

Taking Back Control

Newcastle Green Party response to
City Council budget proposals 2017/18,
December 2016



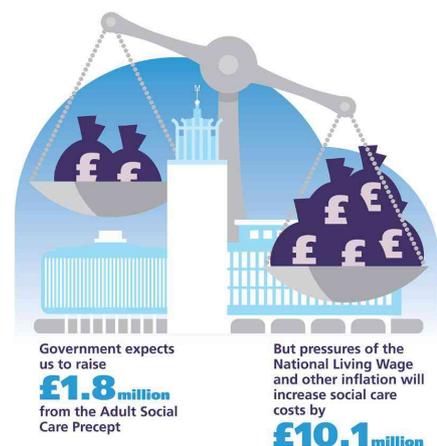
Contents

Taking Back Control – introduction.....	2
(A) Looking to the Long Term – energy and climate change.....	3
(B) Planning for Change – transport policy and infrastructure.....	4
(C) Building Resilience – combating 'trickle away' economics.....	4
(D) Empowering Co-operation – funding our Neighbourhoods.....	5
(E) Delivering Fairness – switching housing policy.....	6
(F) Towards Better Budgeting.....	7
Recommendations – summary of budget proposals.....	8
Contact details.....	9

Taking Back Control – introduction

The social care funding crisis risks engulfing both our NHS and local government services. As cuts deepen, and limited services are increasingly concentrated on only the most vulnerable members of society, the collective spirit which underpins our post-war welfare state will be further broken, and the local services on which many of our communities still depend will vanish. Meanwhile, the annual budget consultation will pitch the diminishing services against each other, as Newcastle's residents are invited to move the cuts around on the *letstalkbudget* chessboard.

(social care funding graphic from main budget report p.28)



For those reasons, this response does not present an alternative budget or a different set of savings and cuts. We aim instead to show an alternative path that we believe the Council could and should be following, when setting future budgets. Much of our response looks intentionally to the longer term, but we nevertheless include some specific recommendations for shorter term planning, and for the 2017/18 budget: these are summarised at the end of the response.

To restore both funding and engagement for our local public services, we need a new settlement for local councils, allowing us to *take back control* of both money and responsibilities. Genuine devolution deals would:

- Replace inadequate funding from Business Rates and Council Tax with a Land Value Tax. Based on the undeveloped value of land, Land Value Tax would ensure that the benefits of increased land values arising from public infrastructure and local business activity accrue to the communities that have made the public investments or generated the value, not to remote property owners.
- Give full powers to local authorities, to set and manage local taxation, benefits and work programmes, and public services.
- Retain federal (national) government for redistribution of funds, setting of standards and limited reserved powers.

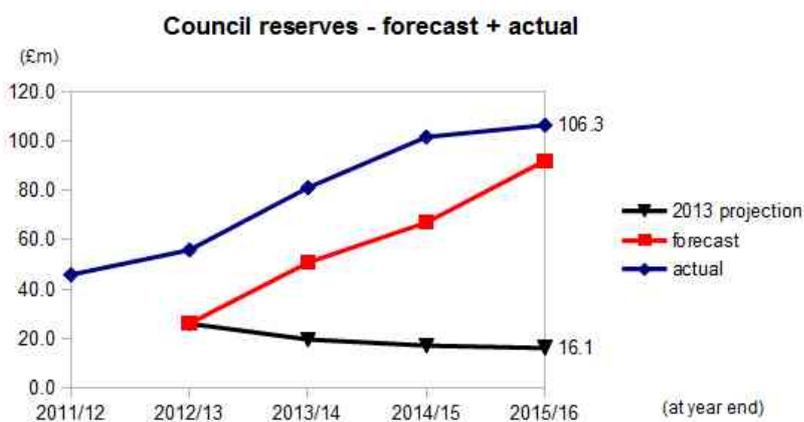
This year's budget documents promise more of the same: more investment in the city centre to attract new businesses, more promises that “Newcastle will continue to grow as both the regional capital and as one of the great cities of the north.” But 'more of the same' has also delivered more cuts to the services that residents use on a daily basis, deeper dependence on big businesses, and increasing disillusion with the Council's ability to deliver local services. We need an alternative, one that allows our communities to *take back control* of the city's finances.

Before setting an alternative budget for 2017/18, we need an alternative vision, for a city that is sustainable in the long term, just for all its residents, and rooted in the needs of its neighbourhoods. This response outlines a few elements of that vision, as well as some ways in which the budget for 2017/18 and beyond would need changing to fulfil such a vision.

(A) Looking to the Long Term – energy and climate change

A budget that merely manages the decline of Council funding year-on-year cannot prepare the city for the huge challenges that lie ahead – challenges from shrinking budgets, demographic changes and extreme weather linked to climate change. Here are our proposals to look further ahead than 2018.

1. Three-year budgeting should become the norm. Figures for 2018-2020 are necessarily speculative but still useful to look beyond a one-year horizon.¹ They allow us to see where services are heading over several years, and also enable the transformations required if the city and its public services are to become truly sustainable.
2. Capital should be used for mass insulation and energy efficiency programmes, both for Council-owned buildings and community assets (so that they are cheaper to run), and for domestic dwellings (to reduce fuel poverty). As well as re-directing funds from some of the city centre projects outlined in the Capital Plan (appendix 1, p.20), the huge growth of the Reserves over the last four years show that there is spare capacity for investment (see graph below).
3. The City Council could establish its own energy company on a not-for-profit basis,² potentially also generating its own energy from localised anaerobic digestion facilities or community renewable energy schemes, selling energy on to local residents and keeping the money within the local economy.
4. As part of next year's promised review of the city's waste strategy, the Council should procure or establish local recycling companies for segregated waste streams, especially paper pulp and plastics recycling.



Previous budgets have consistently forecast a fall in the reserves over the following year. Every budget has got this forecast wrong, and reserves have grown relentlessly. They are now over 6 times as large as they were projected to be just 4 years ago.

The Strategic Reserve³ was projected to reach zero last year but in fact stood at £30.6m on 31/3/2016.

Mass insulation and energy efficiency programmes would also build capacity in the workforce, creating employment for the long-term and potentially leading the way in retro-fit of our solid-walled Victorian/Edwardian terraced housing.

¹ Given that the consultation budget was produced before the government's confirmation of the funding settlement, even 2017/18 figures within it are necessarily speculative.

² Following Nottingham's lead in 2015 – see <http://www.bbc.co.uk/news/uk-england-nottinghamshire-34171736>.

³ The 'Strategic Reserve' is effectively unearmarked: it is not related to external commitments or specific projects, but is "set aside to fund directorate uncommitments and major one-off costs such as redundancies, and to underpin the council's budget strategy."

(B) Planning for Change – transport policy and infrastructure

'Business as usual' budgets can't deliver the changes we need, either to weather future financial pressures or build a city economy that is ecologically sustainable. This is exemplified by the city's transport policies, and specifically the £12m budget for road and junction improvements in the "Northern Access Corridor." Initial proposals for this infrastructure relied on a 'predict and provide' approach: predicting road traffic increases and coming up with engineering solutions to provide the required road capacity. The result was a plan for the Blue House roundabout that swallowed up a large section of Town Moor, and further road improvements that would generate significant new traffic and increase pressure on surrounding roads and streets.

Greens would move to an 'Avoid, Shift, Improve' model: planning to reduce the need to travel (Avoid), increasing the share of more environmentally friendly modes of transport (Shift), and improving vehicle and fuel efficiency as well as transport infrastructure (Improve).⁴

(C) Building Resilience – combating 'trickle away' economics

The City Council's budget is shot through with the assumptions of 'trickle down' economics: that investment in and maintenance of the city centre is essential to provide revenue, jobs and benefits for the city as a whole. This approach is encouraged by central government and underpins the shift from reliance on government grants towards dependence on business rates.

But 'trickle down' too often becomes 'trickle away'. For every pound that is spent within the big hotels, supermarkets or chain stores, most of that pound goes on national professional or service contracts, national purchasing, or simply servicing the company HQ's profits. Likewise, money spent on large-scale construction projects is more likely to go to regional or national contractors rather than local, due to the way in which large contracts are 'bundled' and procured. Over-investment in city centre facilities encourages businesses or shops to relocate to the newest, most glamorous office blocks and retail centres. Gradually, only the poorest or smallest businesses are left struggling within the high street, making it even less viable and more marginal. The 'trickle-down' effect of city centre spending on our neighbourhoods is tiny, with large city centre developments much more likely to leave peripheral areas deserted.

The shift to dependence on income from business rates also leaves the city much more exposed to downturns and recession on the high street. Despite warm words from successive governments since 2008 about 're-balancing the economy', our prosperity remains over-dependent on consumer spending, retail and services. When our 'boom and bust' cycle enters the 'bust' phase, shrinking business investment or major retail closures will have an immediate and harsh impact on the city's revenue, and so on its ability to deliver services. Reliance on fewer, larger chain stores exacerbates that risk.

Our proposals in this area are therefore as follows.

5. Develop planning frameworks to favour smaller retail units and locally-owned stores, to diversify business rates income, reduce risk and limit dependence on chain stores.
6. Shift funding away from support for NE1 (the city centre Business Improvement District), including ending the subsidy for free early evening city centre car parking (the 'Alive after Five' scheme).

⁴ See for instance the briefing from the Sustainable Urban Transport Project at http://www.sutp.org/files/contents/documents/resources/E_Fact-Sheets-and-Policy-Briefs/SUTP_GIZ_FS_Avoid-Shift-Improve_EN.pdf

7. Use available revenue and capital funds to support neighbourhood high streets, with infrastructure spending (shop frontages and public realm improvements), and support for events (street markets, festivals, Christmas decorations, advertising, business support networks).
8. Support a Tyneside (or Newcastle) Pound⁵ – a local currency that can only be used in local, independent businesses, thereby circulating again and again to create a stronger, more resilient economy for the city.

(D) Empowering Co-operation – funding our Neighbourhoods

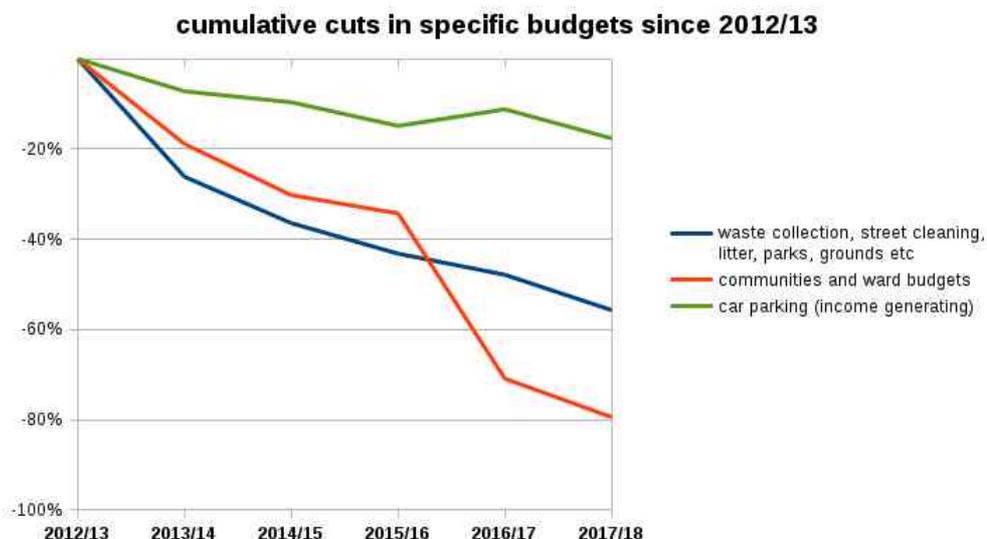
The City Council aims to be a “Co-operative Council,” relying on residents to deliver “behaviour change” to keep our streets clean, and working in partnership with the third sector to deliver social care services. Reliable, long-term partnerships require two-way engagement, and co-operation depends on a belief from residents that the Council is worth co-operating with. This means that:

- universal services need to be retained, so that all residents 'buy in' to the principle of collective action in order to deliver welfare and services for the most vulnerable;
- community and voluntary groups need ongoing support, especially in more deprived areas of the city where there has historically been more reliance on council resources.

Unfortunately, analysis of this and previous budget figures tells a different story about the Council's commitment to universal local services and community support.⁶

The 2017/18 budget, like its predecessors, continues to concentrate cuts in neighbourhood and community services.

In contrast, waste disposal costs (chiefly private sector contracts) have crept upwards from £11.7m in 2012/13 to £12.6m in 2016/17.



Central to a Green budget is recognising the importance of the neighbourhood or ultra-local economy. Services within our neighbourhoods matter for the following reasons.

- They are closer to where residents live.
- Money spent locally circulates more widely, with less being 'lost' to big business or distant service companies and consultancies.

⁵ See the Bristol Pound for an example of a local currency on a similar scale, bristolpound.org.

⁶ Exact comparisons of services are impossible, due to different information being presented in different years, and different 'bundling' of services from one year to the next. So for instance, it is not possible to separate out the different components of the blue line in this graph, although waste collection, parks and street cleaning have been the subject of separate proposals in previous years. This masks the real severity of cuts in specific, smaller budgets such as those for parks and environmental (local) services.

- Neighbourhood services, local facilities (including branch libraries, community centres, green spaces etc) and active community groups encourage residents to spend time and money locally, supporting both community cohesion and the local economy.
- Vibrant and busy streets are less likely to become hotspots for crime and feel safer for local residents. Conversely, poorly-maintained estates and boarded-up shops discourage community engagement and can quickly spiral into a culture of isolation and despair.
- The most vulnerable members of our community are least able to access services and resources outwith their immediate area. This applies equally to elderly or disabled people, households without internet access and those who cannot afford the costs associated with the city centre economy.

We share the Council's stated aspiration to find co-operative solutions to our city's needs, and to enable more engagement by residents with the provision of a wide range of local, community and care services. Continuing the withdrawal of funding in these areas is not the way to achieve this engagement, so we offer the following proposals instead.

9. Ambitious recycling targets and cuts to central waste disposal costs, to re-invest into local services.
10. Modest increases in car parking fees (and/or cuts to costs of provision), to re-balance cuts in favour of universal services provided direct to residents within the city's most deprived communities.
11. Use of the Transformation Reserve⁷ to support the transition to services that are provided partly by and within the community, for both care services targeted for the vulnerable, and for universal neighbourhood services. This will involve expanding small grant schemes and ward budgets (on a time-limited basis), to enable a diversity of approaches to be tested across different types of service and in different parts of the city.
12. All residents should have access to good quality green spaces near where they live. As well as the importance of parks and other open spaces for recreation and leisure, they have a valuable role in promoting healthy living and well-being. For this reason, we oppose any plans to outsource the city's 'best' or largest parks to an external trust, if this would leave other/smaller green spaces badly resourced or uncared for.

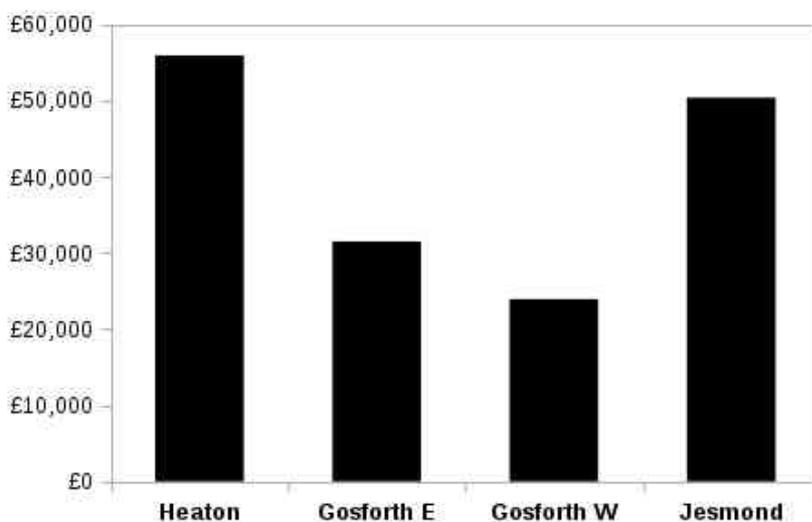
(E) Delivering Fairness – switching housing policy

Due to changes in the way Councils are funded, Council Tax forms an increasing share of income, and the Council's plan includes new homes at higher bands to increase this income stream. Specifically, the budget documents state, “over the next three years we expect to see another 3,000 new homes across the city, including around 450 affordable homes” (main report, p.7). That is an 'affordable homes' rate of just 15%.

However, Council Tax is not truly progressive, being artificially capped at band H (200% of the band D 'average'). This means that three 'band A' flats can generate as much Council Tax income as a single 'band H' mansion. A comparison of potential Council Tax income per acre of domestic homes and gardens in different parts of the city illustrates this point, with areas of the city characterised by smaller homes and flats capable of generating the most revenue.

⁷ The Transformation Reserve is set up “to fund work on reforming and transforming public services ..., and to provide bridging funding.” It was established in 2013/14 at £4m and has since grown by over 50% in two years.

potential Council Tax income per acre of Housing



Within the local authority as a whole, 80% of the city's potential Council Tax income comes from homes at bands A-C, with only 6% coming from band F-H homes.⁸

For this reason, and to better meet the housing needs of Newcastle's residents, we propose a change to the housing policy contained within the budget (main report p.7 and 23).

13. Budget for higher numbers of band A-B homes, with a higher rate of affordable housing, built chiefly on brownfield land, instead of low-density house building on greenfield sites in the outer west wards.

(F) Towards Better Budgeting

Our last full budget response was in January 2013, for the 2013/14 budget (which included projections for 2014/15 and 2015/16). The 2013 response is online at tyneside.motd.org/budget, and a comparison of what we said then with reality may be useful.

- We called for cross-party lobbying of government to win a better funding deal. Sadly, tribal politics prevails within the City Council chamber, and any chance of cross-party working is more remote than ever – though given continuing funding cuts, even more necessary.
- We said Labour had “got it right” in setting a three-year budget, and in consulting early on it, facing up to “the widest possible debate and challenge.” Unfortunately, Labour has not followed through on this positive start – until this year. Recent budgets have been for single years only. Both 2013 and 2017 are years without scheduled local elections in Newcastle, and the public will think confining longer-term budgets to non-election years a peculiarly cynical approach. So we now call on Labour to commit to three-year budgets as the norm.
- We called for revenue spending to be prioritised on neighbourhoods and community services. We make no apology for renewing that call in this budget response. Failure to do so has degraded many of our streets and rightly angered local residents. The effects go beyond litter, waste and other universal services: the Newcastle Healthwatch report on the [Adult Social Care annual report 2014/15](#) (as presented to City Council in January 2016)

⁸ All figures based on 2011 census statistics from neighbourhood.statistics.gov.uk, and Newcastle's current (2016/17) Council Tax rates. The graph charts statistical areas (Middle Layer Super Output Areas, specifically Newcastle upon Tyne 018, 005, 006 and 017 respectively), not electoral wards. The Council Tax income ignores discounts for single-person occupation and exempt occupiers, details of which could not be found on the same basis as the other statistics used, so all Council Tax income shown is 'potential' rather than actual.

highlighted the decline in 'Decent Neighbourhoods' indicators, and worsening 'social isolation' figures.

- We proposed transferring capital expenditure from city centre developments into much more ambitious energy efficiency and insulation programmes. Again, we make no apology for repeating that proposal here.
- We called for disinvestment from Newcastle Airport. In October this year, Council Leaders celebrated payment of a dividend from their shares in the airport, with Newcastle receiving £3.8m. The small print in the story reveals that this was the first dividend payout since 2013 from their (our) funds invested in the airport – hardly a successful return given their previous multi-£m loans.
- We criticised the Council for ruling out a Council Tax rise for the three years to 2016, and urged them to initiate public debate about raising it. This is one area where the Council has at last caught up with our proposal, following continuing austerity, though of course the Council Tax base would be considerably higher if the rise had started 1-3 years earlier than it did.

Recommendations – summary of budget proposals

See the sections indicated for more detail on these points.

(A) Looking to the Long Term

1. Three-year budgeting should become the norm for all years within the electoral cycle (not just when there are no scheduled local elections), and the Council should commit to three-year budgeting accordingly.
2. Capital should be used for mass insulation and energy efficiency programmes, both for Council-owned buildings and community assets (so that they are cheaper to run), and for domestic dwellings (to reduce fuel poverty).
3. The City Council could establish its own energy company on a not-for-profit basis, potentially also generating its own energy from localised anaerobic digestion facilities or community renewable energy schemes, selling energy on to local residents and keeping the money within the local economy.
4. As part of next year's promised review of the city's waste strategy, the Council should procure or establish local recycling companies for segregated waste streams, especially paper pulp and plastics recycling.

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(E) Delivering Fairness

13. Budget for higher numbers of band A-B homes, with a higher rate of affordable housing, built chiefly on brownfield land, instead of low-density house building on greenfield sites in the outer west wards.

Contact details

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