

The RT Hon Robert Jenrick MP

Secretary of State for Housing, Communities and Local Government

Ministry of Housing, Communities and Local Government

Leader of Council

Councillor R J A Metcalfe City Hall, Beaumont Fee, Lincoln, LN1 1DB

Direct Line: (01522) 873297 PA Direct Line: (01522) 873286

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Dear Secretary of State

As we are all aware, in response to calls from the sector, the Government have recently announced a further tranche of £1.6bn of grant funding to support local authorities. This is in addition to the £1.6bn announced in March and included a larger share for district councils.

However, although this financial support is to be welcomed, the allocation of these resources to individual authorities does not reflect sufficiently the burdens that are being felt by the different authority types and is woefully below the financial losses that the City of Lincoln Council is experiencing.

Based on this latest allocation, just over £1m has been awarded to the Council to help maintain services and cover loss of income as a result of the UK's coronavirus outbreak.

Covid-19 has taken its toll on the financial resilience of the Council as our income streams reduce, debt recovery is deferred and there is a growing necessity to incur costs to ensure services are being provided throughout this difficult period.

As a result of this, we estimate that a further £3.5m is needed from government in order for the authority to fully recover following the pandemic.

The most significant pressure facing the council during 20/21 will be the plummeting loss of income across a range of discretionary services as well as through our investments and rental income streams. Car parking income alone has fallen from £115k a week to £1k a week, over £1.5m will be lost within 3 months.

Our tourism, leisure and development management income streams are also severely affected. We expect some of this lost income to be impaired permanently and will never recover to previous levels. The Council's reliance on local income streams has increased significantly in recent years as Government funding has reduced through austerity measures and we have had to be more self-sufficient and secure our own funding sources.

As an example one our national hotel chain tenants is seeking a rent reduction from us in the region of £800k over the next two years and that is after they have accessed Government support.

In terms of costs, demand for some services for those most vulnerable is increasing, such as homelessness and helping people access benefits. As an urban centre and with high levels of deprivation the demand for these services is on a normal basis significantly higher than in more rural areas and is even more so at this current time. While the additional Rough Sleeper grant of £20,000 was welcome, it only covers a fraction of the additional costs.

In addition we are having to meet the additional cost of setting up our response cells as well as a rising demand for financial support from many of the charity, voluntary and community groups we already support. At the same time as these costs are increasing the Council's other costs are not reducing. We have been discouraged from accessing support available to businesses through the furlough scheme, but we are now left with very little choice but to pursue this route.

Going beyond the current financial year it is inevitable that council tax and business rates income will fall. The level of this reduction will depend on; how much the business rate base reduces during the year due to businesses ceasing to trade and the collection rate (for those not eligible for the new reliefs); and how much the claimant numbers the for local council tax support scheme increase. The Council has already seen over 200 new claims for Local Council Tax Support in the first month and with a low paid, predominately low skilled population and higher than average levels of deprivation, this is set to increase significantly.

The recent announcement that the Review of Relative Needs and Resource and 75% business rates retention will no longer be implemented in 2021 is welcomed but the open ended statement that "the government will continue to work with councils on the best approach to the next financial year, including how to treat accumulated business rates growth" does not provide any further comfort that our resources will not be taken and redistributed and only serves to increase the financial uncertainty.

After bearing the brunt of a decade of austerity, (since the period of the last Spending Review alone, the Council's Core Spending Power has reduced by 15.2% in comparison to the national average of a 10.1% increase) and having to make over £8.5m of budget reductions over that time, our ability to deal with the current crisis is precarious to say the least.

With Government funding of just over £1m and forecast costs/losses in the region of £4.5m the Council is now left in the position that if further funding does not become available, then we will be forced to look closely at the services we provide and will inevitably have to stop some of these in order to balance our books. The impact of which could be catastrophic for the city.

The Council has responded quickly to the current crisis to support our residents and businesses, delivering crucial and much needed services. We have set up local support systems to help the vulnerable and the homeless and have worked at pace to deliver financial lifelines to local business. Whilst at the same time we continue to empty the bins, keep parks open, pay benefits and carry out emergency housing repairs.

We have used our resources with the promise from government that funds would be replenished, however, following the latest allocation announcement, this is not happening. It is extremely disheartening to hear that the hard work and commitment to this magnificent city and its community are not being as recognised by the government as had been hoped and expected.

Moving forward into the recovery phase the council is best placed to drive and support our local economy through; delivering the homes and infrastructure our communities need; stimulating growth and jobs; providing and enhancing the support systems to our vulnerable residents; tackling climate challenge and ensuring we continue to enhance our remarkable City. The Council's Vision 2025 (attached) was already focussing on these priority areas and will now be repurposed to target these priorities in new ways to lead and bolster the City's economic recovery.

Lincoln is the economic powerhouse of the broader Lincolnshire economy, attracting residents, students, visitors, shoppers and businesses to not only the city but then dispersing some of them to the surrounding area.

An independent review of the economy's performance shows that between 2012-2018, Lincoln created an average of 874 new jobs per annum against a baseline target of 175 new jobs. In just 6 years Lincoln has seen job growth of 5,244 which is 25% above its target for a 24-year period. A further 1,000 jobs per annum have also been created in the area immediately surrounding the City demonstrating the economic impact of the city's offer beyond its boundaries. This economic growth has been the result of partnership investment in key sectors, infrastructure, housing and key regeneration/economic development schemes such as the Lincoln Science & Innovation Park and city centre redevelopment. Growth in tourism, digital knowledge based companies, manufacturing and business administration have been the highest employment generators.

The Council itself has been at the forefront of this investment in the offer of the city based on the needs and asks of the broad community. The city centre has been bucking national trends in terms of redevelopment, attracting new national and independent retail, leisure and hospitality brands supported by investment in a transport hub that has been instrumental in securing that investment. The strength of the Lincoln economy and its role across the County in the past 8 years is there to see.

Lincoln and Lincolnshire's economic recovery will require the established strong local partnerships and strategic community leadership of the Council to continue to work effectively, which includes the Council leading on, financing and supporting key practical and relevant interventions. Our economy depends upon the pipeline projects that are either already underway or in development being delivered, this includes the Council's support of the construction sector with new Council house building, opening up of the 3,200 home sustainable urban extension, accelerated growth of the digital sector and business digitalisation, city living and key worker housing as part of the continued transformation of the city centre, the opportunities from the Medical School currently under construction and many more. Lincoln's ability to maximise the opportunities proposed by the Town Fund, Homes England funding, digital and infrastructure funding and the remnants of European funding depends on the Council being able to lead that partnership, provide match funding and coordinate delivery.

The city's economic recovery is now under threat, Lincoln's economy cannot survive without the City Council and we cannot survive and lead on the recovery if we do not have the funding certainty now. Without further financial support from the Government the Council will be forced to retreat from the current support we are providing and our future planned interventions, and focus our efforts solely on our financial survival.

We do not want to be in a position of freezing expenditure in the midst of a crisis or reducing our support to our residents and businesses who need us now more than ever. However, the Council has a statutory responsibility to issue a Section 114 notice if it's budget is imbalanced and the risk of this remains real, if not within the early part of this financial year, we have no confidence that we will be able to balance the budget, with sufficiently resilient levels of reserves, next year.

We ask that the Government give urgent consideration to further packages of financial support and that the allocation of any further resources more accurately reflects the very real pressures to income and expenditure the City of Lincoln Council is facing.

The initial £1.6bn of Government funding was heavily weighted towards social care authorities with district councils only receiving a share of £200m, allocated on the basis of the 2013/14 Settlement Funding Assessment. The latest allocation has been based on a simple flat perhead amount and then split between two tier areas.

Despite this second allocation resulting in an increase in the share of funding to district councils, up from 1% to 13% with the average allocation increasing from £51k to £1.1m, it does still not address the significant income pressures that the City of Lincoln Council is facing. Nor does it reflect the differences and individual nature of each council and allocate resources on a fair and proportionate basis. This simple basis of allocation makes no sense as each council is individual and draws income in different ways. The Government needs to reconsider how it allocates any future allocations that may be forthcoming.

As a City Council with a tight urban boundary and small population but with a much larger travel to work and visitor catchment area, almost twice as many people visit the city during the daytime as live here, and with the problems such as homelessness associated with an urban area, allocating resource on a per-head basis does not account for the income losses we are forecasting which are driven by a commuter and visitor economy and our higher need nature impacting on the costs we incur.

We are asking for an urgent structured conversation with the Government about providing further financial support so that we can recover quickly and effectively to ensure our city remains a great place to live, work, visit and invest in.

We would also ask that consideration is urgently given to other flexibilities and support including:

- Financial support for Housing Revenue Accounts, they are facing real pressures in the form of rising rent arears and loss of rental income through current void properties.
 To date no specific financial support has been provided that can be attributed to the HRA's.
- A temporary lifting of the restriction, through the Prudential Code, to allow borrowing
 to be undertaken for revenue purposes and for this to be provided through the PWLB
 at discounted rates. Access to such funds would, in the absence of further
 Government funding, allow us to borrow and spread the impacts of our financial losses
 over a number of years.
- A new capitalisation directive, similar to the treatment of the lost income on investments made in Icelandic Banks, to allow income losses to be spread over a number of years and financed through the delivery of service reductions allowing crucial time for these to be implemented.
- A fast-tracking of other Government grant schemes and a loosening of grant conditions and delivery timescales to allow resources to be pumped back into our City's economy to kick start it's recovery, e.g. Towns Fund, Local Authority Accelerated Construction etc.
- An implementation of the consultation proposal to see the timeframe for the spending of Right to Buy receipts extended from three to five years.

I would welcome a very urgent conversation

Yours sincerely

CIIr Ric Metcalfe Leader of Council