



**Response to Scottish Parliament  
Local Government & Communities  
Committee call for views on impact  
of Covid-19 on Council's financial  
stability**

**Sept 2020**

## **Introduction**

UNISON is Scotland's largest trade union with members across the public, private and voluntary sectors. More than half of our members work in local government, where we are also the largest Trade Union. Our members are also service users and tax payers and because of this unique position we are well placed to inform the policy making process. We therefore welcome the opportunity to give evidence to the committee regarding the long-term financial sustainability of local government.

Whilst the committee is focussed on the impact of Covid-19. It is important to bear in mind that the situation of Local Government now is related to the situation Local Government was in when the pandemic struck. There is debate over precise detail but there is no doubt that local government has borne the brunt of cuts over the last 10 years. Reports from CoSLA<sup>1</sup>, the Local Government Benchmarking report<sup>2</sup>, Accounts Commission<sup>3</sup> and SPICe<sup>4</sup>, while using slightly different methodologies, confirm the substantial cuts to local government budgets and the financial pressures they face.

The pressure is exacerbated by an increase in ring fencing and the placing of further legal obligations on councils by central government. The CoSLA estimate is that this now amounts to 61% of Council budgets. With the consequence that burden of the lack of funding and hence cuts fall entirely on the areas which are funded from the remaining 39%.<sup>5</sup> (in a situation not lacking in irony – as well as the horrendous financial impact Covid-19 has wreaked on Scotland's councils, it has also reduced their limited autonomy still further)

Demand for services has also risen further, impacting on budgets. UNISON has tracked some of the impact that this has had on services and the UNISON members who provide them staff through our 'Damage' series of reports<sup>6</sup>

In this year's Scottish Government budget, in straight cash terms local government funding increased. The real picture however was that the discretionary spending capacity of Councils was almost unchanged – while they were given additional spending commitments by the Scottish Government. Cosla claim this amounted to a

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<sup>1</sup> Fair Funding for Essential Services 2019/20

<sup>2</sup> [Local Government Benchmarking Framework report 2017-18](#)

<sup>3</sup> Accounts Commission Local Government in Scotland Challenges and performance 2019 March 2019

<sup>4</sup> SPICe Local Government Facts and Figures 2013-14 to 2019-20 July 2019

<sup>5</sup> [Cosla Invest in Essential Services](#)

<sup>6</sup> [UNISON Scotland Damage Reports](#)

2% or £205million cut in real terms in revenue funding for Local Government.<sup>7</sup> As Audit Scotland pointed out councils were drawing on their reserves already (the net draw was £45m in 2018/19).<sup>8</sup>

These factors are worth consideration as the position Local Government was in after having to make over £2bn of 'efficiencies' in the last decade has a direct bearing on the current situation. This was not a sector which was confident, resilient with strong financial and physical reserves to draw on. Rather local government has had a decade of retrenchment and cutbacks. In difficulty before Covid, local government is now in crisis.

## **Impact of Covid-19 on Local Government**

Local government has been profoundly affected by the pandemic. Council staff have risen magnificently to the challenge of continuing to provide essential services in the most difficult of circumstances. The willingness of workers in local authorities to adapt and shift priorities and roles to ensure vital functions for their communities were maintained has been an exemplary response by an under resourced and undervalued workforce.

The financial impact of the coronavirus has of course been huge. Local Authorities – already under considerable financial pressure – were faced with a perfect storm of increased demands and collapsing revenues. The extent of this financial damage cannot be stated with any certainty as the crisis is not yet over and the pace and extent of any return to something resembling normal functioning is still uncertain.

Even the currently available information paints a bleak picture. Dundee; a projected funding shortfall for 2020/21 is £19.558m leaving a projected deficit of £3.102m.<sup>9</sup> In Inverclyde the net estimated budget pressure is £5.867 million<sup>10</sup>. Renfrewshire Council reports that the projected Revenue outturn at 31 March 2021 for all services is an overspend position of £16.946m, which represents 3.3% against the revised budget for the year.<sup>11</sup>

These are (almost) random snapshots but similar calculations are being made in every local authority, a number of local authorities have already begun recasting their 20/21 budgets. The figures quoted above include the councils committing more of their reserves and the assumption that the Scottish Government will meet in full all of the extra expenditure of the local Health and Social Partnership due to coronavirus ( without this the financial position of the councils worsens significantly).

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<sup>7</sup> <https://www.cosla.gov.uk/news/february-2020/budget-comment>

<sup>8</sup> [Local Government Financial Overview 2018/19](#)

<sup>9</sup> [https://www.dundee.gov.uk/reports/agendas/pr240820ag\(pub\).pdf](https://www.dundee.gov.uk/reports/agendas/pr240820ag(pub).pdf) p195

<sup>10</sup> <https://www.inverclyde.gov.uk/meetings/meeting/2266>

<sup>11</sup> Report to Finance, Resources and Customer Services Policy Board 2 September 2020

Internal CoSLA estimates in June put the net cost (ie including additional Scottish Government support) of coronavirus to councils as being £739m. These figures do not include the difficulties faced by the leisure trust ALEO's which are owned and significantly funded by councils but legally separate from them.

Culture and Leisure Trust UK, the trade body for ALEOS estimated around the same time that the additional cost of Covid-19 being £120m. As with other areas this is far from being a final cost.

Leisure Trust ALEOS across Scotland are being kept from bankruptcy by injections of millions of pounds from councils. We would note in passing that this dependency shows the validity of UNISON's longstanding complaint that ALEO's are not meaningfully independent. Any meaningful consideration of the sustainability of local government finance in the medium term would look to end this artificial separating out and have culture and leisure services re integrated into councils.

The scale of this crisis is entirely unprecedented. Between the difficulties councils were facing before the pandemic and the impact of Coronavirus in terms of additional costs and forsaken income councils are looking at a financial gap of at least £1bn.

To give an idea of the scale of this shortfall. It means a cut to social work budgets across Scotland amounting to the wages of 13 400 Care Assistants or 6 300 Occupational Therapists, Education budgets would go down by a sum which would be the wage equivalent of 30 000 Support for Learning Workers. Culture and Leisure budgets would go down by a sum which would pay 3500 Library Assistants.

The current and short-term position of councils is dire. Five at least are making use of the UK Government's furlough scheme (as are all the Culture and Leisure ALEO's). We support CoSLA's calls for fiscal flexibilities until March 2021 and urge the Scottish Government to agree them.

This will not in any way provide a solution but will provide some temporary respite. We hope it will help with the urgent problem of councils putting damaging long term decisions in their recovery plans, on basis of their acutely difficult short term financial position. Proposals are being made to close buildings and permanently redesign services, and alter staff roles. This is being proposed not on the basis of any plan for improvement or strategy for delivery but simply in order to balance the books.

We would urge the committee to bear in mind that it will take income streams a period of time to recover from Covid. Any serious economic downturn will reduce Council Tax and Non Domestic Rates income (councils are already upping their estimates of likely unrecoverable debt). Facilities may have to be operated at reduced capacity for a lengthy period. There will be costs associated with reconfiguring services to match demand to a post covid environment. It would be a mistake to equate the easing of lockdown with a normalisation of finances.

## **No going back – normal wasn't working**

Councils have little or no scope to alter the impact that the coronavirus is having, or will have on their finances. This has less to do with epidemiology than their lack of autonomy over their funding and spending. Council Tax make up only 13% of councils revenue – and Councils ability to vary this is tightly controlled by the Scottish Government (elected on a promise to replace council tax some 13 years ago). In the short – and possibly medium - term – the Scottish Government must commit to provide funding to cover Covid related costs. Not least because Holyrood's own actions and inactions have put councils in a position where they cannot do so themselves.

It should be the wish of no one who cares for local democracy, public services or an inclusive economic recovery to see Local Authorities return to 'normal'. Normal was a cycle of cutback, loss of control, centralisation to Edinburgh a declining workforce engaged in a seemingly never ending drive to do more with less. The aim should be to put Councils at the heart of Scotland's plans for after Covid. Councils should be central to a service led recovery. They are a key part of the foundational economy that can provide a basis for the sort of Wellbeing Economy that the Scottish Government say they want to create.

## **Investing in actually essential infrastructure**

Covid has highlighted which are the essential jobs in our society. Our councils provide homes, social care for the most vulnerable, meals for children and the elderly, essential transport, vital public health functions, public parks, gardens and outdoor recreation.

Activities such as education, social work, childcare and parenting support, the creative arts, economic development and planning, environmental services, create value for our society and our economy. They are part of the essential infrastructure of our country and help form the foundational economy of Scotland. The pandemic has shown very clearly why we need to invest in that infrastructure, not impoverish it further.

Councils are significant, in several places the most significant, employers right across Scotland. Local authorities are anchor institutions within local economies, exercising significant economic power through employment and procurement of goods and services.

The last decade has seen the slowest return to growth from any financial crisis. This was a predicted consequence of a policy of pay freezes which eroded living standards and depressed demand. The international evidence is clear that lowering

wage share depresses demand<sup>12</sup>. Wage rises, particularly for the low paid, are more likely to be spent (and spent locally) than any other form of demand stimulus. Local Government workers have delivered against the odds during this crisis, recognising their efforts through some sort of COVID-19 premium is not only fair – but makes economic sense. The starting point for this has to be the consolidation of the Living Wage as agreed in the last pay settlement for council staff.

The procurement activities of local authorities, should seek to maximise spend amongst locally owned and controlled SMEs, complemented by measures to develop local businesses, under a range of types of ownership, to fill the gaps where none currently exist. Local councils can develop strategies for promoting a strengthened and growing mutual and cooperative sector in their areas. This could allow workers or people in local communities the opportunity to take ownership stakes in local firms, including football clubs, many of which are in peril. The Community Wealth Building initiative recently announced by North Ayrshire council is a welcome step in this direction.

Empowered and ambitious councils will be central to ensuring fairness in any economic recovery. Local councils could develop much needed income streams by establishing municipally owned bus companies, or through supporting the transition to green energy by establishing municipal energy companies like Fairerpower Red Rose (Preston and East Lancashire Councils). Another example of remunicipalisation is the creation of not for profit community banks by local councils to lend to small businesses and individuals otherwise having difficulty accessing finance.

The Scottish Government economic recovery plan talks about community wealth building. To turn this into reality, the Scottish Government must recognise councils as leading players in the economic recovery and in decarbonising our economy. Councils are ideally positioned to intervene in ways that stimulate and reinvigorate local economic activity.

The new normal must be about properly resourced, re-empowered and re-vitalised local democracy. It's time to re-balance government in Scotland, implement subsidiarity, returning decision-making closest to the people affected by decisions. With resilient public services, publicly delivered by staff resourced to do the job properly.

**Mike Kirby,**

**Scottish Secretary**

**UNISON Scotland**

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<sup>12</sup> [http://www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---protrav/---travail/documents/publication/wcms\\_192121.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_192121.pdf)

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