



National Audit Office

Local government finance and the pandemic

NAO study workshop, Society of District Council Treasurers

16 October 2020

Background to the study

- New NAO study will address three main issues:
 - A. Examine the challenges COVID-19 has posed for local authority finances.
 - B. Assess government's effectiveness in providing funding to support COVID-19 cost pressures.
 - C. Assess government's effectiveness in supporting the sector's financial sustainability.

Methodology

- Workshops with treasurers' societies
- Possible survey of s151 officers
- Departmental interviews
- Stakeholder interviews
- Data analysis

Topics for discussion today

- **Departmental support to meet COVID-19 service pressures**
 - Clarity and timeliness of support for cost pressures
- **Financial Sustainability in 2020-21**
 - Nature of support provided for income pressures and financial sustainability
- **Planning for the future**
 - Preparedness for budget setting in 2021-22 and impact of uncertainties
- **Government's understanding of COVID financial consequences and relevant sector context**
 - Possible differences between departments here
- **Government communications about support measures**
 - Clarity and timeliness; stability of messages
- **Government lessons and next steps**

Departmental support for service cost pressures

- Have you been provided with sufficient additional funding from government to meet your COVID-19 cost pressures for 2020-21?
 - Has the Department communicated clearly what COVID-19 cost pressures it will and will not fund?
 - What have been the implications of any lack of clarity?
 - Are there any areas where you have incurred additional COVID-19 related costs that are not covered in the priority areas identified by government?

Financial Sustainability in 2020-21

- Is current government support sufficient to secure your financial sustainability this year?
 - What are your views on the sales, fees and charges offer from MHCLG?
 - Was it sufficiently clear and timely to support your financial planning?
 - Have you had to take steps in-year to either meet unfunded costs pressures or offset lost income?

2021-22 budget setting

- What challenges do you face in setting your 2021-22 budget?
 - What are the implications for the budget setting of the current level of uncertainty?
 - How is the budget process affected by having to wait until the Spending Review for a proposed split between HMT and local authorities to cover tax losses?
 - Do you anticipate having to make service spending reductions next year?

Government understanding of financial consequences

- Does MHCLG understand your pressures and have they engaged effectively with you?
 - Has MHCLG's monthly survey allowed you to communicate your cost and income pressures clearly?
 - Have you had other opportunities to communicate your cost and income pressures to MHCLG?
 - What are the implications of any gaps in MHCLG's knowledge?
 - Have **other Departments** differed in their understanding of local government, of the financial effects of COVID and the consequences of their decisions?

Government communication about support

- Has government communicated clearly what COVID-19 financial pressures it will and will not fund?
 - Has this varied between departments?
 - What have been the implications of any lack of clarity or delays in giving information?
 - How has financial planning been affected?
 - Have you had to take steps in-year to either meet unfunded costs pressures or offset lost income that might not prove to be necessary once full information from central government is available?

Lessons and next steps

- What steps (other than providing more cash) should MHCLG take to support your finances **this year** and **next year**?
 - What should MHCLG learn from this experience for the local government finance system as a whole?
 - What should MHCLG learn from this experience in order to prepare for future crises?
 - What lessons should other government departments learn for the way they interact with local government?