



Briefing 20-37

April 2020

APSE Briefing: COVID-19: Local Government Finance New Announcements

To all APSE members: England, Wales, Scotland and Northern Ireland

Key issues

- This briefing supplements information contained in briefing 20-33 which considered the issues of Commercial income and financial losses incurred by councils as a result of COVID-19
- In this briefing details are included about the letter issued to councils on the 20 April 2020 which sets out additional funding.

1. Introduction

In [briefing 20-33](#) we explored the impact of lost income from fees and charges, and potential actions to mitigate losses. We also briefly referenced the announcement by Government to provide additional funding to councils after the initial funding promise of £1.6 billion which was regarded by many to be insufficient to meet the ongoing challenges of COVID-19 actions.

This briefing therefore replicates the letter to local authorities issued on the 20 April by Simon Clarke MP, Minister for Regional Growth and Local Government to local authorities, which provides details about the new funding, and is as follows: -

“Financial Support for Local Authorities in Managing the Coronavirus Pandemic

The Local Government Secretary, Rt Hon Robert Jenrick MP, said on Saturday that colleagues working in local government are the unsung heroes of the fight against Covid-19. From Totnes to Tyneside, our councils are at the forefront of the national effort – and I thank you and all your staff for everything you are doing. We

understand that responding to the coronavirus pandemic is having a huge impact on local government and the resources it has required are substantial.

We made a commitment to you that we would ensure that you have the support you needed to carry on your vital work, and I wanted to update you on the actions we have taken so far.

On Saturday 18 April we announced a further **£1.6 billion** of funding to meet additional pressures arising from the pandemic and help continue to deliver frontline services. This includes getting rough sleepers off the streets, supporting survivors of domestic abuse into safe accommodation, supporting the shielding programme for clinically vulnerable people and assistance for our heroic public health workforce and fire and rescue services. It also includes aspects of the death management process, such as body storage, public funerals and crematoria. And it will mean councils can continue to provide vital services including adult social care and children's services. These funds will again be un-ringfenced, recognising you are best placed to decide how to meet these pressures in your local area. We are aiming to confirm allocations as soon as practicable and pay the grants in May.

This funding is in addition to the £1.6 billion announced last month, and paid on 27 March, taking the total amount of support to local government to **£3.2 billion**. Last month we also announced the £500 million Council Tax Hardship Fund to support economically vulnerable people and households. This should be used to provide council tax relief to those in receipt of working-age local council tax support schemes, but also provides flexibility for councils to use some of the funding on their own discretionary support schemes, reflecting their local circumstances. Allocations were paid to billing authorities on 3 April.

Moreover, on 17 March we announced **£3.2 million** of initial emergency funding to reimburse authorities for the cost of providing accommodation and services to rough sleepers, and those at risk of rough sleeping, who are suffering from or at risk of coronavirus.

In our discussions, many of you raised the impact of the pandemic on your cashflow. To help you with cashflow issues, last week we announced we would be deferring **£2.6 billion** in local authority payments of the Central Share of retained business rates that were due to be made over the next three months. These will now be paid in the second half of the year. We also brought forward **£850 million** of social care grants which will be paid in April, rather than monthly in April, May and June. These actions build on our previous decision to accelerate payment of **£1.8 billion** of grant to compensate for existing business rates reliefs. This was paid in full on 27 March.

We have also confirmed that we will fully compensate authorities for the extensions to business rates reliefs announced in February and March. We are keen to understand how this funding is supporting you in meeting the pressures you are facing at a local level as those pressures continue to evolve. I would therefore like to thank all of you who submitted your monitoring returns to us last week. We will issue an update next month, and I would implore all of you to continue to respond – this data is vital in informing our wider conversations within Government.

To support businesses in your area, the Business Secretary has announced a series of business rates support grants, including **£10,000** for businesses eligible for Small Business Rates Relief and Rural Rates Relief, and up to **£25,000** for businesses in the retail, hospitality and leisure sectors, subject to their rateable value. Meanwhile, to support and reassure those who may be affected by domestic abuse, the Home Secretary has launched a public awareness campaign, backed by an additional **£2 million** to immediately bolster domestic abuse helplines and online support. This is in addition to the **£750 million** announced by the Chancellor to support charities providing vital services to our most vulnerable. Further information on this funding can be found at: <https://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-local-government>.

I hope you agree that collectively this support demonstrates the Government's commitment to making sure you have the resources you need to support your

communities through this challenging time. I will continue to work with you over the coming weeks and months as we all work to fight the pandemic, and return our economy and society to happier times.

Yours ever, SIMON CLARKE MP”

2. APSE Comment

Given the pressures on local authority budgets these further announcements will bring some comfort in the immediate term. However, there are growing concerns that the overall funding for local authorities will be placed under great strain in the coming months. In England in particular, where the local government finance system has shifted to a greater dependency on locally raised taxation, many are concerned that reductions in council tax collection rates, a significant drop in business rate yield, combined with a major fall off on income, fees and charges, will require much greater support from Government in order to begin to attempt to balance budgets for 2020/21.

The impact of COVID-19 pressures will not fall evenly across local councils; different areas will have pressures in different ways, whether from social care or other issues such as acting on homelessness, shielding measures, neighbourhood services or free school meals / welfare catering.

Local government was already at a low starting point compared to other areas of the public sector but has seen a huge increase in demand as a result of the pandemic. APSE has conducted a series of research papers, with NPI, to explore the impact of austerity on neighbourhood level services; which include waste and recycling, street scene, parks and public realm, leisure, highways and street lighting, and soft FM services such as school meals. In July 2019 we estimated that an increase of **£3.2 billion** in funding for neighbourhood services alone, would only produce a modest 12 per cent increase in neighbourhood level budgets, restoring these to levels last seen in 2013, which was still a relatively low point in local government funding terms. Therefore, whilst the £3.6 billion identified for COVID-19 support is designed to top-up available resources to councils this is still a historic low point in funding; that was not sufficiently addressed in the March budget. Essentially there is little financial flexibility left in the system for councils to cope. Neighbourhood services have faced significant new pressures, as have other more obvious areas of pressure, such as social care. It is important that UK wide administrations

recognise that sustainable local government finance is a deep-rooted issue. Fair funding must be assured to enable these frontline services to effectively remobilise post COVID-19.

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