

Cancel local authority debt to the Public Works Loans Board

An unprecedented crisis requires emergency measures. To stave off a collapse of council services the debt held by the Public Works Loans Board should be cancelled. This would give local authorities around £4.5 billion extra income a year.

In 2018 the National Audit Office reported a 49.1% real terms reduction (i.e. taking account of inflation) in government funding of local authorities between 2010-11 and 2017-18. As a result, the coronavirus crisis is hitting grossly under-funded and under-staffed councils. It will exacerbate their financial crisis.

The CEO of the Chartered Institute of Public Finance and Accountancy has warned that “...a financial tsunami of reduced income and increased cost is heading in councils’ way. While it’s vital that our health service is given everything it needs to fight this disease, we must not forget the crucial role of services like public health, social care and all community services.”

Council tax collection will fall. Income from fees from car parking and leisure facilities is falling through the floor.

Social services cannot provide support to all those who need it as a result of increasing demand and ten years of austerity. They will now face even more pressure. The rationing of services will leave more people who need help without it.

Councils have warned that a number of services are being stopped or scaled back as they focus on dealing with the Covid-19 pandemic. The Welsh Local Government Association leader has warned “It’s likely that council services in the coming week and months will have to be scaled back, and potentially in some areas services may have to be suspended as we continue to support those areas at most risk.”

The income of council Housing Revenue Accounts (HRAs) is declining as tenants who lose their jobs or are stood down, will be unable to pay the rent. Since only emergency work is being done, a big backlog of work is building up. More rent is likely to be lost through voids (empty properties) being empty for longer since only emergency homeless cases are being moved into properties.

In response to this unprecedented situation the government has increased the borrowing ceiling for local authorities from £95 billion to £115 billion, with the option to increase it to £135 billion. However, adding more debt when your revenue is falling is counter-productive. The cost of servicing increased borrowing will eat into the finances available for providing critical services.

There is another way to create spending power for councils. That is debt cancellation.

The government has set a precedent itself by cancelling £13.4 billion of NHS debt. Cancelling £82 billion local authority debt is now a realistic proposition. A few weeks ago this would have been laughed out of court. However, £82 billion is small beer compared to the money the government is throwing around. Rather than adding to the debt burden, cancellation would mean around **£4.5 billion extra a year** for local authorities (at least £1.25 billion would go to financially strapped HRAs). This was the debt repayment and interest paid last year by councils to the Public Works Loans Board (PWLB).

Faced with an unprecedented emergency, audacious measures are necessary. **We, therefore, call on the government to cancel the £82 billion local authority debt held by the PWLB.** This would enable councils to begin to stabilise and grow their services in line with social needs.

Initial signatories include (personal capacity unless otherwise stated)

Joe Anderson, Mayor of Liverpool

Paula Barker, MP for Liverpool Wavertree

Tom Beattie, Leader Corby Council

Julian Bell, Leader Ealing Council

Paul Bell, Cabinet Member Housing Lewisham Council

Matthew Brown, Leader Preston Council

Richard Burgon, MP for Leeds East

Ian Byrne, MP for Liverpool West Derby

Doina Cornell, Leader Stroud District Council

Shaun Davies, Leader Telford & Wrekin Council

Chris Emmas-Williams, Leader Amber Valley Council

Louise Gittins, Leader Cheshire W & Chester Council

Pat Hackett, Leader Wirral Council

Satvir Kaur, Cabinet Member Homes & Culture, Southampton Council

Clive Lewis, MP for Norwich South

Peter Marland, Leader Milton Keynes Council

John McDonnell, MP for Hayes & Harlington

Shabir Pandor, Leader Kirklees Council

Rob Polhill, Leader Halton Council

Mike Rowley, Portfolio Holder Housing, Oxford City Council

Zarah Sultana, MP for Coventry South

Peter Soulsby, Mayor of Leicester

Jeanette Thomas, Portfolio Holder Housing Stevenage Borough Council

Ian Ward, Leader Birmingham Council

Alan Waters, Leader Norwich Council

Claudi Webbe, MP for Leicester East

Mick Whitley, MP for Birkenhead

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