

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 since the previous meeting of the Board on 15 September. This includes work on COVID-19 issues and the 2020 Comprehensive Spending Review.

Recommendations

That Members of the Resources Board note this update.

Action

Officers will proceed with the delivery of the LGA's work on local government finance matters.

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Local Government Finance update

Introduction

1. This report provides a summary of the work by the LGA on funding and finance issues since the last Board meeting on 15 September including work in response to the COVID-19 pandemic and on the 2020 Spending Review.

COVID-19: National lockdown funding

2. On 31 October the Prime Minister announced a national lockdown period lasting from 5 November to 2 December. On 2 November the Government announced that single tier and county councils will receive a one-off payment of £8 per head to support local test, trace and contain activities and wider measures to protect public health and local economies. This Contain Outbreak Management Fund amounts to £465 million and was announced as part of the three-tier system. Where councils have already received funding from the three-tier system, it will be increased to the maximum of £8 per head, therefore councils already in the very high tier that have received funding of £8 per head will not receive additional funding.
3. A further £32 million will be allocated to single tier and county councils to enable them to support clinically extremely vulnerable (CEV) people allocated based on £14.60 per CEV person. This funding relates to the 28-day period the national restrictions are in force.

COVID-19: National lockdown support for businesses

4. On 3 November, The Department for Business, Energy and Industrial Strategy (BEIS) [published](#) details of the Local Restrictions Support Grant (Closed) which will enable billing authorities to give grants of up to £3,000 per business (with the amounts linked to rateable value) that is required to close for the period from 5 November to 2 December.
5. BEIS also announced [details](#) of the Additional Restrictions Grant (ARG) on 3 November. Billing authorities will receive a one-off lump sum payment amounting to £20 per head to run a discretionary grant scheme to support businesses and support business activities. Local authorities that previously entered very high tier restrictions may have already accessed additional enhanced business support settlements. These previous very high tier settlements are now part of the Additional Restrictions Grant. This resource can be used at councils' discretion in the financial year 2020/21 (and in 2021/22 for programmes started in 2020/21).
6. The LGA and council officers have continued to engage 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.

COVID-19: Tranche 4 and local alert level funding

7. On 22 October, the Government [published](#) local authority allocations of the £1 billion announced by the Prime Minister earlier in the month:
 - 7.1 Of the £1 billion, £919 million is unringfenced funding allocated directly to councils based on the COVID-19 relative needs formula used in the allocation of tranche 3 funding, adjusted for allocations from the previous tranches, with a funding floor of £100,000 for each authority.
 - 7.2 The remaining £100 million of funding will be used to support council leisure centres. The Department for Digital, Culture, Media and Sport will administer the fund, details of which will be released shortly.
8. On 12 October the Prime Minister set out a three-tiered system of local COVID Alert Levels – medium, high, and very high. The Government [intends](#) to return to a tiered system on a local and regional basis after the national lockdown period.
9. The financial impact survey returns to MHCLG continue to be important, particularly as circumstances change and earlier returns may have assumed a quicker return to normal spending levels than is now the case.

Recent funding announcements

10. On 19th September the Government announced a payment of £500 to people on in-work benefits who are told to self-isolate by NHS Track and Trace, to be administered by Unitary and District councils. This scheme applies from 28th September and will last until 31 January 2021. To apply an eight-digit code from NHS Track and Trace, proof of qualifying benefits, a bank statement, and proof of employment must all be provided. Councils can also make a discretionary payment in exceptional circumstances to someone who meets the main qualifying criteria and could suffer financial hardship as a result of not being able to work.
11. Separately, the Department of Health and Social Care has provided £546 million through the Infection Control Fund (round 2) to support measures to reduce COVID-19 transmission and support workforce resilience in the adult social care sector. This funding builds on the £600 million of round 1 funding allocated in May.
12. Eighty per cent of the round 2 funding will be allocated straight to care homes based on the number of beds (up from 75 per cent in round 1). The remaining 20 per cent of funding will be allocated on other COVID-19 infection control measures for the care sector, including supporting other care settings and wider workforce measures.
13. The Government has confirmed councils and the police will equally share the £60 million in funding to help support compliance and enforcement of COVID-19 rules. The £30 million councils will receive is ringfenced to spend on COVID-19 related compliance and enforcement activities and will be allocated to all district, unitary, metropolitan borough, and London borough councils. Allocations are based on the Relative Needs Formula

used to distribute COVID-19 funding. Local authorities have been encouraged to consider using this funding for the deployment of COVID-19 secure marshals, or their equivalents.

Business Rates Review: Tranche 2

14. The fundamental review of business rates was announced in the December 2019 Queen's Speech. Its [terms of reference](#) were published in March 2020 and a [call for evidence](#) on 21 July 2020.
15. The Government is seeking evidence in two tranches:
 - 15.1 Tranche One on reliefs and the business rates multiplier
 - 15.2 Tranche 2 includes valuation and transitional reliefs, maintaining the accuracy of rating lists, the billing process and alternatives to business rates.
16. The LGA's submission to [tranche one](#) and [tranche two](#) of the call for evidence were developed with the Task and Finish Group on Business Rates and Wider Local Government Finance Reform, and cleared by the Executive Advisory Board.

Spending Review 2020: changes in timings

17. In July, the Chancellor announced that the Government would conduct a three-year Comprehensive Spending Review in the autumn, with a 24 September deadline for representations. On 21 October, this was changed to a one-year review, focussing on supporting jobs, setting department resources and capital budgets and block grants for devolved administrations.
18. On 28 October, the Chancellor announced the Spending Review will be delivered on 25 November. LGA officers will produce an on the day briefing highlighting the main announcements affecting local government. As announced on 23 September, an Autumn Budget will not take place this year.

LGA Spending Review Submission

19. On 24 September, we submitted our Spending Review representation to Treasury. The submission was published on 1 October. At the time of submission, the Comprehensive Spending Review was planned as a three year review. Despite the change to a one year spending review, the majority of asks from the Government presented in the submission are still relevant.
20. The LGA's Spending Review work now calls on the Government to provide an additional £8.7 billion in core funding by 2021/22, based on:

- 20.1 A £4.0 billion funding gap to sustain 2019/20 service levels (based on [IFS work](#) which assumes annual inflationary increases to grants and 2 per cent annual council tax increases);
 - 20.2 £1.8 billion to deal with other underlying pressures and quantifiable new burdens in the sector including children's social care, homelessness and concessionary fares; and
 - 20.3 £2.9 billion of other core funding requirements to help councils improve their core service offer, such as reinstating early intervention funding.
21. It should be noted that the revenue and spending figures are highly uncertain and will depend on the course of COVID-19 and how this affects future revenues, service demands and costs.
22. The LGA will continue to make the case for local government in the run up to the 2020 Spending Review. There will be continued efforts focussed on highlighting the messaging from the LGA's submission through media communication and public affairs work, including:
- 22.1 A joint letter from all four of the local government associations in the UK, highlighting the significant funding pressures in councils across the UK, was sent to the Chancellor on 24 September.
 - 22.2 A presentation to parliamentarians on the LGA's submission to the Comprehensive Spending Review led by the Chairman, the Chair of the Resources Board and the Deputy Chief Executive took place on 5 October and we have issued further press work linked to our submission, such as highlighting the [fragmented nature of council funding](#).
 - 22.3 Evidence to the Housing, Communities and Local Government Committee inquiry on the Spending Review and local government finance has been submitted. Oral evidence will be given by the Chairman on 12 November to the Committee.

Audit Issues

23. The [Independent Review of Local Authority Financial Reporting and External Audit in England](#) was announced by the then Secretary of State at the LGA's conference in July 2019. The review has been led by Sir Tony Redmond. Resources Board approved the LGA's [response](#) to the review's [call for evidence](#) at its meeting in November 2019. The [report of the review](#) was published on 8 September.
24. Following consideration of the Redmond Report at the Resources Board meeting on 15 September, a report was taken to the Executive Advisory Board on 22 October. This highlighted concerns raised by Resources Board that the recommendations in the Redmond review would not solve the problems around the robustness in the audit market and recommended a way forward.
25. Executive agreed that a response to the review report should go to the Secretary of State. A [letter](#) was agreed by lead members of the Resources Board.

26. Public Sector Audit and Appointments (PSAA) has launched [a consultation on proposed new arrangements for determining fee variations](#) for local audits of opted-in bodies from audits of 2020/21 accounts onwards. This is an issue mentioned in the response to the Redmond review. The consultation runs for just under four weeks. A response will be drafted for consideration and clearance by Lead Members of Resources Board.

Next steps

27. Members are asked to note this update.
28. Officers will proceed with the delivery of the LGA's work in advance of the Comprehensive Spending Review and on the response to, and recovery from, COVID-19 as well as wider local government finance matters.

Implications for Wales

29. 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. The Redmond Review applies to arrangements in England only.

Financial Implications

30. The work related to COVID-19 has been added to the LGA's core programme of work. This unbudgeted spending will be managed within the overall LGA Group funding position which the LGA Board is monitoring.