



**Stephen Kinnock**  
Member of Parliament for Aberavon



Rt. Hon. Philip Hammond MP  
Chancellor of the Exchequer  
HM Treasury  
1 Horse Guards Road  
LONDON  
SW1A 2HQ

Our Ref: SNK/CM

14 September 2018

Dear Philip,

**Re: Local Government Funding**

Last year I wrote to you about the precarious position of local government finances and how this was being felt at Neath Port Talbot County Borough Council after seven years of austerity. A year on and the situation has deteriorated with local government is still in a difficult financial position and in desperate need of better funding.

Eight years of austerity has seen local government budgets decimated with councils forced to make unpalatable decisions due to unprecedented cuts, and all this is against a backdrop of unprecedented pressures and increased demand on local government.

Since 2010 Neath Port Talbot Council has removed £72million from their budget, and they are staring down the barrel of a £63.9million budgetary black hole between now and 2023. This means cuts of 27% over the next 4 years or the equivalent of removing the entire social services budget.

The magnitude and the scale of the budget gap means many Councils, like Neath Port Talbot, are reaching a tipping point. The trade-off and consequences of these extremely difficult choices will be far-reaching and will be felt for years to come.

Last year I warned that councils are at breaking point. The Local Government Association has warned the government and the National Audit Office cautioned that local councils are at financial breaking point due to austerity, to plug the funding gap they have dipped in to their reserves, a situation which is unsustainable.

If the warning from the National Audit Office was not stark enough, we are seeing the catastrophic impact austerity is having on council budgets like at Northamptonshire Council where they couldn't set a balanced budget and issued a Section 114 note, the local government equivalent to bankruptcy.

Northamptonshire Council is not the only council in this situation, East Sussex Council have had to strip back their services to provide just the legal minimum, and Torbay Council has announced an immediate suspension of non-urgent spending in an attempt to deal with the significant financial challenges it is facing. While Somerset County Council is asking staff to take two days unpaid leave in order to save money after the official audit of its accounts warned it was in danger of running out of money if no action was taken.



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It is anticipated that around 30 councils are under such financial pressures they will completely empty their reserves by 2022.

It is quite evident that current levels of funding cannot go on like this, and unless something drastic is done more councils will go the same way as Northamptonshire, East Sussex, Torbay and Somerset. Councils are at the point of collapse with little wriggle room for further cuts, and we are storing up problems for the future.

For eight years Councils have been expected to keep services going with less and less money to do so. The public meanwhile has been told to expect less and less while paying more. Expect Councils have now reached the point where they don't have the resources to pay for the services that the public have come to expect.

We have reached the point where Councils have no other option than to reduce the services residents have come to rely on because this government has utterly failed local government, forcing many authorities to provide just basic services after cutting their funding to the bone.

So far, to combat decreasing budgets, Councillor, council staff and communities have all played their part to meet these challenges. Services like libraries, bowling greens, community centres, swimming pools and sports pitches have either been closed or transferred to the local community for dedicated volunteers to maintain and run. But this is not a sustainable model with which to continue to provide these services.

We have witnessed the centralisation of services as councils can no longer afford to maintain services in outlying areas.

This is acutely felt in the Afan valley in my Aberavon constituency. Once a bustling mining valley, the communities of Cymmer, Glyncoed and Gwynfi have been at the sharp end of Westminster's austerity agenda. They have taken on community centres, libraries, a swimming pool and recreational facilities.

Communities across Aberavon have also stepped up and taken on the running of these services, because when the Government have stood by, our communities have stood up, but they should not have to. Community action should be in addition to the state, not in place of it.

Over the eight years Neath Port Talbot's workforce have gone above and beyond. In the face of huge cuts, and personal loss through pay freezes and pay caps, they have struggled on providing a service in the most challenging of circumstances.

They, like council workforces across the country, provide valued and vital everyday services that we all rely on like refuse and recycling collections, road repairs, street lighting, social care and so much more. Their job has been made increasingly difficult through budget cuts and a pay cap that does not recognise the pay they deserve.

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Staff are frustrated that they are not able to deliver the best service possible to the public because they are hindered by budget cuts, staff redundancies and impossible workloads.

They are also the ones on the frontline facing the backlash from residents when services are cut or removed, all because of an austerity agenda driven from Westminster.

Councils are also facing uncertainty over Brexit. Neath Port Talbot have benefitted greatly from European Union money, using it to transform Aberavon seafront, for our world class Cognation mountain bike trails, and for the redevelopment of Port Talbot town centre through Vibrant and Viable Places. The UK Government has given scant detail on the proposed UK Shared Prosperity Fund (UKSPF) which is set to replace EU funding. Councils like Neath Port Talbot need the UK government to provide greater clarity around this funding.

Austerity is now widely regarded as a failed experiment which has exacerbated Britain's post-crisis recession and undone decades worth of public service reform. Local government has been the biggest victim of the Government's austerity agenda, suffering billions of pounds of cuts. Council services are in decline, people are at risk, and staff are at breaking point.

Better funding is desperately needed for local government if we are to avoid more councils reducing their services to the legal minimum or declaring themselves bankrupt. Councils need to be given the resources they need to continue to produce a balanced budget and meet their statutory obligations.

The UK Government is in a position to change the landscape for local government: by improving the local government settlement. Improved local government funding at UK level will have knock-on effect on the Barnett consequential, which will give the Welsh Government a better settlement that can filter down to councils like Neath Port Talbot.

You have the opportunity in your Autumn Budget to announce a better settlement for local government, helping councils to provide valued and vital everyday services, and avoid more councils cutting back services to the legal minimum or failing to set a balanced budget. You need to take that opportunity.

Yours sincerely,

**Stephen Kinnock**  
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