

3 December 2020

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 22 October, including the impact of COVID-19 and the 2020 Spending Review.

Recommendations

That Members of the Executive Advisory Board note this update.

Action

Officers will proceed with the delivery of the LGA's work on local government finance, including the Spending Review and the response to, and recovery from, COVID-19.

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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 previous meeting of the Board on 22 October, including the impact of COVID-19 and 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. The Government announced that single tier and county councils will receive a one-off payment of £8 per head, amounting to £465 million nationwide, to support local test, trace and contain activities and wider measures to protect public health and local economies. Where councils have already received funding from the previous three-tier system, it will be increased to the maximum of £8 per head; councils already in the very high tier that had 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 is for 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) enabling 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 (or, where locally agreed, mayoral combined 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. The ARG can be used in the financial years 2020/21, and in 2021/22.
6. Local authorities that previously entered very high tier restrictions have already been allocated support to pay to businesses in the periods for which they were subject to these restrictions and this will now be treated as part of the Additional Restrictions Grant.
7. 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

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8. On 22 October, the Government [published](#) local authority allocations of the £1.019 billion announced by the Prime Minister earlier in the month:
 - 8.1 £919 million is unringfenced funding allocated directly to councils based on the COVID-19 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.
 - 8.2 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 had not been released at time of writing.
9. The MHCLG monthly financial monitoring returns continue to be an important tool in our lobbying for more resources to meet the costs pressures and income losses due to the COVID-19 pandemic. According to the October returns, the total financial pressure in due to COVID-19 is estimated to be £11.9 billion (consisting of £6.1 billion of cost pressures, £2.8 billion of non-tax income losses, and £3.0 billion of business rates and council tax income losses – although these tax losses will impact council budgets in 2021/22).

Other recent funding announcements

10. On 8 November, the Government announced a winter package to provide further support for children and families. The package includes £170 million of ringfenced funding with at least 80% earmarked to support with food and bills, and will cover the period to the end of March 2021. Local authorities will receive the funding at the beginning of December 2020. Further details on the suite of measures can be found [here](#).
11. At the time of the meeting, local authorities should have received payment through the income compensation scheme for lost sales, fees, and charges for the period of April to July. After authorities absorb losses of up to 5 per cent of planned 2020/21 sales, fees and charges income, the Government will provide compensation for 75p in every pound of relevant loss thereafter. Authorities will submit returns in December for losses from August to November, with losses from December to March 2021 reported in April 2021 returns.

Spending Review 2020 update

12. On 21 October, the chancellor announced the Spending Review will change from a three-year to a one-year review, focussing on supporting jobs, setting department resources and capital budgets and block grants for devolved administrations. The Spending Review was delivered on 25 November.
13. The LGA's [submission](#) to the Spending Review sets out our asks of Central Government. In the run up to the Spending Review announcement, there have been continued efforts focussed on highlighting the messaging from the LGA's submission through media communication and public affairs work, including written evidence to the Housing,

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Communities and Local Government Committee's inquiry on the Spending Review. [Oral evidence](#) was given by the Chairman to the Committee on 12 November.

14. The outcome of the [consultation on PWLB future lending terms](#) was announced alongside the spending review. In [our response to the consultation](#) earlier this year, we highlighted the practical difficulties and unintended consequences arising from the proposals. We have continued to lobby for a reversal of the increase in PWLB interest rates, introduced in October 2019, including in our Spending Review submission. It is, therefore, welcome that this rate rise was reversed with effect from 26 November. However, in order to qualify for any PWLB loans, council Finance Directors will be required to certify that there is no intention to buy investment assets primarily for yield at any point in the next three years.
15. LGA officers produced an [on the day briefing](#), highlighting the main announcements affecting local government, which was sent to member authorities. A verbal update will be given to the Executive Advisory Board.

Audit issues

16. At the last meeting on 22 October, the Executive Advisory Board agreed that a response to the report from the [Independent Review of Local Authority Financial Reporting and External Audit in England \(Redmond Review\)](#) should be sent to the Secretary of State for Housing Communities and Local Government. A [letter](#) was agreed by lead members of the Resources Board.
17. Public Sector Audit and Appointments (PSAA) 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. A response to this is being cleared by Lead Members of Resources Board.

Next steps

18. Members are asked to note this update.
19. Officers will proceed with the delivery of the LGA's work following the 2020 Spending Review and on the response to, and recovery from, COVID-19 as well as wider local government finance matters.

Implications for Wales

20. The Spending Review announcement has implications for local authorities in Wales as figures have been announced for the Government's in the devolved nations. Information on funding to Welsh local authorities will follow in the Welsh local government finance settlement. 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 on both COVID-19 and the 2020 Spending Review.

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Financial Implications

21. 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 COVID-19-affected LGA Group funding position which the LGA Board is monitoring.