



# **Preparing a No Cuts People's Budget**

**Notes, correspondence, alternative  
budget proposals and other material  
from previous campaigns  
(2021 update)**

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# Preparing a No Cuts People's Budget Preface to the new edition

THE TRADE Unionist and Socialist Coalition All-Britain Steering Committee is republishing the *Preparing a No Cuts People's Budget* briefing document we first produced in January 2016.

The context of that time was dominated by the new situation that had been opened up by Jeremy Corbyn's victory in the Labour Party leadership contest in September 2015.

Jeremy's election as Labour leader was warmly welcomed by all the component parts of the TUSC coalition. Here was an opportunity to realise TUSC's founding goal of establishing a political vehicle for the working class. But, unexpectedly after the experience of the New Labour years, through transforming the Labour Party rather than a new formation – if Jeremy's unanticipated victory was followed up with fundamental changes to the party's policies and organisation inherited from Tony Blair, Gordon Brown and Ed Miliband.

## **The council test for Labour under Corbyn**

Councils, in the frontline in delivering local public services, would be a vital arena for this battle. Labour councils under Jeremy Corbyn's leadership would have a chance to show anti-austerity socialist policies in action by refusing to implement the Tories' cuts and privatisation agenda. As the 2016 introduction says, the examples of alternative budget-making explained in the *Preparing a No Cuts People's Budget* briefing provide "in many ways a model of how councillors could play a vital role in developing the opposition to austerity" under David Cameron's new majority Tory government.

But it was not to be. Council Labour Groups were strongholds of the right-wing. Out of more than 7,000 Labour councillors only 400 or so had supported Jeremy Corbyn's leadership bid. The architect of New Labour Peter Mandelson at the time praised "Labour's legions in local government [as] a bigger force for sense in the party than at any time in the recent past" (*The Guardian*, 1 January 2016).

The resulting continued experience over the next four years of cuts made by allegedly 'Labour' councils allowed the town hall Blairites to undermine Jeremy's

anti-austerity message, particularly amongst working class voters in 'left behind' Labour constituencies.

Now Sir Keir Starmer is reviving Tony Blair's New Labour and once again working class voters face being effectively disenfranchised. Against the background of the deep economic, health and social crisis triggered by the Covid pandemic this will have serious consequences for our communities. The crisis of local public services has not gone away and the need for a fighting alternative is even greater. That is why we are re-publishing the 2016 TUSC briefing, as a contribution to building that alternative.

### **The myth that it is 'illegal to resist'**

The right-wing Labour council leaders sabotaging the call for anti-austerity resistance did not justify themselves in the main by defending the consequences of the cuts, privatisations and other measures that they were implementing.

Instead their 'defence' was to say that there was no alternative, that introducing no cuts budgets was "illegal". They even got a rule change agreed at Labour's 2016 conference that a backbench councillor supporting "any proposal to set an illegal budget" could "face disciplinary action".

This line of argument was anticipated in the first edition of the TUSC briefing, while acknowledging that it couldn't "begin to answer all the questions there are about the law and council budget-making". For the new edition we have added another selection of documents (see What Can Councils Do?, from pages 41-54) which explore this area further.

These show that there are no legal grounds for councillors not to resist austerity. But they also show positively what councils can do now, with their existing legal powers, to radically improve people's lives.

The Covid crisis has shown the room for manoeuvre that councils have, what we referred to in 2016 as "the legal as well as financial elasticity that is involved in budget-making". But the point we also made in 2016 that "there is no clever 'legal tactic' that will avoid the need for struggle" still applies.

Once there is a will to struggle the technical means can always be found. It is ending the deficit of will to fight in the council chambers for the interests of the working class that is the main job in hand.

Clive Heemskerck  
TUSC National Election Agent  
21st July 2021



# Preparing a No Cuts People's Budget 2016 Introduction

WHAT CAN councils do in the face of government cuts to funding for local public services? Actually, they can do a lot.

Councils in England, for example, control budgets totalling £114 billion pounds, over one fifth of all public spending, with responsibilities for housing, adult social care, education support, transport, recycling and waste collection, libraries and many other services. That's a powerful starting point from which to organise a fightback against relentless Tory austerity.

The Trade Unionist and Socialist Coalition (TUSC) has a core policy platform for local elections (see <http://www.tusc.org.uk/policy>) which includes the commitment given by every TUSC council candidate to "vote for councils to refuse to implement the cuts". We will not support cuts to council jobs, services, pay and conditions.

The TUSC policy platform argues that "the best way to mobilise the mass campaign that is necessary to defeat the dismantling of council services is to set a budget that meets the needs of the local community and demands that government funding makes up the shortfall". A campaign of defiance.

It goes on to say that TUSC "will support councils which in the first instance use their reserves and prudential borrowing powers to avoid making cuts" – as the first step to building such a campaign of resistance.

## **It can be done**

This collection of documents – of draft budget amendments, letters between rebel councillors and council officers, briefing notes on council accounts, speeches made at council budget-making meetings etc – provides some guidance on how alternative budgets can be drafted "to avoid making cuts". Again at least in the short term, as the first step to a mass campaign.

The work that was done in presenting alternative budgets under the 2010-2015 Con-Dem government by TUSC-supporting councillors in the Labour-controlled councils of Southampton, Leicester and Hull, provides in many ways a model of how councillors could play a vital role in developing the opposition to austerity

under the new Tory government, which won the backing of just 24% of the electorate in May 2015.

This collection includes the budget amendments the rebel councillors moved and some of the correspondence they had with council officials – anonymised where necessary – in order to be able to present their proposals at the full council meetings. It also includes similar material from 2008 before the formation of TUSC – co-founded in 2010 by the late leader of the RMT transport workers' union Bob Crow – when two socialist councillors in Lewisham moved an alternative budget, showing that it was possible to do so.

And lastly, there are two statements previously published on the TUSC website, on 'What councils *could* do in the next budget-making meetings' (January 2014)\*, and a press release (November 2015)\* introducing a TUSC report on the resources available to the 58 Labour-controlled councils with elections in 2016.

This is completed by the text of a TUSC model letter to Labour councillors\*, produced after Jeremy Corbyn's leadership election victory, asking them to discuss the possibilities now of preparing no cuts budgets – effectively to discuss the contents of this briefing.

### **First steps are important**

The materials collected here don't begin to answer all the questions there are about the law and council budget-making. There is no systemised presentation of the legal powers of central government to intervene in councils' budget-making processes, for example. Actually these are far more limited than suggested by those councillors who lament 'there's nothing we can do', as the documents show.

Part of the problem in producing definitive statements of what is 'legal' or not is that of having to 'prove a negative', that something is not illegal, and to incorporate the legal as well as financial elasticity that is involved in budget-making.

However, it is clear that defiance would, at some point, inevitably be met by the Tories attacking the alleged 'illegality' of the council's budget and it is a fact that there is no clever 'legal tactic' that will avoid the need for struggle.

But as the materials in this pack show, it is possible to produce 'legally balanced' budgets that avoid an immediate legal confrontation, avoid cuts in the short term, and provide a breathing space to build the struggle.

And while first steps are indeed only first steps, they are important at that.

11th January 2016

*\* Not included in the current edition*



# Preparing a No Cuts People's Budget Southampton

## February 2013

LABOUR-CONTROLLED Southampton city council voted for £16m cuts and service charge hikes at its budget-making meeting in February 2013 – and refused to even discuss an alternative anti-cuts budget submitted by two 'rebel councillors', Keith Morrell and Don Thomas.

Keith and Don were originally elected as Labour councillors, part of the group that took majority control of Southampton council at the May 2012 local elections, following a bitter dispute by council workers with the previous Tory administration. But very soon they came up against the new Labour council leadership who were not prepared to lead a struggle against the cuts, including making a proposal to close the Oaklands swimming pool in Keith and Don's ward.

Keith and Don resisted this and the other attacks on council services being made by the Labour group and by autumn 2012 they were sitting in the council as an independent Councillors Against the Cuts group.

And so they presented an amendment for the February 2013 budget-making meeting. Their proposals met the legal requirements of a balanced budget at least for the 2013-14 financial year – it was not a 'deficit budget'. But unsurprisingly the council's Chief Financial Officer (CFO) judged it as not being a 'prudent budget capable of implementation' for the medium term.

### **No debate – but there could have been**

Council officers advised the Mayor – an elected Labour councillor – that he could make a chair's ruling that the amendment would not be debated at the council's budget-making meeting and, backed by the Labour group, that's what he did.

But the no cuts budget could have been debated. Before the meeting Keith and Don wrote to every Labour councillor answering the CFO's objections and asking the councillors to use the legal power they had to at least allow the amendment to be debated before the public in the council chamber. But it was not to be.

Councillors have a choice. There are alternatives to implementing the cuts. But Southampton's Labour councillors chose not to take them – or even debate them.

### **The documents**

The first document from the Southampton experience printed in this collection is the alternative budget proposals submitted by Keith and Don (at that point, in 2013, still referred as the Labour Councillors Against the Cuts Group).

This is followed by the letter from Keith to the Mayor, effectively the council chairperson, copied in to all members of the Labour Group, setting out why the alternative budget was a permissible budget which should be discussed.

The third item is the transcript of Keith Morrell's speech at the council meeting, responding to the Labour Group budget now that the rebel councillors' alternative had been voted off the agenda.

And finally there are some notes prepared back in 2012, after Keith and Don had approached TUSC in the summer of that year, analysing Southampton council's official 'Statement of Accounts' in preparation for drafting amendments to the council's 2013 budget.



# 1. Motion for the Southampton council budget meeting, 13 February 2013

## **Amendment to the cabinet's budget proposals**

**By councillors Keith Morrell and Don Thomas**

This council agrees to amend the Executive's General Fund Budget proposals as set out below:

### **1. Additional spending proposal**

To re-open Oaklands Pool by restoring the funding (£235K) discontinued at the July council meeting. In addition, to provision a capital outlay of £1.5m to ensure a 15-year lifespan for the restored facility.

### **2. Savings Proposals**

To reverse £15.31m of the service reductions and additional charges proposals in the Executive's General Fund Revenue Budget for the 2013-14 financial year, as follows:

Adult Services: £3.997m

Children's Services: £5.249m

Communities: £0.752m

Environment & Transport: £2.828m

Housing & Leisure Services: £1.722m

Leader's Portfolio: £0.628m

Resources: £0.134m

### **3. Council Tax**

To reverse the proposal for a 2% increase in council tax for 2013-14 in favour of a council tax freeze, and to consequently accept the government's Council Tax freeze grant (at a *net* negative cost to the General Fund for 2013-14 of £0.470m).

### **4. Council Tax Discounts**

To reverse the proposals to abolish the Older Persons council tax discount and the discount for Special Constables, at a cost to the General Fund for 2013-14 of £1m.

### **5. General Fund borrowing**

To prudentially increase General Fund Unsupported Borrowing during the 2013-14 financial year by £22m – following an officers review of all General Fund expenditure and assets which could be properly supported by the capital programme or a capitalisation

direction applied for – with the revenue funding to support such borrowing to be drawn from the Organisational Development Reserve.

## **6. 2013-14 and Future Years Revenue Budgets**

To instruct the cabinet to bring forward proposals to develop the Stand Up For Southampton campaign, in collaboration with other local authorities, to persuade the government to reverse the cuts in central government funding for Southampton and other local councils and provide relief funding for those authorities that have had to deplete their reserves or adopt other temporary budget-balancing measures to maintain vital public services.

## 2. Letter to the Mayor of Southampton

**To Cllr Derek Burke, Southampton Mayor, and members of the council Labour Group**

Dear Derek

We are writing to you about the forthcoming budget debate at the 13 February Council meeting.

As a minority group on Southampton council we properly submitted an amendment to the Executive's proposed budget. While our amendment meets the requirements of a balanced budget for the 2013-14 financial year – it is not a 'deficit budget' – the Chief Financial Officer (CFO), under his budget monitoring authority, has not been able to endorse it as a 'prudent budget capable of implementation' if it were to be agreed by the full council. In consequence we understand that the Director of Corporate Services, in his role of Monitoring Officer, has decided to recommend to you, the Mayor, to make a chair's ruling that, while the amendment will be printed and distributed to members at the 13 February meeting, it should not be published on the council website or debated at the meeting.

We are not writing to ask you to support our budget amendment, although we believe that it reflects the election promises to protect council services made by Labour candidates. But we are appealing to you – as democratically elected councillors with the ultimate say on what can and cannot be debated on 13 February – to at least allow our amendment to be discussed as part of the usual budget-making process.

### **Councils' borrowing powers**

The main point of controversy over our budget amendment is the proposal to increase General Fund Unsupported Borrowing during the 2013-14 financial year by £22m, following an officers' review of all General Fund expenditure and assets which could be properly supported by the capital programme or a capitalisation direction applied for. We see this measure – which would generate sufficient resources to avoid cuts and increased service charges for this year – as a means to 'buy time' for the campaign necessary to reverse the cuts in central government funding for Southampton and, indeed, for local government generally.

Our starting point when drafting our amendment was best summarised in the commentary on the Prudential Code – which guides council borrowing – by Richard Harbord, a member of the working group that compiled the Code, who greeted the new borrowing regime inaugurated by the 2003 Local Government Act as a "move to integrate the whole financial planning process" [Understanding the Prudential Code, Seamus Ward, ACCA, 2004]. "This is the first time capital programmes, revenue budgets and Treasury investment strategy has been integrated", he argued, giving councils greater financial flexibility and freedom to borrow, and we believe that our proposal is in accord with that principle.

### **An officers' review**

It is true – and this is a point of contention – that our budget amendment does not specify the items of current and projected General Fund expenditure which involve a capital element which could be properly supported by the capital programme through prudential borrowing (without needing government permission). Or alternatively, any other elements of General Fund expenditure for which a 'capitalisation direction' (government permission to capitalise revenue expenditure) could be sought over the next 12 months.

But that is why we are calling in our amendment for an officers' review of General Fund expenditure, not being able, of course, as minority group councillors, to instigate the thorough examination needed except through such means.

## **Not a 'prudent budget'?**

The CFO, having cautioned members about "significant shortfalls in future years" even in his initial statutory statement on the Executive's draft budget [paragraph 63, General Fund Revenue Budget, 20 November 2012], not unnaturally does not judge this course of action to be prudential or sustainable over the medium term. In addition, while he has confirmed with the Department of Communities and Local Government (DCLG) that there will be a Capitalisation Directions programme for 2013-14, he believes that Southampton is not in a sufficiently dire financial position for any applications it makes to be successful, at least in whole if not in part. Consequently he is arguing that, even if the council were to adopt our amendment, it would not be 'capable of implementation'.

These judgements, of course, must be taken into account by councillors when they come to vote on budget-making decisions. But they are nonetheless judgements and having regard to them in their budget deliberations is not the end of a councillor's role. They too must assess the arguments and make a judgement – and they can only do so in this case if the budget amendment is allowed to be presented to the full council.

## **Councillors' role in budget-making**

The final budget document that councillors received makes it clear how they should assess the CFO's advice on budget decisions: "Members have a duty to determine whether they agree with the CFO's statutory report issued under section 26 of the LGA 2003" [paragraph 130, General Fund Revenue Budget, 5 February 2013]. That means, of course, that if there are genuinely different assessments that could be made, councillors can make them. So why shouldn't they be able to subject our amendment to the same test as the Executive's proposals?

The budget document guidance also stresses that the decisions councillors make are "effectively preliminary decisions", "setting the framework" for the budget period but with "specific proposals" requiring "further implementation decisions" [paragraph 142]. It further notes that it will be "for Council to determine how to meet any budget gap that may arise as a result of such implementation decisions" [paragraph 144]. All budget proposals then, require an assessment as to whether they would be 'capable of implementation'. So why not ours? But this can only be done, of course, if the amendment is presented in the usual way.

## **Judgements and political assessments**

Lastly, there is the question to consider of judgements and political assessments. Any CFO's assessment must inevitably include an element of political judgement. That is only right but it is also right for councillors to make their own judgement. We face a different situation to that facing councils, for example, in the early 1990s. But it's worth asking how many CFOs (then more usually known as borough treasurers) in November 1990 began drawing up budget proposals for 1991-92 confidently predicting that, just four months later, the Community Charges (General Reduction) Act would have gone through parliament, cutting the last poll tax bills by £140 and increasing government support for local authorities by £4.3 billion (nearly £7 billion in today's money)? Isn't it for elected councillors to decide whether the crisis facing public services in the city is 'sufficiently dire' for the steps we propose to be taken?

In conclusion, we are more than happy to further discuss the issues raised by our budget amendment beyond those dealt with here. But we do appeal to you to use your power as an elected councillor to allow our amendment to be properly tabled, even if you cannot subsequently bring yourself to vote for it when a full and fair debate has been concluded.

Kind regards

Keith Morrell, Leader, Labour Councillors Against The Cuts Group

### **3. Speech by Councillor Keith Morrell at the Southampton council budget meeting, 13 February 2013**

“Mr Mayor, our budget would have maintained services, protected jobs, restored the pensioner discount, frozen council tax, and re-opened Oaklands Swimming Pool.

“The Executive’s budget proposals to cut services and jobs are simply a continuation of the direction of travel embarked upon by the previous Conservative administration.

“I have no doubt that this Labour administration has tried to find ways of reducing the impact of services reductions and to keep to as low as possible the number of staff made redundant, but the reality, Mr Mayor, is that this administration believes that it is held in an iron grip by the government – and by the rules and regulations of local government finance – and that it has no room for manoeuvre.

#### **Raising a white flag**

“The Administration’s claim that it would ‘Stand up for Southampton’ has proved to be mere puff, and it has instead surrendered and raised a white flag before even the first shot was fired.

“The people of this City are told that “in this difficult financial climate, councillors.... have to take tough decisions”. Those are words used by Labour councillors which could just as easily have been used by Conservatives or Liberal Democrats.

“And what those weasel words actually mean is that front-line services that have been a part of people’s lives for generations will be axed and that any objections will in the long run be ignored.

“A play centre or a library may get a reprieve, and be kept going for another year, but it will be closing. Labour councillors become merely the agents of a Conservative government, passively waiting for the next diktat to be passed down to them by Eric Pickles.

#### **The bankers’ crisis, not ours**

“Mr Mayor, this year £20 million pounds worth of services and jobs will be slashed, and next year another £20 million, and the year after that, another £20 million. In three years’ time, this council will be delivering only the services it is statutorily obliged too, and struggling even to do that!

“And why? Because the ruling class of this country has taken advantage of the financial crisis, caused by the bankers, and the demoralisation and confusion it created, to take back the enormous improvement in living standards achieved by working people over the previous decades.

“A sustained assault on wages, on working conditions and on public services is taking place, behind the smokescreen of debt and deficit reduction. Local government is required to play a part, and the decisions made today in this council chamber contribute to the success of that assault.

“Such an attack on the quality of life of the people of this country would fail if it was met with a determined resistance from the organised Labour movement.

#### **Heads down and wait**

“But the strategy of the leadership of the Labour Party nationally appears to be to keep their heads down and hope that come the next general election the Conservatives and LibDems will lose.

“Not good enough! The leaders of the Labour movement need to recognise what is happening and nationally and *locally*, take responsibility for doing something about it. Their failure to explain that what is happening is a natural consequence of the workings of the capitalist system, and that there is an alternative to it, has left people feeling that all the political parties are the same and that politicians are in it only for themselves.

“And the budget being put forward today by this Labour administration simply reinforces that disillusionment.

### **Our borrowing proposal**

“Mr Mayor, our alternative budget is not a silver bullet that will magic away the hole in the city’s finances. It is intended to show simply that this Administration does have an option other than just caving in.

“Our budget maintains all existing services and protects all jobs and buys us time to campaign, along with other local authorities and our trade union colleagues, to force the government to reverse its funding cuts.

“If the previous Conservative administration hadn’t run down our reserves to the bare minimum, we could have used them to keep services going. We can and should use what little reserves there are to help plug the hole. We are told that we can borrow to finance *capital* projects, but not to pay for day to day *revenue* costs, such as paying wages.

“What we are proposing is that officers be instructed to carry out a meticulous scrutiny of all the Council’s revenue spending, to identify elements that could be supported by the capital programme through prudential borrowing, or a capitalisation direction applied for.

“We believe that such an exercise could identify enough capital-related spending to free-up resources to keep services going, avoid increasing charges and keep people in work rather than putting them on the dole. We believe that integrating the whole financial planning process – viewing capital programmes, revenue budgets and Treasury investment strategy as integral and not unconnected elements – is consistent with our legal obligations as councillors.

### **Buying time to campaign**

“Mr Mayor, the city’s public services are entering into a crisis. The budget being presented today will be only the first of several such budgets drawn up by this Administration. Next year the people of Southampton will be told yet again that yet more tough decisions have to be made, that libraries will be boarded up, Sure Start centres closed, the few remaining youth and play centres shut down.

“The response of the Labour Group is to wring their hands in anguish and protest that they didn’t become councillors to cut services but that they had no choice. *We are* offering a choice.

“We say, let us challenge our officers to use their considerable intellectual expertise and enthusiasm to find ways of keeping services going and getting us through this crisis, while we as elected representatives direct our energies into mobilising and coordinating resistance to this government’s socially divisive policies. *This government is weak*. It relies for its continued existence on the absence of a political alternative.

“The fight back could have begun, here, today, if *you* had made it so. Comrades of the Labour Party, today you have chosen to surrender the field, but *we* will not give up. The fight on behalf of working people – so ignominiously betrayed by the Labour Party today – will go on”.

## 4. Notes on Southampton council's Statement of Accounts, 2011-12

<p><b>p2</b></p>	<p>While 2011-12 net expenditure by Southampton city council (SCC) was budgeted at £190.7m 'the final outturn' – what net expenditure actually was that year – was £184.6m, with £6.1m being contributed to balances, confirming that all budget projections are at best 'working estimates'.</p>
<p><b>p3</b></p>	<p>This provides a breakdown of the fall in income received by Southampton, from £612.2m in 2010-11 to £587.3m in 2011-12. This includes a cut in the various streams of government funding of £26.87m for the financial year (including Direct Schools Grant payments – DSG). Excluding DSG income, which is earmarked for education, the central government funding cut comes to £42.68m.</p> <p><b>Note:</b></p> <p>When the 2013-14 draft budget is published we can use these figures, and the cuts in government revenue for 2012-13, to come to a figure of what the Con-Dems have 'stolen' from Southampton, what should be demanded back (and what Ed Balls should pledge now to restore!).</p>
<p><b>p7</b></p>	<p>Out of Southampton's General Fund capital expenditure of £79.9m in 2011-12, £22.9m (29%) was financed by 'unsupported borrowing'. This included a capital underspend for 2011-12 which would potentially enable SCC to remain within its 'prudential indicators' without necessarily having to capitalise any of its expenditure.</p> <p><b>Note:</b></p> <p>The majority of council borrowing is 'supported borrowing', in other words borrowing approved by the government where government grants can be used to pay the interest and loan repayments. But councils can also undertake 'unsupported borrowing', also known as 'prudential borrowing'. The interest and loan repayments on 'unsupported borrowing' has to be raised from the council's 'revenue budgets' (the General Fund and the Housing Revenue Account - HRA). So a proposal to increase borrowing would need to specify how these payments will be financed over the budget period, usually three years (but not for the full period of the loan).</p> <p>The minimum charge to revenue budgets for borrowing is a matter for the council but, to defend itself against any possible future legal challenge (from a business rate payer etc) it has to show that it 'acted prudently'.</p> <p>Government guidance suggests a Minimum Revenue Provision (MRP) 'equal to at least 4% of the loan' but for 'unsupported borrowing' there is a formula, related to the type of expenditure, that would probably produce a higher figure.</p> <p>But as an illustrative example, to increase Southampton's 'unsupported borrowing' by £10m a 'prudent' MRP figure might be 5% which would mean that £500,000 would have to be allocated from General Fund expenditure (or reserves) for 2013-14 and slightly more for the subsequent two years.</p>
<p><b>p8</b></p>	<p>Capital spending under the Housing Revenue Account (HRA) in 2011-12 had no 'unsupported borrowing' – leaving scope to increase borrowing there, with the HRA having £2.6m in reserves (see note to <b>p13</b>).</p>

<b>p8</b>	<p>'Earmarked' and general reserves at April 2012 are recorded as £23.5m (but see later notes on <b>p13</b> on the Movement in Balances and Notes).</p> <p>Also of note is the Chief Finance Officer's recommendation that just a minimum £5m general reserve is necessary to meet contingencies – showing again the scope for using reserves to finance borrowing 'to buy time'.</p>
<b>p13</b>	<p>The Movement in Reserves Statement shows that 'total usable reserves' rose from £56.5m in April 2011 to £69.9m in April 2012.</p> <p>Of this latter figure, £28.9m is in 'earmarked reserves', £2.6m is in Housing Revenue Account (HRA) reserves, £10.06m is in 'unapplied capital contributions' (see note to <b>p22</b>), and £23.5m is in General Fund reserves. A further breakdown of these headings is given on <b>p44</b>.</p>
<b>p14</b>	<p>In April 2012 Southampton council was holding cash assets of £52.4m, in the form of deposits or investments which could be realised within 24 hours (see note to <b>p61</b>). This figure for cash holdings had risen from £10.8m in April 2010. In April the council also held £3.228m in short-term available for sale financial assets, and £3.478m long-term available for sale financial assets (see <b>p53</b>).</p> <p><b>Note:</b></p> <p>This shows that there is scope for the council to 'prudently' agree to reduce its cash holdings for 2013-14, thereby releasing a 'one-off' boost to the 2013-14 budget. The cash flow analysis figures on <b>p15</b> (and the explanatory notes on <b>p53</b>) show that even reducing the cash holdings to £30m could be argued to be 'prudent' budgeting – releasing £20m for the 2013-14 budget.</p>
<b>p17</b>	<p>The council has to make an annual contribution from revenue, in the General Fund Minimum Revenue Provision (MRP), for depreciation, revaluation and amortisation, "calculated on a prudent basis".</p> <p><b>Note:</b></p> <p>There would not be a lot of room here to generate real resources but it would be perfectly legitimate in accounting terms for a budget amendment to identify use of 'unspecified savings realised from an officers review of provisions for depreciation etc' as a source of revenue. Once again, a 'buying time' tactic.</p>
<b>p22</b>	<p>The paragraphs on Government Grants and Other Contributions show the limits there are to using the Capital Grants Unapplied Reserves (£10.06m in April 2012 – see note to <b>p13</b>) as it would include grants specified for items of capital expenditure but not yet used which may be withdrawn if they are used for something else. But again it would be perfectly legitimate in accounting terms to identify use of 'unspecified savings from an officers review of Capital Grants Unapplied Reserves' as revenue.</p>



<p><b>p22</b></p>	<p>The council has a 'Community Infrastructure Levy' (CIL) fund charged on new build in the city which is "largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue expenditure".</p> <p><b>Note:</b></p> <p>Without cutting existing expenditure on CIL funded projects the council could agree to increase the proportion of the CIL Fund spent on revenue, again as a 'buying time' policy, while committing to reimburse the fund 'when the government returns the money stolen from the city'.</p>
<p><b>p23</b></p>	<p>The council has listed assets which appear in its balance sheets to offset against its liabilities. These include the city museums' works of art, which appear in the balance sheet as 'Heritage Assets' of £196.6m (p14), "based on insurance values" (p23). Later in the accounts it is explained that "the Art Collection was 'valued a few years ago" (p35 and p49).</p> <p>If these 'Heritage Assets' were revalued, however, given the rise in art prices since the 2008 financial crash (as investors look for 'safe assets'), while insurance premiums would rise, this would be more than offset by the rise in value of the council's assets and its consequent ability to increase its borrowing.</p> <p><b>Note:</b></p> <p>This is confirmed later on in the accounts, under the heading, Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty (p34) where the report cautions that depreciation makes "the carrying amount of the asset" fall. The appreciation of assets, of course, has the opposite effect. The paragraphs on pp33-34 under the heading, Critical Judgements in Applying Accounting Policies, show the leeway the council has in making "certain judgements" on identifying and valuing 'Heritage Assets'.</p>
<p><b>pp29-30</b></p>	<p>An explanation of Southampton's policy on booking PFI payments into its accounts, including two categories, an 'interest charge on the outstanding liability' and 'payment towards liabilities'. Arguably these could be 'deferred' in 2013-14, reducing the council's spending for that year, or at least officers could be instructed to re-negotiate these payments, allowing again the formula 'unspecified savings from a renegotiation of etc' to be used in a budget amendment.</p> <p><b>Note:</b></p> <p>The council's (standard) accounting rules only allow such adjustments in provisions for liabilities if there is 'a reasonable expectation' that they can be realised. Don't the Labour group believe that there could be 'a reasonable expectation' that Ed Balls would restore the cuts to Southampton in 2015 and allow them to renew their payments? Or even cancel PFI contracts that are bleeding resources from public services?!</p>
<p><b>p31</b></p>	<p>The paragraph, Revenue Expenditure Funded From Capital Under Statute, shows that it is possible to fund spending that "does not result in the creation of a non-current asset" from "existing capital resources or by borrowing". This includes 'unsupported' or 'prudential' borrowing.</p>

<p><b>pp33-34</b></p>	<p>The paragraphs under the heading, Critical Judgements in Applying Accounting Policies, show the leeway the council has in making “certain judgements” on identifying and valuing ‘Heritage Assets’ (see note to <b>p23</b>); accounting for PFI contracts; future government funding for local authorities; the likelihood of pending liabilities and doubtful debt allowances.</p>
<p><b>p57</b></p>	<p>The breakdown of Southampton’s outstanding borrowing at April 2012 shows that, of the £300m total, 97% are loans underwritten by the Public Works Loans Board. Again as an illustrative example, to increase unsupported borrowing by even £20m would only bring the proportion of the council’s borrowing from ‘other financial institutions’ to a still ‘prudent’ less than 10%.</p> <p>Also of note is the analysis of the outstanding borrowings’ maturity, showing that nearly half (46%) of all outstanding borrowing will not mature, or require re-financing, for at least 25 years, and a further 28% for between five and ten years – plenty of time, surely the Labour Group would agree, for Ed Balls to carry out TUC policy to nationalise the banks and write-down councils’ outstanding debts?!</p>
<p><b>p61</b></p>	<p>The breakdown of the council’s cash and cash equivalents, including the £43.329m it held in Money Market Funds at 31<sup>st</sup> March 2012. This obviously includes the designated reserves, although some must be held in long-term investment instruments too.</p>
<p><b>pp62-63 and pp96-98</b></p>	<p>A breakdown of General Fund provisions. The significant provision funds are the General Insurance Fund, with a £6.836m balance at 31<sup>st</sup> March 2012, and Bad and Doubtful Debt provision (see <b>pp96-98</b>), also listed as the Impairment Allowance for Bad Debt, that had a balance of £5.7m (for council tax) and £1.9m for National Non-Domestic Rates at 31<sup>st</sup> March 2012.</p> <p><b>Note:</b></p> <p>In Lewisham in 2008 we proposed to half the contribution to a similar provision and use the ‘savings’ to finance our borrowing proposals. The Chief Finance Officer advised that this was ‘not prudent’ but could not rule it from being presented to the council for debate. So a proposal to cut or freeze contributions to these provisions – or even to re-allocate resources from them (so, for example, the council would have to raise revenue for future insurance claims when they emerged) – as a ‘temporary measure with a commitment to restore the provision in future years budgets’, would be legitimate.</p>



# Preparing a No Cuts People's Budget Leicester

## February 2015

THE ALTERNATIVE budget moved in Leicester by Wayne Naylor and Barbara Potter, the two-strong Leicester Independent Councillors Against Cuts group (a constituent part of TUSC), was in some respects the most straightforward of the examples gathered in this briefing document.

The Labour-controlled city council had a long-standing 'managed reserves policy', of effectively making more cuts than were immediately required to produce a 'balanced budget' in each financial year, in order to "avoid a 'cliff edge' situation in 2017-18", as their Director of Finance termed it in the budget report (25 February 2015).

In February 2015 the directly-elected Labour mayor proposed a budget freezing the amount to be spent on services at £242 million for 2015-16 and the next three years while adding £6.9 million to the council's reserves!

This was yet another real terms cut to local public services, rightly criticised by the council's UNISON branch as 'more disguised cuts'. As the union's branch secretary, Gary Garner, said, "Leicester city council is hiding behind a policy of organisational change and reviews and carrying out, by stealth, the coalition government's programme of public sector cuts" (Leicester City UNISON press release, 12 February 2015).

### **The 'People's Budget' idea**

But this year Labour didn't go unchallenged. Wayne and Barbara proposed an alternative, a 'People's Budget'.

This was based on the results of a People's Budget Conference hosted by Wayne and Barbara the previous October (see <http://www.tusc.org.uk/txt/353.pdf> for the conference flyer and <http://www.tusc.org.uk/txt/354.pdf> for a report of what was discussed).

Opposing the Mayor's plan to add to the council's reserves, the rebel councillors proposed instead spending the £6.9 million now on maintaining jobs and services – including funding the ideas agreed at the October conference – while launching a fight for the money needed for the city from central government.

Wayne Naylor challenged Labour: "You say you're saving the reserves for a rainy day. Well look around you – it's raining now! We need to save these services today before they're gone tomorrow". Barbara Potter said that the People's Budget alternative "gives hope to the people in Leicester. The Labour group have tried everything in the book to discourage our stance to protect services".

The Labour deputy mayor Rory Palmer denounced the rebel councillors' call as "the politics of irresponsibility" and the amendment was voted down. Once again Labour councillors had the chance to defend public services – and they chose not to.

### **The documents**

Two documents follow. The first is the press release put out by the rebel councillors just before the council budget-making meeting. And the second is the actual budget amendment, drafted by Wayne and Barbara, which was voted down by the Labour councillors.

# 1. Leicester rebel councillors' press release explaining their stand

Embargo - Immediate

PRESS RELEASE

FROM

LEICESTER INDEPENDENT COUNCILLORS AGAINST CUTS (TUSC)

PROPOSED CUTS TO LEICESTER CITY COUNCIL'S BUDGET "ARE NOT  
NECESSARY"

Government attacks to local council funding are having a disastrous effect on the people of Leicester. With £85 million having already been cut from the city's finances over the past four years, two councillors in Leicester aim to reverse this damaging trend. They say that the council must stand its ground and refuse to implement the government's austerity agenda

Proposals to further slash the city's already meagre budget are simply untenable. That is why the rebel councillors are planning to move a motion in the council's chambers on Wednesday to demonstrate their resolve to save public services.

Having parted company with the Labour Party last year, Cllr Wayne Naylor and Cllr Barbara Potter, formed Leicester Independent Councillors Against the Cuts, which is affiliated to the Trade Unionist and Socialist Coalition. They now feel free to keep their electoral promise to fight for the needs of their electorate by doing everything in their power to fight the cuts.

After autumn's 'People's Budget' conference, Cllr Naylor and Cllr Potter believe firmly that they will have broad public support in making their amendment to the city's budget. This position has been bolstered by a street ballot they undertook on Saturday, in which 100% of the public backed their anti-cuts platform.

## **Labour propose to hold £56 million in reserves!**

As the first step in their campaign, on Wednesday they will ask the Labour council to support their amendment to the cuts-budget that has been recommended to them by city Mayor Sir Peter Soulsby. Indeed, the money is available: astoundingly, at this time of need, Leicester's Labour council are planning to top up their reserves by £6.9 million this year, which will take it up to a grand total of £56 million.

"Residents are told that swingeing cuts to public services are necessary, whilst all that money just sits in the bank", Cllr Naylor said. "The council say they're saving the money for a rainy day. Well, I say it's already raining! We believe there is a simple solution for the

protection of our city's services – spend the £6.9 million now. This will give us time to build support for our campaign to bring an end to the deceitful politics of austerity”.

This strategy flows from their analysis that the people of Leicester will be inspired by their proposition and rally behind any councillors who stand up for what's right, and who take the fight to the government in order to defend their city's public services.

Cllr Potter added: “We do not accept that cuts need to be made at a time when the city already has £49 million sitting in the bank. If adopted, our proposal will mean that no cuts need to be made this year. In fact, the city will be able to invest some of the money the council intends to deposit in the bank into funding some of the services that the public told us they wanted at our People's Budget conference”.

**+++++END+++++**

**See attached proposal to be presented to the Full Council Budget Meeting on Wednesday evening at 5pm. A demonstration for the People’s Budget will take place before the meeting from 4pm in the Town Hall Square.**

## 2. Motion for Leicester council budget meeting, 25th February 2015

As a 'No Cuts' political group, we insist that now is not the time to be committing money to the council's reserves. Leicester is currently in a better position to many councils across the country with a reserve of £49million at a time when financial pressures are threatening service delivery. We are frustrated that information regarding the rolling programme of reviews does not have more detail at this point and do not accept that further cuts need to be made at this time, something that has been noted by UNISON in their response to the budget.

We ask that the strategy for reserves is altered to start taking the strain of potential cuts now rather than to wait until next year. Instead of increasing reserves we want existing services to be protected now. We understand the ideology of 'saving for a rainy day' but that day is here, and services need to be preserved for the greater good of the city's people and communities.

**Therefore we recommend that £5.9 million is committed to funding budget pressures across all departments to enable the 'status quo' on service delivery and that the city Mayor challenges government to restore an appropriate level of funding to the city.** This funding is to be available to all departments on a 'need to use' basis.

We would also like to propose **a further reduction in the contribution to reserves by £1 million** to be used to address, as one-off expenditure, the budget areas as set out below. In October 2014 we held a People's Budget Conference which was well attended and have since launched the idea of a people's budget which again gathered useful information and was well attended. A wide range of themes both local and national were captured, but in narrowing these down there are four key areas that we would like to see funded from the suggested reduction in reserve contributions:-

1. Accessibility to public services
2. Bus subsidies
3. Local training/employment/apprenticeships
4. Advice and guidance for Young People

We would welcome the opportunity to work with all councillor colleagues with regards to these areas outlined by people. We gave people the opportunity to have their say, we would like the opportunity cross-party to say that 'You said, we did!'. As part of this provision we **recommend one-off expenditure for a Funding Officer for one year to work with the Voluntary Sector, building stronger partnerships with the council to bring in extra funding for City Voluntary Sector Groups.** These groups play a vital part in service delivery within communities around the city and this should be actively encouraged.

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# Preparing a No Cuts People's Budget Hull February 2015

IN HULL an alternative budget was moved at the council budget-making meeting on 26 February 2015 by the former Labour councillors, Dean Kirk and Gill Kennett.

Dean and Gill had been expelled from the Labour group in 2014 having been earlier suspended for voting against the cuts budgets presented by the Labour Party majority on Hull council. They approached TUSC in summer 2014 to discuss the possibilities for producing an alternative budget for the 2015-16 financial year.

## **Labour's proposals**

At the February 2015 meeting the Labour group moved a budget with £5 million cuts and extra charges for council services and a 1.95% council tax increase. The budget included cuts to children's centres, which officers calmly admitted would mean that some would "no longer be viable", and ending funding for community use of schools, meaning that "a large number of clubs and voluntary organisations" would "not be able to afford access to facilities". And to make sure opposition to these and future cuts was muted, the Labour group proposed cutting the number of trade union convenors, affecting the unions' ability to organise. This, from a 'Labour' council.

## **A viable alternative**

But once again there was a 'no cuts' alternative on offer, prepared by the rebel councillors with TUSC's help, that the council's finance officer had to accept as viable, at least in the short term. As their amendment said, "there are ways to use the resources of our council to 'buy time', to avoid for the 2015-16 financial year the cuts in services, the above inflation rise in council tax, and the increased charges for council services in the Labour Group's proposed budget".

"But we do recognise", it went on, "that councils, including our own, have been put in a position that is unsustainable in the medium term.

“So for that reason we conclude our amendment with the instruction to the Leader and cabinet to urgently bring forward proposals for a campaign, in collaboration with other local authorities, to persuade the new incoming government to reverse the cuts in central government funding for local councils and provide relief funding for those authorities, including Hull, that have had to deplete their reserves or adopt other temporary budget-balancing measures to maintain vital public services”. But the Labour councillors voted instead for cuts.

### **The documents**

Included here are two documents from the process of producing a budget amendment in Hull.

The first is the final draft of the budget amendment submitted by Dean and Gill, using the wording it was presented in before it was incorporated by a council officer into the final council agenda document.

And the second is a letter from Dean Kirk to a council officer at an earlier stage in the process, explaining the reasoning behind some of the budget amendment provisions being proposed.

# 1. Motion for the Hull council budget meeting, 26 February 2015

## Amendment to the cabinet's budget proposals

This council agrees to amend the leader's General Fund Budget proposals as set out below:

### Reversing Savings Proposals

To reverse £3.770m of the service reductions and additional charges proposals in the leader's General Fund Revenue Budget for the 2015-16 financial year as follows:

- A1-42 – Staff Review Public Protection Service & Income Generation – £80K
- A3-10 – Integration & Alignment between HCC & the CCG shared services – £200K
- C1-5 – Revenue and Benefits Future Options – £525K
- C2-56 – Streetscene Trading Account – £180K
- C2-62 – Waste collection policy and charging – £74K
- C2-63 – General reduction in Streetscene expenditure – £50K
- C3-33 – Homelessness grants – £73K
- C3-39 – Traveller electricity metering income – £30K
- D1-9 – Reduction in number of union convenors – £100K
- D3-71 – Removal of colour printing option – £80K
- E4-11 – Cease funding for the community use of schools – £250K
- E4-12 – Children's Centres – £200K
- E4-13 – Sexual Health Services – £188K
- X-1 – Income maximisation from service charges – £720K
- X-11 – Transport review – £500K
- X-12 – Review of staffing costs – £520K

### Funding the Reversed Savings

To sustain the necessary General Fund revenue to reverse these savings by:

- a) Deleting the post of Chief Executive;
- b) Minimising the use of consultants;
- c) Realising ongoing savings from accepting applications for VETs [Voluntary Early Terminations] which are agreed by the unions as not effecting service provision;
- d) Identifying Earmarked Reserves that could be used on a short-term temporary basis for other purposes (to be replenished no later than the 2016-17 financial year);
- e) Allocating sufficient resources from general reserves to avoid a deficit in 2015-16.

### 2015-16 and Future Years Revenue Budgets

To instruct the cabinet to bring forward proposals for a campaign, in collaboration with other local authorities, to persuade the new incoming government to reverse the cuts in central government funding for local councils and provide relief funding for those authorities that have had to deplete their reserves or adopt other temporary budget-balancing measures to maintain vital public services.

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## 2. From Councillor Dean Kirk to the Hull Council Finance officer assigned to help the councillors prepare their amendment

13 February 2015

Thanks for passing on your initial comments on our budget amendment.

Given the information provided on the budget headings C2-58 and C2-61 – Reduced support to Priory Park and Ride, and Vehicle returns to KWL – we are taking these out of our **'Reversing Savings Proposals'**.

It wasn't as clear in the initial reports what the service impact would be. So that reduces the cuts to be reversed by our amendment to £4.011m.

Regarding the comments on our proposals under the heading **'Funding the Reversed Savings'** we would make the following points:

### **Capital spending – so why not borrow?**

**a)** The proposal to reverse C1-5 Revenue and Benefits Future Options is arguably capital spending, as suggested in the original 'Officer Proposals to balance 2015/16 budget'.

There it states, in answer to the question, 'why not do this ourselves?' that around "£500K investment would be required by the council to purchase and implement new technology which would allow performance to be maintained whilst creating capacity that transfers to a processing hub".

We will obviously be guided by your advice on this but it is not clear why this would not be borrowing to support capital spending.

**b)** Similarly with reversing the C2-55 Reduce Highway reactive budget proposal. The full title of this in the original 'Officer Proposals' report was: 'Reduce highway reactive budget but replace with capital', and it spoke of selling off a car park "to top up the capital pot" to ensure the "Portfolio holder commitment to preventive works on the highway" could be carried out.

Again, it is not clear why reversing this cut – not by selling off council assets but by prudential borrowing – would not be borrowing to support capital spending.

### **Use of consultants**

**c)** On the comment about our proposal to minimise the use of consultants that this is a 'policy decision rather than something that will generate immediate savings unless specific contracts are identified', this is right – but it doesn't negate the proposal. In reality we are asking the council to take a policy decision – a directive to the council leadership and officers – to realise ongoing savings by minimising the use of consultants.

It is true that we can't quantify what that will mean over the course of the financial year, but that is why we have the 'covering clause' at the end instructing officers and the council leadership to (f) 'allocate sufficient resources from general reserves to avoid a

deficit in 2015-16'. So we would still like to keep the point about consultants in the amendment.

### **Trade union monitoring of VETs**

**d)** We accept the argument that management agreement would be necessary on accepting VET [Voluntary Early Termination] applications but, as this is the case at present – when has a VET application been accepted without management agreement? – we would still wish to keep the proposal as worded, to ensure as council policy a union input into realising savings from accepting applications for VETs which do not effect service provision.

### **Use of earmarked reserves**

**e)** We would also like to keep in the proposal to identify Earmarked Reserves that could be used on a short-term basis.

The funding gap our proposals would create may well be able to be covered by general contingencies as you suggest but again the council should have a policy that it is prepared to temporarily use Earmarked Reserves if that is necessary to avoid cuts.

**f)** The same applies to the last clause in this section on 'allocating sufficient resources from general reserves to avoid a deficit in 2015-16'.

Once again it is a policy directive enabling the council leadership and officers to act other than by cutting services, jobs and conditions if budget outcomes during the financial year require measures to be taken to avoid a deficit.



# Preparing a No Cuts People's Budget Lewisham

## March 2008

TUSC WAS founded in 2010 as a coalition of individual trade unionists and socialists and various national and local organisations, including (after a decision at its 2012 annual conference) the RMT transport workers' union, the Socialist Party and the SWP.

The material collated here relates to the work of two Socialist Party councillors in the South London borough of Lewisham, Ian Page and Chris Flood, in presenting a costed alternative budget amendment at the 2008-09 council budget-making meeting.

This was consciously drafted by Ian and Chris as a legally compliant budget which, if adopted, would have enabled Lewisham council – for the 2008-09 budget year – to avoid proposed cuts of £4.234m and increase its capital spending on council housing Decent Homes works by £13m (a total budgetary shift of £17m).

### **Housing campaign victory**

Generally during their time as councillors in budget-setting meetings, Ian and Chris, as a small opposition battling against the majority Labour group, would quite legitimately just speak and vote against cuts without presenting a fully costed alternative, which obviously required time and resources to prepare and could potentially distracting from the councillors' campaigning work.

But as the 2008-09 budget took place against a background of local protests in Lewisham, on adult social care cuts and in particular a successful campaign to defeat a council housing transfer proposal (promoted by Labour on the grounds 'the money wasn't there' for Decent Homes works), they felt it was felt justified to spend the time producing a costed alternative.

This would add to the campaigns against the council's plans by showing what leeway the Labour council had – at least in the short term – if they had the will to fight.

The advantage of moving a 'legally compliant' budget was that it did not allow the Labour Group to use their preferred tactic in Lewisham of calling in the council's Monitoring Officer to 'give legal advice' when Chris and Ian's motions were reached on the order paper, which often deflected debates from the issues at hand. This time the Labour councillors had to debate the substance.

Chris and Ian's proposals, involving using the council's powers to increase its borrowings to be financed largely out of reserves, were not presented, of course, as 'sound finance', a viable long-term solution (they were accused by the Green Party councillors, who abstained on Chris and Ian's amendment, of adopting a 'scorched earth' policy towards the reserves).

They openly said that ultimately there was no 'clever tactic' that could avoid the need to build a mass campaign against the cuts. But their proposals would have brought time to build a campaign for the inevitable showdown with the government – then a Labour government, remember – for the necessary extra resources.

### **The documents**

There are two documents collected here from the Lewisham example.

The first is the actual budget amendment submitted by Ian and Chris, which was printed in the council agenda document along with the Chief Finance Officer's report, *Implications of the Socialist Group Budget Proposal*, which did not endorse the amendment but could not rule it as 'illegal'.

The second document is the transcript of Chris Flood's speech in moving the budget amendment. Chris took advantage of the procedural rule that the five minute time limit on councillors' speeches is suspended for those moving budget amendments to forensically defend the alternative budget, in particular the proposals to fund Decent Homes works by 'prudential borrowing', to the delight of housing campaigners in the public gallery if not the glum-looking members of the Labour group.



# 1. Motion for Lewisham council budget meeting, 3rd March 2008

## Amendments to the Mayor's budget proposals by the Socialist Party Group

This council agrees to ask the Mayor to accept an amendment to his budget proposals as set out below:

### Capital Programme

To increase the 2008/11 and future years Capital Programme by prudential borrowing of £13m, to finance Decent Homes works for council properties in the New Cross Gate former stock transfer area. The Housing Revenue Account (HRA) revenue to support this borrowing in 2008/09-2010/11 to be achieved by:

- a) Reducing the HRA contribution to Provisions for Doubtful Debts by £250,000 a year;
- b) Ongoing HRA savings from officers review of HRA costs as there is further clarification of the boundaries between the HRA and General Fund accounts;
- c) Contributions from HRA reserves.

### Revenue Budget

To allocate £4,291,800 from the General Fund balances to reverse 39 proposed revenue budget savings in 2008/09 as follows:

- COM 14 – Community & Neighbourhood Development – £176K
- CUS 10 – Trading Standards – £18K
- CUS 12 – Environmental Services – £80
- COM 23 – Care Assessment Teams – £52K
- CYP 24 – Children in Need – £130K
- COM 25 – Charging Policy – £300K
- CUS 13 – Cashiering – £50K
- CYP 25 – Corporate Parenting – £80K
- CYP 26 – Emotional Well Being – £148K
- CYP 27 – Voluntary Organisations & Volunteers – £304K
- CYP 30 – Generation Playgroups – £254.4K
- COM 26 – Crime Reduction – £43K
- CUS 16 – Switchboard – £100K
- CUS 25 – Reception – £24K
- CUS 28 – Environmental Services – £148K
- CUS 30 – Fleet Services – £72K
- CUS 33 – Environmental Improvement – £40K

REG 11 – Passenger Transport – £90K  
RES 20 – Pension Fund staff – £30K  
CYP 32 – Safeguarding & Planning – £475K  
CYP 33 – Hospital Recruitment – £171K  
CYP 34 – Clothing (School Uniform) Grants – £60K  
COM 27 – Neighbourhoods (SAGE) – £91K  
COM 28 – Broadway Theatre post – £20K  
CUS 34 – Access Point: Giffin Street – £100K  
CUS 35 – Trading Standards – £58K  
REG 12 & REG 13 – Accommodation Services – £69K  
REG 14 – Economic Development – £161K  
REG 15 – Planning Services: Job Link – £37K  
CYP 35 – Further Integration of Back Office Services – £271K  
CUS 38 – Bereavement: burial charges increase – £22K  
CUS 39 – Environment: pest control charging – £121K  
CYP 37 – Fostering, adoption & leaving care service – £100.5K  
CYP 39 – Youth Service posts – £70K  
CYP 40 – Inclusion Service posts – £205K  
COM 29 – Leisure Contracts – £58.9K  
CUS 43 – Private Sector Housing post – £30K  
REG 17 – Valuation services post – £32K

### **Future Years Revenue Budgets**

#### *Additional recommendation:*

Asks the Mayor to bring forward proposals for a public campaign to persuade the government to reverse the real terms cuts in Formula Grants announced for Lewisham for 2009/10 and 2010/11.

## 2. Speech by Councillor Chris Flood at the Lewisham council budget-making debate, 3rd March 2008

There are two main themes in the Socialist Group's budget amendment. Firstly, to separate out the real cuts to services from the efficiency measures that are contained within the Mayor's proposed Revenue Budget savings of £9.745m – and to oppose those cuts.

Secondly, to increase capital spending by £13m to start Decent Homes standard improvement works on council properties in the New Cross Gate area, following the clear rejection by council tenants there of stock transfer plans in the ballot that took place last November.

### **The Revenue Budget proposals**

We have gone through the Mayor's proposed Revenue Budget savings and after consultation with many service users, community groups and trade unionists we have identified 38 budget heading 'savings' that we believe will have a real 'frontline impact' in terms of increased charges, job losses and reduced services to the people of Lewisham.

It was 39 budget headings but now the Mayor has proposed not to reduce the Trading Standards Unit to providing just the statutory minimum service<sup>1</sup>. That's welcome. But if he takes that step why doesn't also reverse, as we propose, the deletion of a vacant Trading Standards Enforcement Officer post, which the Liberal Democrat budget amendment also picks up?<sup>2</sup> Or again, why go ahead with cutting a post in Food Enforcement<sup>3</sup>, which is also opposed in the Green groups' amendment? Or, for that matter, why raise charges for pest control in residential properties, which his own report admits has high 'public health significance'<sup>4</sup>?

Because of time, we don't propose to go through each of the 38 budget cuts which we are opposing. But we would point out that all of the Mayor's cuts that the Liberal Democrat and Green amendments oppose are included in our budget amendment. In other words, a substantial number of elected councillors in Lewisham believe that there are real cuts being proposed in the Mayor's budget, and that they should be opposed. But the question is, how?

### **Use of balances**

Our proposal is very straightforward. The money to stop these cuts should come from the General Fund balances [reserves]. The Budget Report states that the General Fund balances stand at £10.638m<sup>5</sup>, so there are sufficient funds there for the cuts that we've identified not to be made.

It is true, of course, that the Chief Financial Officer has made a 'Section 25 statement' arguing that, in her opinion, the balances should remain at the current level<sup>6</sup>. This is also the thrust of the officers' comments on our budget amendment as a whole. We acknowledge that advice, and we also acknowledge and thank her, and the other officers, who have advised us in preparing this budget amendment.

But we would also point to her own words on the question of whether or not it is 'permissible' to use the Revenue Fund balances – the General Fund balances and the Housing Revenue Account

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<sup>1</sup> CUS 35 – A saving of £58k.

<sup>2</sup> CUS 10 – Saving £18K

<sup>3</sup> CUS 12 – Saving £38K

<sup>4</sup> CUS 39 – Savings £121K

<sup>5</sup> Budget Report 2008/09, paragraph 7.23. Our 'rejected savings' come to £4.234 million, using 39% of the balances.

<sup>6</sup> Budget Report 2008/09, Appendix Y3 and Implications of the Socialist Group Budget proposals, 3 March 2008

balances – in the way that we propose. While, as she says, members should ‘take into account’ her Section 25 report, she goes on to say:

*“There is an opportunity cost of holding non-earmarked balances and it is ultimately a judgement about the benefits of maintaining this resource rather than applying it”.<sup>7</sup>*

That is what we are doing tonight. Our judgement is that these are cuts too far. That they shouldn’t be made. And that we should use the balances not to make them.

### **Future Years Revenue Budgets**

That approach clearly has an impact on future budgets. That’s why we are also proposing, under the heading Future Years Revenue Budget, an amendment that:

*The Mayor should “bring forward proposals for a public campaign to persuade the government to reverse the real terms cuts in Formula Grants announced for Lewisham for 2009/10 and 2010/11”.*

It is important to make the point that, under a New Labour-led council, in the eleventh year of a New Labour government, the people of Lewisham are facing the prospect of real terms cuts in funding for council services for the next two years.

This not because the money isn’t there. The government has spent over £7 billion to date on its ‘wars of choice’ in Iraq and Afghanistan – although Joseph Stiglitz, the former chief economist at the World Bank, puts the real cost to Britain at £20bn.<sup>8</sup>

The government made available, as we all know, £55 billion to underwrite Northern Rock. Jumping ahead to our proposal to finance Decent Homes works in New Cross Gate, if the government gave 20p to Lewisham council for every £1,000 that’s gone to Northern Rock, every council tenant in that area could have new bathrooms, kitchens and windows tomorrow.

It is not as if Britain is a poor country. It was recently revealed that Tesco – who are regular corporate donors to New Labour<sup>9</sup> – have avoided tax of £1 billion on profits from a property lease-back scheme.<sup>10</sup> But that is just one example of the corporate tax policy that has been followed by the New Labour government. Nearly a third of Britain’s top 700 companies paid no corporation tax in 2005-06 and a further third paid less than £10m.<sup>11</sup> The money is there – it is just not being made available to spend on the public services that we need.

Coming back to the Revenue Budget, even within this year’s local government settlement, Lewisham has been hit. Firstly, there are central government cuts this year including in Waste Efficiency Grant, Mental Health Grant, Learning Disability Development Fund grant, and Carers Grant totalling £1.069m.<sup>12</sup>

Secondly, Lewisham’s Formula Grant increase this year was a below inflation 2%, compared to a national average increase of 3.6%. In cash terms, that means Lewisham was ‘short-changed’ by £2.732m.<sup>13</sup> Just those two figures combined come to £3.8m, not far short of the total Revenue Budget cuts we are opposing.

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<sup>7</sup> Budget Report 2008/09, Appendix Y3

<sup>8</sup> The Guardian, 28<sup>th</sup> February 2008

<sup>9</sup> Register of donations to political parties, 2005 & 2006, The Electoral Commission.

<sup>10</sup> The Guardian, 27<sup>th</sup> February 2008

<sup>11</sup> The Guardian, 27<sup>th</sup> February 2008, quoting National Audit Office figures, 2007.

<sup>12</sup> Budget Report 2008/09, paragraphs 7.45 & 7.61, plus changed Housing Benefit rules on ‘Private Sector Leasing’ schemes, affecting the homelessness budget.

<sup>13</sup> Budget Report 2008/09, paragraph 7.85. The £2.732m figure is the amount extra Lewisham would have got if its formula grant had increased by the national average of 3.6% rather than 2%.

We are not asking 'Sir Steve' to copy John Lennon, who handed back his OBE in 1970 in protest at the Vietnam war. But we are asking the Mayor, and his fellow New Labour councillors, not to make the real cuts in Lewisham's services that they are proposing. To use some of the council's balances to avoid these cuts. And to launch a public campaign of explanation and strong protest, including linking with other London councils who are also being hit, to reverse the government's real term cuts to future years budgets.

### **Capital spending proposal**

Our proposals for the Revenue Budget are aimed at stopping real cuts to services. But our proposal to increase capital spending by £13m to start Decent Homes works in New Cross Gate aims to improve the daily life of thirteen hundred tenants in this area.

Councillors will know that last November, after an 18 month-long, £1 million pound campaign<sup>14</sup> promoting transfer to Hyde Housing Association – £750 per tenant – tenants voted by a substantial majority against transfer and in favour of decent standard council homes.

No democrat could underestimate the significance of that vote. There was a higher turnout in the ballot – at 56% – than in any other election that has taken place in the New Cross Gate area for years. The local elections for New Cross ward had a turnout of 19% in 2002 and 23% in 2006. The general election turnout in Lewisham Deptford constituency – not just New Cross Gate – was 46% in 2001 and 51% in 2005. The Mayor was elected on a turnout of 34%.

Democrats do not ignore those mandates. And we don't propose to ignore the even clearer vote of council tenants in New Cross Gate.

### **How much is needed for Decent Homes works?**

We are moving this amendment in the knowledge that there is a report before Wednesday's Mayor and Cabinet meeting with proposals for five new 'mini'-stock transfers for some properties in New Cross Gate, in areas where allegedly the voting was for transfer or 'unclear'. We have already received representations from tenants in the affected areas who are outraged that this plan is being considered without exploring other options. They are particularly outraged when they know that our proposal shows that Lewisham council *can* find the resources for Decent Homes works.

There may be some dispute over how much is needed for Decent Homes works in New Cross Gate because there are some contradictory figures in the Mayor & Cabinet report.<sup>15</sup> Actually, we would dispute much of the information in that report.

For example, on the voting analysis figures. There was a report at the end of January in *Inside Housing* magazine<sup>16</sup> – after the Hyde ballot – quoting an unnamed Lewisham spokesperson saying that "*coded ballot papers*" had been issued to some tenants – so-called 'tolerated trespassers' – in transfer ballots.

*"A voting analysis shows how tolerated trespassers voted", this 'spokesperson' continues, and "in the event that their votes affected the outcome of the ballot they would be discounted"!*

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<sup>14</sup> Mayor & Cabinet Report, 31<sup>st</sup> October 2007

<sup>15</sup> Mayor & Cabinet Report, 5<sup>th</sup> March 2008. This refers to the comments in the report that "analysis of the investment need" for the area shows that £29.6m is needed, reflecting "the increased levels of non-decency since the last stock condition survey" conducted by Savills in 2003. But this is not the results of a new stock condition survey – the report carefully avoids saying it is – just "an analysis of investment need", which is not a basis for taking key financial decisions.

<sup>16</sup> Inside Housing, Glut of tenants with no rights, 25<sup>th</sup> January 2008

Is that how the Mayor & Cabinet report's 'area voting analysis' has been done? At the very least the scrutiny committee must ensure that a proper scrutiny of this report is made, including a chance for a full council debate.

Coming back to the question of how much is needed for Decent Homes works in New Cross Gate, our figures are based on the information produced by council officers during the ballot itself.

On 23<sup>rd</sup> November – just 13 weeks ago – a letter was sent to every tenant by the Executive Director of Customer Services<sup>17</sup>. It started with the words:

*“I understand there is some confusion about the proposed stock transfer in New Cross Gate. I am writing to reassure you about the facts”.*

It went on. Under the heading, 'Council investment if there is a majority No vote', it said:

*“FACT – Lewisham Council's stock condition survey identified a need for at least £20 million investment in New Cross Gate in the next five years, to bring housing up to the minimum [decent homes] standard that residents expect. However, it cannot afford this and expects to have only £7 million to fund this investment, and has no further funding available”.*

In other words there is a £13m gap between what Lewisham Homes can expect to receive for New Cross Gate if it achieves its two-star rating in November 2009 and what is needed to be spent to achieve Decent Homes standards. It is that gap that we propose to fill by additional prudential borrowing.

### **Councils can make 'unsupported' or 'prudential' borrowing**

Councils can undertake 'prudential borrowing', also known as 'unsupported borrowing'. The Mayor's proposed 2008-2011 Capital Programme includes 'unsupported borrowing' of £4.397m.<sup>18</sup> Our amendment proposes to increase this by £13m.

This is not 'reckless' borrowing. For example, in comparison, Labour-controlled Tower Hamlets council has an 'unsupported borrowing' element in its 2008-11 Capital Programme of £13.594m, 6% of its Capital Programme. Our amendment would increase the prudential borrowing element of Lewisham's Capital Programme to 7.5%.

And it is certainly less than the £29.426m 'unsupported borrowing' the Mayor made in 2006 – without reference to full council – when he agreed to effectively take on the debts of Hyde Housing Association on the re-build and refurbishment of 149 properties on the St John's estate.

### **How will it be financed?**

How will our prudential borrowing proposal be financed? The officers have calculated that prudential borrowing of £13m over 25 years would cost the Housing Revenue Account (HRA) £1.027m a year<sup>19</sup>, 8% of the principal.

We had calculated a revenue requirement from the HRA of £830,000, at 6.4% of the principal, on the basis that this figure – £1.89m, 6.4% of the principal – was the additional cost provision to the Housing Revenue Account agreed at the council budget meeting last year to finance the St John's estate unsupported borrowing.<sup>20</sup>

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<sup>17</sup> Letter to New Cross Gate tenants from Lesley Seary, Executive Director of Customer Services, 23<sup>rd</sup> November, 2007.

<sup>18</sup> Budget Report 2008/09, paragraph 5.4. Table A1.

<sup>19</sup> Council Report, Implications of the Socialist Group Budget Proposal, paragraph 4.1.1

<sup>20</sup> Mayor & Cabinet Report on the St John's estate, 6 June 2007, paragraph 12.2

Incidentally, the Mayor and Cabinet report on this matter – in June last year – said:

*“There is an option to pay interest only on the principal”.*<sup>21</sup>

But it then recommended that:

*“Future years Housing Revenue Account budgets should include provision for repayment” of the principal as well as the interest.*<sup>22</sup>

We are not proposing to only repay the interest on the New Cross Gate loan, although these points show the flexibility that the council does have in these matters.

However we would argue that the loan term should be 30 years, with consequently lower annual repayments, as that is the basis on which all the business plans for New Cross Gate Decent Homes works have been calculated to date and we see no reason why our proposal should be calculated any differently.

### **Does our proposal add up?**

Even given the officers calculation of a £1.027m HRA charge, our proposal still adds up for the duration of the 2008-2011 Capital Programme which, of course, is the legal requirement that a budget proposal has to meet.

Firstly, we propose to reduce the HRA contribution to Provisions for Doubtful Debts by £250,000 a year.

The council's accounts show that in 2006/07 the Housing Revenue Account paid £1.051m to the Provision for Doubtful Debts and £1.078m in 2005/06.<sup>23</sup> The accounts also show that the reserves in this provision stood at £7.682m at the end of the 2006/07 financial year. The Budget Report states that Bad Debts for rents in 2007/08 stood at £800,000, which is also the projection made for 2008/09.<sup>24</sup>

Incidentally, the projection for Housing Revenue Account Bad Debts for 2009/10 and 2010/11 made in a Mayor & Cabinet report in October<sup>25</sup> was for £600,000. But whatever the projections are, it is clear that the HRA could reduce its contribution to the Doubtful Debts provision by £250,000 a year for the next three years, releasing that money to partly finance prudential borrowing.

Our second revenue proposal is to use any ongoing HRA savings that are made from further clarification of the boundaries between the HRA and General Fund accounts.

Because of PFIs, stock transfers and the creation of Lewisham Homes there are areas of expenditure which were previously charged to the HRA that are now being charged to the General Fund, for example, costs relating to Warden expenditure<sup>26</sup>.

The Budget Report also states that:

*This process of “clarifying the boundaries between the two accounts” will continue, including “the ‘Pembrokeshire’ case where certain expenditure on estate roads needs to be charged to the General Fund”.*<sup>27</sup>

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<sup>21</sup> Mayor & Cabinet Report on the St John's estate, 6 June 2007, paragraph 8.6

<sup>22</sup> As above.

<sup>23</sup> Lewisham Council pre-audited statement of accounts, 2006/07, p71

<sup>24</sup> Budget Report, Appendix X1.

<sup>25</sup> Mayor & Cabinet Report, Medium Term HRA Strategy, 3<sup>rd</sup> October 2007

<sup>26</sup> Budget Report 2008/09, paragraph 6.19

<sup>27</sup> Budget Report 2008/09, paragraph 7.41

Our amendment can not specify exactly how much 'ongoing HRA savings' from the above process there might be available, but there will be some and they should be used to support our prudential borrowing proposal.

Our last proposal is to draw on the HRA reserves, which the Budget Report says stand at "*approximately £5.8m... not earmarked for specific expenditure*".<sup>28</sup> And we would refer once again to the 'Section 25' comments of the Chief Financial Officer that it is ultimately a matter of judgement by councillors 'about the benefits of maintaining these resources rather than applying them'.

The Housing Revenue Account report submitted to the Mayor & Cabinet in October predicted a surplus – and therefore a contribution to reserves – of £101,580 in 2009/10, rising to £268,208 in 2010/11<sup>29</sup>, following this year's surplus of £2.25m.

And although the Budget Report forecast for the coming year, 2008/09, is for a deficit of £934,000, the fact that the Mayor proposes that this be met "by use of reserves"<sup>30</sup> – which of course proves that reserves can be used to balance the budget – shows that it is legitimate – an exercise of political judgement – to decide to use reserves in the way that we propose.

One final point.

Having lost the New Cross Gate transfer ballot the Mayor & Cabinet are now coming back with new proposals for stock transfer. The report that will be discussed on Wednesday admits, as a minimum, that:

*"The transfer of the stock in the five areas will add a cost pressure to the Housing Revenue Account of some £0.6 million".<sup>31</sup>*

It is also completely ambiguous about how much Hyde are prepared to reimburse Lewisham for a new transfer process.

Our proposal, to respond to the clearly expressed desire of local tenants to remain as council tenants, in decent standard *council* homes, will no doubt be denounced as being 'reckless with the council's finances'. But it is not us who will sit here today and debate a budget and then, in two days time, add new 'cost pressures' to it, against the wishes of local tenants!

Our proposals are bold and will require a campaign over the next year for more resources to meet the needs of the people of Lewisham.

But they can be afforded with the resources Lewisham has today. Cuts can be avoided. Council tenants lives can be transformed. And councillors have a choice and can make a judgement that the time is right to act. That is why we are moving our budget amendment.

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<sup>28</sup> Budget Report, 2008/09, paragraph 6.20

<sup>29</sup> Mayor & Cabinet Report, Medium Term HRA Strategy, 3<sup>rd</sup> October 2007

<sup>30</sup> Budget Report 2008/09, paragraph 6.17

<sup>31</sup> Mayor & Cabinet Report, 5<sup>th</sup> March 2008.





# Preparing a No Cuts People's Budget

## What can councils do?

ATTEMPTING TO inoculate themselves from the demands to resist austerity that had been inspired by Jeremy Corbyn's leadership election victories in 2015 and 2016, the right-wing Labour council leaders succeeded in getting a rule change through the 2016 party conference that any Labour councillor supporting a "proposal to set an illegal budget" could "face disciplinary action". But what is an "illegal" budget? What could it mean to 'set a budget' that isn't 'legal'?

Unlike in the US a council in Britain cannot go bust in the same way as a private company can. A court could appoint a receiver if a council defaulted on its liabilities but it would not be the equivalent of a private sector bankruptcy in which a company is wound up (and creditors risk losing their money). Because only an act of parliament can dissolve a local authority, council finances are implicitly underpinned by central government.

### **The 'balanced budget' requirement**

To maintain some control by central government of council finances local authorities are legally required to set a 'balanced budget' each year before they can issue council tax bills, set service charges etc. If a council meeting was to deliberately approve an 'unbalanced budget' the council chief finance officer would serve a Section 114 notice to block council departments from non-statutory expenditure and prevent the issuing of council tax bills. That is why TUSC does not advocate presenting deliberately 'unbalanced budgets' to council budget-making meetings or using the meetings to not set a budget at all, which would precipitate an immediate legal conflict.

But presenting a no-cuts budget that is formally 'balanced' by the use of prudential borrowing powers and reserves, to buy time to build a mass campaign for government funding while still maintaining the functioning of the council, is a different matter. This is the strategy that has been pioneered by TUSC.

This would not avoid a potential clash down the line with council chief finance officers or the government. The alternative budgets that were presented by TUSC-supporting councillors that are published in this briefing, and the Lewisham

example they were based on, were not positively recommended by council officers. But neither could they be ruled as ‘illegal’, or ‘deliberately unbalanced’.

### **‘A matter of judgement’**

Councils routinely overspend the targets they set at their budget-making meetings in February or March each year. Out of 152 councils with children’s services responsibilities in 2017-2018, for example, 133 overspent their projected budget by the year-end, by a combined £807 million, which was largely met from reserves.

The use of borrowing powers and reserves to meet projected deficits is, by statute, a ‘matter of judgement’ for councillors to make, which could at least be legally defended while a mass campaign of opposition to the cuts is built.

The Covid crisis has shown the room for manoeuvre that exists. A National Audit Office report from March 2021 recorded that nearly a quarter of councils had ‘materially overspent’ the budgets they agreed at the start of the 2020-21 financial year which, at the time they were voted on, were formally ‘balanced’. The Department of Housing, Communities and Local Government issued exceptional ‘capitalisation orders’ to several councils which had overspent, allowing them to use capital funds for day-to-day spending.

The Labour Party in local government is not powerless. The 120 or so Labour-led councils have a combined spending power greater than the individual state budgets of 16 European countries. They are a potential alternative power that could compel the government into yet further funding U-turns, if they were prepared to fight. The ‘technical’ means to avoid cuts while conducting such a campaign can always be found.

### **The documents**

Three documents have been included in this section. The first is a reprint of an article initially published in January 2016 responding to a circular letter to council Labour Groups from Jeremy Corbyn, John McDonnell and Labour’s then shadow local government secretary, Jon Trickett. The letter had been produced after intensive lobbying from right-wing Labour council leaders and the article reprinted here shows that there were no legal grounds for them not to resist a new round of cuts to local council services and jobs.

This is followed by two more recent items. Firstly, the introduction to a TUSC report published in February 2021 examining what policy pledges that were made in Labour’s Manifesto for the 2019 general election could still be implemented by Labour councils today, even under a Tory government.

And lastly, and perhaps most importantly for the struggles ahead, an example from the frontline of how TUSC’s fighting strategy could be applied: in this case in a detailed plan drawn up by a Liverpool branch of the Unite union to meet the city’s funding crisis, the root of the turmoil that rocked the Labour-run council there at the beginning of 2021.

## 1. The 2015 circular letter to council Labour Groups controversy

In late December 2015 Jeremy Corbyn, John McDonnell and Labour's then shadow local government secretary Jon Trickett issued a joint circular letter to council Labour Groups in response to questions right-wing Labour councillors were raising on the situation they faced in the run-up to the first round of council budget-setting under Jeremy Corbyn's Labour leadership.

In an article first published in issue No.883 of *The Socialist*, 6 January 2016, TUSC's national election agent CLIVE HEEMSKERK explained that there were no legal grounds for councillors not to resist a new round of cuts to local council services and jobs.

# No retreat on resisting council cuts!

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A week before Christmas, on the last day of parliamentary business in 2015, the Communities and Local Government Secretary Greg Clark announced the 2016-17 local finance settlement, listing the exact amount of national funding each council will receive for the next financial year.

This filled out the details, at least for the coming year, of George Osborne's plan revealed in the November comprehensive spending review for a further four years of draconian austerity for local public services.

Even the Tory chair of the Local Government Association, Lord Porter, had denounced Osborne's attack. "If councils stopped filling in potholes, maintaining parks, closed all children's centres, libraries, museums, leisure centres and turned off every street light", he complained, they will still "not have saved enough money to plug the financial black hole they face by 2020". (*The Guardian*, 26 November) Labour's shadow local government secretary Jon Trickett agreed the situation was "bleak" for councils and "is only set to get worse".

So it was doubly disappointing for those who hoped Jeremy Corbyn's Labour leadership victory opened up a new opportunity to resist austerity that, on the same day as the local finance settlement was announced, Corbyn issued a joint letter with Trickett and the shadow chancellor John McDonnell that, whatever its intentions were, will have the effect of undermining the anti-cuts struggle in the months ahead.

### Seized on by the right

The letter, sent to the leaders of council Labour groups, did not instruct councillors to respond to the Tories' cuts in government funding by setting budgets in February and March to further slash local jobs and services. But that was how it was eagerly interpreted by the capitalist media, with a *Guardian* strapline proclaiming, "Re-run of 1980s defiance over cuts is ruled out" (19 December).

Labour councillors across the country followed suit, using the letter to say that their approach of passing on the Tory cuts had been endorsed by Jeremy and John.

One graphic example was Manchester, a city where all 96 councillors are Labour. Local groups of the Trade Unionist and Socialist Coalition (TUSC) have been sending letters to Labour councillors since Jeremy Corbyn's leadership victory in September 2015 asking for a discussion on how council cuts could now be resisted. The Manchester TUSC letter was sent in October but it was only after the Labour group leader Richard Leese had received the circular from Jeremy Corbyn that he replied, quoting selected paragraphs from it. There are no Tories on Manchester council but Labour councillors will blame them nonetheless for the cuts they will vote through, 96 to nil!

Unfortunately, every service cut, bedroom tax eviction made or worker sacked by a Labour-controlled council will now be justified by councillors referring to the Corbyn and McDonnell letter.

### **‘Legal’ budgets**

This has been made possible because the letter misleadingly conflates the issue of not setting a budget at all – which would be open to immediate legal challenge – with the legal requirement that councillors have to set a ‘balanced budget’.

Complying with Tory laws is not the highest duty. Jeremy Corbyn and John McDonnell are on record, rightly, as backing workers prepared to defy the anti-union laws. The 1921 Poplar councillors fought under the banner, ‘It’s better to break the law than break the poor’, echoed by the Liverpool and Lambeth councillors in the 1980s. But in fact a no cuts budget could meet the legal requirement to be ‘balanced’.

This was the case with the alternative budgets that have been presented by TUSC-supporting councillors in Southampton, Hull and Leicester, and the example they were based on, the budget moved by the two Lewisham Socialist Party councillors, Ian Page and Chris Flood, in 2008.

The details differed but the budgets were ‘balanced’ by drawing on the councils’ reserves, using the borrowing powers that councils have, and ‘creative accountancy’. In fact they were models of the “innovative ways of making progress” that councils still have the powers to implement and which are praised in the Corbyn and McDonnell letter. In each case they were legal budgets, unorthodox and not recommended by the councils’ Chief Finance Officers, but budgets which could have been passed if the majority Labour councillors had found the will to fight the cuts.

But they would only have brought time for the individual council, preventing cuts for a year or two. They could only ever be a first step in a national campaign to force the government to properly fund local public services. The possibility for that is what is being undermined by Jeremy Corbyn and John McDonnell’s letter, unless they clarify their position to make it clear they still oppose Labour councils sacking workers and cutting services.

### **No compromise on cuts**

A combined campaign of Labour councils refusing to implement the cuts could defeat the government. If the total gross spending of the 100-plus Labour-controlled councils in Britain was counted as a ‘gross domestic product’ (GDP), they would be the eighteenth biggest country in the EU! How can it be credibly argued that they ‘have no power’ to resist the Tories?

George Osborne was forced to retreat after a House of Lords rebellion last October, making him claim he had found an extra £27 billion in the public finances to enable him, amongst other things, to drop proposed cuts to tax credits. The Lords were stretching their ‘legal powers’ to overturn a government finance measure. Arguably in fact more so than Labour councils would be stretching their powers if they ‘interpreted’ those they do have in order not to make the cuts. The issue for Labour councillors, which is what Jeremy Corbyn and John McDonnell should be stressing, is one of political choice, a determination not to carry out the capitalists’ demands for austerity.

Local TUSC groups should systematically approach Labour councillors in the run up to the council budget-making meetings in February and March to see if they are prepared to fight the cuts, as some will be. But the TUSC conference in September was also clear that any politician who votes for cuts cannot expect to have a free run at the ballot box, “no matter what party label they wear”. There can be no compromise on cuts.

# What is the legal position?

Jeremy Corbyn and John McDonnell's letter says "councils must set a balanced budget under the Local Government Act 1992. If this does not happen... then the council's Section 151 Officer is required to issue the council with a notice under Section 114 of the 1988 Local Government Act. Councillors are then required to take all the necessary actions in order to bring the budget back into balance".

"Failing to do so can lead to complaints against councillors under the Code of Conduct, judicial review of the council and, most significantly, government intervention by the Secretary of State".

This is an accurate summary of the legal position. But even just from a legal viewpoint it actually shows that the Tories do not have the draconian powers they are usually portrayed as having by Labour councillors seeking to excuse their refusal to fight.

## **The 'code of conduct' sanction**

Where for example is the power of surcharge, which timorous Labour councillors still raise and which actually was inflicted on the Liverpool and Lambeth councillors in the 1980s? As TUSC has consistently explained, it was abolished in the 2000 Local Government Act. And equally there is no prospect of imprisonment, as the Poplar councillors were faced with in 1921. Instead today's rebels would have to confront... the councillors' code of conduct!

And even that sanction is no longer as potent as it was. Breaches of the code of conduct used to be dealt with under the Standards Board regime, which could lead to a councillor being disqualified from office for a maximum of five years. But the Standards Board was abolished by the Con-Dem's 2011 Localism Act, in a cost-cutting purge of 'quangos'. Now a complaint would have to be considered by the council itself "in any way the authority sees fit" – hardly a fearsome block to a Labour council committed to resisting the cuts.

## **Government intervention**

The purge of quangos also saw the end of the Audit Commission, the body that had previously appointed District Auditors with the power to seek a judicial review of council budgets. Councils are now moving to a position similar to NHS Trusts who appoint their own auditor. Significantly, despite almost two-thirds of English NHS Trusts predicting that they will end this financial year in deficit, the accountancy companies seeking to retain their audit contracts have issued no 'public interest reports' against them.

And lastly, there is the spectre of "government intervention by the Secretary of State", with the reserve powers to appoint commissioners to take over particular council functions. These were used most recently, in February last year, after a report found Rotherham council to be 'not fit to handle child sexual exploitation'.

Winning public support for commissioners to intervene in the Rotherham scandal is one thing. But deploying commissioners to take over councils mobilising popular support in a national campaign against the cuts, is another matter entirely.

No Labour councillor can credibly say 'we have no choice' but to implement the cuts. They do.

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## 2. Councils' powers & Labour's 2019 Manifesto



From the TUSC website, 1 February 2021

# New TUSC report: could councils implement Labour's 2019 pledges?

THE TUSC All-Britain steering committee has launched a new report examining what policy pledges that were made in Labour's Manifesto for the 2019 general election could be implemented today by the 120 or so councils across Britain that are under Labour control.

The report, available at <https://www.tusc.org.uk/txt/434.pdf>, goes through in detail what was pledged by Labour in 2019 and what councils have the legal powers to implement now – not after a general election, or after new legislation is passed, but immediately, today. If, that is, there were councillors in our town halls prepared to fight.

And that is certainly one thing the Covid crisis has revealed – how the vast wealth that's there in what is still the fifth or sixth richest economy in the world can be drawn upon to serve public needs when sufficient pressure is applied.

### A government of U-turns

Since the start of the pandemic the government of Boris Johnson – despite being based on Margaret Thatcher's 'the free market rules' ideology – has made U-turn after U-turn against the background of growing anger and public outcry.

So many things ridiculed before as impossible or not realistic have been enacted, even if incompletely. At the start of the spring lockdown the government in effect nationalised the railways and other forms of transport to keep the system going. Over the course of one weekend councils were instructed to provide accommodation for all those living on the streets.

The founding policies of TUSC included the call for massive increases in funding "for quality public services" organised "under democratic public ownership and control". The Johnson government's measures have certainly not been of this character, with private contractors siphoning off a hefty slice of public money for their own profit. Meanwhile, homelessness is rising again and private companies are still embedded in the transport system.

But nonetheless the measures have demonstrated that when under pressure even a government of the rich can be forced into making huge concessions in the interests of ordinary people.

And the scale of the intervention cannot be doubted. There has been the biggest ever increase in public expenditure outside of wartime.

## **Labour's 2019 Manifesto**

The December 2019 general election saw the publication of the most radical Labour manifesto since 1983, under the heading *It's Time For Real Change*. While still limited in many areas it gave a glimpse of what policies are possible. It was accompanied by a costings document, *Funding Real Change*, or 'the grey book'.

The initial yearly cost of additional resource spending for the entirety of Labour's 2019 Manifesto totalled £82.9 billion. There was a further proposal for a £150 billion social transformation fund, to be spent over five years, including £75 billion to help build 150,000 new homes each year and replacing, upgrading and expanding schools, hospitals, and care homes.

At the time of the general election the Tories and their media friends ridiculed this as unrealistic and unaffordable. Yet eleven months later, as recorded in the November 2020 spending review, £283.9 billion had been spent by the government to tackle Covid-19 to that point. It is a fact: Johnson and Rishi Sunak's public spending has already far exceeded that proposed by Jeremy Corbyn and John McDonnell!

Can it be financed? Yes. Even the Financial Times was forced to concede in early December that "introducing a one-off UK wealth tax of five per cent on net assets above £500,000 would raise more than £260 billion for the country's coronavirus-ravaged public finances". The money is there – but what is required is a fight to get it spent on democratically controlled public services for the post-Covid challenges to come.

### **The role councils could play**

While the Tories won the 2019 general election it is a fact that 10.26 million people voted Labour, only the second time it had polled over ten million votes since 2001 (2017 being the other time, also under Jeremy Corbyn's leadership).

In other words, millions of people were prepared to back substantial increases in public spending even before the Covid crisis showed how realisable it is to do so. Why can't that support be re-mobilised now – with Labour-led councils in the frontline?

Labour leads over 120 councils, with a combined spending power greater than the state budgets of 16 EU countries. The 2019 Manifesto pledges – still not officially repudiated as Labour policy by new leader Keir Starmer – included many policies that would radically improve people's lives that local councils have the legal powers to implement now.

The TUSC briefing explains the details of some of those policies – quoting from the Manifesto document – and the relevant national costings from the grey book. The point of this is to show what could be carried out by Labour-led councils now, using their reserves and borrowing powers to temporarily finance them, while launching a mass campaign locally and nationally – building the pressure – for funding from central government. In the appendix below the pledges are presented as bullet points, taken from the text of the report.

How councils could use their powers to temporarily maintain a 'balanced budget' while fighting for proper resources from the government has been explained in previous TUSC documents. But what is most needed is the will to fight.

What is clear, confirmed by the Covid crisis, is that the question is not, 'Is the money there?' – but how can a campaign be won for it to be spent on the policies and public services we need. This new report from TUSC is a contribution to that debate.



## **Appendix:**

# **The implementable policy pledges in the 2019 Manifesto as bullet points**

The 2019 Manifesto pledges included at least 46 policies that would radically improve people's lives that local councils have the legal powers to implement now. These are listed below as bullet points taken from the text of the main report, following the subject headings in the report.

### **Work and pay**

- Ensure that any work undertaken by or for Labour councils is done by workers paid at least £10 per hour.
- End the use of zero-hour contracts by Labour-led councils and by any company undertaking work for them.
- Deliver a year-on-year above inflation pay rise to begin to restore lost pay.
- Provide facilities and public support for trade unions fighting in their local authority area for such standards in the private sector.
- Immediately begin to reduce the working week for council workforces with no loss of pay.
- Use trading standards powers to resist the extension of Sunday trading and the working day.
- Seek agreement from the union representatives in a given store before allowing variations to opening hours, empowering them to ensure overtime payments and defend their terms and conditions, with the council refusing to grant any extension without such agreement.
- Use planning powers to object to new premises proposed by food companies that do not recognise unions.

### **Decent public services**

- End outsourcing and return all outsourced and privatised services to council control, restoring them to an even better standard of service than before.
- Reopen closed libraries and other community assets, updated to meet the needs of local people.
- Take back all PFI contracts.
- Remove the barriers constructed by society to ensure that disabled people can participate fully and equally in our society. Provide the extra support for severely disabled people without a formal carer that they need to enable them to meet the extra costs they inevitably face.

## **Health and care**

- Provide community-based, free person-centred adult care support, underpinned by the principles of ethical care and independent living.
- Provide additional care packages to support both older people and working-age adults living independently in their own homes.
- End 15-minute care visits and provide care workers with paid travel time, access to training and an option to choose regular hours.
- Top-up the Carer's Allowance for unpaid full-time carers.

## **Early years, schools and education**

- Reverse cuts to Sure Start centres to provide a genuinely universal service, available in all communities.
- Ensure that all two, three and four-year olds will be entitled to 30 hours of free pre-school education per week and access to additional hours at affordable, subsidised rates staggered with incomes.
- 'Poverty-proof' schools, by the introduction of free school meals for all primary school children, funding for breakfast clubs, and grants for school uniforms.
- Introduce grants for adapting foster homes for disabled children.
- Introduce a local arts pupil premium.
- Introduce additional education entitlements for workers in industries that are significantly affected by industrial transition.
- Restore funding for English for Speakers of Other Languages (ESOL) courses.
- Restore and expand the Union Learning Fund.
- Establish a cross-council teacher supply service with proper rights, contracts and pay for supply teachers.

## **Youth provision**

- Introduce a local replacement for the Educational Maintenance Allowance (EMA) for 16-18 year olds in education
- Stop the sell-off of playing fields and sports facilities to developers and private leisure companies, and invest in sports and recreation facilities and services.
- Re-open closed youth centres and restore lost youth services, starting now to put into place the foundations of the promised National Youth Service.

## **Transport**

- Use the powers that local authorities have to intervene in the provision of bus services, to ensure they are run in the interests of local people.
- Introduce free bus travel schemes for under-25s.
- Use the powers of council representatives on regional rail transport boards to ensure accessibility for disabled people, safe staffing levels, and the ending of driver-only operation.

## **Housing**

- Use councils' powers to compulsorily register private landlords and set-up council-run lettings agencies, as the means to tackle repair standards, high rents, over-occupancy, extortionate letting fees, unfair evictions etc for private rented homes.
- Providing funding and support to renters' unions.
- Expand and upgrade hostels for rough-sleepers, turning them into places where people can turn their lives around.
- Meet the costs of raising the Local Housing Allowance in line with the 30th percentile of local rents.
- Use councils' borrowing powers for capital spending to begin a mass building programme of eco-friendly affordable council homes.
- Fit sprinklers and other fire safety measures in all high rise council and housing association tower blocks and enforce the replacement of dangerous Grenfell style cladding on all high-rise homes and buildings, by resourcing sufficient fully trained Fire and Rescue Service fire safety officers to inspect and enforce building standards and guidance.

## **Climate change & the environment**

- Draw up local Climate Emergency plans with targets based on the carbon footprint not just of council-run services but capturing total emissions for the local area, giving a real picture of what needs to be done to tackle the climate crisis.
- Ensure councils buy green energy for their premises and that their pension funds disinvest from fossil fuels
- Oppose all fracking applications within the council area.
- Use council powers over emissions from buses and taxi licensing and road building schemes.
- Create safe and usable cycle routes.
- Use council powers through park and ride schemes, school buses and pedestrianisation schemes to reduce transport emissions.

- Use councils' capital borrowing powers to fund tram networks, electric charging points and a widescale home insulation energy efficiency programme. And park improvements, nature reserves, sports facilities, local farmer food markets, and tree planting.
- Enforce environmental standards in public and private housing and buildings – stipulating energy efficiency standards above building regulation requirements for new builds and social housing programmes.
- In setting conditions for procurement and contracts with suppliers, ensure good employment conditions, union recognition, service standards – and environmental and ethical practices.

### 3. Liverpool Unite branch alternative plan



From the TUSC website, 14 March 2021

## Liverpool Unite branch ‘no cuts’ plan points the way forward

LIVERPOOL COUNCIL is in turmoil. Late last year the city’s right-wing Labour Mayor Joe Anderson, in office since the directly-elected post was first established in 2012, was arrested on suspicion to commit bribery and witness intimidation.

Anderson denies any wrongdoing but has stood aside from his mayoral duties, and withdrew from the Mayoral election that takes place on May 6th this year.

Since then the Liverpool Labour Party has been involved in a process to select a new Mayoral candidate that has seen an initial shortlist of three sitting councillors overturned; a court challenge, unsuccessful, against the Labour Party by one of those excluded councillors who had drawn the backing of Jeremy Corbyn and the national Unite union for her candidacy; and the imposition of just two candidates – both right-wingers – in a new selection ballot, with the result of that not due until the day official nominations open on March 29th.

The Liverpool crisis is a product of many factors, including the triumph within the Labour Party nationally of Tony Blair’s New Labour from the 1990s, to the abuse of power encouraged by the ‘executive mayor’ model of local government, which Blair himself championed.

But at its root is the desperate situation facing the council finances and local public services in the city, which saw the Liverpool Labour Mayor and councillors administer £420.5 million worth of budget cuts and tax rises from 2011 to 2020 as real-term central government funding for the council fell by over 30%.

The Trade Unionist and Socialist Coalition (TUSC) core policy pledge for the local elections that our candidates if elected would “vote for councils to refuse to implement austerity” has never been more relevant (see <https://www.tusc.org.uk/17485/01-03-2021/tuscs-core-policy-platform-for-the-may-2021-local-elections>). It is the only way forward from the mess.

The policy pledge goes on to say that TUSC “will support councils which in the first instance use their reserves and prudential borrowing powers to avoid making cuts. But we argue that the best way to mobilise the mass campaign that is necessary to defend and improve council services is to set a budget that meets the needs of the local community and demand that government funding makes up the shortfall”.

And now one of the branches of the Unite union in the city has come out in favour of exactly that stance, winning the support of half-a-dozen backbench Labour councillors who have attempted to get it debated by the city administration.

Printed below is the resolution passed at the 19th February meeting of the Liverpool Unite 0538 branch and below that a link to a longer briefing document prepared by TUSC supporters within the branch to explain their proposal.

The Unite branch plan for a no cuts budget and a mass campaign for increased government funding for local councils points the way forward for a city in turmoil. ■

## **Liverpool Unite 0538 branch motion: ‘No cuts’ budget proposal for the city council**

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**19th February 2021**

Liverpool City Council has faced massive real-term central government funding cuts over the last decade. During this period Liverpool’s Labour councillors have in the main opted to compensate for Tory cuts by cutting Liverpool’s services and raising council tax. The same defeatist approach is due to be repeated this year: the Liverpool Labour group’s proposed budget for 2021/22 includes cuts of £15.4m and a 4.99 percent council tax rise.

But this branch recognises that there is an alternative: Liverpool’s Labour councillors could refuse to carry through further Tory cuts. Rather than carrying out the Tories’ dirty work, they could set a legal ‘no cuts’ budget for the duration of at least the next year. This could be done by partially drawing down Liverpool’s ‘usable’ reserves of £63m.

By adopting this strategy councillors could avoid an immediate legal confrontation, and avoid cuts in the short term.

The time bought could be used to launch a campaign — in collaboration with other local authorities, and trade unions — demanding that the Tory government reverse cuts in central government funding for local councils, and provide relief funding for those authorities that have had to deplete their reserves or adopt other temporary budget balancing measures to maintain vital public services.

Therefore, we call on our union to demand that Liverpool’s councillors partially draw down the council’s ‘usable’ reserves, so that the below policy proposals can be implemented in 2021/22.

### **No more Tory cuts – resist now**

Liverpool’s Labour group plans to cut £15.4m from the council’s budget by April, 2022.

Some of the service areas targeted are: regeneration, adult and children’s social care, and community resources — including the proposed closure of every One Stop Shop in the city.

These vicious cuts can and should be avoided by drawing down the council’s ‘general’ reserves. Doing this would reduce the ‘general’ reserves from £17.4m to £2m.

## **Reverse the Council Tax hike**

Liverpool's Labour group also plans to raise council tax by 4.99 percent in 2021/22. Through this the council will draw in estimated additional revenue of £7.7m over the next year.

This tax hike can and should be reversed, with the resultant shortfall of £7.7M to be met by drawing down: (a) the remaining £2m of 'general' reserves; and (b) £5.7m from the 'earmarked risk' reserves. This would leave the council with total usable reserves of £39.9m ('earmarked risk' reserves of £23.9m and 'specific scheme' reserves of £16m).

## **Reverse the pay freeze**

The Liverpool Labour group's budget proposals for 2021/22 assume the Tories' planned pay freeze for public sector employees (except those earning less than £24,000 per annum, who will receive a minimum £250) will be implemented by LCC.

Irrespective of what the Tory government proposes, such a pay freeze should not be implemented by Liverpool's councillors. Reversing the planned pay freeze and instead giving LCC employees an overall three percent pay rise will cost £4.5m.

Having been drawn down to help reverse the Labour group's planned council tax hike, LCC's 'earmarked risk' reserves would stand at £23.9m. This figure should be drawn down by a further £4.5m in order for the planned pay freeze to be jettisoned, thus providing LCC's employees with an overall pay rise of three percent.

Doing this would leave LCC with total usable reserves of £35.4m ('earmarked risk' reserves of £19.4m and 'specific scheme' reserves of £16m).

## **Restoring funds used to fight cuts**

Reserves spent implementing a 'no cuts' budget in 2021/22 will have to be replaced in future years.

In order to achieve this, Liverpool's councillors should launch a campaign — in collaboration with trade unions, councillors from other local authorities, and community activists — demanding that the Tory government reverse cuts in central government funding for local councils, and provide relief funding for those authorities that have had to deplete their reserves or adopt other temporary budget balancing measures to maintain vital public services.

## **Summary**

Margaret Thatcher once said 'there is no alternative.' She was not telling the truth. Neither are Liverpool's Labour councillors when they repeat her maxim.

This 'no cuts' budget proposal shows that there is an alternative. It is possible to implement a legally balanced budget that avoids an immediate legal confrontation, avoids cuts in the short term, and provides breathing space to build a struggle against Tory austerity.

Rather than carrying out the Tories' dirty work, Liverpool's councillors should pursue an alternative strategy: fight cuts now — implement a legal 'no cuts' budget.

**Note:** A fuller version of this 'no cuts' budget proposal, including details of the council documents cited, is available at <https://www.tusc.org.uk/txt/437.pdf>