

**Media Release, Labour Campaign for Council Housing
May 15th 2020**

To stave off the collapse of council services the government should cancel local authority debt

The Labour Campaign for Council Housing has launched an initiative with the support of some Council Leaders and MPs, which calls on the government to cancel local authority debt held by the Public Works Loans Board. This would provide councils with an additional £4.5 billion spending power a year. The campaign has produced a [statement](#) which it is asking people to sign.

The financial crisis of local authorities is spiralling out of control as councils struggle to respond to the pandemic. The huge increase in expenditure comes on top of ten years of austerity which has severely weakened local authorities. Austerity is to councils what 'underlying conditions' are to people who are vulnerable to the virus. The government told councils to do 'whatever it takes' and they would support them. Yet the funding offered thus far falls well short of spending associated with dealing with the pandemic never mind the big loss of income resulting from the lock-down. The Local Government Association has warned that without "a cast-iron commitment" to cover the coronavirus bill councils will begin to fail. The CEO of CIPFA warned of councils facing "a financial tsunami of reduced income and increased costs." (See Addendum for some graphic examples of the impact on councils).

An unprecedented emergency requires emergency measures. **One such measure would be the cancellation of local authority debt held by the Public Works Loans Board, currently around £82 billion. This would provide councils with around £4.5 billion extra spending power a year** (the cost of servicing the debt last year). Debt cancellation would be a simple step which would provide significant funding on an annual basis and would help to stabilise council finances. The government itself has set a precedent by cancelling £13.4 billion NHS debt.

Mick Whitley MP, who has signed the statement, has written to the government, with the support of the other 3 Wirral MPs. "[Wirral MPs: write off all council debt](#)"

Matthew Brown, Leader of Preston council said:

"Labour councils have been worst hit by ten years of austerity economics and are now in an even worse position as we rightly intervene to protect our communities as a result of the coronavirus pandemic. Once the pandemic is over there must be no return to normal and we must seek to rebuild our communities as the low paid, less well-off and many in our minority communities have been disproportionately affected by it.

We need a new financial settlement for local government as councils will be at the centre stage of rebuilding local economies from the economic downturn and rising unemployment which will inevitably come. I am proud to support the Labour Campaign for Council housing initiative to cancel all local authority debt. This is needed to ensure local government survives but also so councils can play their role to regenerate communities in future years."

Doina Cornell, Leader of Stroud District Council

"Increased costs and decreased revenue is hitting local government as hard as businesses due to restrictions to combat the coronavirus, and some local councils are projecting losses of almost all their income for the coming year. At the same time, when the restrictions start to ease, local government will be a crucial part of the recovery. For my own council alone, cancelling our housing debt for example, which we took on when we acquired our council housing stock, would liberate us to build more council homes, create jobs and invest in our local communities, helping to kick start the recovery."

Peter Soulsby, Mayor of Leicester said:

“Following the Government’s decision to cancel NHS debt, I have added my name to the Statement calling for the Government to do the same with Local Authority debt. As the statement sets out, if the Government was to do this it would mean around £4.5 billion a year more spending power for hard pressed local councils and would be particularly very beneficial to housing revenue account.” (See [“Government should write off huge council debt in fight against coronavirus: Mayor”](#))

Martin Wicks, Secretary of the **Labour Campaign for Council Housing** said:

“Cancellation of all the debt held by the PWLB would be a big boon for council housing. Although local housing revenue accounts are protected to some extent by being ring-fenced, the pandemic is having a big impact on income as tenants are stood down from work or made redundant. Councils are only putting tenants into properties on an emergency basis, so 'void' properties are staying empty for longer, meaning rent income is lost. Cancellation of the debt would provide HRAs with at least £1.25 billion extra a year.

The Leader of the Local Government Association Labour Group has warned that unless councils win “proper compensation” for dealing with the pandemic then “they may be forced into making deeply damaging cuts to service provision in the current financial year.”

It's clear that without cancellation of the debt overall then we are facing the return of austerity possibly worse than Osborne's. Cancellation will provide some financial stability for councils. Ultimately they need to be funded on the basis of an annual assessment of social needs in each locality.”

To read the campaign Statement and sign it visit the website at

<https://cancel-local-authority-debt.org/our-statement/>

Addendum

- Research by SIGOMA, the Special Interest Group of Municipal Authorities, which includes big councils like Manchester, Leeds, Newcastle, Leicester and Nottingham, estimates that its 44 member councils will be in the red by £2.2 billion by the end of this financial year. **Over all councils this could add up to a £5 billion shortfall in just one year.**
- Liverpool Council is saying it will have to declare a section 114 notice. **It has been given £34 million by the government but it estimates expenses and loss of income of £78 million.**
- Liverpool Metro Mayor Steve Rotherham estimates that the city region expects the crisis to cost a combined total of **£239 million in lost income and extra expenses over a period of six months**. But so far the government has allocated them just £102.4 million in extra funding - only enough to cover the impact of the crisis for less than three months.
- Bristol council estimates **a loss of £80 million**.
- Birmingham Council has spent more than £92m already in placing people in social care quickly, sourcing PPE for front-line workers and providing care and food packages for those shielding or whose income has reduced. Ian Ward, Council Leader said **the City needs the best part of £190 million this year** to hold steady.
- Six Oxfordshire Councils have written to the government warning that some of them will be “financially unstable” as a result of the fallout from the pandemic. **They predict that some of them could be unable to set a legal budget in 2021/22.**
- Tory council Windsor & Maidenhead has warned the government that **it is unlikely to be able to avoid issuing a Section 114 notice**.
- The local government Chronicle reported that five councils (Birmingham, Sunderland, Warwickshire, Solihull and Middlesbrough) have used the Coronavirus legislation to **suspend their legal duty to provide social care**. This means the councils do not have to carry out financial assessments, can charge people retrospectively for the care they receive and undertake a later financial assessment. Councils also do not need to prepare or review care and support plans.