



**Government**  
Association

# Resources Board

Agenda

Tuesday, 12 May 2020  
2.00 pm

Zoom video conference

Resources Board  
12 May 2020

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There will be a meeting of the Resources Board at **2.00 pm on Tuesday, 12 May 2020**

**Political Group meetings:**

The group meetings will take place in advance of the meeting. Please contact your political group as outlined below for further details.

**Apologies:**

Please notify your political group office (see contact telephone numbers below) if you are unable to attend this meeting.

<b>Conservative:</b>	Group Office: 020 7664 3223	email: <a href="mailto:lgaconservatives@local.gov.uk">lgaconservatives@local.gov.uk</a>
<b>Labour:</b>	Group Office: 020 7664 3263	email: <a href="mailto:Martha.Lauchlan@local.gov.uk">Martha.Lauchlan@local.gov.uk</a>
<b>Liberal Democrat:</b>	Group Office: 020 7664 3235	email: <a href="mailto:libdem@local.gov.uk">libdem@local.gov.uk</a>
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**Carers' Allowance**

As part of the LGA Members' Allowances Scheme a Carer's Allowance of £9.00 per hour or £10.55 if receiving London living wage is available to cover the cost of dependants (i.e. children, elderly people or people with disabilities) incurred as a result of attending this meeting.

## Resources Board – Membership 2019/2020

Councillor	Authority
<b>Conservative ( 7 )</b>	
Cllr Tim Oliver (Vice Chairman)	Surrey County Council
Cllr Philip Atkins OBE	Staffordshire County Council
Cllr David Finch	Essex County Council
Cllr Daniel Humphreys	Worthing Borough Council
Cllr Peter Jackson	Northumberland Council
Cllr Roger Phillips	Herefordshire Council
Cllr Richard Wenham	Central Bedfordshire Council
<b>Substitutes</b>	
Cllr Andrew Leadbetter	Devon County Council
Cllr David Leaf	Bexley Council
Cllr Byron Rhodes	Leicestershire County Council
<b>Labour ( 6 )</b>	
Cllr Richard Watts (Chair)	Islington Council
Cllr Sharon Taylor OBE	Stevenage Borough Council
Cllr Tony Newman	Croydon Council
Cllr Tom Beattie	Corby Borough Council
Cllr Peter Marland	Milton Keynes Council
Cllr Erica Lewis	Lancaster City Council
<b>Substitutes</b>	
Cllr Terry Paul	Newham London Borough Council
Cllr John Merry CBE	Salford City Council
<b>Liberal Democrat ( 2 )</b>	
Cllr Keith House (Deputy Chair)	Eastleigh Borough Council
Cllr Adam Paynter	Cornwall Council
<b>Substitutes</b>	
Cllr Mike Bell	North Somerset Council
<b>Independent ( 2 )</b>	
Cllr Jason Zadrozny (Deputy Chair)	Ashfield District Council
Cllr Phelim MacCafferty	Brighton & Hove City Council
<b>Substitutes</b>	
Cllr Loic Rich	Cornwall Council

## LGA Resources Board – Attendance 2019-2020

	10/09/19	19/11/19	3/3/20
<b>Councillors</b>			
<b>Conservative Group</b>			
Cllr Tim Oliver	Yes	Yes	Yes
Cllr Philip Atkins OBE	Yes	No	No
Cllr David Finch	Yes	Yes	Yes
Cllr Daniel Humphreys	Yes	Yes	Yes
Cllr Peter Jackson	No	Yes	No
Cllr Roger Phillips	No	No	Yes
Cllr Richard Wenham	Yes	Yes	Yes
<b>Labour Group</b>			
Cllr Richard Watts	Yes	Yes	Yes
Cllr Tudor Evans OBE	Yes	Yes	n/a
Cllr Sharon Taylor OBE	Yes	No	Yes
Cllr Tony Newman	Yes	Yes	Yes
Cllr Tom Beattie	Yes	Yes	Yes
Cllr Peter Marland	Yes	No	Yes
Cllr Erica Lewis	Yes	No	Yes
<b>Lib Dem Group</b>			
Cllr Keith House	Yes	Yes	Yes
Cllr Adam Paynter	No	Yes	Yes
<b>Independent Group</b>			
Cllr Jason Zadrozny	Yes	No	Yes
Cllr Phelim MacCafferty	Yes	Yes	Yes
<b>Substitutes/Observers</b>			
Cllr Andrew Leadbetter	No	Yes	No
Cllr David Leaf	Yes	No	No
Cllr Byron Rhodes	No	No	No
Cllr Terry Paul	Yes	Yes	Yes
Cllr John Merry CBE	No	No	Yes
Cllr Erica Lewis	Yes	No	n/a
Cllr Mike Bell	No	No	No
Cllr Loic Rich	No	Yes	No

## Agenda

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### Resources Board

Tuesday 12 May 2020

2.00 pm

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<b>Item</b>	<b>Page</b>
1. Welcome, apologies and declarations of interest	
2. Covid-19 Local Government Finance Update	1 - 8
3. Support for low income households, the economically vulnerable and those in financial hardship	9 - 24
4. LGA response to HM Treasury Public Works Loans Board, future lending terms	25 - 38
<b>CONFIDENTIAL ITEMS</b>	
5. Special payments to staff as a result of COVID-19	39 - 48
6. Business Rates and financing local government - update	49 - 78
7. The European Structural and Investment Fund and COVID-19	79 - 88
8. Workforce Update	89 - 98
9. Minutes of the previous meeting held on 3 March 2020	99 - 108

**Date of Next Meeting:** Tuesday, 21 July 2020, 2.00 pm, venue tbc



## **COVID-19: Local Government Finance update**

### **Purpose of report**

For information.

### **Summary**

This report provides a summary of the work by the LGA on funding and finance issues related to the impact of COVID-19. Most of the work has concentrated on dealing with the immediate challenges. In the coming weeks, there will be an increasing focus on how we move from 'crisis' to 'recovery', including the future financial sustainability of councils.

### **Recommendations**

That members consider the planned actions, provide thoughts on other work which could be included in an LGA finance work programme on recovery and note this update.

### **Action**

Officers will proceed with the delivery of the LGA's work on the response to, and recovery from, the COVID-19 programme. This will include:

- gathering financial data using the MHCLG survey returns and the other approaches highlighted in this report to use in lobbying for further resources and freedoms and flexibilities;
- undertake case studies of individual councils to supplement information from the survey and other sources to provide further detail on the impacts of COVID-19 and to help refine the high-level messaging;
- in-house analysis of longer-term financial implications, potentially combined with commissioned work where appropriate and subject to the availability of resources;
- consideration of the implications of COVID-19 on local government finance reforms, such as the Fair Funding Review and 75 per cent business rates retention;
- other work on the basis of a steer from members and subject to capacity.

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## **COVID-19: Local Government Finance update**

### **Introduction**

1. This report provides a summary of the work by the LGA on funding and finance issues related to the impact of COVID-19.
2. It is essential that local government is able to stay focused on leading the local response to the greatest challenge we have faced as a nation for decades. There are considerable financial pressures facing councils as a result of Covid-19, both in terms of the direct costs associated with responding to the crisis, as well as continuing to deliver 'business as usual' services with significantly reduced income flows. As a result, most of the LGA Finance Team's work has concentrated on dealing with the immediate challenges arising and on influencing announcements to date by Central Government.
3. In the coming weeks, there will be an increasing focus on how we move from 'crisis' to 'recovery', including the future financial sustainability of councils. We would welcome a steer from the Resources Board on what the focus should be for this work.

### **Government announcements to date**

4. We have been successful in achieving a number of positive financial announcements to help councils deal with the impact of Covid-19, including:
  - 4.1. Two additional funding announcements, worth £1.6 billion each, to help meet the immediate impacts of the crisis on council financial positions.
  - 4.2. Over £4 billion of upfront grant payments (including the £1.6 billion COVID grant, £850 million of adult social care grant and pre-COVID-19 section 31 business rates relief compensation) and £2.6 billion of deferred payments of business rates to central government to aid cash flow.
  - 4.3. A three-month extension of the timescales for production of annual financial accounts and statements.
  - 4.4. A Government review of other reporting and data collection requirements for the next three months, which has resulted in postponed deadlines.
5. On 28 April, the Government announced that:
  - 5.1. the Review of Relative Needs and Resource and 75 per cent business rates retention will no longer be implemented in 2021-22; and that
  - 5.2. 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 and the approach to the 2021-22 local government finance settlement.

6. The announcement did not provide any clarity over the length of the delay to these reforms so at the time of writing it could not be assumed that these are one-year delays. Officers will provide a further update, if available, at the time of the meeting.

### **Administration of support for businesses**

7. As part of the Government's coronavirus business support package, the UK government has distributed £12.3 billion to local authorities in England to distribute through two separate grant schemes, both linked to business rates:
  - 7.1. The Small Business Grants Fund is a £10,000 grant per eligible business, originally announced during the Chancellor's Budget. Businesses included in this scheme are those which on 11 March were eligible for relief under the Small Business Rate Relief Scheme (including those with a rateable value between £12,000 and £15,000 which receive tapered relief) or the Rural Rate Relief Scheme.
  - 7.2. The Retail, Hospitality and Leisure Business Grants Fund was announced by the Chancellor on 17 March. Businesses in scope are those that were eligible on 11 March for a discount under the Expanded Retail Discount scheme and with a rateable value of less than £51,000.
8. The Department for Business, Energy and Industrial Strategy publishes [weekly data updates](#) on progress of delivery of the grant. At the time of writing, the latest update – published on 5 May – reported that £8.6 billion (70 per cent of the grant) has been paid out to more than 697,000 business properties (73 per cent of identified properties).
9. In addition, the Ministry of Housing, Communities and Local Government has expanded its Retail Discount Scheme so that all occupied retail, leisure and hospitality properties for the financial year 2020/21 receive 100 per cent business rates relief. This is being delivered through councils and is fully funded by MHCLG. Additionally, all Ofsted registered non-local authority nurseries will qualify for 100 per cent business reliefs in 2020/21.
10. In response to the representations by councils and the LGA for businesses out of the scope of current measures to receive further support, on 2 May BEIS announced an additional discretionary fund for those businesses which cannot receive support through the Small Business and Retail Leisure and Hospitality Grants. They will have to demonstrate that they have high overheads and that they have had a significant loss of income. The total value of the uplift could be 5 per cent on the original £12.3 billion, worth approximately £617 million. The Government will ask councils to use any underutilised funds from the original grants first before seeking to access additional resources. At the time of writing, detailed allocations and guidance on this new fund had not yet been published.
11. LGA and council officers have engaged extensively on all these schemes with Government officials, promoting the efforts of councils and raising issues relating to the schemes and interpretation of the Government guidance. In particular, we have raised

with officials the fact that non-ratepayers (who may pay their rates as part of rents) and local authority premises (such as markets or nurseries) do not qualify for the support. In response to representations by councils and the LGA, BEIS announced on 2 May an additional discretionary fund for those businesses not eligible for support through the existing grants.

### **Key current LGA financial messages**

12. In its engagement with Government the following are the main messages currently utilised by the LGA. They are kept under constant review to ensure that they reflect the fast-changing situation councils find themselves in.
13. The lines as at 1 May are:
  - 13.1. Cost pressures, the loss of income, and liquidity issues that all councils are experiencing are significant issues which need monitoring and addressing as they arise.
  - 13.2. The additional £1.6 billion funding announced on 18 April (taking the total package to £3.2 billion) and cash flow measures have been welcome and provide additional certainty over the short term. It is also welcome that the funding will not be ringfenced and that councils will be able to spend this on local priorities and pressures. However, the financial challenge facing councils is multiple times the £3.2 billion grant announced so far.
  - 13.3. Income losses constitute a significant part of the financial challenge. This is due to predicted drops in collection of council tax and business rates income, as well as losses of fees, charges and commercial income.
  - 13.4. The Government must continue to demonstrate a rock-solid commitment that it will meet the extra costs local authorities are facing due to the additional demands created by COVID-19, any additional costs of delivering 'business as usual' and the loss of income resulting from the lockdown. Only this will ensure council chief finance officers have the certainty they need to not consider issuing section 114 reports in the coming weeks and months.

### **Assessing the financial challenges faced by councils**

14. We are working closely with Chief Finance Officers and MHCLG to assess councils' financial need including:
  - 14.1. The impact on costs;
  - 14.2. The loss of income from fees and charges;
  - 14.3. The potential loss of collected taxation, both in the short term and in the long term;

- 14.4. Cash flow issues and whether current measures in place provide sufficient relief;  
and
- 14.5. Future cost base implications and impact on savings plans.
15. As signalled by the Secretary of State for Housing, Communities and Local Government in late March, the Government embarked on a regular survey exercise, asking councils to submit high level returns setting out projected cost pressures, income losses and cash flow issues. Overall, they received 329 responses – a 97 per cent response rate – to the April round.
16. Councils were asked to share their April survey returns with the LGA. At the time of writing the LGA had received over 170 of the MHCLG survey returns from councils (just over half of all returns received by MHCLG). Analysis of those returns suggests the following emerging picture:
- 16.1. Just under half of the initial £1.6 billion allocation will have been spent on adult social care.
- 16.2. The total projected financial pressure in the year 2020/21 arising from the impact of COVID-19, including cost pressures, lost income and savings opportunities, nationally amounts to 3 to 4 times the £3.2 billion that has been allocated by Government so far.
- 16.3. Of this, around two-thirds is due to projected losses in income, such as council tax, business rates, fees and charges. Councils fund anywhere between 5 and 70 per cent of their gross spending through sales, fees and charges, and council tax alone is worth around half of all council spending powers. Therefore, drastic losses of this income have a significant impact.
- 16.4. Even if councils used all their unallocated reserves, this would only cover up to half of the remaining shortfall on average.
- 16.5. Different types of councils will face a different nature of pressures.
17. These are early results from a limited number of councils. Many councils will have been in the early stages of assessing the impact of COVID-19 on costs, income and cash flow. At the time of writing, MHCLG is expecting to reissue its survey in May.
18. In order to minimise burden on authorities, the LGA's research and finance teams are not planning to conduct any formal financial surveys. This has been particularly important since, at the same time, the LGA is lobbying for central government to stop data collections (which are not essential or do not support the COVID-19 response) and therefore we need to be seen not to burden the sector ourselves. We have an agreement with MHCLG that they will share the data from their survey with us (with some limitations on how it can be used), and we have also asked councils to send copies of their returns to us. We have analysed over 170 returns on that basis. For the May return, MHCLG have agreed to make it clear that responses will be shared with the LGA. In addition,

other quantitative and qualitative approaches have been, and are being, used to gather additional information, such as:

- 18.1. Informal requests for information and examples from councils;
  - 18.2. A series of in-depth case studies of 10-12 councils, to provide more detailed supporting information on the financial impact of COVID-19;
  - 18.3. Desk-based research; and
  - 18.4. Bespoke modelling exercises using national data and, where they exist, from surveys which have been run by other organisations.
19. The financial impact of the crisis on council's ability to balance their income and expenditure in the current year needs to be assessed and shortfalls addressed to prevent councils having to take drastic measure to cut in year spending. The impact also needs to be considered beyond the current financial year and into 2021/22 and there is a need to assess the longer-term financial impact of the COVID-19 pandemic. Councils have to balance their budgets each year, and set a balanced budget for the year ahead, and need to take action on this as soon as they think they are unable to achieve this.
20. As a starting point, LGA officers will explore the potential of in-house analysis of the MHCLG survey returns, information gathered from the quantitative and qualitative approaches set out above, as well as other organisations work on financial sustainability to consider the longer-term implications of the COVID-19 pandemic. This potentially includes what any subsequent economic downturn might mean to councils' main sources of funding and cost pressures and the potential longevity of these impacts and the wider changes as a result of the pandemic. This might be supplemented by commissioned work where appropriate and subject to the availability of resources.
21. The detailed work programme is a work in progress and a member steer is welcome in terms of points of focus and approach.

### **Reviews by HM Treasury affecting longer term economic recovery**

22. In the March Budget, the Chancellor announced reviews of:
- 22.1. Business rates as a tax (covered separately on the agenda);
  - 22.2. The Public Works Loans Board (PWLB) future lending arrangements (covered elsewhere on the agenda); and
  - 22.3. The [Green Book](#), the Government guidance on how to appraise and evaluate policies, projects and programmes.
23. All of these reviews are going ahead. The PWLB and Green Book reviews are expected to report alongside the Comprehensive Spending Review, which was originally expected

in the summer, but has been delayed. The outcome of these reviews will have an impact on councils' ability to access capital and funding.

24. As part of the, so far informal, review of the Green Book, HM Treasury is seeking views from stakeholders across the whole of the public sector. The review is being described by HM Treasury as seeking to ensure the Green Book helps Government to take informed decisions to support levelling up. In the Budget, the aim of the review was described as follows "The review will enhance the strategic development and assessment of projects, consider how to assess and present local impacts and look to develop new analytical methods for transformative or place-based interventions. It will also consider how project approval decisions are being made and provide clearer guidance and support to practitioners".
25. We have engaged with the review as it commences and have been talking to experts within the sector. We will report back to members as it progresses and seek comments where relevant.

### **Next steps**

26. Members are asked to consider the planned actions, provide thoughts on other work which could be included in an LGA finance work programme on recovery and note this update.
27. Officers will proceed with the delivery of the LGA's work on the response to, and recovery from, the COVID-19 programme. This will include:
- 27.1. gathering financial data using the MHCLG survey returns and the other approaches highlighted in this report to use in lobbying for further resources and freedoms and flexibilities;
  - 27.2. undertake case studies of individual councils to supplement information from the survey and other sources to provide further detail on the impacts of COVID-19 and to help refine the high-level messaging;
  - 27.3. in-house analysis of longer-term financial implications, potentially combined with commissioned work where appropriate and subject to the availability of resources;
  - 27.4. consideration of the implications of COVID-19 on local government finance reforms, such as the Fair Funding Review and 75 per cent business rates retention;
  - 27.5. other work on the basis of a steer from members and subject to capacity.

### **Implications for Wales**

28. Local government funding is a devolved matter and the Welsh LGA is undertaking its own work programme on COVID-19. We are in regular contact with the Welsh LGA and

the other local government bodies in the devolved nations to exchange intelligence, ideas and consider joint work.

### **Financial Implications**

29. The work related to COVID-19 has been added to the LGA's core programme of work and is therefore, budgeted for in core work programme budgets. To accommodate this significant and additional work, other areas of LGA work have been deprioritised based on where the Government has delayed or paused work.
30. The LGA will keep under review whether future work related to COVID-19 can be accommodated within the existing budget or whether further resources will be needed for this or other work.



## **Support for low income households, the economically vulnerable and those in financial hardship in the context of coronavirus**

### **Purpose of report**

For update and review

### **Summary**

To provide Resources Board members with an update on the work of the LGA in supporting member councils in their work with low income and economically vulnerable households in the context of the Covid-19 pandemic.

### **Recommendation**

That the Resources Board note the update.

### **Actions**

As directed by Members.

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## **Support for low income households, the economically vulnerable and those in financial hardship in the context of coronavirus**

### **Hardship Fund**

1. The Ministry for Housing Communities and Local Government (MHCLG) announced a £500m hardship fund, to be distributed to councils, in its initial response to coronavirus.
2. The LGA facilitated a quick consultation with councils on the proposed mechanism for allocating funding and providing support to be based on working age local council tax support (LCTS). We did this during the course of Wednesday 18 March through our existing networks of revenues and benefits contacts, to inform MHCLG's approach.
3. Allocations were based on councils' working age LCTS caseload in 2019/20 Q3.
4. MHCLG [published guidance on 24 March](#) which set out that:
  - 4.1 The first priority for the fund was to provide all working-age LCTS claimants with (up to) £150 deduction on their council tax liability throughout the year (to include new claims)
  - 4.2 Councils would have discretion over spending any remaining funding to support a wider cohort of people facing financial hardship – for example through local welfare schemes
5. Councils received their allocation on 3 April 2020.
6. Councils have fed back on the guidance and asked for further clarifications, including through regular tele-conferences with MHCLG and the Department for Work and Pensions (DWP). MHCLG wrote to councils with a further Q&A on 16 April 2020.
7. It quickly became clear, as councils worked through their numbers, that in some places, when they accounted for rising benefits caseloads, there may not be sufficient funding to provide the proposed deduction throughout the year; further, very few areas would have any discretionary funding remaining.
8. The LGA has made it a priority to continue to lobby MHCLG on the sufficiency of the hardship fund, and the urgent need for additional local discretionary funding to reimburse and sustain the significant and necessary support that councils are providing to households facing financial hardship.

9. The LGA has asked for MHCLG to monitor councils' spending, and to commit *now* to ensuring that funding is sufficient to meet all deductions throughout the year. We have also asked DWP to provide current figures and best estimates on the increases in working-age benefits caseloads, which they have said they are preparing currently.
10. MHCLG has now included some specific questions on the hardship fund in the financial monitoring that is being requested from councils' Chief Finance Officers.
11. We continue to work closely with MHCLG, DWP and councils on practical delivery of the deductions, including work with the software suppliers, and interaction with other aspects of the welfare system. Key consultation networks include the Practitioners Operational Group (POG); the Local Authority Welfare Steering Group (LAWSG) and the Local Authority Finance Group (LAFG). MHCLG have been invited to join DWP-led engagement networks to ensure effective joint working across all issues impacting on councils' revenues and benefits teams.

#### **Food poverty and financial hardship**

12. The issue of financial hardship has also come up the agenda as a key strand within the wide range of work that is being delivered on access to food.
13. The Government's priority focus has been – and remains – on access to food for the shielded and 'non-shielded' vulnerable. However, councils have continued to highlight the significant challenges that are being faced by households who are struggling to afford food as a consequence of the lockdown and social distancing requirements, and the costs to councils of providing this support. In many places food banks and other food charities are unable to meet increased demand without support from partners.
14. The LGA has re-focused its 'reshaping financial support' (RFS) programme to focus on the specific challenges and service planning needs related to coronavirus. Some examples from across the sector are set out in the attached briefing note (**Appendix A**).
15. The LGA is currently working with colleagues in the Department for Environment, Food and Rural Affairs (Defra) and MHCLG, as well as a range of councils including those on the RFS programme, to inform a briefing to Ministers on the need for councils' work in this area to be appropriately recognised and funded as part of the wider approach to identifying and supporting vulnerable people.

#### **Low income and economically vulnerable households – longer term and during 'recovery'**

16. We are working with a growing number of councils, again centred on those in the RFS programme, to develop our understanding and lobbying positions on support for the economically vulnerable in the coming months (and years).

17. We are working with the Financial Inclusion Centre (FIC) to develop a 'demand dashboard' to review the key national and local datasets in relation to low income households, economic vulnerability and financial hardship in local areas. This will inform both national and local decision-making.
  
18. This is being integrated with the LGA's wider approach to recovery and our key asks and concerns in relation to councils' own finances. This work is still being developed but is likely to cover:
  - 18.1. Best practice, case studies policy development on the role of Credit Unions and Community Development Finance Institutions (CDFIs) and the wider financial services and money guidance sector on how they can partner with councils to secure access to financial services and affordable borrowing, to enable households to rebuild their finances
  
  - 18.2. Best practice, case studies and policy development on partnership working between councils and advice providers, particularly in relation to welfare benefits, income, employment and debt
  
  - 18.3. The role of councils in improving access to money advice and supporting good financial decision-making for households and businesses, with key partners including Money and Pensions Service (MaPS) and the Financial Conduct Authority (FCA)
  
  - 18.4. Local approaches to forbearance and public sector debt recovery -building on our existing work with the Cabinet Office Fairness Group and a wide range of partners including Citizens Advice and the Money Advice Trust
  
  - 18.5. Approaches to 'off-ramping' households in forbearance; providing support and balancing the needs of vulnerable households with councils' need to recover monies owed, including council tax, rent arrears and housing benefit overpayments
  
  - 18.6. Integration of financial advice and support with employment, housing, health and social care, focusing on key vulnerabilities that interact with poverty and economic vulnerability including homelessness, mental health and health inequalities; considering the long-term needs and aspirations of particular vulnerable groups such as young unemployed people, single parents and disabled people.

**Wider welfare policy – impact on councils and communities**

19. We will continue to research and lobby on the impact on councils of funding and policy decisions in the mainstream benefits system, including:

- 19.1. Lobbying to ensure that the Local Housing Allowance (LHA) rate remains at its restored level of at least the 30<sup>th</sup> percentile of market rents
- 19.2. Reviewing the growth in the Universal Credit caseload - as a consequence of coronavirus - and potential impacts in the wider economy; the role of councils in supporting those households
- 19.3. Continuing to press for improved information sharing between the Universal Credit (UC) programme and councils
- 19.4. Continuing to make the case for a properly recognised and adequately resourced local safety net

**Benefits administration and impacts on councils**

20. The LGA continues to have an open and effective working relationship with DWP's Local Authority Partnership, Engagement and Delivery (LA-PED) team. LA-PED colleagues are issuing a weekly Coronavirus Local Authority Welfare Direct (CLAWD) bulletin to every English council's revenues and benefits 'single inbox' every Monday, with further ad hoc communications as required.

21. We are working with councils and DWP colleagues in the team (LA-PED) on key administrative issues and costs including:

- 21.1. Housing benefit (HB) administration costs – in particular those associated with recent changes (e.g. the increase in the basic element of working tax credit)
- 21.2. New Burdens funding
- 21.3. Sufficiency and administration of Discretionary Housing Payments
- 21.4. Impact of temporary measures on HB accuracy and audit

**Implications for Wales**

22 Primarily with English councils. Working with WLGA and COSLA where possible and appropriate



**Financial Implications**

23. Costs are being met through core resource and the resources already agreed for the 'reshaping financial support' programme

## Appendix A

# Briefing Note: Local Authority Coronavirus Response to Economic Vulnerability and Financial Hardship

The Local Government Association's (LGA) [Reshaping Financial Support](#) (RFS) programme is a collaboration between seven local authorities that builds on existing good practice and accelerates further development, coordination and innovation in early preventative financial support for low income households.

The Coronavirus crisis has seen RFS programme activity temporarily paused and the group's purpose refocused to help capture insight and learning on the unfolding response; provide support to work through persistent challenges, and inform national policy discussions.

Programme delivery partner, the [Financial Inclusion Centre](#) (FIC) has undertaken a short consultation exercise with a range of local authorities together with a number of financial service and support agencies to understand the emerging picture and inform the response.

The RFS programme represents a group of councils for whom financial support was a priority prior to the coronavirus pandemic. It is important to remember that this support is currently neither separately funded, nor statutory, and it has therefore been difficult for all councils to prioritise.

As well as the councils for whom case studies are set out below, the LGA has also connected FIC to a wider network of councils that they have been in contact with on these issues throughout the initial response to the pandemic.

## Summary findings:

### Councils

- **Councils are very much focused on the immediate crisis response - dealing with the pressing problems around emergency food provision.** In particular, they are developing new distribution and volunteering networks to deliver food parcels and hot food initially to the self-isolating cohort. However, the emerging and increasingly pressing need is from households that are struggling to afford food due to a combination of dramatic falls in income and increased expenditure on food.
  - Councils would benefit from increased clarity around the current landscape relating to food poverty provision to ensure support is co-ordinated, properly resourced and reach/effectiveness is maximised.
  - Best practice and data will be collated and published – giving clarity on food provision and different initiatives / case studies that could be beneficial for the wider sector.
- **Financial guidance/support services have broadly defaulted to phone and online provision with current demand steadily growing.** All the councils FIC spoke with are expecting to see a significant rise in demand for financial help and advice over the coming weeks with councils expecting to be at the frontline and the principle point of crisis contact.

- Development of a 'Demand Dashboard' with common data indicators / surveys across local authorities that identifies key support issues and enables councils to plan and provide evidence for policy development and resourcing decisions
- **Councils are already preparing for an expected increase in demand for emergency support from people accessing hardship grants / loans and crisis support via Local Welfare Assistance schemes or similar.** Already there is evidence of increasing requests and provision of emergency payments to cover food and fuel amongst those councils with Local Welfare Assistance scheme. There are concerns around councils that do not have the existing infrastructure. However, as demonstrated by London Borough of Barking and Dagenham, implementing an emergency grant programme from scratch can be achieved in a short space of time.
  - Potential to scale or reintroduce emergency grant and loan schemes for struggling households - at a local level that is properly resourced and supported nationally.
  - Practical examples / support for councils on the options for establishing financial support packages, identifying both administration and payment delivery options as well as potential providers.
  - Recognition that due to financial and administrative pressures on councils, support will need to fit within existing structures and partnerships and there will be a range in councils' capacity to set-up and administer support
- **Universal concerns raised around local government funding to sustain the crisis support activity needed** – the majority of councils have calculated that, with rising demand for working-age benefits, their Hardship Fund allocation will only be sufficient to provide the (up to) £150 deduction for working-age LCTS claimants, with no discretionary funding left to meet wider support needs. The wider coronavirus funding will be spent on social care and other core services.
  - LGA and local authorities continue to work with Government to secure funding to properly respond to the unfolding scale of hardship; ensure households are supported to remain healthy and safe, and prevent further costs, for example related to debt, housing and arrears, during recovery.
- **Consideration needs to be given to service access for those digitally excluded and how the most vulnerable can access support.** Considerable activity is taking place at both a national and local level to ensure that support and information is reaching households who need help to access digital services, or who need contact and support to be provided through other channels. This has been particularly challenging given the reduction in face-to-face support.
  - Bring together resources and information on how councils and partners are reaching people and providing services, for example through leaflets, volunteers, frontline services, remote support and telephony.
- **Recognition that the focus on the immediate crisis response will need to turn to planning for the medium / long-term impacts of the crisis,** particularly in terms of rebuilding financial resilience and well-being. Much of the RFS programme themes and delivered outputs from its action learning sessions and consultation work still has relevance (such as predictive data, ethical collections, collaborative service delivery, affordable credit provision).
  - The need to repurpose the Reshaping Financial Support programme to help local authorities to meet the post-coronavirus challenges is greater than ever.
- **Utilising collective data across council services is shown to help identify and predict households most impacted** A number of councils have brought together housing benefit and council tax data with vulnerability flags to help segment households, enabling active targeting of tailored support and relevant information.

- Utilise various LGA outputs already delivered to create information on data analytics
- The current situation highlights again the case for councils to have timely access to Universal Credit data, to allow support to be targeted effectively.

### **What next:**

Further to this Briefing Note, a number of additional support activities and outputs will be taken forward in the coming weeks.

**Paper on the role of community lenders and partnerships with local government** – reviewing how the sector is managing in the context of the pandemic; the role Credit Unions and Community Development Finance Institutions (CDFIs) could play in supporting households to sustain and rebuild their finances during recovery, and the role councils could play in funding and partnering with the sector to support their residents.

**Paper on the role of advice providers and the VCS** - working with councils and other statutory partners including the Department for Work and Pensions to provide an effective safety net and access to timely advice and support on debt, forbearance, welfare benefits, employment, housing and financial inclusion.

**Reshaping Financial Support Steering Group** – regular consultation with invited local authority representatives, acting as a sounding board and barometer in terms of their ‘frontline’ experience and challenges.

**Best Practice Guides** – production of a series of weekly / bi-weekly guides, case studies, toolkits and useful resources to support councils to deliver effective financial support services in the current climate that will include:

- a) Financial hardship support schemes;
- b) Maximising the use of external tools and resources;
- c) Using data effectively; and
- d) Affordable lending and financial services.

**Demand Dashboard** - working with the RFS steering group and a range of local councils, the LGA will develop and implement the capture of key indicator data across a sample of local authorities.

## Local Authority Consultation:

### London Borough of Barking and Dagenham

- In relation to Community Solutions (LBBD's cross-Council service to support residents) and its Homes and Money Hub – still 'fire-fighting' with Council experiencing at least 100% increase to normal contact. Most people presenting are those that wouldn't normally seek help from the Council's service. People are generally being responsible – paying rent / bills but this is leaving people with no food or electricity.
- Majority of staff have gone virtual and supporting customers either via phone or email (changed all telephone system now diverting to virtual staff teams) – but small number of drop-in services remain (together with CAB onsite)
- LBBD has developed a brand-new Hardship Fund from scratch in two weeks. Council did not have a LWA scheme. It has gone live giving ability to pay people a basic income. Administered by Benefits Team (with Children's Services team making payments) – with criteria based on:
  - Low-income/unemployed households with an emergency need for funds due to Covid-19 to cover food / utilities and short-term payments for household goods.
  - Taken steps to maximise income and engage with HMH service and is a 'last resort fund' if other discretionary budgets have been accessed first (e.g. DHP or CTR budget).
  - Providing tailored amount to household per week until they receive income (allocated for a month)- amounts based on Shelter and JRF research on what people would need in a crisis (for example: working-age adult = £48 for food/drink and £19 for utilities per week OR couple with children £88 for food/drink and £30 for utilities per week). Additional households supplement for additional children and those with disabilities.
  - Information is taken on face value – but can verify against Council's benefits data and new UC notifications from DWP as well as request bank statements.
  - LBBD have set-aside £300K for hardship fund from £500 million government funding.
  - 60 already approved applications in first two weeks – £40,000 awarded.
- Food crisis response – LBBD response led to creation of BDCan – covering all things food provision related across the borough covering food supply/distribution with Citizen Alliance Network.
  - Emergency food and fuel response reliant on huge focus on voluntary sector partnership – building strong / lasting partnerships with 9x third sector groups spread across the borough – trusted locality partners. Mix of partners – some established / some new to working with council (e.g. mosque and churches).
  - Set up central call centre system – for residents that cannot get out for food or pharmacy collections. Resident ring central BDCan number to purchase food parcel – focus on self-isolating but don't turn people away if they contact and (increasingly) can't afford – so giving one free parcel and will refer to Homes and Money Hub for support)
  - Food parcel sent to distribution hubs and locality partners take to home.
  - Also funding Trussell Trust to service 3 foodbanks and also setting-up brand new one and also working with local homeless charity to fund pick-up of food parcels.
  - Key issue is sourcing food – spreading across 8-10 suppliers using school suppliers / any local food. Procurement process is not fast enough – new suppliers take 2 days on system
  - BDCan launched 23 March and has already surpassed over 2,000 food parcels and reach over 10,000. Cost council £200,000 on food support alone residents supported – continuing for time being BUT what is the exit strategy.

- Partnership approach 'on steroids' – and will be foundations for continued partnership delivery of services – 'we will not go back to normal').
- Next stage is 'Recovery Phase' - LBBB needs time to see if people are slipping through the net and also turn attention to those needing financial support – especially those that would benefit from access to low-cost loans – not a hardship grant.
  - Issue is in coming months after the initial crisis – stored up issues – bills and rent have been put off. Financial impact will be ongoing once lockdown finished – won't be crisis but will need long-term planning to address lost income.
  - LBBB keen to start getting back onto the front foot for prevention – using One View data to predict and target engagement. Started modelling more long-term at risk and vulnerable – those teetering on the edge so deliver early intervention at these individuals.
  - Entire Revenue and Benefits Department coming into Community Solutions – still doing call work but will be integrated into ethos and way of working with no barriers or boundaries – so move into how can work together and impact with tenancy sustainment and income max to prevent homelessness and move people out of temporary accommodation. Access to One View shared systems so able to identify vulnerability and enable more prevention.

### Leeds City Council

- Council holding weekly calls with city-wide Financial Inclusion Steering Group (including representation from Citizens Advice; Credit Union; Welfare Benefits etc).
- Most services have defaulted to online / phone support – but still some F2F support (for example, credit union branches in four community hubs). Newly developed C-19 helpline – 7,700 calls to date.
- The view from partner agencies appears to be that, at present, service take-up appears to be a bit lower than usual (the credit union is experiencing less loan demand and the Welfare Rights team dealing with less calls).
- However, the prevailing view appears to be that this is the 'calm before the storm' – it is still fairly early since the crisis began and it is anticipated that demand for services will rise as the crisis continues, and problems managing reduced incomes increases.
- Currently, the most requested support from partner agencies is in relation to employment issues and help around Universal Credit. Universal Credit applications risen dramatically with 17,000 new UC claimants (approximately 4,000 per week) would normally be 600 per week before C-19.
- Local Welfare Assistance scheme has been changed – relaxing both criteria and assessment. Critically, approach now is - are you in need? If yes, it is approved. Revised eligibility – previously was a one-off payment but now dropped and now 3 financial awards (single person is £25 and a family is £50 per week) but more for different circumstances.
- Emergency food provision - 13,000 food parcels. LCC has spent £200,000 on food purchase and £62,000 on supermarket vouchers.
- Homeless moved to hotels.
- Third sector partnership to identify volunteers (tiered based on DBS checks)
- This perhaps backs up the view that, currently, people are dealing with immediate pressing priorities and the demand for financial support services is yet to come.
- Council tax support scheme – trying to support as many people as possible.

- Access to food is a critical issue and priority. Utilising existing food aid network – already good infrastructure in place across the city. Implemented a traffic light scheme, providing tiered support based on vulnerability (e.g. direct deliveries). This is supplemented by a network of voluntary sector organisations working out of community hubs across all city wards.
- Working with Fareshare to set up a warehouse to improve emergency food distribution across the city.
- Local Welfare Support scheme providing food voucher / parcels / fuel support. Previously tight application criteria has been relaxed significantly, so easier for those struggling to access support.
- Looking at the use of e-vouchers for food support so they could be texted directly to someone's phone for immediate use.
- Online information hub – Leeds Money Information Centre - <https://www.leeds.gov.uk/leedsmic/Home>

### **London Borough of Tower Hamlets**

- Responsible for delivering the Council's emergency response – focusing on delivering food parcels using a newly created network of distribution centres for those in self-isolation (who fill online or telephone form) and receive door step delivery via volunteers. Requests have gone through the roof – currently food packages are just for urgent response – rest diverted to food bank.
- Next step is proactive use of data - utilising CT and HB dashboard to proactively predict need and increase access – in first instance contacting all over 70s single households (and then couples) – directing them to fill in form or call for food parcel. Then those on disability benefit not covered by shielding and then large families and self-employed.
- Most recent phase is hot food – working in partnership with Plate for London –producing hot meal for families across 5 community centres – where any family can collect food with reheating instructions in Bengali and English.
- Currently, Council is spending £50,000 per week on food provision.
- At the moment, if households require food and fuel because of vulnerability/affordability – then they are being directed to Council's Local Welfare Assistance scheme – to apply. Current annual budget is £600,000. They have relaxed criteria and assessment and created a new Covid-19 code (so if eligible via normal criteria will receive normal hardship grant award). Also awarding 2 weeks rather than just 1 – to cope with expected volumes.
- Demand has gone up – despite being early days and the lack of awareness. Figures between 25 March and 26 April has seen an extra 370 applications for fuel and food with Covid-19 code (i.e. on top of its normal LWA awards). Of these, 348 awarded (usual approval rate is 46%) with a total value of £29 000 (n.b. average daily spend pre-Covid-19 was £5.50 – now £450 per day).
- Managed by Northgate and payments administered by Family Fund using PayPoint.
- Happy to share detail of programme and materials/processes.
- Also supporting its network of food banks with Council platform for crowd funding seeing £9,000 corporate donations.

- Asking voluntary sector organisations receiving its Community Fund to repurpose delivery to assist Covid-19 response.
- Critical element to ability to respond is having infrastructure in place and collective Council data available to utilise.
- Major obstacle is accessing food supplies - Government has not relaxed procurement rules (LGA intervention needed)
- Estimated that their allocation of £500 million hardship fund will not cover both existing eligible and predicted new households for CT relief. Significantly more central government resources are needed.
- Potential addition support from Central government Covid-19 communication channels to encourage those needing support to contact their local council.

### **Brighton and Hove City Council**

- Currently reacting to demand and establishing networks and systems.
- Universal Credit take-up has risen dramatically.
- Looking at plans for a Hardship Fund – not sure how much funding may be left for Local Welfare Assistance schemes - as council tax reduction numbers are expected to increase.
- Huge demand for food – very strong voluntary sector working on this agenda via local food distribution centres.
- Promoting benefits take-up to ensure people are claiming what they should be.
- Cashflow seems to be a major issue for people – supporting direct access to cash would therefore be useful.
- Also very focused on the business angle with business rates support – see this as part of broader support for individuals that safeguards jobs and longer-term incomes.

### **Bristol City Council**

- Welfare Rights / Money Advice Service (including Debt Advice) – full service is now running online and over the phone.
- Engaged with local voluntary sector organisations – most are trying to provide as full a service as possible, with the exception of F2F delivery.
- Developing plans as regards Hardship Fund.
- Providing support to specific groups – especially homeless households, rough sleepers, gypsy / traveller families.
- Food provision is a priority – strong volunteer numbers to support this. Foodbanks aren't at 100% - looking at how infrastructure could be developed / improved to facilitate food distribution via community hubs type approach.
- In terms of service demand – local UC levels are rising, but generally at the moment service numbers are pretty steady. However, anticipating that demand is likely to increase significantly.
- Currently very practically focused on immediate priorities, but believe there will be long-term effects and therefore it will be important to keep arrangements in place for a long-time.

### Royal Borough of Greenwich

- Range of support still available to residents online and over the phone.
- Greenwich already has its Emergency Support scheme – usually provides furniture, white goods and cash payments. At the moment, scheme can't provide furniture/white goods because suppliers aren't delivering. But seeing increased demand for cash payments for food and fuel - rising daily.
  - Between January – February 2020 – received approximately 250 per month (half household goods / half cash payment) – with 15% awarded cash.
  - In April - 150% increase in application and 600% increase in cash awards – resulting in spend of £40,000 in cash payments (normally £6,000 per month) - but at the moment the overall scheme has only marginally increased because of no household goods).
  - Demand has come from self-referrals and welfare rights and community hubs
  - They have relaxed the scheme – dropping the limit on number of awards per year and also providing funds to those with No Recourse to Public Funds.
- Payments are being sent via barcode to smartphones, which can be redeemed at post offices (8-10 PO's across the borough). This means the process of providing support is very quick.
- Supporting people to make sure they're getting the right benefits – helping people to complete online applications over the phone.
- In terms of service demand, it's currently busy but steady with majority of enquiries about "what can I claim, what can I do right now?" Expecting demand for wider financial support services to increase as time goes by.
- Very focused on current short-term priorities, but recognise that planning is needed as regards medium / long-term actions around resilience / safety-nets.

### Devon County Council:

- DCC has set up a united 'Team Devon' approach, bringing together district, town and parish councils, alongside the county council and voluntary sector, to co-ordinate the delivery of support to those who are economically vulnerable and experiencing financial hardship.
- Specifically, with the hardship fund fully allocated for council tax support, DCC have allocated £1million in grant funding across Devon's eight district councils to enable consistent county-wide provision of rapid short-term help for people who are economically vulnerable and in financial hardship, including the emergency provision of household essentials, eg food, heat, power, nappies, baby milk.
- Whilst this scheme will operate for an initial 3 months, DCC expect that the scale of those who are economically vulnerable and experiencing financial hardship will increase significantly as the crisis continues, and therefore further funding will be required to extend the provision of this emergency support in the longer-term.
- DCC have established a reporting mechanism for the scheme to help gauge and understand demand, and plan to link this with wider health and economic data sets to provide a broader and more detailed picture of the scale of vulnerability and requirement for support across the county.

### Newcastle City Council:

- Co-ordinated support package on key areas of Welfare Rights, Debt/Budgeting, Employment support and Homelessness service. Significant initial focus on stabilising homelessness.
- New initiative City Lifeline launched – above and beyond existing support services, providing a mechanism for people to register their need for assistance and be matched with local volunteering support. Daily triage of all enquiries is undertaken so full support needs can be identified - <https://www.newcastle.gov.uk/services/public-health-wellbeing-and-leisure/public-health-services/coronavirus-covid-19/citylife>.
- Crisis support scheme has been increased utilising Hardship Grant funding – help people to pay for food and bills. The scheme has been amended to allow recipients to cash-in voucher payments or enable payments to be paid into bank accounts where PayPoints are closed or out of cash <https://www.newcastle.gov.uk/citylife-news/housing/help-most-vulnerable>
- Normal services still up and running moving to online and phone – in terms of service demand, debt/budgeting service is seeing less traditional activity (e.g. court paperwork coming through etc) because of wider government support interventions. However, waiting to see what happens over the next few weeks in terms of demand and what new issues may arise.
- Homelessness – the landscape is changing very quickly. More people coming forward for support, who may previously have been hidden (e.g. sofa surfing or living in overcrowded conditions), but the crisis has now meant they are presenting for support.
- In terms of service provision, NCC recognise many people need both online and phone support – online can't be provided in isolation, as many need telephone help to complete applications.
- Comprehensive online information hub in place - <https://www.newcastle.gov.uk/services/welfare-benefits/welfare-rights-and-money-advice/coronavirus-and-benefits-special-page>

### London Councils

- All LAs are in head-down crisis management mode with principle focus on establishing network to implement food parcels for self-isolating cohort.
- Food poverty – Croydon have set up food hubs for self-isolating where foodbanks have been unable to function. Some are moving beyond this cohort to those that can't afford food (e.g. Croydon and Enfield). What happens to households on free school meals – is there a way to provide this to each of these households?
- LC undertaking daily service surveys on different policy areas – identifying services that are functioning as normal and where there has been complete breakdown. Results show most central services still running normally – but delivery of repairs and safety work etc have completely stopped.
- Also undertaken a welfare demand survey – significant identified issue is that UC claimants will come to Councils for HB claims and given scale of demand will struggle for capacity and resources to process the volume.
- MHCLG - £500 million hardship funding intended to give £150 off working-age council tax – with any surplus into Local Welfare Assistance schemes for grants – but the issue is that not just existing but also new claimants – so nowhere near enough money.

- Local Welfare Assistance schemes where in place have infrastructure to deliver but will burn through their budgets.
- Mixed picture on LWA – Greenwich have schemes that give cash payment – most have vouchers for household goods or food vouchers.
- Not aware of work on affordable lending – (look at Newham Money Works service).
- Difficult to improvise – if things stabilise then Councils can focus beyond emergency food provision on other issues such as financial support and longer-term implication – but much more funding is needed.
- There is also an urgent need for DWP data more than ever.

DRAFT

## **LGA response to HM Treasury Public Works Loans Board, future lending terms**

### **Purpose**

To approve the LGA's response to the consultation from HM Treasury on the future lending terms of the Public Works Loans Board (PWLB).

### **Summary**

The report outlines HM Treasury's consultation on proposed future lending arrangements for the Public Works Loans Board (PWLB), and seeks comment on, and approval of, the LGA's draft response to the consultation, attached as **Appendix 1**.

### **Recommendation**

That subject to any comments from members, the attached submission to the consultation be approved.

### **Action**

That the approved submission be submitted to HM Treasury.

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## **LGA response to HM Treasury Public Works Loans Board, future lending terms**

### **Background**

1. On 9 October last year, [HM Treasury announced](#) an immediate 1 per cent increase in the rate charged by the Public Works Loans Board (PWLB) on new loans to local authorities. This caused widespread dismay in the sector and fears that it would lead to many vital capital housing and infrastructure projects to be reviewed, postponed or even cancelled. In some statements Ministers at least partly linked the rise to a desire by the Government to curtail borrowing being undertaken by a minority of councils to fund investment in particular types of property purchases which have been undertaken primarily to generate income (for example in answers to [Parliamentary select committee questions](#)<sup>1</sup>).
2. Following calls from the LGA and others, in his March Budget the Chancellor announced that PWLB would offer discounted loans for specific infrastructure projects and for social housing projects funded through the housing revenue account. These discounts will take rates back to or below the rates offered before the October rise. However, they are only available for qualifying projects and are subject to specific application and approval.
3. At the same time, the Chancellor launched a [consultation on the future lending arrangements](#) for the PWLB. This consultation closes on 4 June and this paper outlines a proposed response from the LGA which is appended for comment and approval.
4. The consultation paper was issued before strict measures were implemented to address the COVID-19 pandemic. The COVID-19 pandemic has raised serious questions about the role of the PWLB and how it could be improved to support councils.

### **Issues raised by pandemic – additional points for response**

5. Many councils have faced cash flow shortfalls as a result of the crisis. In order to meet essential commitments, they face having to take-out short-term loans at expensive rates. Such loans would take resources away from front line services and divert them to financial institutions. The Government has acted quickly to help by paying grants up front and by the deferral of business rates payments centrally. These have provided councils with a breathing space. The PWLB could provide a permanent solution to cash flow problems by offering low-cost short-term loans to local authorities.

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<sup>1</sup> See answer to Question 50, Housing, Communities and Local Government Committee, Oral evidence: Work of the Secretary of State 2019, Monday 28 October 2019

6. Councils are also facing extraordinary costs of dealing with the pandemic as well as losing significant income streams and the opportunity to implement planned savings programmes. Further help could be given to councils by PWLB allowing for some loan repayments to be delayed. This would be a temporary measure; the loan would still have to be repaid but at a later date. However, the local government sector has also noted that NHS bodies have been allowed to write off debts as a result of the COVID-19 crisis and several local authorities have called for the same dispensation.
7. It is proposed that the response to the consultation is taken as an opportunity to call on the Government to implement these two schemes quickly and urgently to help councils through the current crisis. This needs to be done as soon as possible and not wait for the outcome of the consultation or for the Comprehensive Spending Review.

### **Summary of the proposals in the consultation**

8. The [consultation document](#) is quite lengthy and it includes 40 specific questions to be answered. Many of these questions are aimed at individual councils and it may be that the PWLB is using the opportunity of the consultation to undertake a survey of its users. It is proposed that the response from the LGA does not address these directly as they seem to be survey related (this covers questions 1-3, 12-13, 15, 19, 23-28, and 37-39) but instead encourages the PWLB to listen to the views of individual councils.
9. The stated aim of the consultation is that it is a “limited intervention to address the specific issue (described in this document as ‘debt-for-yield’)” of “a minority of local authorities borrowing from the Public Works Loan Board (PWLB) to buy investment assets primarily for yield”. The proposals include a number of other minor adjustments to the lending arrangements, but this issue is at the core of the proposals in the consultation.
10. In summary the proposed changes to achieve that are as follows
  - 10.1 Councils Chief Finance Officers (CFOs) will be required to certify annually that they are not going to use capital spending to buy investment assets primarily for yield.
  - 10.2 Without that certification, councils will not be eligible to access any PWLB loans for any purposes in that year.
  - 10.3 If a local authority subsequently does buy an investment asset primarily for yield in that year (no matter how it is specifically funded) it will have to immediately repay any PWLB borrowing undertaken that year (*including early repayment penalties*).
  - 10.4 Lower interest rates (lower margin over gilts) will be introduced for all lending once this system is in place.

- 10.5 The new arrangements are designed to affect capital only; Treasury Management investments should be unaffected.

**Proposed response**

11. Overall the proposals seem out of proportion to the “problem” that they seek to solve (if it is indeed a problem), and there is danger that it will make it difficult for local authorities to continue to access PWLB borrowing for other purposes and have unintended consequences for councils ability to make key capital investments to meet priorities such as housing, infrastructure and regeneration. It is proposed that the response picks up these practical difficulties in answering specific questions. However, members may wish the response to address the more fundamental point that in extending the prohibition on PWLB borrowing to the whole capital programme, it places Debt Management Office officials in the position of adjudicating on what can and cannot be financed in that year. Under the Prudential Code, these decisions are a matter for elected Councillors. As a result, these proposals impose ‘back door’ controls on council spending which have been delegated to councils by Parliament. It is unacceptable that government officials should take this power to themselves. This point is expanded in the proposed response.
12. The practical difficulties are headed by the lack of a clear understanding of what constitutes an “investment asset primarily for yield”. Councils have always owned and managed properties and many of these have a rental element to them that can lead them to be seen as being held for “investment for yield” purposes, but that may not be the sole reason they are held. An individual property can be held for several different reasons at the same time. Property that is held for service reasons – for example, for place shaping or for economic regeneration such as plans to regenerate high streets by changing and influencing the mix of use of properties, may also generate a commercial rental income, which may or may not more than cover the costs of holding the property and so result in a “yield”. The consultation document does recognise this and includes a few hypothetical case study examples of possible investments; however, while the hypothetical examples may appear to be clear, real life situations are unlikely to be so clear and this is likely to cause considerable confusion. This point is also expended in the draft response.
13. When the consultation was launched it was stated that it would go hand in and with a series of regional roundtables with stakeholders in the sector. It has not been possible to hold such events in current circumstances. It is suggested that the response draws attention to this and to concerns that this may result in a worse outcome. Open discussion at such a forum should have allowed detailed exploration of the practical problems posed by the proposals and might have created an opportunity for alternative proposals to be formulated that could addresses HM Treasury’s concerns, without the need for the drastic action proposed in the consultation.
14. The proposed answers to the detailed questions build on the points made above. However, in addition, questions 5 and 6 cover the point as to whether it is appropriate

that there is an annual assessment of whether councils have or will undertake any purchases of “investment assets primarily for yield”. As outlined above, the overall proposed response is that the requirement for such an assessment is wrong in principle. However, it is proposed that the response to these questions recognises that in the case of the proposals being implemented, it would be better for such an assessment to be on a case by case basis for each loan undertaken rather than an annual one, and that this should not result in a global restriction of other in year borrowing. This would obviate some of the practical difficulties with the proposals, although it would not overcome the fundamental objection in principle.

15. Question 10 covers application of the proposals to Scotland and Wales. The PWLB covers the UK as a whole and it is not obvious why new arrangements would apply differently in Scotland and Wales (nor is this being proposed), however it is suggested that the response to this question defers to the Welsh LGA and CoSLA for views on arrangements in their countries. Question 11 covers application to smaller authorities (e.g. Town and Parish councils) and it proposed to support the proposal that the new restrictions do not apply to these. This issue will be discussed with the Welsh LGA.
16. The LGA’s draft response is appended to this report (**Appendix 1**). For ease of reference this shows the questions in full that it is proposed that the LGA response addresses, as well as the proposed answers.

### **Implications for Wales**

17. PWLB lending applies to all local authorities in England, Scotland, and Wales. As outlined above there is a question in the consultation as to whether the new arrangements should apply to Scotland and Wales as well as England; this will be discussed with the Welsh LGA.

### **Financial implications**

18. This work is part of the LGA’s core programme of work and as such has been budgeted for in the 2020/21 budgets.



## Appendix 1

# HM Treasury Public Works Loans Board, future lending terms, response to the consultation from Local Government Association

4 June 2020

### About the Local Government Association

1. The Local Government Association (LGA) is the national voice of local government. We are a politically-led, cross party membership organisation, representing councils from England and Wales.
2. Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.
3. We welcome the opportunity to comment on the Public Works Loan Boards (PWLB) future lending terms.
4. This response has been cleared by LGA's Resources Board.

### Introduction – immediate response to COVID-19 pandemic

5. The consultation paper was issued before strict measures were implemented to address the COVID-19 pandemic. However, the financial environment for local government has changed so profoundly that we cannot overlook the issue.
6. The COVID-19 pandemic has raised serious questions about the role of the PWLB and how it could be improved to support councils. Many councils have faced cash flow shortfalls as a result of the crisis. In order to meet essential commitments, they face having to take-out short-term loans at expensive rates. Such loans would take resources away from front line services and divert them to financial institutions. The Government has acted quickly to help by paying grants up front and by the deferral of business rates payments centrally. These have provided councils with a breathing space. The PWLB could provide a permanent solution to cash flow problems by offering low-cost short-term loans to local authorities.
7. Councils are also facing extraordinary costs of dealing with the pandemic as well as losing significant income streams and the opportunity to implement planned savings programmes. Further help could be given to councils by PWLB allowing for some loan repayments to be delayed. This would be a temporary measure; the loan would still have to be repaid but at a later date. However, the local

government sector has also noted that NHS bodies have been allowed to write off debts as a result of the COVID-19 crisis and several local authorities have called for the same dispensation.

8. We call upon HMT to implement these two schemes quickly and urgently to help councils through the current crisis. This needs to be done as soon as possible and not wait for the outcome of the review or for the Comprehensive Spending Review.

### **Revised lending arrangements consultation**

9. The stated aim of the revised lending arrangements is a “limited intervention to address the specific issue (described in this document as ‘debt-for-yield’)” of “a minority of local authorities borrowing from the Public Works Loan Board (PWLB) to buy investment assets primarily for yield”.
10. The proposals include a number of other minor adjustments to the lending arrangements, but this issue is the core of the consultation.
11. We will answer the specific questions in detail later, but overall the proposals seem out of proportion to the “problem” that they seek to solve (if it is indeed a problem), and there is danger that it will make it difficult for local authorities to continue to access PWLB borrowing for other purposes and have unintended consequences.
12. The key proposal is that any local authority that undertakes an investment that is classified as a “investment asset primarily for yield” will not be able to access PWLB loans for any projects in the year in which it makes the investment. This is irrespective of how the individual investment “for yield” is funded or how big or small it is. We set out below some of the practical difficulties with this approach, but at the heart of our objection is that, in extending the prohibition on PWLB borrowing to the whole capital programme, it places DMO officials in the position of adjudicating on what can and cannot be financed in that year. Under the Prudential Code, these decisions are a matter for elected Councillors. It is unacceptable that government officials should take this power to themselves. One could take the view that PWLB, like a commercial lender, is entitled to deny credit on a proposition which does not meet its criteria; what is unusual in this proposal is to refuse finance in an arbitrary way on all propositions just because there is one among them to which the lender objects.
13. There is no accepted definition of an “investment asset primarily for yield”. Councils have always owned and managed properties and many of these have had a rental element to them that can lead them to be seen as being held for

“investment for yield” purposes, but that may not be the sole reason. In many cases the distinction is not clear, and an individual property can be held for several different reasons at the same time. Property that is held for service reasons – for example, for place shaping or for economic regeneration such as plans to regenerate high streets by changing and influencing the mix of use of properties, may also generate a commercial rental income, which may or may not more than cover the costs of holding the property and so result in a “yield”. The consultation document does recognise this and includes a few hypothetical case study examples of possible investments; however, while the hypothetical examples may appear to be clear, real life situations are unlikely to be so clear and this is likely to cause considerable confusion. We believe that in adjudicating on these questions, the DMO will be taking powers upon itself that should be taken by elected councillors and that these proposals impose ‘back door’ controls on council spending which have been delegated to councils by Parliament.

14. When the consultation was launched it was stated that it would go hand in hand with a series of regional roundtables with stakeholders in the sector. It is particularly disappointing that it has not been possible to hold such events (though it is understandable). Open discussion at such a forum would have allowed detailed exploration of the practical problems posed by the proposals and might have created an opportunity for alternative proposals to be formulated that could address HM Treasury’s concerns, without the need for the drastic action proposed in the consultation.
15. We would urge that the consultation is extended and that a series of virtual round tables are arranged to discuss the proposals in detail as was originally envisaged, and to feed the comments from these into the review.

### **Specific questions**

Questions 1-3, 12-13, 15, 19, 23-28, and 37-39 are all aimed at individual local authorities and we would refer you to answers from individual councils. We are therefore providing specific answers to the remaining questions.

**Question 4:** *Do you think the proposal described in paragraphs 1.24 to 1.28 would be effective in achieving the aim set out in paragraph 1.22?*

16. The aim as stated in para 1.22 is to “develop a proportionate and equitable way prevent local authorities from using PWLB loans to buy commercial assets primarily for yield, without impeding their ability to pursue service delivery, housing, and regeneration under the prudential regime as they do now”. The

proposal in paragraphs 1.24 to 1.28 is to end “access to the PWLB for local authorities that wish to buy commercial assets primarily for yield”.

17. The proposal will prevent local authorities from using PWLB loans to buy commercial assets primarily for yield. But the proposal does not appear to be proportionate and in our view it will impede the ability of some local authorities to pursue service delivery, housing and regeneration under the prudential regime. The proposal will create other problems. It is very likely that it will prevent councils from borrowing to invest in service and regeneration schemes that have commercial elements for fear that these will be judged as being “for yield”, or to seek to remove these elements from proposed schemes, which may in turn make them unviable or unaffordable.

**Question 5:** *Do you agree with the conclusion in paragraph 1.26 that local authorities finance their capital requirement in the round, and that it is not therefore possible to meaningfully link PWLB borrowing to specific spending?*

18. This is an over-simplification. If this were the case, then it should also not be possible to state quite so categorically that local authorities have been funding the purchase of investment properties for yield through borrowing from the PWLB over the past few years. The financial appraisal of capital investments will consider the costs of capital and that will assume the source of any borrowing. It should therefore be possible for a council to make a meaningful link between PWLB borrowing and specific spending if it is required to do so.

**Question 6:** *If you answered ‘no’ to question 5, do you have an alternative suggestion?*

19. The clear alternative would be to require local authorities to state that individual borrowing is not being used to fund specific debt for yield schemes. However, while this may be a marginally better approach our view is that local councils should be free to make their own decisions on their capital programmes.

**Question 7:** *Do you agree that the approach set out in paragraph 1.27 is a reasonable approach to the situation in which a local authority borrowed from the PWLB and was subsequently found to have pursued a debt-for-yield scheme despite the assurances given through the application process? If not, how would you recommend that the government addresses this issue?*

20. Paragraph 1.27 proposes that councils that have used PWLB loans to fund debt for yield purchases despite assurance to the contrary should be required to repay

the loan with penalties. We would hope that such a situation would not arise. It is possible that such a situation would be most likely to arise where there had been a disagreement over whether a scheme qualified or not, therefore it is probable that any council involved will have acted in good faith. In this circumstance, the charging of an early repayment penalty seems to be harsh.

21. We note that this paragraph refers to “debt for yield” purchases whereas other parts of the consultation refer to buying either “commercial assets primarily for yield” or “investments assets primarily for yield” with no reference to funding them by “debt”. This point needs to be clarified as it makes a significant difference.

**Question 8:** *Do you think that the proposal set out in paragraphs 1.24 to 1.28 would limit your ability to effectively manage your existing investment portfolio in a year in which you still wish to access PWLB borrowing for ‘accepted’ purposes?*

22. This is a question for individual local authorities to answer but the answer is going to be yes for a very large number of councils, if not all. It could certainly restrict their options.

**Question 9:** *Do you have a view on when in the calendar or financial year this new system should be introduced?*

23. As outlined in the response, we think that modifications should be made to the proposals. The parts of the proposals that would result in a reversion to the interest rate calculations used before October 2019 should be introduced as soon as possible. The wider changes that we are calling for in this review (see paragraphs 5 to 8 above) need to be introduced as a matter of urgency in response to the problems councils are facing due to the current pandemic.

**Question 10:** *Do you agree with the proposal in paragraph 1.29 that these new lending terms should apply uniformly to larger LAs in England, Scotland, and Wales?* and **Question 11:** *Do you agree with the assessment in paragraph 1.30 that it is not necessary to change the arrangement for smaller authorities?*

24. We are not aware of any reason why arrangements should be different in England, Scotland, and Wales, but we would refer you to any response from the Welsh Local Government Association and the Convention of Scottish Local Authorities. We also see no reasons to change the arrangements for smaller authorities.

**Question 14:** *Do you agree with the approach in paragraph 1.38 that the section 151 officer of the applicant authority should assess if the capital plan is eligible for PWLB access, or would it be more suitable for another body to do this?*

25. Should the proposal be implemented, this seems an appropriate role for the section 151 officer.

**Question 16:** *Would these proposals affect the ability of LAs to pursue innovative financing schemes in service delivery, housing, or regeneration?*

26. As outlined above, yes.

**Question 17:** *Are there specific examples of out-of-area capital spending for service delivery, housing, or regeneration that support policy aims?*

27. We understand that this is the case in several local authorities.

**Question 20:** *Do you have any views about the implications of these proposed changes for people with protected characteristics as defined in section 149 of the Equality Act 2010? What evidence do you have on these matters?* **Question 21:** *Is there anything that could be done to mitigate any impact identified?* **Question 22:** *Is there anything else you would like to add on this issue?*

28. We are not aware of examples of the specific implications in these questions.

**Question 29:** *Do you have any PWLB debt that would you like to repay early? If so, what is the total value of this debt and at what price/discount would this be viable?*

**Question 30:** *How much PWLB debt would you transfer to other LAs if you could?*

**Question 31:** *If novation were permitted, under what circumstances would you take on debt from another LA rather than taking on new borrowing from the PWLB or another source?* **Question 32:** *Are there any other barriers to discharging unwanted PWLB debt?*

29. While these questions are largely for individual local authorities to respond to, we are aware that current levels of early repayment penalties are seen as an issue by several councils. If early repayment penalties cannot be withdrawn, and we do understand the need to cover costs of early repayment of corresponding gilts, then a reasonable low or nil cost solution would be the ability to transfer PWLB debt between local authorities by novation. This would be likely to have the advantage for the PWLB of reducing the amount of new borrowing.

**Question 33:** *Should HM Treasury introduce a process by which borrowing by an individual authority might be slowed or stopped without affecting PWLB access or terms for other LAs?* **Question 34:** *Under what circumstances should this process be applied?*

30. Local Authorities should not have different levels of access to PWLB borrowing.

**Question 35:** *Do you use DMADF currently, and if so, why?* **Question 36:** *What would make you increase your use of DMADF?*

31. These are questions for individual local authorities to answer. However, as outlined in our introduction there is an urgent current need for a short-term lending facility to act as a counterpart to the DMADF.

**Question 40:** *Is there a case for changing the name of the PWLB?*

32. It is a minor point. The name of the PWLB is widely recognised in the sector.

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