



Mr Luke Hall MP

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cc:
Rt Hon Steve Barclay MP
Chief Secretary to the Treasury
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Dear Minister

As local lockdowns continue, we must invest in councils to deliver economic recovery and growth

We welcome the additional financial support that has been provided to local government to address significant funding gaps resulting directly from COVID-19. However, we urge government to go further, and deliver its commitment to do 'whatever it takes' as local lockdowns become a reality for many of our cities.

The combined expenditure pressures and income losses for the eight English Core Cities alone are currently forecast at £1.147bn, and the current funding gap, taking account of all central government support, is £582m for these same eight cities. This presents us with an immediate crisis, but also has grave implications for our citizens into 2021/22 and beyond.

Funding gaps are likely to widen quickly in areas where Tier Two and Three lockdowns are implemented. Shutting down local economies has a huge impact on council finances through lost revenue, and also increases reliance on local services, particularly for the most vulnerable in our communities.

This is why we believe we need to work together to create a clear and transparent exit strategy from these restrictions.

The funding gaps we now face threaten not only our immediate role in supporting successful lockdowns, but also our longer term economic and place leadership role, which in the case of Core Cities, is critical to the economies of surrounding areas.

Unless addressed, this situation will continue to bring authorities to the point of declaring Section 114 notices, and our councils will not be able to play their full role in steering cities through this crisis, leveraging the role of our critical economic hubs to drive recovery and address the economic shifts accelerated by COVID-19.

Core Cities group includes the cities of Cardiff, Belfast and Glasgow which operate within their own national administrations and where many of the issues we raise are devolved matters. However, these cities are also facing many issues faced by their English counterparts as a direct result of the pandemic.

Belfast, Birmingham, Bristol, Cardiff, Glasgow, Liverpool,
Leeds, Manchester, Newcastle, Nottingham, Sheffield

Core Cities have worked tirelessly as authorities and closely with national governments to address the health, economic and other challenges presented by a crisis that has emphasised the need for well-functioning local government. Our staff are on the front line of direct delivery, and we are using our place leadership and convening powers to support communities and businesses to get through.

The funding issues we raise are not unique to cities, and these proposals are likely to be widely welcomed. But if Core Cities start to fail, other places will too. Our city regions deliver 26% of the UK economy, as networks of towns and cities each with a role to play, but which also rely on a well-functioning urban core and its assets.

The absolute priority is for this gap to be closed through additional national resources, but there are other measures which we would welcome alongside this:

- Additional resources to close funding gaps as part of a three year financial settlement. The Spending Review may now be set at one year, but without a longer-term settlement our authorities will be unable to plan and constantly approach financial crisis. It is in the interests of national and local government, communities and businesses to create a longer term, sustainable settlement.
- Allow greater use of capitalisation for 2021/2022 and 2022/2023. This should apply to additional costs, for example for redundancies, transformation programmes, or some of the COVID-19 related costs not covered – or likely to be covered - by grants.
- Reform Public Works Loan Board rates. Interest rates should differentiate between investment in prudent schemes in local authorities' own areas (halve the new interest rate) and building a commercial property portfolio elsewhere (retain the current interest rate).
- A cross-sector discussion, involving local leaders from across the UK, on how we can co-create clear exit strategies for local lockdowns, giving our communities and businesses a goal to work towards.

We would welcome a discussion on these issues and we are happy to provide additional information.

Yours sincerely

Signed by the Lead Members for Finance

Cllr Tristan Chatfield

Cabinet Member for Finance and Resources
Birmingham City Council

Cllr Craig Cheney

Deputy Mayor
Cabinet Member for Finance, Governance, Property and Culture
Bristol City Council

Cllr Chris Weaver

Cabinet Member for Finance, Modernisation & Performance
Cardiff City Council

Cllr Richard Bell

City Treasurer
Glasgow City Council

Cllr James Lewis

Deputy Leader
Leeds City Council

Mayor Joe Anderson OBE

Mayor of Liverpool

Sir Richard Leese CBE

Leader
Manchester City Council

Cllr Joyce McCarty

Cabinet Member for Resources
Deputy Leader
Newcastle City Council

Cllr Sam Webster

Portfolio Holder for Finance, Growth and City Centre
Nottingham City Council

Cllr Terry Fox

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Cabinet Member Finance Resources and Governance
Sheffield City Council

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