

Local Government Finance

Answers to questions from Local Authorities on Covid-19

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# **Local Government Finance Covid-19 Response Announcements**

03 April 2020

Please take the time to read through the Government’s Covid-19 Local Government Guidance Pack: <https://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-local-government>

**Government to pay £3.4bn of Covid-19 response grants in FY19/20 – 24 March 2020**

Link to £1.6bn Allocations Guidance:<https://www.gov.uk/government/publications/covid-19-emergency-funding-for-local-government>

* The Local Government Secretary confirmed on 24 March that the Government is bringing forward the payment of the £3.4bn of grants that were due to be paid to local authorities through 2020/21. These grants were paid on Friday 27 March.
* The £3.4bn consists of the already announced £1.6bn of support for local authorities for Covid-19 pressures, and the initial £1.8bn grant for business rates reliefs measures.
* Bringing forward the payment of these grants will help local authorities to get on with meeting the costs associated with the response to Covid-19, including helping to provide support for local businesses through the small business grant.
* BEIS has issued the guidance by email to local authorities to support them in administering the small business support grant and RLH grant and will provide the full £13bn of funding for the scheme at the beginning of April. Local authorities should be confident in contacting businesses and making arrangements for the grants to be paid as quickly as possible to eligible businesses. Guidance can be found online here: <https://www.gov.uk/government/publications/coronavirus-covid-19-guidance-on-business-support-grant-funding>

**£500 million Hardship Fund (24 March 2020)**

Link:<https://www.gov.uk/government/news/government-confirms-500-million-hardship-fund-will-provide-council-tax-relief-for-vulnerable-households>

* The Chancellor announced a £500 million fund for local government to provide support to economically vulnerable households.  The Government expects most of this funding to be used to provide more council tax relief, either through existing council tax support schemes or through complementary reliefs. Guidance on this can be found here: <https://www.gov.uk/government/publications/council-tax-covid-19-hardship-fund-2020-to-2021-guidance>

**Business Rates Coronavirus Response and Guidance (20 March 2020)**

Link:<https://www.gov.uk/government/publications/42020-coronavirus-response-and-guidance>

* Business rates information letters are issued by the Ministry of Housing, Communities and Local Government at regular intervals throughout the year.
* This letter covers the expanded retail discount 2020 to 2021: coronavirus response, nursery discount 2020 to 2021: coronavirus response and the local authority response.
* Further business rates information letters were sent out to local authority Chief Financial Officers on Thursday 26 March and Thursday 2 April, with further details on the expanded retail discount 2020/2021 and BEIS grant scheme. These can be accessed here:
* 26th March: <https://www.gov.uk/government/publications/52020-coronavirus-response-and-guidance>
* 2nd April: <https://www.gov.uk/government/publications/62020-coronavirus-response-and-updated-guidance>

**£1.6 billion for Local Authorities (19 March 2020)**

Link: [https://www.gov.uk/government/news/2-9-billion-funding-to-strengthen-care-for-the-vulnerable?](https://www.gov.uk/government/news/2-9-billion-funding-to-strengthen-care-for-the-vulnerable)

* On Thursday 19 March, the government announced £1.6bn of additional funding to support local authorities in responding to the Covid-19 pandemic.
* This funding is un-ringfenced and is intended to help local authorities address any pressures they are facing in response the Covid-19 pandemic, across all service areas.
* From what local authorities have told us, we expect that the majority of this funding will be spent on meeting the increased demand for adult social care and enabling councils to provide additional support to social care providers who are responding to the Covid-19 pandemic. Councils are able to pool appropriate levels of funding with their CCQ to avoid risks of delay around ‘boundary issues’.
* This will complement a £1.3bn fund going to CCGs in the NHS to support discharge from hospitals so patients who no longer need urgent treatment can return home safely and quickly. The NHS has published new guidance to aid this, which can be found here: <https://www.gov.uk/government/publications/coronavirus-covid-19-hospital-discharge-service-requirements>
* The LGA and ADASS have also published guidance for commissioners, on issues such as cash-flow and reduced checks on workers, to help ease pressure on providers: <https://www.local.gov.uk/coronavirus-information-councils/social-care-provider-resilience-during-covid-19-guidance-commissioners>
* However, we also recognise that Covid-19 is leading to additional pressures within children’s social care and other services. So this funding can also be used across all services facing pressures, including children’s social care, waste, and stepping up support for the most vulnerable including homeless people and those who may soon be asked to self-isolate in their homes for the duration of the pandemic.

**Business Rates Expanded Retail Discount (18 March 2020)**

Link**:** <https://www.gov.uk/guidance/coronavirus-covid-19-guidance-for-local-government>

* On 11 March, the Budget announced that businesses in the retail, hospitality and leisure sectors, with a rateable value of less than £51,000, would pay no business rates this year.
* On 17 March, the government announced it would go further by removing the £51,000 rateable value threshold. The Treasury are seeking agreement with the European Commission for this to be a notified state aid. Subject to the agreement with the Commission the expanded relief will not be subject to de minimis state aid limits. The government will confirm the position as soon as possible.
* On 18 March, the Department for Education also announced that, to support nurseries, the Chancellor has decided that they will also now be eligible for a business rates holiday for one year. The guidance on this, which was published on 20 March, can be found here: <https://www.gov.uk/government/publications/business-rates-nursery-childcare-discount-2020-to-2021-coronavirus-response-local-authority-guidance>
* On 25 March, the Treasury announced that exclusions to the relief, including estate agents, letting agencies and bingo halls, would be lifted and they also would not pay business rates this year. Local authorities will be fully compensated for this. More information can be found here: <https://www.gov.uk/government/news/covid-19-estate-agents-lettings-agencies-and-bingo-halls-to-pay-no-business-rates-this-coming-financial-year>

**BEIS Business Rates support grants**

* At Budget, the Chancellor announced that all businesses eligible for Small Business Rates Relief and Rural Rates Relief would receive a grant of £3,000 each to help with the impact of Covid-19.  On 17th March, the Chancellor confirmed that the Government would increase the value of this to £10,000 per business.
* All properties occupied by active businesses in receipt of rural rate relief or small business rates relief on [11 March], including those in receipt of tapered relief, will receive the grant.
* Properties which are occupied for personal use, (e.g. private stables, beach huts and moorings) will not receive the grant even if they are in receipt of small business rate relief.
* The Government is also providing those businesses in the retail, hospitality and leisure sectors with an additional cash grant of up to £25,000 per business:
* For businesses in these sectors with a rateable value of under £15,000, they will receive a grant of £10,000.
* For businesses in these sectors with a rateable value of between £15,000 and £51,000, they will receive a grant of £25,000.
* The cash grant scheme is being delivered by BEIS. BEIS Secretary of State will write to all local authorities shortly to set out the outlines of these grant schemes and then in the coming days will follow up with more detailed guidance.

**Deadline Extended for the Publication of Principal Authority Accounts (16 March 2020)**

Link: <https://www.gov.uk/government/news/robert-jenrick-reaffirms-support-for-councils-in-their-coronavirus-response>

* Secretary of State gave an audio conference on Monday to LA chief executives and sector organisations. In that, he announced that for the 2019/20 accounting period we would be extending the period for publication of principal authority accounts to 30 September 2020.
* For principal councils, this means that we are amending the whole chain of publication requirements in the Accounts and Audit Regulations 2015 not just the final publication date for accounts. The intention is that the date for the public inspection of draft accounts will move to the first 10 working days of July, which will mean that the accounts themselves will not need to be signed off until 30 June.
* As smaller authorities still publish their accounts to this deadline, we are not planning to make any changes to smaller authority accounts. We are currently drafting amendments to the Accounts and Audit regulations to give effect to these changes and hope to be in a position to lay them in Parliament as soon as possible, dependent on Parliamentary time in this challenging environment.
* We will be in touch with further information as it becomes clearer as to the timetabling and implementation of the changes and, ultimately when the legislation comes into force.

# **Answers to questions from Local Authorities on Covid-19**

This document has been developed in response to queries received from local authorities in England and sector bodies in relation to local government finance, as part of the UK government’s response to Covid-19. This document will only address queries concerned with local government finance announcements or existing policies.

If you have queries relating to an existing policy or announcement, please direct them to LGFCovid19Queries@communities.gov.uk. This inbox will be checked daily and responses will be updated in this document on a regular basis. Where necessary urgent queries will be escalated.

## **Adult Social Care**

***Pooling and the Covid-19 response grants*** (Correct as at 06/04/2020)

£1.3bn has been made available to the NHS for additional spending on enhanced discharge arrangements, to remove barriers to discharge and transfer between health and social care, to get people out of hospital quicker. This is due to reach CCGs in mid-April.

The funding covers the additional costs of the new Covid-19 discharge requirements. This funding will be provided to Clinical Commissioning Groups (CCGs), which they should pool with the funding that local authorities had allocated for services to support hospital services. Local authorities should also consider whether to pool an appropriate element of the £1.6bn of funding for the local government Covid-19 response, at local discretion. The pooling of funding between CCGs and local government should be through the use and extension of existing Section 75 arrangements (such as those for the Better Care Fund).

The additional funding and pooling arrangements will ensure that disputes relating to budgetary responsibility or place of residence don’t cause delays.

Areas should appoint a lead commissioner (either from the local authority or NHS, depending on local arrangements) to be responsible for all commissioning.

The exact nature of the pooling will be subject to local arrangements and local decision-making. It is up to local authorities how much resource (if any) is pooled according to what best suits their local situation and therefore there will be no arbitration of those decisions.

***High-level breakdown of allocated grant*** (Correct as at 08/04/2020)

We have issued a short monitoring form which we will ask S151 Officers in local authorities to complete. The form has been issued via our Delta collection platform, with which local authorities are familiar and in which contact details for local authorities are established.

We have designed the form with a number of councils who have kindly volunteered to help us, and consulting with other government departments. The intention is that it will be re-issued monthly in order to develop our understanding of spending pressures as they continue to develop.

## **Business Rates Reliefs**

***Will local authorities be compensated for granting reliefs?*** (Correct as at 15/04/2020)

Local authorities will also be fully compensated for the cost to them of granting these reliefs, in line with usual practice. A £1.8bn payment was made to local authorities on 27 March to cover the cost of previously announced business rates reliefs. The £1.8bn grant does not include compensation for the additional business rates measures announced in January and March 2020. The government will also provide new burdens funding in due course to cover the administrative costs of implementing the relief. The compensation for these measures will be paid in due course, and we are in the process of a supplementary data collection exercise to provide the necessary data to us to calculate the amounts of grant due.

***Will state aid apply to the increase in retail, hospitality and leisure business rates relief?*** (Correct as at 06/04/2020)

The government’s assessment is that, given the impact of Covid-19 in the sectors receiving the relief, that the Expanded Retail Discount 2020/21 is not a state aid. The Nursery Discount 2020/21 is also not a state aid.  We have considered this matter in discussions with the European Commission and are content with this analysis on the basis of those discussions. Local Authorities should provide the relief to all eligible properties.

***What businesses are in scope of (business rates) reliefs?*** (Correct as at 06/04/2020)

On 25 March the government announced a further expansion to the discount to remove some of the previous exclusions from the relief. This is to ensure that some businesses that were previously excluded but are now required to close, such as estate agents, letting agents, betting shops and bingo halls, will be eligible for the relief.

The latest guidance on the retail discount is available at: [www.gov.uk/government/publications/business-rates-retail-discount-guidance](http://www.gov.uk/government/publications/business-rates-retail-discount-guidance)

***Should properties that have been forced to close be considered unoccupied, and will then they be eligible for relief from empty property rates?*** (Correct as at 06/04/2020)

Properties eligible for the retail relief that have closed temporarily due to the government’s advice on Covid-19 should be treated as occupied for the purposes of this relief.

## **Council Tax (hardship fund)**

***What discretionary funds support is there for vulnerable people?*** (Correct as at 06/04/2020)

The Chancellor announced a £500 million fund for local government to provide support to economically vulnerable households.

The expectation is that the majority of the hardship fund should be used to provide council tax relief to those in receipt of working local council tax support schemes, but also provides flexibility for councils to use some of the funding on their own discretionary support schemes, reflecting their local circumstances.

Hardship Fund allocations were paid to billing authorities on 3 April. Guidance on the hardship fund, including grant allocations for individual billing authorities can be found at: [www.gov.uk/government/publications/council-tax-covid-19-hardship-fund-2020-to-2021-guidance](file:///C%3A%5CUsers%5CHollyMcGrath%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CINetCache%5CContent.Outlook%5C40VAT4BG%5Cwww.gov.uk%5Cgovernment%5Cpublications%5Ccouncil-tax-covid-19-hardship-fund-2020-to-2021-guidance)

Please send any further queries you may have about the hardship fund to council.tax@communities.gov.uk. A local authority FAQ specifically on the hardship fund will be provided shortly.

***Why is the funding being distributed based on working-age local council tax support caseload figures?*** (Correct as at 06/04/2020)

Working-age individuals in receipt of local council tax support are some of the most vulnerable to fluctuations in their income as a result of Covid-19. The government is distributing funding in the strong expectation that all working age local council tax support recipients will receive a further reduction in their council tax bill. Having applied such discounts, billing authorities will want to use remaining grant funding as they see fit to reflect the local and individual needs of vulnerable residents.

***Will you be introducing council tax holidays?*** (Correct as at 06/04/2020)

Local councils already have the flexibility to spread council tax payments over any ten consecutive months and to reach alternative payment schedules in agreement with individual taxpayers. We would encourage local authorities to urgently follow the example of some councils that have already taken proactive steps to shift payments to the later part of the year.

***Will you be making further changes to localised council tax support schemes?*** (Correct as at 06/04/2020)

We will not be amending primary legislation which requires local authorities to consult on and revise their local council tax support schemes prior to 11 March in the financial year preceding that for which the revision is to have effect. In recognition that councils will therefore have established schemes for 2020-21, paragraph 7 of the hardship fund guidance sets the expectation that councils should instead use their discretionary powers under s13A(1)(c) to offer discounts outside of their formal LCTS scheme design.

***Will local government be compensated for the additional costs of delivering grant funding?*** (Correct as at 06/04/2020)

We have confirmed that the government will provide the appropriate new burdens funding to cover the administrative costs of implementation of the fund.

## **Grant Payments and Funding**

***When are you paying the funds?*** (Correct as at 06/04/2020)

We paid £1.6bn directly to local authorities through an un-ringfenced grant on 27 March 2020. The Secretary of State has sent a letter to local authorities with confirmation of individual allocations and timeline for payments. The letter also outlines expectations of how the grant should be spent to support local authorities’ response to Covid-19.

Hardship Fund allocations were paid to billing authorities on 3 April. Authorities will want to expedite provision of support to individuals in their area

***How were individual local authority funding distributions calculated?***

(Correct as at 06/04/2020)

The £1.6bn additional funding to support local government was distributed taking account of their relative spending needs for Adult and Children’s services (£1.39bn) and their likely need to spend on other services (£0.21bn). These approaches have been used to distribute several pots of funding to local authorities in recent years. This funding is unringfenced and can therefore be used by local authorities to meet local pressures as they see fit.

***What support is there to address homelessness?*** (Correct as at 06/04/2020)

The £3.2m emergency support for rough sleepers, announced on 17 March, is for lower tier authorities. Guidance and application forms have been issued.

***Are you triggering the Bellwin Scheme?*** (Correct as at 06/04/2020)

We do not expect to activate the Bellwin Scheme in response to Covid-19. The funding the government announced, alongside the package of support that the Chancellor announced at the Budget, will support local authorities to deliver a response to Covid-19. We will work with local authorities to develop an ongoing assessment of costs – a monitoring form has now peen been published – and we will keep this under review.

***What are you doing about the risk of fraud with grant payments?*** (correct as at 06/04/2020)

The government published guidance on 26 March for local authorities that are administering emergency programmes. Guidance can be found here -<https://www.gov.uk/government/publications/fraud-control-in-emergency-management-covid-19-uk-government-guide>

## **Furloughing** (correct as at 08/04/2020)

The government expects that the scheme will not be used by many public sector organisations, as the majority of public sector employees are continuing to provide essential public services or contribute to the response to the coronavirus outbreak.

Where employers receive public funding for staff costs, and that funding is continuing, we expect employers to use that money to continue to pay staff in the usual fashion – and correspondingly not furlough them. This also applies to non-public sector employers who receive public funding for staff costs.

Organisations who are receiving public funding specifically to provide services necessary to respond to COVID-19 are not expected to furlough staff.

In a small number of cases, for example where organisations are not primarily funded by the government and whose staff cannot be redeployed to assist with the coronavirus response, the scheme may be appropriate for some staff.

For additional information see useful guidance from the LGA here - <https://www.local.gov.uk/lga-workforce-update-job-retention-scheme>

## **Local Authority Data Collections**

***Have you changed dates for audit publication yet?*** (Correct as at 08/04/2020)

We are now extending the final audit publication dates for all local public bodies (except health bodies) in England to 30 November, and for the public inspection period for draft accounts to start on or before the first working day of September, which means that draft accounts must be approved by 31 August or earlier where possible. The regulations were laid on 7 April and will come into force on 30 April.

***Will you offer greater flexibility around deadlines for submitting data*** (Correct as at 01/04/2020)

We are aware of the challenges and additional pressures local authorities are facing, and where local authorities encounter difficulties we will adopt as flexible approach as possible. Please get in touch with your usual contacts about any issues regarding your data returns. We are currently reviewing existing collection timetables and will update local authorities as soon as possible.

**Queries we are working through**

The LGFCovid19queries inbox is being checked daily and we working to respond to all queries and issues received. We appreciate your patience at this busy time. We acknowledge that not all queries we have received are answerable from this document, and the department is continuing to work through proposals in relation to the below.

* **Sustainability**

We will continue to monitor the impact of Covid-19 on local government and would ask that any local authority contact MHCLG officials if faced with immediate unmanageable financial pressures. Any intelligence being received through this inbox is being sent to our Income Pressures team.

* **Shielding**

The government is working with the food industry and local authorities to deliver free basic food parcels to those defined on medical grounds as extremely vulnerable from COVID-19 and who do not have a network of friends and family to support them, while they self-isolate in their homes over the next 12 weeks.

* **Public Works Loan Board (PWLB)**

We’ve given local authorities across England an additional £1.6 billion to help their crucial work in the national effort against coronavirus, and we are continuing to ensure they get all of the support they need at this time by keeping future funding and flexibilities under review.

* **Central Share Payments**

The government is considering options to support local government and will contact local authorities as soon we have a workable proposal.

## **Work with other government departments**

We are working with colleagues in MHCLG and other government departments to resolve queries we are receiving. In this document however we are only able to comment on issues specific to local government finance. We are aware of issues concerned with housing finance, as well as benefit payments, and would encourage local authorities to continue to provide information to government so we can monitor pressures.

**Housing**

Please direct housing and HRA specific queries to - HRAqueries@communities.gov.uk