



Ministry of Housing,  
Communities &  
Local Government

To all Leaders and Chief Executives in England

**Simon Clarke MP**

*Minister for Regional Growth and Local Government*

**Ministry of Housing, Communities and Local  
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Dear Colleague,

## **SUPPORT PACKAGE FOR LOCAL AUTHORITIES – COVID-19**

The Government has committed to helping councils face the continuing pressures of the pandemic. We therefore provided £3.8 billion of grant funding, including a £600m Infection Control Fund, and over £5 billion of cashflow support. On 2 July, the Secretary of State announced a new set of support measures, including:

- A new scheme to reimburse councils for lost income from sales, fees, and charges;
- Changes enabling local authorities to spread their tax deficits over three years rather than the usual one;
- A further £500m of un-ringfenced funding to respond to spending pressures.

We have now set out more detail about these measures and have confirmed the distribution for the £500 million of new funding, including individual local authority allocations. The Director of Local Government Finance, Alex Skinner, will also be writing to Finance Directors shortly with further technical details.

Recognising the impact the pandemic has had on income from sales, fees and charges, we have introduced a co-payment scheme to compensate councils for relevant unforeseen losses that are irrecoverable. Councils will absorb the first 5% of all relevant irrecoverable losses compared to their original plans, with the Government compensating councils for 75 pence in every pound of loss thereafter. By introducing a 5% deductible, the Government is accounting for an acceptable level of volatility, whilst shielding councils from significant losses.

We have also confirmed that we will extend the period over which councils must manage shortfalls in local tax income relating to 2020-21, from 1 to 3 years. This will ease immediate pressures on councils when budget setting for 2021-22, protecting their ability to deliver essential local services. The details of this will be set out in regulations which we expect to lay later this year.

The additional funding of £500 million for expenditure demonstrates Government's continued commitment to make sure councils have the resources they need. This award follows two previous rounds of grant allocations, the first primarily focused on getting emergency support into Adult Social Care and the second on addressing both expenditure pressures and income shortfalls. Our scheme to compensate for income losses means that the original £3.2bn grant funding, and this new £500m, can now predominantly be used to cover the majority of your expenditure pressures.

The department has been asking local authorities to complete another monthly financial monitoring exercise and we have received an excellent response from councils so far. We are extremely grateful for your collaboration and this has enabled us to understand pressures at a national and local level.

The first tranche of funding was primarily focussed on getting emergency support into Adult Social Care. The second round, distributed on a per capita basis, addressed both expenditure pressures and income shortfalls across all councils. Our income guarantee scheme will compensate councils for relevant irrecoverable losses over and above what they could have reasonably planned for, and so with the benefit of data from our monitoring returns, we have now created a new formula to distribute the additional funding to meet expenditure pressures. This formula reflects the factors which the data returns have told us correlate most closely with front-line expenditure - population, deprivation and the way that service costs vary across the country - and ensures funding is targeted to where it's most needed.

Individual allocations can now be found online. We have also published a technical note on the methodology for allocating the additional £500m, as well as further details on the income guarantee scheme and collection fund deficit repayments. These can be found at <https://www.gov.uk/government/publications/covid-19-emergency-funding-for-local-government>

In recognition of the acute cost pressures that a small number of local authorities are facing with regard to Unaccompanied Asylum Seeking Children, DfE will use £6 million of the £500 million to provide targeted support to a small number of councils. Further details will follow in due course.

These new allocations, combined with the income scheme and cashflow support, show how this Government will continue to stand shoulder to shoulder with councils and communities as we recover from this pandemic and renew our commitment to unite and level up the country.

I recognise this is a fast-evolving landscape and as we progress through the next phase of recovery I look forward to continuing to work with you to support our communities.

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**