

Comprehensive new funding package for councils to help address coronavirus pressures and cover lost income during the pandemic

- Government announces new comprehensive package of support to address spending pressures and in recognition of lost income
- Further £500 million brings funding given to support local councils with pressures to £4.3 billion, part of a package of over £27 billion to help councils, businesses and communities
- New scheme will also reimburse councils for lost income and allow council and business rates tax deficits to be repaid over 3 years instead of one

A major new support package to help councils respond to coronavirus has been announced by Local Government Secretary Robert Jenrick today, Thursday 2 July, as part of a comprehensive plan to ensure councils' financial sustainability for the future.

The government has delivered an unprecedented package of support to councils over recent months, and councils in England will now receive a further, unringfenced £500 million to respond to spending pressures they are facing.

Recognising that councils are best placed to decide how to meet pressures in their local area, this funding has not been ringfenced.

In addition to this funding, a major new scheme introduced by the government today will help to reimburse lost income during the pandemic and boost cash flow.

Where losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover them for 75p in every pound lost.

Additionally, to enable them to get on the front foot and build much-needed breathing space into their budgets, the government is also bringing in changes so that they can spread their tax deficits over 3 years rather than the usual one.

Overall, in the last 6 months, government has worked closely with local authorities to understand their needs and provided more than £27 billion to help councils, businesses and communities through COVID-19.

This comprehensive support includes:

- £3.2 billion of new funding to councils
- £600 million to adult social care to support providers through a new infection control fund
- Over £20 billion in support for businesses
- £500 million in council tax hardship funds to offer economic support to the most vulnerable
- £300 million to support track and trace

Local Government Secretary Robert Jenrick MP said:

Councils are playing a huge part in supporting their communities during this pandemic. From supporting the most vulnerable and keeping vital services running to operating local track and trace, council workers have been at the forefront of this great national effort and are the unsung heroes of this pandemic.

Today I am providing a further package of support that takes our support for councils during this pandemic to £4.3 billion to help meet the immediate pressures councils are facing. I know that the loss of revenue from car parks and leisure centres has created huge difficulties, so I am introducing a new scheme to help cover these losses.

This government will continue to stand shoulder to shoulder with councils and communities as we recover from this pandemic as we renew our commitment to unite and level up the country.

The package also follows the Prime Minister's announcement yesterday of the fast tracking of £96 million of investment through the Towns Fund to help kick-start activity in town centres and high streets, improve outdoor spaces, build cycle lanes and more. £360 million will also be provided to redevelop brownfield sites to provide much-needed housing.

Scheme to cover councils' lost income

Recognising the unprecedented impact the pandemic has had on councils' income from car parks, museums and other cultural assets, the government is introducing a scheme to compensate them for these losses.

This means that all relevant losses, over and above the first 5% of planned income from sales, fees and charges, will be compensated for at a rate of 75p in every pound.

This balances the need to provide compensation given the scale of the income losses, encouraging councils to manage and minimise loss where they can and giving them the certainty they need.

In the next Spending Review, we will determine what support councils need to

help them meet the pressures of income loss from council tax and business rates.

As part of this, the Local Government Secretary also announced today a proposal for a phased repayment of council tax and business rates deficits over 3 years, rather than requiring complete repayment of deficits next year.

This will allow authorities to pay deficits off in a reasonable timescale and will limit their cashflow pressures.

Minister for Regional Growth and Local Government Simon Clarke MP said:

Since the start of this pandemic, local councils have been at the forefront of our national effort to tackle the virus, and they will continue to play a significant role as we look towards our recovery.

We are more committed than ever to unite and level up this country and this package will ensure councils have access to vital, additional funding so they can continue to serve their communities as they so admirably have done to date.

Further information

Further details on the allocations of the funding will be made in due course.

The new income loss scheme will involve a 5% deductible rate, whereby councils will pay the first 5% of all lost planned sales, fees and charges income, with the government compensating them for 75p in every pound of loss thereafter.

By introducing a 5% deductible the government is accounting for an acceptable level of volatility, whilst shielding authorities from the worst losses.

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.

Beyond the support provided, any council that is faced with an unmanageable pressure or is concerned about their future financial position should contact Ministry of Housing, Communities and Local Government.

The Barnett formula will apply in the usual way to additional funding. The devolved administrations will therefore initially receive almost £100 million in relation to this announcement. This comprises £50 million for the Scottish Government, £30 million for the Welsh Government and £15 million for the Northern Ireland Executive.