

## Note on methodology

### Pressures in 2020-21

To estimate councils' additional spending and in-year income losses during 2020-21, we use councils' forecasts from their annual losses from their latest monthly FMI return to MHCLG. These reflect councils' forecast as of February 2021. Where councils did not submit a return, we use their response in the latest monthly return from which we have the data. This means we use forecasts from December for 12 councils, and from October for a further 2 councils.

Along with the NAO, in their report 'Local government finance in the pandemic', we do not account for the potential recovery of any costs relating to housing or homelessness from Universal Credit or Housing Benefit.

### Grant funding

Our estimates for the total grant funding received by councils during 2020-21 includes the following:

<a href="#">COVID-19 Local authority funding</a>	£4,553m
Infection control funding ( <a href="#">round 1</a> and <a href="#">round 2</a> )	£1146m
<a href="#">Local authority test and trace service support grant</a>	£300m
<a href="#">Contain Outbreak Management Funding</a> (payments to 2 <sup>nd</sup> December)	£485m
Contain Outbreak Management Funding (payments after 2 <sup>nd</sup> December)	£932m
<a href="#">COVID Winter Grant scheme</a>	£170m
<a href="#">Next Steps Accommodation Programme</a> (short-term funding)	£69m
<a href="#">Emergency active travel fund</a> (tranche 1)	£20m
<a href="#">Reopening high streets safely fund</a>	£50m
<a href="#">Local authority Compliance and enforcement grant</a>	£30m
<a href="#">Emergency assistance to rough sleepers</a>	£3m
<a href="#">Emergency assistance fund</a>	£63m
<a href="#">Home to school transport capacity funding</a> (first 3 tranches)	£54m

Details of allocations of Contain Outbreak Management Funding payments covering the period after 2<sup>nd</sup> December 2020 were provided by DHSC. These have not yet been published, although the methodology for allocating funding is described in the COVID Winter Plan.

We exclude the following:

<a href="#">Council tax COVID-19 hardship funding</a>	£500m
<a href="#">National Leisure Recovery Fund</a>	£100m
<a href="#">Test and trace support payments programme</a>	£50m

We only include funding provided to main authority types, and so exclude any provided to Combined Authorities or fire authorities. We also exclude some bid-based funding where this has been allocated to multiple authorities, and we cannot calculate the share received by each council.

### Estimating the value of SFC compensation

For the losses faced by councils, we use councils' latest estimates of their annual losses of sales, fees and charges income from culture and recreation, highways and transport, planning

and other services. Where councils did not submit a return, we use their response in the latest monthly from which we have the data. We do not net off any payments from the Coronavirus Job Retention Scheme, which we assume have already been netted off councils' reported income losses.

For their baseline income from SFCs, we take each councils' reported sales, fees and charges income from their 2018-19 revenue outturns. We group this income into culture and recreation, highways and transport, planning and 'other' (SFCs from all other service lines except education). We then uprate these using latest OBR GDP deflators from 2018-19 to 2020-21 prices. This effectively assumes that the cash value of this income source would, in the absence of the crisis, have been expected to increase by around 9% over two years.

To estimate the total value of compensation each council is likely to receive through the scheme, we apply the 5% deductible separately for each service line (culture, transport, planning, other), subtract this from their estimated losses, and multiply this by 75%. We sum this across service lines to estimate the total value of compensation each council is likely to receive. Unlike the NAO, we do not make any further adjustments where councils appear to be compensated for a relatively low proportion of their estimated losses.

### **CCG reimbursement**

To estimate councils' additional spending on adult social care, we use councils' forecasts from their annual losses from their latest monthly FMI return to MHCLG, or from the latest available where an authority has not submitted a return. Similarly, we take the percentage of costs which each council's local NHS Clinical Commissioning Group (CCG) has agreed to reimburse from the latest available survey return. We use these to estimate the total value of reimbursement each council can expect to receive in respect of costs arising in 2020-21. Where a council has indicated they have not reached agreement with their CCG, or where they have not provided a figure for the percentage of costs that will be reimbursed, we assume the total value of reimbursement will be nil.

### **Pre-COVID budgeted revenue**

Our measure of overall pre-COVID revenue - adjusted revenue expenditure – is a measure of revenue expenditure based on councils' 2020-21 budgets. Where councils were missing from this data, or indicated they had adjusted their budgets in light of the COVID crisis, we instead use figures from their 2019-20 budgets and adjust these to reflect the average change in revenue expenditure between 2019-20 and 2020-21 for councils of the same type.

From this, we net off ring-fenced grants for schools (the Dedicated Schools Grant, Pupil Premium Grant and Universal Free School Meals Grant) as councils are mandated to transfer this funding to schools. We add back in any net surplus on the external or internal trading account, and the value of any interest and investment income.