



Economic
and Social
Research Council



**DEBATE
DISCOVER
DISCUSS**

esrc.ukri.org/festival

Celebrate the social sciences

7-15 November

#ESRCFestival

**COVID-19 and councils:
impacts, responses and
recovery**

David Phillips (IFS)

Nicola Morton (LGA)

Richard Watts (Islington Council)

Kamal Panchal (LGA)

Andrew Carter (Centre for Cities)



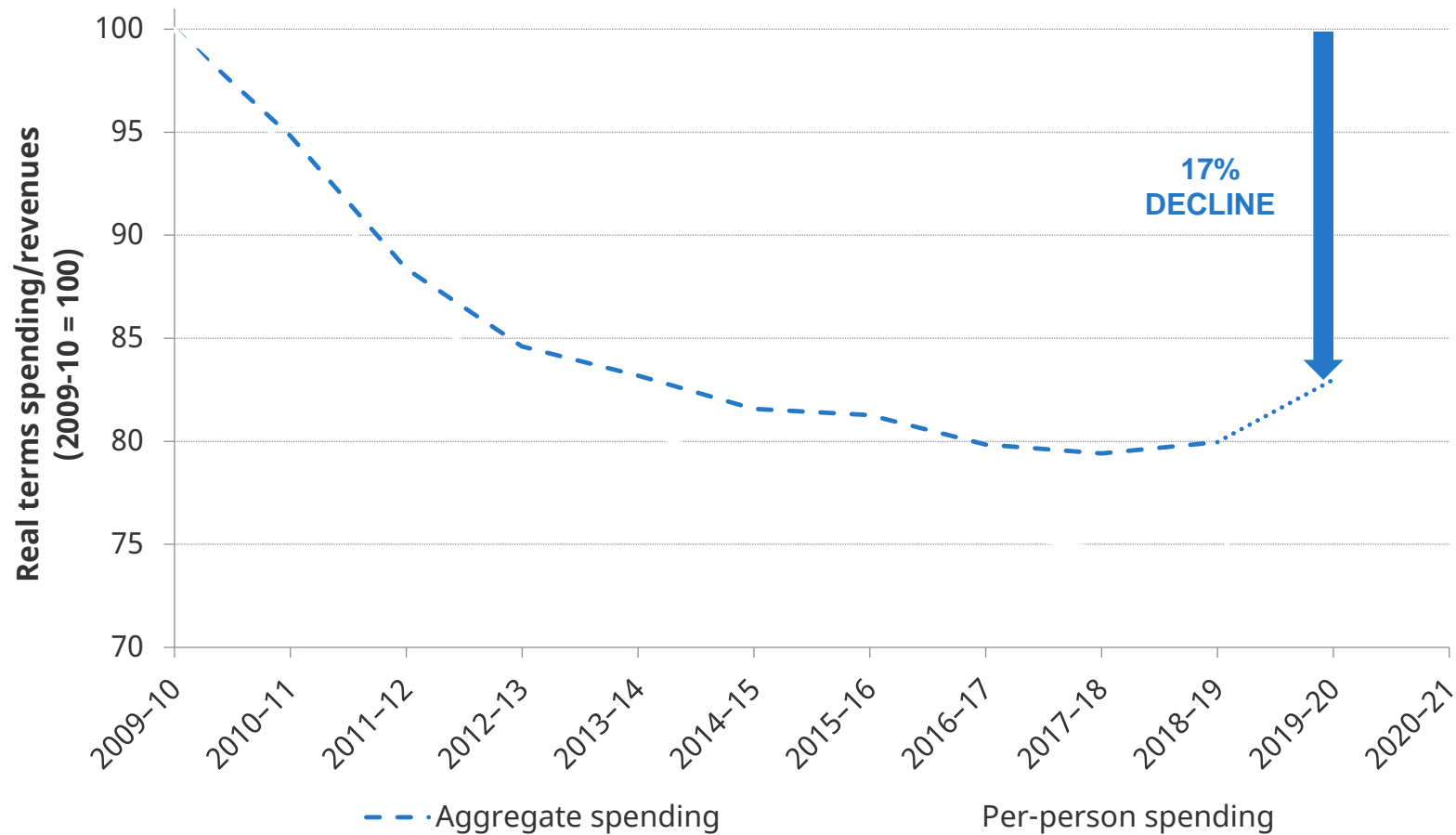


Presentation

David Phillips, Associate Director, IFS

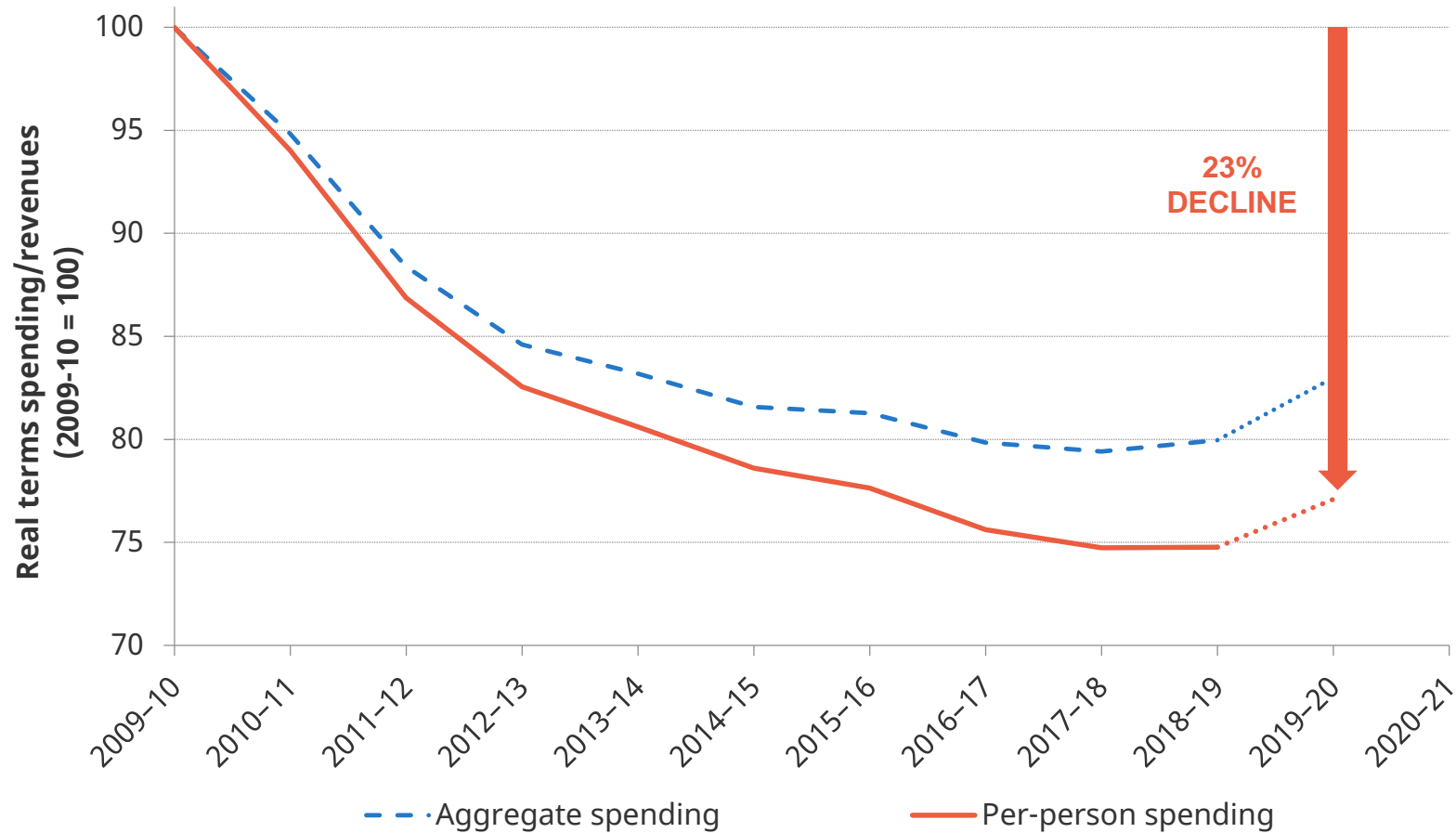
- How and why has Covid-19 affected councils' finances?
- What is the medium-term outlook for funding?
- What big issues and choices loom?

A near-decade of austerity...



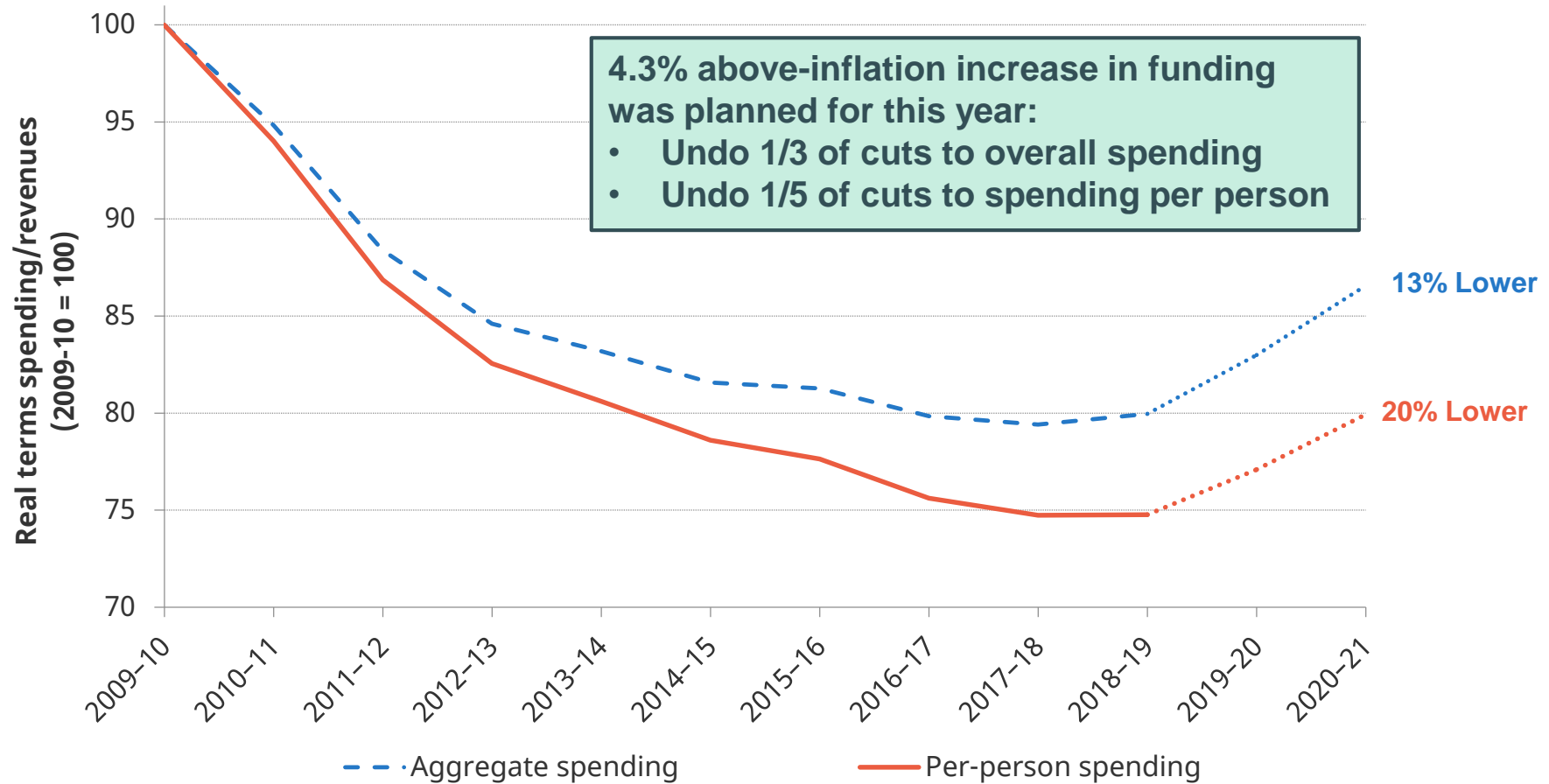
Source: Figure 2.5. of Harris, Hodge and Phillips (2019) 'English local government funding: trends and challenges in 2019 and beyond'

A near-decade of austerity...



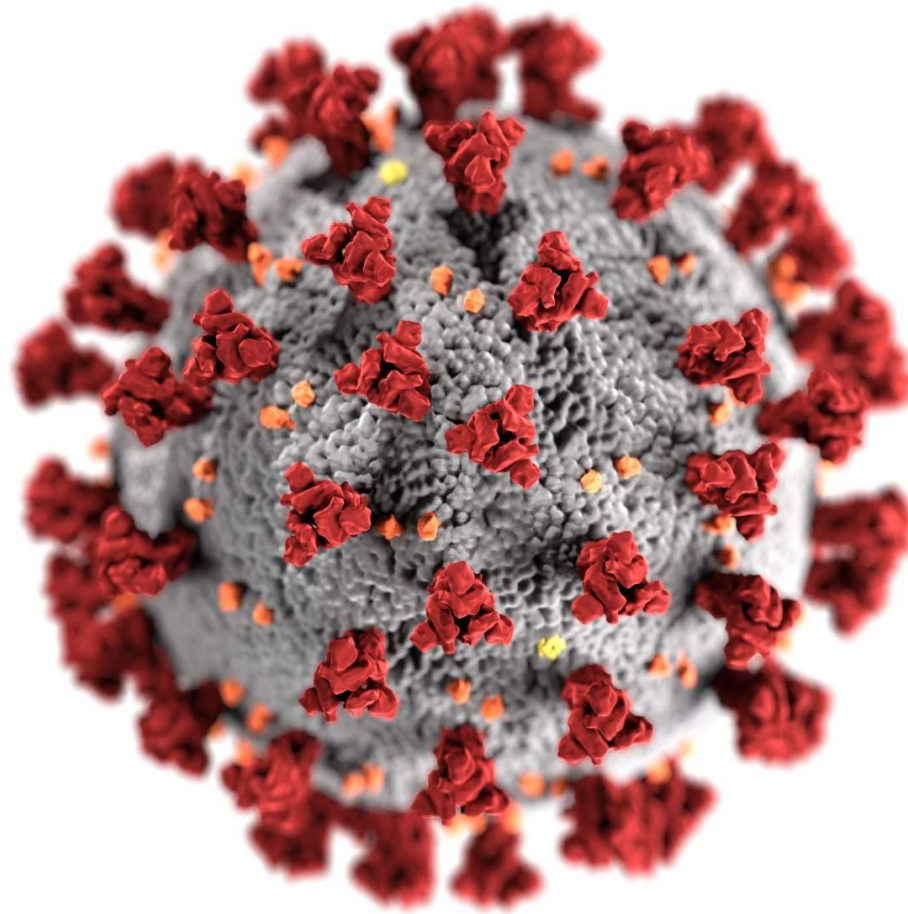
Source: Figure 2.5. of Harris, Hodge and Phillips (2019) 'English local government funding: trends and challenges in 2019 and beyond'

... was due to end



Source: Figure 2.5. of Harris, Hodge and Phillips (2019) 'English local government funding: trends and challenges in 2019 and beyond'

But...

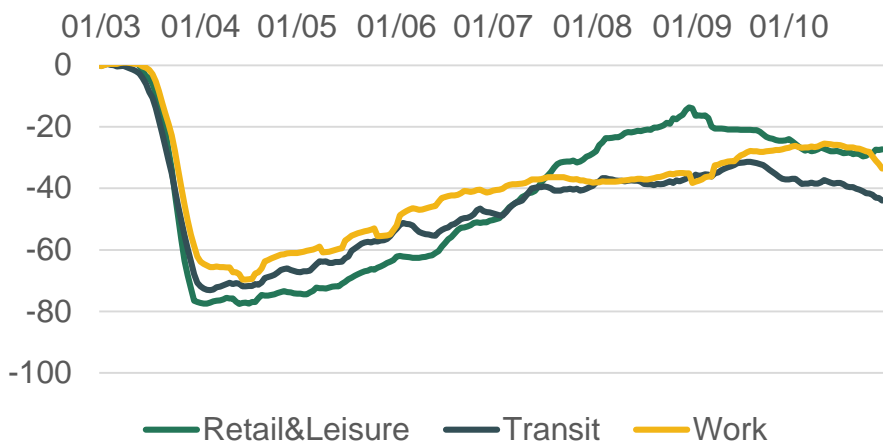


... a new perfect storm



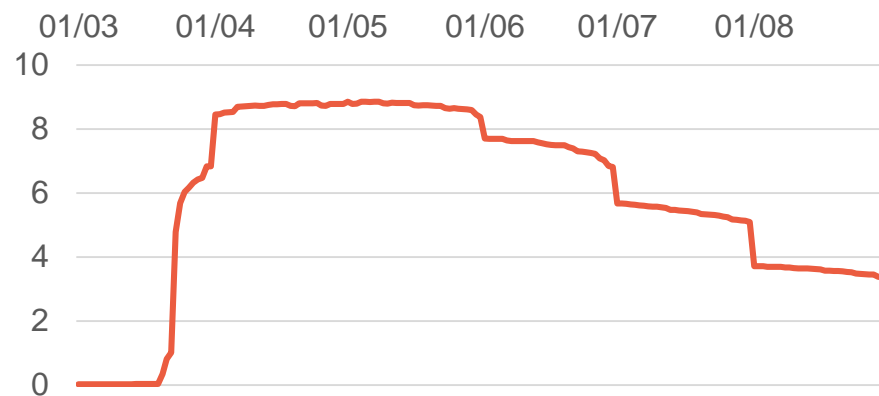
Economic impacts...

Time spent in different places



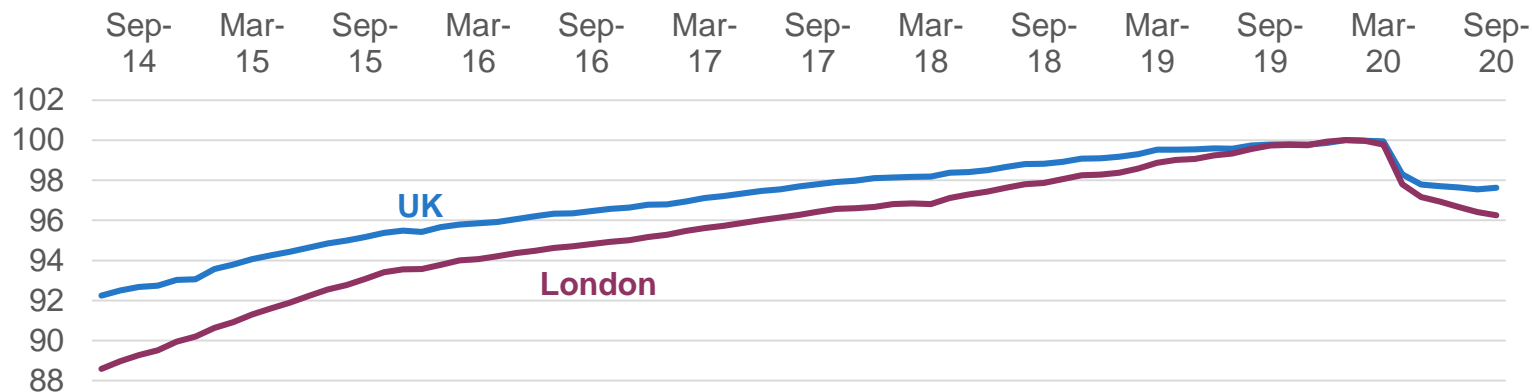
Source: Google Mobility Data, UK.

Numbers on Furlough (millions)



Source: HMRC.

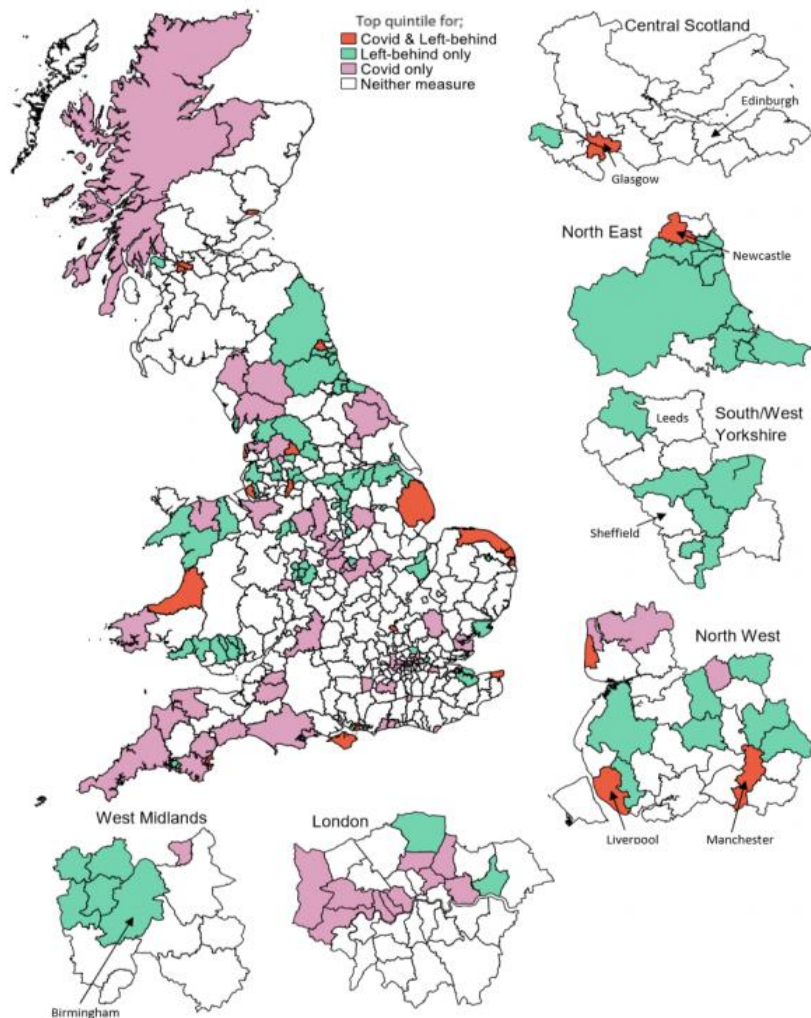
Number of employees (July 2014 = 100)



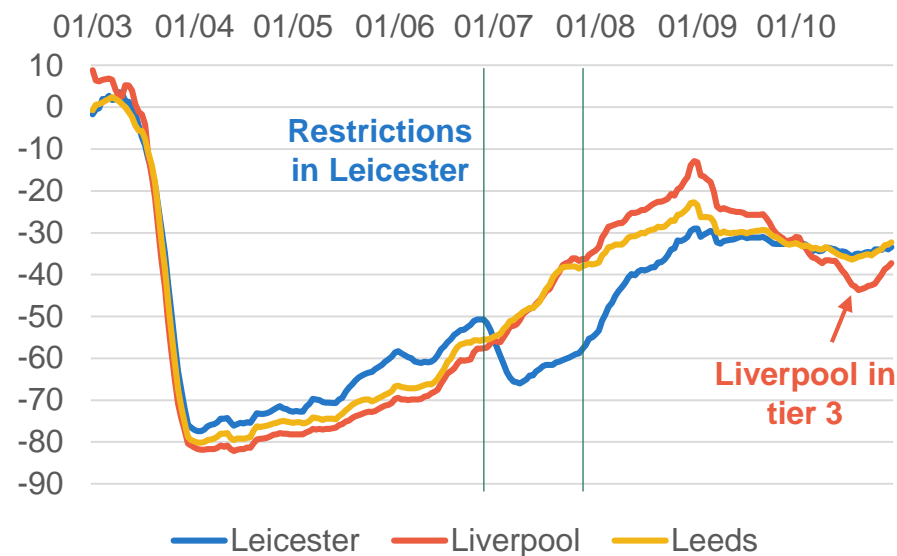
Source: ONS.

... differ across the country...

Figure 7.4. Areas economically impacted by the COVID-19 crisis and considered 'left behind'



Time in Retail & Leisure Locations



Source: Google Mobility Data, Selected cities.

Source: Davenport and Zaranko (2020).

...and risk & resilience varies

Risk index indicators for Croydon			
Choose local authority 1	Croydon		
Type	London borough		
Indicator List	Indicator value	(1 = Most Risk, 10 = Least Risk)	
		Decile - within type (out of 33 authorities)	Decile - all LAs (out of 339 authorities)
<i>Revenue risk - Sales, Fees and Charges</i>			
SFCs from off-street parking, PCNs and traffic control as proportion of revenue expenditure, 2018	2%	9	7
SFCs from planning as proportion of revenue expenditure, 2019	1%	4	6
SFCs from culture and related services as proportion of revenue expenditure, 2018	0%	10	10
SFCs from trade waste as proportion of revenue expenditure, 2018	0%	10	10
SFCs from all services (excluding schools and social care) as proportion of revenue expenditure, 2018	22%	6	7
<i>Revenue risk - Commercial income</i>			
Interest and investment income as proportion of revenue expenditure, 2019	3%	2	3
Commercial property income surplus as proportion of revenue expenditure, 2018	0%	10	10
Other (non-property) commercial income surplus as proportion of revenue expenditure, 2018	0%	3	3
<i>Financial resilience and commitments</i>			
Estimated reserves (excl schls and pub health) as proportion of revenue expenditure, Mar 2020	9%	1	1
Percentage change in level of reserves in year to March 2020	22%	10	10
Average percentage change in level of reserves, last 3 years	-3%	3	3
External interest and repayment on principal as proportion of revenue expenditure, 2019	7%	5	5
Spending on adult and children's social care as proportion of revenue expenditure, 2019	62%	1	1

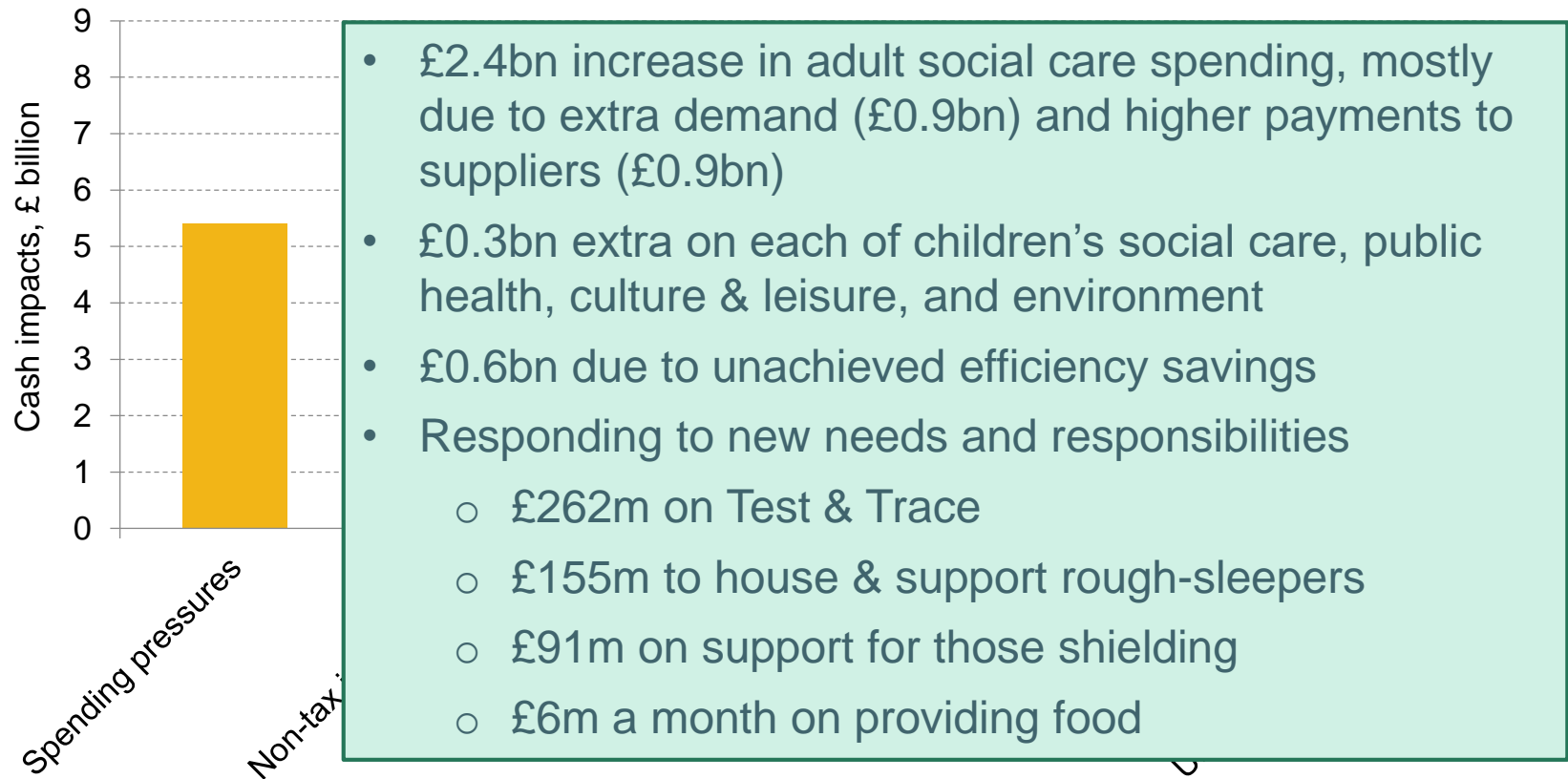
...and risk & resilience varies

Risk index indicators for Croydon						
Choose local authority 1		Croydon		Choose local authority 2		
Type	London borough		Islington		London borough	
Indicator List	Indicator value	(1 = Most Risk, 10 = Least Risk)		Indicator value	(1 = Most Risk, 10 = Least Risk)	
		Decile - within type (out of 33 authorities)	Decile - all LAs (out of 339 authorities)		Decile - within type (out of 33 authorities)	Decile - all LAs (out of 339 authorities)
Revenue risk - Sales, Fees and Charges						
SFCs from off-street parking, PCNs and traffic control as proportion of revenue expenditure, 2018	2%	9	7	5%	3	5
SFCs from planning as proportion of revenue expenditure, 2019	1%	4	6	1%	7	7
SFCs from culture and related services as proportion of revenue expenditure, 2018	0%	10	10	2%	2	6
SFCs from trade waste as proportion of revenue expenditure, 2018	0%	10	10	0%	10	10
SFCs from all services (excluding schools and social care) as proportion of revenue expenditure, 2018	22%	6	7	24%	5	6
Revenue risk - Commercial income						
Interest and investment income as proportion of revenue expenditure, 2019	3%	2	3	0%	8	9
Commercial property income surplus as proportion of revenue expenditure, 2018	0%	10	10	0%	3	4
Other (non-property) commercial income surplus as proportion of revenue expenditure, 2018	0%	3	3	0%	1	2
Financial resilience and commitments						
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Percentage change in level of reserves in year to March 2020	22%	10	10	-6%	3	4
Average percentage change in level of reserves, last 3 years	-3%	3	3	2%	5	5
External interest and repayment on principal as proportion of revenue expenditure, 2019	7%	5	5	2%	9	9
Spending on adult and children's social care as proportion of revenue expenditure, 2019	62%	1	1	58%	2	3

<http://www.ifs.org.uk/research/local-dashboard>

The effect on councils' finances

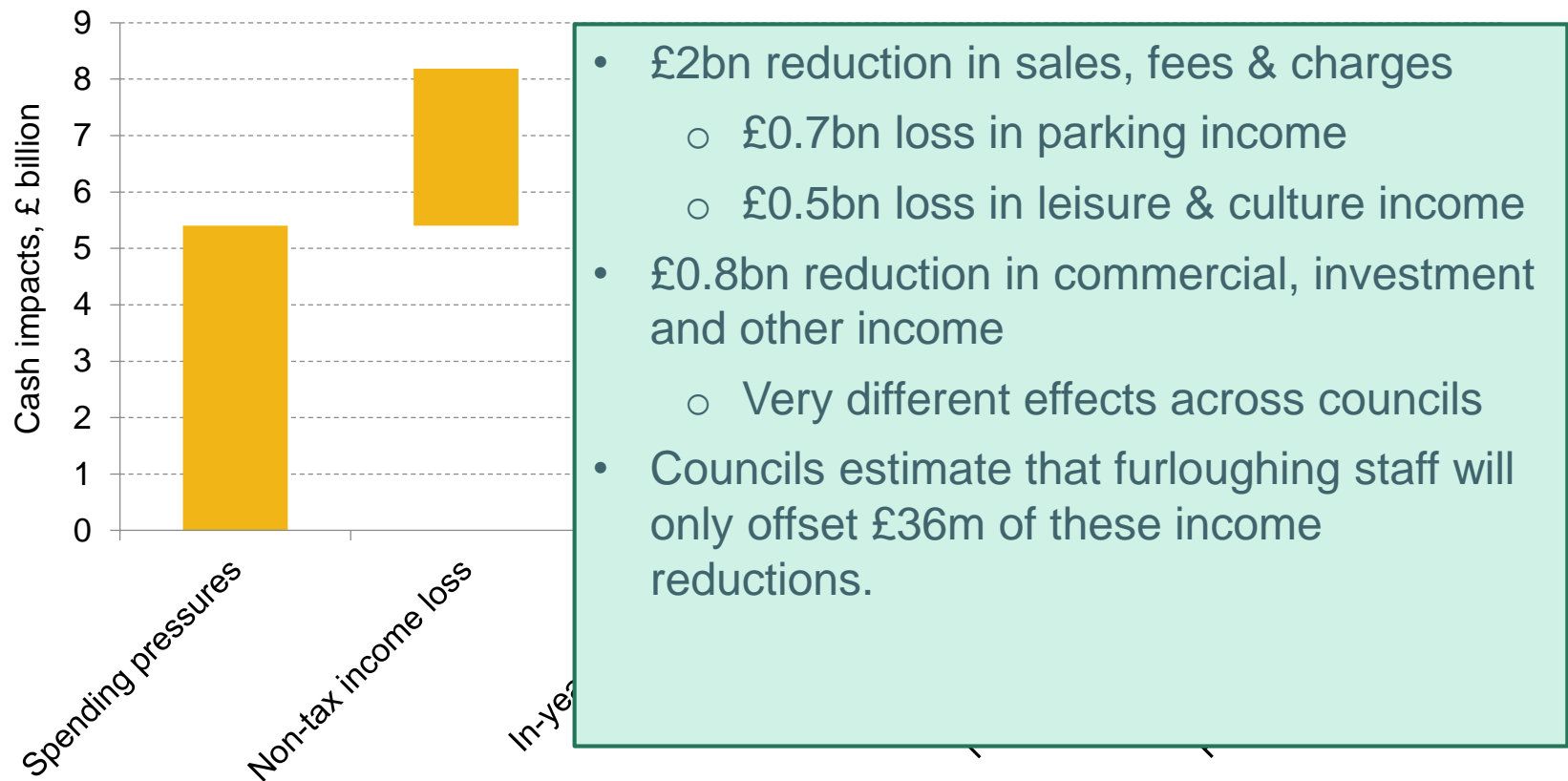
- Unmet COVID-19 income and spending pressures, even before the recent lockdown measures



Source: Authors' calculations using councils' financial returns

The effect on councils' finances

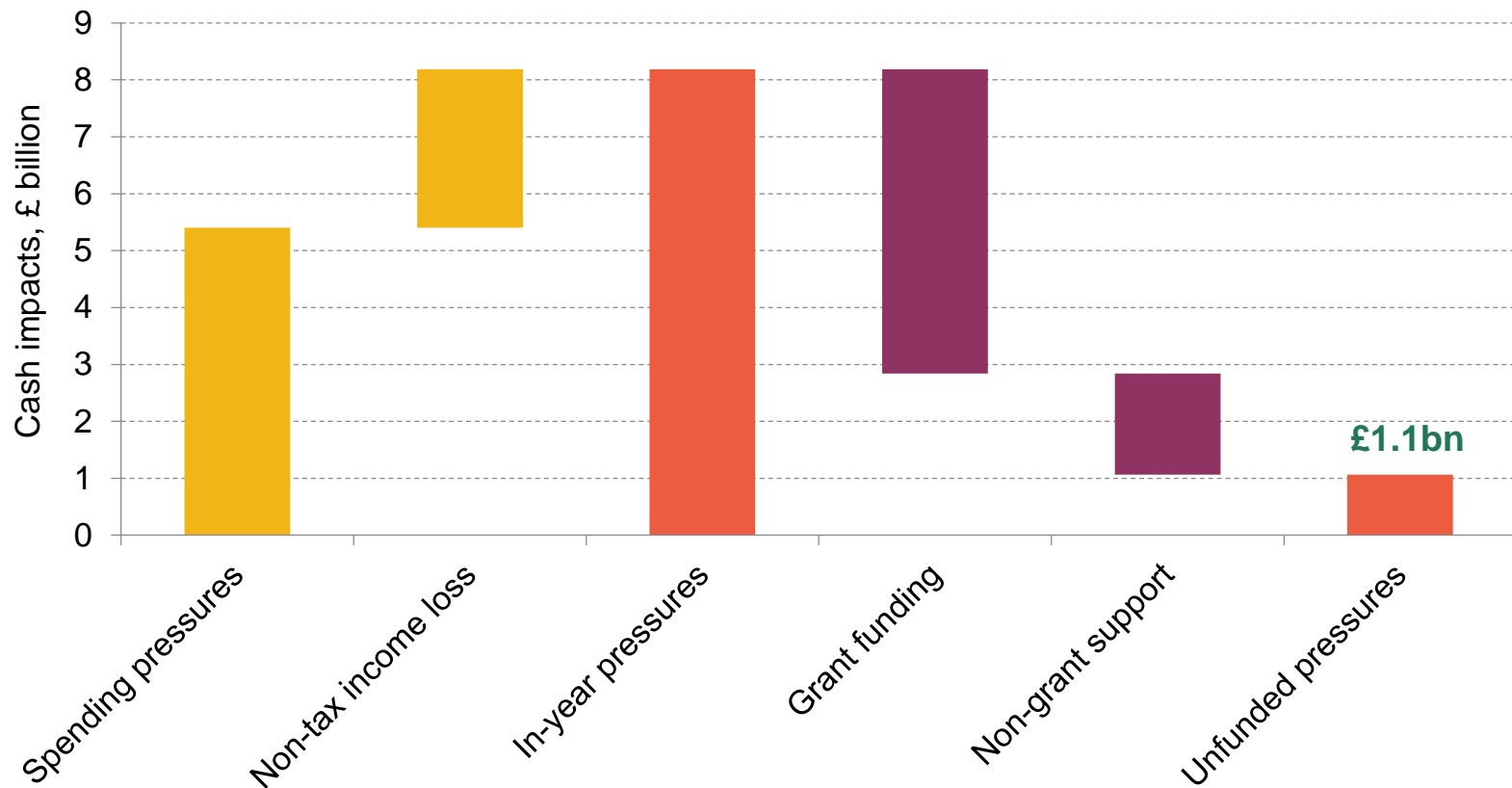
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Source: Authors' calculations using councils' financial returns.

The effect on councils' finances

- Unmet COVID-19 income and spending pressures, even before the recent lockdown measures

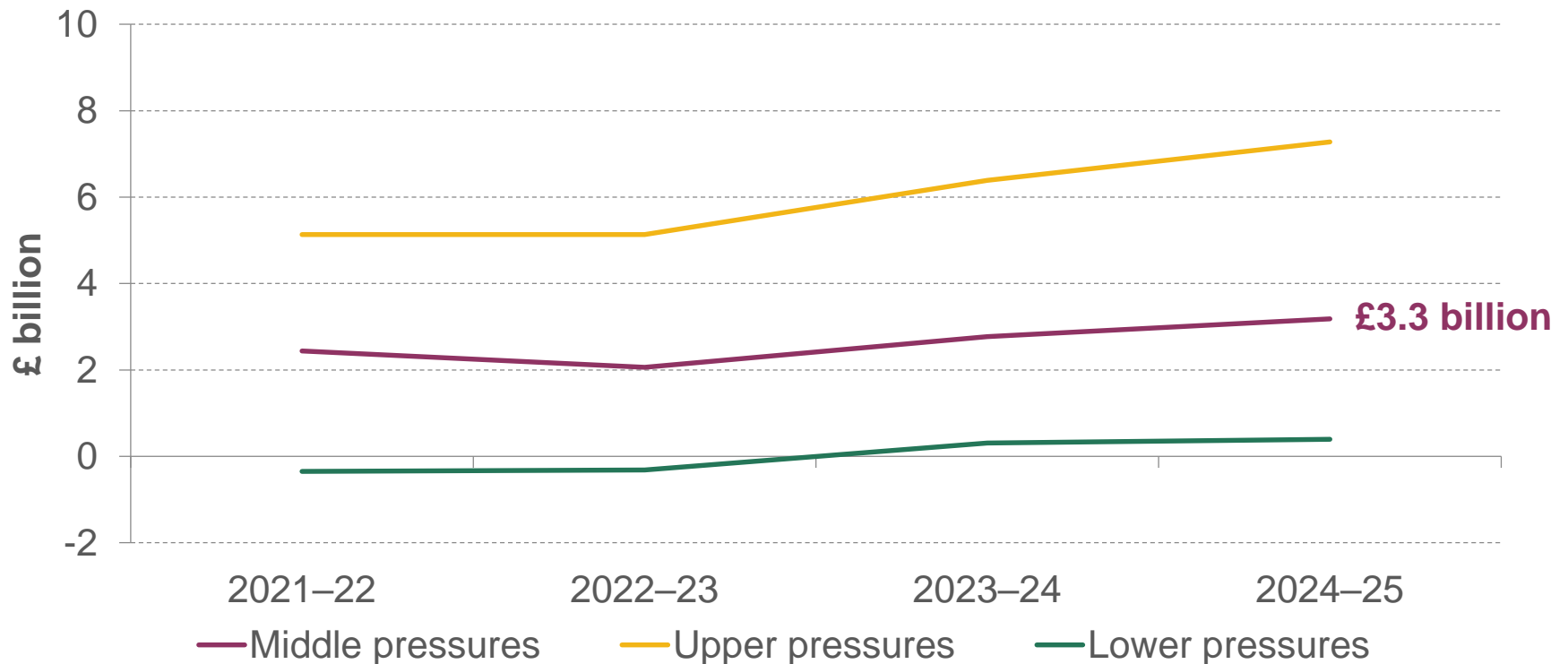


Source: Authors' calculations using councils' financial returns

Medium term outlook

- Medium- and longer-term funding gap, with spending needs set to increase faster than available funding

Projected funding gap if council tax up 2% a year

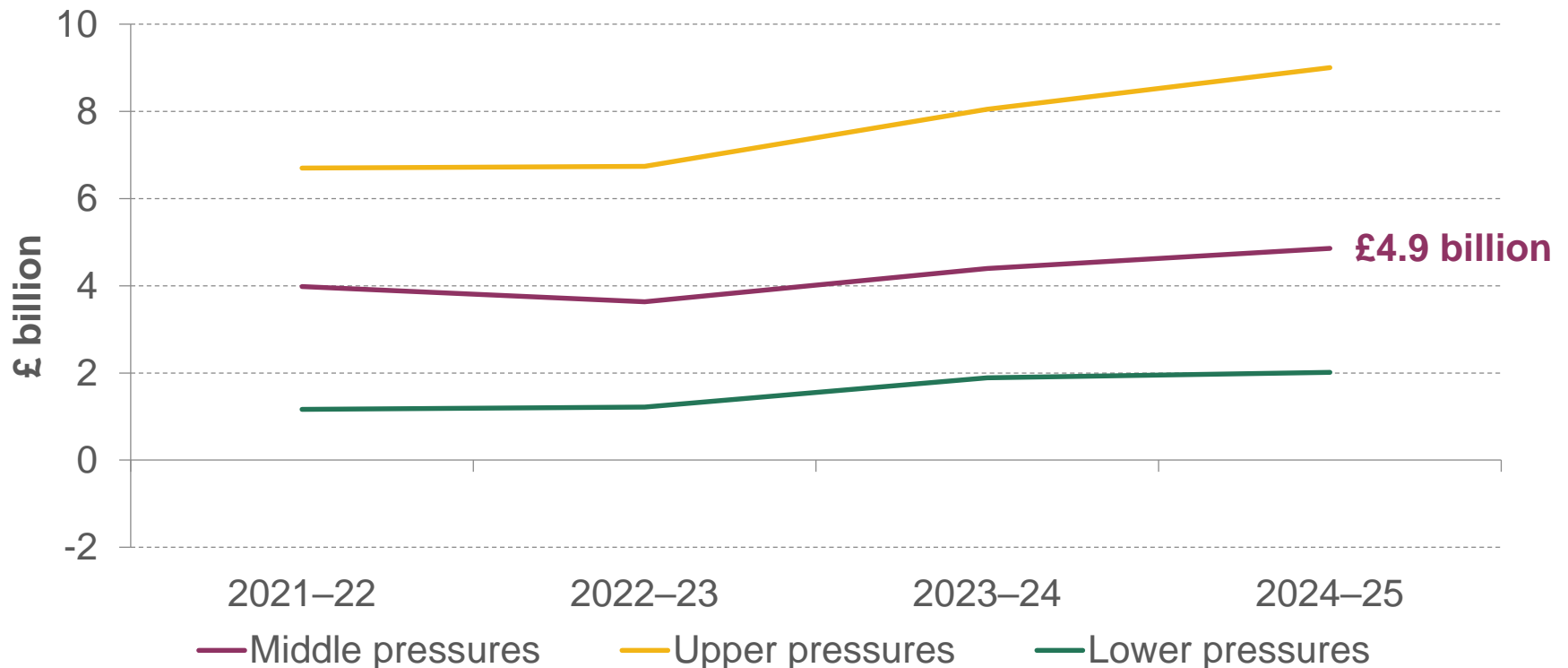


Source: Figure 3.2. of Ogden, Phillips and Spiliotis (2020) 'COVID-19 and English council funding: what is the medium-term outlook?'

Medium term outlook

- Medium- and longer-term funding gap, with spending needs set to increase faster than available funding

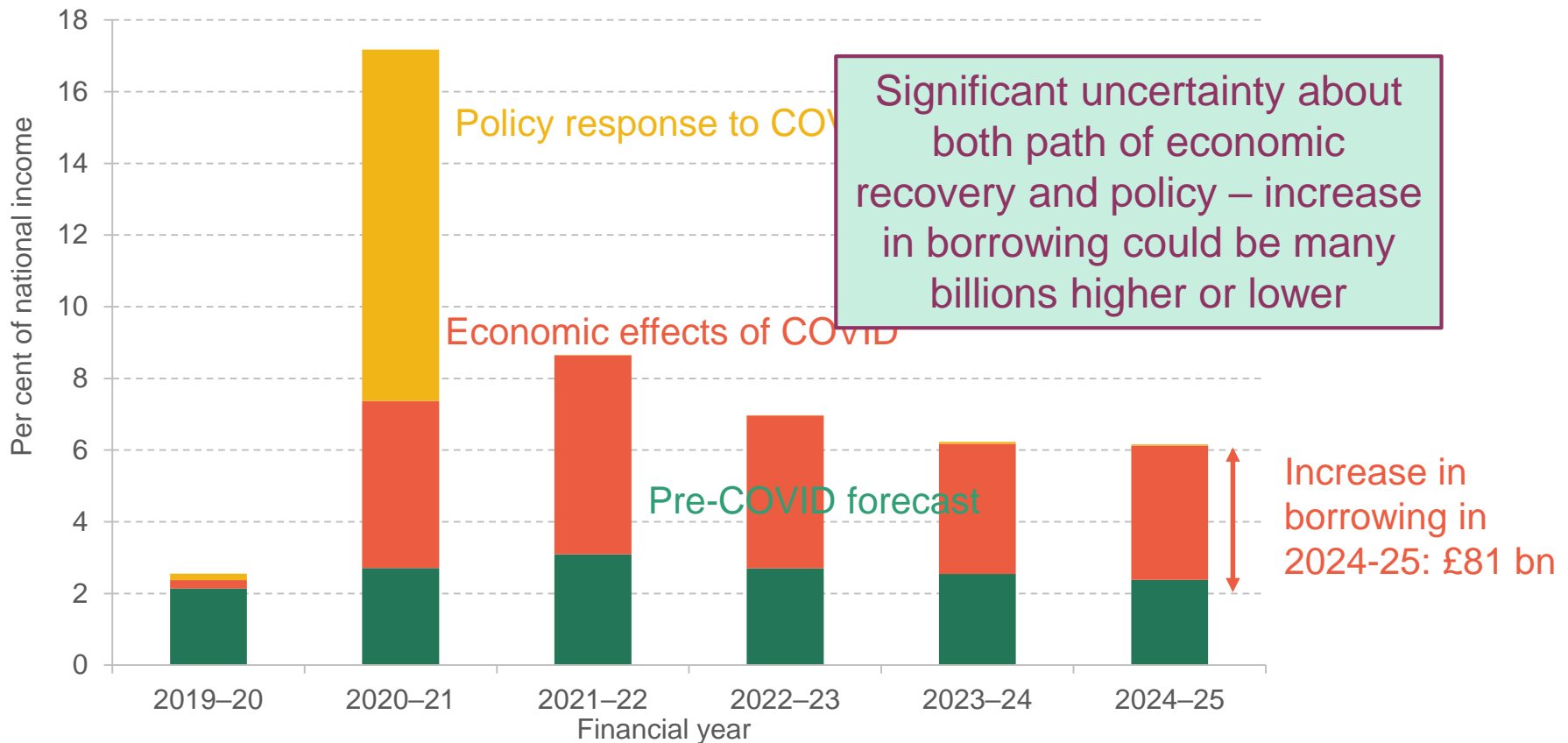
+ Existing adult social 'underfunding'



Source: Figure 3.3. of Ogden, Phillips and Spiliotis (2020) 'COVID-19 and English council funding: what is the medium-term outlook?'

Weak national public finances...

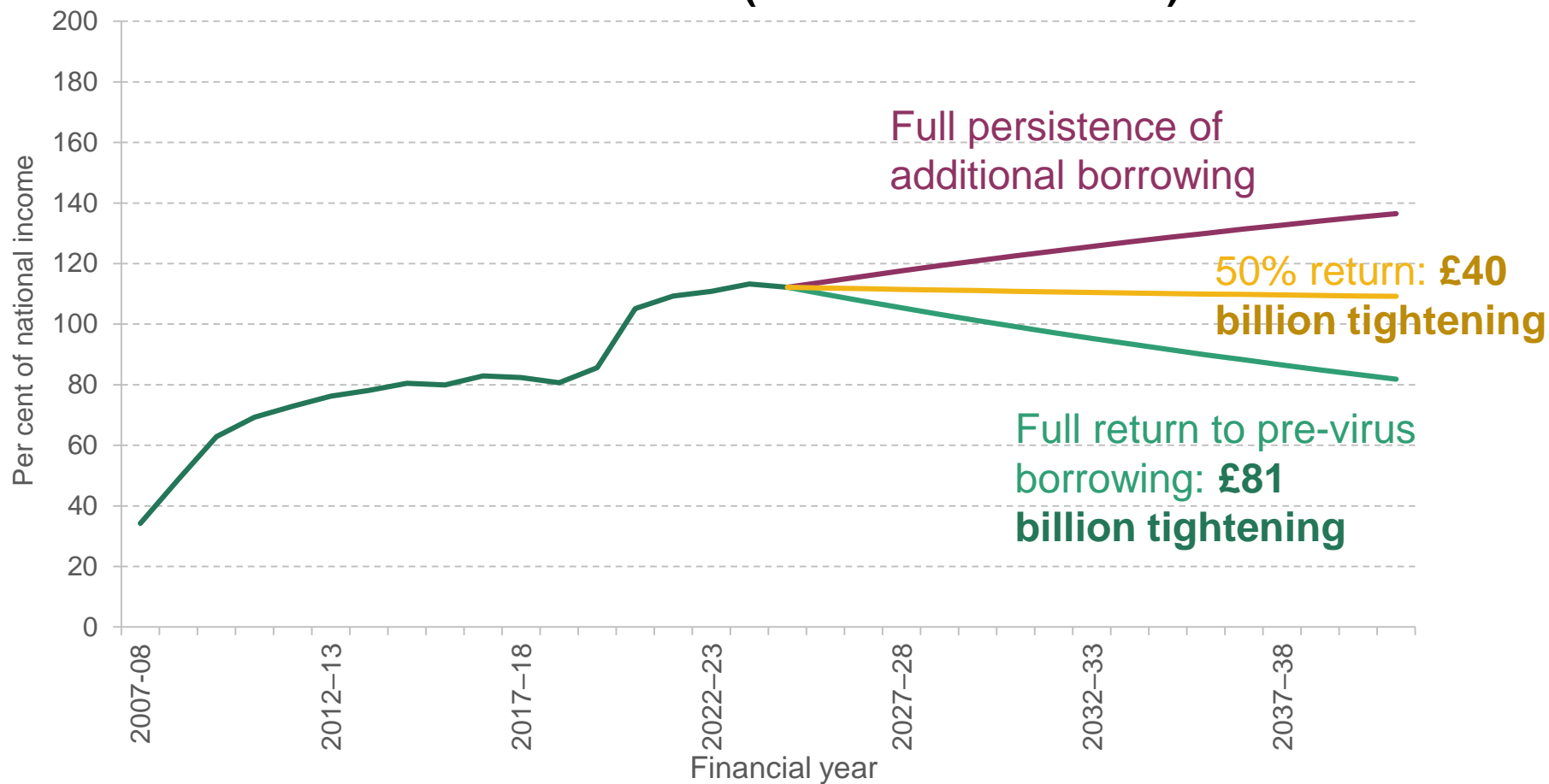
Public sector borrowing (% of national income), Central Scenario



Source: Figure 4.2 of Emmerson & Stockton (2020), 'Outlook for the public finances', IFS Green Budget 2020.

... mean action will need taking

Public sector net debt (% of national income)



Source: Figure 4.15 of Emmerson & Stockton (2020), 'Outlook for the public finances', IFS Green Budget 2020.

Looming issues and choices

- How to repair the public finances – and when to start setting out plans
- How much funding to provide councils and in what way
 - Additional grant funding
 - Additional locally raised revenues

Looming issues and choices

- How to repair the public finances – and when to start setting out plans
- How much funding to provide councils and in what way
- How to progress funding reforms
 - Taking account of COVID-19 impact on different councils' needs

Looming issues and choices

- How to repair the public finances – and when to start setting out plans
- How much funding to provide councils and in what way
- How to progress funding reforms
- The role of local and national government in:
 - Major public service policies (e.g social care)?
 - Economic recovery and levelling up?

Need to align expectations, policy and funding



Thank You

www.ifs.org.uk/research/local-dashboard

www.ifs.org.uk/research/local-finance

Panel and Q&A

Nicola Morton – Finance Director, LGA

Cllr Richard Watts – Resources Chair, LGA and Leader of Islington Borough Council

Kamal Panchal – Senior Advisor, LGA

Andrew Carter – Director, Centre for Cities

David Phillips – Associate Director, IFS



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