



## DEBATE PACK

Number 2020/0154, 20 November 2020

# Westminster Hall Debate: Local government funding

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## Summary

A debate on “Adequacy of funding for local authorities during Covid-19” is scheduled for 2.30pm on Tuesday 24 November in Westminster Hall. The debate is sponsored by Rushanara Ali MP.

The debate will be on the motion: “That this House has considered the adequacy of funding for local authorities during the covid-19 outbreak.”

This Debate Pack contains figures on the financial impact of Covid-19 on local authorities from March to September and a timeline of financial support to local authorities from the Ministry of Housing, Communities and Local Government.

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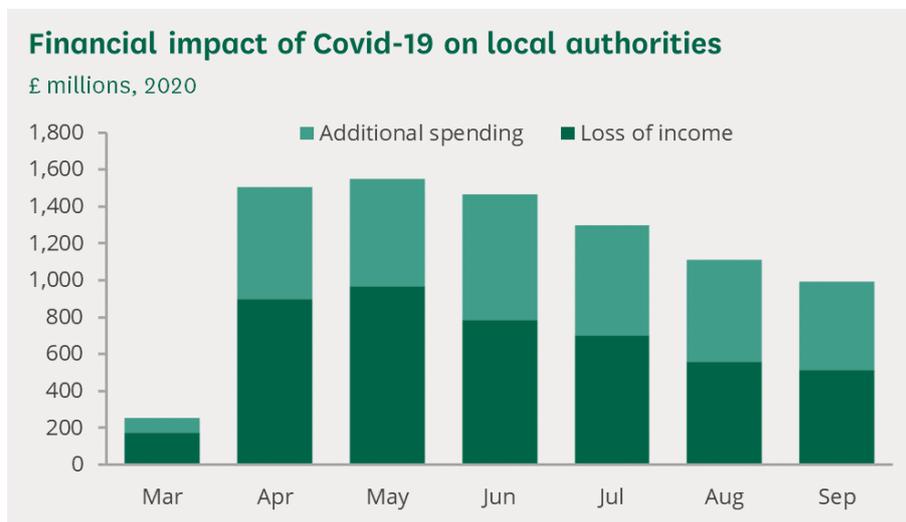
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# 1. Local government finance statistics

## 1.1 Financial impact of Covid-19

Between March and September this year, the total financial impact of the Covid-19 pandemic on local authorities has been over £8 billion. This has come from two directions:

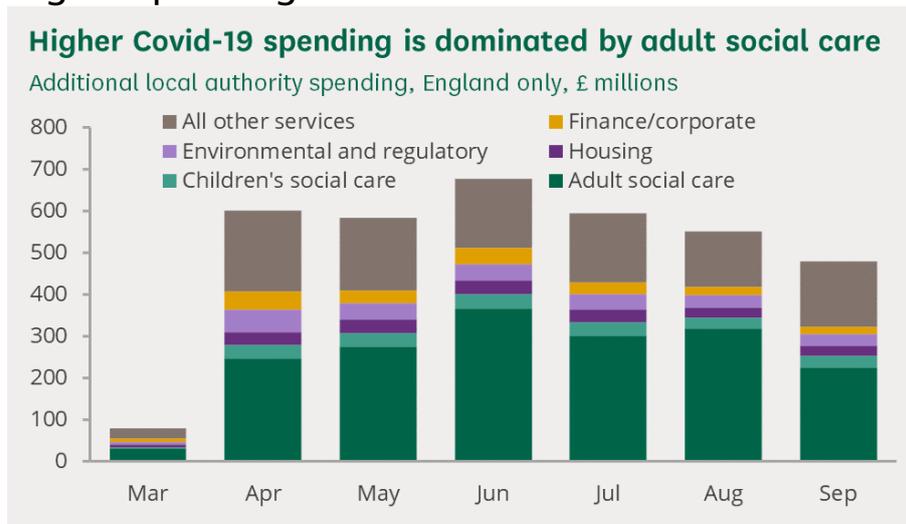
- Higher spending on services provided by local authorities – the pandemic has resulted in higher levels of need in various areas;
- Loss of local authority income – because of lower tax receipts and business activity, there is less money available for local authorities to carry out their functions.



Source: MHCLG, [Local authority COVID-19 financial impact monitoring information](#), 30 October 2020

As this chart shows, loss of income has generally been a slightly larger factor in the impact on local authorities. The chart also shows that the largest impact was seen in May, and pressures have receded somewhat since then; however, they are still high, with a total impact of £991 million in September, and with more restrictions now in place it is possible that this impact has increased again.

## Higher spending on services



Source: MHCLG, [Local authority COVID-19 financial impact monitoring information](#), 30 October 2020

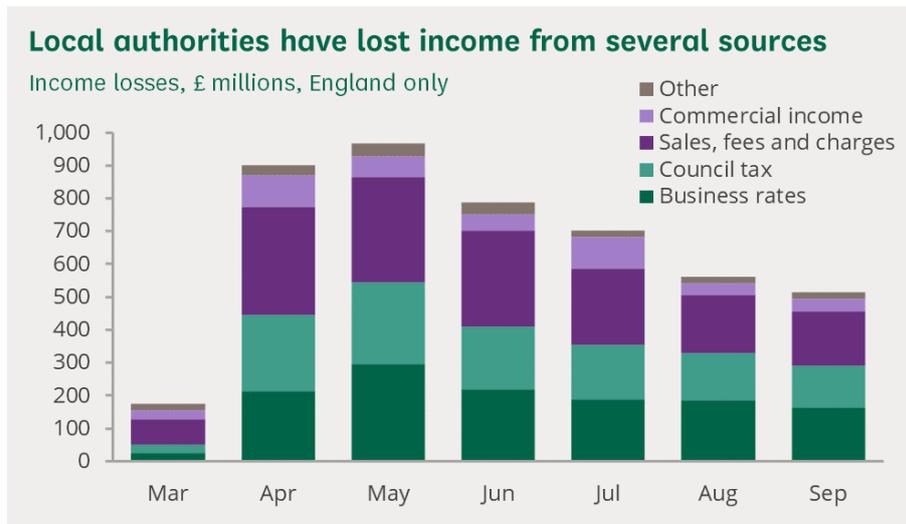
Adult social care accounts for about half of all the extra spending that local authorities have incurred, coming to a total of £1.8 billion between March and September.

MHCLG has produced a full breakdown of the sectors which resulted in higher spending – this can be found in Table 39 of the Round 6 tables, [downloadable from gov.uk](#). The spending here is given as an estimate of the total additional costs over the whole of 2020-21, which comes to a total of £5.4 billion. Some particularly noteworthy items in the list are as follows:

- The largest single line item is “Adult Social Care – supporting the market”, at £938 million;
- The largest item that is not within adult social care is “Other – costs associated with forgone savings/delayed projects”, at £574 million;
- Personal Protective Equipment (PPE) by itself accounts for £312 million;
- Additional spending on “Public Health - Testing, contact tracing and outbreak planning” is £262 million, 82% of all public health additional spending;
- Extra spending on homelessness and rough sleeping combined comes to £266 million, 96% of all additional housing costs;<sup>1</sup>
- Police, fire and rescue costs are relatively low, at £2 million.

<sup>1</sup> For more information on this, see the Library briefing paper [Coronavirus: support for rough sleepers \(England\)](#), published 23 November 2020.

## Loss of income



Source: MHCLG, [Local authority COVID-19 financial impact monitoring information](#), 30 October 2020

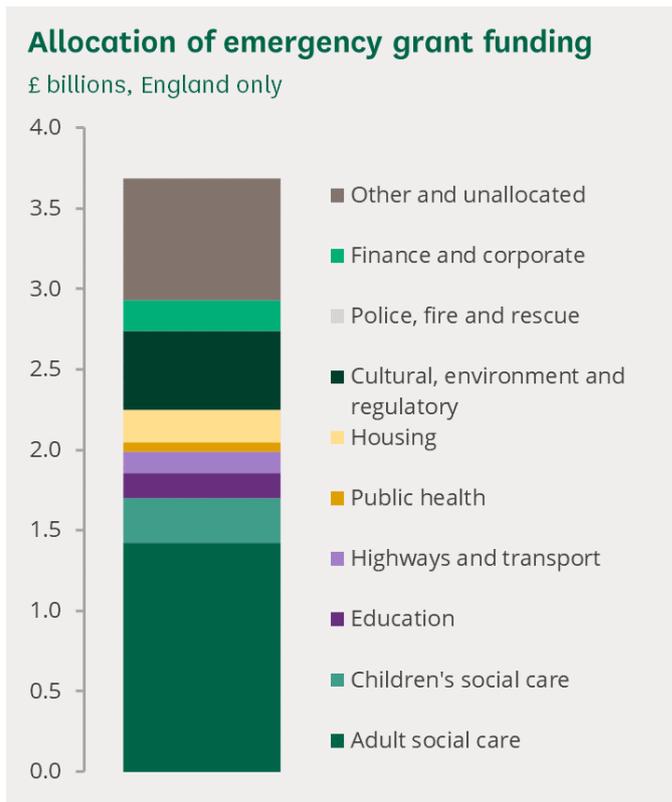
Much of the losses in income that local authorities have seen is because of lower tax receipts – between March and September, council tax and business rates between them have accounted for £2.4 billion in losses. However, many local authorities also rely on income from premises that they run such as parks and leisure centres (this income is listed as “sales, fees and charges”) and from owning commercial properties such as shopping centres. These two categories account for a total of £2.0 billion in losses.

As with the higher spending, losses have decreased since the start of the pandemic – they reached their height in May, although remained high (over £500 million) as of September and may have increased again with the reintroduction of restrictions.

## 1.2 Additional funding from central Government

The Government has provided several different streams of support to help to offset the impact of the pandemic. These are listed in section 2.

We do not yet have full figures for the amounts provided to local authorities under all of these schemes, and not all of them are directly comparable to the impact on local authority finances in the previous section. For example, the Government has provided a large amount of funding to pay for business rates relief, but this is already accounted for in the impact figures; some other funding streams are not netted off in this way. This means that we cannot say from these figures whether the total level of funding is likely to cover local authorities’ loss of income and higher spending.



Source: MHCLG, [Local authority COVID-19 financial impact monitoring information](#), 30 October 2020

The chart above shows how local authorities allocated the £3.7 billion of emergency funding that they had received as of July (equivalent details for the October tranche have not yet been published). Just as in the breakdown of higher spending in the previous section, adult social care accounted for the largest proportion of this funding (at £1.4 billion, 39% of the total).

## 2. Funding support for local authorities

In October 2020 the Government extended its financial support for local authorities, as case numbers and deaths from the coronavirus pandemic have begun to rise once again.

Three new strands of support were announced in October. One of these is explicitly linked to the new 'three tier' alert system [announced on 12 October](#). Another is a fourth round of general support funding for local authorities. A third strand consists of additional business support grants.

### 2.1 Cashflow and financial support

The Ministry of Housing, Communities and Local Government has provided a number of sums of money to English local authorities to assist their cashflow and supplement their funding during the pandemic. To date, these include:

- **11 March 2020:** A £500 million 'hardship fund' for residents struggling to pay council tax bills. This funding is to be allocated to residents currently benefiting from local council tax support schemes. [Government guidance was published](#) on 24 March, and [additional guidance](#) on 16 April.
- **19 March 2020:** £1.6 billion additional funding [made available to local authorities](#). £1.4 billion of this funding was allocated via the adult social care needs formula. The remaining £200 million was allocated in line with each councils' Settlement Funding Assessment. [The Institute for Fiscal Studies has argued](#) that the impact of the virus on different councils, "may not reflect historical differences in social care spending needs." As a result, the formulas used to allocate funding are "out of date."
- **25 March 2020:** £1.8 billion grants [paid to local authorities in advance](#). This followed the Chancellor's announcement of widespread exemption from business rates for 2020-21. Normally, business rates relief would be applied first, and local authorities would seek reimbursement after it had been applied.
- **1 April 2020:** £12 billion funding for business rates grants transferred to local authorities. These funds will be distributed under the Business Rates Grants schemes (see [Coronavirus: support for businesses](#)).
- **16 April 2020:** Councils will be allowed to defer £2.6bn in business rates payments to central government from April to June 2020. This is in respect of the 'central share' of business rates.
- **16 April 2020:** £850m in central government social care grants for both children and adults, from April to June 2020. This was [paid up front in April](#).
- **18 April 2020:** [A second £1.6 billion of additional funding](#) for local government. This is to be [distributed on a different basis](#) from the funding announced on 19 March, with district councils receiving a considerably larger share of the 18 April funds.

- **2 May 2020:** [a further discretionary fund of £617 million](#) to be made available for grants to businesses that do not qualify for the Small Business Grant scheme and the retail grant scheme.
- **15 May 2020:** £600 million made available to local authorities to support social care provision. 75% of the funding to be passed on direct to care homes, with the other 25% to “be used for infection control measures [which] ... local authorities are able to allocate based on need”;<sup>2</sup>
- **24 May 2020:** £160 million of funding to tackle homelessness brought forward from 2021-22. A further £105 million was made available on **24 June 2020** (see section 3.6 below);
- **24 May 2020:** £50 million made available to councils via the [Reopening High Streets Safely Fund](#). This funding was to cover planning and communications to assist the reopening of high street businesses, together with temporary changes to the public realm. This fund may not be used to provide grants to businesses or for capital spending. Grant funding agreements will be instituted between local authorities and the Government;
- **11 June 2020:** A ‘[local welfare assistance fund](#)’ of £63 million made available to councils to “support people struggling to secure food and other essentials”. This funding will be made available to upper-tier authorities;<sup>3</sup>
- **11 June 2020:** A £300 million fund announced for local authorities to support [the Government’s test and trace service](#). 11 authorities will lead on sharing best practice;
- **2 July 2020:** [A further £500 million](#) of un-ringfenced funding for councils. The Government published allocation figures for this third round of funding, alongside figures for the rounds made available on 19 March and 18 April;
- **24 August 2020:** guidance issued on [a fund to compensate local authorities for lost income](#) from sales, fees and charges. In brief, the Government will compensate local authorities for 75% of income from these sources for which they had budgeted in 2020-21, with a 5% ‘deductible’ rate for which no compensation will be paid. This fund does **not** cover commercial income.
- **22 October 2020:** A further [£919 million of un-ringfenced funding](#) for councils. Funding allocations are based on the ‘Covid Relative Needs Formula’ and take into account the sums allocated on 16 March, 19 April and 2 July. An additional £100 million fund to support “council leisure centres most in need”;
- **4 November 2020:** The [Additional Restrictions Grant](#) and [Contain Outbreak Management Fund](#) both formalised and made available to all district and unitary councils in England. They are allocated on a rough formula of £20 per head and £8 per head

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<sup>2</sup> DHSC, [Care home support package backed by £600 million to help reduce coronavirus infections](#), 15 May 2020

<sup>3</sup> Sarah Calkin, [“Districts hit out at decision to hand food poverty cash to counties”](#), *Local Government Chronicle*, 7 Jul 2020

respectively. An additional £32 million will be distributed amongst local authorities to assist clinically extremely vulnerable people.<sup>4</sup>

The 22 October 2020 announcement was described as ‘tranche 4’ of the Government’s general support for local authorities to tackle the pandemic. Tranches 1 and 2 are the two £1.6 billion funds announced on [19 March](#) and [18 April](#) 2020, whilst tranche 3 is the £500 million fund announced on [2 July](#). The total funding available from all of these ‘tranches’ is £4.6 billion.

The Government is using a “Covid 19 Relative Needs Formula” to allocate the ‘tranche 4’ funding between individual local authorities. This formula was first used for the tranche 3 funding. Tranche 4 is being allocated so as to ensure that the total Government support provided to date reflects the formula: thus the tranche 4 allocations take into account the funds that have already been made available to local authorities in tranches 1 to 3.

The Government has published [guidance notes](#) on the ‘Covid-19 Relative Needs Formula’. The notes state that:

- The Tranche 4 allocations take account of allocations in tranches 1 to 3, subject to a minimum Tranche 4 allocation for each local authority of £100,000. The intention is for the total amount - allocated over all four tranches - to be determined by the Covid-19 Relative Needs Formula;
- The allocations are based on population and deprivation, taking into account an area cost adjustment (itself based on pay costs, property costs and sparsity). The Government states that this calculation “is analogous to the proposed methodology for the Foundation Formulas in the Review of Relative Needs and Resources”. This is a reference to background work carried out for the Fair Funding Review, which was announced in 2016 (see the Library briefing paper [Reviewing and reforming local government finance](#) for more information).

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<sup>4</sup> Ibid.

## 3. Parliamentary material

### 3.1 Written questions

[PQ HC 103582 2019-21, 19 Oct 2020](#)

**Helen Hayes:** To ask the Secretary of State for Housing, Communities and Local Government, what recent estimate he has made of the reductions in the levels of local government funding due to the covid-19 outbreak.

**Luke Hall:** We are providing local authorities with an unprecedented package of support, including over £4.8 billion in funding for spending pressures, comprising of £3.7 billion of un-ringfenced grants and over £1.1 billion for the Infection Control Fund.

In total, over £28 billion has been committed to local areas to support councils, businesses and communities across government. This comprehensive package of support includes direct financial support and cashflow measures for councils, bus and tram services, support for the homeless and both grants and rates reliefs for businesses, as well as several other grants.

We have also introduced measures to address lost income, including:

- A co-payment scheme to cover irrecoverable Sales, Fees and Charges income in 20/21 with the Government covering 75 per cent of losses beyond 5 per cent of planned income
- Phased repayment of Collection Fund deficits over the next 3 years
- A commitment to support the sector through an apportionment of irrecoverable Council Tax and Business Rates losses, to be agreed at the Spending Review

The funding will support the pressures councils have reported and the crucial role they play in helping the country tackle this crisis, such as their work re-opening the country including working with businesses and shops to enforce social distancing.

Furthermore, on Monday 12 October, the Prime Minister confirmed around £1 billion of additional funding will be made available to councils across England to support them during this unprecedented time. We will publish further information shortly.

[PQ HC 96143 2019-21, 10 Nov 2020](#)

**Gill Furniss:** To ask the Secretary of State for Health and Social Care, what recent assessment he had made of the adequacy of funding for public health departments within local authorities in England.

**Jo Churchill:** The Public Health Grant to local authorities is £3.279 billion in 2020-21. This is in addition to what the National Health Service spends on public health, which included over £1.3 billion in 2019-20 on national public health programmes such as immunisations and

screening. Local authorities have also been provided with £4.3 billion in 2020/21 to support their response to the COVID-19 outbreak.

Funding beyond 2020-21 will be set out at the next Spending Review.

[PQ HC 98775 2019-21, 28 Oct 2020](#)

**Apsana Begum:** To ask the Secretary of State for Health and Social Care, how much funding he plans to allocate to local authorities to support the reopening of social care day centres that closed due to the covid-19 outbreak.

**Helen Whately:** On 17 September 2020, the Government announced that it would provide a further £546 million to adult social care through the Infection Control Fund, alongside the Adult Social Care Winter Plan. Whilst the majority of this funding is for regulated care homes and community care provision, local authorities may allocate 20% for other COVID-19 infection control measures. This may include expenditure on infection control measures to support the resumption of day services. This is in addition to the £600million Infection Control Fund and £3.7 billion already provided to local authorities to address pressures on local services caused by COVID-19, including adult social care.

[PQ HC 99726 2019-21, 19 Oct 2020](#)

**Ben Bradley:** To ask the Secretary of State for Digital, Culture, Media and Sport, what steps he is taking to ensure costs incurred by local authorities as a result of the covid-19 outbreak do not lead to reductions in the provision of (a) youth work, (b) youth services and (c) other non-statutory services.

**John Whittingdale:** This government has provided local authorities with an unprecedented package of support, including over £4.8bn in funding for spending pressures. On Monday 12 October, the Prime Minister confirmed around £1bn of new funding will be made available to councils across England to support them during this unprecedented time.

Local authorities have a statutory duty to secure youth services to young people under the Education and Inspections Act 2006, and the government expects them to fulfil that duty.

[PQ HC 99597 2019-21, 14 Oct 2020](#)

**Bob Blackman:** To ask the Secretary of State for Housing, Communities and Local Government, what assessment he has made of the potential effect of the covid-19 outbreak on local authorities' finances.

**Luke Hall:** Councils across the country are supporting communities, protecting the most vulnerable and helping the NHS in our efforts to combat Covid-19. In order to meet these additional cost pressures, the Government has continued to support local authorities by delivering an unprecedented package of measures. So far, we have provided over £4.8 billion in funding for spending pressures, including £3.7 billion of un-ringfenced grants and £1.1 billion to help stop the spread of the virus in care homes. This underlines Government's commitment to ensuring adult social care has the resources it needs to keep residents and staff safe. In addition, the Prime Minister has announced a further

£1 billion of funding for local authorities, details of which will be announced shortly.

In total, over £28 billion has already been committed to local areas to support councils, businesses and communities across government. This comprehensive package of support includes direct financial support and cashflow measures for councils, bus and tram services, support for the homeless and both grants and rates reliefs for businesses.

We will continue to monitor the impact of Covid-19 on local government.

[PQ HC 86676 2019-21, 11 Sep 2020](#)

**Lucy Powell:** To ask the Secretary of State for Business, Energy and Industrial Strategy, pursuant to the Answer of 8 September to Question 84266 on Local Government Finance: Coronavirus, by what date must local authorities return unspent funds through the coronavirus business support grants funds once final payments have been made on 30 September.

**Paul Scully:** Local authorities have now closed their Business Grant Funds and are in the process of making final payments to businesses. These must be complete by 30 September. The reconciliation process will then take place from October.

[PQ HC 84272 2019-21, 7 Sep 2020](#)

**Colleen Fletcher:** To ask the Secretary of State for Housing, Communities and Local Government, whether he has made an assessment of how much each local council has (a) spent on dealing with the effect of the covid-19 outbreak and (b) lost in revenue during that outbreak.

**Simon Clarke:** We have now carried out four rounds of the Covid-19 financial monitoring survey and have received data from all local authorities. The vast majority (96 per cent) of councils surveyed have responded to all four rounds, with the remainder having submitted returns in three of the four rounds, which means that we have a fully representative dataset from which to inform our understanding of councils' evolving financial situations as they continue to respond to the pandemic.

In the fourth round of the survey, local authorities estimated they faced £2.5 billion in additional expenditure pressures and income loss of £3.6 billion from March to the end of July. On 19 August, we published a summary of the results of the fourth round. This can be found at <https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>. We will publish the results from Round 5 of the survey in due course. We are committed to being transparent about the pressures councils are under, which is why we have published the breakdown of results.

We have provided councils with an unprecedented package of support, allocating £4.3 billion of support for spending pressures, including £3.7 billion of un-ringfenced grants and the £600 million Infection Control

Fund. This direct financial support the Government has provided is part of comprehensive package of support which includes cashflow measures, support for the homeless, and for bus and tram services – not to mention grants and business rates reliefs for businesses. In total, the Government has committed almost £28 billion to local areas to support councils, businesses and communities

The Government has also confirmed that it will extend the period over which councils must manage shortfalls in local tax income relating to 2020-21, from 1 to 3 years. This will ease immediate pressures on authorities when budget setting for 2021-22, protecting their ability to deliver essential local services. We will announce further details of how it will also support local authorities to manage tax losses at the comprehensive spending review later in the year.

[PQ HL6970 2019-21, 20 Jul 2020](#)

**Baroness Greengross:** To ask Her Majesty's Government what steps they are taking to ensure that financial pressures on local authorities as a result of the COVID-19 pandemic do not lead to cuts to local police force funding.

**Baroness Williams of Trafford:** The Government has been clear that the police will get the financial support they need to keep our communities safe through the COVID-19 pandemic.

The Government took immediate steps to increase the availability of funding for forces to meet cashflow pressures caused by the pandemic. We flexed half of the £168 million Police Uplift ringfenced grant to include expenditure on COVID-19 related pressures for the first six months of the financial year. We also brought forward payment of the £142.6 million police pensions grant, which forces received in April this year.

The Government also recently announced that council tax and business rates collection fund deficits accumulated 2020-21 can be phased over three years rather than paid off in 2021-22. This will give police and other local authorities in England a breathing space when setting their budgets for next year.

The Home Office continues to gather evidence of forces' additional Covid-19 related expenditures since the introduction of social distancing measures, de-veloped in close consultation with policing sector finance leads. We will use this evidence base to inform cross-Government decisions on the police's future funding needs.

[PQ HL 6960 2019-21, 30 Jul 2020](#)

**Lord Watson of Invergowrie:** To ask Her Majesty's Government what plans they have to reimburse local authorities in London for any additional costs incurred as a result of the loss of free public transport for people under the age of 18 living in that city.

**Baroness Vere of Norbiton:** The £1.6 billion Extraordinary Funding and Financing Agreement to enable Transport for London (TfL) to continue operating services contained a series of conditions to facilitate

safe travel on public transport in London, including the temporary suspension of free travel for under 18s.

The Department is working closely with TfL, the Department for Education and the Ministry of Housing, Communities and Local Government on how the temporary suspension can be operationalised.

[PQ HL 6700 2019-21, 23 Jul 2020](#)

**Lord Watson of Invergowrie:** To ask Her Majesty's Government what effect they expect the COVID catch-up fund to have on the ability of schools to attract additional funding under the National Funding Formula for pupils in Years 7 to 11 with lower attainment who need support to catch up.

**Baroness Berridge:** Schools will continue to attract funding via the national funding formula (NFF) for pupils with low prior attainment. The NFF contains a low prior attainment factor which is allocated on a similar basis to the year 7 catch-up premium, but provides funding for all five years that a pupil is in secondary school. NFF allocations do not directly determine schools' budgets, which are set through formula determined by local authorities in consultation with local schools. Local authorities are free to use a low prior attainment factor in their local formula, and for 2020-21, all are doing so.

In 2020-21, the amount allocated through the secondary low prior attainment factor in the schools NFF has increased by £49 million from £924 million to £973 million.

In addition, the £1 billion catch up package that the government announced on 19 June includes £650 million to help all pupils make up for the lost teaching time and £350 million for a new National Tutoring Programme for disadvantaged pupils.

NFF allocations for 2020-21 were published in October 2019; allocations for 2021-22 will be published shortly. The additional funding schools will receive through the COVID-19 catch-up plan will not have any effect on the funding allocated through the NFF.

## 3.2 Oral questions

[Local Authorities: Funding](#), HC Deb 5 Oct 2020 c592-593

[Covid-19: Support for Local Authorities](#), HC Deb 7 Jul 2020 c817-818

[Local Authority Funding](#) HC Deb 15 Jun 2020 c510-511

[Covid-19: Local Authority Funding](#), HC Deb 28 Apr 2020 c203-204

This series of questions includes the Secretary of State's statement that "At the start of this emergency, I said that we would give councils the resources they need to do the job, and I meant it."

## 4. Press articles

Belinda Ryan, ["Cheshire East leaders criticise 'wholly inadequate' funding to deal with Covid-19 crisis"](#), Macclesfield Express, 5 Jul 2020

Patrick Butler and Rajeev Syal, ["Coronavirus crisis may leave English councils with £5bn shortfall"](#), *Guardian*, 26 Apr 2020

Patrick Butler, ["Tory councils warn coronavirus second wave could bankrupt local authorities"](#), *Guardian*, 17 Jun 2020

Jon Stone, ["Sadiq Khan takes 10% pay cut and urges Boris Johnson to bail out bankrupt councils"](#), *Independent*, 17 Jun 2020

Tom Rees, ["Councils set to make sweeping cuts to local services to fill £6bn Covid hole"](#), *Daily Telegraph*, 27 Jun 2020

Sarah Calkin, ["County 'not financially viable' without significant extra funding"](#), *Local Government Chronicle*, 23 Sept 2020

Jessica Hill, ["Calderdale faces 'difficult decisions' over its £15m funding gap"](#), *Local Government Chronicle*, 1 Sep 2020

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