

Appendix A



Councillor Tony Kingsbury

Leader of the Council

Reply to: address as below

Tel: 01707 357 000

Email: tony.kingsbury@welhat.gov.uk

Date: 10/5/2020

The Rt Hon Robert Jenrick MP
Secretary of State for Housing, Communities
and Local Government
2 Marsham Street
London SW1P 4DF

robert.jenrick.mp@parliament.uk

Dear Secretary of State,

I write as Leader of Welwyn Hatfield Borough Council to seek your commitment to further funding for local authorities to alleviate our considerable COVID-19 related income and expenditure pressures.

I would like to thank you for your recent letter addressed to all working in local government, recognising their vital role in supporting our communities during the coronavirus pandemic. Whilst we welcome the funding to date of £3.2bn to the local government sector, the overall quantum of funding is still insufficient to meet more than a fraction of the likely income reduction and increased expenditure caused by the pandemic. The LGA's analysis shows that funding required is likely to be 3-4 times more than has been provided so far.

For Welwyn Hatfield, we estimate that our budget pressures due to COVID-19 are likely to amount to £7m this year, but we have only been allocated £1.28m of funding to date.

There are a number of additional demands and cost pressures upon district councils such as ours that I do not believe are being fully recognised. Examples include, the need to ensure homeless people and families have safe places to stay and self-isolate if needed, the expectation for us to provide financial support to our suppliers and contractors, along with the increased expenditure on public health burials.

In addition to this, the closure of some construction sites upon government advice means the council may not be able to spend the required amount of retained Right to Buy (RTB) receipts within the timescale set by the government, potentially causing the return of some of the RTB receipts along with interest to MHCLG. This will have a severe financial impact upon our Housing Revenue Account, as well as putting back our Affordable Housing

Programme. I would urge you to consider extending the time limit within which retained RTB receipts have to be spent.

As a Council we have stepped up by mobilising our resources to provide urgent support for the most vulnerable in our communities, and assisted businesses through the processing of both the Business Rate Relief Scheme, and the deployment of Small Business Grants.

But it is above all the severe pressure upon our income streams that is our greatest concern.

Whilst some income reductions may be deferrals rather than absolute losses, there are services where the impact of lockdown is causing a significant reduction in income that will not be recovered. I would cite car parking income, and leisure and entertainment venues as key examples. These are likely to take a considerable time to get back to their pre-lockdown levels, if indeed they ever do. Unlike their private sector equivalents, our leisure and entertainment operations qualify for neither the 12-month business rate holiday nor business grants. Instead, to retain these services, we face having to make up the shortfall by either making savings from cutting other services or using our reserves.

We would very much welcome your assurance that we will receive support to cover lost income in the same way that your recent letter has given assurance over additional expenditure incurred as part of our COVID-19 response.

The long-term impact upon council tax and business rates collection levels, and the take-up of Local Council Tax Support is unlikely to be evident for a number of months. But there is no doubt that downward pressure on these key sources of revenue will severely hit our revenues and cash flows both this year, and into the future.

The 12-month business rate holiday for certain sectors has successfully de-risked about 28% of our business rate income, but this still leaves 72% of our business rates at risk. As a district council and collection agent, the tariff / top-up process does leave us at particular risk in a year when collection rates are likely to be significantly lower than usual. We only retain approximately 7% of the business rates we collect, but suffer 40% of any cases written off.

The impact of the lockdown and the resultant economic impact on the housing construction industry is also likely to impact on council finances well in to 2021/22 as a result of lower housing growth.

We will keep our council tax and business rate collection levels under close review, but it would be very helpful if the government could look at ways of further de-risking these income streams for local authorities – possibly through a minimum income guarantee for instance. This would help to bolster financial sustainability and avoid significant service cuts. The level of this support required could be closely monitored through the various statutory returns that councils are required to complete for both council tax and business rates.

I would have preferred it if the reference in your letter asking principal authorities to discuss funding with parish councils could have stressed more clearly that this was only for cases of severe financial distress. As it was, I felt that it could have created an expectation that district councils had to spread their allocations even more thinly. The majority of parish councils' income comes from their precept, which is guaranteed this year, regardless of our council tax collection rate. So parish councils do not suffer anything like the income pressures faced by district councils. I firmly believe that more funding is required by the local government sector as a whole.

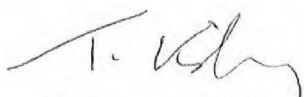
Undoubtedly one of the lessons of this crisis across the sector will be the importance of financial sustainability. Our council starts the 2020/21 financial year with relatively healthy General Fund reserves, and a recent "Peer Review" was complimentary about the sustainability of our finances. Surely it would be wrong for councils like ours to be expected to use all our reserves to absorb the income and cost pressures, whilst other councils in less sustainable situations received more assistance. This would be an invidious example of "moral hazard", and would discourage future prudence.

Local authorities urgently need clarity on the timing and scale of the next tranche of funding. This will help to prevent significant cuts to frontline services or ultimately the financial failure of some councils, which would only distract the sector from continuing to provide a critical component of the nation's the COVID-19 response alongside continuing to run day to day services for our communities.

Adequate funding will also support our ability to lead the post COVID-19 recovery of our communities. Indeed, Councils have a vital role to play in providing ongoing support to businesses, vulnerable residents and the regeneration of our town centres.

I look forward to your response.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'T. Kingsbury', written in a cursive style.

Cllr Tony Kingsbury
Leader of the Council

CC: The Rt Hon Grant Shapps MP