

18/08/2022

Dear Chancellor,

I am writing to you as the Cabinet Member for Finance and the Cost of Living at the London Borough of Lambeth regarding my concerns around the financial situation facing local government in light of an unprecedented rise in inflation and an ever-increasing demand on essential services.

The last year two and a half years has presented great challenges to local government as councils have grappled with the Covid-19 pandemic. The years ahead will also present further challenges as we continue to learn to live with Covid-19 and its aftermath amidst a growing cost-of-living crisis for our residents, further exacerbating inequalities as was seen during the Covid-19 pandemic.

Inflation has risen to the highest level in forty years driven in part by the effects of the Covid-19 pandemic, global supply chain disruptions, Brexit, and the war in Ukraine. The Bank of England have announced that inflation has risen to 10.1% and is forecast to rise further, meaning many families already struggling with the cost-of-living crisis face a bleak winter of rising prices and bills with little help from the government.

For local councils, pre-existing demands have increased on services in children and adults social care, health services, and services supporting people who are homeless adding to the budgetary pressures that Lambeth and many other local authorities across the country are facing.

After a decade and more of austerity, increased demand in essential services, and rising inflation, there remains increasing uncertainty around the long-term, sustainable level of funding needed for local government. The Fair Funding Review and Business Rates Retention Policy remain unresolved, whilst plans for the re-set of the Business rates tax base originally planned for 2020 are unknown. Despite a three-year Spending Review (SR21) announced for 2022/23 to 2024/25 the Local Government Financial Settlement was for one year.

As a local authority we are having to plan financially in a very uncertain environment. According to London Councils, the rise in inflation since the last Spending Review has already wiped off £100m in real terms from the core spending power of London boroughs. However, with inflation forecast to go as high as 13%, impact on council running costs will likely far exceed this and could reach over £400m in London. The Local Government Association (LGA) have warned that impacts on council services could be disastrous, with reductions to services due to £3.6bn of inflation and energy price pressures across local government in the UK over the next few years.

Adult social care funding reforms will also pose challenges as councils prepare for the move to "fair cost of care". Distribution of funds to prepare markets for reform has still yet to be

confirmed and there are big concerns about whether funding will be sufficient to cover the costs of reform and whether councils like Lambeth will get its fair share.

All of these factors will have a significant long-term impact on the council's finances and the services it provides. In our recent July Financial Planning report, we estimated that without additional government support or certainty on funding, we will be required to find over £42 million of savings over the next few years – more than we spend on community safety, recycling, libraries, parks and children's centres combined.

I suggest that the Department of Levelling Up, Housing, and Communities (DLUHC) and the Treasury, must engage urgently with local government over our legitimate and worrying concerns over inflation pressures to ensure disruption to crucial services, that the most vulnerable in our communities depend on, is limited as much as possible. If this does not happen, I fear councils across the country, their workers, and the residents that depend on the services they provide, will face a crisis which threatens local services, at a time of increasing cost-of-living pressures, without additional support from government that recognises the serious challenges councils face.

I look forward to your earliest response on the urgent concerns presented above.

Yours sincerely,



CLlr David Amos, Cabinet Member for Finance and Cost of Living

Cc. Department for Levelling Up, Housing and Communities