

# LOCAL GOVERNMENT FUNDING

## COUNCIL FUNDING IN CRISIS

### Tory Austerity to blame

Tory austerity has caused huge damage to communities up and down the UK, and has seen council budgets slashed more than any other area of government, with some councils now on the brink of bankruptcy. Since 2010 Labour councillors have had hellish choices presented to them, but they have never shirked the need to take decisions, however unpalatable they have been. They have listened to and worked with our communities to understand their priorities. They have examined every budget line and stretched every pound left available to them. But austerity has had a devastating effect on key public services that provide protection to the most vulnerable members of our society – children at risk, disabled adults and older people who require support, and the many families who are barely getting by despite being in work. It must be an immediate priority of the next Labour government to reverse the damage wrought by austerity – council budgets are now so tight that there is no room to cope with the extra pressures which we know are coming. Labour must urgently commit to meeting this desperately-needed investment, but it is also vital that we also give councils the freedom to implement the right solutions for their areas.

- **Our councils are in crisis**, with Tory-run Northamptonshire effectively bankrupt and other councils staring into the financial abyss after the Tories have failed to give them the funding they need.
- By 2020, local authorities will have faced cuts to core funding of nearly £16 billion over the preceding decade. These Tory cuts mean **councils will have lost 60p out of every £1** that the last Labour Government was spending on local government in 2010.
- These **cuts have been strikingly uneven** in their distribution - the poorest local authorities (which tend to be Labour-run) have had their spending cut by £228 per person since 2010, but the richest councils have had their spending cut by only £44.
- Councils **face a funding gap of £7.8 billion by 2025** – but gap corresponds only to keeping local authority services ‘standing still’ and meeting additional demand and inflation costs. **Filling this £7.8bn funding gap does not reverse any of the cuts made by the Tories** since 2010, or include any extra funding needed to improve services.
- In 2013, the responsibility for delivering public health services was transferred to councils. While funding for the NHS has increased year-on-year between 2015 and 2020, **funding for public health will be reduced by 14 per cent**; around £531 million.

## **Labour Annual Conference**

### **@LGA\_Labour brief: Local Government Funding**

- **Council tax support schemes are no longer fully funded**, with £1.7 billion – nearly half of the original funding – removed between 2013 and 2020. Councils were also not given the full discretion to target and reform the schemes to make them truly local and help deal with the reductions in funding. As a result, more than 573,000 households no longer received council tax support in October 2017 in comparison to October 2013.
- Local authorities in England now collectively **keep half of business rates** collected by local government, and from 2020 the share that they collectively keep will be raised to 75 per cent and the main Government grants will be phased out. This will significantly change the make-up of council funding, increasing potential rewards but also risks, such as losses in income due to business rates appeals.

### **Labour councils and LGA Labour have campaigned against austerity and won concessions from the Tory government:**

- LGA Labour's publication '**On Day One**', our radical manifesto for local government, set out the case for significant re-investment in local government by the next Labour government, through complete reform of the local government funding system, with a shift to a needs-based funding methodology, replacement of council tax, the end of ring-fencing, and more freedoms to borrow to build housing and infrastructure.
- **LGA Labour Group** organised a letter to the Chancellor in December 2017 that was signed by over 100 Labour council leaders demanding that he fully fund a decent pay rise for local government workers. LGA Labour councillor representatives on the Local Government Joint Negotiating Committee forced through a public sector pay cap-busting 2% pay increase for local government workers in 2018 and 2019, despite Tory councils opposing it

### **Labour's 2017 manifesto promised to:**

- A commitment to find an immediate £2 billion for local government (over £5bn short of the £7.1 billion gap we face by 2020)
- Increase the social care budgets by a further £8 billion over the lifetime of the next Parliament, including an additional £1 billion for the first year (though a significant proportion of this will be required to fund pay increases as a result of higher minimum wage)
- 'Labour believes in devolving power to local communities but that requires the necessary funding follows. You cannot empower local government if you impoverish it. A Labour government will give local government extra funding next year. We will initiate a review into reforming council tax and business rates and consider new options such as a land value tax, to ensure local government has sustainable funding for the long term.
- Labour is the party of devolution and we believe in handing back power to communities. We will devolve powers over economic development, complete with the necessary funding

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What LGA Labour called for in '[On Day One](#)', our radical local government manifesto for the next Labour government:

*'Labour must make local government funding fairer and more transparent – and to increase our independence from central government. Although councils are responsible for about £1 in every £4 of government spending, we are responsible for raising less than 10% of taxes – making England one of Europe's most centralised countries. There is currently little ability for councils to raise taxes other than council tax, which is becoming increasingly regressive [...] If John McDonnell wants to see an irreversible shift in the balance of wealth in favour of working people, then he must take steps to ensure a similarly permanent shift in the balance of power from Whitehall to local communities. By trusting in local government's democratic accountability, understanding of communities, and experience of making every pound count, he can deliver immediate and visible improvements to people's lives. And by investing in our ability to deliver early help to people who need it, and who might otherwise be a huge drain on public resources, he can deliver both social justice and long term savings to the Treasury. It is local government – efficient, transparent, and closer to communities than any civil servant sitting in Whitehall could ever dream of being – that can be the most powerful weapon in destroying the effects of Tory austerity. It will be up to the next Labour government to unleash it.'*

- Demanded that **Labour should urgently commit to reversing the cuts** made to local government, and address the £7.8bn funding gap faced by 2025
- Any new system of local government finance should also **increase the independence of local government from the Treasury** [...] with a new and fairer way of redistribution based on need
- **Council tax** itself needs complete reform – it results in distorted and unfair comparisons between neighbouring areas, made worse by the widespread misunderstanding that council tax is how councils get the majority of their income
- There should be **increased freedoms for councils** based on recognition that councils are democratic, transparent, and accountable, and that councillors can be trusted not to overstep the boundaries of acceptability set by regular interactions with the ballot box. This should include immediate abolition of the council tax referendum limit, increased powers to levy higher council tax on empty homes, and the ability to look at local taxes such as land value tax, tourism tax, and possibly even local retention of a portion of income tax.
- Councils running schemes that are of benefit to the public good – for instance responsible licensing of landlords, should be able to be run on **full cost-recovery basis**, and councils should be free to set – and levy – larger fines for anti-social crimes such as fly-tipping.
- Councils should also be **freed to borrow capital** where it will be used to invest in infrastructure that will support future growth. We should be able to use the combined spending power we have from procurement, investment and pensions to the maximum benefit for community wealth building in our local economies.

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- Give councils the **freedom to implement the right solutions for their areas**, with real devolution becoming the driver of an economic recovery that benefits the many
- An incoming Labour government should look at all the successful examples of devolution delivering benefits, and support regions and areas to make the most of devolution based on these examples

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