UK: Northamptonshire County Council on verge of bankruptcy

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Northamptonshire County Council (NCC) has banned all new spending and faces takeover by government commissioners after running out of money.

The council governs the non-metropolitan English county of Northamptonshire. It is the first UK local authority for two decades to resort to a section 114 notice, preventing all new expenditure. The move has dire consequences for the 733,100 people provided essential services by the council.

The council issued a statement saying the notice imposes "immediate spending controls on the organisation" and means "no new expenditure is permitted, with the exception of safeguarding vulnerable people and statutory services."

The seven MPs elected by constituents in Northamptonshire—all Conservative—denied any central government involvement in the crisis, issuing a statement that the "county's financial problems are self-inflicted."

While the NCC claimed that the notice does not affect staff pay and that the council will continue to meet its statutory functions, the entire functioning of the council is threatened, with the danger that whatever staff and local services it retains will be terminated.

The Conservative-run council issued the section 114 notice on February 2, alongside a budget statement in which its chief finance officer, Mark McLaughlin, projected a £21.1 million overspend for 2017/18. This was, he said, in part caused by NCC's failure to sell housing development land. The council only has enough reserves to meet half of the overspend.

The council is legally bound to set a budget this month. McLaughlin's 2018/19 budget statement reads, "[M]embers of the county council should be in no doubt that the council faces a financial situation that is grave and which thus places strict limits on the choices available to the county council."

In December, the council had outlined further cuts of £34 million, after millions of pounds of austerity cuts had already been imposed. The budget being finalised imposes cuts of more than £2.7 million. Bus subsidies, trading standards, winter maintenance and library services will all be reduced, while a council tax increase of 5.98 percent will be implemented. The NCC has announced plans to sell off its new headquarters, which cost £53 million and was only first occupied last October.

NCC is predicted to be only the first of many councils to go broke.

Central government council funding has been slashed by £11.3 billion and by 2020, according to the Local Government Association, local authorities will have lost 75 percent of the central government funding they received in 2015. Almost half of all councils, 168, will receive no central government funding by 2019/20 and will be forced to rely on local taxes—the Business Rate and Council Tax—and local charges, which are expected to rise sharply and cover a wider range of services. According to the Local Government Association, councils face a funding gap of £5.8 billion by 2020.

This is set to get worse. In the fiscal year starting April 2020, the revenue support grant, the main funding stream from central government for local authorities—that has already been slashed—will be phased out entirely. The impact will be devastating. In 2010, almost 80 percent of council expenditure was financed by central government grant.

Nick Golding, editor of the *Local Government Chronicle*, estimates that up to 10 other councils could soon be forced to follow the NCC. "The danger is that councils will only provide an absolute bare minimum in the years to come," he warned.

Among those facing an imminent crisis is Conservative-run Surrey County Council, which has a £105 million funding gap according to research by the Bureau of Investigative Journalism. Commenting on the research, the *Times* wrote, “The council, whose core government grant has been reduced by more than £200 million since 2010, is exhibiting several of the other signs of financial stress demonstrated by Northamptonshire before its warning. Surrey’s usable reserves will have more than halved between 2013 and 2019, falling from £170.3 million to £63.2 million—far lower than its funding gap.”

It added, “Like Northamptonshire, Surrey has a low level of emergency reserves and is overspending—by £11 million this financial year.”

With massive cuts in central government funds planned, nine out of ten councils will have budget deficits running into millions of pounds by the end of the financial year. The Bureau analysed the finances of 150 English local authorities and found that their average funding gap is £14.7 million.

This means the gutting of what remains of council services, with the *Times* reporting, “Of the 101 councils that have released their proposed budgets for the coming year, 57 are planning to cut children’s services. Surrey’s 2018-19 budget includes a £25.6 million cut to its children, schools and families budget and an £18.7 million reduction in its spending on adult social care.”

This will be combined with huge increases in Council Tax, with 95 percent of councils set to increase and three quarters planning the maximum 5.99 percent hike. For a resident in an average Band D home, this is an additional cost of £95 a year.

The crisis facing councils is an indictment of the austerity, privatisation and outsourcing that has been the policy of successive central governments and local authorities for more than 30 years.

In Conservative-run Barnet, two years after embarking on its “One Barnet Project” in 2012, services outsourced to the private sector included: management of council housing, care for people with disabilities, environmental health, procurement, parking, the highways department, legal services, cemeteries and crematoriums, IT finance, HR, planning and regeneration, trading standards and licensing.

The Unison trade union estimated that after the move to Barnet’s “Alternative Delivery Model” in 2014—widely promoted by the Conservative-Liberal Democrat government—just 332 of Barnet’s 3,200 staff in September 2012, would remain, with the rest employed by the private sector.

Other councils followed suit, including Southampton City Council, Essex, Suffolk and Staffordshire.

Northamptonshire was the jewel in the privatisation and outsourcing crown. In November 2014, NCC announced that 95 percent of services it provides would be outsourced. This would involve the transfer of all but 150 of it 4,000 staff to four new service providers, part-owned by the council but run as private companies, including the payment of dividends to shareholders, further draining the council’s limited resources.

In 2015, the *Financial Times*, noting that the council needed to “find £148m in savings during the next four years,” headlined an article, “Northamptonshire council takes outsourcing to different level.”

It explained, “In effect, the council is reduced to a role of commissioning body, buying all its services from outside on a profit-sharing basis. Balfour Beatty already handles the street lights, Kier the roads service. But under the plan, statutory services such as social care for the elderly will be delivered by third parties.”

The bankruptcy of NCC, following the collapse of Carillion—which went under last month with tens of thousands of jobs lost, threatening the many public services they ran—are only the canaries in the coal mine. Vast sectors of public provision in the UK are run by the private sector.

The largest of the private firms involved is Capita, which runs all administrative support functions for primary care in the National Health Service at a cost of £1 billion, IT services in 6,600 schools and many council services. As part of Barnet’s mass privatisation of services, Capita were awarded two contracts lasting 10 years apiece and worth around £500 million. Capita’s future is uncertain, with its shares plunging 50 percent after issuing a profit warning.