

Cancel local authority debt

To provide councils with resources which are desperately needed for this unprecedented crisis, cancel the debt owed to the Public Works Loans Board

Taking on more debt is not the only way to create spending power. Debt cancellation, for instance the debt owed by local authorities to the Public Works Loans Board (PWLB), would provide a huge increase in spending power because councils would no longer have to repay loans or interest charges to the PWLB. Last year local authorities paid around **£4.5 billion** to the PWLB in loan repayment and interest charges. Overall local authorities have around £77 billion in debt held with the PWLB. Such a proposal might have seemed 'extreme' before the Covid-19 crisis erupted. However, £77 billion is small beer compared to the hundreds of billions in the government's emergency measures.

The financial crisis of local authorities resulting from a decade of deep cuts is being exacerbated by the coronavirus crisis. There is likely to be a serious spike in rent and council tax arrears as countless people, especially those with no savings, will be unable to pay all their bills, whilst feeding their families. Hundreds of thousands, maybe millions of people are losing their jobs or their income if they are stood down, and Statutory Sick Pay (SSP) is too low to sustain them. Around 2 million people do not even qualify for it. Universal Credit has only been raised to the SSP rate of £94.25 and SSP itself has not been raised a penny. Whilst the government has promised councils an extra £1.6 billion this is nowhere near what is required.

The Local Government Association is reporting that the Coronavirus Emergency Bill will suspend all legal entitlements to adult social care needs.

“Entitlements under the Care Act 2014 will be suspended so councils are not required to meet all adult social care needs and could opt to delay assessments to prioritise “the most urgent and serious” cases, under measures in the proposed emergency coronavirus bill.”

This must be opposed. We know that as a result of 10 years of austerity councils have for a long time only provided support for the most 'severe' cases. In practice this means many people who need help do not get it. *To suspend councils' statutory responsibility will make a bad situation even worse.*

Included in the £77 billion local authority debt is that held by housing revenue accounts. This is the bogus debt¹ that Labour was committed to review in its General Election Manifesto. Around £26 billion is held by the PWLB. This is not genuine borrowing but the result of Treasury 'creative accounting'. Council tenants have paid more rent than the historic borrowing for building programmes.² Cancellation of this debt would mitigate against the impact of the coronavirus economic crisis. Currently many council housing departments are only doing emergency repairs work so there will be a very big backlog of work building up.

On the other side of the crisis, when the virus is on the wane, some of the extra money - HRAs would not have to use rent to service the debt - could be used for new council house building. Debt charges for HRA debt (repayment of 'loans' and interest charges) are around £1.25 billion a year for English local authorities. This would be no substitute for central government grant for house building but it would significantly improve their finances³. A large scale council house building programme would not only be socially

1 Labour leadership candidate Rebecca Long Bailey has committed to cancelling the HRA debt if elected.

2 See [The Case for Cancelling Council Housing Debt](#) by Swindon Tenants Campaign Group

3 For instance Labour made a commitment to £10 billion a year grant for building 100,000 council homes a year.

useful but would put back to work building workers who have been laid off.

Whilst such radical action as debt cancellation might have seemed 'extreme', in the current situation it is eminently achievable. Indeed it makes more sense than increasing borrowing which will guarantee extending austerity rather than ending it.

In 2013 the coalition government broke the link between funding and an annual estimate of social needs in each locality. It will be necessary to re-establish this link and uprate it annually or local government services, other than child and adult care, will disappear. And the quality of care for those two will continue to deteriorate. Cancelling the £77 billion debt would open the way to councils being able to stabilise and grow their services in line with social needs.

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