



# Public Accounts Committee

## Oral evidence: COVID-19: Local Government finance, HC 945

Thursday 18 March 2021

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Members present: Meg Hillier (Chair); Gareth Bacon; Shaun Bailey; Olivia Blake; Sir Geoffrey Clifton-Brown; Barry Gardiner; Mr Richard Holden; James Wild.

Housing, Communities and Local Government Committee members present: Mr Clive Betts (Chair).

Gareth Davies, Comptroller and Auditor General, Aileen Murphie, Director, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 56-163

### Witnesses

**I:** Catherine Frances, Director General, Local Government Strategy and Analysis, Ministry of Housing, Communities and Local Government, Cat Little, Director General, Public Spending, Her Majesty's Treasury, Jeremy Pocklington, Permanent Secretary, MHCLG, and Alex Skinner, Director, Local Government Finance, MHCLG.

Written evidence from witnesses:

- [Add names of witnesses and hyperlink to submissions]



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## Report by the Comptroller and Auditor General

### Local government finance in the pandemic (HC 1240)

#### Examination of witnesses

Witnesses: Catherine Frances, Cat Little, Jeremy Pocklington and Alex Skinner.

**Chair:** Welcome to the Public Accounts Committee on Thursday 18 March 2021. Although we are here today to look at local government finance, there is an important bit of business I would like to do at the beginning of the meeting. We have with us today someone who is often with us on these calls: Aileen Murphie, a senior director at the National Audit Office. It is Aileen's last public outing at the PAC, which is a huge sadness to us all. Aileen joined what was then the Exchequer and Audit Department in July 1983. With the passing of the National Audit Office Act 1983, all of those staff became members of the NAO, and value-for-money work was put on a statutory footing for the first time. So, the bread and butter of our work as a Committee, as it is seen in the modern times, began then.

Some of you may not know, but, while training, Aileen got interested in Parliament by examining the House of Commons and House of Lords accounts, including the accounts of the Refreshment Department and the Fees Office—I am sure she has some interesting stories from those days. She worked on the first value-for-money study in 1985, on the Charity Commission, looking at the monitoring and control of charities in England and Wales. The PAC session that followed that was so critical that the chief charity commissioner retired not long after.

Aileen has carried on with that hard-hitting work ever since. She has covered 78 PAC sessions, which is probably nearly a record, and has worked with five PAC Chairs, starting with Robert Sheldon, as he was then, and finishing with me today. She was promoted to director in 2002, at the time covering the Home Office and Lord Chancellor's Department, and subsequently covering the Home Office and the Ministry of Justice. Most recently, most members of the current Committee will remember and value her important and valuable work looking at the Ministry of Housing, Communities and Local Government, which she began to work with us on in 2013. Crucially, she implemented the new Comptroller and Auditor General's powers after the passing of the Local Audit and Accountability Act 2014. The bread and butter of our work on housing, local government, adult social care, devolution and local economic growth has all been led incredibly ably and helpfully by Aileen.

That is the public bit that people see, but Aileen has been a huge support to members of the Committee, individually and collectively, in private as well, sharing her vast knowledge and expertise with grace, humour and wit. We have great fun with her behind the scenes, as well as getting the valuable and important work she has done in holding government to account for the spending of taxpayers' money, on behalf of all of us.

Aileen, I am really sad that it is your last session, but you have a lot that



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you should be very proud of. I know that Clive Betts MP, who is guesting with us today, as Chair of the Select Committee on Housing, Communities and Local Government, is keen to say a few words as well.

**Mr Clive Betts:** I would like to join in those tributes. Ministers, MPs and civil servants come and go, but it seems as though Aileen has gone on forever—it just feels like that. Local government finance is incredibly complicated. Even for long-standing MPs it is often very confusing, as it probably is for civil servants as well. Aileen has some wonderful attributes. She has a comprehensive and detailed understanding and knowledge of local government finance—it is probably better than that of anyone I have ever come across. She has the ability to communicate that knowledge in a simple and understandable way, so that MPs and, I am sure, civil servants can understand it as well. As you were saying, Chair, Aileen has a wonderful sense of humour. If anyone can find the funny side of local government finance, it is Aileen, and that is a special attribute. So all I would say is: thank you ever so much for all you have done, and all our very best wishes for your happy, successful and no doubt very busy retirement.

**Chair:** Thank you very much, Clive. Aileen, we would like to give you a chance to say a final word or two to us and to the taxpaying public.

**Aileen Murphie:** Thank you very much to both Chairs. For once, I am almost lost for words; that does not happen very often. I would just like to say that from my very first session, that one in 1985, which I still remember, it has been an absolute privilege to serve the House. That is what the work of the National Audit Office is primarily there to do. There is a critically important job that the PAC and other, departmental Select Committees have; the commitment to accountability, transparency and good governance is critical to the taxpayers of this country. I am just grateful to have had the chance to work on so many interesting areas and for so much of my work to have been taken up by the Committee. I also want to pay tribute to all the teams I have worked with over the years, because as a director you truly do stand on the shoulders of giants. So, thank you very much and thanks to officials for always being co-operative and collaborative in their work as well.

Q56 **Chair:** Thank you very much, Aileen. Never say goodbye, because we hope that in the various roles that you will no doubt take on, in what I can only believe will be an active retirement, knowing you as I do, our paths will cross again. I am sure that they will, and I hope that they do and that your expertise can still be deployed to help support all of us who have an interest in local government spending.

I now want to move on to our main session today. This is the second of two sessions this week looking at the impact of the covid-19 pandemic on local government finance. We had witnesses from the frontline and from the finance bodies responsible for local government finance on Monday. Of course, the excellent Report, which Aileen has produced for us, from the NAO last week underlined the pressures across local government of this funding situation. We had some quite good plaudits on Monday for



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the Ministry and how it has worked with local government, but some real concerns about strains ahead and about how the Departments of Whitehall have worked with local government in trying to help it deliver services to help people through the virus.

Today, we have witnesses from the Ministry of Housing, Communities and Local Government and the Treasury. Do not forget that if you are following our work on covid, there is a hashtag—#CovidSpending—which will help you keep up with all our work on pandemic-related issues. As I said, I welcome Clive Betts MP, Chair of the Housing, Communities and Local Government Committee, as a guest today.

I would like to introduce our witnesses. We have Jeremy Pocklington, the Permanent Secretary at the Ministry of Housing, Communities and Local Government; Catherine Frances, the director general for local government and public services at the Ministry; Alex Skinner, the director for local government finance at the Ministry; and, quite importantly, Cat Little, the director general for public spending at the Treasury, which ultimately oversees all the funding and how taxpayers' money is spent across Whitehall.

Before we go into the main session, I want to pick up on the letter that you kindly sent us late yesterday, Mr Pocklington, about the additional capitalisation directions for certain local authorities. Some of this is not new—we were aware of a number of them—but I want to ask why it has crystallised now that nine local authorities need additional capitalisation directions for 2021-22. In your letter, you highlight that these may not be the final figures because certain processes need to be gone through. Could you give us an idea of the timescale for when those figures will crystallise?

**Jeremy Pocklington:** Thank you, Chair. The letter I sent yesterday was designed to give the Committee the latest position on our exceptional financial support scheme, which we have discussed at quite a degree of length in previous hearings over the past year. Our commitment is to be transparent to Parliament as soon as decisions have been taken, and that is what we have been doing in the letter.

The outcome—the capitalisations—reflects considerable work and considerable dialogue between the Department and the local authorities in question. We have worked very closely in partnership with the local authorities highlighted in the letter. It has been right that we take time and conduct our own reviews but also have independent reviews of the work of the local authorities and their financial positions. That is important to protect the Exchequer both nationally and locally, but also to protect the taxpayer. It is also important that we get an understanding of the underlying cause of the financial difficulties that some local authorities have found themselves in over the past year, so that we can start to de-risk the position in future.

That work has taken time. We have worked openly with local authorities throughout the course of those discussions, and we are now in a position where there is only a very small number of authorities that we are



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continuing discussions with, and we hope to conclude those discussions in the coming weeks. A lot of work has gone on under this, and we are keeping Parliament informed of progress.

**Chair:** Thank you for that. I am going to ask Clive Betts to come in now.

Q57 **Mr Betts:** Just to follow up on the letter, nine councils have been helped. One has been turned down. How does that marry up with what CIPFA told the Housing, Communities and Local Government Committee—that 12 local authorities made requests?

**Jeremy Pocklington:** We have been very clear that we are not going to provide a running commentary on the numbers involved, but as you can see, the sorts of numbers that we are talking about are very similar to the numbers that CIPFA has highlighted, and it is consistent with what we have said all along: we thought the exceptional financial support scheme would be necessary for a small number of authorities.

Q58 **Mr Betts:** Right, and there are some authorities that you are still having discussions with.

**Jeremy Pocklington:** Now a very small number.

Q59 **Mr Betts:** And they may be the subject of further capitalisations if you find that that is appropriate.

**Jeremy Pocklington:** Exactly. We have not ruled in or out any particular form of financial support, but as you can see, capitalisation has been the approach that we have taken.

Q60 **Mr Betts:** Can we assume that, for all these authorities, you have an ongoing mechanism in place to make sure that the capitalisation and the extra help you have provided means that authorities are not coming back for more the following year? Is that the intention?

**Jeremy Pocklington:** That is exactly right. For all the authorities that have requested support for this year, we have also agreed in-principle support for next year, because obviously the financial issues don't necessarily run over one financial year. But the in-principle support for next year is subject to an external review of the authority, as I say, to ensure that we're getting to the underlying cause of the issue.

Q61 **Mr Betts:** And the external review is conducted by whom, and how?

**Jeremy Pocklington:** It varies by local authority. We are working with external people who have expertise in local government—perhaps they were formerly in local government. CIPFA has been a great help as well. In the case of two authorities, we have established an independent improvement and assurance panel—for example, Croydon, where we are obviously providing more support than to any other local authority—giving extra, more intensive oversight, where necessary.

Q62 **Mr Betts:** On the basis of transparency, it would be helpful if you could just set out, perhaps to the Committee in due course, what those independent external assurance processes are for each authority?



**Jeremy Pocklington:** Of course.

**Mr Betts:** Right. Thank you. Thanks, Chair.

**Chair:** Thank you very much. We will pick up on that, and both our Committees will be able to follow through. Thank you very much, Mr Betts. Now, over to Sir Geoffrey Clifton-Brown.

Q63 **Sir Geoffrey Clifton-Brown:** I wonder whether you will permit me, Chair, to put one further question on that subject to Mr Pocklington. What is to prevent these capitalisations directives turning into section 114 notices in subsequent years, because, surely, by allowing them to sell off capital assets via budgets from one year to the other, their balance sheets will be weakened and therefore they are going to be more vulnerable in following years?

**Jeremy Pocklington:** I am not sure I entirely agree with the premise of your question in relation to our experience with these local authorities. We think that, in some cases, it will be right that local authorities dispose of assets. Our view—the Secretary of State’s view—is that some authorities have an excessively risky portfolio of assets and that it is not ultimately appropriate in the interests of local taxpayers or the Exchequer that they hold such investments. So that is something that we will be working on with local authorities. Obviously, it can often be right for authorities to invest where there is a purpose; we have discussed this at length in a previous hearing.

Q64 **Sir Geoffrey Clifton-Brown:** Thank you for that answer.

Can I move on to a different subject, which is the Redmond review and the necessity of having a strong local audit function? Could you just tell us where you are with implementing this review and why you rejected its central recommendation of creating an office for local audit regulation, which you may be aware, if you have read the evidence, Rob Whiteman of CIPFA was quite critical about in our hearing on Monday?

**Jeremy Pocklington:** Yes, I am aware that it was raised on Monday. We set out our response to Redmond before Christmas. We are proceeding at pace with implementing the recommendations, where we can have the action most quickly. So we have provided an additional £15 million-worth of funding for local authorities for next year, in order to provide more support to the market—to strengthen the local audit market and ensure that it is properly funded. We have also adjusted the deadline for local government audit for the next few years as well.

Then you asked the question about the overall oversight of the local government audit system. It is an important issue. I wouldn’t say that we have rejected the central recommendation; I don’t think that is an accurate characterisation. What we have said is that we are not currently minded to establish a new body that could recreate the Audit Commission. What we are doing is exploring the full range of options as to how Sir Tony’s recommendations relating to system leadership can best be achieved, and we will update further on that in the spring.



We are currently actively engaged in consulting the National Audit Office; I have discussed this with the Comptroller and Auditor General myself. We are talking to the FRC and others, as part of this process. We are also looking at the interface with other sectors, such as the health sector, given that these are overlapping markets. So a lot of work is under way at the moment, and we will return to this in the spring.

- Q65 **Sir Geoffrey Clifton-Brown:** Given that an enormous amount of money was spent during the pandemic, the need for the local audit function is ever more important, and given that less than half the local authorities' local audits were completed by November—some eight months late—and the fact that they are often late, causing delays in auditing the pension funds, which in turn causes the NAO difficulty in their audit and knocks on to the whole of Government accounts, this is really quite a serious issue, is it not? This local government auditing function really does need to be considerably strengthened.

**Jeremy Pocklington:** Sir Geoffrey, the importance of this issue is something we entirely agree on. High-quality, timely financial reporting is essential to giving local taxpayers, us in central Government and you in Parliament assurance about local government finance. That is why we are committed to strengthening the system. What we are doing is prioritising the actions that can have effect more quickly, such as raising the fees and making more money available. We do think it is right to take a little time to establish exactly the right way to establish that wider oversight function that Sir Tony also recommended.

- Q66 **Sir Geoffrey Clifton-Brown:** I have a final question. Given that we have just been talking about local authorities that are getting themselves into financial difficulties, having a strong local audit function would surely help you as a Department to pick up much earlier where local authorities are getting into trouble and therefore save your Department trouble and save the taxpayer money—if the system were strengthened.

**Jeremy Pocklington:** Sir Geoffrey, I agree: strong local audit will help us. Inevitably, it is backwards looking by its very nature, but as part of a wider set of financial monitoring measures, it plays an important role. We discussed at a previous hearing the situation in Croydon, where the public interest report shows that local audit was actually picking up some of these issues in previous years. That showed the importance of audit and why we need to provide additional funding and work to strengthen the audit system. This is not a straightforward issue, though, and that is why it is right to consult in order to establish the right model.

**Sir Geoffrey Clifton-Brown:** Thank you for your helpful answers.

- Q67 **Chair:** I just want to pick up on what Sir Geoffrey asked there, Mr Pocklington. The Redmond review was thorough, detailed and, presumably, discussed with the Department as it was being put together, because that would be the normal way these reviews are done, so was it a surprise that the central recommendation was to set up an overarching body to look at standards and setting standards of audit across local



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government?

**Jeremy Pocklington:** We obviously, as you would expect, discussed Sir Tony's work with him as he finalised his report. The Government considered the report and we set out our response before Christmas. I think a perfectly sensible thing for us to be doing was to be exploring the full range of options as to how to establish the system leadership function. I think Sir Tony has made a good case for why that function is important, and we should take our time, as good civil servants and a good Government, working out exactly what the right model is.

Q68 **Chair:** But Mr Pocklington, you've had Tony Redmond; you've had CIPFA saying on Monday, and at other times, that this system leadership is vital. As Sir Geoffrey very helpfully laid out, there is a big issue in local government right now about delays in audit, with taxpayers left in the dark. There are all sorts of issues potentially brewing that we would not know about. While it's right for Government to take time to make decisions, wasn't the whole point of the Redmond review that someone else was outsourced to look at this in detail and come up with recommendations? The ongoing delay is a real concern. Why is the Government once again relooking at all this when Redmond was commissioned precisely to try to resolve the matter and came up with some recommendations that did that?

**Jeremy Pocklington:** I think I've tried to answer this question. What we are doing is getting on now with the actions that will have the most immediate impact, as I have discussed. The creation of the system leadership function is about a medium to longer-term strengthening of the framework. Even if you made a decision today, it would take time to establish a new function and new oversight role like this. Given the importance of it, it is right for us to take just a little time to establish it.

**Chair:** Okay, well both our Committees will continue to look at this in detail. As you can appreciate, we are very concerned about it. I will now pass back to Clive Betts MP for the last couple of points before we move into the main session.

Q69 **Mr Betts:** Thanks very much, Chair. Looking at the Report on social housing that this Committee has done, and the HCLG Committee has done, could you explain in terms of development contributions what "current value capture for affordable housing" actually means?

**Jeremy Pocklington:** Mr Betts, I am trying to work out what the question is behind the—

**Chair:** Just answering the question might be a good start.

**Jeremy Pocklington:** Let me have a go at answering the question. Regulated affordable housing, as defined in the national planning policy framework, as you know is funded from two sources. Very approximately, half is funded through the Affordable Homes programme and half is funded through developer contributions under section 106 agreements.

Q70 **Mr Betts:** Right. I think it was when the First Homes policy was





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announced that you said that it would not affect the current value capture for affordable housing. In other words, the amount of developer contributions would remain the same. That is my lay person's understanding of what the civil servants meant. Is it yours?

**Jeremy Pocklington:** That is correct. First Homes will, of course, be a type of affordable housing. It is about the type of affordable housing. We are not saying that the overall contribution from developers should fall as a result of the policy.

Q71 **Mr Betts:** But it will not decrease either, will it?

**Jeremy Pocklington:** Not as a direct result of that policy. We have said, though, that we will look again, as part of our work on the planning White Paper, at the overall volume of developer contributions.

Q72 **Mr Betts:** Yes, I understand those changes, but let's just concentrate on First Homes. First Homes comes in. There is no impact on developer contributions—the amount of money available for affordable housing. Have you done any impact assessment, therefore, on what the effect will be on the number of other affordable types of housing—affordable rented housing—that will be provided when First Homes comes in?

**Jeremy Pocklington:** It depends precisely on the details of the policy. I am afraid that I do not have those numbers to hand.

Q73 **Mr Betts:** No, I just asked whether you have done any impact assessment. I am not asking for the numbers today; I am just asking whether you have done an impact assessment.

**Jeremy Pocklington:** We of course do impact assessments for our policies as required. I will have to write to you with the details.

Q74 **Mr Betts:** You will be able to write to us and tell us, when First Homes come in and take up an element of developer contributions, how many fewer affordable rented homes will be provided through those development contributions. You will be able to give us those figures when you have gone back to the Department, will you?

**Jeremy Pocklington:** I will be able to write to you with the analysis that we have done on the impact assessment on First Homes.

Q75 **Mr Betts:** Right. That impact assessment will contain some figures, will it? It is pretty worthless if it doesn't.

**Jeremy Pocklington:** Mr Betts, I'm afraid I didn't know that you were going to raise this issue. I am very happy to help you with it, but I will need to write to you. I can't make further commitments to you.

Q76 **Mr Betts:** I think when the HCLG Committee did its report and asked the question we could not get any answers, so perhaps this time we actually might get some answers to the question.

Finally, building 300,000 new homes is a target that I think has widespread support across Parliament, but the Department does not seem able to tell us, in relation to each of the policies to assist with house



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building, what contribution each policy will make towards the overall number. Is that the case?

**Jeremy Pocklington:** Thank you, Mr Betts. This is an issue that we have discussed at length, as you know, in previous hearings. The Department has an ambition to build 1 million more homes this Parliament on a pathway to creating a market that can deliver 300,000 homes a year. We don't publish a single trajectory showing exactly the different contributions to that because this is a large, complex market dominated by private developers, but we do set out the contribution of our programmes, the Affordable Homes programme in particular, as part of that. A long-standing issue that we have discussed at length—

Q77 **Mr Betts:** But is there any use in having a target if you don't know you are going to achieve it?

**Jeremy Pocklington:** Obviously, we look at a range of future scenarios and the impact of policies on the—

Q78 **Mr Betts:** You have just explained about the developer contributions and the housing grant. Are those policies of sufficient size to achieve overall the 300,000 homes?

**Jeremy Pocklington:** They are not the only—

Q79 **Mr Betts:** No, they're not, but is that contribution sufficient to deliver in total the 300,000 houses?

**Jeremy Pocklington:** Those contributions are necessary, but they are not sufficient, and they are not the only policies that the Department is pursuing. We are also looking—

Q80 **Mr Betts:** You have just given us the figures for those particular policies and what they will deliver, so you can presumably give us the contribution of the Department's other policies and what they will deliver as a building block, and then tell us whether that gets us to 300,000. If you can't give us those figures today, can you give them to the Committee in due course?

**Jeremy Pocklington:** I am happy to write with the information that we have about programmes. The Department has no plans to publish a trajectory, for the reasons that I have outlined and have explained to this Committee on previous occasions. For some programmes it is possible to identify very clear trajectories, depending on economic circumstances. The Affordable Homes programme is one. For others, such as planning and reform, it is more complicated. Then there is the impact of the general market and the wider economic conditions as well. I am happy to write and explain that to you and the Committee.

**Mr Betts:** Thank you, Chair.

Q81 **Chair:** Thank you, Mr Betts. Just to be clear, it would be helpful to see that impact assessment, Mr Pocklington. We hope we will have as much information as we can in public. We see things on reading room terms on occasion, so if there is anything that you feel you cannot share publicly,



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perhaps you will engage with us so that we can see the back documentation to some of these points.

**Jeremy Pocklington:** I will share what I can. I'm afraid I was not forewarned that you were going to ask about this, but—

**Chair:** We appreciate that you were not briefed today, but if you can share with us in an open letter, we can perhaps negotiate and discuss with you what we would like to see in order to inform our inquiries on this important issue. As Mr Betts has said, both this Committee and the Housing, Communities and Local Government Committee have looked a lot at housing supply, and we both have shared concerns on this issue. We are just helping the Department to do its job as well as it can because we all have an interest in more housing.

We will now move into our main session. I urge all witnesses to unmute because we will be directing questions to you. We will start with Gareth Bacon MP.

Q82 **Gareth Bacon:** Thank you, Chair. At the outset I should declare that until quite recently I was a member of the London Borough of Bexley. I have resigned, but that might be pertinent to the meeting, so it is best to put it on the table.

Mr Pocklington, I will start with you. It's fair to say that it has been an unprecedented year. We had a pre-session on Monday with local government finance experts and somebody from CIPFA, and they were very complimentary about the Department and the engagement that they have had over the past 12 months. That's the good bit, but there are other bits that we need to question.

As a starting point, I re-emphasise the fact that this was a completely unprecedented year. The National Audit Office Report has noted that the Department did not have a ready-made strategic framework in place at the outset of the pandemic, and that the high-level planning for a flu pandemic does not even mention local government finance, so, certainly in the initial stages, things had to be done a little bit on the hoof. How will you use the experience to prepare and maintain a plan for local government finance in case of a future national emergency?

**Jeremy Pocklington:** Thank you, Mr Bacon, and may I too pay tribute to the work of my Department and the team? We have engaged very effectively with local government, and we are pleased to see what the NAO have written and what other witnesses have said on that issue. The key lesson for me is that the Department had the skills, experience and tools that it needed to respond rapidly when the pandemic struck. We acted quickly in a way that was responsive and evidence-led, and that was built on a strong culture of collaboration. It was built on experience of contingency planning—for example, in relation to EU exit, the end of the transition period and Operation Yellowhammer. We had learnt some lessons from previous flu planning and the work that we have done to build our existing tools and—*[Inaudible.]*—financial sustainability and performance in local government.



I think we have further developed our approach during the course of the year. One very concrete example is the exceptional financial support scheme. We have now been able to put greater structure and a stronger framework around the necessary support that we provide to individual local authorities. That is a very concrete example of an approach we could use in future, if it were to be ever needed. We have also been reinforced about the importance of collaboration and engagement with local government throughout these sorts of crises.

- Q83 Gareth Bacon:** One of the things that has raised its head during the pandemic is communication—that is not just your Department; it is a cross-Government issue. But within local government, at various times throughout the last year there has been some uncertainty where local authorities have misinterpreted ministerial statements about doing whatever it takes and providing full cover for covid costs and so forth. I know the Department maintain that they were very clear about that, but when did you realise that local authorities were potentially misinterpreting ministerial statements to cover all their financial losses during the pandemic?

**Jeremy Pocklington:** I do not agree with the characterisation that you have set out. I think Ministers were clear from early in the pandemic, in late March and April—

- Q84 Gareth Bacon:** Sorry to interrupt, Mr Pocklington, but I don't want you to mount a defence of ministerial statements, because that is not really where I am going with this. It is about the interpretation of those statements. In the interaction that you had with your stakeholders—local authorities—some of them were misinterpreting what Ministers had said. I don't really want you to defend the ministerial statements; I want to understand when you knew that people were misinterpreting them and what you did about it.

**Jeremy Pocklington:** We have been in regular—very regular—dialogue with local authorities right from the start of the pandemic, providing clarity on our approach and engaging with them on how to take things forward. I'm afraid I cannot give you a blow-by-blow discussion of individual discussions that we had, but the commitment that we made to support local authorities for their legitimate expenditure costs was clear from the start. That is something that we followed through on and that the NAO Report shows we have more than achieved. We think we were also clear that the approach on income needed to be different, and it was right to be different on income. Councils are well used to managing some volatility in relation to income. We think the approach we have taken has benefited from that engagement, and we continue to be clear with authorities.

- Q85 Gareth Bacon:** I agree with what you said about local authorities being used to managing a certain amount of volatility, but cliff-edge destruction of income is something that most local authorities have never had to face. It is fair to say that, at the beginning, many local authorities did believe that the Department would step in and cover all their income losses over the course of however long the pandemic was going to take.



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Do you think this had any implication for the financial decision making that they made in the early stages of the pandemic?

**Jeremy Pocklington:** I think we have been clear in our discussions with local authorities and finance chiefs that it would be necessary to have a degree of sharing of the impact—that there would be financial impacts on local authorities. I am not sure that I agree it is a cliff-edge impact in the way you described. On sales, fees and charges, as you know, I think it was right that the local authorities took the first loss—the first 5%—but we are taking three quarters of the remaining loss.

Commercial income is different. That does reflect risks councils have taken on themselves, and the starting point is that it is right that they should manage that volatility, but we have the exceptional financial support scheme in place for that small number of special cases where authorities were not able to do that themselves.

Q86 **Gareth Bacon:** The funding that went through to local authorities was—probably of necessity—incremental, because we did not know how severe the pandemic would be, we did not know how long it would last and we did not know precisely what level of support local government would need. But of course incremental funding in-year does not really allow for great financial preparation for local authorities. Why were you unable at the outset to give local authority finance directors greater certainty over when they would receive their next tranche of funding?

**Jeremy Pocklington:** To an extent, it was inevitable that we have not been able to provide more certainty. There has been considerable uncertainty over the past year about the pandemic's progress and the cost pressures that would result. That reflects the fact that we have been operating in unprecedented times.

I think on the expenditure side we established a very clear up-front principle as to what we would be doing and how we would be doing it. We would be working with local authorities, using our monthly financial returns and being transparent every step along the way—we have been—and then updating councils, as we were able to, on when more support would be available if that was required. That is what we have done through the different tranches of support.

Q87 **Gareth Bacon:** I will throw the question over to Ms Frances. What impact do you believe the lack of certainty over funding had on local councils' in-year budgeting decisions?

**Catherine Frances:** Our conversations with finance directors have been quite clear throughout. Of course, they wanted to see the full future, but everybody wanted to see the full future of how the pandemic would pan out over the course of the year, and they absolutely understood our commitments. Just to put some dates on things—I can hear that you are keen on that—we were very keen to be specific that we were covering all costs, and the NAO have been clear that we have more than done that. I think their figures show that we are almost £1 billion over the costs that people were paying.



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We got the first few tranches of money out very early—they went out in March and in April—so at that point you have got over £3 billion in grant. We said to local authorities really clearly at that point, “We’re going to watch how you spend the money,” so they had that assurance. If you look at ministerial letters and correspondence, early in July our Minister for Local Government, Simon Clarke, was communicating with the sector and making sure they understood that we were treating income and expenditure in two slightly different ways. By that point, he was explaining the sales, fees and charges process, with us covering 75% of the loss after the first 5%, as Jeremy outlined, and he was also setting out the principles on grant.

I think what we have found, and what I have heard, is that going into the autumn sometimes a local authority said, “Is it possible to tell us exactly what is going on?” in a period of quite considerable volatility in the public health landscape. If you look at what we did there, that last big tranche of funding that went out for the financial year actually went out in October—a good tranche of the year was still to run—and we started to put some of the funding for particular public health measures like the contain outbreak management fund on to a monthly footing, which is what came through the winter plan.

So I think they have wanted to have full certainty, and I think they have had full certainty on the principles for a very long time. I think some of the witnesses earlier this week actually made the point that they did understand. I am sorry if that was not clear to some people, but as a Ministry we did weekly calls with finance directors, a huge suite of ministerial webinars with any leader in the country who wanted to participate, a huge number of roundtables with other Government Departments in the sector and daily newsletters. This has been a period of unprecedented communication with local government, and all the better for it.

**Q88 Gareth Bacon:** Have you taken feedback from local authority leaders and finance directors on the process of the last year? In totality, what has the feedback been?

**Catherine Frances:** As an official, my interaction has mainly been with chief executives or finance directors. Alex Skinner, who is on the call, has a weekly finance directors process that he runs and he gets a huge amount of feedback. We have heard from them the desire for certainty. We have also heard from them an understanding that it has not been a certain world this year, so we have all tried our best in that context.

What we have not heard from them is a confusion about the principles, so I think they have understood that income is to be treated in a different way from new expenditure pressures. I think they have also understood that tax loss, which, for technical reasons, hits in a later year, is something that we would look at in the spending review too.

**Gareth Bacon:** Thank you. Chair, I will pause here and pass over to another Member.



**Q89 Sir Geoffrey Clifton-Brown:** I will stay with you, Ms Frances, and ask about co-operation with other Government Departments. You had a really good justification about the amount of communication your Department had with local authorities, but what about other Departments? For example, the NAO Report says at paragraph 2.19, on page 29, about the Social Care Sector COVID-19 Support Taskforce, that it recommended “that DHSC significantly boosts its own expertise and capacity” in that sector. Could you comment a bit on how you pull together all the other Departments, because there were a lot of other Departments involved in the pandemic? I have mentioned one; there was Education; there was DEFRA. How did you pull all those together?

**Catherine Frances:** It is probably important for me to say for the Committee that our absolute accountability lies in our accountability, but we absolutely accept as a Ministry that we are responsible for pulling together across Government for co-ordination and communication.

I think the answer to your question is in a few different strands. In the first case, technically, as the Report outlines, we turned all of our spending review machinery—the teams who normally work on that—to look at spending across the round, across Whitehall, and to say to people, “Please use our datasets, because they are telling us what local government is telling us about what they are spending.” They could of course supplement that with other things, but we were pulling together an overarching sense of spending pressures and then having bilateral conversations with any Department when they made interventions, such as, what is the form of financial intervention that you want? What support is there for councils?

We have to and fro with all of our colleagues—for example, should this grant be in a ringfence? Should this grant be supported by support? We do that hand to mouth, day to day, on everything that comes up, as well as scanning the horizon.

I think you are also talking there about a wider leadership and communication point. I think it is variable across Departments, because the level of exposure and daily work with local government is necessarily different. The Report rightly highlights the excellent work of David Pearson and his adult social care team, but that is not the only example of that deepening of the connection with local government.

If we look at the Contain work, that is led at the moment by the chief executive of Oldham Council and formerly by the chief exec of Leeds Council. If you look at the vaccine programme, it has a chief executive of a London council in an absolutely critical role. I think that, over the course of the year, symbiotic working with local government has strengthened a lot in key areas of public health and social care across Whitehall.

Lastly, I would just say, in terms of communication—so the Committee is aware—our Ministers host ministerial webinars with Ministers from other Departments, speaking with the sector and answering questions with the sector, and we of course host a huge amount of communication with other Departments too.



**Q90 Sir Geoffrey Clifton-Brown:** Thank you very much for that answer. May I come to you, Mr Skinner, and ask about the number of funding pots? We have had evidence from finance directors that that caused them quite considerable difficulties in administration—for example, in my own authority, the number of different business grants on different bases each time. What are you doing to answer those complaints about the number of different funding pots, in particular the small ones—pots under £100 million—and the difficulties of applying for them in some cases, and the amount of time and resources that were taken up to apply for them?

**Alex Skinner:** That is feedback that we have heard. Obviously, in the case of each grant, it is considered. It is important to note that the vast majority of grants that have been ring-fenced this year have tended to have some characteristics. Some have been for very specific purposes—public purposes that are deemed to be nationally important, where central Government has said that it is important to set not just the direction but also the delivery. In some cases, it is because they have been very large—for example, in the case of the Contain Outbreak Management Fund—and in some cases it is because they are new.

Ministers have considered that in the round, and Ministers ultimately make the decision. That is the decision that is taken by Ministers here in the Department for some grants, and other Ministers, as Catherine said, in the case of other grants. We have heard that feedback from local authorities. It is something that we spend a lot of time engaging on with other Departments. We discuss constructively with them what the need is for a ring fence and whether there are other ways to achieve the objectives of a ring fence. Particularly as we come out of the pandemic, we will be looking to return to a situation that is more normal. As others have said, in unprecedented times, with a significant number of new grants that have been for very specific purposes, Ministers have made the decision that a ring fence is appropriate.

The final thing I would say is that we should not forget that the vast majority of money that local government gets is un-ring-fenced. In terms of the money we put in this year, the £4.55 billion that has come out of MHCLG has been completely un-ringfenced. Of course, the settlement as a whole, which is over £50 billion, is un-ringfenced in very large part. Although I absolutely understand the frustration that local authorities have had over the smaller pots, the vast majority that they have had has been un-ringfenced.

**Q91 Sir Geoffrey Clifton-Brown:** Let me follow up that question with my own example. There were a number of business grants introduced, often at very short notice, requiring local authorities to introduce different software systems, some with an element of allowing local authority discretion. Who is ultimately responsible for designing each scheme? Would it be the Business Department or your Department that has the final say over the design of each tranche of money?

**Alex Skinner:** The design of individual things, as Catherine said earlier, sits with the Ministers of the responsible policy Department, and that is





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something that is recognised in the Report. In the case of the business grants, that would be the responsibility of BEIS. It wouldn't be the responsibility of MHCLG, but we worked incredibly hard with colleagues in BEIS to talk about exactly the things that we were doing, and what were the circumstances in local government and what were the consequences.

It is also the case that colleagues in BEIS have received a lot of feedback and have responded to that. The grants that were announced at the Budget were of a different nature and form from the grants that were introduced in the very midst of the pandemic, which were designed at relatively short notice. There was a significant premium on getting support into business, rather than taking weeks or potentially months to design the schemes in the first place.

- Q92 Sir Geoffrey Clifton-Brown:** May I throw this question to Cat Little, please? The Treasury are ultimately responsible for giving this money out. During the pandemic, businesses were absolutely crying out for this money. When you are discussing how to distribute money with individual Departments, are you involved in the design of these schemes so that local authorities are able to operate them quickly and easily?

**Cat Little:** Thank you, Sir Geoffrey. Most importantly, the Treasury is involved right from the start in working with a number of Departments. I don't think there is a single grant that we have made that doesn't involve multiple Departments in the way we have co-ordinated activity. Once we have decided to allocate money to a Department, it is then the responsibility of the lead accounting officer to ensure that the co-ordination, design, deliverability and feasibility of that work is undertaken. That is a key feature of the way in which the Treasury oversees the managing of public money.

Of course, we continue to work very closely with Departments as schemes are designed. Where possible, we try to learn lessons as we go. The Treasury plays a really important role in our umbrella oversight over all the schemes that we have undertaken in the past 12 months. A good example of something that is currently under way is that we are working with a group of accounting officers to look at how "Managing public money" has been tested, what lessons we have learned and therefore what we might do differently under these circumstances if—heaven forbid—we are here again. I would be very keen to brief the Committee in future on the results of that work, and in fact Mr Pocklington is one of the accounting officers involved in that lessons learned review.

- Q93 Sir Geoffrey Clifton-Brown:** That is very helpful indeed—thank you, Ms Little. Can I stick with you again, Mr Skinner, and ask you about the four different methodologies for the four different tranches of money you handed out? Asking you firstly, on the first one, why did you use a formula that was invented in 2012-13?

**Alex Skinner:** I think you are referring to the use of the adult social care formula. As part of our commitment through the review of relative needs and resources, we have said that we are looking at the adult social care



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formula and wanted to do it, but as you know, the decision was taken by Ministers not to proceed with that, either in 2021 or indeed in 2021-22. The decision was taken in the very early days of the pandemic, where we needed to use an established formula in order to ensure that we could get money out as quickly as possible, to use the adult social care formula. In the case of the first tranche, it was also the case that we used the SFA relative needs formula as well, to try and balance those off.

What I would say is that then, as we moved through the tranches—this may be a question you are going to ask me in a minute—we learned the lessons of that. I hope you are going to say that you concluded with this excellent formula, the covid relative needs formula, which was based on the—

**Chair:** Good try, Mr Skinner. I think we will not want to put words into Sir Geoffrey's mouth; he has plenty to say for himself.

Q94 **Sir Geoffrey Clifton-Brown:** Thank you, Chair, and thank you, Mr Skinner. As the Chair says, good try, and you are not far off the mark. After the second formula, which was on a per capita basis, the third and fourth tranches were administered on a needs formula basis. You obviously recognised that the formulas in one and two had not been very satisfactory, because there was an element of retrospectivity, as the NAO makes clear in paragraph 2.26: it "involved a retrospective application of the relative needs formula to the first two tranches." What was it that caused you to keep revising these formulas, and do you now think—if, God forbid, you need to do it again—the relative needs formula is satisfactory, or does that need further revision?

**Alex Skinner:** I think it is important to note that when we introduced the relative needs formula in the third tranche, that was alongside the announcement of the sales, fees and charges scheme and the tax income guarantee. The thing that happened in that was, for the first time, we were able to say, "We need a purely expenditure-based formula." In the first tranche, as you said, it was a combination of an adult social care formula and an SFA formula.

In the second, as it became apparent and we got feedback from the sector that there were pressures on the income side, we moved to a per capita formula, and that sought to balance over the course of the two tranches both the expenditure and the income pressures. The third tranche, which was announced in July, came alongside, as I say, the SFC scheme and the tax scheme, and that allowed us to develop a purely expenditure-based formula. That formula was based on the monitoring returns that we got, and that is now settled; that has been used for the £1.55 billion that we have announced for the first quarter of 2021-22.

Would we use exactly the same formula again? I am not sure that, at this point, I would commit to that. What I would say is that the principles on which we worked, which were to establish a monitoring form, collect real-time data from local authorities and use that to inform our policy making, are definitely things we would want to do. I suspect that were it

to happen again and we had expenditure pressures in the way you have just outlined, we may well end up using something like that formula, but I think we have now arrived at a very good formula, recognised by the IFS as an independent body, and I think that is stable going forward.

- Q95 **Sir Geoffrey Clifton-Brown:** Finally, to test that answer, do you think that the formula you have now arrived at really reflects needs? Does it properly compensate those authorities that have, for example, big areas of deprivation against other authorities?

**Alex Skinner:** That has been a very significant consideration of ours as we developed the formula. The relative needs formula itself is based on three elements. The first is population; the second is deprivation; and the third is the area cost adjustment, which is the cost of delivering goods and services in different parts of the country, which I know is important.

To give you a sense of how big a weight deprivation plays, I asked colleagues yesterday to give me an idea of the relative difference between the 10% most deprived and the 10% least deprived areas in the country. If you assume that, on a £500 million pot, the average would be roughly £9

If you assume that, on a £500 million pot, the average would be roughly £9, you would expect a £4 difference between an authority in the most deprived as opposed to the least deprived area, so I think we have taken full account of deprivation. That is reflected in the fact that, econometrically, we have maximised the efficiency of the formula. No other formula would achieve the objectives that we set out better than the one that we have.

**Sir Geoffrey Clifton-Brown:** Thank you for anticipating where I was going and for answering my questions very fully indeed.

- Q96 **Mr Betts:** I have one follow-up question on the reference to a review of how things have actually been done, in terms of looking at the future. The Department has generally received good reviews from local government about the relationship that has been developed during the last year, but are there some things you would do better if you had to do them again?

**Jeremy Pocklington:** Thank you, Mr Betts. That is a good question. To some extent, we are still in the pandemic, so we are still focused on engaging right now with the support that councils need—for example, to deliver test and trace, vaccination and support for vulnerable people and communities. That is very much our focus right now.

We also want to make sure we learn the lessons from the past year. I think there are a number, and we have already touched on what those may be. First of all, there is establishing a clear approach and structures around our communication with the sector—from Ministers, to me, to the team, down—and making sure that that is regular, structured and well understood. The importance of data and transparency is well understood.



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As I mentioned earlier, one thing that we have a much stronger framework on is the exceptional financial support scheme, and if this were to happen in the future, we would have that right from the outset, rather than that being something that we developed during the early months of the pandemic. I think we will be in a stronger place to make sure that we are able to respond to crises such as this if they were to happen in the future.

**Q97 Mr Betts:** Can I move on to a specific? We referred to the letter and the exceptional financial support. Obviously, one of the authorities there is Croydon. Looking at the auditor's reports—the auditor and Croydon are coming to the HCLG Committee next week—it seems that these issues and problems in Croydon were being flagged up for some time, so why did we get to a section 114 agreement before the Department intervened and tried to prevent Croydon from getting there?

**Jeremy Pocklington:** If it is okay, I will hand this question to Ms Frances.

**Catherine Frances:** In the case of Croydon, you are absolutely right that Croydon has had issues flagged for some time—I think Grant Thornton flagged concerns in its value for money report back in July '18 and then issued other warnings in October 2019. We had contact with the council in 2016, 2017 and again in 2019. We met the chief executive and the senior management team. They have been on our radar for some time. It is absolutely not the case that, in 2020, we waited until the council's officers served a section 114 notice on their own council—they served that notice on their own council, not on central Government. We had been working with them intensively from the spring of 2020 to try to understand their position.

It is important to say—I mean no disrespect to Croydon, but this all comes through in our independent review of Croydon—that the council themselves did not fully understand their position for much of 2020, so we had a period from the spring through to the summer in which we had quite a lot of engagement with that council, pushing them to try to understand their position, which their own leadership team were also trying to do. When their section 151 officer made the decision to issue a section 114 notice—they were entirely within their rights to do that; that is what an officer does when they think that their council is in a position where it cannot fulfil its statutory responsibilities and balance the books—we were already in very close contact with the council, we were absolutely going through with them what financial support they thought they needed and what they thought the underlying issues were, and we appointed our own non-statutory review of the council. I think we covered this a little bit in the hearing last time. On the extent of our close communication and close engagement with Croydon, it is quite hard to exaggerate how closely involved we have been through 2020.

**Q98 Mr Betts:** Do you think therefore that the Ministry should have taken earlier and more dramatic action to step in?



**Catherine Frances:** I do not think that, because, in the case of Croydon, we have to ensure that we are operating on a value-for-money basis. We took very great care to ensure, with the council, that they still had the cash available to function. We confirmed with them that they were still able to offer their covid services to their population, so that individuals living there were not disadvantaged in that respect.

In considering the exceptional financial support that we offer that council, we have had to have regard to our fundamental principles: what is going on in terms of value for money when putting any money in, so that we do not have an issue of good money after bad; putting them on a long-term footing; and looking at what the underlying causes are. If you look at Croydon, one of the underlying causes that has come through, in both their public interest report from the auditor and the independent review, is that they have not been managing some of their commercial processes and companies appropriately. There are some underlying governance issues there that need to be sorted alongside the financial support.

Q99 **Mr Betts:** Did the Department consider taking the sort of action you took on Northampton, then?

**Catherine Frances:** The action that we have taken in Croydon is to put in a non-statutory review rather than a statutory review. We still have an improvement board in with Croydon. We have been very clear that if that improvement board finds that there are issues with the best-value duty of that council, they can raise those to us, and we can take decisions on that basis. We prioritised a degree of pace because we were in the middle of covid, and we could see that there was a need to move swiftly. The review that we put in was wide ranging, and the improvement panel that is now in alongside the council has very experienced people on it who have formerly been involved in statutory interventions.

Q100 **Mr Betts:** May I move on to another issue? Obviously, trying to identify what is going on with local government finance has been particularly challenging in the last year, both for the Ministry and for councils. We can all understand the particular and peculiar circumstances of the last year. One thing that seems to have worked very well are the surveys that local authorities have been doing, feeding that information into you. It seems to have worked from their point of view and from yours. Is that something that you will think about continuing in the future?

**Catherine Frances:** The survey data has undoubtedly given us a huge insight into what is happening month to month, and is a more immediate, responsive system than we normally have to understand the decisions of local councils. It is not perfect; it is not—to return to our earlier conversation—audited data. Local councils, in some key respects, have adjusted their responses, as you would expect, over the course of the year. We will keep that data collection running for some months; we anticipate that we will keep it running into the early summer at least.

The key question for me, working with colleagues such as Alex, will be to decide what lessons we have learned and will keep running in the longer

term. We need to balance the burden on local councils providing us with data, with the quality of the data we get. We think it very beneficial that we have had more material coming from the sector to inform our perspective of where they are. However, the intensity we are at now will probably not be the intensity we settle at in the very long term.

Q101 **Mr Betts:** Is it possible that you could have a more light-touch system for the future, but one in which you would probably ask for more information from the authorities you begin to develop concerns about—almost a two-level approach?

**Catherine Frances:** I think that is absolutely right. We will have to design the exact structures that we work with as we go forward. We have talked previously about the commercial income, which is obviously relevant in some of those cases, as we see local authorities making some commercial loss. You probably know that, at the moment, we have a data collection point out with the whole sector, about commercial, so that we can get a better sense of what they are investing and of the structure of their investments, which I think we have previously promised the Committee. We expect our first returns on that from 31 March. We will then look to work out what of that we build into more regular data collections, but we have been piloting that. This is work in progress, and I think we should continue to keep the Committee informed on where we end up.

Q102 **Mr Betts:** And look at the extent to which information that comes in the future can be made publicly available, so that we all know what is happening.

**Catherine Frances:** Indeed. What has been notable about our monthly returns is that they are all, obviously, published—warts and all.

Q103 **Olivia Blake:** To follow up on some of the issues with the monthly survey, can I ask why you thought it necessary to collect additional data on local authorities' reserves? That is to Mr Skinner.

**Alex Skinner:** The answer is that, historically, we have collected information on local authority reserves. We do that once a year, and that collects, if you like, statutorily defined reserves and determines which are earmarked, which are unallocated and which are un-ringfenced. As we went into the pandemic, one of the questions that we wanted to try to get a handle on was whether it would be possible to get a sense of the pressure that local authority reserves might be under, so we formulated the question that we did on that basis.

I am not sure that it has been entirely successful because, as the NAO Report notes, 65 local authorities have come back and said that they do not have any reserves that they could use. But what has been useful is to understand the trend over time, where—perhaps we could have expected it—during the course of the year, local authorities have said that they have more reserves that they could have used.

The intention was to try to get a handle on that. I think it has provided us with some information. I actually think that, as we have moved into the



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budget-setting period that we are in now, arguably that has become less important, because the key question is whether local authorities have been able to set budgets. The answer is yes. All local authorities either have agreed, or are in the process of agreeing, balanced budgets for next year, which by definition means that they have sufficient reserves.

Q104 **Olivia Blake:** Okay, so do you think that you will keep having an annual check-in of reserves, or will you keep any form of monthly reporting?

**Alex Skinner:** That is a good question, and one that we need to talk to the sector about. One of the really important issues with reserves is that they tend to vary quite significantly during the course of the year, because different authorities will run a surplus in some parts of the year and a deficit in others. It would actually be quite hard, on an individual local authority by local authority basis, to understand what was happening if we did it on a more granular basis. We would need to think about the question, but understanding reserves is an important issue that we should carefully consider, as we work out what, if any, future monitoring we should have, as Catherine said.

Q105 **Olivia Blake:** Has this change in data collection shown that there was a problem with the data that you had before, or were there any major surprises about collecting it differently?

**Alex Skinner:** It did not demonstrate that there was a problem with the data that we were collecting before. We collected the data that we did before because it was the right data for the period that we were in. We are currently in unprecedented times. As Catherine has said, I do not think that we would have a monitoring form that is as extensive as the one that we have now in normal times.

The really important question, which you are rightly raising, is whether we should keep elements of that going forward and, for example, whether it would be useful for us as a Department to understand—perhaps using local authorities' own management information—spend on key service areas. That may well be something that we want to think about going forward. I think that that will support us going forward to better understand the sector, and support the sector.

Q106 **Olivia Blake:** Have there been any thoughts already on that, or is it something that you are looking to look at in the future?

**Alex Skinner:** As we are hopefully coming out of the midst of the pandemic, this is something that we are now turning our attention to. We have started discussions internally, and I meet every week with the presidents of all the local authority finance societies. As it happens, last week I said, "I'd really like to spend a bit of time in the coming weeks on this issue. If you could give it a bit of thought, we'll come back to you with a paper that begins to set that out." The answer is not yet, but it is in train.

Q107 **Olivia Blake:** Do you have a timeframe for when that thinking might have been thought?



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**Alex Skinner:** No, not at the moment. Catherine has said that the monitoring form as is will continue until at least the summer. That is important because we use it for our sales, fees and charges scheme, so we have until at least the end of June on the current monitoring form. As that comes to an end, or if it comes to an end, in June, we will have thought very carefully about what the replacement will be and will have communicated with local authorities if we should continue and, if so, how.

Q108 **Olivia Blake:** Okay. Mr Pocklington, do you feel you have been transparent enough about how the level of council reserves feeds into your assessment of their financial stability and sustainability?

**Jeremy Pocklington:** I think we have been transparent about the approach that we have taken. Ultimately, there is an element of judgment to be made—*[Inaudible.]*

**Chair:** Mr Pocklington, your sound is playing up a bit. Perhaps you could lean into your mic.

**Jeremy Pocklington:** Can you hear me now?

**Chair:** That's better. Thank you.

**Jeremy Pocklington:** We would still need to make judgments based on the individual circumstances of the councils in question. At the heart of our strategy, though, we think it has been acceptable and appropriate that councils have used a portion of their reserves. The Office for Budget Responsibility is forecasting a £400 million reduction in reserves this year, adjusted for technical reasons. We think that sort of level of reduction in reserves has been the appropriate way of helping to manage the impact of the pandemic on local government finance.

Q109 **Olivia Blake:** Mr Pocklington, last time we met, I believe, you made a commitment personally to this Committee, following my questioning, about providing the NAO with more information on the risk of financial failure. Can I ask you why the NAO has really struggled to get this information and whether you are going to fix this issue?

**Jeremy Pocklington:** I think we have provided the NAO with the information that it needed for the Report. Certainly, I am not aware of any information that we have not provided. We have asked the NAO—I think it has been accepted in the Report—that some of the information relating to individual councils and our analysis of their financial position should remain private and confidential. I think it is important that the Department has a private space where we can have confidential discussions with local authorities. We want local authorities to feel free to come and have a conversation with the Department about the sort of support that we could provide. It is local authorities' money that we are talking about, and they are accountable to their local electorate ultimately.

Q110 **Olivia Blake:** I think the basic question that we were trying to get at last time was purely the number of authorities that were felt to be at risk of financial failure. I do not think that would be breaching that confidentiality, and I do believe that you committed to showing the NAO





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anything that it needed to see in this area.

**Jeremy Pocklington:** As far as I am aware, I do not think that there are any outstanding requests from the NAO in this area. We provided the Committee yesterday with as much information as I possibly could, and we want to be as transparent as we possibly can in this area.

**Chair:** I am going to ask Aileen Murphie from the National Audit Office if she has anything to say at this point.

**Aileen Murphie:** What we say in the Report is that we understand the need for there to be a safe space between the Department and councils in difficulty to have discussions, but it was not possible for us to understand the full picture of financial stress in the sector or to evaluate how effective the Department was being in addressing it without knowing the level of demand for exceptional support, or, wider, the Department's views on financial risk more generally. What we say is that the Department has not yet found a way of being more transparent about that level of financial stress while, none the less, maintaining that safe space and not setting off a swirl of gossip around particular authorities. But we would have liked to have had more shared with us, and then we would have been able to say more clearly how effective the Department had been on that. That is in paragraph 19 and is explored further in paragraph 2.42 and following.

Q111 **Chair:** Mr Pocklington, we are talking about the National Audit Office here. We are not talking about a random bunch of strangers off the street coming and having a nosey through local government accounts, so have you anything further you would like to add to that before I go back to Ms Blake?

**Jeremy Pocklington:** Obviously, I take my responsibilities seriously to be open to Parliament and to the National Audit Office—that is obviously a very important part of the role. We also have responsibilities to local government to protect confidential discussions with them. I might bring in Mr Skinner. My understanding is that we have shared with the National Audit Office a detailed update on all the councils we have been having formal discussions with, in an appropriate way. But I'll bring in Mr Skinner to reflect on that.

**Alex Skinner:** It is the case that we have worked very closely with Aileen and colleagues to provide the information as soon as we possibly could, and we have been transparent, as Jeremy has said. The other thing that is important and that is noted in the Report is that we shared the basis of the covid risk metric with the NAO in full. We asked them not to go into the details of exactly where the thresholds of those lay, for reasons of methodology and also because of the nature of the metric itself and because we did not wish to put too much emphasis on precise thresholds. We tried to do that, and that attempted to address first the question of how many local authorities we were talking to and who we were talking to, and secondly, in our broader assessment of risk—just using the covid risk metric—how many authorities were at risk. I note that that is effectively



reproduced in the Report itself and forms one of the figures and the charts.

**Q112 Olivia Blake:** What steps do you think you can take to further make sure that the National Audit Office and Parliament are aware of the scale of risk in the sector going forward?

**Jeremy Pocklington:** We will of course continue to reflect on what else we can do to share our understanding of the financial position and to stay close to the financial position of the sector, the NAO and Parliament. We are always open to improving how we work as a Department. It will require further thought to see whether there is more that we can do that reflects the private space that I mentioned, which I think is important. I don't want to be in a position where we are effectively discouraging local authorities from coming forward.

**Q113 Olivia Blake:** I understand that, but I think there is a sector-wide risk that we need to be aware of. Are we likely to see any more of the announcements that were highlighted in the letter yesterday in this financial year? Are we sighted on that? Are the NAO sighted on that?

**Catherine Frances:** I wonder if I might come in here. As a Department, we try to be really transparent, so we talk to the Committee a lot about our underlying risk assessments for the sector as a whole. We look at fixed costs relative to spending power. We look at reserves levels relative to inflexible spend, how we look at councils and how they shift in the sector. Overlaid on that, we have been clear about what our covid-19 risk assessment is. That is actually detailed line by line by the NAO in the annex of this Report. As Alex has said, we have not wanted to talk about where the thresholds lie, because of the impact on councils.

We really understand your concerns, and I can point you in a few directions. First, the principles of exceptional financial support are out there and are publicly available, and we have covered them with you. We are totally happy to commit, of course, to informing the Committee whenever there is an exceptional financial support decision that comes through. Looking at the Report, the NAO have chosen to use their own risk assessment of covid, which may not be exactly the same as ours, but it is the NAO and it is a very competent job.

**Olivia Blake:** It is an agreed Report.

**Catherine Frances:** Indeed, absolutely. But some of it is their material. If you look at figure 18 in the Report, you start to see their assessment of underlying risk. At paragraph 3.23, they judge 1% of all authorities to be in acute risk, and 6% in high risk.

**Olivia Blake:** Seven per cent. in total.

**Catherine Frances:** It is possible to triangulate that, I think.

**Q114 Olivia Blake:** I guess that is a significant amount. What we would probably want to see as a Committee is an understanding of whether



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there is a further expectation of any more authorities expecting to need exceptional financial support in this financial year or next financial year, and whether it is realistic that those authorities will be able to repay the financial support that they are receiving in the timeframe that has been set out for them, given the ongoing impacts of this covid crisis on them.

**Catherine Frances:** We have not set out a timeframe. If they choose to borrow additionally as part of capitalisation directives, they don't actually have a timeframe within which they have to pay that back. That is not set out and defined, so individual authorities will take their own decisions.

Sorry, I can sense the frustration that we are causing to the Committee. I think we have to go back to the start of the hearing, when Jeremy outlined the fact that there is a commitment to keep you absolutely informed as we make further decisions. As Jeremy said, there are a few more decisions we expect to come.

Q115 **Olivia Blake:** How likely do you feel that that 7% is a true and accurate estimate of those who are in financial uncertainty and difficulty?

**Catherine Frances:** We have agreed this Report, as the Chair quite rightly said. This is the NAO's assessment, using a combination of earmarked reserves assessment, along with unallocated reserves, and that is a much more reliable way of thinking about the reserves that are available. As the NAO says, you can choose to use either of those pots, rather than some of the other definitions of reserves that the sector has talked about.

**Olivia Blake:** I wonder, Chair, if Aileen Murphie—

**Chair:** That is exactly what I was thinking. Ms Murphie, it seems like your last hearing is one where we need your excellent input on local government finance more than ever. Could you come back in on that, please?

**Aileen Murphie:** Just to make it clear, we used the Department's thresholds in the risk analysis that we did for figure 18. We didn't publish those so that local authorities cannot game using them, which is a sensible compromise that we reached with the Department. We did that analysis ourselves. That is not the Department's analysis of authorities at risk.

Would we have wanted more information? Yes. What we would have liked to have known is how many authorities considered themselves at risk and came to the Department. How many did the Department reach out to, and why? What was the crossover between those two lists? Could we see regularly the long list and the shortlist that authorities are worried about, so that we can see the movement in and out? That would allow us to evaluate how effective the Department's understanding is of the various factors that affect authorities that are at risk and also the effectiveness of their actions. That is what we were after.

Q116 **Chair:** Ms Frances, do you want to come back on that?



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**Catherine Frances:** I suspect I am at risk of repeating myself. We have had lots of conversations with the Committee previously—my predecessor and Jeremy’s predecessor as well—about long lists and shortlists. Absolutely, we are comfortable with all the sharing of metrics, methodologies—

**Chair:** I think you are comfortable with the sharing so far. Can I just be really clear? Ms Murphie has just explained very clearly what this Committee is keen to see—that the National Audit Office can have access to more information, in a very safe space, which will inform this Committee and the HCLG Committee, about what the risk is across the sector.

Although I don’t doubt the integrity of civil servants in the Department, there is no other real oversight except the National Audit Office of the whole sector in this sense. I would just re-emphasise the point that Ms Blake has been making so ably: we would like to see more information. It may be that you are not dealing with Ms Murphie anymore, but I am sure she will be passing on her spirit of endeavour and insight and doggedness to her successor, and, of course, the CAG himself would like to see this as well. I think you have got that very loud and clear and we will keep the dialogue going, but we are getting a bit bored of the conversation and would quite like to see a bit of movement, to put it baldly.

Q117 **Olivia Blake:** Clearly, there is a disagreement around transparency. While in many of your answers you have said that you are as transparent as you can be, is there anything further, Mr Pocklington, that you think you should or could be doing to be more transparent on this?

**Jeremy Pocklington:** I am going to suggest that the Committee has made its position clear. That is well understood. I am not sure that there is anywhere further that we can take it today. I hope we have explained our position and our approach and why we do what we do. Can I suggest we take this away and continue to discuss with the NAO—

**Chair:** Thank you. I’ll take that as an olive branch, Mr Pocklington, and I am sure the CAG will take that up too.

Q118 **Olivia Blake:** Thank you. Mr Pocklington, yesterday or the day before, we saw a joint statement on social care from the LGA and six other organisations, warning of a cliff edge at the end of emergency funding, with funding ending at the end of this month. Clearly, that is quite worrying. Do you think the funding will be reviewed to avoid the cliff edge in the short term?

**Jeremy Pocklington:** That is a matter for the Department of Health and Social Care as the lead, but there is a big local government involvement as well. As I understand the position, that issue is being actively considered at the moment, and further details about future funding should be confirmed very soon.

Q119 **Olivia Blake:** If the emergency funding is not reviewed, will that push more authorities into the risky categories that we have just been



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discussing?

**Jeremy Pocklington:** I'm not sure it is useful for me to add anything to my previous answer, given that this is the subject of a very live discussion. I think there will be further details announced soon on that. That is a hypothetical question, I'm afraid.

Q120 **Mr Betts:** To be clear, when we talk about something coming, is that about more funding under the current arrangements or is it something more dramatic?

**Catherine Frances:** Maybe I can come in on that. Fundamentally what has gone out to the sector at the moment is, obviously, the spending review settlement that includes additional funding for social care. What has also gone out is the covid funding that MHCLG has put into the system—£1.55 billion in covid funding at the start of the year and also the sales, fees and charges guarantee for the first quarter, and support on tax and other support. The conversation to which Ms Blake alludes is a query at the moment by representatives in the adult social care sector specifically relating to some of the step-down funding that the NHS puts in. That goes to the NHS through the CCGs for discharge from beds. We don't have anything more to update the Committee on in this conversation, but, to be clear, that is the element—

Q121 **Mr Betts:** That is the element you are talking about. Okay. That is helpful. I thought for one minute we were talking about fundamental reform of social care funding, but obviously we are a little bit away from that. Going on to that slightly longer-term issue, the Local Government Association and county councils have been saying very clearly and strongly for some time that social care costs are rising almost exponentially for adult social care, but also for children's social care and people with disabilities. All those sectors are rising far faster than inflation. To rely on business rates increasing by CPI at the most each year, it is simply not a sustainable source to fund the rising pressures of social care. Does the Department understand that? Do you accept that?

**Catherine Frances:** Maybe I can take that one. I hear the same message from the sector. I think it is possible to answer in two chunks, if I may. There is an arithmetic answer. For the next financial year just starting, we have done the spending review. All the Department effectively does is to look at the rate of growth in spending pressure in those areas, and then it works out the balance of funding that needs to go in through grant, as well as the forecast business rate growth, council tax and all the other elements. We absolutely factor in the rate of growth that has been seen in each of those areas. That is just a fundamental part of the maths.

What you heard from sector colleagues earlier in the week was a question about what happens beyond the next financial year. For the time being, what we have said to the sector is simply that we will pause our planned financial reforms, because Ministers have wanted to prioritise stability for some time, but we have said that we will review those later in the year. We will review where the future takes us. You asked earlier what message



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we are getting from the sector, and that is one that we get from them. They would like to know where they are going.

**Q122 Mr Betts:** Okay. I am sure other colleagues will come on to the issue of future funding arrangements and might want to come back on that in due course.

However, it was very clear when we had Councillor Jamieson and Councillor Watts from the LGA—so, cross-party—that you can't sort local government finance out until you sort social care out, and just linking it to growth in business rates doesn't really deal with anything, other than there being an ongoing problem that has to be sorted out with bits of sticking plaster each year, which isn't ideal for the sector. Is that message very clearly lodged with the Ministry and are you trying to address it?

**Catherine Frances:** Yes, in the sense that the growth of the spending review and the growth in the core spending power that the sector achieves has been higher than that of business rates growth—totally understand that.

As to the longer-term funding of adult social care, I think I am talking to the Committee in a month's time with colleagues from the Department of Health and Social Care, and we should cover that there.

**Chair:** Thank you. It is an area that we and our sister Committees obviously return to very frequently. We hope for some progress next time we meet you. I turn now to Sir Geoffrey Clifton-Brown, on the wider issues around social care costs, partly as a result of covid. Over to you, Sir Geoffrey.

**Q123 Sir Geoffrey Clifton-Brown:** Perhaps I could just stick with you, Ms Frances, just to examine some of those wider costs that the Chair was alluding to.

Basically, a number of people in the sector—the LGA and the Association of Directors of Adult Social Services in England, or ADASS—say that the £1.6 billion package, plus the £600 million adult social care infection control fund, will only really enable the sector to stand still. They point to higher wage costs, higher minimum wage, inflation and higher PPE costs, and some estimate that the total increase of that—for this year only in the sector—will be 10%.

So, it looks as though there is a real problem looming in this sector and I would just like to examine a little bit more what your Department, in conjunction with the Treasury and with the Department for Health and Social Care, is doing to address this looming problem?

**Catherine Frances:** We may want to bring in Cat Little from the Treasury shortly. The money that has gone in in-year is obviously the infection control grant. That has gone in in two tranches worth over £1 billion, with one tranche of £600 million and one of just under £550 million. And there have been additional supplements since we last saw you: £120 million for



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workforce in adult social care; and almost £150 million on adult social care testing, as well.

So that sort of funding has gone in and it is for specific covid-related purposes, as opposed to the underlying funding, to strengthen the system and just make sure that it is adequately resourced for what basically needs to happen, in terms of keeping the market robust and meeting the underlying pressures.

As for the future, we will actually deal with this as a Ministry in the same way as we deal with all the big spending pressures that we face, which is that we will work closely—in a triangle, if you like—with colleagues in DHSC, who will model and think through what the level of social care provision is that is appropriate, and all of the related costing questions, and with colleagues in the Treasury, and look at the balance of that and make sure that it is funded appropriately. That is the process that we will go through.

However, although in MHCLG we are a critical cog in that system, we are not the lead Department, as you know, on social care and what the level of provision should be. So, a lot of that modelling comes from DHSC, working with colleagues in HMT.

Q124 **Sir Geoffrey Clifton-Brown:** Perhaps I could bring you in, Ms Little, into this quite difficult problem. On page 14 of the NAO Report, paragraph G, it says, "In time to be of use to authorities' 2022-23 budget-setting processes the Department and HM Treasury should produce a long-term financial plan for the sector". So, when can we expect to see that "long-term financial plan", Ms Little?

**Cat Little:** Can I first just build a little bit on what Ms Frances has said, because it is really important to go back to your earlier point about the increasing demand and make a distinction between what we are seeing in adult social care, as well as in children's social care?

We work very, very closely with the Department of Health and Social Care, and with MHCLG, to make sure that we understand those demand pressures. Of course, it is really concerning for us to see that continuing demand and pressure on the system.

That's why we put so much additional funding into social care next year and it is also why we are working with the Department for Education on the review of children's social care, which we would expect to inform decisions for the spending review.

On your question about medium-term planning, as you know, there will be yet another spending review this year. The questions of when and how long a period that spending review will cover are obviously questions that we will need to come to very shortly, and the Government will make those decisions, but I think I have stated in front of this Committee several times the importance of multi-year certainty for good financial management and good financial planning. I really recognise what every local authority and—to be frank—every part of the public sector is saying

to me about the need for greater comprehensive planning over the medium term. So my personal hope is that we will be able to address a number of these issues as part of a multi-year spending review, but of course that will be for Ministers to decide in due course.

On adult social care, I am sure you are aware that the Government have said that they will bring forward reforms for adult social care this year.

**Q125 Sir Geoffrey Clifton-Brown:** Since you have mentioned multi-year settlements, I will say that it took us an awfully long time to get to the Treasury giving local authorities a three-year budget. Clearly, the covid pandemic has intervened, but would you anticipate that in the autumn expenditure round we will get back to some form of multi-year settlement?

**Cat Little:** That will be for Ministers to decide. We have had really strong engagement with the sector and with the Department on this question. As the NAO Report highlights, there is lots of understanding in the sector as to why we moved to a one-year settlement in the middle of the pandemic. Of course, the reason we did that for the whole public sector was to make sure we could focus on the response, especially at a period of high levels of uncertainty when it came to the economy. Obviously, we are in a very different position this year, but uncertainty around the economy, the shape of the pandemic and the future path will be the sorts of things that Ministers will need to take into account as they look at how long a period spending settlements will cover.

**Sir Geoffrey Clifton-Brown:** Chair, I will leave this particular section there. Thank you, Ms Little.

**Q126 Olivia Blake:** I want to ask a question about children's social care and social services. Clearly, there has been a reduction in referrals during the pandemic, and I think that it was clear that witnesses on Monday were concerned about there being a peak as we come out of covid. How sighted are you on that concern, and do you think that this will require any changes in the longer-term financial planning of authorities?

**Cat Little:** We are sighted on the fact that referrals are down. I think we need to be cautious about what that tells us about demand in the system, because we are also acutely conscious that calls to relevant charities are up and, in this sector, there is always the risk of hidden harms that we are unable to identify through our normal tracking. Certainly what we have seen in the trend data is demand on children's social care increase. That is why, as I said earlier to Sir Geoffrey, it is so important that we continue to track, and work with the Department for Education on, the issues there. The review of children's social care will be a really key part of the work that we undertake as part of the spending review, and I know that MHCLG will work very closely with the Department for Education on that review.

**Q127 Olivia Blake:** Ms Frances, I see you nodding. Do you have anything to add?





**Catherine Frances:** I am not sure that I have anything to add, beyond just saying that in all our financial data we see the concern of local authorities. We understand absolutely the issue of, potentially, pent-up demand and higher referrals coming through, increased concern about children's mental health—all those issues—and safety at home. We understand that and are very much plugged in, as Ms Little has said, to the work in the DFE.

Q128 **Olivia Blake:** Do you feel that local authorities are as aware of this as they should be in their planning?

**Catherine Frances:** Local authorities are telling us that they are thinking about it a great deal, as I think they also said to you. I would leave the DFE to judge the full professional evaluation of that—they are the professionals, not us—but yes, what we hear from the sector is that they are thinking about this a great deal.

Q129 **Gareth Bacon:** The NAO noted in their Report that local authorities had been saying to them that there was a certain amount of doubt until quite late in the year about things like whether or not the council tax referendum limit would stay at 1.99%, where the adult social care precept might be, and the better care fund and the new homes bonus, and it was not until November, when we had the announcement of the spending review, that they got a lot more certainty on that. Are you aware of concerns raised by local authorities over the implications of providing information so late in the day?

**Cat Little:** Yes, I am very aware of that, and I should say that it is a conversation we have more broadly beyond local government. One of the big considerations we take into account in setting the timing for fiscal events is knock-on impacts on local government and other sectors, and we are very mindful of making sure that the sequencing of our national fiscal events works for sectors. Obviously, SRs are just the start of a very complex process for local government, and I really should personally pay tribute to the work of local government finance directors across the whole public sector. Often our finance directors will finance teams that are right at the heart of some of the most difficult trade-offs and decisions, and that has especially been the case over the last 12 months.

As Mr Skinner alluded to earlier, we do as much as we can in the spending review to give certainty. I think the last 12 months were a bit different. We had to stage funding, as you mentioned earlier, as we saw the path of the virus take shape, but in the SR we did try to get as much certainty as quickly as possible into the system. I do not think the ultimate settlement was any later than it had been in previous years, and wherever possible we try to bring forward certainty and give as much advance guidance as we can.

Q130 **Gareth Bacon:** This is not a new thing, is it? Local government announcements on funding for the future are often very late in the day, leaving local authorities to have a best stab at it, but it is very late when they have to finalise their plans. Some of the feedback that the NAO had



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from finance directors was that elected members would hold off from making difficult decisions or would rush to make cuts rather than wait until they had certainty. The collective view was that this tended to lead to decisions that were not the best value for money or not as good as they could have been. Is that a criticism that you would accept?

**Cat Little:** I don't think I agree with the premise that because some decisions are made late in the year, ultimately that means there will be poor value for money. One thing that I have very much learned, having worked with the sector over the last 20 years, is that every local authority is impacted in different ways and value for money has to be taken on a case-by-case basis.

As Mr Skinner said earlier, the vast majority of funding both for last year and this year has been confirmed in line with our normal planning cycle. So I go back to the fact that we have very experienced high-quality finance teams and directors across government, who work with difficult circumstances but from my experience do really well to ensure that they drive value for money, based on the information they have at any given time. I know that has been more challenging this year because of the circumstances we find ourselves in, but on the whole I think the system has done very well to deliver value for money regardless of some of the grants and certainty coming later in the financial period.

Q131 **Gareth Bacon:** Why do you think it is, then, that the feedback that the National Audit Office received did not quite accord with what you have just said?

**Cat Little:** I would go back to this question of multi-year financial planning and financial certainty. It is of course true that the more you are able to drive long-term planning in all financial management, the easier it is to manage commercial risk and the supply chain, particularly on capital multi-year comprehensive programming. My conversations with local government finance teams recognise what they say when it comes to multi-year planning, and, as I said, that is something we in normal circumstances completely endorse and try to deliver on.

Q132 **Gareth Bacon:** We are going to come on to the question of the future in a moment, but for now I want to ask Mr Pocklington for his assessment of the financial sustainability of the sector going into 2021-22

**Jeremy Pocklington:** We do think that the sector is in a sustainable position. Obviously, the cost pressures are real and the challenges are real in the pandemic, but we have now had three years where the final settlements at the times they were set have been a real-terms increase. The strategy we have put in place this year has worked—*[Inaudible.]*

**Chair:** Mr Pocklington, your sound is disappearing. I am not sure why—perhaps it is the papers over your microphone. If you could lean in—

**Jeremy Pocklington:** Apologies. I will lean in. We do think the strategy we have adopted this year has worked and been effective. Obviously, the



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question of sustainability for the future is a matter we will be looking at closely as part of the spending review, whenever that takes place.

**Q133 Gareth Bacon:** The NAO survey revealed that 52% of single-tier authorities and county councils said that they were happy with their reserves and financial estimates for 2021-22. Don't you think that is rather low?

**Jeremy Pocklington:** I looked at that survey in the Report, and it is obviously helpful to know what finance directors are telling us. The survey is essentially a snapshot of the position in December. As Mr Skinner said earlier, the position will have moved on since then and authorities will have set, or be in the process of setting, their budgets. As part of that process, they will of course be required to make sure they have adequate reserves. So it is useful, but I think we have to be careful not to over-interpret that survey in terms of what it tells us about the future.

**Q134 Gareth Bacon:** What do you mean by "over-interpret"? The numbers I am quoting you are the numbers that came back in the survey, so how would that be an over-interpretation?

**Jeremy Pocklington:** The numbers are the numbers.

**Gareth Bacon:** Indeed.

**Jeremy Pocklington:** The survey is a snapshot, as I understand it, in December. So after the spending review—I am not exactly sure when it happened in relation to the provisional settlement, but local authorities would have been completing their process around their budgets. That has happened now. Section 151 officers will of course be cautious in their planning. That is what I would expect a responsible finance director of a local authority to be, particularly in the early stages of their process of setting the budget. The position will have now moved on from there. Looking at the position overall, the analysis shows that local authorities still have quite significant levels of reserves—they have grown over the past decade. Obviously, the position varies from local authority to local authority. But looking at a system level as a whole, reserves have continued to increase. The Office for Budget Responsibility is forecasting a small fall this year, but that is to be expected in the pandemic.

**Q135 Gareth Bacon:** It is indeed. Of course, the use of reserves to plug revenue gaps is not something that I think anybody would recommend, because it is not a long-term sustainable solution, is it? The survey that the NAO did also showed that 94% of respondents from single-tier and county councils, and 81% of district councils, said that they were going to have to make service reductions in the course of the next year in order to balance their budgets. Does that concern you? Is a pandemic really a good time to be making service reductions?

**Jeremy Pocklington:** Again, we have obviously looked carefully at that study. The first thing I would say, going back to the actual spending review settlement itself, is that the Government has, through the spending review settlement, made an additional £2.3 billion of additional funding



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available to local authorities next year, in 2021-22—that is a 4.6% increase over 2020-21. We also provided additional funding for covid-related expenditure, including £1.55 billion of un-ringfenced grant for the first quarter. The Government is making considerable investment in support for the sector at a time when the financial position is challenging.

The survey itself, as I said, was a snapshot in December when it would be only natural for finance directors to be looking at the full range of options. In some cases—obviously, you need to look at every authority individually—making savings is not cuts; it may be efficiency savings, reforms or doing things better. We know that many local authorities have had to postpone some of their efficiency plans from this year to next year, so the savings may not be realised on the timetable that was originally planned, but they may actually start to benefit authorities next year.

**Q136 Gareth Bacon:** The thing with that, though, is that local government is now moving into its 12th successive year of reductions in funding, so the ability to make efficiency savings is greatly reduced. If we went back a decade, it would be significantly different, but the pandemic hitting when it did has introduced a greater level of doubt, wouldn't you say?

**Jeremy Pocklington:** If I may, Mr Bacon, I don't think it is correct to say that we have had 12 successive years of cuts.

**Chair:** Well, 10 or 11.

**Q137 Gareth Bacon:** I think if you were to speak to anybody who is a local councillor, particularly in an executive position, they will tell you that they have been making spending reductions since at least 2010.

**Jeremy Pocklington:** Of course, the history is well known, and some of that is set out in the Report. The point I made earlier is that the last three settlements made a real-terms increase.

**Q138 Gareth Bacon:** Yes, but that was an increase on the back of 10 years of reductions. As a Government MP, I am not here to attack the Government, but it is important that we are clear about what we are talking about.

**Jeremy Pocklington:** Indeed, and the fact that we funded real-terms increases in the last few years shows that we recognise the pressures that local authorities are managing with. That is why we try to strike a balance, as we do with every spending review settlement, to ensure that the sector is sustainable. The 4.6% increase that is at the heart of that, and we have enabled additional funding for covid. We think it is a settlement that enables the sector to stabilise and be sustainable.

**Q139 Gareth Bacon:** Looking ahead to the rest of 2021-22, are there any circumstances in which you can foresee additional covid funding being made available for the sector?

**Jeremy Pocklington:** We don't have plans at the moment to provide more funding other than the funding that we have provided—the £1.55 billion un-ringfenced grant, the extension of the Contain Outbreak



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Management Fund, the extension of the sales, fees and charges compensation for the first quarter, and the social care funding that we have referred to, which is being finalised at the moment. That is the position as it stands. Obviously, while we are all hopeful about the progress of the pandemic and the vaccination programme, we can't take anything for granted and we will continue to monitor the situation closely.

**Q140 Gareth Bacon:** Okay. I acknowledge that I was trying to tempt you to speculate, and you have deftly side-stepped that one. We are a bit pressed for time, so I am not going to push you too much on that. Mr Skinner, I would be interested to hear what assumptions your modelling made for the spending review about the local government finance settlement regarding service levels in 2021-22.

**Alex Skinner:** When it comes to service levels, we split it into two elements. One was to look at non-covid drivers, and there we did what we always do as part of a spending review, which is liaise very closely with relevant Departments—DHSC, DFE, DEFRA and others. We have a modelling approach that we have discussed in previous Committee appearances, and we followed it. That led us to the conclusion that Jeremy shared, which is that we think the sector is sustainable. Separately from that was a process that we went through to try to understand the immediate and short-term impacts of covid, rather than the new normal. They were provided for in the £1.55 billion and the other things that Jeremy has talked about. We went through the normal process, which has stood the test of time, and the result that came out was the increases that Jeremy talked about.

**Q141 Gareth Bacon:** Okay. Mr Pocklington, finance directors have also said that they do not expect local government simply to bounce back. Even if the pandemic ends today, they will carry some of the scars of the past year for some time into the future. How are you planning to address that? When you are sitting down and negotiating with Treasury colleagues about the funding settlement going forward, how are you planning on picking that up?

**Jeremy Pocklington:** We have heard ourselves how big an impact the pandemic has had on local government. I hear that loud and clear in my conversations with chief executives, as colleagues will have done with finance directors. The importance of giving local authorities the certainty that we can has led to, for example, our providing advance notice on covid funding for this year, in advance of other sectors. So we do recognise the need to provide certainty.

The engagement we will have in the coming months with the sector and its representative bodies, such as the LGA and CIPFA, will help inform our preparations for the spending review in the normal way. I look forward to our having good collaborative discussions with Ms Little and her teams in the Treasury, just through the very normal process of the spending round. Rest assured, the importance of a sustainable solution and, if Ministers decide, the advantages of multi-year settlements, are well understood by everyone involved at official level.



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Q142 **Gareth Bacon:** You have just thrown the ball in Ms Little's direction, so I will turn to her. Does the Treasury accept that local authorities will need help and support in restoring their finances following the pandemic?

**Cat Little:** As Mr Pocklington said, we all understand the pressures that local government has been under. Of course, in any big fiscal event like a spending review, we need to take a top-down and a bottom-up approach to understanding both what the immediate priorities of the Government are, and therefore what we are asking of local government, and what the baseline pressures and issues are.

To add what Mr Pocklington said, an SR is a moment in time. Our teams are working together on a daily basis to discuss those issues, and as the NAO and this Committee have heard, there has been much more comprehensive data monitoring and understanding of both the short-term and medium-term impacts on the sector. It is important to recognise that that will continue. I also look forward to getting to the moment when we are able to start making some decisions.

Q143 **Gareth Bacon:** I am sure we all are. Looking forward, though, one of the other by-products of the pandemic is that various projects, such as the fair funding review—the plan for 75% retention of local business rates—and the reform plan for adult social care that we touched on earlier in the meeting, have all been stalled. When do you intend to restart those programmes?

**Jeremy Pocklington:** I will hand this question to Ms Frances, if I may.

**Catherine Frances:** On the questions of big structural reforms in local government finance—the questions of business rates retention and of the review of relative needs and resources—as I said earlier, Ministers have said that we will not do them in the coming year that we are just entering into, but we have said that we expect to plan out what we are doing before the end of this calendar year, as we go into the spending review process, whenever exactly that is.

There are some other moving parts, of which I know you will be well aware. The Treasury is doing a review into business rates, which will be a constituent part, and then there is the piece that Cat Little talked about earlier, on what the Department of Health and Social Care wishes to do on social care. There is a suite of big moving parts, if you like, that need to be taken together, and from the vantage point of thinking about planning local government's future, they cannot really be bitten off in isolation without seeing something of the whole. We have just prioritised stability in the current context, but we recognise well that local councils are asking to see a little further over the horizon. That will be a question for Ministers, but we have said that we will review that before the spending review.

Q144 **Gareth Bacon:** One of the things that came out in our meeting on Monday was—I think this was a uniform opinion—that rushing this would be a bad thing to do, because there are too many moving parts, as you have just said, and there is too much uncertainty about how things will recover from the pandemic. Somewhat surprisingly, you are not going to



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be pushed to do it in a rush, because I think people would rather that it happen and be right than that it be quick. Mr Skinner, what effect do you think the delay in the reform programmes has had on local government? Has it had any impact?

**Alex Skinner:** In the conversations that I have had with local government finance directors, I think there has actually been a real understanding of the reasons why we have not taken those reforms forward. In the first instance, it was because of our departure from the European Union and transition. It was well understood that there were a series of consequences from then and that, if you like, setting in concrete the future trajectory of the local government finance system was a risk, and it was one that people understood we should not take. I think we reached a consensus with the sector that that would be the case.

Then, our intention always was that, having done that, we would do these things, but that was obviously before the pandemic came along. What is really important in the time we have now is to reflect on the messages that the sector is giving us, which is first, as you say, "Do not rush," and secondly, "Please make sure that it is fit for purpose." Part of that consideration is really understanding what is the new normal: whether it is significantly different from the world pre-covid—and, if it is, please do take that into account—and what, if you like, the scarring effects of covid are, which we would expect to diminish over time.

I think the answer is that, at a theoretical level, finance directors like me would want to deliver these things, because they are the right thing to do in the long run. I think we all understand, though, that, in the short term, there are very good reasons why we haven't, and that is why the feedback that you got on Monday—which is consistent with the feedback that I get when I talk to this sector—is, "Let's take a bit longer. Let's make sure that we get it right. Let's make sure that what we do is fit for purpose." That is what we will do.

**Gareth Bacon:** Thank you, Chair. I've finished my section.

**Chair:** Thank you very much, Mr Bacon. Sir Geoffrey Clifton-Brown just wanted to come back on something that Mr Bacon raised.

Q145 **Sir Geoffrey Clifton-Brown:** It is a question to you, Mr Pocklington. I just wonder whether you are, with great respect, a little bit optimistic about the financial health of the sector. You used your words very carefully, and I think it is well to put it on the record: you said you enabled a 4.5% cash settlement, but, of course, this is predicated on a council tax increase of 5% this year. That is unlikely to be sustainable going forward. We have already discussed the difficulties in the social care sector, and the NAO, in paragraph 3.19, say, "Some 20.3% of authorities stated that they had no reserves that were available to address financial pressures due to the pandemic." That all adds up, it seems to me, to quite a troubling financial recipe going forward.

**Jeremy Pocklington:** Our view is that the sector is in a sustainable financial position, but I do not want to be complacent about the pressures



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it is facing. You are right to, if you like, focus on my words carefully. It is obviously for individual local authorities to make a decision on the balance that they want to strike between raising council tax and funding the pressures that they have, but we have enabled the increase that I have outlined, and enabled the local decisions to be taken.

The assurance I will give you is that we will continue to do all the things that we have been talking about during this hearing to monitor the situation carefully. We are regularly engaging with local authorities. We have spoken to well over 100 local authorities during the past year—just to give you a sense of the depth of the engagement that the Department does—to make sure that we have that understanding of the position of the sector. We have also talked about, in this hearing and in previous hearings, and explored at length, the sorts of analysis that we do, both top-down and bottom-up, to look at the position of the sector, and that informs our judgment. I do not want to give the Committee the impression that we are being complacent: we are not. We do need to continue to look at this closely, given the very real pressures that councils are dealing with.

**Q146 Sir Geoffrey Clifton-Brown:** Given that councils have to have a level of reserves to be able to produce a balanced budget and to continue paying for services, isn't the fact that nearly a fifth of authorities were not confident that they had sufficient reserves to address the financial pressure from the pandemic pretty worrying going forward?

**Jeremy Pocklington:** As I said earlier, that is a snapshot of the judgment that finance directors had in December, before the conclusion of the local government finance settlement. All authorities have now set, or are in the process of setting, a balanced budget. Part of the professional duties of a section 151 officer is that they need to be confident that they have adequate reserves in order to be able to do that process. We have the exceptional financial support scheme in place if necessary. We have a very small number of cases outstanding, which we talked about. We are not aware of other councils that will need access to that scheme next year, given the fact that the budgets have now been set, or are very close to having been set. We have a degree of confidence in the sustainability of the sector, but we keep it under review, and obviously things will happen as the year progresses.

**Sir Geoffrey Clifton-Brown:** Thank you, Mr Pocklington.

**Q147 Olivia Blake:** Mr Pocklington, do you think that council tax rises this year will build anticipation from local taxpayers of more investment in services, rather than cuts?

**Jeremy Pocklington:** The position we have enables local authorities to take the right decision locally for them. They are able to raise council tax where necessary in order to meet expenditure pressures. As we said earlier, this is enabling an increase of 4.6%. It is also a real-terms increase in spending by local authorities.

**Q148 Olivia Blake:** Okay. Moving on, in the past 12 years we have seen a real-terms cut in many workers' pay. What are you anticipating, in terms of





pay, in future years, and how are you budgeting for that?

**Jeremy Pocklington:** If I may, I will hand that question to Mr Skinner, because I think we addressed this in a previous hearing, and Mr Skinner wrote on this issue.

**Alex Skinner:** That is correct. I wrote to the Committee on 17 December on this issue. As part of our normal work in preparation for a spending review, we look at the OBR's forecasts for real wage consumption and wage growth, and we factor those in to our models to make sure that the estimates we put in and the discussions we have with the Treasury reflect the pressures of wages, both directly through council employees, but also indirectly—for example, through people employed in the adult social care system who local authorities contract with. The answer to that question is that, at this present time, we have a methodology that means that, as we come to the spending review later in the year, which will set budgets for subsequent years, we will take wages into account and make sure that they are fully reflected in the bid we make to the Treasury.

Q149 **Olivia Blake:** Thank you for that. We picked up a level of frustration on Monday about the costs of bidding rounds for different funds. What reassurances can you give that any recovery funding streams coming forward will be based on need and not competitive pots? Do you think there is a problem with these competitive pots, in terms of local authorities repeatedly making asks and being unable to achieve against them?

**Jeremy Pocklington:** There is a balance to be struck here, as we suggested earlier. There is obviously a strong case for providing as much funding through un-ringfenced grant through the formula basis as we can, to give councils flexibility and certainty to address the local needs of their communities. However, that does not need to be the case for all funding for local authorities. There are cases where Ministers, I think rightly, decide that they want to provide ring-fenced funding, either by formula or through competition, in order to achieve specific ends or to drive value for money.

Our challenge as officials within the Department is to do that in as efficient a way as we possibly can and to make sure that the costs of bidding are manageable for local authorities. In some cases, we provide capacity funding as well, to enable authorities to bid. But, as part of any spending review process, we always look carefully at the number of separate pots that we have, whether that is formula based or whether it is a bidding process, in order to make sure that the system is as rationalised as it can be—[Inaudible.]

Q150 **Olivia Blake:** In the past, we have had a lot of complaints in this area about housing. Do you think that the approach of Ministers will be focused on ring-fenced pots, to protect that spending? Do you get a sense that that is kind of the status quo for funding at the moment?

**Jeremy Pocklington:** Some of these are matters for the spending round. The bulk of our housing money is either funded through the Affordable



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Homes programme, which is a well-established programme with continuous market engagement. I think it is respected as driving efficiency. A lot of other funding is then delivered through Homes England rather than directly through local authorities. There has been a process for the housing infrastructure fund, which has required bids. What happens in the future will be a matter for the spending round. We have not made any decisions on that now.

Q151 **Olivia Blake:** Ms Little, does the Treasury have any comment on that?

**Cat Little:** I don't think there is much I'd add. On the broader question of ring fences and when and how we use them, that is obviously a conversation that I have with every single local authority every time we speak. I completely understand that, where you use a ring fence, that makes it harder to manage funding in the round. Of course, there are different requirements. I think it is not a surprise that, during this period especially, we have seen more ring-fenced funds because, as a Government, we wanted to target money on to the things that have the biggest, most immediate impact on the response to the pandemic. As Mr Pocklington said, we are very mindful that there are lots of lessons learned here, and we will want to talk to the Department and the sector about what we might do going forwards.

Q152 **Mr Holden:** Mr Pocklington, we heard from witnesses in our evidence session that a transformation is potentially available to local government at the moment, in terms of people being able to work from home and so on. Do you envisage that as something that can happen across local government in the next few months?

**Jeremy Pocklington:** Primarily, that is a matter for local government to determine—*[Inaudible.]* The same debates will be happening at other employers—*[Inaudible.]*

**Chair:** Mr Pocklington, you are breaking up very badly—we can't hear you.

Q153 **Mr Holden:** Are you going to be pushing them in any direction? It is obviously quite an important matter. There are huge amounts of potential savings to be made. Is no guidance coming from you on this?

**Jeremy Pocklington:** I would like to bring in Ms Frances, to check whether there is anything I have missed.

**Catherine Frances:** There are two points. First, as Jeremy Pocklington said, local government, as key employers, will be making decisions like everybody else in the economy about how best to work and to maximise their efficiencies. There is a particular question that you may be alluding to, regarding the holding of remote meetings, where councils are able to do so under the legislation until early May. We have heard from the sector a degree of concern and questions as to what happens beyond that point. We don't have any comment on that at this point, so probably can't say anything more, but we are hearing that from the sector, and we understand it, considering the situation.

Q154 **Mr Holden:** A final quick question from me. Some councils are looking at



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large capital expenditure for new office buildings, including my own. Is that something that you would ask them to reconsider at this moment, given the changes?

**Catherine Frances:** I wouldn't ask a council to take a particular step in relation to this or that investment, because I think that that is a decision for them, provided they are working within all the frameworks that we have set. I would not second-guess them on that, I'm afraid.

**Chair:** I think we would all agree, as a number of us have been or are local councillors, that one size does not necessarily fit all, and there are lots of good reasons for meeting in person and good reasons for being online. It may be a mixed economy, I suspect.

Q155 **Shaun Bailey:** I want to build slightly on the strain that Ms Blake was picking up on. Obviously, the Government have placed local councils at the forefront of the delivery of its levelling-up agenda. Given the challenges that we have discussed today, how confident are you that that operational delivery model, particularly around bidding and the resource that it is going to take from local councils to do that, is going to enable authorities to access this funding, or are you just creating a funding "Hunger Games"?

**Jeremy Pocklington:** Thank you, Mr Bailey. I think you are referring to the levelling-up fund. We are providing capacity funding to priority 1 local authority areas, so the top third of local authorities in England and all local authorities in Wales and Scotland, to enable them to get the resources together in order to bid. Something that we have touched on in previous hearings is the fact that there is a risk with bidding rounds that those authorities and areas that are well used to engaging with Government tend to do disproportionately well. This is an attempt to rebalance that to enable those higher-priority areas to get the resources to pull together good quality bids that we are looking forward to seeing in June.

Q156 **Shaun Bailey:** Thank you, Mr Pocklington, that is helpful, but just in terms of the modelling on that funding itself, how does that factor in the challenges as a result of lost revenue, and the additional support and up-front services that local authorities have had to have? Is that in there and, if so, how have you apportioned it?

**Jeremy Pocklington:** The capacity funding for the levelling-up fund is specifically dedicated to enabling local authorities in priority areas to get the resources together, maybe to employ some technical support to put their bids together. I think we have treated it as separate from the wider local government finance pressures that we are talking about today. Obviously, at a strategic level the purpose of the levelling-up fund—*[Inaudible.]*—of the pandemic—*[Inaudible.]*—regenerating town centres, upgrading local—*[Inaudible.]*—and investing in cultural heritage assets. That is more important now as a result of the pandemic, not less.

Q157 **Shaun Bailey:** Just so that I am clear, Mr Pocklington, you are saying that that capacity funding has not taken into account the fact that authorities in priority areas such as my own, which is a priority 1 area,



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will have had to, as a result of the pandemic, expend additional resource that they may no longer now have as a result of the pandemic. In other words, it sounds as if there has been more of a blanket approach taken to this capacity funding. Can I just make sure that I am understanding that correctly?

**Jeremy Pocklington:** I am slightly struggling to understand your question, Mr Bailey, or what is really underlying it.

**Chair:** Just answer the question. I don't think it is about what is underlying it. I think Mr Bailey has been very clear.

**Jeremy Pocklington:** The capacity funding is being provided to all priority 1 areas. I do not think that we are tailoring it by local authority—*[Inaudible.]*

**Chair:** We are losing you again, Mr Pocklington. Can Ms Frances take over? We are just not hearing it very well. We have been struggling a bit.

**Catherine Frances:** I think the clarification is just in relation to the nature and the level of the capacity funding. What I have in front of me here suggests that there is flat-rate capacity funding, which is given to different local authorities provided that they are in that category 1 tranche or group, and also in the authorities in Scotland and Wales. If for any reason I have that wrong, I will of course let the Committee know, but that is the information that I have in front of me.

**Shaun Bailey:** Okay. Chair, I will leave that strand of questioning there for now, I think, given where we are.

**Chair:** Thank you, Mr Bailey. Of course, the Committee has got an interest in this—we have looked at the towns fund and the levelling-up fund and all of that—and we will look very closely at how that money is spent, because of the methodology. We are still waiting to see some detail for certain elements of certain new funds coming forward. Thank you very much indeed for that.

Q158 **Mr Betts:** I have two points. Mention was made of changes like 100% business rates retention that have not been brought in yet. That scheme is incredibly complicated because it is trying to encourage local authorities to allow development and act as a form of equalisation when money is redistributed. It is so complicated that even the Department has misunderstood it three times in the last few years and got its calculations wrong. For the future, are you pursuing exactly the scheme towards 100% retention that you have already announced, or will you look again at these complications to see if you can get a scheme that is easier to understand and easier to use?

**Alex Skinner:** I will answer that, since the errors are mine. I assure you that we do our very best to minimise the errors. The answer is that the Government's stated intention is that business rates retention should increase from broadly 50% across the country to 75%, but it has said, as a result of what has happened in the pandemic, that we need to take



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stock, and now is an opportunity for us to engage with local government to understand what is the best way forward. That is exactly what we will be doing. Then, as both Jeremy and Catherine said earlier, the expectation is that we will look to engage with local government and finalise the plans in the run up to the spending review, which will be later this year.

**Q159 Mr Betts:** Okay. I hope local government is listening to you, because I think it is having difficulties and challenges trying to understand it, like everybody else is.

Finally, reference has been made to the review of business rates, which is about where the money is raised, and the fair funding review, which is about where funding is distributed. In terms of the quantum, the LGA went into the pandemic saying that there was a £5 billion shortfall in funding available to local councils to deliver services. It has since told us that, despite the best efforts of the Ministry, there is a difference of about £600 million in what local authorities have had to spend, the income they have lost and what the Ministry has been able to give them as a result of the pandemic.

We know that some of the income losses in leisure and so on will continue going forward, and importantly—this is often forgotten—during this year many of the savings that were planned have not been delivered because staff time has been focused elsewhere. Will the Department look with local authorities at the overall impact on the quantum of funding needed in the next funding review to deliver the services that we all want to see?

**Alex Skinner:** Certainly, we would do that as part of our preparations for the spending review. As I said earlier, I think it is critically important that we look at the short-term, the medium-term and the long-term impacts, but we would be looking to capture all of those as we prepare for spending review '21 and then work with colleagues in other Government Departments and the Treasury.

**Q160 Mr Betts:** Looking back at local authorities providing information on a regular basis, will you use that system, particularly on things like loss of income and savings that have not been achieved, to allow local authorities to put forward a collective view assessing all that information together so that you build up a total picture based on the reality of what is happening in authorities?

**Alex Skinner:** Certainly. I think the monitoring returns will give us a really good insight into the pressures that local authorities are currently facing and the support that has come through the various schemes that others have talked about during the course of the day.

I would stress, though, that that is not all that we do. We visit local authorities, we talk to them, and we have surveys with them looking at other things like efficiencies. So, yes, but as part of a much larger process of engagement with local government, stakeholders like CIPFA and other Government Departments.

**Q161 Sir Geoffrey Clifton-Brown:** Can I come to you again, Mr Skinner, and



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ask about the leisure recovery fund, which is troubling my district councils of Stroud and Cotswold, and no doubt other councils up and down the land as well? First, there is the business about whether facilities are run in-house directly or run by a provider—one is a cost and one is an expense. Why are they classified differently?

**Alex Skinner:** This was a question you asked me the last time we met, and I wrote on 17 December setting things out. The critical distinction is that the national leisure recovery fund is designed to support local authority provision that is provided externally or that has been brought in-house in the last year. That is one element of the support. It is a £100 million fund, run by DCMS, and they and their accounting officer are probably best placed to answer specific questions on that.

We then run two potential support packages. One is that if you make money from your leisure provision, then you can apply to the sales, fees and charges scheme to get some support. That makes sense because the income scheme is designed to deal with reductions in income, and so only if you make income can you apply to that scheme.

Then, the other thing is that we have said that from the £4.6 billion that we have put into the sector, for those local authorities that subsidise their leisure provision they are able to use funding from that £4.6 billion.

Also, as others have said, while not specifically mentioned as a priority, we have successfully put in additional funding, over and above what is required, to meet the pressures that are outlined in the monitoring forms that local authorities have returned to us, so they can use that money to support their facilities.

The key thing is that if you subsidise, you use expenditure; if you get an income, you use income; and if it is external, then you can apply to the national leisure recovery fund.

Q162 **Sir Geoffrey Clifton-Brown:** Can I ask you why local authorities were only given about a week's notice to apply for this fund? It was incredibly difficult and complicated to apply. Isn't this really another example of where local authorities aren't given adequate warning about the various Government schemes that are out there?

**Alex Skinner:** It is a DCMS scheme, so you would have to ask the accounting officer and Ministers there, but my understanding is that colleagues in Sport England and DCMS worked very closely with the sector to design the scheme and have done their very best to keep them up to date as the scheme progresses. And I understand that virtually all of the payments have now been made to local authorities to support them with the challenges they have with their leisure provision.

Q163 **Sir Geoffrey Clifton-Brown:** The final question is this: the terms of the scheme are that the funding must be passed to the leisure providers in full, but in my area those leisure providers are quite big, well-resourced companies. They have been given grants by the local authorities. Are you sure that these grants that these leisure companies have been given are



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providing value for money?

**Alex Skinner:** If a local authority has made a decision to give a provider a grant, I think that would be at a local matter, as long as—as I think Catherine said earlier—they are operating within the framework that we set out. So, local authorities have discretion to provide grants to suppliers, and if they have made that decision locally, then that would be one for them.

**Sir Geoffrey Clifton-Brown:** Thank you. That is very helpful.

**Chair:** Thank you very much, Sir Geoffrey, and thank you to our witnesses. Obviously, this is an issue that we will continue to return to, along with our sister Committee, the Housing, Communities and Local Government Committee. And again thanks to Clive Betts MP for joining us today from that Committee.

The transcript of this session will be up on the website in the next couple of days and we expect our Report to be published at some point after the forthcoming Easter recess.