

# How much emergency coronavirus funding are different councils in England receiving? And is the funding allocation sensible?

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# Executive summary

**The government is providing £1.6 billion to English councils to help them deal with additional spending pressures arising as a result of the coronavirus pandemic.** This is being allocated according to assessments of spending needs in 2013–14, with the vast majority being allocated based on the assessments for adult social care – one of the services likely to be most affected by the pandemic.

**This short report looks at how much different councils are set to receive, and at how sensible the government’s approach to allocating it across councils is.** It finds big differences in allocations for different parts of the country; substantial variation in how both demographics and spending have changed over the seven years since the spending needs assessments used were initially calculated; and no relationship between funding allocations and currently confirmed coronavirus cases.

Looking in more detail:

- **The amount allocated per resident ranges from £15 in Wokingham to £45 in Knowsley.** In general, it is lowest in the Home Counties, especially to the west of London, and highest in parts of Merseyside, Teesside, Tyneside and inner London, as well as deprived seaside communities such as Blackpool and Torbay.
- **Funding for deprived areas is higher not only in pounds-per-resident terms, but also measured as a percentage of spending on adult social care.** For the ten councils with the most deprived populations, it amounts to an average of 10.7% of adult social care spending, compared with just 6.9% in the ten councils with the least deprivation. If actual spending rather than spending needs assessments from 2013–14 is a better predictor of how much additional funding councils will require to cope with the coronavirus crisis, less deprived areas may be more likely to struggle financially.
- **The populations of different areas have also changed very differently over the last seven years, which is bound to have affected their spending needs.** For example, while the populations of Blackpool and Kensington & Chelsea have fallen, the population of Tower Hamlets is estimated to have grown by 21.4%. And the numbers aged 80 or over – the group most at risk from coronavirus – have fallen by 7.2% in Barking & Dagenham, but have risen by 31.8% in Brent.
- **Shire district councils, which are the lower tier of local government in rural areas, are set to receive an average of 45p per resident, or just 0.4% of their annual funding.** This is unlikely to go far if the coronavirus crisis significantly impacts the services these councils are responsible for, such as housing, homelessness prevention, waste collection, environmental health, and cemeteries and crematoriums. In addition, gross income from on- and off-street parking amounts to 16% of their spending on local services, and is likely to fall significantly, putting further strain on their budgets.
- **The coronavirus could also impact different councils in very different ways that have little to do with their general spending needs.** As an indicator of this, at the time of writing, the prevalence rate is almost ten times greater across the five councils with the highest prevalence rate than across the five councils with the lowest prevalence rate (0.223% compared with 0.025%).

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Taken together, the use of out-of-date and overly-general spending needs assessments may mean funding may not end up where it is ultimately needed most. Of course, accurately predicting in advance how much the coronavirus will affect councils in different parts of the country and providing funding accordingly is a near-impossible task. Given it wanted to provide additional funding quickly, the government has therefore had to make use of the rough proxies already available to it.

But there are other approaches it could have taken, and indeed could still take if further funding is deemed appropriate. Rather than try to allocate all of the funding in advance, it could loosen the rules to allow councils to borrow to fund day-to-day spending linked to the coronavirus pandemic, allowing them to respond rapidly in a manner they see fit. The government would then have the option of reimbursing councils at a later date once it has a better idea of what the impact of the coronavirus has been in different parts of the country and subject to proper financial safeguards.

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# 1. Introduction

Last week, the government published council-level allocations of £1.6 billion of additional funding to help English councils respond to the coronavirus pandemic.<sup>1</sup> Just under £1.4 billion of this funding was allocated according to the adult social care relative needs formula – which was last updated seven years ago in 2013–14. Just over £0.2 billion was allocated according to each council’s share of funding from central government and business rates, also as of 2013–14.

Allocating most of the funding according to assessed adult social care spending needs would be sensible if this reflects the additional pressures faced by local authorities as a result of the coronavirus. With vulnerable people asked to remain at home, new safety equipment and procedures needed, staff sickness rates increasing, and people potentially needing at least short-term care following treatment in hospital, it is easy to see increased pressure on adult social care budgets.

However, given big variation across the country in how demographics and local government spending have changed since 2013–14, the formulas used to allocate funding are out of date. In addition, the distribution of confirmed coronavirus cases so far – rates are ten times higher in parts of London than in the places with the lowest rates – reminds us that the impact on different councils may not reflect historical differences in social care spending needs. And it may be the case that pressures mount in other service areas – not least the collection of local taxes from households and businesses that are struggling financially – and that these pressures are not strongly positively correlated with adult social care spending.

In other words, the funding may not end up where it is ultimately needed most, and the government may have to step in to provide additional support to particularly hard-hit councils. Looking ahead, it may be worthwhile the government considering relaxing borrowing rules for councils, at least temporarily – something we have said should be considered for devolved governments too.<sup>2</sup> This would give councils additional tools to manage the impact of the coronavirus epidemic on their finances.

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<sup>1</sup> MHCLG, ‘COVID-19: emergency funding for local government’, Guidance, 2020, <https://www.gov.uk/government/publications/covid-19-emergency-funding-for-local-government>.

<sup>2</sup> D. Phillips, ‘Devolved governments need more flexible funding and greater borrowing power to tackle coronavirus effectively’, IFS Observation, 25 March 2020, <https://www.ifs.org.uk/publications/14766>.

## 2. How much are different types of councils getting?

The £1.6 billion given to councils (as well as fire authorities) equates to an average of £28 per person in England given population projections for 2020. However, the amount received per person varies drastically between different types of councils, and significantly between councils serving different parts of the country.

Table 1 shows the amount of funding per person and as a percentage of 'core spending power' (council tax, business rates plus some grant funding), separately by type of council.

**Table 1. Amount of additional funding, by council type**

Authority type	Average amount per person	Average amount as a share of 'core spending power'
Unitary authorities (UAs)	£27.67	3.5%
Metropolitan districts (MDs)	£32.54	3.9%
London boroughs (LBs)	£28.12	3.5%
Shire county areas	£25.48	n/a
<i>Of which:</i>		
<i>Counties</i>	£25.03	3.7%
<i>Shire districts</i>	£0.45	0.4%
Greater London Authority	£1.03	0.4%
Fire authorities	£0.17	0.4%
<b>All England</b>	<b>£28.23</b>	<b>3.3%</b>

Source: Author's calculations using MHCLG (2020a, 2020b) and ONS (2020).

The most striking thing is how targeted the funding is at those councils that have social care responsibilities – UAs, MDs, LBs and counties. This partly reflects the fact that these councils are responsible for the costliest services to deliver – such as adult social care – and therefore even if every council saw the same percentage increase in funding, they would receive much more in cash terms than other types of councils. But it also reflects the fact that 87% of the new funding has been allocated specifically on the basis of social care spending needs: the other types of councils only get a share of the remaining 13%.

Shire districts are set to receive an average of just 45p per resident (or around £51,800 for an average-sized district), equivalent to 0.4% of their average core spending power. If the coronavirus crisis starts having significant effects on the costs of services for which shire districts are responsible – such as housing, homelessness prevention, waste collection, environmental health, and cemeteries and crematoriums – that money will not go very far. One might also expect the income that districts receive from council-owned car parks and leisure facilities to decline significantly. And sizeable sums are involved: gross income

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from on- and off-street parking amounted to 16% of shire districts' spending in 2018–19, while net income from parking amounted to 8% of spending.

Perhaps of most concern to districts though is that they are responsible for collecting business rates and council tax on behalf of all councils in their area, and have to pay this over in agreed instalments to the other councils (and central government in the case of business rates). If many taxpayers fail to pay their tax bills on time – or at all – districts may have to use their reserves to fund these instalments unless the other councils agree to a delay or to a share in the losses. The additional central government funding would not go very far: for example, a decline in council tax payment rates of just 0.1 percentage points (from the current average in-year collection rate of 97%) in the coming year would more than exhaust the new funding for the average shire district.<sup>3</sup>

Related to this issue, the government has also announced £500 million of additional funding for councils with responsibility for collecting council tax to help them provide extra support to working-age residents struggling to pay their council tax bills.<sup>4</sup> This funding equates to about 1.5% of the council tax due to be collected in 2020–21, or about 27% what councils spend on existing council tax support schemes for working-age residents. It is allocated based on council tax support scheme caseloads as of Q4 2019 – which is likely to be a reasonable proxy for the cost of increasing support for existing claimants, but may not be for the costs of a potential surge in claims among those experiencing job losses or falls in their earnings.

The government has said it expects councils to provide an additional £150 discount to all working-age claimants from the schemes, and that councils should use any funds remaining to support 'the financial needs of their most vulnerable residents'. This includes additional discretionary discounts, support through local welfare schemes, or discounts of more than £150 for those recipients of support whose liability exceeds that level. Our previous discussion suggests that councils may also be wise to retain some of the funding to cope with increases in the volume of claims for support and lower payment rates more generally.

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<sup>3</sup> MHCLG, 'Collection rates for council tax and non-domestic rates in England, 2018 to 2019', 2019, <https://www.gov.uk/government/statistics/collection-rates-for-council-tax-and-non-domestic-rates-in-england-2018-to-2019>.

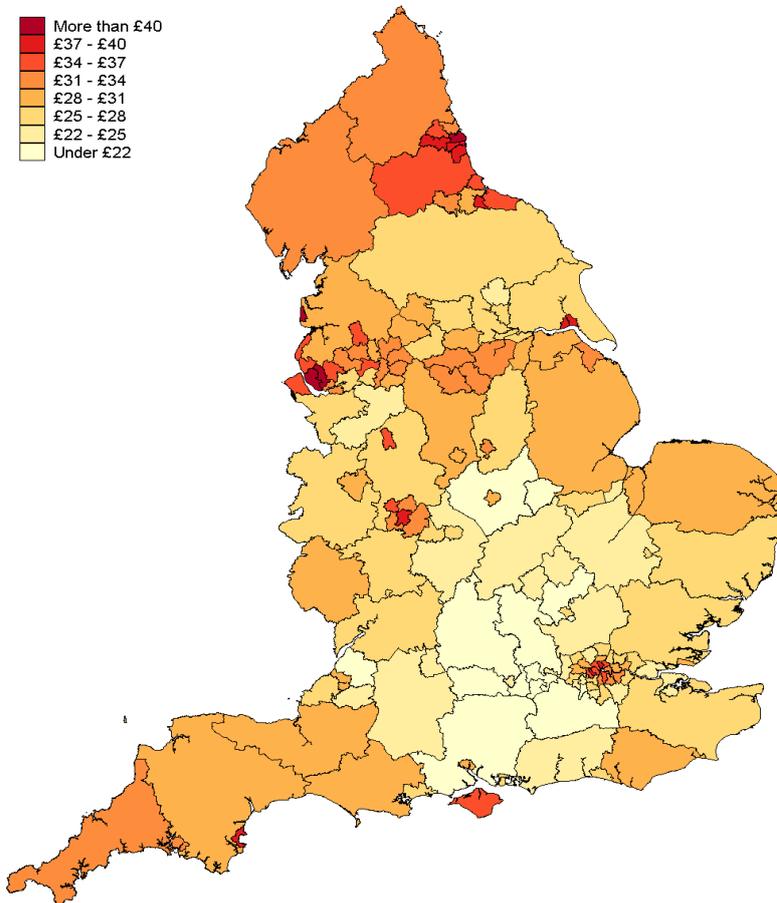
<sup>4</sup> MHCLG, 'Council tax: COVID-19 hardship fund 2020 to 2021 – guidance', 2020c, <https://www.gov.uk/government/publications/council-tax-covid-19-hardship-fund-2020-to-2021-guidance>.

### 3. How does the additional funding vary around the country?

Turning to differences across the country, Figure 1 shows the amount of additional funding provided per person for each UA, MD, LB and shire county area in England.

Funding per person ranges from an estimated £15 per person in Wokingham up to £45 per person in Knowsley. More generally, it is lowest in the Home Counties, especially to the west of London, and highest in parts of Merseyside, Teesside, Tyneside and inner London, as well as deprived seaside communities such as Blackpool, Kingston upon Hull and Torbay. And while in one-in-ten council areas it amounts to £22 per person or less, in another one-in-ten council areas it amounts to £36 per person or more.

**Figure 1. Map of additional funding per person, by upper-tier council area**



Source: Author's calculations using MHCLG (2020a) and ONS (2020).

These patterns reflect the formulas used to allocate the funding. The outdated social care needs formula, which is being used to allocate 87% of the funding, includes indicators such as the number of adults at older ages, the share of these on means-tested and/or disability benefits, and the share of younger adults in receipt of disability benefits and/or who are long-term unemployed and/or who work in routine (rather than professional) occupations. It therefore allocates more funding to areas with higher levels of disability and deprivation (at least as measured seven years ago) – reflecting the fact that these are

likely to be drivers of social care needs. The remaining 13% of the funding is even more skewed to deprived areas as it is based on how much funding councils in 2013–14 needed on top of their own council tax revenues. The combined effects can clearly be seen in Figure 2, which shows how councils that are more deprived according to the English Index of Multiple Deprivation (IMD) are set to receive more funding per person.

**Figure 2. Relationship between additional funding per person and deprivation, by upper-tier council area**



Source: Author's calculations using MHCLG (2019a, 2020a) and ONS (2020).

## 4. Is funding likely to be well targeted at spending needs?

As already discussed, if the main pressures will be in adult social care services, allocating additional funding in line with assessed spending needs for this service area seems broadly sensible. However, that does not mean the allocations calculated by the 2013–14 formulas used by the government will align with what different councils ultimately need to spend.

First, the formulas are now somewhat out of date.

Populations have changed in very different ways in different parts of the country over the last seven years, as illustrated in Table 2. For example, while the overall population of Blackpool is projected to have fallen by 1.7%, that of Tower Hamlets is projected to have grown by over 20%. And while the number of people aged 80 and over is estimated to have fallen by 7.2% in Barking & Dagenham, it is estimated to have increased by over 30% in Brent, Westminster, Wokingham and Kensington & Chelsea. These changes in population are bound to have changed spending needs.

**Table 2. Top five and bottom five councils for population growth since 2013, overall and aged 80 and over**

Overall		Aged 80 and over	
Bottom five	Top five	Bottom five	Top five
Blackpool: -1.7%	Tower Hamlets: +21.4%	Barking & Dagenham: -7.2%	Brent: +31.8%
Kensington & Chelsea: -0.6%	Camden: +17.9%	Southampton: -2.5%	Westminster: +31.5%
Ealing: 0.0%	Westminster: +17.2%	Nottingham: -2.0%	Wokingham: +31.3%
N. E. Lincolnshire: 0.0%	Coventry: +15.4%	Brighton & Hove: -1.4%	Kensington & Chelsea: +31.3%
Cumbria: 0.3%	Islington: +13.3%	Kingston upon Hull: -1.0%	Newham: +29.6%

Source: ONS (2019, 2020).

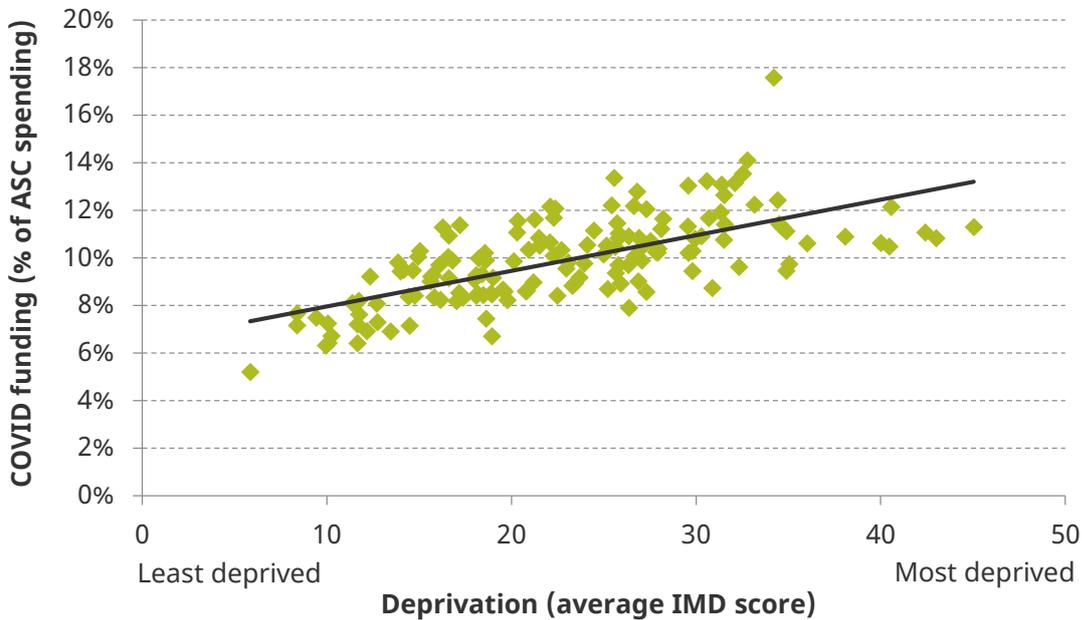
There have also been systematic changes in the relationship between assessed need for social care spending and actual spending during this period. In particular, bigger cuts to funding for more deprived councils have led to such councils having to make bigger reductions in adult social care spending.<sup>5</sup> Councils with high assessed needs therefore

<sup>5</sup> T. Harris, L. Hodge and D. Phillips, *English Local Government Funding: Trends and Challenges in 2019 and Beyond*, IFS Report R166, 2019, <https://www.ifs.org.uk/publications/14563>.

generally spend less than their assessments suggest they need to, while councils with low assessed needs spend more relative to their assessed needs.

What this means is that allocations based on these old spending needs assessments represent a bigger share of actual spending for those with high assessed needs than for those with low assessed needs. This can be seen clearly in Figure 3, which shows that the funding for councils serving more deprived communities is not just higher in cash terms: it is also higher as a percentage of adult social care spending too. For example, for the ten least deprived councils, the additional funding is equivalent to 6.9% of overall spending on adult social care, compared with 10.7% for the ten most deprived councils. And it is possible that actual spending rather than assessed spending needs may be a better proxy for the financial pressures arising from the coronavirus epidemic.

**Figure 3. Relationship between additional funding as a percentage of net adult social care (ASC) expenditure and deprivation, by upper-tier council area**

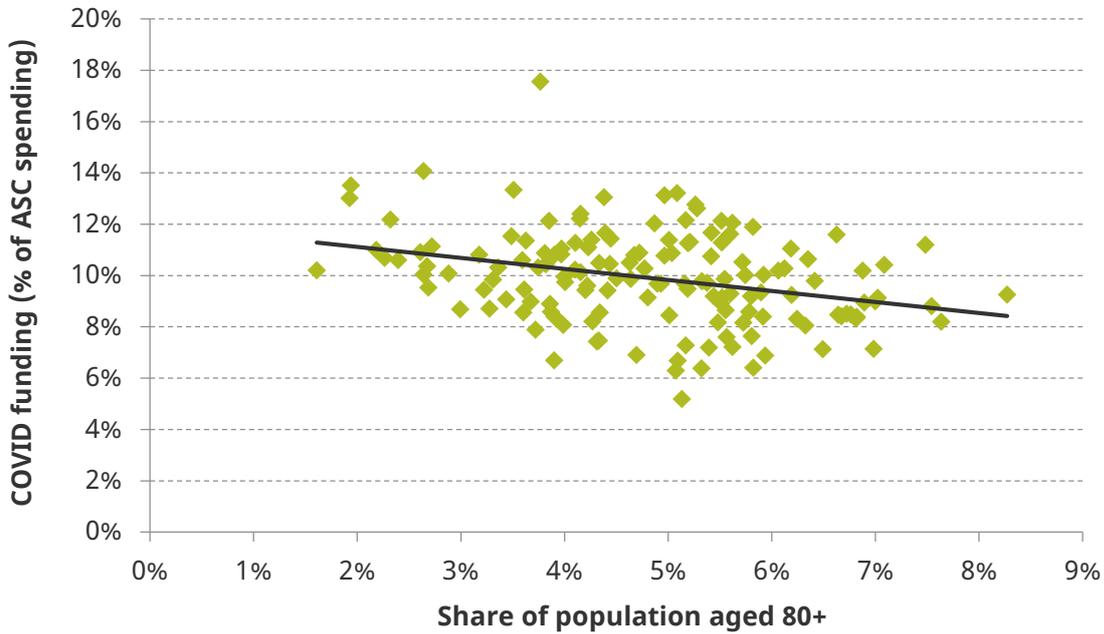


Source: MHCLG (2019a, 2019b, 2020a).

The second issue is that the elderly are more susceptible to severe disease in the event of coronavirus infection.<sup>6</sup> This may mean care providers having to be especially careful when supporting such clients, and a greater likelihood of a short-term increase in care needs for those who catch it (at least once they return home). However, the additional funding represents a slightly smaller share of adult social care spending, on average, for councils where a larger share of the population is aged 80 or over, as shown in Figure 4.

<sup>6</sup> R. Verity et al., 'Estimates of the severity of coronavirus disease 2019: a model-based analysis', *The Lancet: Infectious Diseases*, 2020, [https://www.thelancet.com/journals/laninf/article/PIIS1473-3099\(20\)30243-7/fulltext](https://www.thelancet.com/journals/laninf/article/PIIS1473-3099(20)30243-7/fulltext).

**Figure 4. Relationship between additional funding as a percentage of net adult social care (ASC) expenditure and the share of the population aged 80 and over, by upper-tier council area**



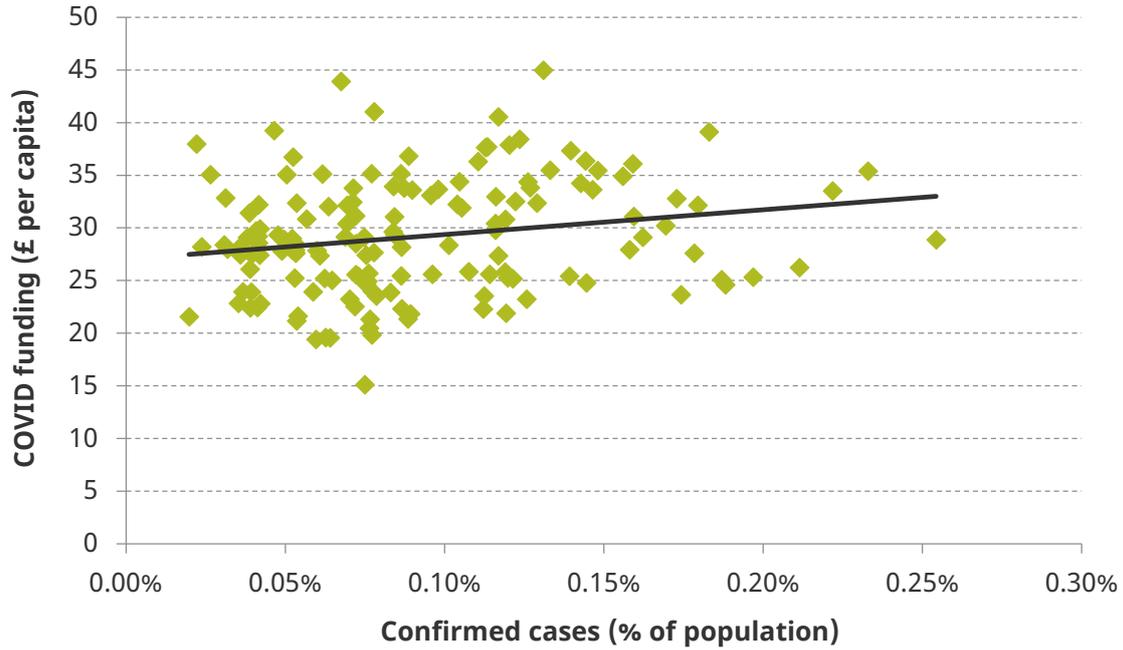
Source: MHCLG (2019b, 2020a) and ONS (2020).

In part, this reflects the fact that in areas where there are more people aged 80 or over, the fraction of them who have income and assets below the threshold to qualify for council-provided social care is lower: if they require care, they are more likely to have to pay for it themselves. The adult social care spending needs formula accounts for this, giving low needs scores to areas where more of the elderly own their own home and do not receive means-tested benefits. The relationship shown in Figure 4 effectively disappears once you control for deprivation – which is a proxy for the ability of older adults to pay for their own care. However, if the private market for care is functioning less well now than usually, and/or there are particular financial pressures as a result of supporting elderly as opposed to younger social care users, councils with older populations could be more likely to face a funding shortfall.

The third reason why funding allocations may differ from ultimate financial needs is that more people are likely to catch coronavirus in some parts of the country than others. This may mean differences in changes in demand, changes in staff availability, and even in the social distancing policies put in place in different parts of the country.

Confirmed rates of coronavirus infection by council suggest that, so far at least, the disease has affected far more people in some parts of the country. Figure 5 shows that in the five councils with the highest confirmed infection rates (all of which are in London), at the time of writing an average of 0.223% of the population have confirmed infections, while in the five councils with the lowest rates (which are mostly rural except for Kingston upon Hull, a somewhat isolated urban area), just 0.025% do. Of course, these estimates will be affected by both differences in true prevalence and any difference in testing rates. And the relativities could change over time as the pandemic develops.

**Figure 5. Relationship between additional funding per person and the fraction of the population that has had confirmed coronavirus infection, by upper-tier council area**



Source: MHCLG (2020a), ONS (2020) and Public Health England (2020).

Figure 5 also shows that there is almost no relationship between the funding provided and current confirmed infection rates. This is entirely unsurprising given that the risk of exposure to the virus is likely to reflect different factors from those included in the needs formulas for adult social care services, and includes a hefty degree of chance.

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## 5. Concluding thoughts

This brings us to a key point. Accurately predicting in advance how much the coronavirus will affect councils in different parts of the country and providing funding accordingly is a near-impossible task. Given it wanted to quickly provide additional funding, the government has therefore had to make use of the rough proxies already available to it.

But there are other approaches it could have taken, and indeed could still take if further funding is deemed appropriate. Rather than try to allocate all of the funding in advance, it could loosen the rules to allow councils to borrow to fund day-to-day spending linked to the coronavirus pandemic, allowing them to respond rapidly in a manner they see fit. The government would then have the option of reimbursing councils at a later date once it has a better idea of what the impact of the coronavirus has been in different parts of the country and subject to proper financial safeguards.

And the fact that those proxies are formulas that are at least seven years out of date reminds us of the importance of updating and improving the needs assessment formulas. The government is doing this as part of its Fair Funding Review, which is due to take effect in April 2021.<sup>7</sup> While their focus will clearly be on the immediate crisis affecting their communities, councils will also be keen to know whether that timetable will still be kept to, as their focus eventually shifts back to their longer-term financial positions.

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<sup>7</sup> MHCLG, 'Review of local authorities' relative needs and resources', 2018, <https://www.gov.uk/government/consultations/review-of-local-authorities-relative-needs-and-resources>.

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