



Kate Forbes, Cabinet Secretary for Finance

- Sent via e-mail -

9th May 2020

Dear Kate,

URGENT - Covid-19 – Local Government Finance

Thank you for the recent reply sent in response to our concerns about Local Government finance and our call for the £155m Barnett consequentials, arising from the UK Government's announcement of additional support for Local Government in England, to be passed to Local Authorities here by the Scottish Government.

We welcome your statement in Parliament confirming the decision to pass this money on to Local Authorities. However this now needs to be delivered as a matter of urgency and must be the start, not the end, of much needed additional investment in Local Government to ensure the long term sustainability of service provision and protection of the workforce post-Covid.

- We remain concerned that this money will barely touch the sides of the gaping hole in local authority budgets. We know that two authorities between them need £108m to plug the gap in their finances. That would only leave £47m of those Barnett consequential to divide amongst the remaining 30 authorities – this is simply not enough.
- Pre Covid-19 Local Authorities were already struggling financially. We know that overall Local Government revenue funding fell by 7% in real terms between 2013-14 and 2019-20 (when the Scottish Government's revenue fell by only 2% over the same period) and the proportion of their revenue ring-fenced for Scottish Government priorities increased in that time to 61%, with cuts disproportionately falling on the non-ring fenced areas.
- We understand that whilst a large proportion of the £3.5bn made available so far for the COVID-19 response has been routed *through* Local Government, only **£80m** has actually been made available to directly bolster the work of Local Authorities in supporting their communities (£50m Hardship & £30m Food Fund) and will not be sufficient as lockdown continues.
- The Covid-19 crises has increased the pressure on Local Authority budgets through increased charges for PPE, the costs associated with establishing new resources like the shared body storage facilities and procurement of services - at the same time as their other revenue streams like business rates and charges have dried up.
- And, we understand, they still need confirmation of IJB funding for Local Mobilisation Plans, whilst at the same time incurring considerable costs across home care and care at home in order to ensure the safety of staff and clients in the care system.

The financial impact of COVID-19 will not be confined to the next few months and with Brexit also looming the effects of both on the wider economy are going to make the crises in Local Government much worse.

- Once the public health crisis is over the economy will need to be rebuilt - businesses will be in poor financial health, unemployment will be high, and those furthest from the labour market will become even more vulnerable – local economic development teams and employability services will be vital going forward.
- **Demand for services provided by councils will likely increase** because the crisis will undoubtedly have a disproportionate effect on the most vulnerable families and individuals within communities, many of whom have multiple social issues that require support from Councils - domestic abuse, child and adult protection, and employability being just a few examples.
- Councils are providing ongoing support to those who are vulnerable but not hospitalised – this support to stay safe will require to be continued until a vaccine is found. Those who are shielding and are in the ‘at risk’ category are likely to need assistance for the remainder of this financial year at a minimum - community support networks can go some way to supporting those people but where these are weaker or do not exist it is Councils will have to provide the ‘safety net’.
- **Council income generation schemes will not recover overnight** – recovery in areas like planning, and sport and leisure will depend on Government policy in relation to social distancing rules in workplaces and social settings - as well as the behavioural impacts of those. Combined, these will create a significant tail of negative financial consequences.
- **Expenditure will be required to reconfigure services** for example in education, environment, and services that require team work e.g. waste collection.
- **The way in which the construction sector will recover is unknown** - capital projects are already being delayed with financial consequences including contractors making claims against councils. Delays have a wider social and economic impact within communities - job creation and training opportunities will be slowed; councils will continue to use energy inefficient buildings e.g. schools; house building will be delayed with an impact on those requiring affordable homes.

All of this is in addition to the existing commitment, made as part of the last SJC pay deal, to fully consolidate the living wage for Local Authority workers across Scotland.

Whilst we understand further work is ongoing with COSLA and Councils to quantify the impact of the crisis to date we believe it is very clear that additional investment will have to be found, and a strategy adopted, to secure the long term financial stability of Local Government in a post-COVID world.

We are keen to discuss this with you in more detail and look forward to hearing from you as soon as possible.

Best wishes,

Johanna Baxter
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c.c. Aileen Campbell, Cabinet Secretary for Local Government and Communities
Gail MacGregor, Resources Spokesperson, CSOLA