

Estimates day debate on the spending of the Ministry of Housing, Communities and Local Government

House of Commons

9 July 2020



Key messages

- Councils have shown leadership and supported their communities during the COVID-19 pandemic. Local authorities and their essential workforce have worked hard to protect the most vulnerable within their communities, they have supported businesses and convened the voluntary sector to bring together communities, as well as continuing to deliver key services.
- Local government's delivery of important public services during this critical time highlights the value of place-based leadership. Our most recent polling found that 75 per cent of residents are satisfied with the way their council runs things and 73 per cent trust councils most to make decisions about how services are provided in their area.ⁱ It is essential that research such as this informs national policy-making in the future.
- Our analysis indicates that councils face an estimated financial challenge of nearly £11 billion in 2020/21 due to COVID-19. Of this, the Government initially met £3.2 billion with welcome grant funding and Clinical Commissioning Groups (CCGs) have contributed nearly £300 million from their budgets. The announcement of a further £500 million of extra funding and an arrangement to partially compensate councils for lost income from sales, fees and charges on 2 July is also helpful. However, in the context of the financial challenge councils still face, substantial additional funding will be needed, and we await further details on how the new grant will be distributed.ⁱⁱ
- The loss of business rates and council tax income accounts for more than half of all income losses for councils. However, we are pleased the Government has committed to find a solution to the loss of local taxes in the 2020 Spending Review. In order to have the certainty they need to set budgets for next year, councils still need urgent clarity on the irrecoverable losses the Government has positively said it will pick up. This will need to cover all losses from local taxes.
- Looking beyond the COVID-19 crisis and this financial year, councils need greater certainty in the long-term. Council services were stretched before the pandemic, and the crisis has only exacerbated local government's funding shortfall. The 2020 Spending Review and Autumn Budget will be key opportunities for sustainable funding solutions and movement towards greater service and fiscal devolution, allowing councils to deliver for local communities.
- Our [Rethinking Local](#) conference paper highlights how the 2020 Spending Review, Budget and English Devolution White Paper will be key opportunities to put in place sustainable funding solutions and move towards greater fiscal devolution, to allow councils to deliver for their local communities.ⁱⁱⁱ

Briefing

For more information, please contact:
Laura Johnson, Public Affairs Support Officer
Laura.johnson@local.gov.uk/ 020 7664 3362

FURTHER INFORMATION

Before the pandemic

Prior to the pandemic, councils had already been experiencing severe financial constraints. LGA analysis on council finances published in March 2020 found that councils will have lost £15 billion of core Government funding over the past decade.^{iv} This pre-pandemic analysis also highlighted that councils were already experiencing 'rising cost pressures and unprecedented demand for services - in particular adult and children's social care and homelessness support'. It is clear the crisis has only exacerbated these issues, with more people facing financial and personal hardship, and councils having to find money in their budgets to keep up with this surge in demand.

COVID-19

Despite this, councils have been leading efforts to support communities through the unprecedented coronavirus pandemic and continue to do an amazing job. They have stepped up, supported their communities and rolled out a range of new services. This has included door-step food deliveries to the most vulnerable, ensuring rough sleepers have somewhere safe to stay and supporting the NHS test and trace system.

As well as incurring additional expenditure, councils have lost income from local taxation, parking, leisure services, planning and other revenue streams local authorities rely on, which have been significantly impacted by the pandemic.

Financial support provided by the Government so far has been welcome. This includes the £3.2 billion of funding and cash flow measures made available to councils, and most recently the additional £500 million grant and the arrangement to partly compensate councils for losses of sales, fees and charges announced on 2 July. However, our analysis indicates that the financial challenge councils are dealing with is nearly £11 billion in 2020/21. In the context of the funding gap councils still face, substantial additional funding will be needed and we await further details on how this money will be distributed.

The loss of business rates and council tax income combined accounts for more than half of all income losses for councils. The announcement that councils will be able to spread the impact of these losses over 3 years is positive but has to come with appropriate cash flow measures where needed. However, we are pleased the Government has committed to deciding on how those losses will be shared between central and local government and find a solution to the loss of local taxes in the Spending Review. In order to have the certainty they need to set budgets for next year, councils still need urgent clarity on the irrecoverable losses the Government has positively said it will pick up. This will need to cover all losses from local taxes.

Rethinking local

The pandemic has fundamentally changed the communities in which we live and work, and the next six months have the potential to shape the direction of the country for years to come. Recent polling found that 75 per cent of residents were satisfied with the way their council runs things and 73 per cent trust councils most to make decisions about how services are provided in their area. It is therefore crucial that research such as this helps shape national policy making in the future.

The Autumn Budget, 2020 Spending Review and the English Devolution White Paper present the Government with a unique opportunity to reset our communities' relationship with their Government, and in doing so, level up the inequalities faced by our communities. Our [*Rethinking Local*](#) conference paper sets out ideas for locally led regeneration and rejuvenation on economic recovery; adult social care; local government's relationship with the NHS; public health; supporting vulnerable people; children and young people; climate change and air quality; and skills and the green economy. It is essential the Government offers the broadest vision possible in its upcoming English Devolution White Paper and presents a localist Spending Review with place-based budgets, in tune with the needs of the local economy, communities and the environment.

ⁱ <https://www.local.gov.uk/resident-satisfaction-councils-response-covid-19-may-2020>

ⁱⁱ <https://local.gov.uk/lga-responds-covid-19-council-funding-package>

ⁱⁱⁱ <https://local.gov.uk/re-thinking-local-full-publication>

^{iv} <https://local.gov.uk/local-services-face-almost-ps65-billion-funding-gap-2025-new-lga-analysis>