



National Audit Office

# Local government finance and the COVID 19 pandemic: an NAO perspective

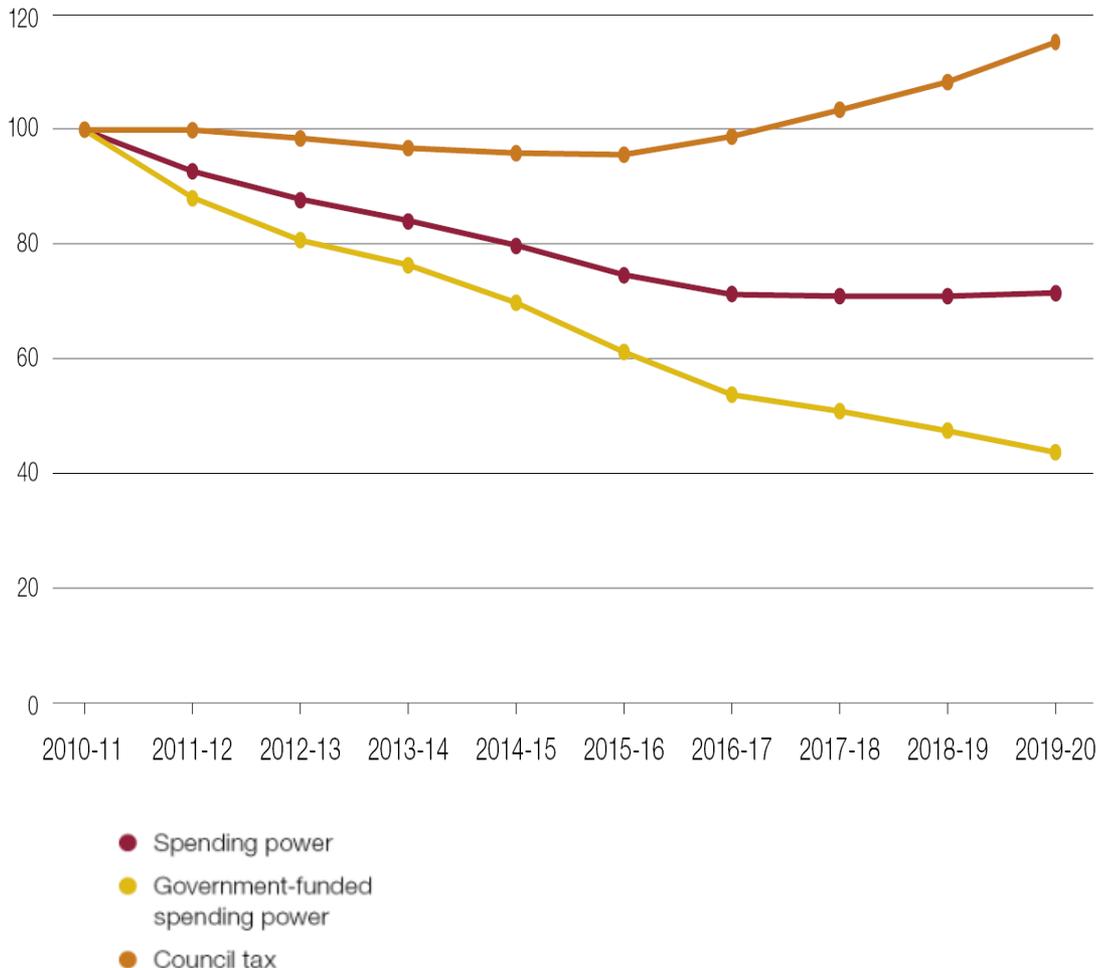
Aileen Murphie  
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# Overview | **LGF and the pandemic**

- The sector going in to the pandemic
- What has happened since March 2020
- Implications for the future

# Before CV19 | LGF and the pandemic

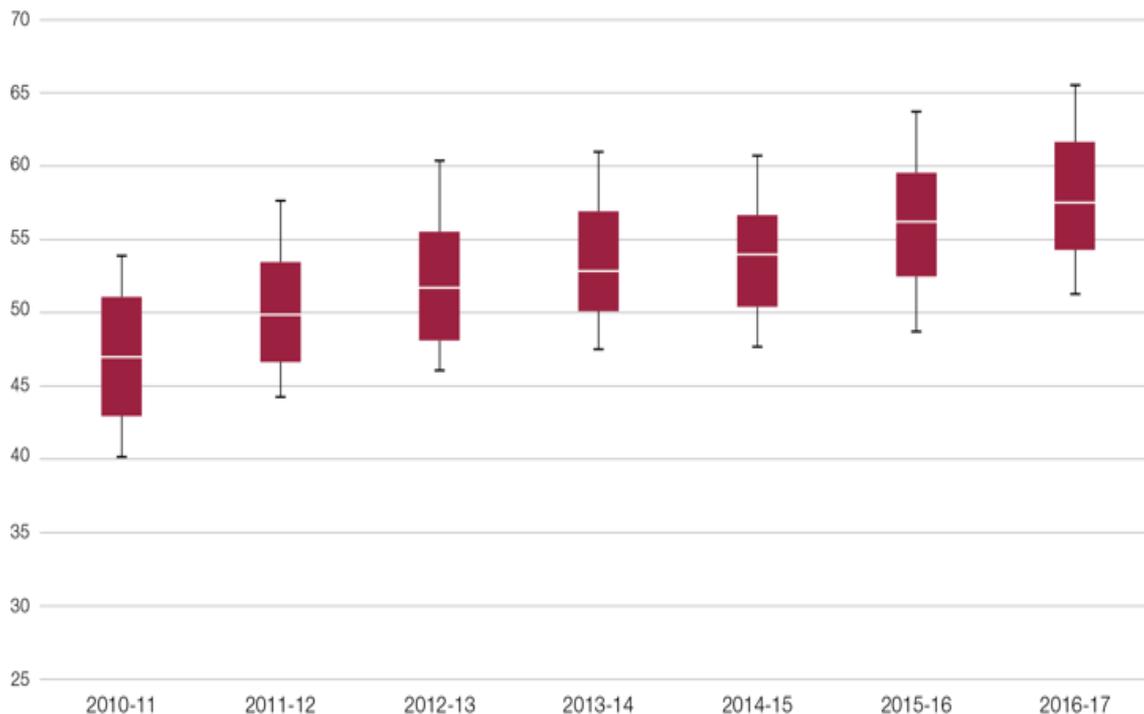
Spending power and its components (indexed: 2010-11=100) (real terms in 2018-19 prices)



- The sector has been **financially stretched** for a decade with funding cuts since 2010.
- Move to local business rates retention means councils **more dependent on local tax revenues:** differential yield and volatile.
- Growing focus on commercial income has made local authorities **more reliant** on the health of the economy.

# Before CV19 | Headroom reducing

Social care as a share of service spend (%) (net current spend)



## Notes

- 1 The white line in the centre of each block shows the median. The top and bottom of each block show the upper and lower quartiles respectively. The top and bottom error bars show the top and bottom deciles (10%) respectively.

- Social care spend is under **increasing strain** with an ageing population and growing demands
- Social care has **grown as proportion of service spend** reducing scope for further reductions.
- Councils have **not been able to reduce spending on social care** to match their overall funding decrease
- With significant reductions in discretionary service spend having already taken place **LAs have less headroom** to offset financial pressures.

# During the pandemic | **Effect on LGF**

- **Cost pressures: c£5.5bn**
  - Arising from **central requests** (ASC; homelessness)
  - **Local priorities** (shielding; vulnerable people)
  - **Lost savings** opportunities
- **Income losses c£3bn**
  - Lost commercial income
  - Lost sales, fees & charges
- **Lost tax income c£3bn**
- **Capacity challenge**

# During the pandemic | **Government action**

- **4 tranches of unringfenced grant funding:** MHCLG acted quickly: first support before the end of March 20
- **Significant other grants** from other departments – DHSC, DfE, BEIS
- **Compensation for income loss:** SFCs scheme extended into 21-22
- **Irrecoverable tax losses scheme:**
- Offer of **exceptional support** to authorities under particular strain
- MHCLG has good information via **monthly returns**

## **BUT**

- Departments other than MHCLG approaches have been more **ad hoc and one off**
- **Significant burden** associated with some grants
- At a sectoral level, the approach has worked – what about at **the granular?**

# Post pandemic | **Lessons thus far**

- **Near term: learn from what works and do it better**
  - **Monthly returns** from the sector
  - **Close engagement** with the sector
  - **Better information base** for dealing with OGDs
  - **Coherent plan** to deal with the pandemic
- **Medium term / longer term**
  - Need to plan for **full SR21** now
  - Need for a **recovery plan** for local government.
  - **Longstanding issues** yet to be addressed, especially adult social care
- Lastly is there **enough capacity** to cope with those needing 'exceptional support'?

# Thank you



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Contact:  
Aileen Murphie  
Director MHCLG/LG  
020 7798 7700  
[Aileen.murphie@nao.or  
g.uk](mailto:Aileen.murphie@nao.org.uk)



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