

Rt. Hon. Theresa May MP
Prime Minister
10 Downing Street
London
SW1A 2AA

Date: 10th April 2018
Our ref: HT/KC
Your ref:

Dear Prime Minister

SUNDERLAND CITY COUNCIL RESOLUTION LOCAL GOVERNMENT FINANCIAL CRISIS

At its meeting on 21st March, the City Council debated a motion on the Local Government Financial Crisis. The Council noted that the National Audit Office issued a detailed report in March 2018 about the state of Local Government Finance. This followed a previous report in 2014 with the key findings being noted as follows:

- Government funding for Local Authorities has fallen by an estimated 49.1% in real terms from 2010/11 to 2017/18.
- Spending power (government funding and council tax) has fallen by 28.6% over the same period
- For social care authorities, the rate of reductions has levelled off from 2016/17 as additional social care funding has been provided.
- Over the period 2010/11 to 2017/18 there have been significant increases to demand in key areas including homelessness and adult and children's social care, in addition to National Insurance increase, the apprenticeship levy and National Living Wage.
- By protecting spending on adult and children's social care, there has been significant reductions in spend on discretionary services. The report notes a growing reliance on reserves to balance the books over the last three years – some 10.6% of single tier and county councils have the equivalent of less than three years' worth of reserves if use continues at the rate in 2016/17.

- One Council (Northamptonshire County Council) has issued a section 114 notice, effectively banning all non-statutory spend.

The Council also considered what this meant for Sunderland, namely that:

- The Council has had to make more than £290m of cuts to local services and raise more income locally since austerity measures began. In 2018/19 Sunderland have had to find a further £27 million of reductions with potentially £53 million needing to be saved in the three years to 2020.
- The Council's spending power has reduced by a third since 2010/11.
- Whilst the Council continues to address the cuts by maximising back office savings and utilising corporate resources, the ability to deliver even statutory functions is being severely tested.
- The annual audit letter, from our independent External Auditor, once again commented on how well the Council has responded to the financial pressures faced. It commented that we have a proven track record of delivering on savings plans, although recognising that the level of savings required is challenging. The letter also positively comments on the arrangements we have in place to deploy available resources to achieve planned and sustainable outcomes for tax payers and local people.
- The Council continues to release reserves to support the overall budget and to enable the phasing of budget reductions in a controlled and affordable way. The budget for 2018/19 and the MTFs for 2019/20 and 2020/21 allow for the further prudent use of reserves. However, the Council recognises that continued use of reserves to support the budget on an on-going basis is not sustainable.
- As set out during the budget process, this Council continues to face significant pressures within both Children's and Adult Social Care.
- As part of the government funding settlement for 2018/19, in recognition of the national pressure on Adult Social Care budgets, the government has provided additional Social Care Grant of £0.980m to this Council. However this falls well short of addressing the additional cost pressures of £8m in Adult Social Care, and £5m on Children's Social Care which the Council has had to provide for.

With regards to future funding:

- Analysis published by the Local Government Association indicates that local government faces a £5.8 billion funding gap by 2020.
- A local government fair funding review is on-going from government. The Council continues to put its position to government that there is a need for a true, needs based fair funding allocation. However, along with the spending review, this review will not inform Local Authority budgets until 2020/21, meaning at least two more years of funding crisis.

Upon discussion of the motion, the following was unanimously resolved:

“This Council notes with great concern that:

The National Audit Office has warned that many Councils are on the verge of insolvency, due in large part to cuts in central government funding of almost 50% in eight years.

Figures released by the NAO show that Councils’ financial positions have “worsened markedly” since the last audit in 2014, with 10% of councils likely to exhaust their reserves by 2020.

Therefore this Council endorses, the call made by the Chair of the Local Government Association, Lord Porter who has said “The Government needs to urgently address this cliff-edge and the growing funding gaps facing local services”.

This Council resolves to:

Write to the Prime Minister and Chancellor of the Exchequer to demand that the Government take urgent action to prevent a further worsening of the finance position within local government.

Furthermore, that they make emergency funding available to Councils so that they can “urgently address the cliff edge and the growing funding gaps facing local services”.

I look forward to hearing from you in due course.

Yours sincerely

Councillor Harry Trueman
Leader of the Council