

2018

Audit of Austerity  
Cymru/Wales



UNISON

Cymru/Wales

## **Wales Austerity Audit 2018**

Imagine a world where:

- 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
- you are disabled and the care you relied upon has been reduced
- you have a learning disability and the day centre you used to go to has closed, and you hardly ever get out
- there aren't enough social workers to protect children at risk of neglect or harm
- your child has a mental health problem but you have to wait months before you can see someone to get help
- the bus service that 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
- 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
- the village hall has closed, a community focus has gone,
- the library opening hours are cut
- you are sold faulty or dangerous goods but there is no-one to investigate

All these things are happening in Wales today because of the unprecedented financial squeeze caused by the Westminster government that is damaging vital local services.

Austerity isn't working. 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 to individuals and the nation too.

## Executive Summary

In 2013, when defence giant BAE Systems announced plans to axe 1,775 jobs across its naval ships business and end shipbuilding at one of the country's most historic yards or when in August this year Homebase announced it was closing 42 stores with the loss of 1,500 jobs - it was headline news.

Since 2010 councils in Wales have lost over 28,000 jobs – nearly 16 times the number of jobs lost at BAE systems and nearly 19 times the number of jobs lost at Homebase – equivalent to losing seven of the eight largest private sector employers in Wales - but it hasn't made the headlines.

The budget cuts brought in by a decade of austerity dwarf those faced by councils in the Thatcher era.

- 28,100 council jobs were lost between Q1 2010 and Q1 2018 – equivalent to losing seven of the eight largest private sector employers in Wales
- For every 6 council jobs in Q1 2010 there are only 5 in Q1 2018
- In 6 councils more than 2,000 jobs have disappeared since Q1 2010
- Council spending rose from £7.64bn in 2010/11 to £8bn in 2017/18
- Council spending has not kept pace with inflation. In 2017/18 it would have been £1.02 higher (£9.02bn) if it had kept pace with CPI since 2010/11 and £1.59bn higher (£9.59bn) if it had kept pace with RPI
- Revenue Support Grant to councils in Wales in 2018/19 was just £6m higher than in 2010/11
- The provisional local government finance settlement means councils will get less Revenue Support Grant in 2019/20 than they did in 2010/11
- 2018/19 Standard Spending Assessments – the notional calculations of what councils need to spend grew by 7% less than CPI and more than 14% less than RPI compared with 2010/11
- The WLGA say that just to stand still on providing current services, local government would need a revenue increase of £264m (5% of net spend) in 2019-20 and 4% the year after.
- Swansea and Cardiff City councils forecast<sup>1</sup> cumulative budget shortfalls of £68.7m and £91m respectively in the three year period to 2021/22.
- The real terms cash reductions faced by councils are compounded by increasing budget pressures
- Additional funding for local councils must be the first call on the additional revenue resources that the Wales Government will now have in 2019/20 and 2020/21 following the 29 October 2018 Budget

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<sup>1</sup> Swansea City and Cardiff City Council 2018/19 budget reports

## **Introduction**

All communities rely on local government.

Local government is democratically elected, it champions the interests of Wales' diverse communities and it provides many valued and vital everyday services without which society could not function.

The last decade will be characterised by an unprecedented squeeze on funding that has had a dramatic impact on local public services and the people that provide them.

This is a report about the consequences of that freeze, about what has gone and the damage that has been done. The audit of austerity looks at what has happened to local public services in Wales since May 2010.

This isn't simply about the severe cut in funding provided by the Westminster Government to the Wales Government and councils in Wales getting less cash from the Wales Government as a result. It is also about that cash cut happening at the same time as councils faced rising costs, a growing population, increasing demand for their services and extra responsibilities but without the extra funds needed to pay for them.

UNISON's audit of austerity starts by looking at the big picture, how much has gone and the budget pressures that local councils face.

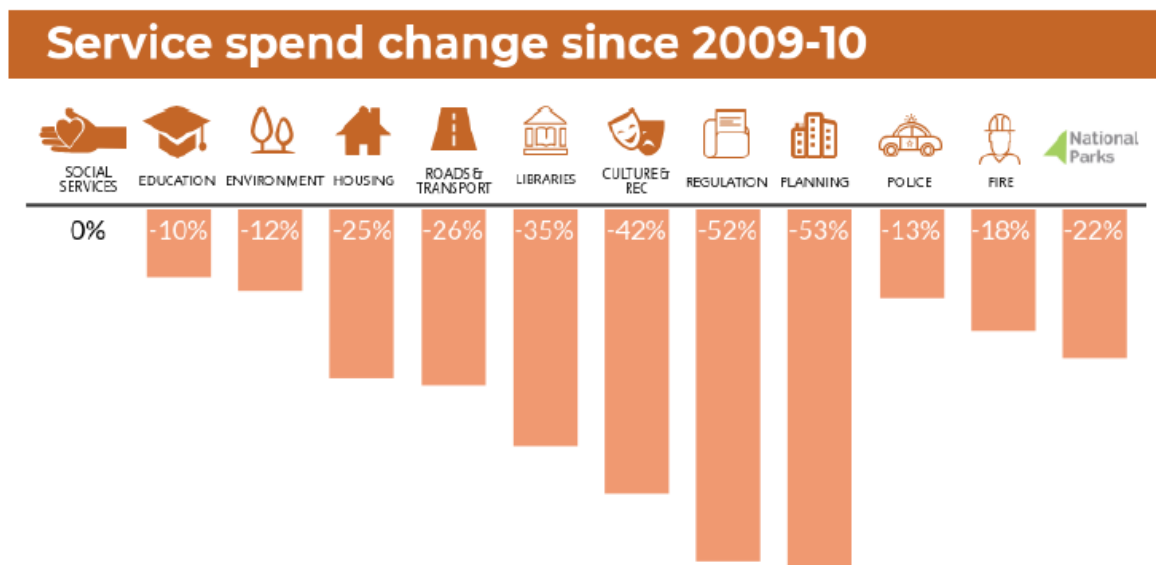
It provides details of the number of jobs that have gone and the significance of that loss to the Wales economy.

The Audit of Austerity looks at how councils have responded to financial challenges that dwarf the cuts faced by councils in the Thatcher era.

## The Funding Squeeze on Councils in Wales 2010 to 2018

*Local Government has borne the brunt of austerity, core grant funding has reduced by 22% after adjusting for inflation by 2019-20. If you don't include schools funding, as is the case in England, core funding has fallen by 35%. (Welsh Local Government Association; 2018)*

In 2010/11 the gross revenue (day to day) spending by local councils in Wales was £7.64bn. By 2017/18 that figure had increased to just over £8.00bn but if it had kept pace with inflation (using the Consumer Price Index (CPI) it would have been £9.02bn and £9.59bn if it had kept pace with the Retail price Index (RPI).



Source: Fair and Sustainable Funding for Essential Local Services; WLGA; 2018

## Local Government Finance in Wales

The Wales 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.

SSAs have not kept pace with inflation.

Year	SSA (£'000)	Cumulative % increase in SSA	Cumulative % increase in CPI	Cumulative % increase in RPI
2010/11	£5,089,991	0	0	0
2011/12	£5,103,242	0.26	4.48	5.21
2012/13	£5,150,213	1.18	7.62	8.84
2013/14	£5,526,387	8.57	10.20	11.98
2014/15	£5,463,936	7.35	12.22	14.36
2015/16	£5,385,525	5.81	12.00	15.80
2016/17	£5,425,128	6.58	12.33	17.32
2017/18	£5,503,184	8.12	15.36	21.45
2018/19	£5,656,897	11.14	18.16	25.54

Source: Welsh Government; ONS

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.

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 had widened from just over 1.63% (2013/14) to 5.75% (2016/17) and for RPI it widened from 3.41% (2013/14) to almost 11% (2016/17).

In 2018/19 the gap between the percentage increase in SSA and the percentage increases in CPI widened further to 7.02% and for RPI it widened to 14.4%.

Each year Welsh 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 that it assumes councils will raise – this is called council tax for standard spending (CTSS). 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 (RSG) that the council gets from the Wales Government. Aggregate external finance is calculated by adding revenue support grant to the redistributed non domestic rates.

	<b>100% tax base (Band D equivalents)</b>	<b>SSA</b>	<b>Council tax</b>	<b>Revenue Support Grant</b>	<b>Redistributed Non Domestic rates</b>	<b>Aggregate External Finance</b>
Year		£'000	£'000	£'000	£'000	£'000
2010/11	1,178,237	£5,089,991	£1,039,400	£3,209,091	£841,500	£4,050,591
2011/12	1,185,095	£5,103,242	£1,095,110	£3,299,832	£708,300	£4,008,132
2012/13	1,191,170	£5,150,213	£1,133,208	£3,197,105	£819,900	£4,017,005
2013/14	1,197,320	£5,526,387	£1,153,352	£3,423,594	£949,440	£4,373,034
2014/15	1,202,122	£5,463,936	£1,199,470	£3,296,336	£968,130	£4,264,466
2015/16	1,210,462	£5,385,525	£1,260,816	£3,235,629	£889,080	£4,124,709
2016/17	1,218,531	£5,425,128	£1,326,076	£3,170,902	£928,150	£4,099,052
2017/18	1,228,695	£5,503,184	£1,391,191	£3,105,943	£1,006,050	£4,113,620
2018/19	1,233,371	£5,656,897	£1,443,636	£3,215,760	997,500	£4,214,067

It can be seen that any increase in the resources available to local councils has largely come from the local taxpayer (+£404m). First the tax base has increased by 55,134 Band D equivalent properties and secondly the Wales Government has assumed that the council tax that would be charged by local councils would rise from £882.17 in 2010/11 to £1,170.48 in 2018/19.

Business rates are now contributing an extra £156m more than they did in 2010/11. Revenue Support Grant has only increased by just over £6m since 2010/11.

### **Budget Pressures**

This report has already established that SSAs – the need to spend – did not keep pace with inflation. It has not reflected population growth either which compounds the impact. In 2011 the population in Wales was 3.06 million and by 2016 this had risen to 3.113 million and is projected to rise to 3.173m by 2021.

The number of children under 16 is projected to increase to 568,000 by 2026 and the number of people aged 65 and over is projected to increase by 232,000 between 2016 and 2041.

The cash cut is happening at the same time as councils face not just population growth but price inflation in goods, materials, services, fuel and energy as well as contract prices. Add to that the cost of pay awards, landfill tax, providing social care to more older people who are living longer, the extra costs of commitments like pension contributions, the 3.4% 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.

## **The squeeze on Wales**

In the Autumn Budget (22 November 2017) the Chancellor, Phillip Hammond said that Wales would benefit by £1.2bn by the end of this Parliament as a result of the measures announced that year. The Finance Secretary, Mark Drakeford in his response to the UK Government's 2017 Autumn Budget, explained

*“that of the £1.2bn, £1bn relates to capital funding and that more than half it must be repaid to the UK Treasury and the remaining £215m relates to additional revenue funding for the period 2017-18 to 2019-20”. He said “While these small increases in the resources available to Wales are to be welcomed as they will help support our priorities, this additional funding will do little to ease the pressures on frontline public services, which have been struggling to cope as a result of the successive cuts to our budget we have experienced since 2010-11. Even with this additional funding, the Welsh Government’s budget will be 5% lower in real terms in 2019-20 than it was in 2010-11”.*

While Welsh Government's budget will have been 5% lower in real terms in 2019/20 than it was in 2010/11, the budgets of local councils in Wales will have faced far larger reductions.



## Financial year 2019/20

The Wales Government published the provisional 2019/20 local government finance settlement on 9<sup>th</sup> October 2018.

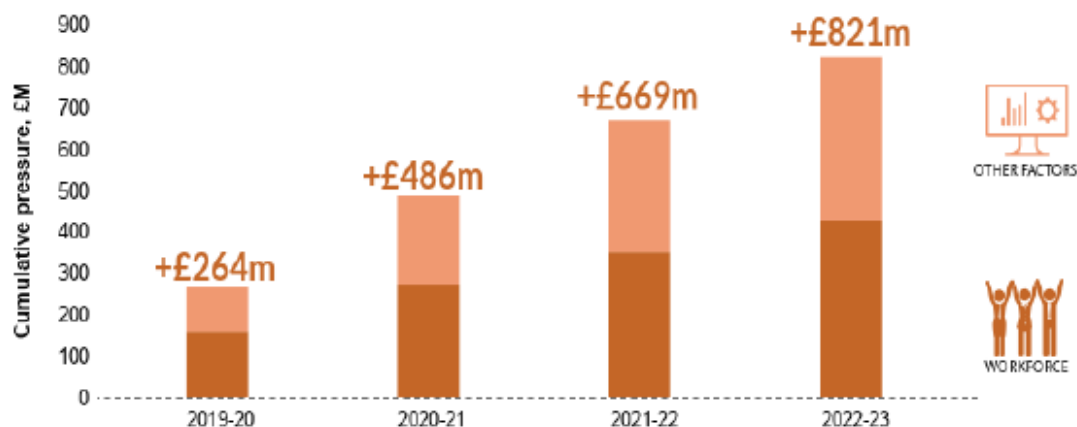
It assumes councils will raise an extra £91.619m in council tax, that they will share an extra £10.450m in business rates but it also reduces the amount councils will get from Welsh Government by £12.365m. As a result councils will get less help from the central grant than they did in 2010/11 – a position that is totally unacceptable.

	100% taxbase (Band D equivalents)	SSA	Council tax	Revenue Support Grant	Redistributed Non Domestic rates	Aggregate External Finance
Year		£'000	£'000	£'000	£'000	£'000
2018/19	1,233,371	£5,656,897	£1,443,636	£3,215,760	997,500	£4,214,067
2019/20 (p)	1,233,371	£5,746,599	£1,535,255	£3,203,395	1,007,950	£4,213,850
Change 2018/19 to 2019/20 (p)	0	89702	91619	-12365	10450	-217

(p) provisional local government finance settlement

According to the WLGA<sup>2</sup> local councils in Wales need an additional £264m in 2019/20 just to stand still.

## Cumulative pressure



<sup>2</sup> Fair and sustainable funding for essential local services; WLGA; 2018

In the 29 October Budget the Chancellor said that

*the decisions announced in the Budget mean by 20-21 an additional... £550m for the Welsh Government*

A significant proportion of the additional resources that will now be available to the Wales Government in 2019/20 and 2020/21 need to flow through to local government.

## Local Councils and the Wales Economy

Local government is the economic bedrock of Wales:

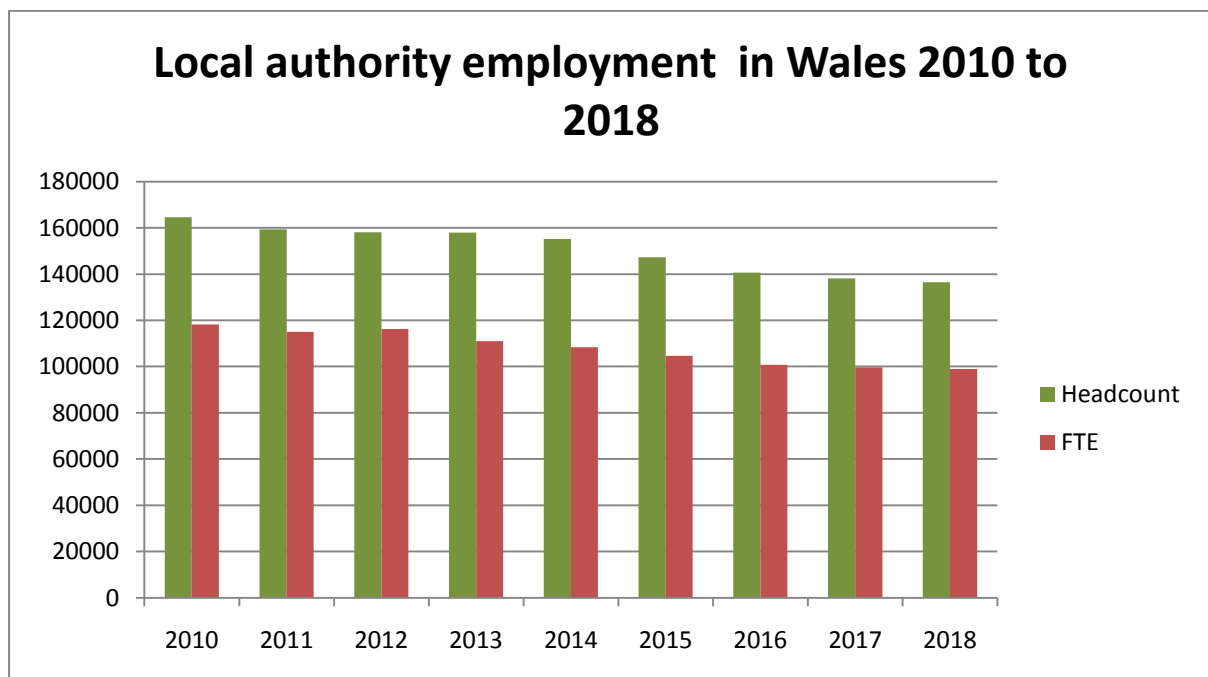
- Councils spend **£3.5bn a year** on goods and services in national & local economies
- Councils employ over **10%** of the Welsh workforce

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








For every 6 people that worked for the local council in Wales in 2010 only 5 people do so in 2018. The public still expects 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 first quarter 2010 and the first quarter 2018:

- 28,100 fewer people (19,300 full time equivalent) are employed by councils in Wales – 20,500 permanent jobs have gone
- Women are more adversely affected than men
  - 7,400 fewer men and 10,100 fewer women are employed full time
  - 2,300 fewer men and 8,300 fewer women are employed part-time



More than 500 jobs have gone in 19 of the 22 councils in Wales. In 15 councils over 1,000 jobs have disappeared and in 6 councils it is more than 2,000 jobs. The significance of the impact on the Wales economy should not be understated. It is more than equivalent to losing seven of the eight largest private sector employers in Wales.

	Employer	Number of employees	Main locations
	Tata Steel	7000	Port Talbot, Llanwern, Shotton, Llanelli, Newport and Caerphilly
	Admiral	7000	Cardiff, Newport and Swansea
	Airbus	6400	Broughton Flintshire and Newport
	Arriva Trains Wales/ Transport for Wales	2200	Throughout Wales
	Ford	2000	Bridgend
	Brains SA	1800	Cardiff
	Principality	1100	Throughout Wales

### The approach councils have taken

Faced with these financial challenges Councils in Wales have been reducing expenditure but they face bigger challenges over the next five years

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 some local services have been cut, jobs have been lost and some communities have suffered.

In between are many other changes to the way services are delivered that fall short of outright closure. This results in the service being removed from some 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 and fees and charges and now have to pay for a greater share of the costs of providing some services.

At one level budget gaps have been eased by increasing income or reducing spending without any direct impact on services:

- Increasing council tax
- Generating income (e.g. through improved charging, income generation, sponsorship and selling services)
- Better income collection – such as improved council tax collection rates
- Management of investment and debt
- Revising capital expenditure plans
- Rescheduling capital financing repayments
- Reviewing Minimum Revenue Provision policy

Councils have also made straightforward efficiencies:

- Reducing spend on agency staff and consultants
- Cutting energy costs
- Cutting costs of waste disposal by reduced landfill, increased recycling etc
- Sharing services (e.g. ongoing savings through the single shared service that brings various functions together across several local authorities (e.g. Environmental Health, Trading Standards and Licensing functions in Cardiff, Bridgend and Vale of Glamorgan Councils))

In some cases strategies can reduce expenditure **and** achieve better outcomes.

For example 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 local authority.

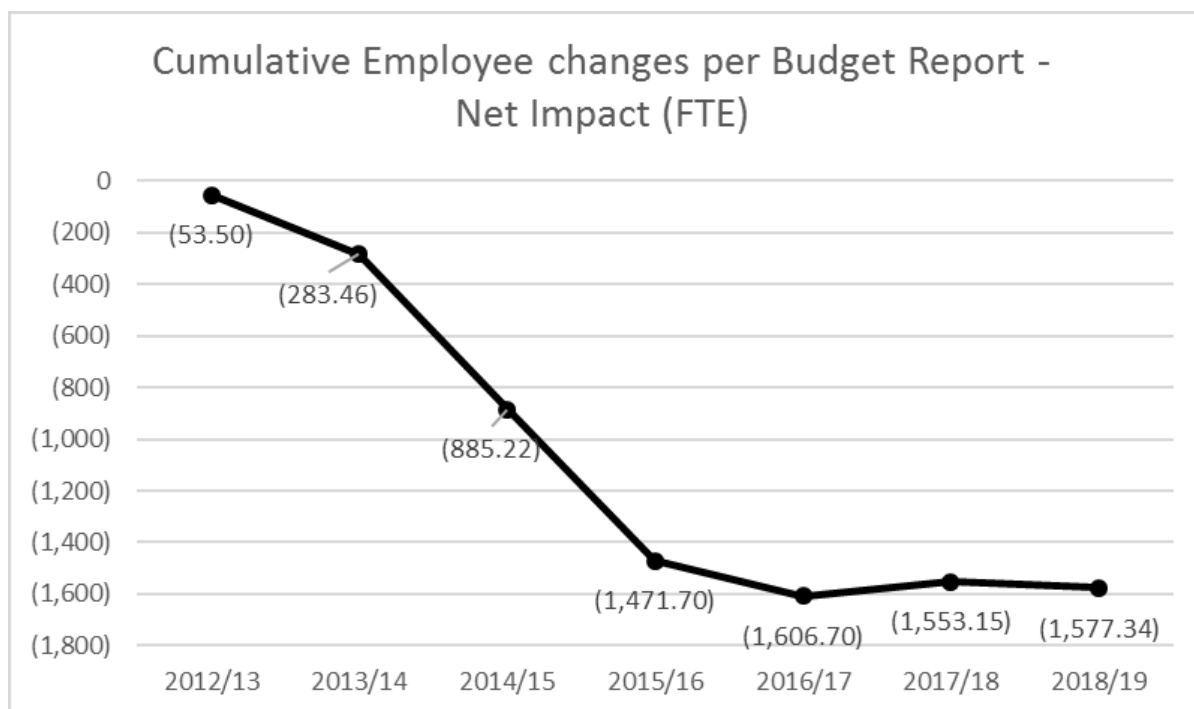
Fees and charges have been raised so local residents have to pay more for the service.

For example the 2018/19 budget for Cardiff City council increased income for social services by £350,000, for bereavement and registration by £50,000, while planning fees generated an additional £55,000. The School Catering Unit increased the price of primary and secondary school meals by £0.10 per day resulting in additional income of £350,000 a year.

Staffing levels have been cut by:

- Deleting vacant posts
- Recruitment freezes or restrictions
- Voluntary and compulsory redundancy

Cardiff City council had a net reduction of 24.19 posts in 2018/19 bringing the cumulative loss to 1,577.34 full time equivalent posts.



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 cutting service scope.

- Some local services have been cut, jobs have been lost and some communities have suffered.
- 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:
  - A council subsidy may be withdrawn or responsibility for expenditure on an item transferred to another organisation. For example in 2017/18 Cardiff City council made a decision to delegate the responsibility for the Pupil Referral Unit (PRU) to a secondary school. The full year effect was a reduction of £365,000 in 2018/19.
- Cuts in grants to voluntary sector organisations

## Future outlook

The future outlook is bleak. The latest predictions taken from a sample of councils vividly demonstrates this fact.

### Flintshire Council

The latest Medium Term Financial Plan (September 2018) is forecasting a gap of £13.7m in 2019/20

### Wrexham Council

In 2017/18 Wrexham Council's net expenditure was £8.65m LESS than in 2014/15. In the 7 years from 2011/12 to 2017/18 almost £46m had been taken out of its budget, equivalent to almost 25% of its net expenditure.

	Annual savings							Total
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	
Wrexham Council	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net Expenditure	216,068	215,434	233,334	238,111	234,729	229,073	229,461	
Funding	208,608	211,890	230,048	227,333	223,120	224,069	225,324	
Savings	-7,460	-3,544	-3,286	-10,778	-11,609	-5,004	-4,137	-45,818

The 2018/19 to 2020/21 Medium Term Financial Plan forecasts further budget reductions of almost another £21m over those three years (2018/19 to 2020/21).

### Neath Port Talbot

In February 2018, when setting the Council's Budget for the current year, it was noted that the Council had delivered £83m of savings since 2010 but there remained a projected funding gap of £58m over the next 4 years to 31 March 2023. The 4 year Forward Financial Plan to 31st March 2023 shows a projected funding gap of £64m

### Merthyr Tydfil Council

The revised projected budget deficits indicate a budget deficit of £5.640 million for 2019/20 and £17.277 million for the period 2019/20 to 2021/22.

**Carmarthenshire County Council**

In setting the 2018/19 budget the Council projected future savings requirements of £2.4m in 2019/20 and £5.2m in 2020/21

**Swansea City Council**

According to the 2018/19 budget report, for the period 2019/20-2021/22 (there is) an estimated cumulative budget shortfall of £68.7million over this three-year period

**Cardiff City Council**

For the period 2019/20-2021/22 (there is) an estimated budget reduction requirement of £91 million over this three-year period



## What is UNISON looking for?

Local councils in Wales face multi-million pound budget gaps between now and 2022.

They simply do not recognise the claim made by Chancellor Philip Hammond that *'the era of austerity (is) finally coming to an end'*.

The consequences can be seen all too clearly in England where councils such as Somerset and East Sussex struggle, simply to meet their statutory responsibilities.

UNISON believes there are several things that can be done by Welsh Government to assist in protecting local public services:

- Local government must be the first beneficiary of any consequential funding announced by the Chancellor on 29 October 2018.
- Legislate to provide a 'power of general competence' for local authorities in Wales.
- Increase revenue support grant by at least the percentage increase in the funding from HM Treasury so that the aggregate external financing (revenue) to local authorities return to at least 2013/14 levels in real terms
- Encourage local authorities to use their existing powers to provide goods and services to other parts of the public sector in Wales, 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 debt refinancing, prudent changes to MRP policy utilising the opportunities afforded by historically low interest rates
- The introduction of indicative three yearly grant settlements

UNISON Cymru/Wales supports Reform of Local Government including use of mergers within the boundaries of health boards provided that there are no compulsory redundancies and that any proposals are supported by Welsh Government with an appropriate financial package to ensure the long term sustainability of the local government sector.