



FINANCIAL TIMES

'Without fear and without favour'

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UK local authorities have borne a heavy burden

Mechanisms for funding provision of services need to be reformed

A decade of austerity since the global financial crisis has taken a heavy toll on local government in the UK. Local authority chief executives privately agree that there was fat to cut before the Conservative-Liberal Democrat coalition took office in 2010. But the subsequent effort to right the public finances has seen local government expenditure fall by far more than other areas of public spending. The Local Government Association says that between 2010 and 2020, councils will have lost nearly 60p of every £1 that central government previously provided for services.

Now that prime minister Theresa May has declared austerity is over, the time is right to determine where the burden has fallen most heavily – and to start addressing the problem. The government's spending review due this year offers an opportunity to look again at how local authorities are financed.

A study this week by the Centre for Cities think-tank found that the government's approach of across-the-board percentage spending cuts had hit the UK's poorest cities and regions the hardest. Their high levels of deprivation meant they were the ones receiving the most central government funding before the crisis. Struggling northern cities and regions such as Barnsley and Liverpool have fared far worse than relatively well-off shire counties. In the south, London too has shouldered a heavy burden.

At the same time, councils face ever-

Councils are being forced to cut back on traditional services such as refuse collection, street sweeping and libraries. The effective bailout late last year of the near-bankrupt Conservative-run Northamptonshire county council underlined local governments' vulnerability.

Whitehall recognises that action is required but has yet to decide how to respond. One area of concern involves the government's plan from next year to raise the share of local business rates that councils will be allowed to keep. Local authorities say that given the funding gaps that will be created by rising numbers of elderly people and others in social need, this should not become a substitute for government grant income. A broader rethink of business rates, taking account of the competition that high street businesses now face from online retailers such as Amazon, is needed.

The council tax system is also inadequate. Given that many councils have proven during the austerity years to be effective managers of scarce resources, there is merit in the argument that they should be given more scope to raise local funding through measures such as sales or tourism taxes. The UK trails far behind many European counterparts in decentralisation of fundraising powers.

Public opinion might support such devolution. According to a recent Ipsos MORI poll that asked who people most trust to tell the truth, local government councillors scored 40 per cent, far

Letters

The working class has a history of adult learning

My uncle Malcolm, because he was in the Merchant Marine, was inducted into the US Navy during the second world war ("Help the low-skilled ride out the rise of robots", Opinion, January 31). He served throughout the war as chief engineer of the USS Ancon which was the flagship of the US admiral in the European theatre. Malcolm was at all the European

landings, from north Africa to Sicily, to Italy and to Normandy. He ended the war as a commander.

For a brilliant description of the vibrant intellectual life of the working class in Britain I recommend Jonathan Rose's book, *The Intellectual Life of the British Working Classes*. There were numerous study groups, established by working people in all parts of the

country, which studied serious subjects: mathematics, history, politics, engineering etc. It is an inspiring story.

I hope in the UK and here in the US that respect for and support for the working class will include an appreciation of their talent for and interest in intellectual topics.

Margaret Gatheral McGarrahan
Berkeley, CA, US

Flexibility on Brexit serves EU's long-term interests

Following Tuesday's votes in parliament, it appears that the UK's views are clarifying around two propositions (FT View, January 31).

First, the absurdity of a country of its stature being asked to agree to an arrangement such as the Irish backstop; whatever else they think, Remainers and Leavers both find it wholly unacceptable that a foreign power should be freely given authority over the UK's internal affairs. Second, except for a small minority, no one finds a no-deal exit acceptable.

While these clarifications might lead to a constructive response from the EU, the mood music is not positive. It also seems unlikely that any impasse will be broken by Norway plus or suchlike, as a similar absurdity would apply where a G7 country would have no influence over the rules by which it must operate.

Brexit was not of the EU's making, but is it really in its interests to impose an unwanted deal on the UK or, even worse, be party to a disorderly exit? The first will guarantee that the Brexit nightmare goes on for years as the UK will inevitably rebel against a forced deal and the second could result in recriminations lasting a generation. Either outcome would be at serious cost to European stability and may well hasten western decline.

It is becoming ever clearer that new thinking is desperately needed on both sides of the Channel. The UK would probably now remain a member if the EU were to offer a limited form of economic and market membership; it has always found the political objectives of the European project anathema, while more recent concerns about the scale of internal EU migration look increasingly



equipment offered no real evidence of abuses.

It only concluded that, absent explicit proof from Huawei and some demonstrated means of verification, investigators could not assume that a hardware or software access point for spies or hackers built into its systems did not exist. After all, founder Ren Zhengfei has previous People's Liberation Army ties. National champions in China's "go out" initiative notoriously mix strategic and commercial objectives. And no one seriously believes Mr Ren would refuse to comply with a central government directive in order to protect his brand.

The west loses out by excluding Huawei's 5G wireless expertise for smart cities and the industrial internet of things, as well as its cost-competitive fibre-optic buildout options for schools, libraries, small businesses and rural areas.

China's effort to create its own

White House has seen the selection criteria as agreed by the board of executive directors of the World Bank: "proven track record of leadership, experience in international public sector, clear vision for the World Bank Group, commitment to multilateral co-operation and communication skill and impartiality".

Hardly any of the named US candidates check these boxes. Their professional profile and public reputations range from complete irrelevance to development to sceptics to multilateral institution.

Even those with some useful experience, their profiles pale instantly when put together with some of the names reported from the emerging markets.

Granted, the relationship with the World Bank's largest shareholder is an important asset. Yet, for the bank to continue to be relevant in the world today, it cannot be run only based on the connection with the US administration.

Quite to the contrary, a successful World Bank president needs to understand how politics, economies and societies function in the developing countries – the clients the World Bank serves.

If the US wants to keep the World Bank presidency with some credibility, it would serve better if the White House can take a hard look at its list of candidates and expand its search, this time against the selection criteria. The rest of the world must not expect less from the US nominee.

Larry Wayne
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Brazil dam disaster should change president's agenda

The FT's article tells us the "treatment of Carlos Ghosn is a stain on 'liberal'

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Companies' human rights due-diligence lacks teeth

The collapse of the Brumadinho dam led to a tragic loss of life with catastrophic damage to the environment. As the article (fastFT, January 29) highlighted, investors have responded by slashing Vale's environmental, social and governance rating. Yet it was only a few weeks ago that Caritas Brazil and their experts accompanied a group of representatives from indigenous and fishing communities to the UK. They came to London seeking justice three years on from the breach of the Samarco dam, managed by BHP Billiton Brasil and Vale.

Globally corporate governance requirements for the largest companies have not caught up with the scale of their investment projects and their potential impacts on our world. Existing approaches to human rights due diligence lack teeth.

The UN process on a binding instrument on business and human rights includes mandatory requirements for businesses to consider their impacts, as well as measures to increase the chances of those harmed to access meaningful remedies. Much stronger measures are urgently needed. Company directors and investors must anticipate and prevent such disasters, rather than belatedly reacting when lives have been lost and ecosystems destroyed.

Anne Lindsay
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It is not the size of the bank that matters

Simon Samuels brings up some very good points about the drawbacks of potential large bank mergers in Europe ("Europe should be wary of the lure of bigger banks", January 30). To those should be added what may be the strongest argument against such mergers: the lessons from the US experience with such mergers among its own largest banks.

The large US banks are generally more profitable, in terms of return on equity, than their smaller European counterparts, but that should not be attributed to their size. They are actually less profitable than many smaller US banks. Some of this results from higher regulatory costs for the