

Local Government Wales:
Audit of Austerity 2016



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Foreword

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.

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.

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.

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Introduction

Imagine a world where:

- the bus service you rely on no longer runs
- the household waste centre has closed
- the streetlights are turned off at night and people get seriously injured or even killed
- you have rats or a wasps' nest in your home but can't afford to pay for them to be removed
- it takes longer for a fire engine to arrive and the fire gets out of control
- there is no-one to provide care for your neighbour who finds it difficult to get out of bed, get dressed, go to the toilet, get into the bath or cook their own food
- restaurants and fast food takeaways are inspected less frequently and food poisoning increases
- the local youth centre has closed and young people are congregating on street corners with nothing to do
- there aren't enough social workers to protect children at risk of neglect or harm
- you have a learning disability and the day centre you used to go to has closed, and you hardly ever get out
- the village hall has closed, a community focus has gone
- the library opening hours are cut
- you are disabled and the care you relied upon has been reduced
- you are sold faulty or dangerous goods but there is no-one to investigate
- your child has a mental illness but you have to wait months before you can see someone to get help.

All these things are happening in Wales today because of the unprecedented financial squeeze caused by the Westminster government.

It isn't just the dreadful social cost to individuals and families, or the extra unnecessary risks that the public now face, or the chaos and disruption caused to people's lives.

It isn't the pain and hardship, or the extra time and money it now takes to do things that the council used to do.

There is an economic cost too.

Executive Summary

This report is about the consequences of an unprecedented squeeze on funding that has had a dramatic impact on local public services and the people who provide them.

This austerity audit looks at what has happened to local public services in Wales since May 2010. The story about the cuts isn't simply about the reduction in funding provided by the Westminster Government and councils getting less cash from the Government in Wales as a result. It is also about that cash cut happening at the same time as councils face rising costs, a growing population, increasing demand for their services and extra responsibilities without additional funds to pay for them.

This UNISON audit starts by looking at the big picture, the extent of service cuts, the budget pressures local councils face and how they have responded to financial challenges that dwarf the cuts faced by councils in the Thatcher era.

Councils have adopted a host of approaches to deal with the financial crisis. At one end of the spectrum they have made straightforward efficiency savings, and eased budget gaps by increasing income or reducing spending without any impact on services. But at the other end local services have been cut, jobs have been lost and communities have suffered.

In between are many other changes to the way services are delivered that fall short of outright closure. This has resulted in services being removed from people or being restricted and only made available for shorter periods. In some services the cuts are passed on by getting others to pay. Local residents face higher council tax, fees and charges and many now have to pay a greater share of the costs of providing services.

Many social care users are now given a personal budget for the service they receive, but often that budget is not enough to meet their needs. In the case of direct payments for care, instead of getting a service, users are given a cash sum to buy the service themselves. Supporters of this approach argue that this gives people 'choice' but often the payment is not enough, and as a consequence people are denied real choice and the care they need.

Other approaches have involved radically changing the way the council operates, drastically reducing the number of council buildings, changing the way the service is delivered, what is delivered, who it is delivered for, as well as who it is delivered by. Often this is accompanied by a greater reliance on the internet and new technology. The use of electronic transactions and communication has increased in many local authorities.

No audit would be complete without looking at the impact on the workforce. 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.

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

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.

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.

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

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%.

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.

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.

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

Budget Pressures

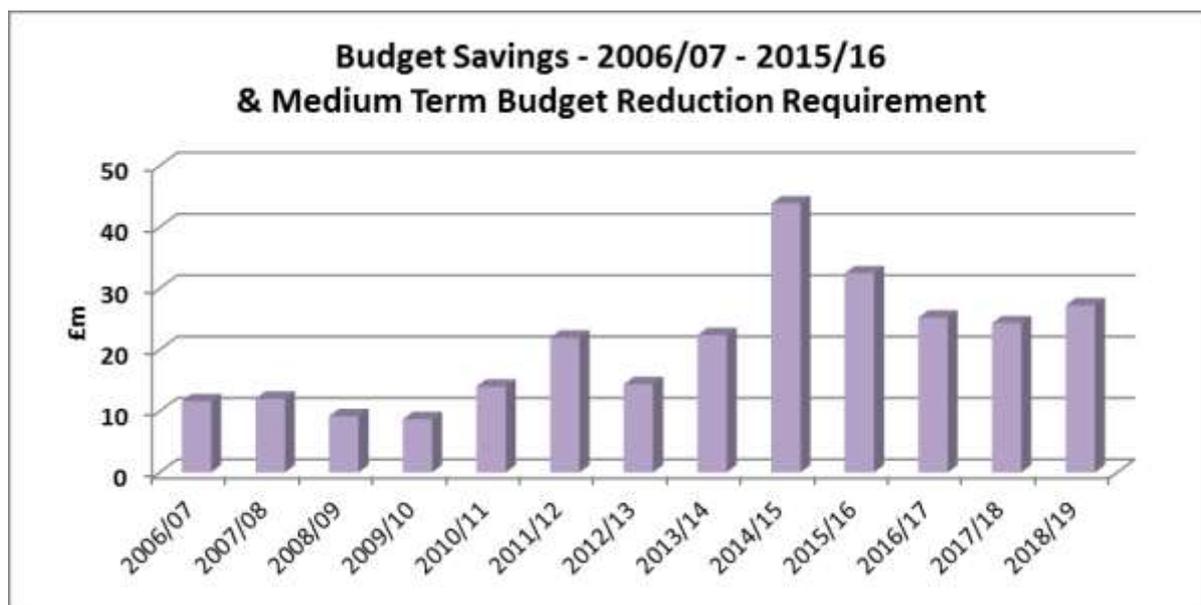
The cash cut is happening at the same time as councils have and continue to face price inflation in goods, materials and services, pay awards, landfill tax, fuel and energy as well as contract prices. Add to that the cost of providing services for a growing population that by 2016 will have increased by 3.53 per cent, the cost of providing social care to more older people who are living longer, the extra costs of commitments like pension contributions and landfill tax, the increase in employers national insurance contributions, the apprenticeship levy, as well as local authorities being handed extra responsibilities such as local council tax support by the Westminster Government but without adequate funds to pay for them. These changes all have to be paid for – and they are leading to even bigger cuts.

These financial challenges have already let councils in Wales to reduce expenditure but they will face even bigger challenges during the rest of this decade.

Over the past eight year period, the Council has had to deliver cost reductions/efficiencies of some £33.8m (includes additional income generated through council tax increases) to respond to the funding gap, created as a direct consequence of reductions in grant support from Welsh Government and the impact of pay, price and demographic pressures and unfunded burdens..... the funding gap for 2016-17 has been calculated at £16.3m. The revised five year Medium Term Financial Plan (2015-16 to 2019-20) contains a projected funding gap of £64.8m.(Pembrokeshire, 2016/17 Budget Report)

Cardiff City Council identified reductions of more than £28m as part of the 2016/17 budget setting exercise and identified projected budget reductions of £24.663m in 2017/18, a further £22.831m in 2018/19 and a further £25.753m in 2019/20.

... the £73 million budget gap builds from the Council having made £190 million savings over the 10 year period 2006/07 – 2015/16, over half of which were over the three year period 2013/14 – 2015/16. (Cardiff City Council 2016/17 Budget Report)



Source: Cardiff City Council Budget Report 2016/17

...all member budget workshop on 21 April members were informed of an estimated budget shortfall of approximately £45m over the next three years of which £15.3m related to the 2016/17 financial year. Wrexham Council

... Based on these assumptions the total recurrent reductions required from 2016-17 to 2019-20 amount to £35.531 million. Bridgend Council

Councils have adopted a host of approaches to deal with the financial crisis. Budget gaps have been eased by increasing income or reducing spending without any impact on services:

- Increasing council tax
- Generating income (e.g. Cardiff City Council plans to increase income by £400,000 through improved charging, income generation, sponsorship and selling services in 2016/17)
- Better income collection – such as improved council tax collection rates
- Management of investment and debt
- Revising capital expenditure plans
- Rescheduling capital financing repayments

Councils have also made straightforward efficiencies:

- Reducing spend on agency staff and consultants (e.g. Cardiff City Council plans to reduce expenditure on agency staff by £450,000 in 2016/17)
- Cutting energy costs
- Cutting costs of waste disposal by reduced landfill, increased recycling etc (e.g. Cardiff City Council will reduce spending in 2016/17 by over £1m through better management of residual waste and improved materials recycling)
- Sharing services (e.g. ongoing savings through the single shared service that brought Environmental Health, Trading Standards and Licensing functions at Cardiff, Bridgend and the Vale of Glamorgan Councils under a single management structure worth £310,000 alone to Cardiff in 2016/17)

Or their strategies can reduce expenditure and achieve better outcomes.

Examples of this include reducing the number of children with special needs who are placed in other local authority areas or reducing the number of children including children looked after placed outside the county.

Fees and charges have been raised so local residents have to pay more for the service.

Staffing levels have been cut by:

- Recruitment freezes or restrictions – (e.g. Pembrokeshire included reductions of £1.2m in vacancy management and other one off in year savings as part of its 2015/16 budget with a further £0.4m built into the 2016/17 budget)
- Gwynedd has cut staffing levels, for example deleting 2 posts out of 6 in the Community Regeneration Unit £75,000; 2 posts out of 4 in the Customer Care unit within the Adults Service (£85,000); 2 posts out of 7 in the Street Enforcement Unit (£64,500), 2 posts out of 8.8 in the Health and Safety Unit (£80,000) and 1 post out of 14 in the Building Control unit (£40,000)
- Voluntary and compulsory redundancy

Councils have also been forced to make other changes to the way services are delivered that fall short of outright closure. This approach may involve restructuring, reducing service availability or service scope.

Some local services have been cut, jobs have been lost and some communities have suffered. Powys decided to close the Brecon Tourist Information Centre (TIC) and Rhondda Cynon Taf closed Llantrisant Nursery. Powys is closing two household waste recycling centres saving £700,000 per annum from 2017/18. Rhondda Cynon Taf Council reduced opening hours in branch libraries to 31.5 and reduced the number of mobile libraries from 4 to 3. Gwynedd is reducing the opening hours of the Dolgellau archives from 3 days to 2 and Caernarfon archives from 4 to 3 days per week to save over £40,000 and reducing grass cutting in main areas of the towns to 6 times a year rather than 8 times a year to save £120,000.

Tightening eligibility criteria, which has been a feature of social care.
Restricting access to a service to cease providing services to some people and reduce demand.

In some services the cuts are passed to others to make:

Cuts in grants to voluntary sector organisations – in 2016/17 Powys reduced grants from £249,000 to £136,000 and decided to phase out support for village halls by 2017/18 saving £67,500 in 2016/17 and another £67,500 the year after. Gwynedd is reducing 50% of the strategic grants for the arts budget to save £84,850 and is cutting £62,400 by reducing 50% of the grants given to voluntary organisations for specific projects.

The Future

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

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.

About the report’s author

Pete Challis has been a National Officer at UNISON for 9 years. When he joined UNISON he had 20 years experience as a councillor in London. He previously worked as a teacher in the secondary and FE sectors and then for the Local Government Information Unit (LGIU).

He was the author of the LGIU Guide to Local Government Finance.

Photo credit: @traceypaddison



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