

## **P-05-730 Local Government Finance and Funding – Correspondence from the Petitioner to the Committee, 09.01.17**

### **UNISON Cymru/Wales submission to the Petitions Committee Tuesday 17 January 2017**

1.1 UNISON welcomes the positive approach taken by Mark Drakeford, Cabinet Secretary for Finance and Local Government as outlined in his letter to Petitions Committee' Chair, 22 November 2016 and evidenced in the Provisional LG Settlement for 2017-18 announced on 19 October 2016, ensuring no council will see reductions of greater than 0.5% in their core funding compared to 2016-17 and looking to adopt some of UNISON's measures detailed in our petition.

1.2 However, Local Government services are facing irreparable damage under the policies of austerity and all measures need to be taken to protect our services and our communities.

### **Extracts from UNISON Wales report 'Local Government Wales: Audit of Austerity 2016'**

#### **Introduction**

2.1 The services provided by local authorities are a fundamental element of ensuring the economic, social and environmental health of our communities across Wales.

Every single service provided by a local authority has an impact on the health and wellbeing of communities and individuals. In fact, local authorities are becoming increasingly recognised for the health, social and environmental improvements they deliver. They are an essential tool in our armoury against inequality, poverty, and ill health.

2.2 In addition, they help to build resilient communities by promoting a sustainable local economy and environment – not only through the services they deliver to those communities, but as a significant employer of the local workforce.

Councils are expected to deliver high quality public services and be accountable to the communities they serve. This can only be properly achieved through a directly employed public sector workforce.

2.3 Yet despite the widely recognised benefits of local government services and the growing expectations on local authority provisions, the financial situation in Wales has never looked so bleak and local government services are facing irreparable damage. This report gives some insight into these financial challenges facing Welsh local government.

We urgently need fairer funding for Wales, a halt to the UK government austerity programme, and investment in our vital public services, but this report also outlines

a number of measures that the Welsh Government can immediately take to help to alleviate some of this damage to local public service provision.

### Direct impact on staff who provide our services

3.1 For every seven people who worked for the local council in Wales in 2010 only six people do so in 2016. Yet the public still expect the same level of service – for the bins to be emptied, the roads to be swept, the elderly to be cared for and their children to be well educated.

3.2 According to the ONS Quarterly Public Sector Employment Survey between the second quarter 2010 and the second quarter 2016:

- 23,700 fewer people are employed by councils in Wales – 17,600 permanent jobs have gone as well as 6,100 temporary/casual jobs
- 6,900 fewer men and 9,200 fewer women are employed full time
- 2,000 fewer men and 5,400 fewer women are employed part-time

### The Funding Squeeze – Local Government Finance in Wales 2010 to 2016

4.1 The system of local government financing in Wales is built on Standard Spending Assessments' (SSAs). These are **notional** calculations of what each council needs to spend in order to provide a standard level of service.

4.2 Each year the Wales Government calculates the SSA for each council. It then subtracts the council tax income that it expects the council to receive assuming 100% collection and a standard council tax level – this is called council tax for standard spending. Then it subtracts that council's share of the business rates – in Wales business rates are collected by councils and paid into a national pool and distributed back to local councils. The balance is the revenue support grant the council gets from the Wales Government.

4.3 For the first three years to 2013/14 the overall SSA grew from £5.090bn in 2010/11 to £5.526bn in 2013/14. Throughout this period the increase failed to keep pace with both the increase in CPI and RPI but it was in stark contrast to the experience of local authorities in England that saw significant cash reductions in the grant from the Westminster Government.

**Table 1**

Year	SSA £'000	Cumulative % increase in SSA	Cumulative % increase in CPI	Cumulative % increase in RPI
2010/11	£5,089,991	0.0	0.0	0.0

2011/12	£5,103,242	0.26	4.5	5.2
2012/13	£5,150,213	1.18	7.4	8.6
2013/14	£5,526,387	8.57	10.2	11.8
2014/15	£5,463,936	7.35	11.9	14.5
2015/16	£5,385,525	5.81	11.9	15.7
2016/17	£5,425,128	6.58	12.7	17.6

4.4 But in 2014/15 and 2015/16 the SSA fell each year and by 2016/17 the gap between the percentage increase in SSA and the percentage increases in CPI has widened from just over 1.5% to 6% and for RPI it has widened from 3.2% to over 11%.

4.5 This report has already established that SSAs – the need to spend – did not keep pace with inflation. It has not kept pace with population growth either. In 2011 the population in Wales was 3.06 million and by 2016 this had risen to 3.168 million or by 3.53 per cent.

Between 2010/11 and 2015/16 SSAs grew by £335m.

4.6 This increase was largely funded by council tax payers. First the tax base has increased by just over 40,000 Band D equivalent properties and secondly the Wales Government has assumed the council tax that would be charged by local councils would rise from £882.17 in 2010/11 to £1,088.26 in 2016/17.

4.7 Business rates are now contributing an extra £86.65m more than they did in 2010/11 but in practice only £48.46m has found its way into council budgets as the Wales

Government has allowed the growth in business rates to allow a £38.19m cut to the revenue support grant it contributes.

**Table 2: The structure of council funding 2010/11 to 2016/17**

	100% taxbase (Band D equivalents)	SSA	Council tax	Revenue Support Grant	Redistributed Non Domestic rates	Aggregate External Finance
		£'000	£'000	£'000	£'000	£'000
2010/11	1178237	£5,089,991	£1,039,400	£3,209,091	£841,500	£4,050,591

2011/12	1185095	£5,103,242	£1,095,110	£3,299,832	£708,300	£4,008,132
2012/13	1191170	£5,150,213	£1,133,208	£3,197,105	£819,900	£4,017,005
2013/14	1197320	£5,526,387	£1,153,352	£3,423,594	£949,440	£4,373,034
2014/15	1202122	£5,463,936	£1,199,470	£3,296,336	£968,130	£4,264,466
2015/16	1210462	£5,385,525	£1,260,816	£3,235,629	£889,080	£4,124,709
2016/17	1218531	£5,425,128	£1,326,076	£3,170,902	£928,150	£4,099,052

## The Future

5.1 Local councils in Wales face multi-million budget gaps between now and 2020. The consequences can be seen all too clearly in England where councils such as Lancashire have concluded they will not have the resources to meet their statutory responsibilities. UNISON believes there are five things that can be done by the Wales Government to assist in protecting local public services.

- Increase aggregate external financing (revenue) to local authorities to at least 2013/14 levels in real terms.
- Introduce legislation that provides a 'power of general competence' for local authorities in Wales.
- Encourage local authorities to use their existing powers to provide goods and services to other parts of the public sector in Wales, and to explore and to trade by developing the range of goods and services that can be supplied to members of the public in general and to the private sector more generally.
- Work with local authorities in Wales to release existing revenue streams through, for example refinancing or replacing PFI schemes on more favourable terms utilising the opportunities afforded by historically low interest rates.
- Undertake to support the work of the Independent Commission on Local Government Finance

5.2 Clearly we recognise that these proposals are only a part of the solution and an end to the UK Government austerity programme will be necessary to ensure that public services could be sustainably and adequately funded into the future. However, through implementing these measures, the Welsh Government will at least help to prevent further damage to local public service provision.