



“No Cuts” Budget Proposal

*A Report produced by UNISON Leicester City's Branch Executive Committee,
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Cuts Are Unacceptable

As a democratic union that comprises over 1.3 million members, UNISON are determined opponents of the Government's austerity measures. What cannot be in doubt is that there is no credible evidence that forcing the working poor to pay for a financial crisis caused by greedy bankers will solve any of society's problems. So, although we are the fifth richest country in the world, the government is overseeing catastrophic attacks on the very idea of public services. This is not to mention the anti-democratic attacks on trade union rights that were enshrined in the Trade Union Bill.

In May 2015 UNISON released their Austerity Audit, which demonstrated that 37% has been cut from the budget of councils across England since May 2010, or losses in monetary terms of £12.5 billion. At the same time, the report noted, local authorities are "being handed extra responsibilities but without the funds to pay for them." Just focusing on the national effects of cuts on the elderly, the Audit pointed out how over the last five years the number of older people receiving home care has fallen by 32%; day care places have plummeted by 66.9%; the number receiving meals on wheels has plunged by 64%; and spending on day care has fallen by 30%.

Other local NHS reports have also demonstrated how life expectancy for Leicester residents is already below the national average, and the health gap between affluent and more deprived areas within the city is significant. In concrete terms, there can be a difference of more than nine years life expectancy across our city. Further cuts to Council funding will only intensify such health inequalities. It is for such reasons that UNISON Leicester City's Branch Secretary, Gary Garner, wrote to City Mayor Sir Peter Soulsby and the Labour Group in May 2015 to demand a commensurate political response. "It is not good enough to simply

announce cuts to services and jobs and blame the Tories,” Gary said, “our members and the citizens of Leicester expect more.”

Yet so far, in the face of this all-out attack upon the people of Leicester, our city’s Labour-run Council (with Labour holding 52 of the 54 available ward seats) continue to blame the Tories and then carry through cuts. In the Council’s latest “draft” Budget they, therefore, propose to cut the Council’s annual budget by a further £24 million by 2019/20, although they say more cuts will have to be found to enable £41 million to be cut!

UNISON members and the citizens of Leicester expect and deserve more from our Labour Council. As profits for the Conservative’s corporate friends steadily climb as a result of handy tax breaks, even reports produced by the Tories themselves have demonstrated that low-income working families will be left £2,500 worse off by 2020.

More people are in debt than ever before, more and more food banks are being set up in Leicester, and tens of thousands of children are growing up in poverty.

If we just considered the direct employees of the City Council: since 2011 between 900 and 1,000 council posts have been made redundant, and presently the Council are attacking the pay and conditions of their remaining workers. Moreover, early last year the City Mayor had already “indicated a further 700 jobs would be axed from a remaining workforce of 7,000 excluding school staff” (February 18, Leicester Mercury).

So while the Local Authority has so far avoided making significant compulsory redundancies, even the voluntary redundancies have been to the detriment of the health and wellbeing our members and other employees who remain in work. Our members and other council employees are working harder for less. On top of this our members and other employees have the real fear of losing their jobs if councillors vote for cuts.

This simply cannot continue, As Gary Garner has made clear in the local newspaper last December: "We all know the Tories are to blame but it is a Labour council that is attacking the terms and conditions of our members. It is a Labour council making our members redundant and decimating services and we know there is more coming." Gary added: "The City Mayor keeps talking about slowing the pace of the cuts but however quickly you do it you end up in the same place - with important services wrecked and abandoned."

This is why UNISON City Branch, which represents thousands of public sector workers across Leicester, is now calling upon Leicester City Council to do everything in their power to stop ongoing Tory cuts. Tory cuts are have a major negative impact on services, jobs and quality of life for people living in Leicester and something must be done.

Working Together: Uniting Against Cuts

UNISON are proud of the financial and political support that our members provide to the Labour Party, and in recognition of this support we believe that elected Labour councillors should, when they have the opportunity, do their best to support the livelihoods of their electorate (which includes many of our members).

At present the best way in which the local Labour Group can support the people of Leicester is to refuse to carry through further Tory cuts by setting a legal "no cuts" budget for the duration of the next three years.

If Labour wants to show to the people of Leicester that they are better than the Tories, then they should do everything in their power to prevent further attacks on our city. If Leicester's Labour Council choose to fight Tory cuts they can be assured that they will have the full support of UNISON Leicester City Branch, and no doubt that of the rest of the city's many trade unionists. This will enable us to work together, not against one another, in building the necessary grassroots movement which can

only serve to help to bring a Labour government to power (sooner rather than later).

Unfortunately, so far, because Leicester's Labour Group have chosen (albeit reluctantly) to carry through the Tories cuts, they are seen by the public and their employees to be the politicians at fault who are cutting vital public services.

On this score, Labour should be honest about what they are doing, they are not making "savings," they are making "cuts." In their latest draft Budget they mention the so-called "savings" they hope to make at least 40 times. But let us be clear about this, what the Council are proposing are cuts. Cuts to the very jobs and services that allow Leicester to care for some of our most vulnerable residents, whether they be the young, the elderly, or the ill.

If Leicester City Council implements the planned £41 million annual cuts over the next three years, this will seriously erode services to a point where they will no longer be viable or they will be lost. If these cuts are implemented and continue at the current rate, Leicester City will become a purchaser of services from the private/third sector or will have outsourced services. This will bring to an end the idea of the local authority being a provider of services in-house that are accountable to the public through the ballot box.

With ongoing reductions in the size of the public sector, the question has to be asked: how long can a smaller workforce continue to do the work carried out by many more in the past? Already stress is the biggest single cause of sickness absence, and this seems only likely to get worse in the future. Further cuts will only create a more unequal and more poverty stricken city.

The terminal threat presently facing the Labour movement and the very idea of public services cannot be understated. As a report in The Observer

(February 5) recently surmised: "The local government finance bill, currently in committee stage in the Commons, abolishes the annual local government finance settlement, which is approved by Parliament every year."

Let there be no doubt, by removing the Revenue Support Grant, the Tories are planning to destroy effective local government. Leicester City Council is well aware of this plan, and in their draft Budget acknowledge that their "government grant has fallen, on a like for like basis, from £289m in 2010/11 to £174m in 2017/18; and is projected to fall further, to £166m by 2019/20." Such cuts are merely the start, not the end of the matter, if such Tory attacks are not resisted in actions not just words.

Time to Make a Stand

Surely no councillor can be satisfied with the present state of affairs where they are seen to be voting to carry through Tory austerity? But as far as the government are concerned the most desirable position for them is having Labour councils act as their agents in imposing cuts on local communities.

To bring a swift end to this problematic state of affairs, Leicester City Council should stop hiding behind their council officers and stop repeating the mantra that a "no cuts" budget is illegal – this is not the case. They should be telling council officers what to do and instruct them to implement a "no cuts" budget that would protect jobs and services for at least the next three years.

Sir Peter Soulsby has made a variety of excuses for why his Council will not, and apparently cannot, fight the cuts. One of his most regularly cited excuses relates to the threat of Government Commissioners being sent in to take over any Council who defy the government. But let's be realistic about this risk, it only applies to Councils that set illegal budgets, which is not what is being suggested here.

Councillors should call upon other Local Authorities to join them in refusing to vote for cuts and build an opposition along with the trade unions and community organisations that can defeat the cuts. This is entirely possible, but it would take an effort to build. Leicester UNISON City branch would support any councillor all the way if they adopted this fighting stance of taking the side of employees, trade union members and the people of Leicester against the cuts.

UNISON City Branch's "No Cuts" Budget Proposal

We call on the City Mayor, his Executive Team, and for all other city councillors, to instruct council officers to provide the figures to enable a "no cuts" budget to be set. UNISON's proposal would more than fill the £41 million shortfall in funding and, therefore, abrogates the need for any cuts or the need to increase the Council Tax over the rate of inflation or the need for any increased charges, etc.

In proposing this "no cuts" budget we acknowledge that this would be a one-off budget that could not be repeated in three years' time as the monies will not be available to use then. We advocate this budget as an emergency measure for an emergency situation. We believe it is critical that the Labour City Council acts alongside UNISON in fighting to defend all jobs and services. The budget we are proposing will give the councillors time to build and mobilise a mass campaign to stop the cuts. We call upon all present councillors to vote against cuts and implement a "no cuts" budget. For three examples of how this can be achieved, see below.

Spending General Reserves

Councillors should, for a start, work out ways to free up money presently stowed away in the Leicester City Council's "Usable Reserves" so they can commit to using it to prevent further cuts. Such a course of action seems not to pose any serious problems when areas overspend their budgets.

When Adult Social Care overspent their budget by £3.5 million this gap "was covered by corporate contingency funds."

At present the Council has £40.9 million in their "Managed Reserves" fund, which they say "will start to be used from 2016/17 onwards." The Council describes this defeatist "Managed Reserves Strategy" as a means of buying "time to implement future reductions in a planned way." This strategy, of course, does not free up nearly enough money to prevent cuts to services that gather apace by the day. So where should additional money come from?

Well to start with we should recognise that whilst the "total authority reserve" funds for Leicester are £1.45 billion (as of 31 March 2016), most of this money cannot be used to oppose service cuts. This is because most of this money is legally ring-fenced for funding projects like building schools or for covering pensions, etc. Importantly, the level of reserves that are maintained by the Council is a political decision. Thus a recent parliamentary briefing paper (["Local government in England: capital finance"](#)) explains:

"Under section 32 of the Local Government Finance Act 1992, local authorities are required to maintain an appropriate level of reserve funding. As with prudential borrowing, the judgement as to an appropriate level of reserves lies with local authorities: there is no formula to arrive at the 'correct' level."

Leicester City Council's latest "Statement of Accounts" report (2015-16) highlights how the Council actually has enough money in their reserves to enable them to make no further service cuts for the next three years. Presently, the Council has £15 million of "unallocated general reserves", and £190 million of "earmarked [allocated] general reserves". Unallocated reserves can be used by the City Council to prevent service cuts, but it is important to recognise that most of the reserves categorised as

"earmarked" can also be used to buy the Council time in any potential fight against Tory cuts. Only one third (£63 million) of the £190 million of allocated general reserves is ring-fenced for projects associated with schools and the NHS, which the City Council is legally obligated to provide. The remainder of these reserves (£127 million) can legally be used to stop cuts.

That earmarked (allocated) reserves can be used is also confirmed by council officers' guidance which states that most Earmarked Reserves "may also be used on a short-term temporary basis for other purposes provided the funding is replaced in future years." (Source: Liverpool council budget document, 2013-17 Medium Term Financial Strategy, Section D. Working Balances and Earmarked Reserves, paragraph 14.1, 6 March 2013.) This is important as it means that we can ask that Labour councillors instruct the council's finance officers to investigate utilising a total of £142 million of our city's general reserves (£190 million minus £63 million plus £15 million) to temporarily stop cutbacks, in order to launch a mass campaign to win the money back from central government.

The Council continue to argue that their earmarked reserves are being retained to manage future unforeseen risks, but the current risk posed by needless cuts and austerity surely represents a colossal risk. This is why all available money in general reserves should be channelled into building a campaign against further cuts. This is needed right now: not when it is too late!

Increasing Borrowing for Capital Projects

We call upon Leicester City Council to investigate borrowing millions from the Government to finance capital projects. The primary source for such loans is a body called the Public Works Loan Board (PWLB), and currently Leicester City Council has long-term loans from the PWLB that are worth

£136 million. On the issue of PWLB loans, Leicester's recent "Statement of Accounts" report points out:

"The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments."

The parliamentary report, "Local Government in England: Capital Finance," makes it clear that PWLB funds can only be used to finance capital expenditure, that is, things like "new roads, school buildings, libraries or residential homes... Such expenditure implies that the object of expenditure has a long life: it is an asset." Nevertheless, these are all things that would benefit the people of Leicester, and investment in useful capital projects will help demonstrate to the voters that our Council is putting their interests before the need of big business.

In terms of determining how much any give Council can borrow from the PWLB: "Each authority must set a total borrowing limit for itself in accordance with the principles of the Prudential Code." Moreover, "There is some flexibility in exactly how individual local authorities set these limits. The Prudential Code does not prescribe formulae allowing the exact calculation of prudential limits, relying instead on the judgement of the local authority chief finance officer, and on 'generally accepted accounting practices'."

Unfortunately, since 2010 the government had consistently meddled with the nature of PWLB loans. Thus:

"In recent years, the PWLB has tended to offer an interest rate only 0.15-0.20% above the Government's borrowing costs, but in October 2010 this differential was raised to 1%. As a result, a number of larger local authorities began to investigate whether a bond issue

could achieve a more favourable interest rate. However, in the 2012 Budget, the Government introduced a discount for borrowing from the PWLB for local authorities which provided information requested on long-term borrowing and capital spending. This took the form of a new 'certainty rate', a discount from 1% to 0.80%, available from 1 November 2012. A further discount to 0.60% for borrowing regarding an infrastructure project nominated by a Local Enterprise Partnership was introduced in November 2013."

Since 2010, Government changes to PWLB provision was reported on only once in our local newspaper, the Leicester Mercury, in the article "Fears over loans after rates raised" (October 28, 2010). Furthermore, under the cover of reducing paper-work and bureaucracy, the Government is presently in the process of trying to abolish the PWLB altogether. Although similar capital loans will of course still be available, the loss of the PWLB would raise serious problems for local councils and so this abolition should be opposed.

Income generation

UNISON believe that to date insufficient consideration has been given to income generation but there are a number of avenues open to Leicester City Council to use its charging powers to generate income. Obviously we are not privy to what extent LCC currently uses income generation; however, below are some suggestions:

- *Local Authorities (Goods and Services) Act 1970*
- *Environment Protection Act 1990 s45 (Commercial Waste)*
- *Local Government (Miscellaneous Provisions) Act 1976 s11 (Renewables), s19 (Leisure), s38 (Surplus Computer Capacity)*
- *Local Government Act 1972 s145 (Entertainments)*
- *Local Government Act 2003 s12 (Powers to Invest)*

- *Local Government Act 1972; Town and Country Planning Act 1990 and the Housing Act 1985 (in relation to the buying and selling of land)*
- *Local Authorities (Land) Act 1963 (Development)*
- *Local Government Act 1988 (Privately Let Housing)*
- *Building Act 1984 s97 (Works)*
- *Local Government (Miscellaneous Provisions) Act 1976 s32*
- *Civic Restaurants Act 1947*
- *Local Government Act 1972 s139 (acceptance of gifts and incidental works)*
- *Localism Act 2011 (General Power of Competence)*
- *Road Traffic Act 1988 s45 (MOT)*

Summary

We would expect elected members to have explored all the possibilities outlined above before making cuts to services or to our members' terms and conditions. We believe it would be wrong for a Labour Council to take a perverse pride in being able to make huge cuts and still balance the books. It is time for elected members to speak out against cuts and attacks on local democracy.

***UNISON Leicester City
February 2017***

Attachments

***The Cuts: UK's Damaged Future
The Damage Austerity report on cuts since 2010***