



Ministry of Housing,
Communities &
Local Government

Simon Clarke MP
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**Ministry of Housing, Communities and Local
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To all English local authority Leaders and
Chief Executives

2 July 2020

Dear Colleague,

SUPPORT PACKAGE FOR LOCAL AUTHORITIES – COVID-19 AND BEYOND

I cannot emphasise enough how important your tireless efforts have been during this pandemic. Local government has been at the heart of an immense national response, and I know you will help lead us through the strong and swift economic recovery we need.

The Secretary of State for Housing, Communities and Local Government, Rt Hon Robert Jenrick MP, set out at the start of the pandemic that the Government would ensure councils have the resources they need for long term financial sustainability and to continue to deliver vital services.

To do that, we provided £27 billion to support local councils, businesses and communities; including the £3.8 billion of support specifically for local authorities. This funding has allowed councils to deliver for their communities: including helping get rough sleepers off the streets, establishing our shielding programme, and providing support for 800,000 small and medium-sized businesses.

But these pressures have not yet passed, and today we announced further measures as part of a comprehensive package of support for local authorities, these include:

- A further £500 million of funding to cover local authority spending pressures
- A co-payment mechanism for irrecoverable Sales, Fees and Charges income, with the Government covering 75% of losses beyond 5% of planned income
- Phased repayment of Collection Fund deficits over the next 3 years
- A commitment to determine what support is needed to help councils meet the pressures of irrecoverable tax income at the Spending Review

Firstly, on expenditure, we remain firm that we will support councils with the money needed to carry out the tasks we have asked of you including adult social care; children's services; public health services; fire and rescue services; household waste services; shielding the clinically extremely vulnerable people; homelessness and rough sleeping; domestic abuse; managing excess deaths and support for re-opening the country. I've been pleased that councils have worked with us openly and collaboratively throughout the pandemic, and the information provided has been hugely important in shaping our understanding of the pressures you face.

We understand that you are continuing to see increased costs across a range of services, and so the Secretary of State has announced a further £500 million to help ensure that, along with past

funding provided, you have the money you need to meet these costs in the coming months. We will continue to monitor this situation as the economy reopens. You have told us what is going on in your local areas through the monitoring returns and we have used this data to shape our approach to allocating the £500 million. Our first round of allocations in March was based primarily around getting emergency support into Adult Social Care. The second round addressed both expenditure pressures and income shortfalls. With the benefit of better data, we now plan to address income shortfalls separately to expenditure and so we have created a new formula for the additional £500 million. This formula will reflect the factors which the returns have told us correlate most closely with your expenditure, and will take account of population, deprivation and the way that service costs vary across the country. Allocations will be communicated shortly, and as before, I ask that you continue to work with parish and town councils in your communities in determining how this further funding is spent.

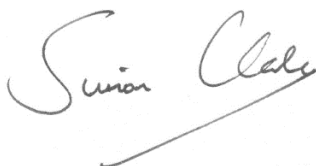
As well as the increased spending during the pandemic, I know the national lockdown has had a significant impact on your incomes. We know that the pandemic has had an unprecedented impact on councils' income from sales, fees, and charges – for which they could not have planned. To help mitigate this, the Government is introducing a co-payment scheme to compensate local authorities for relevant, irrecoverable losses in 2020-21. Under this scheme, councils bear the first 5% of losses compared to their budgeted income – reflecting the fact these income sources are by their nature volatile from one year to the next – but the Government will support those worst affected by covering 75p in every pound of losses beyond this. This further financial support will also mean that your previous allocations can go further in meeting the expenditure pressures posed by the pandemic. Further details of the scope of this scheme, including the principles which we intend to cover losses on, will be shared with you ahead of the first process of collecting, calculating, and compensating for relevant losses.

We are also considering how to support you in managing your tax losses. The Secretary of State has committed today to consider the apportionment of irrecoverable Council Tax and Business Rates losses between central and local government. However, as these losses materialise in budgets in 2021-22, details of this measure will be determined at the Spending Review. We have announced today that the repayment of collection fund deficits arising this year will be spread over the next three years rather than the usual one, and I believe that this support will give you considerable additional breathing room in setting budgets for next year before we make a fuller announcement at the Spending Review.

The package we are delivering is designed to help councils through the coming months and, whilst there will be some shared financial pain, it continues to meet our commitment to stand with local government as it delivers vital support for our communities during the pandemic. However, I recognise that a small number of local authorities have experienced exceptional pressures as a result of the pandemic. I will continue to work with these councils to understand the issues that they are facing for the rest of year. I would encourage any local authority with exceptional pressures to engage with my team of officials over the coming weeks as we finalise these proposals.

Together, I believe these measures amount to a comprehensive package of support for the sector, allowing you to rise to the challenges we will continue to face during our recovery from the pandemic, without compromising your long-term sustainability.

Yours ever,

A handwritten signature in black ink that reads "Simon Clarke". The signature is written in a cursive style and is positioned above a horizontal line.

SIMON CLARKE MP