, would be happy to meet with you or officials to discuss these issues further.

Yours sincerely,



Philip Glanville  
**Mayor of Hackney**



Cllr Anntoinette Bramble  
**Deputy Mayor of Hackney**



Cllr Rob Chapman  
**Cabinet member for Finance**