

UK local councils face financial collapse due to pandemic

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23 May 2020

The financial impact of the COVID-19 pandemic could see councils across England making budget cuts of up to 20 percent, eviscerating many essential services.

A report by the Labour Party estimates that local authorities could face increased costs of up to £10 billion and a massive loss of income.

Chair of the Local Government Association and Conservative Leader of Central Bedfordshire council, James Jamieson, estimates that councils will face vast costs of up to £13 billion this year due to measures required in tackling the pandemic.

Social care spending could face a shortfall of £3.5 billion, placing up to 225,000 adult social care places at risk in the coming year. Social care accounts for a significant proportion of spending for local councils across England and massive funding shortfalls will inevitably lead to cuts.

Richard Watts, leader of Labour-run Islington council in north London said, “Social care accounts for just over half of what councils spend so it’s inescapable that if you take that much out of the budget you’ll have to look at social care.”

These cuts come on top of over a decade in which local authority budgets have been slashed, devastating social care provisions and other important frontline services.

Between 2015/16 and 2017/18, councils lost 77 percent of their funding from central government, used to provide essential services.

The impact of the pandemic has led to many sources of revenue, such as the collection of parking fees, drying up. It is estimated that councils could lose up to £1.4 billion from these funding streams, leading to many councils potentially facing a financial black hole in the coming period.

Other losses include £400 million in business rates, fees and charges of £341 million and council tax revenue of £288 million as many people have lost their jobs and others are utilising payment holidays, as families struggle to meet their living costs.

Labour’s analysis shows that if local authorities did not touch their social care budgets, they would have to shut down all children’s centres, libraries, cut all spending on parks and leisure centres, carry out no winter gritting, turn off all street lighting and end all planning and building control work.

As a typical example, the 10 local councils across Greater Manchester are predicting increased costs associated with the pandemic will lead to more than £500 million having to be spent this financial year.

Labour-run Manchester City Council expects to suffer £126 million in lost income and faces a potential shortfall in overall funding of £152 million. Manchester has been hit hard due to the collapse of commercial income from business rates and the loss of the popular Parklife music festival, which was cancelled.

One of Greater Manchester’s councils, Trafford, was forced to resort to borrowing from a commercial bank to cover its day-to-day costs after it ran out of cash. Trafford is expected to lose another £37 million due to the pandemic.

Other Greater Manchester councils set to suffer are Salford (expected to lose £33 million), Oldham (£46 million) and Stockport (£40 million). Funding provided by the government will cover only a third of what is needed.

In a letter written to Chancellor Rishi Sunak, Manchester City Council leader Sir Richard Leese pointed out that 150,000 residents are at significant risk of being adversely affected by the current situation medically, socially and economically.

The Greater Manchester councils have already lost over £1.7 billion in funding since 2010 and any loss to existing income streams leaves virtually no room for manoeuvre. As a result of savage funding cuts between 2009/10 and 2017/18, each resident lost the equivalent of £324.

Local Authorities providing payment holidays for council tax will not continue this indefinitely. As millions of workers are forced to go back to work under unsafe conditions—if they have a job to go back to as unemployment rockets—they will face having to repay hundreds of pounds in council.

Research by the Citizens Advice charity shows that 7.2 million people have already missed a council tax payment and a further 13 million have not been able to pay at least one bill because of the coronavirus outbreak. An estimated 11 million of these will be left facing severe financial consequences, including bailiff enforcement or eviction.

Last week, the government announced a further £600 million funding, on top of the £3.2 billion it has already allocated to councils in the last two months. But this falls far short of what is required, with many local authorities still reeling from year-on-year cuts to budgets. According to Richard Watts, chair of the Local Government Association's Resources Board, councils "will need up to four times the funding they have been allocated by government so far."

Earlier this year, local authorities across the UK had to activate emergency plans to deal with seasonal flooding that left many households and businesses devastated.

Children's services have faced huge funding cuts in the last decade. A recently published report by five leading children's charities concluded that local authority children's services do not have the resources to deal with the pandemic.

Javed Khan, chief executive of Bernardo's, said, "We have long warned about the 'perfect storm' facing children's social care, and the gap between demand and resource will widen further as a result of coronavirus."

A letter to Prime Minister Boris Johnson by Sir Richard Leese, published in the *Manchester Evening News*, noted the losses incurred due to the pandemic followed "Ten years of austerity" that had "already seen the council's budget cut by £380 million and

reduced staff numbers by 40 percent. ... There are no easy cuts left to make."

The cuts required might not be "easy" to make, but Leese and his ilk will still make them. What he omitted to mention was that the Tories' austerity agenda he outlines was only carried through because it was imposed by Labour councils nationwide, including his own. Vital public services were slashed by the Labour authorities in collaboration with the trade unions. Over the past five years, the cuts were enthusiastically imposed by Labour councils under the instruction of Jeremy Corbyn and Shadow Chancellor John McDonnell, who insisted they set "legal" balanced budgets.



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