

AGENDA ITEM 13i - Notice of Motion - The Crisis in Local Authority Funding

Amendment:

Insert new paragraph 2 after the word '*clear*' as follows:

"The first councils to fall victim to bankruptcy in recent years were administrations such as Labour run Nottingham, Slough, Croydon, and most recently Birmingham, along with Conservative run Thurrock. While central government funding pressures were a factor, all these failures involved significant financial mismanagement by cabinet members, high levels of debt, poor decision making, and the inability to take difficult decisions at the appropriate time. Residents in these areas are now facing significant increases in tax to pay for the mistakes of their elected officials."

In paragraph 3 after the words '*While Portsmouth is not in this situation,*' insert the words as follows:

"thanks to the skill of our financial officers and the prudence of the Conservative run administration from 2014 to 2018 and the subsequent Liberal Democrat administration,"

In paragraph 5 at the end after the words '*local government*' insert the words as follows:

"in real terms due to high inflation."

At the end of the recommendation section add the following new recommendation:

"(vi) Urgently bring forward national reform to the care system in order to ensure that a proper and sustainable funding system is established for both adult and children's social services."

After the recommendation section add the following new paragraph:

"Members of Portsmouth City Council recognise it is their primary obligation to be responsible stewards of the finances of the residents of Portsmouth and to ensure Portsmouth council tax payers are never forced to pay for

our mistakes. We therefore commit to avoid unsustainable levels of debt, pursue savings and efficiencies in council budgets wherever possible, and continue to make prudent decisions in relation to council spending, investment, and annual budgets.”

The amended motion to therefore read:

“The extent of the crisis in the funding of local government is now clear.

The first councils to fall victim to bankruptcy in recent years were administrations such as Labour run Nottingham, Slough, Croydon, and most recently Birmingham, along with Conservative run Thurrock.

While central government funding pressures were a factor, all these failures involved significant financial mismanagement by cabinet members, high levels of debt, poor decision making, and the inability to take difficult decisions at the appropriate time.

Residents in these areas are now facing significant increases in tax to pay for the mistakes of their elected officials.

Evidence from surveys of local authorities by organisations including the Local Government Association (1), the County Councils network (2) and the Local government Information Unit (3) show the extent to which a wide range of local authorities are concerned that they will not be able to produce a balanced budget in future years.

This means that a range of generally well managed local authorities face the prospect of having to declare, through issuing a section 114 report, that further emergency measures are required to balance their budgets. In our area Hampshire County Council have warned that they face this prospect and Southampton city Council have requested permission from government to use ‘capitalisation’ to ease their budget situation. While Portsmouth is not in this situation thanks to the skill of our financial officers and the prudence of the Conservative run administration from 2014 to 2018 and the subsequent Liberal Democrat administration, the recent council budget meeting needed savings of £2 million for 2024/25 and a further projected deficit of £3 million over the next three financial years which will have to be met.

The immediate causes of this situation include increasing demands for services in adult social care, children’s services, and the cost of temporary accommodation for the homeless. General inflation, affecting supplies and

employment, energy costs in recent years plus rising interest rates have added to the pressures.

Local government also had significant cuts to its funding during the five years from 2010 when the coalition government implemented its austerity programme. In Portsmouth the council lost 30% (£44m) of its central government funding between 2011/12 and 2014/15. The Conservative government also continued to reduce funding for local government in real terms due to high inflation.

The challenge for the government is to deal with the developing crisis and this is likely to require some immediate financial support, but local government funding must be put on a more sustainable footing.

The City Council therefore calls on the government to:

- (i) Move away from annual financial settlements and introduce multi-year financial settlements for local government;
- (ii) End the delay in progressing the fair funding review and ensure that any new funding system is transparent;
- (iii) Ensure that measures of deprivation are included in any new funding formula for local government;
- (iv) Review and then develop proposals to reform the system of Council Tax as a main source of local government funding. This should address the imbalance in council tax raised between different local authorities and the regressive impact on taxpayers of the current system; and
- (v) End the reliance on councils having to competitively bid for significant new resources and new initiatives.
- (vi) Urgently bring forward national reform to the care system in order to ensure that a proper and sustainable funding system is established for both adult and children's social services.

Members of Portsmouth City Council recognise it is their primary obligation to be responsible stewards of the finances of the residents of Portsmouth and to ensure Portsmouth council tax payers are never forced to pay for our mistakes. We therefore commit to avoid unsustainable levels of debt, pursue savings and efficiencies in council budgets wherever possible, and continue to make prudent decisions in relation to council spending, investment, and annual budgets.

While a few local authorities have mismanaged their financial situation this does not explain the extent of the current crisis in funding for local government and we reject attempts to sow division by trying to score partisan points against other councils now struggling to balance their budgets.

The motion if passed to be sent to the Secretary of State for DLUHC and the two Portsmouth MP's."

Proposed by Councillor Matthew Atkins

Signed _____

Seconded by (Name) Councillor Daniel Wemyss

Signed _____