

Bust UK councils allowed to sell public assets to cover increasing deficits

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The Conservative government is permitting 19 financially devastated English councils to sell property and other assets to fund services next year. Normally, councils are prohibited from selling assets for day-to-day expenses, but this rule is being relaxed for authorities facing severe financial difficulties.

This directive follows a recent consultation conducted by the Department for Levelling Up, Housing and Communities (DLUHC) with councils, which concluded that some of the £23.2 billion in property assets owned by councils should be sold. The government described this as an “exceptional” measure to help maintain services.

Local government is in dire financial crisis, with many councils warning of potential cuts to parks, leisure facilities, and cultural services, alongside potential council tax hikes of up to 5 percent.

Eight councils have already declared effective bankruptcy since 2017, with Birmingham (population 1.1 million) being the most prominent. Six of them, Birmingham, Woking, Thurrock, Slough, Nottingham, and Croydon, are among the 19 councils allowed to sell their assets.

In March, the Labour-run council of Birmingham, Britain’s second largest city, approved a further £300 million in cuts to key services—the largest cut ever imposed in the history of local government.

In a city where nearly half of its children are growing up in poverty, 600 council workers will lose their jobs and £75 million will be cut from adult social care and the children, young people, and families department. A 21 percent council tax increase will be imposed over the next two years, with Birmingham granted permission by the government to exceed the 5 percent limit without a referendum as normally required.

Birmingham Council must also sell off a staggering

£1.25 billion in historic assets, land, and property to repay a government bailout loan. The Business Desk website noted of the council’s property portfolio: “It’s the largest land estate of any UK local authority, extending to 26,000 acres, and attracts on average £34m of revenue per year from more than 6,500 property assets and over 300 of these have historic interest.”

Dozens of other councils have already earmarked assets for sale to raise hundreds of millions of pounds. They include public facilities built up over decades like libraries, civic halls, swimming pools and community centers.

While this is the first time councils have been allowed to sell assets to cover day-to-day expenses, local authorities have previously been permitted to sell public assets to raise money to “reinvest” in new assets and, since 2016, to cover expected future funding gaps.

Research by the Institute for Public Policy Research (IPPR) think tank revealed that, between 2010-2022, English councils sold about 75,000 public assets worth £15 billion to mitigate budget deficits, with approximately 6,000 assets such as playing fields, community centers, and libraries sold. In the same period, only about 2,500 assets were transitioned into community ownership.

The fire sale is a boon to financial speculators and property developers who will be able to buy council properties at meager prices. Rising interest rates and a stagnant economy have resulted in a slump in the property market—especially in the commercial market given the increase in working from home prompted by the COVID-19 pandemic.

Zoë Billingham, director of the IPPR North think-tank, told the *Guardian*, “It’s also a one-way street. Once public assets have been sold, I would be shocked

to hear at a future date any council or government will buy them back. It's a temporary fix for a difficult time. It's not sustainable."

Workers who rely on social care and other public assistance programmes will experience diminished services, longer wait times, and reduced access to essential care. Already a third of all councils are not confident of being able to meet all their legal duties under the Care Act by next year.

In a survey at the beginning of the year, two-thirds of local councils said they plan on cutting services, including parks, leisure facilities, arts, and culture. All of this will be accompanied by job losses in already impoverished communities.

The burden of making up for years of budget cuts also falls disproportionately heavily on the working class. Ninety percent of local authorities plan to raise council tax and increase fees and charges for things such as parking and environmental waste.

Many councils have virtually nothing left to cut, with local authorities collectively facing a £4 billion funding gap. They have suffered savage cuts to budgets since the 2007-8 financial crisis, first under the Brown Labour government (2007-10) and then accelerated by the Tories for the past 14 years.

While the government's funding package for councils for 2024 increased by 7.5 percent to £64 billion, it is still 10 percent less compared to the inflation-adjusted package for 2010. It has sought to cover for its deliberate starving of local services by blaming any financial crisis on public sector mismanagement and incompetence.

Labour is a whole-hearted partner of the Tories in these attacks on the working class. Ten of the 19 councils being allowed to sell their assets have Labour majorities. Labour councilors have played full part in scandals of financial skulduggery, rampant property speculation, and the sell-off of public assets, as in Croydon in south London.

In 2018, Labour leader Jeremy Corbyn and his Shadow Chancellor John McDonnell instructed Labour-run councils to abide by the austerity budgets set by the Tory government, at the cost of hundreds of thousands of jobs and the decimation of vital services.

Under new leader Sir Keir Starmer, Shadow Chancellor Rachel Reeves has been pledging for years that she will demonstrate "ironclad discipline" in

restricting social spending. She told the *Sunday Telegraph* last year that "the money is simply not going to be there."

Asked in response to Birmingham City Council's bankruptcy if a Labour government would bail out bankrupt councils to protect vital services, Reeves demurred, stating, "I'm not going to be able to fix all the problems straightaway... I'm under no illusions about the scale of the challenge that I will inherit if I become chancellor later this year and I need to be honest with people."

Labour and the Tories both defend the capitalist system where trillions of pounds are quickly and easily found to feed the financial oligarchy and finance its murderous wars, but services on which millions of people depend are left to waste away due to "lack of funds".

A case in point: the recent £600 million support package for councils across England is just one fifth of the £3 billion in UK military aid for Ukraine this financial year. The £600 million is just 0.8 percent of the £75 billion which Prime Minister Rishi Sunak has just allocated in extra military spending up to 2030.

Workers must face up to the fact that, before the election and after, whatever the result, they face the same struggle against a joint Tory-Labour party of austerity and war.



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