

## **New COVID-19 Support Package for Local Authorities – Briefing Note** **17 July 2020**

### **Introduction**

- 1.1 The purpose of this briefing note is to provide an update on the recent announcements regarding a new COVID-19 Support Package for Local Authorities.
- 1.2 On 2 July Local Government Secretary Robert Jenrick announced a new set of support measures to compensate councils for spending pressures and lost income, including:
- A further £500m of un-ringfenced funding to respond to spending pressures.
  - Changes enabling local authorities to phase tax deficits over three years rather than the usual one;
  - A new scheme to reimburse councils for lost income from sales, fees, and charges;

### **2.0 £500m un-ring-fenced COVID Local Authority Funding**

- 2.1 On the 16 July 2020, the MHCLG announced the allocations of the £500m. This is the third tranche of un-ring-fenced COVID Local Authority Funding that has been allocated.
- 2.2 The first tranche of funding was £1.6bn and the allocations were primarily based on providing emergency support for Adult Social Care.
- 2.3 The second tranche of funding was also £1.6bn and was allocated on a per capita basis, addressed both expenditure pressures and income shortfalls across all councils. In two tier areas like Cumbria there was a 65:35 split between county and district authorities.
- 2.4 This third tranche is £500m. £6m of the funding has been top-sliced for the Department for Education to use to provide targeted support to councils with large numbers of unaccompanied asylum seeking children, though no information appears to be available on how this will be distributed. The remaining £494m has been allocated according to a formula based on per capita, deprivation and Area Cost Adjustment. In two tier areas like Cumbria there was a 79:21 split between county and district authorities. This split is based on central governments analysis of the county and district expenditure in the April, May and June.

2.5 The introduction of the deprivation and Area Cost Adjustment factors have reduced Cumbria's share of funding when compared to the Tranche three methodology. However, the change in tier split has mitigated some of that impact on Cumbria County Council.

2.6 The total allocation of this un-ringfenced COVID Local Authority Funding for Cumbria is set out below:

	<b>First Tranche of Covid-19 Funding</b>	<b>Second Tranche of Covid-19 Funding</b>	<b>Third Tranche of Covid-19 Funding</b>	<b>Total Covid-19 Additional Funding</b>
Cumbria County Council	£16,085,783	£9,117,893	£3,308,392	<b>£28,512,068</b>
Allerdale	£64,382	£967,863	£180,204	<b>£1,212,449</b>
Barrow-in-Furness	£55,116	£659,212	£154,894	<b>£869,222</b>
Carlisle	£58,738	£1,073,801	£196,335	<b>£1,328,874</b>
Copeland	£44,414	£671,098	£143,448	<b>£858,960</b>
Eden	£30,215	£525,265	£83,319	<b>£638,799</b>
South Lakeland	£39,611	£1,040,884	£142,739	<b>£1,223,234</b>
<b>CUMBRIA TOTAL</b>	<b>£16,378,259</b>	<b>£14,056,016</b>	<b>£4,209,331</b>	<b>£34,643,606</b>

### 3.0 The three-year phasing of 2020-21 collection fund deficits

3.1 This does not represent any additional funding, but would allow any loss of income from council tax and business rates to be spread over a number of years, rather than it all falling as a cost in 2021-22. This is expected to operate in the following way:

- Local council tax and business rate income is collected by billing authorities (in Cumbria this is the 6 district councils) and paid into local 'collection funds'
- Where there is a shortfall in council tax and business rate receipts (compared to expected levels), this leads to a deficit on the collection fund
- Billing and major precepting authorities (in Cumbria this is the County Council and Police) are usually required to meet their share of any deficit during the following financial year
- The government is proposing that repayments to meet collection fund deficits accrued in 2020-21 will instead be phased over a three-year period (2021-22 to 2023-24) to ease immediate pressures on budgets

3.2 This scheme has not yet been finalised and MHCLG will continue to work with CIPFA and local government on the details – including the accounting, audit and reporting implications – with a view to providing guidance to councils later in the year. MHCLG also expects the necessary regulations to be laid in the early autumn.

3.3 The table below is an illustrative example of the financial impact should the loss of income from Council Tax and / or Business Rates be at the %'s quoted within the table.

	original budget	<b>updated budget</b>	1% reduction	5% reduction	10% reduction
Council Tax	248.347	<b>248.347</b>	2.483	12.417	24.835
Business Rates	19.093	<b>19.297</b>	0.193	0.965	1.930
Business Rates Pool	2.456	<b>2.605</b>	0.185	0.927	1.894

#### 4.0 The sales, fees, and charges (SFC) income loss scheme

4.1 The pandemic has had a significant impact on income received from sales, fees and charges. Central Government are introducing a 'co-payment scheme' / 'income guarantee' to compensate councils for some of this unforeseen loss.

4.2 Detailed guidance will be issued 'in due course', but the principles of this scheme are now available, including:

- Councils will have to incur the first 5% of all relevant irrecoverable losses compared to their original budget plans for 2020/21, with Central Government compensating them for 75% of the loss thereafter.
- This will only be provided for service where lockdown and social distancing led to lost revenues, or, decisions which caused a loss of revenue. Any voluntary decisions made locally which result in loss (e.g. closure of services by choice) which are out of line with government guidance will not be covered.
- Compensation will only be provided for the net loss of income i.e. where we have received compensation or we have been able to reduce expenditure, only the residual loss will be compensated for.
- Certain income streams such as commercial revenues, including rental, are not considered relevant losses and will not be compensated.

4.3 The value of this scheme will not be known, either nationally or locally, until the detailed guidance is issued.

#### 5.0 Further information

5.1 As part of the Local Government Secretary announcements on 2 July 2020, it was noted that in the next Spending Review, the government will agree an apportionment of irrecoverable council tax and business rates losses between central and local government for 2020 to 2021. No further details have been released regarding this potential compensation.

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