

Dyddiad /Date:
Gofynnwch am/Please ask for:
Llinell uniongyrchol/Direct line:
Ebost/Email:

28 August 2018
Dr Chris Llewelyn
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Kirsty Williams AM
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Dear Kirsty,

Fair and Sustainable Funding for Essential Local Services

Please find attached a copy of the WLGA's recent publication, Fair and Sustainable Funding for Essential Local Services. We discussed the document briefly at our meeting on the 20th June and I agreed to share it with you once it was finalised. The document was discussed also with the Cabinet Secretary for Finance, Mark Drakeford AM, and the Cabinet Secretary for Local Government and Public Services, Alun Davies AM, at the last Finance Subgroup meeting and sets out the funding pressures facing local government over the coming year.

The document highlights the impact of austerity on public services and notes that just to stand still in providing current services, local government would need a revenue increase of £264m (5% of net-spend) in 2019-20 and 4% the year after. Pressures in schools and education account for £110m or 42% of the overall pressures being driven by unavoidable increases workforce and demand pressures:

- pay settlements for both teachers, assistants and other officers
- increases in employer contributions for both teachers' pensions and LGPS
- pupil numbers driving increasing demand

On current projections, local government will be required to absorb over £800m of pressures over the next 5 years. Either discretionary spend will decline from 15% to 5% of the net spend or local authorities will start to make cuts in services that have traditionally been protected. Without more resource schools will have to drastically pull back on teaching and non-teaching staff levels. In addition to calling for more resources for education and social care, the document argues for a further reduction in specific grants, the transfer of 6th form funding and the EIG in to the RSG.

The WLGA recognises that tough choices will need to be made across the Welsh-budget, but I cannot emphasise enough the needs of the essential local services that are vital to our communities.

Steve Thomas CBE
Prif Weithredwr
Chief Executive

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**Croesawn ohebiaeth yn y Gymraeg a'r Saesneg a byddwn yn ymateb i ohebiaeth yn yr un iaith.
Ni fydd defnyddio'r naill iaith na'r llall yn arwain at oedi.**

We welcome correspondence in Welsh and English and will respond to correspondence in the same language.
Use of either language will not lead to a delay.

Local government therefore needs sustainable, fair and flexible funding - greater fiscal autonomy and flexibility to respond to local needs and priorities:

I also wrote recently to the secretary of State for Education, Damian Hinds MP, highlighting the impact of the proposed teachers' pay award on Wales. While being very pleased at the decision to make such a pay award to our 25,000 plus hardworking public servants in the school sector across Wales, the decision means an additional cost of £27 million for the next academic year alone before power is devolved to Welsh Ministers. For leaders of local authorities across Wales this is problematic since potentially it leaves either Welsh Government, councils or schools to fund this rise without new resources being made available. I know that you share these concerns and I am more than happy to work with you to secure the additional resources needed to fund this pay award.

Yours sincerely



Councillor Debbie Wilcox
Leader of WLGA

Steve Thomas CBE
Prif Weithredwr
Chief Executive

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Fair and Sustainable Funding for Essential Local Services

All our communities rely on local government



@WelshLGA
#localservices

Local Services are Essential

All our communities rely on local government. Local government is democratically elected, champions the interests of Wales' diverse communities and provides many valued and vital everyday services that are the foundations of our society. Council services:

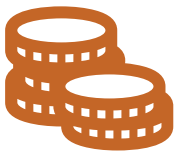
- Support and protect the most vulnerable in society
- Tackle inequalities in society
- Promote a fairer Wales through inclusive growth

Local government is the economic bedrock of Wales:

- employing over **10%** of the Welsh workforce and educating and training our future workforce
- spending **£3.5bn** on goods and services in national & local economies
- promoting economic growth in all 4 regions

Local government creates opportunities for every citizen which help sustain and strengthens our communities.

How do we do this?



£4.3bn

revenue support
from Welsh
Government



£1.3bn

in Council Tax from
residents



£0.9bn

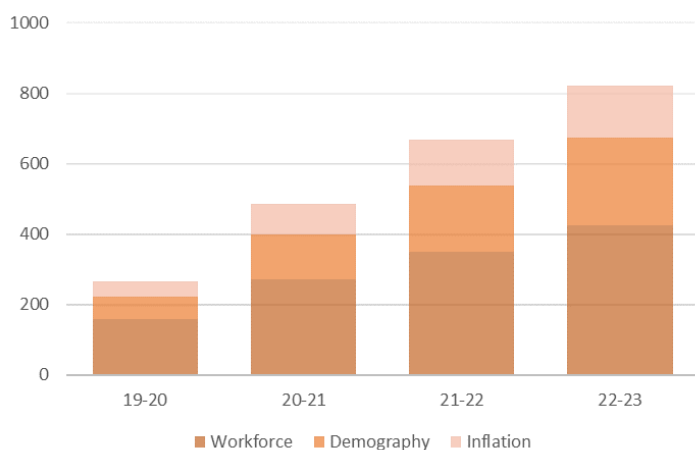
infrastructure
(capital) spending



144,000

full time and part
time employees

What local services need in the medium-term



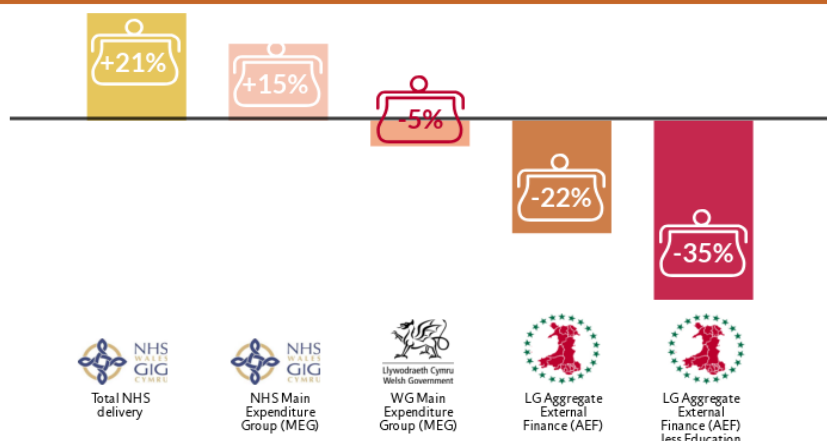
Just to stand still on providing current services, local government would need a revenue increase of £264m (5% of net spend) in 2019-20 and 4% the year after.

Unavoidable workforce costs are increasingly driving inflationary pressures.

In 2021-22 and the year after, the overall inflationary pressures run at around 3% in each year.

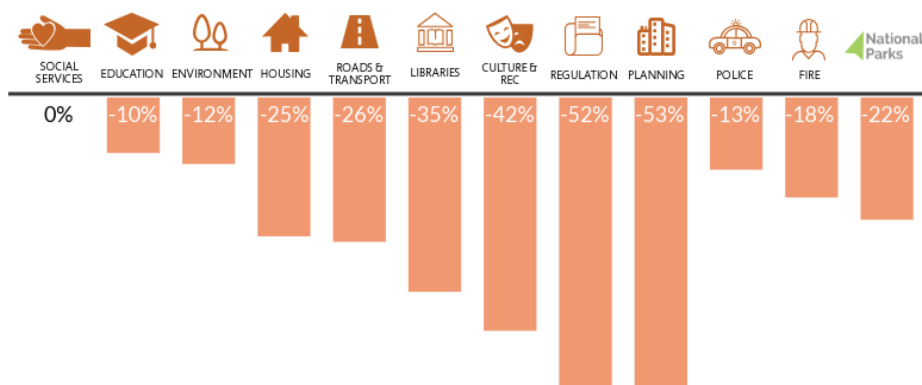
10 Years of Austerity

Change in Funding since 2009-10



Local Government has borne the brunt of austerity, core grant funding has reduced by 22% after adjusting for inflation by 2019-20. If you take schools out, core funding has fallen by 35%.

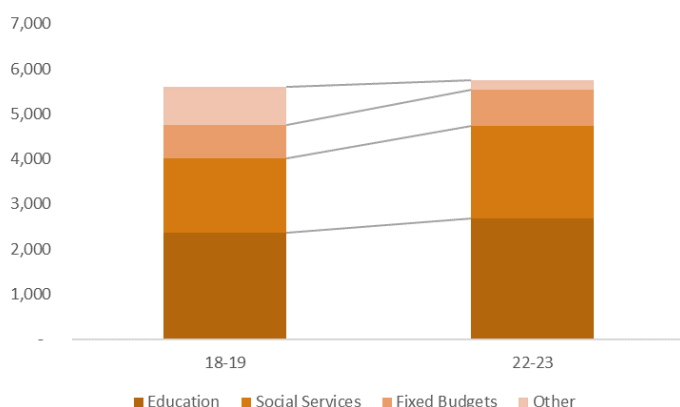
Service spend change since 2009-10



Local services have been devastated. Schools and social care have been relatively protected but other services have seen dramatic reductions in spend.

The structure of budgets for local services

Social Care and Education account for nearly 72% of the £5.6bn net spend on local services. Another 13% of the budget is fixed: it is outside the control of the council such as debt repayments, support for council taxpayers or levies for other bodies such as fire.



In the past cuts were visited on the remaining budget which accounts for 15% of the overall budget. It is difficult to see how it can be reduced even more.

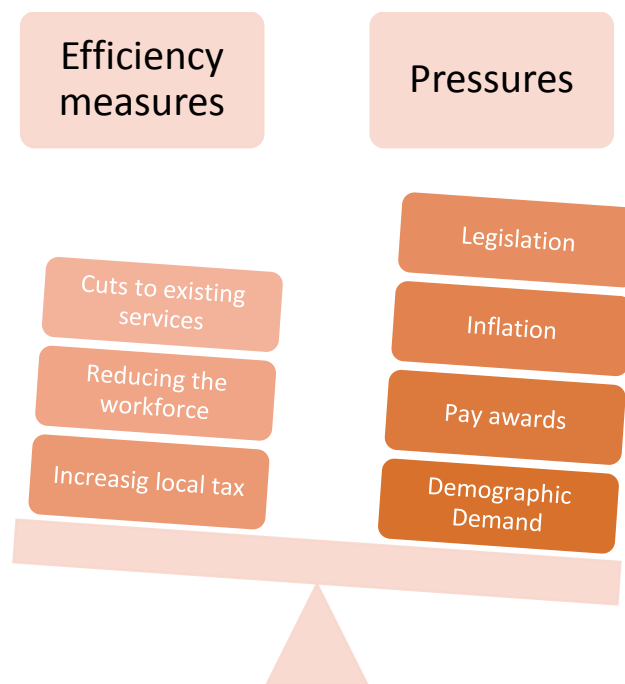
On current projections local government will be required to absorb over £800m of pressures over the next 5 years. Either discretionary spend will decline to 3% of the budgets or local authorities will start to make cuts in services that have

traditionally been protected. Without more resource schools will have to drastically pull back on teaching and non-teaching staff levels. Social care thresholds will need to increase. Vital spending on key services such as economic development, public protection, waste and culture will be paired back even further.

Local Services at a Tipping Point

If local government continues to face the same level of grant reduction, there are extremely difficult choices ahead. The trade-offs and consequences of this must be fully understood.

Responding to this, many Councils are already out to budget consultation, highlighting the magnitude and scale of the budget gaps. But many local authorities are now reaching a tipping point.



Without a more fundamental review of how we fund services there is little wriggle room for further cuts. The current model is not sustainable, annual incremental budgeting just stores up problems for the future.

Just look around at the decline of our community services and assets. From libraries to leisure centres, community centres to meals on wheels, youth & music services to food inspections. In the words of the great author Phillip Pullman we are in danger of "killing off every humane, life-enhancing, generous, imaginative and decent corner of our public life".

Cllr Debbie Wilcox, Leader, WLGA Conference 2018

What Services Need from the 2019-20 Budget

We recognise that tough choices will need to be made across the Welsh budget but we cannot emphasise enough the needs of the essential local services that are vital to our communities.

Local government therefore needs sustainable, **fair and flexible funding** – greater fiscal autonomy and flexibility to respond to local needs and priorities:

Revenue Settlement <ul style="list-style-type: none">❖ No more cuts and local government funding pegged to the Welsh Government Budget❖ Proper investment in and protection of the local government workforce❖ Additional investment in Social Care to recognise rising demand	A better funding framework <ul style="list-style-type: none">❖ Multiyear budget settlements❖ Greater accountability for health budgets❖ Greater flexibility around grant schemes that should ultimately be transferred into the settlement❖ New responsibilities to be fully funded
Local Taxation <ul style="list-style-type: none">❖ No council tax capping❖ Reform of local taxation to make it fairer❖ Powers to introduce discretionary taxation	Capital Investment, Infrastructure & Growth <ul style="list-style-type: none">❖ Increased funding to return investment to pre-2009-10 levels❖ Reduction in the retention rate for 21st Century Schools❖ A joint lobby to Treasury to end the HRA borrowing cap

Longer Term

We cannot keep going on like this, storing up problems for the future. Over the long term, linking in with the overall Welsh Government budget process, we need a fundamental review of Wales' priorities and how services are funded, ultimately with a view of improving outcomes. We must prioritise and invest in those services that prevent negative outcomes in the future and contribute most to sustainable economic growth.

Our Essential Local Services

Social Protection, Well-being & Prevention



Children's Services

According to the latest data, nearly 16,000 children received care and support from local authorities in Wales. Just under 6,000 children were 'looked after' by local authorities last year, a figure that has increased by nearly a quarter over 10 years.

Rapidly increasing and complex needs, along with constrained funding is placing significant pressure on children's social care services. With a statutory duty to safeguard and promote the well-being of looked after children, councils have committed to providing as much resource as possible to safeguard and support children and their families, but this commitment leaves some challenging choices elsewhere such as early intervention.



Adult Social Care

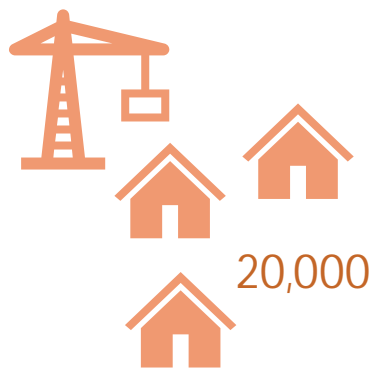
Adult social care services support and protect vulnerable adults, allowing them to live independent, dignified lives. By 2035, the number of people aged over 65 will have increased by a third and number aged over 85 will have doubled. Spending will have to grow at 4% every year on top of general inflation to meet these pressures.

Adult social care continues to help mitigate demand pressures on the NHS and is not simply about support at the 'back door'; councils work closely with the NHS to improve self-management of conditions, prevention, community support and information and advice, which are all services that stop people presenting at the 'front door' in the first place. In addition, adult social care plays a significant impact on the wider Welsh economy, contributing about £2.2 billion to the economy and creating 127,000 jobs.



Support for Carers

Councils provide vital support to adult and young carers, helping them to manage their caring role. There are more than 370,000 unpaid carers in Wales, with the increase in the older population, we are likely to see more older people in a caring role, with the number of carers over 85 predicted to double in the next 20 years. Councils provide vital support to people, young and old to help them to remain in their caring role.



Affordable Housing and Tackling Homelessness

Councils are playing a vital role in the delivery of 20,000 new affordable homes including the building of significant numbers of new council homes for the first time. Alongside building new homes, Councils are ensuring their existing stock meets or exceeds the Welsh Housing Quality Standard by 2020.



Councils have a vital role in using their duties to tackle and prevent homelessness and reducing the number of rough sleepers. Providing debt advice; intervening in cases of domestic abuse; benefit help; and help in managing rent arrears all contribute to this aim.

Welfare Advice and Support



Benefits teams across Wales administer payments to nearly a quarter of a million Housing Benefit and Council Tax Support recipients every year. Helping deal with debt and the consequences of debt is an important aspect of Councils' work. As at June 2017 the Money Advice Service noted that the average UK household owed £7,413 in unsecured debt. The UK average of over-indebtedness per local authority stands at 15.4% however in Wales 17 of the 22 LA's have debt levels above the average reaching a peak of 21.9% in Blaenau Gwent.

Libraries, Recreation and Leisure



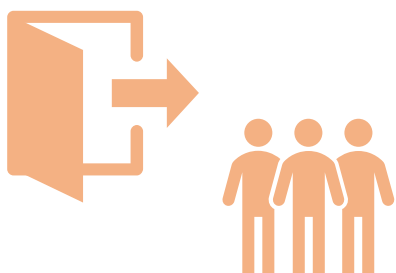
Councils play an integral role in promoting healthy lives across communities and providing access for all to services which can improve their health and well-being. This includes providing sport facilities, leisure centres, libraries, museums and parks, as well as organising or promoting cultural activities. These services form the fabric of communities and are geared to ensure that those who have least access and are least financially advantaged can use the services.

The cultural and social benefits of these services also encourage people come into and participate in their communities and are very often tourist attractions in their own rights, thus helping to grow inclusive local economies. Spending on culture and recreation fell by 42% between 2009-10 and 2017-18 and spending on libraries fell by 35%. Important local services are being hollowed out.



Public Protection - Animal Health, Environmental Health, Licensing, Trading Standards

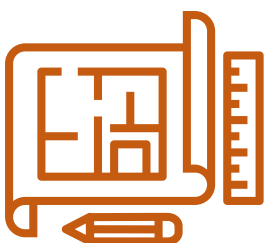
These services are under significant threat, due to cost pressures which have seen budgets decimated by almost 51% to levels of funding last seen in the mid-1990s. The total budget for Public Protection Services is typically less than a half of one percent of the local government budget. Further reductions would have severe consequences.



For Trading Standards and Environmental Health Services there has been a sharp decline in the workforce, worryingly, these are officers with specialist skills and knowledge not available elsewhere in local government. Statutory competency requirements will be breached, leading to legal challenge and review. Both workforces have an ageing demographic and very few new entrants. Qualifications, training and recruitment is at a critical point for sustainability.



If this trend continues for the next five years public protection services will break, and those unique protections will be lost from local government. Given the potential of substantial regulatory change in the aftermath of Brexit and strong demand from SME's for regulatory advice and support, there is a severe risk that Wales will be very poorly placed to respond to the many and diverse challenges, routinely dealt with by public protection departments.



Planning & Development Control

Each of the 25 planning authorities in Wales (22 local authorities and 3 national parks authorities) sets the framework for the development and use of land within their area through the preparation of a Local Development Plan. They are collaborating at a regional level to co-ordinate strategic land use planning matters and support sustainable regional development across authority areas.



The Planning service plays a vital role in promoting and controlling building development, protecting and conserving the environment, supporting business and economic development, protecting architectural heritage and encouraging high standards of building design and environmental management. It therefore fundamentally shapes the places and environments in which communities and businesses operate. The achievement of inclusive and sustainable

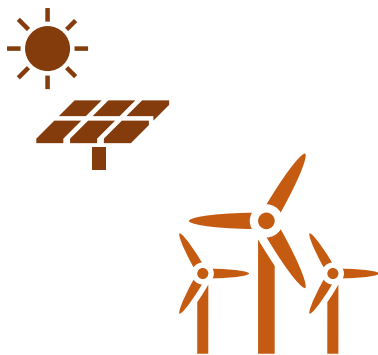


growth depends heavily on the planning system being able to identify and facilitate spatial relationships based on good connectivity, efficient interaction and the minimisation of unnecessary journeys. However, successive cuts since 2009-10 have seen Planning budgets roughly halved, reducing the capacity of authorities to pursue these ends.

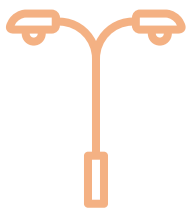
Waste Management and Energy Efficiency



Local authorities collected 1.6m tonnes of municipal waste from households across Wales according to the latest published data for 2016-17. The percentage of this material that was prepared for reuse, recycling or composting continued to increase to 64%, above the current target of 58%. It places Wales second in the world for the recycling of household waste. The target will rise to 70% in 2024-25 so continued progress is needed.



For many years now, Welsh Government has supported local authorities with grants to develop recycling services and assistance in the procurement of treatment facilities. Recent progress, though, has had to be made in the face of a reduction in the level of that grant support. On a like-for-like basis, grant funding has reduced by third from the peak. To maintain progress, further planned reductions in funding need to be revisited. In addition, work is needed to encourage – and where necessary enforce – changes in household behaviour to ensure the recycling facilities provided by councils are fully used. There is also a need for investment in new reprocessing facilities so that materials have a ready domestic market and can be turned into new products as part of a ‘circular resource economy’.



Councils continue to provide advice and to signpost households to various sources of support to help improve energy efficiency. They have also taken steps to improve their own energy efficiency by switching to LED street lighting and to generate more of the energy they use from renewable sources (around 300 schemes generating nearly 30,000 MWh at the end of 2016).

Education



Investment in education is an essential part of helping individuals to fulfil their potential and to enable them to contribute meaningful to sustainable and prosperous communities. Education and economic growth are closely linked and it is universally accepted that investment in schools is an effective way of increasing inclusive growth as well as securing economic growth. Local government is committed therefore to raising standards in education and improving outcomes for learners because of these individual and collective benefits. Councils spend £2.5 billion a year on educating children and young people with educational services covering early years as well as school-based and community education.

There is concern that continued use of specific grants and various funding streams causes complexity and confusion and reduces local flexibility and democratic oversight. There are similar concerns about the impact on vulnerable groups and learners when those grants are cut, such as the recent reductions to the Education Improvement Grant and related grants.

Local government is currently negotiating a revision to the National Model for Regional Working with the Welsh Government and other partners and argues that all funding should be channelled through local authorities rather than directly to schools or consortia. This will reduce complexity while ensuring the appropriate level of democratic accountability. The WLGA is also pressing for 6th form funding to be included in the RSG rather than creating a separate grant under the new Tertiary Education and Research Commission.



On other policy areas, the expansion of the childcare offer (early years) is a key priority for the Welsh Government, and local government is very supportive of the expansion. However, councils are clear that it must be fully resourced, and be truly additional to the current local government settlement, to ensure it is not at the expense of other vital services. In addition, there remain concerns over the true costs of the ALN Act, including the transfer of post-16 specialist places to local authorities and there is similar anxiety over the implementation costs of delivering the new curriculum. Finally, there are continuing concerns about the impact on services of the proposed cut to the EIG and related grant reductions.



Inclusive Economic Growth

Local authorities across Wales have been working together regionally to promote economic development in ways that will benefit all communities. Although official unemployment in Wales has fallen to 4.4% (May 2018), low productivity, low wages and job insecurity remain major issues. City Deals have been secured with the UK Government and the Welsh Government for the Cardiff Capital Region and for Swansea Bay, while Growth Deals are being pursued by North Wales and Growing Mid Wales. The deals are intended to improve productivity, raise skills and connect communities with new opportunities.

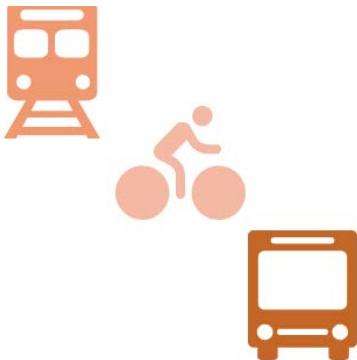


Local authorities work closely with the private sector not only in terms of the direct business support they offer but also in relation to a range of other issues such as transport, waste, trading standards, environmental health, education and skills development, care services and housing demand. As well as being major employers, employing around 10% of the total Welsh workforce, councils also spend around £3.5 billion on local and national businesses through procurement.



Highways, Transport and Infrastructure

The highway infrastructure is critical to all other services and to the efficient operation of local business and social activity. Local authorities have been developing Highway Asset Management Plans (HAMPs) to enable a more strategic approach to the way they look after this vital asset. For HAMPs to operate effectively, the level of funding must be sufficient to enable councils to follow up on the recommendations they generate. Revenue funding has reduced by 26%.



An increasing share of local authority highways funding that has been supporting the development of smaller-scale, active travel routes for walking and cycling. Bus services are being encouraged to form part of more integrated approaches, including 'metro' developments as part of the city/regional deals. Councils are having to consider what transport will look like in the future. Answers to questions about the future role of autonomous vehicles, electric, hydrogen and hybrid cars and buses, car clubs and active travel will help to determine the investment needed in infrastructure for the future. The need to decarbonise transport to meet targets in the Climate Change Act 2008

and Environment (Wales) Act 2016 will be a fundamental consideration here.



Connectivity involves more than the highway network. Increasingly, digital connectivity and (high speed) broadband is a vital consideration for households, tourists and businesses. Local authorities have worked with Welsh Government and service providers to facilitate the roll out of superfast broadband. Providing greater digital access to councils' own services is increasingly important, too, as a way of improving service delivery and accessibility and realising efficiency savings.



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