



Monday 24th September, 09.45 to 12.15

‘Public Investment and Ownership’: @LGA_Labour brief

PUBLIC INVESTMENT AND OWNERSHIP

LOCAL GOVERNMENT FUNDING

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.

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

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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

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 £7bn 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.

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- 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.
- 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

HOUSING

Too many people in our country don't have a house they can truly call home – they are locked into insecure or temporary accommodation, living in places they can't afford, with home ownership an unachievable dream. The root cause of this crisis is lack of supply and unaffordability – and the current government is doing almost nothing to address either challenge. Rough sleeping is a national scandal, and one of the most visible effects of austerity. In many parts of the UK rents are rising faster than incomes.

Housebuilding has fallen to its lowest level since the 1920s, and affordable housing is at a 24-year low. And changing demographics are posing different challenges, with an ageing population putting new pressures on housing. Since the Tories came to power in 2010, the number of households in temporary accommodation has risen by 65%, and rough sleeping has risen by 169%. Many blame the Tories' welfare reform agenda for these increases, but the failure of the Tories to support the building of more affordable and social housing has also played a large part. The shortage of social housing has led to a rise in residents living in the largely unregulated private rented sector, where tenants can be vulnerable to low quality and poor landlord practices. The insecurity of short tenancies means families can often find themselves without a home at short notice, forcing them into homelessness and leaving the local authority to pick up the pieces. More affordable homes, both to buy and rent, and better regulation of the private rented sector would go a long way to reduce the number of people who are homeless.

- **Rough sleeping** has increased 169% since 2010
- Households in **temporary accommodation have increased by 65%** - XXX families are now homeless
- **Housebuilding** has fallen to its lowest level since the 1920's, and new affordable housing is at a 24-year low.
- The last Labour government was **investing £3bn every year in social housing** – but the Tories have just announced a pathetic £2bn over the next TEN years

Labour Councils are at the frontline, offering radical housing solutions despite austerity:

- Labour councils have built an average of nearly 1,000 more new homes than Conservative councils

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- Croydon Council established the charity Croydon Homes to buy 250 homes in the borough to be let at 65% of market rents on three-year assured tenancies
- Several Labour councils have established wholly-owned companies to build houses that are then protected from Right To Buy
- Islington Council led a successful campaign against the 'Tenant Tax' (Pay to Stay), which would have added more than £700 to the annual rent of a typical affected household living social housing
- Wolverhampton City Council has been tackling rogue landlords and is taking action to improve the quality of housing in the city by creating a 'rent with confidence' scheme

Labour's 2017 manifesto promised to:

- Build over a million new homes, including at least 100,000 council and housing association homes a year for genuinely affordable rent or sale.
- Overhaul the Homes and Communities Agency to be Labour's housing delivery body, and give councils new powers to build the homes local communities need.
- Prioritise brownfield sites and protect the green belt, and start work on a new generation of New Towns
- Make the building of new homes, including council homes, a priority through a National Transformation Fund
- End insecurity for private renters by introducing controls on rent rises, more secure tenancies, landlord licensing and new consumer rights for renters
- Scrap the Bedroom Tax and reinstate Housing Benefit for under-21s
- Set out a new national plan to end rough sleeping within the next Parliament, starting by making available 4,000 additional homes reserved for people with a history of rough sleeping

What LGA Labour called for in 'On Day One', our radical local government manifesto for the next Labour government:

'Labour councils offer the next Labour government the chance to get a head start in the race to build new housing. We can play a critical role in building the types and numbers of homes that our communities need, and it is crucial that a Labour government works with and listens to local government. Give us the tools – and we'll get on with the job.'

- Abolition of the Housing Revenue Account (HRA) borrowing cap. This would free councils up across the country to borrow to build more council homes, allowing increased flexibility to closer align supply with demand.
- Allow councils to keep 100% of receipts from properties sold through Right to Buy, so we can replace homes and reinvest in housing
- Act to ensure all tenants have the opportunity of a secure multi-year tenancy
- Labour must pause and review Universal Credit and end the Bedroom Tax
- Urgently look at how local authorities are able to raise money through planning fees in a fair way
- Prevent actions that block supply – such as stopping land banking

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- Labour should look at models for enabling a greater proportion of land value capture
- A joined-up industrial and skills strategy should help to develop an energetic construction sector with a skilled workforce.

PUBLIC OWNERSHIP

Labour councils are **setting up services in public ownership**, ensuring that their residents can offer vital, high-quality services. Labour Councils have:

- Nottingham City Council have set up **Robin Hood Energy**, a not for profit energy company established to tackle fuel poverty and provide energy at affordable prices for Nottingham residents. Liverpool City Council has also set up **Liverpool LECCY**, another energy company taking on the Big 6
- Reading Borough Council has a **municipal bus company** which operates buses throughout Reading and the surrounding areas. Milton Keynes Council has pioneered transport initiatives, setting up the world’s first commercial fully electric bus routes. Nottingham City Council is the majority shareholder in Nottingham City Transport, giving councillors an influence over how transport operates in the city
- The Labour-dominated North East Combined Authority (jointly County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland councils) brought the **Tyne and Wear Metro back into public operation** in 2017 by and it is now run directly. They have also won the argument for their new rolling stock not to be funded by PFI – a significant win – and will receive £337 million of government investment to overhaul the Tyne & Wear Metro system, replacing the 40-year-old trains with a brand-new fleet

Labour’s 2017 manifesto promised to:

- Bring key utilities back into public ownership to deliver lower prices, more accountability and a more sustainable economy. This includes railways, energy, water and the Royal Mail;
- We will enable councils to provide first-class bus services by extending the powers to re-regulate local bus services to all areas that want them, and we will support the creation of municipal bus companies that are publicly run for passengers not profit.

INSOURCING AND PROCUREMENT

Labour councils are at the frontline, finding **innovative ways to deliver services in-house** despite Tory austerity. Recent examples from Labour councils:

- Redbridge has agreed to in-source its **waste and cleansing contracts** at the expiry of its current contract, and Islington Council also insourced it’s waste, street cleaning and grounds services in 2013, reportedly saving £3 million per year

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- Over 30 Labour councils have adopted Unison's **Ethical Care Charter**, designed to ensure both decent care for vulnerable adults and good employment standards for care workers. Councils that have signed up agree to pay at least the real Living Wage to all care workers, to schedule care visits according to the needs of the individual with care workers given enough time to provide the care needed and pay care workers for travel time
- **Sheffield City Council** has recently brought back it's out of hours emergency contact centres, driven by desire to improve service and also save money
- Preston has amended its procurement arrangements to increase the number of local firms that supply the council through outsourced contracts, as part of their '**Community Wealth Building**' concept, and has encouraged local 'anchor' institutions to do the same
- Mayor Joe Anderson at **Liverpool City Council** brought their IT services back in house in 2014, with an anticipated saving of £30 million over three years.
- Labour councils in Ealing, Hackney, Islington, Newham, and Redbridge have all brought their **council housing management** back in-house in recent years – by ending their 'ALMO' arrangements.

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