

The Rt Hon. Jeremy Hunt MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horseguards Road  
London  
SW1A 1HQ



15 November 2022

Dear Chancellor of the Exchequer,

### **Pressures on local government finance within Core Cities**

The UK Core Cities network are well positioned to make a major contribution to the national task we face to meet the challenges and take the opportunities of our time. The scale and significance of this offer is substantial and it's one we would welcome the opportunity to work with you and Cabinet colleagues to unlock.

The cost of living crisis will raise the level of level of hardship across our Core City populations to hitherto unprecedented levels in modern times. City leaders must step up to meet those needs while the very same drivers are giving rise to a cost of operating crisis for each and every council within the Core Cities network. Soaring energy costs, broader inflationary pressures and higher than predicted wage costs are putting our budgets under real strain, coupled with falling income from tax receipts and charges as demand falls and defaults increase.

Alongside others in the local government sector, we are facing tough choices about what services we need to scale back, with the challenges facing us as local authorities feeling as difficult as the height of austerity. We are facing a projected budget gap of over £400m in 2023/24 across the Core Cities in England, more than double the amount spent nationally so far through the Levelling Up Fund, demonstrating how much the ambitions for Levelling Up are in jeopardy. If these gaps aren't addressed and our finances are not put on a sustainable footing, it will put at risk our cities' unique role in delivering for the UK's economy, our cultural standing on the world's stage and we face a future in which a less skilled and more unwell population costs more to service.

Cities are critical to delivering the high-quality public services, local and regional leadership and the global connectivity we need as a country. We saw during the Covid pandemic the vital lifeline that local authorities were able to provide to the most vulnerable in society. Attention will rightly focus on funding levels in the National Health Service and schools; however, there are significant interdependencies here with adult and children care services funded via councils. We therefore need to look systematically at these public services together and ensure that all elements are adequately funded if we are to deliver the services that people demand in these difficult times and help the most vulnerable. In particular, the fair cost of care exercise and reforms to adult social care need to be approached on a cost neutral basis with adequate funding that does not impose additional burdens.

The Government has rightly identified economic growth as critical to success. If we are to come close to reaching 2.5% GDP growth and address the 14 years of flatlining productivity then our largest cities outside of London that we represent as Core Cities UK have to be supported to drive this growth. It is within our largest cities that we will see growth in professional and financial services, creative industries and high-tech companies that will drive our global competitiveness. Creating the conditions for this growth is at the heart of what we are doing on a daily basis as Core Cities UK, whether this is securing investment in infrastructure,

Birmingham, Belfast, Bristol, Cardiff, Glasgow, Liverpool, Leeds, Manchester, Newcastle, Nottingham, Sheffield

enabling growth with proactive planning policy, upskilling the workforce and connecting people to opportunity through improved housing and transport. As work with the OECD showed, raising the productivity of the Core Cities to their global competitors could add nearly £100bn to the national economy and benefit our surrounding towns and regions. Achieving this requires stable and sustained funding that can plan for the long-term and knit together the panoply of funding programmes and initiatives that are at various levels of maturity. More direct control of this funding through proper devolution should be the ultimate goal but in the immediate we need to ensure that we are not undermining our drive for growth by reducing and destabilising local government. Economic growth in our largest cities, and the national engines they provide, will suffer where councils are unable to service their populations and provide local and regional leadership.

In a world of uncertainty, we need to provide certainty wherever we can. As we look towards the local government finance settlement for the forthcoming financial year, we would therefore urge you to work with us to agree a funding envelope that can protect the most vulnerable in our cities, deliver the services that people need and the investment that will drive growth. Previous commitments to providing a multi-year settlement and certainty over the position on business rates and assessment of relative need across local authorities is essential for us to be able to plan for the long-term. For our members in Scotland, Wales and Northern Ireland who face equivalent inflationary pressures we need equivalent funding adjustments to the Devolved Administrations bloc grant that can enable local authorities in these nations to receive the funding needed.

We believe that there are ways that we can work together in these challenging times. We would welcome a discussion on how we can integrate and reform how public services are delivered locally in a more efficient and effective manner rather than the trailed return to austerity. It is important national government fully understands the role of local government plays in our cities as more than collections of services but also as convenors of place who play a critical role in enabling and driving investment and economic growth. We should work together on how we can simplify the funding landscape on growth and levelling up to leverage private investment and unleash the potential of our largest cities. We would want to discuss where we go next on devolution, including more fiscal freedoms and flexibilities such as determining council tax levels and how we can use our partnerships with other institutions and the private sector to leverage our investments.

But first and foremost, we need to protect the most vulnerable, which you have promised as your priority for this Autumn Statement. This promise cannot be fulfilled if we erode the vital care services being delivered in many of the countries most deprived neighbourhoods in our cities. Freezing our local government budgets in a world of spiralling costs will break this promise.

We have copied this letter to the Prime Minister and the Secretary of State for Levelling Up, Housing and Communities and stand ready to discuss at your earliest opportunity.

Yours sincerely,



**Mayor Marvin Rees**  
Mayor, Bristol City Council  
(Chair, Core Cities UK)



**Councillor Ian Ward**  
Leader, Birmingham City Council



**Councillor Christina Black**  
Lord Mayor of Belfast



**Councillor Huw Thomas**  
Leader, Cardiff City Council



**Councillor Susan Aitken**  
Leader, Glasgow City Council



**Councillor James Lewis**  
Leader, Leeds City Council



**Mayor Joanne Anderson**  
Mayor, Liverpool City Council



**Councillor Bev Craig**  
Leader, Manchester City Council



**Councillor Nick Kemp**  
Leader, Newcastle City Council



**Councillor David Mellen**  
Leader, Nottingham City Council



**Councillor Terry Fox**  
Leader, Sheffield City Council