

To **Steve Reed**

Shadow Secretary of State, Communities and Local Government

From **Labour Campaign for Council Housing**

Dear Steve

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

I am writing on behalf of the **Labour Campaign for Council Housing**.

A key objective of our campaign is to ensure that the government delivers the large scale council house building programme that our communities need. We believe that, as Labour's 2019 Manifesto states, the only way to deliver on everyone's right to a good home is to build publicly funded social housing, and that councils must play a pivotal role in that delivery.

Clearly the achievement of our aim depends on councils having the financial means deliver the homes we need. We therefore welcomed your comments on the Today programme recently demanding that the government does not renege on its commitment to make recompense for councils doing "whatever it takes" to deal with the pandemic. As Richard Watts said in an LGA press release, government funding must provide both the extra costs resulting from the work associated with the pandemic and the lost income resulting from the lock-down.

To ensure that Councils maintain a financial position that enables them to meet their service obligations, our campaign is working with council leaders and MPs to press the Government to cancel local authority debt held by the Public Works Loans Board. We are calling for this as a measure to deal with an unprecedented national emergency.

The cancellation of the debt would eliminate the debt servicing costs and provide councils with an increased annual spending power of £4.5 billion a year. This would not resolve the funding issues which are the product of ten years of austerity, but would help to stabilise council finances in the immediate term.

We accept that funding the extra costs of dealing with the pandemic and the revenue lost as a result of lock-down would ease the immediate situation. However, even if all the emergency funding required was provided, councils would still suffer an ongoing impact from the pandemic, be it from loss of commercial rent resulting from shop closures, increased council tax and rent arrears, or loss of income from parking and leisure facilities. The cancellation of the debt held by the PWLB would therefore provide some stability and on-going funding on an annual basis.

We agree with the statement made by Matthew Brown, Leader of Preston Council, that there is a need for "a new financial settlement for local government." In order to achieve that, funding should be based on annual assessments of social needs in each locality.

We believe therefore that the Labour Party should be demanding three things of the government.

1) Funding of the costs associated with doing “whatever it takes” to deal with the pandemic and the loss of income resulting from the lock-down.

2) Cancellation of the more than £80 billion local authority debt held by the PWLB, providing £4.5 billion extra spending power each year. We believe a precedent has been set for such action by the government's cancellation of £13.4 billion NHS debt. We are particularly keen to promote this demand as a council house campaign group as it would provide an extra £1.25 billion a year for housing revenue accounts as a result of cancellation of the housing debt element.

3) Urgent discussion on the introduction of a funding system which is based on an annual assessment of actual social needs, uprated annually.

One of the features of the current situation has been the dynamic whereby the government has been driven to do things which it would never have considered possible, nor thought about, prior to the current crisis. We believe this presents us with an opportunity to promote radical proposals which could provide solutions to what has been described as an “existential crisis” for councils and the services they provide.

We hope you will support our campaign for the cancellation of local authority debt and that you will help us raise this with the government. We would be pleased to learn your views on this and would welcome the opportunity to discuss how we might progress this issue together.

Yours sincerely

Martin Wicks
Secretary Labour Campaign for Council Housing

May 25th 2020