House of Commons

Public Accounts Committee

Oral evidence: Local authority commercial investment, HC 312

Friday 15 May 2020

Ordered by the House of Commons to be published on 15 May 2020.

Members present: Meg Hillier (Chair); Mr Gareth Bacon; Olivia Blake; Sir Geoffrey Clifton-Brown; Mr Richard Holden; Craig Mackinlay; Sarah Olney; James Wild.

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

Questions 65-143

Witnesses

I: Jeremy Pocklington, Permanent Secretary, Ministry of Housing, Communities and Local Government, Catherine Frances, Director General, Local Government Finance, MHCLG, Alex Skinner, Head of Local Government Finance, MHCLG, and Will Garton, Director, Public Services, HM Treasury.

HOUSE OF COMMONS

Reports by the Comptroller and Auditor General

Local authority investment in commercial property (HC 45)

Examination of witnesses

Witnesses: Jeremy Pocklington, Catherine Frances, Alex Skinner and Will Garton.

Q65 **Chair:** Welcome to the Public Accounts Committee on Friday 15 May 2020. This is a little unusual, in that it is a public hearing but you are not yet in public, because our good colleagues in *Hansard* will take this down from the recording. They are sitting in and will make a transcript, which will be available about Tuesday—they may correct me if I am wrong. Obviously, we might feed elements of this to sister Committees and others between now and that time. Everything you say, therefore, is on the public record. You cannot amend that—as you know with *Hansard*, what you say is what they record—so, just to be clear, it is a public meeting in that sense.

I welcome our witnesses, including Jeremy Pocklington—welcome to your first session as Permanent Secretary at the Ministry of Housing, Communities and Local Government. It has been a baptism of fire to become Permanent Secretary right at this moment. Thank you for taking the time to join us on this important issue.

We also have Catherine Frances, Director General for Local Government Finance at MHCLG. It is a very busy time for you as well, Catherine, so thank you for joining us. Alex Skinner is Head of Local Government Finance. I don't think that I need to say to each of you that you are busy, because we know that—take it as read. We thank you for what you do. Will Garton is Director of Public Services at the Treasury.

On behalf of the Committee, thank you for your hard work—not just by you but by your teams—to support the delivery of services in response to coronavirus. We have some detailed questions on that, as well as on the main issue we are looking at today, which is local authority commercial investment.

Local authority commercial investment is huge. Councils spent £6.6 billion on commercial property between 2015 and 2019, which is more than 14 times more than in the previous three years. We know why that is—because councils need to find the money to deliver public services—but we are keen to tease out from you where the Department sees its role in overseeing the risk of exposure in that context. Also, some councils definitely spend a lot of money outside their own geographical regional area, and others clearly invest in regeneration for social benefits. We are therefore interested to tease out how the Department sees its role.

I will start by asking a bit about coronavirus funding. The Secretary of State wrote to Clive Betts MP, the Chair of the Housing, Communities and

Local Government Committee, following up on the questions that Committee had on how much of the spending by councils will be covered. You put in £3.2 billion in un-ring-fenced additional funding. The Secretary of State, in his letter, stated that he wrote to the councils on 30 April, "asking them to prioritise specific tasks". He promised to support all councils with the additional costs incurred by the extra work "we have asked them to do" in respect of covid-19. May we be clear, Jeremy Pocklington: is that money ring fenced or not?

Jeremy Pocklington: I can give you a simple answer to that question: the £3.2 billion that we have allocated to councils is un-ring-fenced money for councils to prioritise according to local need. In the letter from the Secretary of State to which you referred, we set out clearly the tasks that Government have asked local councils to lead on in response to coronavirus. Councils have a really important role to play in that response—keeping the country moving, saving lives and delivering public services—so it is absolutely right that we have leaned in to provide additional funding for councils for those tasks, but the precise allocation is for local councils. That is what councils ask us for, saying that is what they want, rather than ring-fenced money—so the £3.2 billion is un-ring-fenced. However, the £600 million that the Prime Minister announced earlier this week is specifically for infection control in care homes, so that money will be ring-fenced for specific purposes.

Q66 **Chair:** Thank you. You would acknowledge that there has been a slightly different tone, perhaps driven more by the Treasury, that councils would be funded for the extra funding that they would be providing, which they would have to release, yet we know that many councils are effectively technically bankrupt, even with this funding, because the gap between what they have had to spend and what they have had from Government is too great.

Can you explain what the Department's plan is to prevent section 114 orders being made, because I think we would all agree that the last thing we want is to have to send in commissioners and have the Government take over the running of local councils at this time.

Jeremy Pocklington: I completely agree that we want to avoid section 114 notices being issued; that is of course important. We are not aware of any councils being in imminent risk of issuing a section 114 notice, but we are, as a Department, monitoring the situation closely through a system of monthly returns that we are asking local authorities to provide us with, setting out the detail of their expenditure pressures and what is happening to their income, so that we can make informed decisions on local government finance.

We are supplementing that in the usual way with our regular engagement with local government, through the Local Government Association. We are also working with other Government Departments in our role as stewards of the local government system, to understand what policy teams are learning from their direct engagement with councils. This will enable us to take a well-rounded and informed view about local government finance.

In addition to the money, we have taken steps to secure the cash flow of councils in the short term. Again, that is set out in detail in the letter, because one thing we have heard from councils is the importance of giving them confidence in the short term through cash-flow measures.

Chair: Thank you. I am going to ask Olivia Blake to come in on some more detail on this and on some of the content of the letter.

Q67 **Olivia Blake:** I would like to ask more about the money and the asks of local government with regard to vulnerable people. Essentially, do you think that local authorities have the capacity to do what you have been asking of them?

Jeremy Pocklington: I think the response of local government during the crisis has been excellent, and I would like to put on the record our respect and admiration for everything that local government has done. With regard to the specific area of vulnerable people, I assume here that you are not talking about adult social care. The specific area in relation to vulnerable people that we have asked for local government support on relates to the shielding programme—the programme of support that we have put in place to support the clinically most extremely vulnerable people, as defined by the NHS and by the Department for Health and Social Care, who need to isolate during this most intense period of the crisis.

Local authorities have played a great role, particularly in helping to establish that programme. It is designed to ensure that the most vulnerable people on a clinical basis who also have no other means of support—so they are socially vulnerable as well—can get access to food, medicine and the basic care that they need.

Q68 **Olivia Blake:** Did you also consider deprivation—I know that you talked about social vulnerability—when considering what to ask councils to do on vulnerability?

Jeremy Pocklington: The shielding programme is designed to capture those who are both clinically and socially vulnerable, so through that double lock it will be capturing those who are often in deprived communities and do not have family or neighbours, for example, whom they can rely on.

Q69 **Olivia Blake:** I want to move on to the rough sleeping policy that was announced, and reports over the last 24 hours that the Department is ending payments for the hotels that are currently being paid for. Is there any truth to the story? The leaked report was alluded to in the *Manchester Evening News*. If it is true, what is the longer-term plan for supporting these individuals?

Jeremy Pocklington: My Department has very clearly corrected the story, which was not correct. The Government are not reneging on the commitment that they made at the start of this national emergency. We are clear that councils must continue to provide safe accommodation for those who need it, and any suggestion that funding is being withdrawn or that people are being asked to leave hotels by the Department is unfounded.

There is an important challenge about where we go now and what our approach is to the next phase. We are working very closely, I am delighted to say, with Dame Louise Casey, who is spearheading a taskforce to look at our approach to providing to those who need it accommodation that is safe and appropriate for the long term. That taskforce is working with a range of stakeholders in local government and in the voluntary sector and with business, so that we can provide appropriate accommodation once the immediate crisis is over.

Q70 **Olivia Blake:** We asked council leaders on Monday what their long-term strategy was for assisting in the long term these vulnerable people who are homeless, and it was quite clear from them that they were dealing with the here and now. What further support is your Department going to give councils to meet the Minister's ambition to make this an end to rough sleeping in the longer term?

Jeremy Pocklington: You are right that inevitably a lot of the attention has been on the here and now and the immediate response to the crisis. The need to move now to look at the next phase is why we have established the taskforce, and why I am delighted that Dame Louise will spearhead that work for us to help build the capacity so that we can collectively bring people together to think about what is next.

We have provided funding within that £3.2 billion for this. We also provided additional funding at the March Budget—I think £112 million was provided for the rough sleeping initiative for this year. That was an increase on the previous year of £26 million. We also have a longer-term programme that was allocated for in this Budget—£489 million. Just to be very clear, the £112 million is part of that £489 million. That will also help over the course of this year and in the coming years to provide better and more appropriate accommodation for rough sleepers.

Q71 **Olivia Blake:** On that point, are you envisaging any cuts to wraparound services, which are obviously incredibly crucial within the very complex lives that rough sleepers lead, as a result of the crisis that local government is facing currently, and if so, do you think that will hinder your ambitions in this area?

Jeremy Pocklington: That is an issue that the taskforce will need to look at. It is established and it is working, but obviously it is still relatively early days for the taskforce.

Q72 **Olivia Blake:** Moving on to what your definition of "new burdens" is, would you be able to provide the Committee with a list of what you would define as new burdens in relation to getting more funding for those—

Chair: In the current context.

Jeremy Pocklington: They are the new burdens that we have set out in the letter from the Secretary of State that we are funding.

Q73 **Chair:** Is that as complete a list as you can provide? It is quite broad in many cases. We have had a long session on homelessness and rough sleeping.

Jeremy Pocklington: It is broad. There is obviously considerable work that has gone in behind that to calculate the figures in the usual way. The biggest and most important pressure that we are dealing with relates to social care, and that is the biggest priority at the moment.

Q74 **Chair:** Would you be able to provide a bit more of the detail that is behind that list in the letter, because that is one paragraph in a letter? We had a long discussion with Ms Blake about homelessness and rough sleeping on its own, and there are layers to this. Some of this would not be new. Not all of that is new burdens.

Jeremy Pocklington: Of course, we would be happy to do that.

Chair: I am sure that local treasurers will be very interested. Ms Blake, do you have any further questions?

Q75 **Olivia Blake:** I want to ask about discretionary grants, and that will be my final question. Just for clarification, will authorities be able to repurpose some of that allocation for discretionary business grants?

Jeremy Pocklington: Could you please repeat the question? I didn't quite catch it.

Olivia Blake: Could you clarify whether authorities that have had allocations for business grants and have not yet used them will be able to repurpose that funding for discretionary grants? Quite a lot of businesses—in Sheffield, for example—have been unable to get grants because they slipped through the net.

Jeremy Pocklington: Apologies; I didn't quite catch the question the first time, but I now understand it. You are right; we have allocated £12.3 billion for business grants. We are aware—and councils did tell us this—that there were some difficult borderline cases that were not quite captured by the definitions and criteria that Government set out. That is why we allocated an additional 5% for allocation for local authorities to provide support to businesses severely affected by the coronavirus crisis that were not necessarily captured by the original criteria and that might have been affected. A concrete example might be businesses in shared workspaces that would not have qualified initially. We have acted on that feedback and given that additional 5% discretion.

Q76 **Olivia Blake:** What is that 5% of? Is it 5% of the allocation or 5% of what has been allocated?

Jeremy Pocklington: It is 5% of the £12.3 billion, which is a little over £600 million.

Olivia Blake: Thank you.

Q77 **Chair:** Mr Pocklington, you said that is 5%. Is that a flat rate 5%? Is there any more discretion for councils where, for example, they might have more shared workplaces or premises without business rates?

Jeremy Pocklington: Could I invite my colleague Alex Skinner to clarify? It is £617 million in total, I think. If you want a precise definition of what it means for an individual council, Alex can explain.

Chair: That would be helpful. We have had a lot of evidence from people who are concerned about this.

Alex Skinner: It is £617 million pro-rated to the original allocations that the local authority can send.

Chair: Okay. There might be some arguments from treasurers about that, but thank you. I will move on to Sir Geoffrey Clifton-Brown.

Q78 **Sir Geoffrey Clifton-Brown:** Permanent Secretary, may I too welcome you to your first appearance before the PAC? My council, Gloucestershire County Council, asked me to obtain clarification from you about the £600 million additional funding from the social care sector. You have helpfully told us this afternoon that it is ring-fenced and is for infection control, but can you tell us how local authorities are to allocate that money? Will it be for all care homes? Will it be based on all their beds or is it related to those beds that local authorities fund?

Jeremy Pocklington: Thank you for that welcome. Further detail on the allocation of the £600 million will be made very shortly by Ministers, so the precise formula that will determine the allocation for your council and other councils will be made clear very soon. The Department of Health and Social Care wrote yesterday to councils to set out the detail of the broad approach being taken. This money is to be used for infection control in all care homes in their area. We will be asking councils to prepare a care home resilience plan to set out what they are doing to improve infection control and reduce the rate of transmission in and between care homes. My colleague, Catherine Frances, leads on this area and will know more detail.

Q79 **Sir Geoffrey Clifton-Brown:** Catherine, if you can give us any additional detail, that would be welcome.

Catherine Frances: Of course. Local authorities, which were written to yesterday, have been asked to prepare a care home support plan for their areas. In practice, many will have something like that in place already, but that is to ask each local authority to look across the full patch of their local providers. This is a Department of Health and Social Care lead, but we think that smaller care home providers might need particular help and support around them to make sure that they understand the full infection control processes they should be going to.

The NHS has written to CCGs and GPs and offered an enhanced care provision so that care homes can now have a nominated clinical lead to go in and support their staff. Local authorities will be required to work with CCGs and their own directors of public health and directors of adult social care to check up on care homes in their area, whether or not they normally fund them.

They will be asked to check whether the infection prevention procedures have been followed and that the processes are in place to do that. They will be asked to check whether care homes are aware of the testing procedures that they have access to. They will be asked to confirm that the NHS is indeed offering the help it has offered to each care home. They will also be asked to look particularly at the workforce, because there is evidence, which was circulated by the Department of Health and Social Care yesterday, that there is some asymptomatic transmission of coronavirus between staff and residents.

In particular, we are asking councils to work with care homes in their area to work out if it is possible to support those homes to say that perhaps a member of staff should work in only one care home, rather than moving from place to place. There is a set of suggestions for councils to explore with local care homes.

Q80 **Sir Geoffrey Clifton-Brown:** When this whole coronavirus episode is investigated, one of the most critical elements that has still not really been sorted out is the amount of testing for care home workers to see if they actually have the disease. I suspect that a lot have been working in care homes with the disease, and that is perhaps why the death rate is so high. Can you comment on that at all?

Catherine Frances: On the details of testing, you would have to ask the Department of Health and Social Care, but one of the things that was announced yesterday was a new portal for social care homes and local authorities to use so that they have immediate access to the national testing service. That is available to care homes with older clients and people with dementia in the first instance. They are looking at a wider roll-out.

There are other ways for care homes to access support. Employers can ask for their care home workers to have home testing, and home testers themselves, who are key workers, are allowed to ask for those sorts of tests. There is a set of mobile units that have been moving around the country to help to add additional support. If you want more detail than that on the testing, you might have to ask the Department of Health and Social Care, which leads on it.

Q81 **Sir Geoffrey Clifton-Brown:** Chair, I have just one further question. My county council has asked me to obtain any clarification that you are able to give on the pressure from the care sector that the local authority should fund vacancies up to 90%, which would be a huge financial burden on them. Are you able to give us any information on that?

Catherine Frances: Certainly. There is always a balance to be struck in allocating funding to local councils. We consider both their need to manage their resources to locally—as Jeremy set out, we are keen to allow them to do that, because they know best the pressures they face—and, in this context, the pressures that the care sector is facing. Of course, many care homes might be facing pressure because of other drops in their income.

The Secretary of State has written to all councils and asked them to consider, when they use the £3.2 billion that they have been allocated, whether they should increase the fees to care homes by up to 10%, or alternatively look at other ways to support care homes in their area. For example, some are moving to paying care homes on plan, rather than in arrears, and some are offering help in kind in different ways.

We would expect a slightly different approach in different local areas, but we are absolutely mindful of the fact that they have cost pressures, and councils need to pass the funding on where it is necessary. It is a bit of a mixed economy, because we have the un-ring-fenced grant, and then, as Jeremy set out, the £600 million that has been allocated for infection control, which is actually ring-fenced to go straight to the care sector. We are trying to balance the different requirements appropriately.

Q82 **Chair:** Can I just check something with Ms Frances, as you were on your feet, so to speak? That is quite a lot to ask of local councils. They are being asked to set up a kind of new infrastructure to go mostly into private sector care homes. They no longer inspect, of course—that is for the CQC—so they lost that infrastructure a while ago. Is that considered a new burden? It seems almost additional to the £3.2 billion that has gone in, because you have just asked them to do that. Is the £600 million enough to cover all of that?

Catherine Frances: You are absolutely right to strip this out into different elements. In a sense, the £3.2 billion included a lot of funding, and the feedback that we had from councils is that the social care costs were starting to rise. For councils that provide social care services, that was the dominant pressure that they reported to us in their first monthly return. This particular £600 million is to deal with a very specific cost, which we expect councils to face as they are mobilising to look at infection control. The Department for Health has said that they expect this funding to last for about two months for councils for that very particular task, but they will monitor it closely and see what happens, and of course we will monitor it closely as well in our conversations with councils. It is distinct, however, from the wider funding that has gone into the sector on a non-ring-fenced basis.

Chair: That is helpful clarification.

Q83 **Mr Holden:** I just want to pick up that point. I know it is not ring-fenced, but there has been a lot of discussion between councils about the two different tranches of funding. My understanding is that they were weighted differently. Was the first tranche aimed at anything specific, and was the second tranche aimed at anything specific? Should we view them as a whole or as two separate issues?

Catherine Frances: I am happy to come in here, and Jeremy might want to add to it. The two tranches should definitely be viewed as two stages of the same story. What happened is that the first £1.6 billion was allocated in mid-March, and at that point we were acting in anticipation of knowing what pressures would come through the systems.

Q84 **Mr Holden:** I take it that some of that was to do with social care funding for higher-tier authorities.

Catherine Frances: Absolutely. The vast majority of that £1.6 billion went out using the traditional adult social care formula, which is a well-worn formula across the sector, and a smaller amount was a general fund. By the time we came to the second allocation, which was in April, we had the first returns from local councils about the cost pressures they were facing, and some of their income pressures too. We allocated that funding on a population basis, and that was because we were looking for something that was transparent to use.

We needed either an established formula or something that everyone would recognise, because there was a premium on pace. When we analysed the data that we got in from them, population was the best proxy. That included, critically, some funding to shire districts, which received a very small portion of the first tranche. That was reflecting the fact that shire districts had faced some income loss from fees and charges that we thought it unlikely they would get back.

Q85 **Mr Holden:** Indeed. I just wanted to get the point across that we should view those as a whole thing. In my local authority of County Durham, we have a more deprived community in general; in the two tranches, we got vastly different amounts on a per head basis. But you are saying we should view them together as a total package?

Catherine Frances: Absolutely, and the adult social care formula for the first allocation includes a tranche of deprivation weighting as part of the formula.

Q86 **Mr Holden:** Great. Moving on the £600 million that you are giving to councils now—there was £3.2 billion and this is £600 million on top of that—can you give us any more detail at all about how that will break down? One thing that my local authority is concerned about is that you will weight it in a strange way. Is it going to be sort of clear and transparent, on a per bed basis or something like that?

Catherine Frances: The details of how it will be announced are not yet made, so I am afraid I cannot pre-empt that, but we will certainly make sure that when it is allocated, the description of how it is allocated will be clear and transparent.

Q87 **Mr Holden:** To pick up a little bit on what the Chair and Olivia were saying about the discretionary funding, my local authority has been given around £110 million of grant funding overall. However, it has only managed to allocate around 90% of that; they are hoping to get to the mid-90%s, but they do not want to end up simply having to hand back £5 million or £6 million of moneys to yourselves at the end of it, because they cannot get in touch with people or people just are not asking for that extra funding. I wanted to know whether they will be able to spend all of the around £100 million of money that has gone out to them in terms of grants. Will they then get the 5% on top of that, or will they have to find that 5% of discretionary funding from the money that you have already allocated to them?

Catherine Frances: Would you mind if I passed that to Alex?

Alex Skinner: On that particular point, when the initial allocations were made, they were done on the basis of modelling and the best available information that we had at the time. There was a recognition that there could be a discrepancy between the amount an authority was allocated and the actual amount that it would be able to pass on to businesses. The way the new funding works is that it is an additional 5% in total. Where a local authority has not been able to spend its total allocation because its original allocation was in excess of that which it would have been able to spend, the 5% will come from that. Where the local authority has completely spent its resources or, indeed, gone beyond, the 5% will be in addition. At an aggregate level, it will be at 5% in addition, but depending on the local authority, because it was based on modelling rather than on the precise facts as they have now turned out. That was the way that it was done.

Q88 **Mr Holden:** I understand, but when I speak to my local authority, do they have any discretion on that first 100%? Can I tell them to shove cash out of the door to other discretionary people, and then you will give them another 5%?

Alex Skinner: The discretion they have is on the 5%. On the original allocation, it is very clear how the grants should be given and who they should be distributed to. The extra 5%, as the Permanent Secretary has said, is in recognition of the fact that some businesses were not actually eligible for business rates. This supports them through the extra discretion.

Q89 **Mr Holden:** I know; I have many cases of that in my constituency, and they have been banging down the door, so I am glad that you have got that discretionary funding out to the local authorities. I just wanted to know about that initial tranche. Basically, you are telling me, "Get them to ram it out there to as many people as possible who would be eligible for it."

Alex Skinner: Absolutely, and across the country local authorities are doing exactly that.

Mr Holden: Durham have been doing a good job on that.

Q90 **Chair:** Can I just say, Mr Holden, that there was a poker face there from the Treasury, with the talk about shoving money out of the door. I wonder whether the Treasury would like to comment on that approach to local government spending money?

Will Garton: I can assure the Committee that the Chancellor of the Exchequer wants that money out of the door PDQ and is holding officials' feet to the fire on precisely that question. There is no reticence from us.

Chair: No reticence from the Treasury on spending money? Let's milk this one while we can, Mr Holden.

Q91 **Mr Holden:** Good news on that one, Chair. I will be letting Durham know to open the floodgates. May I ask one final question to the Permanent Secretary on something that has arisen today? There have been some councils in the north-east—admittedly, not my own, which has been very good and stuck to the general Government advice—that have started to suggest that people should be following different advice to that which the Government is giving out on the broad coronavirus situation. What are you doing to those local authorities? Are you having words with them? It is really important that there is a consistent message on coronavirus across the country at the moment.

Jeremy Pocklington: Thank you for that. It is important that the guidance issued by the Government is followed throughout England—a lot of the guidance on social distancing is, of course, England-only—and I would expect councils to be following that appropriately. If we hear that councils are not acting appropriately, we will of course follow up, as you would expect us to do.

Q92 **Mr Holden:** Could I suggest that in order to avoid the balkanisation of advice in this area, you get in touch with both Gateshead and Sunderland councils, who I am very aware are causing massive confusion in my local area? On one side of one road, you have Gateshead; on the other side, you've got my constituency, and they are getting different advice to Durham at this moment. It is really important that there is some leadership and that your Department gets a handle on this.

Jeremy Pocklington: Noted. We will be happy to follow up on the detail. I should say that we are in regular contact with leaders and chief executives throughout the country at the moment. We are in regular dialogue, both communicating guidance as it is prepared—which will continue to evolve as the crisis evolves—and listening to councils. However, I will follow up on the specific examples that you have raised.

Mr Holden: Thank you very much.

Chair: We are going to move to Olivia Blake briefly, and then Sir Geoffrey Clifton-Brown for the main session.

Q93 **Olivia Blake:** I understand that some local authorities are furloughing quite a considerable number of staff. Are the Treasury and the Department supportive of local authorities doing this, and are you monitoring it?

Alex Skinner: Would it be helpful if I answered that question?

Olivia Blake: Yes, possibly.

Alex Skinner: Guidance has come out from the Government about under what circumstances local authorities should or should not be furloughing. The expectation is that local authorities will not be furloughing staff, because those staff will be used to support the coronavirus effort. However, the guidance does set out some circumstances under which local authorities may wish to consider furloughing: when the staff concerned are not funded out of public funds, when they cannot be redeployed, and when they are at risk of redundancy. Under those circumstances, a local authority may wish to consider that.

One example, about which I have had conversations with local authority finance directors, is that of a leisure trust where the people who work there are entirely reliant on their sales fees and charges, rather than being paid for out of the public purse. Under those circumstances, a local authority could consider furloughing. Obviously, the number of people who a local authority may wish to furlough will depend on the degree to which their income comes from central Government and locally raised taxes versus their income from sales fees and charges, and that will vary. It will also vary depending on the responsibilities of the local authority concerned.

However, we have been clear that that is a judgment for local authorities to make, and they need to do so with due attention paid to the advice. In the case of the scheme more broadly, if a local authority did not follow the advice, that is something we would want to take up with them, as you would expect. To follow up on your last point on whether that is something we are keeping an eye on, yes, we are keeping an eye on it.

Q94 **Chair:** I just wanted to go back briefly to Mr Pocklington, and possibly Mr Garton. We know that councils up and down the country are facing very difficult circumstances; I touched on this at the beginning. Whatever money is going out is being spent on coronavirus, but they are facing structural problems because of a lack of fees and income. Can we go back to what you said at the beginning, Mr Pocklington? You said that you were working hard to make sure that no council goes under as a result of this; can you just make that really clear for the record? Mr Garton, it would be helpful to hear your take on that as well, but Mr Pocklington first.

Jeremy Pocklington: We are monitoring the situation closely and we aware of how serious the situation is. The most immediate pressure we have heard of is on fees and charges. Councils have lost that income from car parking, leisure centres and other sources. That information influenced the allocation of the second £1.6 billion, which we have already discussed, so that district councils, which often suffer from that, received some benefit.

We also understand that there is a risk to council tax and business rates. But we do not know at the moment whether the risk there is one of deferral—a timing issue—or default. Councils have a good history of collecting these local taxes, as you know. We need to monitor that situation closely. That is what we will be doing through our monthly returns. The monthly return that happened this week is the first one where we will have any real data on what is happening to business rates and council tax.

Q95 **Chair:** In short, then. We all know that obviously, there is a cash-flow issue, but there is also an annual accounting issue. Do you have a plan for ensuring that no council goes bust—has gone bust—at the end of this financial year?

Jeremy Pocklington: Because of the risk I have identified, we have taken measures to improve cash flow to councils. That is why we have deferred the central share payment on business rates, which gives a cash boost of £2.6 billion. In April, we paid three months' worth of social care grants of £850 million. We also paid our business grant money earlier than planned, in order to ensure that councils have the cash they need in the short term while we do this monitoring in order to get a better handle on what will happen throughout this year.

Of course, we want to avoid any council issuing a section 114 notice. As I said, we are not aware of any council doing that imminently. I would strongly encourage any council at that sort of immediate risk to get in touch with the Department.

Q96 **Chair:** What about the Treasury's point of view, Mr Garton?

Will Garton: I would agree with everything Jeremy Pocklington just said. The only thing I would add is that we are in constant dialogue with MHCLG. We are looking at the data on a very regular basis. The Secretary of State, the Chancellor and the Chief Secretary have been completely clear that we will keep these things under review.

I am afraid that it is likely that we are still in the early stages of the economic consequences of covid. This will go on for some time.

Chair: Decades, possibly.

Will Garton: We are constantly looking at it. There will certainly be many more discussions on this subject to come.

Chair: I hope that there is a team in the Treasury thinking about the structural challenges of these changes, because, as you say, this will go on for a long time. I will bring in Craig Mackinlay for a quick question before I move to Sir Geoffrey Clifton-Brown.

Q97 **Craig Mackinlay:** This is for you, Mr Pocklington. We have just started to discuss the section 114 indications. What I am seeing is that the councils have plenty of cash at the moment. They have had a lot of the business rates or business grants in advance. They are unlikely to spend it all; there will be a clawback later on. I don't think cash is the issue.

You have raised a very interesting point of whether income will be deferred or in default. We haven't got a court system up and running properly for chasing defaults. It is going to be very difficult for a council at any stage in the next month, or two or three months, to say, "Well, we are in section 114 territory," because they will have no clue as to how good defaulting income, business rates, council tax and rental income will be until some months in the future. I do not think there is an initial cash problem; there might be an overall budget problem, but you don't know how it is going to unwind for a very long time.

Jeremy Pocklington: I understand the point that you are making. Partly because of the actions we have taken on cash flow, we are managing the problem in the way that you outline. On the issue of income and when it falls, at the moment we haven't yet got any real data on that. We will not receive that until the current monthly information round, and that will only be the first piece of information. As a responsible Department, we need to get a handle on that data before we make a decision about how best to manage it, but we obviously need to balance it with the need to give councils the confidence that they need to respond to the crisis. The situation is going to evolve in the coming weeks and months. We are monitoring it closely. It is a very high priority for me and the Department.

Will Garton: One other thing for the medium and long term is, of course, that some point this year we will have to do a spending review. That will be the right time to think about it in the round and about the overall impact that covid has had on public services as a whole.

Q98 **Chair:** This is a commitment to a spending review, is it, Mr Garton? We have had a lot of promises about spending reviews for a while now, and nothing has happened for over a year.

Will Garton: We will need to do a spending review of some description this year. The Chancellor has been clear on that. He was clear at the time that he deferred it.

Q99 **Chair:** Okay. Will it be a three-year or a one-year spending review?

Will Garton: A decision is yet to be announced on that.

Chair: We are now moving on to the main section. I should say, just so you are aware, Sir Geoffrey Clifton-Brown, that I am also texting you information, because I know you are not on one of the chat systems. We are now moving on to the main session about commercial investment. We have about an hour and a bit for this. I warn you, Sir Geoffrey, that we need to break at 3.30 pm to break the recording for our colleagues at *Hansard*. We will pause while we stop and start again to make life easier for them in their transcription. Sir Geoffrey, you get about 10 minutes, then we will have a little pause, and then you can carry on for another 10 minutes.

Q100 **Sir Geoffrey Clifton-Brown:** Mr Pocklington, given that the NAO Report makes it clear that between March 2016 and March 2019 the total external debt of local authorities increased by £14.3 billion, how much debt is too much for a local authority?

Jeremy Pocklington: That is a very good question, Sir Geoffrey, and it gets to the heart of the challenge that we are dealing with in this Report. The system that we have to manage local government borrowing is, at heart, a prudential system based on principles, the prudential framework and codes of guidance backed by statute, so that local councils and their elected members and officers can take appropriate decisions about what is an appropriate level of borrowing.

It is clear from what we have seen set out in the Report that the prudential framework is not appropriate for the challenges that we have today. That is why we are taking further action through the Treasury consultation on the Public Works Loan Board. That is why we need to continue to consider questions like the one you are raising, which is ultimately, is there a point at which borrowing can be disproportionate, relative to the size of a local authority? Is there a point at which local authorities are taking too much risk compared with what would be appropriate? That is the balance between a prudential framework versus making decisions on proportionality and hard decisions like that that we are managing. Our proposed route through it is the Treasury consultation.

Q101 **Sir Geoffrey Clifton-Brown:** The Treasury review is a bit like bolting the stable door after the horse has bolted, isn't it? How was a council like Spelthorne, which has annual spending of roughly £23 million, allowed to borrow £1 billion, largely—almost exclusively—through the Public Works Loan Board? How could that situation ever have been allowed to occur?

Jeremy Pocklington: I do not think that example is consistent with the spirit of the prudential framework within which we operate. The Department, the Treasury and CIPFA took action to strengthen the prudential framework following the NAO Report in 2016 and the Public Accounts Committee hearing at the time. A number of important changes were made but, ultimately, there was not a binding constraint on the actions of a council like the one you outlined. The Department had considerable engagement with the council but, ultimately, it did not have the power, in advance, to stop a council borrowing that money.

Q102 **Sir Geoffrey Clifton-Brown:** Given that Spelthorne tells us that it only has a net return of 1% on that £1 billion of borrowing, what more can be done to encourage section 151 officers to look at such investments? A 1% return is not sufficient for the additional risk that is involved in investing in commercial property. Here, I declare an interest as a chartered surveyor, so I know what the risks of investing in commercial property are. Is a 1% return sufficient for that extra risk?

Jeremy Pocklington: A consultation has been launched by the Treasury. In future, assuming that we implement the proposals set out in the consultation, councils will be prevented from investing in commercial property and from accessing the Public Works Loan Board. That, we think, will stop councils not only borrowing, in particular, but investing in these sorts of commercial property arrangements that are primarily for yield.

You also asked about value for money, whether 1% is appropriate. In part, that is a value-for-money decision for the individual council. Government does not police individual decisions in advance. However, I am worried about a system that enables large numbers of deals like that to proceed—deals that are primarily for yield and do not have wider regeneration, economic policy, placemaking or service delivery objectives at their heart.

It is important, as we consider the action we take, to remember that most councils borrow moderately and prudently for those wider policy aims. Yes, there may also be a yield, but this is councils acting sensibly to deliver policy goals to improve local communities. That is an important part of the system.

Q103 **Sir Geoffrey Clifton-Brown:** I am using Spelthorne as an example, but I might just as well have used the Forest of Dean, my neighbouring local authority, as another one. It is about to borrow £50 million to buy a shopping centre in Worcestershire, nowhere near its own authority area. These are egregious examples of things that local authorities should not be doing, are they not?

Jeremy Pocklington: The Department has been clear that councils should not borrow purely for yield. That was made very clear in the changes that we made to the prudential framework consulted on in 2017 and introduced in 2018. Those changes have not had all the effect we need. That is why we are taking further action now through the Treasury consultation, by essentially restricting access to the Public Works Loan Board for councils that plan commercial investment in any given year. We will severely restrict councils' ability to borrow for the sorts of out-of-area investments that you are alluding to, which are for yield rather than for policy reasons.

Q104 **Sir Geoffrey Clifton-Brown:** Mr Pocklington, this Committee made recommendations in its Report in 2016 on this matter. You made further changes in 2018, but did not stop the practice. The Treasury is now reviewing this again. How much longer will it take before we stop this completely imprudent investment by local authorities?

Jeremy Pocklington: We did take action following the Report in 2016. We took a number of steps to improve the prudential framework. We required local authorities to have investment strategies. We were very clear that councils should not borrow purely for yield. We made it clear that capital strategies should be agreed in full council, and where authorities are making investments it was important to focus on security and liquidity, ahead of yield, and that was clear for all investments, not just financial investments.

So, action was taken following the trends that were seen leading up to the 2016 Report. But it is clear that although those changes have had an effect, and that is set out in our post-implementation review, which we have published, it is clear that we need to take further action. That is why we are consulting on the Treasury proposals. That consultation will close in the coming months. I think it will close in July; my Treasury colleague will be able to confirm that. Then, Ministers will be able to make a decision after that, in order to enact these changes. Using the lever of the Public Works Loan Board enables us to respond relatively quickly compared with other levers that we could use, for example a change in primary legislation.

Sir Geoffrey Clifton-Brown: Mr Garton, this seems to have landed the whole problem straight into the Treasury's lap. I am concerned that the accounts for these local authorities are not—

Chair: Sir Geoffrey, I am sorry to interrupt, but I think if we do not pause now we will interrupt you more, because you will not get the answer to your question on this recording. We need to pause the recording now. We will ask Brad to let us know when he has paused it and when he has restarted it, I will come straight back to you.

We are back in action. Sir Geoffrey, sorry for the interruption.

Q105 **Sir Geoffrey Clifton-Brown:** I was coming to you, Mr Garton. Doesn't this land the whole matter in the Treasury's lap? I am very concerned about how this money borrowed by local authorities from the Public Works Loan board will ever be repaid. Are the levels of minimum revenue provision in the accounts of local authorities that have borrowed this money sufficient, in your view, that, prudently, this money will be repaid by them?

Will Garton: I would not quite agree with the characterisation that the problem is just in the Treasury's lap. The Treasury works incredibly closely with the Department on this issue; we have done on the consultation and all the work in this space.

I might just respond very briefly, if I may, on why it has taken so long. In recent weeks, the Treasury has taken the PWLB effectively in-house. The PWLB used to be run by volunteers, commissioners who were employed in a largely ceremonial role. Legally, we did not have the power to act when those commissioners were the legally responsible guardians for the PWLB.

Taking it in-house has been a complicated process, amending 18 Acts of Parliament dating back to 1861. Once we had it in-house, which was February this year, we issued a consultation on changing the terms of business within three weeks. On your question on whether the horse has bolted, as it were, CIPFA are clear that they would like local authorities to behave as if the consultation is being implemented as proposed until they hear otherwise, so we should already be starting to see the effects of the proposals that we have put out.

Minimum revenue provision is probably more for Alex, and he might want to come in. What I would say is that on the terms of our consultation, we do obviously want, for the taxpayer, the money to be repaid. That is why we have said that one of the exclusions we intend to make is that where a local authority needs to refinance its debt to support its borrowing, we would allow access to the PWLB, but we are also consulting, in question 25 of our document, from memory, on shortening loan length and ensuring that the principal is repaid to make sure that the taxpayer gets their money back. Alex might want to come in on the specific point of MRP.

Alex Skinner: I can be brief on MRP. One of the things that we did when we revisited the codes was to look at the MRP guidance, and that is very clear. It suffers from the problem that Jeremy has set out, in that it is a code to which local authorities must have regard, though I would say that if you are a CIPFA finance director, then, as part of your professional obligations as a member of CIPFA, you should follow what the codes say, rather than have regard to them.

The MRP guidance was deliberately designed to address the concerns that you have raised, Sir Geoffrey, which was that in some cases, local authorities were not making prudent provision. I note that in the NAO Report it says that there are a small number of local authorities that continue, it seems, not to be following that guidance. That is something that we need to follow up, because under the current system, they need to be setting out very clearly why they would not be following the minimum revenue provision and how they would be making equivalent provision so that, exactly as you have said, they could assure themselves and their local population that they were making prudent provision for the repayment of the debt.

Q106 **Sir Geoffrey Clifton-Brown:** Again, with great respect, Mr Skinner, that seems a bit laissez-faire. The Report makes it quite clear that two authorities' accounts have been qualified in that respect, and yet you are now saying, "Well, we should perhaps follow this matter up." Surely, as soon as you receive an auditor's report from a local authority that is qualified—it is quite a big step for an auditor to qualify an account—that ought to be followed up immediately.

Alex Skinner: Sorry, but to be clear: that is something that we follow up. The point that I was making was that in respect of the codes, they are to have regard, and the leverage that we have there is limited. As you say, however, if a local authority is not doing something and is having its accounts qualified, that is something that we would follow up as part of our normal relationship with the local authority.

Q107 **Sir Geoffrey Clifton-Brown:** Back to you, Mr Garton. If you have taken the PWLB in-house, can we take it that the Treasury will be looking much more carefully at due diligence on every single loan that it makes, to make sure that there is a realistic prospect that it will be repaid?

Will Garton: I should say that we are out to consultation on the precise terms of the proposed changes to the PWLB. We have proposed quite a substantive change. Under the terms of the consultation, local authorities will not be able to engage in debt-for-yield activity both within and outwith their boundaries. That is a significant change to the current system. Your neighbouring authority will simply not be able to go and purchase a shopping centre and have access to the PWLB.

We have considered whether to set up a great infrastructure in the Treasury or in the Ministry to assess each and every individual loan. We considered that that was not the right approach. I think that some of your witnesses earlier in the week were supportive of that not being the right approach. The reason for that is that we think there are benefits to a locally led system. We would ask the section 151 officer and the council to consider whether any proposed purchase is consistent with the terms that we have set out. To go much further would be to throw the baby out with the bathwater and would mean that central Government was opining about exactly the right investment decisions on a local basis, which would come with consequences that we are not entirely comfortable with. I recognise that people will have a range of views on this; it is a hard thing to land precisely, but the place we have landed is that we give very specific guidance that debt-for-yield activity is not okay, and we ask councils to certify that that is indeed what they are doing.

Q108 **Sir Geoffrey Clifton-Brown:** Mr Garton, this was a slightly broader question than just debt for yield. It was a question on the due diligence being applied by the PWLB before any loan was made to a local authority. I agree that we don't want to fetter their discretion, but this is a basic thing: no bank would lend money unless it thought it had a realistic prospect of its being repaid. Surely the public loan board ought to be exactly the same?

Will Garton: That is not the system we have; we have a system where the PWLB is deliberately permissive. If a local authority approaches the PWLB, it normally gets a loan there and then, with a good price and quickly—certainly within 48 hours. We rely on the prudential framework instead, which, as you know, is a system whereby we ask council members, the section 151 officer and auditors to work within the prudential framework and assure value for money locally. Moving that to a system whereby the PWLB in effect had a credit committee would, I think, necessitate that officials be involved in the decisions made on a local basis about whether to do one project or another. That would be a very profound change to our current system, and it is not something we advocate.

Q109 **Sir Geoffrey Clifton-Brown:** Thank you, Mr Garton. I think we must move on. I must ask you, Mr Pocklington, about data: page 10, paragraph 21, says that "the Department needs better and more timely data and analysis." Paragraph 4.5 says, "Departmental data do not give information on the scale, type and location of individual acquisitions." What do you propose to do to tighten up on the data so that you have a handle on whether local authorities are making prudent investments?

Jeremy Pocklington: Thank you for the question. We agree that we need to continue to improve the data that the Department collects. We have made improvements over recent years, but there is more that we need to do.

There are two things that I would highlight. First, as part of the proposal that we have developed with the Treasury, we will ask local authorities that wish to borrow from the Public Works Loan Board or have access to it to provide details of their commercial investment plan and their borrowing plan. Of course, they can change those. They are locally elected bodies that will be able to change those. As long as they are consistent with the requirements set out in that document, they will have that flexibility, but we will have access to their plans, which will give us better data. We also now have daily data that the Department receives from the Public Works Loan Board—another advantage of bringing it in-house.

The second thing that we want to do as a Department is to have a proper data review, informed by the valuable NAO Report. That review will look in detail at the data that the Department and the Government receive from local councils. We need to understand exactly what is happening in the trends for the increase in borrowing and where councils are investing, including your point about out-of-area investments.

We have had to delay the start of that review a little because we are dealing with the coronavirus crisis at the moment, but our intention is to start that as soon as we can. Although I am slightly reticent to give a firm timetable in the current environment, our intention is to try to complete that in the autumn so that the Department and the Government have much better data. I would note, though, that the issue of out-of-area investment is likely to decline quite considerably as a result of the proposed changes to Public Works Loan Board access.

Q110 **Sir Geoffrey Clifton-Brown:** But this question is slightly wider, Mr Pocklington, than just loans from the Public Works Loan Board. There are all sorts of other areas that local authorities can borrow from. Is there any reason why, after the purchase has taken place, where there might be an element of commercial sensitivity, you as a Department and council tax payers within a local authority—indeed, any member of the public—shouldn't have full access to all commercial property transactions that take place within any local authority area?

Jeremy Pocklington: I do think that transparency is important. That is one reason why we strengthened the prudential framework in 2017 and 2018 to require councils to prepare full capital strategies and full investment strategies, and to make them available to their councils and their local taxpayers, so that they can be held to account for the decisions that they are taking. They should include detail of the significant investments that councils are making. Transparency is important. In some ways, it is even more important that members and local residents have access to that data, as well as the Government, so that councils can be held to account in the usual way.

Q111 **Chair:** We have had a lot of evidence from people from around the country, including a lot of MPs, about this, and the lack of transparency is a big frustration. Frankly, locally elected, democratically accountable authorities ought not to be hiding information. You seem to be backing up that position, Mr Pocklington.

Jeremy Pocklington: Yes, I am. We found in our post-implementation review, which we have only recently completed and published, that although improvements have been made, not all councils are being as transparent as they need to be—by making their investment strategies clearly available on their website, for example, so that anyone can go and find it.

Q112 **Chair:** What are you doing to make them do it?

Jeremy Pocklington: We are considering what action we need to take and what further direction is needed. Do we need to further strengthen the prudential framework to ensure that local councils are transparent?

Chair: Sir Geoffrey, I am aware of time. I just want to alert you to that as you continue.

Q113 **Sir Geoffrey Clifton-Brown:** I want to come on to the last issue, which is other financial strategies that councils have. Mr Pocklington, I want to come back to you. I regret to say that it seems to me, from listening to you, that there doesn't seem to be any sense of urgency about this. Given the scale of local authorities' increase in borrowing, it seems to me that there is urgency with the Treasury review for you to get on top of the data so that at least you and the auditors, and, hence, the Treasury ultimately, actually know what is going on. I am not sure at the moment that you as a Department have a real handle on what is going on.

Jeremy Pocklington: Sir Geoffrey, I think we have made real improvements to understand what is happening with local authorities and their finances. As I said, we have daily reports from the Public Works Loan Board. We referred in the first part of this hearing to the monthly collection that we are now receiving on local authorities' plans for their expenditure and revenue. I acknowledge that there is more that we need to do. The issues of data are complicated, as the NAO found themselves in the Report. A lot of this data is not readily available, so we need to do that work properly to make sure we are fixing the—*[inaudible.]*

Chair: We have just lost Mr Pocklington. Is that permanent or, hopefully, just a glitch? Sir Geoffrey, are you nearly at the end now?

Q114 **Sir Geoffrey Clifton-Brown:** I have a last section for Ms Frances, on other financial dealings that local authorities get into. In concert with the commercial property investments that I asked your boss Mr Pocklington about, local authorities make other investments such as income strips or investing in renewable energy schemes, and set up separate companies to do it. What steps will you take to ensure that you have a handle on those types of activities?

Catherine Frances: Before I answer your question, Sir Geoffrey, I must notify the Committee that Jeremy tells me that he has been locked out of Teams. If it is possible to bring him back, that would be very helpful.

Chair: Thank you, Ms Frances.

Catherine Frances: In answer to the question, we think that a lot of these financial activities—income strips and so on and so forth—are complex things for councils to undertake. We would look on them very much in the spirit of the council needing to be able to understand what it is getting into, how it is regulating itself and whether it is operating appropriately. This is a question of skill levels in councils, and of their understanding of what risk they are getting into.

Some of the activities that you outlined might be caught in the grey area of HMT's PWLB reform process, which we have been talking about. Some investments that are not immediately for regeneration or housing in the area, or something, might well fall into the category of investments where the Treasury's new criteria—if the Government adopt them—will say, "You're no longer eligible for PWLB loans, if you undertake those activities."

There is a different type of question here around these innovative financial practices. Fundamentally, we rest on a sound sector having good financial standards in it—good regulation by CIPFA, qualified individuals and section 151 officers who are technically qualified and regulated—and on a system of local transparency which, as we have talked about, is not always quite as good as it should be, but we have been encouraging councils to do more, and we are thinking about going further in that regard, too.

I am aware that Jeremy was removed from this call when answering about—

Jeremy Pocklington: I'm back.

Sir Geoffrey Clifton-Brown: I don't know whether you heard the question I put to Ms Frances.

Chair: I am aware of time, so I don't think we need to repeat the answer. Ms Frances has given a comprehensive response—unless, Ms Frances, you feel that Mr Pocklington needs to come in.

Catherine Frances: I doubt that Jeremy has anything particularly more to say.

Q115 **Sir Geoffrey Clifton-Brown:** My final question for Mr Pocklington, as a result of Ms Frances's answer, is: would you undertake to ensure that the Treasury review actually looks into these innovative financial practices?

Will Garton: Yes. To be clear, income strips, if they are purely for yield, will not be permitted.

Chair: That is clear.

Q116 **Sir Geoffrey Clifton-Brown:** But the Report makes it clear that there are other innovative practices, such as renewable energy income streams, which probably need to be looked at as well.

Will Garton: We will look over it.

Q117 **Chair:** Lots of interesting tensions there, with local authorities that want to do social benefit. Interesting things going on. Mr Garton, we have talked a lot about the consultation. Before I move on to Ms Olivia Blake, what is the timetable for all that?

Will Garton: We had intended to close it by 4 June, but we are aware that councils are on the frontline of the fight against coronavirus, so we are extending it 31 July.

Q118 **Chair:** Is that a moveable date, depending on what happens with coronavirus? Is 31 July the deadline?

Will Garton: We would like to crack on, so I think we should keep to 31 July. We started the consultation on 31 March so, hopefully, even with coronavirus, that should give councils time. We want to get on with it.

Chair: I am sure local authorities want to get on with it too. Thank you. I will now move to Ms Olivia Blake.

Q119 **Olivia Blake:** Are all the powers you have, or that are available, to control and keep local councils borrowing prudentially being used, Mr Pocklington?

Jeremy Pocklington: We do of course use the powers that we have under the prudential framework, but the point that we made earlier is that the prudential framework, although backed by statute, is not completely binding. Councils are obliged to have regard to the framework, rather than being absolutely compelled to comply with it, so there are limits on the prudential framework, but I would very strongly expect every council to follow it. Indeed, the section 151 officers will be obliged through their membership of professional bodies to have respect for it, particularly as it relates to CIPFA and its guidance.

We also have a statutory ability to intervene, particularly as it relates to affordability. The issue highlighted by the Report is that that affordability constraint is not binding, because councils are getting the yield, which means that when they are looking at the affordability of their debt, they believe that it is affordable—hence the need to take further action.

Chair: Before I bring Ms Blake back in, let me say that I am aware of time and just remind our witnesses and members of the Committee that we have a hard deadline because of the way the recordings work. It would be helpful if we could have slightly shorter answers. Remember that we have read the Report, so you can refer to things without having to go into them in detail. But the evidence has been very helpful—that is not a criticism.

Q120 **Olivia Blake:** I am referring to section 4(2) of the Local Government Act 2003, which I think you are alluding to. It says: "The Secretary of State may by direction set limits in relation to the borrowing of money by a particular local authority for the purpose of ensuring that the authority does not borrow more than it can afford." Why has this direction never been used, and how do you assess whether authorities' investments are providing the planned returns, that authorities can meet their debt, and that the word "affordable" is in fact a truth to the Department?

Jeremy Pocklington: I feel that I started to answer that question with my previous response. The reason why that power has not been used is that that is not the binding constraint, in the way the prudential framework has grown and developed over recent years. The issue is the one that Sir Geoffrey raised at the start of the hearing, which is councils perhaps borrowing disproportionately to their size, taking on excessive risk, rather than the affordability constraint. In terms of how we monitor this, I would like, if possible, to bring in a colleague of mine, who would be better placed to answer on the more technical detail. I don't know whether Catherine or Alex would like to do that.

Catherine Frances: You asked how we assess affordability. The critical point is that we in the Department don't assess the affordability of an individual council's choices case by case. That is because we are relying on the underlying prudential structure and we are relying on them to do the maths, using the underlying guidance from CIPFA and from ourselves. Interestingly, I don't believe a council has ever actually defaulted on a PWLB loan since the new system came in, so by and large—acknowledging all the points we have made about outliers—they are actually quite a moderate, cautious bunch. One of the themes that comes out in this Report is that the vast majority of the expenditure that is commercial is done by a relatively small number of councils.

The critical point is the point that Jeremy raised, which is that we are relying on the affordability test kicking in. Given that, in the low interest rate environment, they have been able to afford to borrow relatively cheaply from the PWLB and, in some cases, where they are not living within the spirit of the guidance, invest for yield alone, they have managed, as it were, to escape out of that affordability test.

We think that the Treasury's consultation, which we have worked on closely together, is a game changer. It means that you won't have access to the PWLB's relatively cheap rates of borrowing, which is what affects that underlying maths when you calculate your affordability, if you are undertaking borrowing and activity purely for yield alone. The intention, however, is not to stop a council that wants to invest in a shopping centre locally, which, as the Report sets out, almost always does happen locally and is almost always an act of regeneration.

Q121 **Olivia Blake:** I wonder how aware of risk you think local authorities are. Do you feel that there is anything in some of the comments that were made earlier in the week about the fact that councils seem to be moving to a more commercial way of trying to support their services, rather than relying on a funding structure that is secure? Do you feel that the Department is causing this problem with its attitude to revenue and that we are seeing this in capital as a result of that?

Catherine Frances: When we have interviewed councils as part of our implementation review, the comments we have had from councils are very consistent with the ones highlighted by the NAO. Councils have told us that they had invested in commercial areas for a few different reasons, one of which definitely is their budget cuts and the benefits that yield can bring to them. But they have also talked extensively about the real social regeneration and housing objectives they have when they enter into those commercial activities. Particularly at the moment—coming back to the conversation we had earlier about what challenges the country may face, the issue of high streets and so on—that sort of activity has been really valuable across the country.

We also hear from councils, as the NAO reports, that in those cases where councils have maybe chosen to move outside the spirit of some of the guidance that has been issued, it has tended to be that locally elected individuals have different appetites for commercial engagement. That is something that we need to think about. I am not saying that council leaders would always make that decision because they don't know what they are doing, but the LGA certainly is engaged in a training exercise for locally elected individuals.

We also saw a situation in 2019 where councils really capitalised on exceptionally low interest rates from the PWLB of quite an exceptional nature. That was a logical value-for-money thing for an individual council to do, but it was not necessarily the best value for money for the overall taxpayer, which is why the Treasury raised the rates. It is a mixed economy.

Q122 **Olivia Blake:** What have you done to assure yourself that this use of cheap borrowing has not led to authorities paying over the odds for some of the commercial investments that they have got? Do you have any fears about competition, especially in the south-east, because the Report highlights that quite firmly? Do you think there are any regional bubbles as a result of this spending?

Catherine Frances: As the Report says, we have not done a comprehensive look at the market distortion created in some local areas by local authority engagement. In the evidence review that Jeremy alluded to earlier, where we are looking at local authorities' borrowing and commercial practices, we want to look at that issue of market involvement, too.

This may draw the criticism from you of us shutting the stable door after the horse has bolted, but the Treasury's consultation, which says that you won't get access to PWLB if you are investing out-of-area, should significantly dent this problem, since all of the correlations that we see show that the group of councils and the area of the country where people are investing most in commercial activity are also the parts of the country that are investing out-of-area, and all of those sorts of issues that would lead to issues of competition.

Chair: Ms Blake, we need to keep the pace up if we can.

Q123 **Olivia Blake:** I will be quick. On that point, do you feel that regeneration has been put at risk by private investors not having opportunities to develop areas in our cities as a result of this?

Catherine Frances: We have no evidence of that whatsoever. In fact, councils talk passionately about their relations with local developers, in terms of transforming their town centres and areas that are sadly in need of regeneration. There are lots of positive stories up and down the country about that. So no, we don't have any evidence of that.

Q124 **Olivia Blake:** Finally, how much of an impact do you think the coronavirus pandemic is having on incomes from commercial or property investments, and how concerned are you about that?

Catherine Frances: It is early days for us to know exactly what will come from that. Our first data return from councils, which came in last month and only covered what had happened in March and was forecast for April, covered the different areas where councils felt their income would be affected. Notably in that area, commercial income—the sort of income we are talking about here—came after fees and charges, business rates and council tax. To be honest, that is what we would expect. We would expect any commercial strain to come in at a lag, and councils' ability to deal with that is something that we will have to work through with them. It would be very different from place to place. They have very different structures and exposures. They also have very different strengths in terms of their reserves and wider income and their tax base.

Olivia Blake: Thank you.

Q125 **Sir Geoffrey Clifton-Brown:**Mr Pocklington, Catherine Frances referred to relatively few councils, but the NAO Report makes it clear that 47 councils have carried out the bulk of this investment in the last three or four years. Do you think that it is caused by either a lack of expertise among the officers of the councils, or an enthusiasm by one or two councillors taking these decisions on the basis of insufficient knowledge, and that is why we are getting poor investment decisions?

Chair: Mr Pocklington, can you make your answer brief, please?

Jeremy Pocklington: There may well be a combination of factors at play here. In some areas we have heard that the views of some members have been influential in the decisions of councils. Often they have expertise and the appropriate advice, but not always as sufficient as we would want it to be in the Department. In other local authorities we hear different things. What we want to see is a continued programme to build the skills of both officers and members in order to ensure that councils are taking appropriate decisions in full knowledge of the risks that they are taking on.

Chair: There is lots we could go into there, but we do not have time. Craig Mackinley next.

Q126 **Craig Mackinlay:** A number of things arise from what we have heard. My query is probably more to Mr Garton and Mr Skinner. Given we have been told about the amounts of money and the numbers of authorities involved, and given what Sir Geoffrey has described as the egregious use by a few of the PWLB facilities, which have low interest rates, we now have a new prudential framework and the new CIPFA guidelines, and PWLB is under the Debt Management Office at HMT. Are our fears that we are spending a lot of time on this—the NAO has done a big Report—unfounded? Is this the stuff of yesteryear? Is it a case of, "Don't worry yourselves about this; there is nothing to fear at all"? Mr Garton.

Chair: Mr Garton, the Treasury view.

Will Garton: I think we should be concerned if we think that local authorities have not pursued an optimal value for money strategy in the last three years in particular. That is why we are doing something about it. Clearly, there is a risk if you hold a lot of commercial property. The Chancellor said this week that it is likely that we are now beginning to experience a significant recession. That is something that we will need to monitor extremely closely and keep a very close eye on. Assuming that Ministers implement our consultation document as proposed, that should fix the problem of the flow for future years, given that the PWLB is the vast majority of borrowing and most councils will want to keep access to it even if they have an option to borrow from elsewhere. Should we worry about the stock and monitor it extremely closely? Of course we should. How big a problem will that create? I don't know, but one of the things we can do is design the repayment and refinancing terms to help councils help themselves and help the taxpayer, so we get through this problem together.

Q127 **Craig Mackinlay:** We all want localism. We all want more powers and rights to shape your own community, and we want that power to be with local councils in their various forms, but then we have this conflict where we think, "Well, we rather want the central Government machinery to be involved." Now, if local authorities are spending their own money—they may have had a big land bank; they may have had a big lump of farmland that thankfully has become development land, and they have a huge capital sum—if they have their own capital sum to do what they like with, that is a different argument. However, when it is effectively public borrowing, that is when we become interested in this.

What is happening now with covid, to their credit, would never have been on a risk register of any council. It never could be; this is the asteroid event that was a complete outlier. However, we have two issues here. As Sir Geoffrey Clifton-Brown described, you have the Spelthorne example, where you have this great wheeze: you borrow cheap, you get this margin of rental income, and hey presto, out of the bottom comes some extra money for public services. That 1% in a small authority is pretty skinny, and I think we will all be interested to see if that 1% positive ends up in a 1% minus.

The other side of this, of course, is the underlying capital value. The real question is how much we think a debt management office, PWLB or any other institution, should be involved as a quasi-bank. It seems that HMT—

Chair: Is that the question, Mr Mackinlay?

Craig Mackinlay: Do you agree that PWLB's debt management office should be more like a bank in saying, "Yes, this is a great decision; no, this is a bad one"?

Will Garton: That is not the Government's position, no. The Government's position is that we have thought about that—of course we have—but that we are better served by those decisions being made locally, but within a national framework that we determine. We are saying very specifically, "You can borrow from the PWLB for regeneration, service delivery or housing, which are core to what local authorities are doing.

Shopping centres, especially out of area, are not, therefore you cannot have access to taxpayers' money if you are doing a shopping centre out of area. You can if you are doing those core things, and you should decide that locally."

That is where we have landed. I recognise there could be a range of views on this. There are two competing arguments, but we think that strikes the best balance between devolution and localism and ensuring some central control over the whole process.

Q128 **Craig Mackinlay:** Mr Pocklington, do you think there is a moral hazard going on here? I have always been concerned about this, because at the end of the day if an authority goes wrong, you reach for the section 114 provisions. If it all goes horribly wrong, somebody else bails it out, and it is the taxpayer again. The commissioners come in from central Government, run your authority, wipe it clean, sort it out, and it goes off again. Do you think that has been in people's minds enough? I know that if you are a CIPFA member, you might have disciplinary action over your head and all those good things, and I suppose if you are a chief executive you might not be able to wander off to another authority and get a similar job—

Chair: The question please, Mr Mackinlay.

Craig Mackinlay: Has there been sufficient moral hazard in this whole process over the past few years?

Jeremy Pocklington: Thank you very much for the question. I understand the thinking behind it, and the risk you have outlined. That is why it is important that we have a good prudential framework that guides and constrains the actions of locally elected bodies that are democratically accountable to their local population. That is why we have those different layers of the statutory codes, the obligations on the section 151 officers, the roles of members and the role of external audit, all of which you will be familiar with. That is why we, as guardians of the system, also need to continue to monitor the behaviour of local authorities—by looking at both the system as a whole and those outliers—so that we have a close eye on the behaviour of local authorities, to minimise risk.

I also have to say that bringing in commissioners is an act of last resort as you know; it is of course not something that any local authority would want or welcome—the heavy hand of the Department getting involved. Of course, it is important that we have those tools and continue to look to strengthen them, but the vast majority of councils are behaving very responsibly and moderately and, as you know, are relatively cautious in how they approach these issues.

Q129 **Craig Mackinlay:** My final question, briefly, is to Ms Frances. Your answer to a previous question was on the complexities. Have our local authorities the ability, particularly among the ranks of local councillors, to understand some of those complex legal instruments, the real effect of debt and, as Sir Geoffrey referred to, some of the solar and renewable deals? Do you think we have fully understood them, and do you yourself know what is going on within authorities for some of those more odd instruments that we thought were the stuff of yesteryear?

Catherine Frances: Do we know the micro of everything that is going on and all the deals in each individual council? No. Our assessment, when we have done the implementation review, has shown that, although quite a lot of councils have made progress in terms of presenting their material really clearly and transparently, there is definitely further to go. You cannot find very easily on a public website the information that you might want. Sometimes councils do not necessarily present that material as transparently as you might need to really scrutinise it. There is no question but that a good council will be run in a way that the information is front and centre of meeting agendas and is explained in a crystal clear way. There are wonderful examples of that happening across the sector, but there are also cases in which that is not happening.

In the Department, we do not directly train individuals out in the sector, but CIPFA trains the finance side of this and has a serious role to play in regulating the finance professionals. Also, we have a contract with the Local Government Association, which has quite an extensive programme, working with elected members and with leadership teams in different councils to support them. We are quite keen to do more on that in coming years, because it seems to me that one of the themes that comes out this Report is that, although in many cases the level of borrowing and investment in commercial acquisitions is moderate, it is becoming more commonplace across councils—I think the NAO would conclude that it is over half of councils by the last year it looks at. So we need to keep developing that skillset and keep making sure that both officers and elected individuals have the tools they need to navigate the way through. There is more to be done there; we accept that.

Chair: Thank you, Mr Mackinlay. I will ask Sir Geoffrey Clifton-Brown to come back in now. Time-wise, I urge witnesses to be brief in their answers—I know that Sir Geoffrey will fire questions at you in fast order. Could you unmute, please, Sir Geoffrey?

Q130 **Sir Geoffrey Clifton-Brown:** It is the technology, Chair; we will get it eventually. Mr Pocklington, sorry to pick you up on this, but you have repeated to the Committee the same mantra as Catherine Frances. You said that the vast majority of local authorities are behaving prudently, but the NAO Report makes it clear that 47 councils—a significant minority—are not acting prudently. I put it to you gently that maybe you and your Department are a bit too complacent about the whole matter.

Jeremy Pocklington: I do not think we are complacent about the issue that we are talking about here today. Actually, I think that there is quite a lot of alignment between the direction of your questions and the actions that we are taking and planning to take. We think that the framework needs to be strengthened. That is why we are taking action with the Treasury consultation.

However, your question is getting to the point: how big is this problem that we should be concerned about? Can I draw a distinction between a very small number of councils that have borrowed disproportionately, for example relative to their core spending power? There are a handful that are very well-known and highlighted in the report; you raised one at the start of this meeting. That is what we are most concerned about in the Department; it is the Spelthornes of this world.

However, there is a broader point. There is a wider group of councils that have borrowed to—

Q131 **Chair:** We have lost Mr Pocklington again. Ms Frances, perhaps you would like to pick up where Mr Pocklington left off. And perhaps we could readmit him to the room.

Catherine Frances: I am sure that Jeremy would have said that the critical distinction is that the number of councils you are discussing—the 49 councils—are 49 councils that collectively form the top 20% of expenditure. And I think there is a material difference between being in the relatively small group of councils where the ratios of their borrowing to their core spending power are real outliers in the sector.

The distinction is between that group and the councils that are slightly more dominant in this sector, in terms of the volume and the value of their acquisitions. We are not necessarily concerned about a council where they are undertaking a reasonable amount of commercial activity but their borrowing ratios look sensible and look proportionate with their income.

It is the sense that there are some councils where, even though you leave it to the local discretion to determine what "affordability" is, they look like they are outliers. And I think that is the point that Jeremy wanted to make.

Jeremy Pocklington: I—

Chair: Mr Pocklington, you do not have to repeat; I am sure that Ms Frances has got you accurately there. Sir Geoffrey.

Q132 **Sir Geoffrey Clifton-Brown:** I do not want to dwell on this, because I want to move on, but at the beginning the Report—in the overall summary—makes it very clear that 49% of councils made up 80% of the amount of commercial property spending between 2016 and 2019. So that is a significant number that have increased their commercial property investment over the last three years. However, I want to move on—

Catherine Frances: I should correct myself, because I think I said 20% when I meant 80% in my previous answer; I apologise. I was inverting the two numbers, but making the same point.

Q133 **Sir Geoffrey Clifton-Brown:** With great tact and respect, Ms Frances, perhaps you would take that into account when you consider what actions your Department needs to take. But I want to move on.

Given the recent patterns of borrowing and investment, how can you be confident that the local checks and balances within a local authority's financial framework are working correctly, including the role and advice that section 151 officers give to their councils?

Catherine Frances: There are obligations on section 151 officers to work within the protocols and the guidance that CIPFA has outlined to them. In autumn last year, CIPFA offered very specific guidance to councils on dealing with this class of commercial acquisition.

A view has been expressed that some councils maybe do not have sufficiently senior section 151 officers or section 151 officers who are sitting at the top table, and there are recent changes coming through from the financial management code that CIPFA has issued. I think that is going live; Alex will be able to confirm this very shortly. That would mean that section 151 officers are at the most senior level in the council.

Beyond that, I think this is a question of how individual councils run. I will just point you to two reforms. For example, we are looking at the wider framework that operates around a council. Sir Tony Redmond is doing a review of audit at the moment.

Chair: Which we know.

Catherine Frances: And the NAO has done a lot of work reforming the code of practice for auditors. I don't think that audit is ever a substitute for scrutinising something that is happening in real time. One of the main themes that Sir Tony Redmond is exploring is whether stuff is really transparent. If you are on the ground, can you understand what is going on and can you see when something odd has happened? All these things are different parts of the framework. We are tightening it up to give local decision makers the best possible situation to operate within.

Sir Geoffrey Clifton-Brown: I was coming on to the question of auditors. I take the point that we have the Redmond review, but we don't know when it is going to be yet. Perhaps you can tell us that in your answer.

Q134 **Chair:** I believe it has been delayed. Is that right, Ms Frances?

Sir Geoffrey Clifton-Brown: It has been delayed, hasn't it, Ms Frances?

Catherine Frances: It has been delayed. I am just going to check the timeline of it. I will get back to you in a sec.

Q135 **Sir Geoffrey Clifton-Brown:** Given that we have that review, are you satisfied that the auditing regime of local authorities, whereby they appoint their own auditors, is sufficiently robust to be able to point financial irregularities to your Department where they occur?

Catherine Frances: I don't want to pre-empt Sir Tony's conclusions. I think the main sorts of questions he is asking are about whether there is sufficient oversight of the audit regime that local authorities operate within and sufficient quality of outcomes, in terms of the audits that local councils have at their disposal, to enable them, us and anyone else to see transparently what is going on when something is worrying. It is part of a much wider set of reviews of the audit framework across the whole economy. There are some themes in public service audit that are consistent with the private sector, and there are others that are distinct.

The questions that Sir Tony has asked are about whether councils feel that the auditor sits on their shoulder through the year and gives sufficient challenge to them. He has asked questions about whether the final outturn audit reports are transparent enough and comprehensible to a lay person. He has asked all those sorts of questions. We are not complacent about that at all, which is why we have asked him to do that review.

Q136 **Sir Geoffrey Clifton-Brown:** The final question is for you, Mr Pocklington. You changed the guidance to local authorities on investments in commercial properties in 2018. You told the Committee this afternoon that you are going to look at it again. When could we expect to see a significant change in the judgment of those 49 local authorities and others on commercial property investments?

Jeremy Pocklington: Change is already beginning to happen in local authorities. CIPFA have already told their members that they should be acting in line with the principles of the Treasury consultation. That consultation, as we have already discussed, will close in July. If implemented, it will deal with many of the issues that we are talking about today. We will carry out the data review that I have discussed. We will then consider what if any further changes are needed to the prudential framework, including, for example, to ensure it is consistent with the outcome of the Treasury consultation. This will be an ongoing process. There is immediate action happening now, but there will need to be further action in the period that follows.

Q137 **Sir Geoffrey Clifton-Brown:** One final question: is it not a shortcoming of your Department that the NAO, in preparing this Report, was not able to get sufficient data? It had to go out and buy commercial data to do the Report. Can you guarantee that when you do this data review, that situation will not happen in future?

Jeremy Pocklington: We have already discussed the fact that we need to improve the quality of data further, hence the work that we will undertake. The Department itself had made efforts to secure data, including purchasing our own data, but I completely acknowledge that the NAO improved that situation with the CoStar data that they purchased. I can guarantee that we will undertake the data review seriously, to ensure that we have the data we need in future. I can't guarantee what the NAO will then do in future reviews; that would not be appropriate—

Q138 **Chair:** We are not talking about the NAO.

Jeremy Pocklington: But on the spirit of the question, yes, we will undertake a serious data review to ensure that Government have the data we need. I also think, as I said earlier, that local councils and their electors need to have that.

Q139 **Sir Geoffrey Clifton-Brown:** Surely it is a failure by your Department if you have to go out and buy that data. You are the sponsoring Department; why can't you simply require local authorities to provide you directly with the data?

Jeremy Pocklington: Our data requirements may well evolve as a result of the data review. This is a complicated area and it is not straightforward to determine exactly how authorities have funded individual investments, because of the way that the local authority finance system operates. In the vast majority of cases, we do not separate out the financing from the investment decisions, which inevitably makes this complicated. We do get data on things such as trading services, as well, but I don't want to disagree with the point that we need to make further improvements.

Q140 **Chair:** Sir Geoffrey is being very mild in expressing our irritation, because we looked at this in 2016 and there was a promise then that there would be better data. Treasurers I have spoken to in preparation for today are very clear that simple information could be provided to the Department in the normal returns that would give a better picture. Yet in 2020 we are still talking about doing this—in the middle of a health and economic crisis that has left the Department blind on potential overexposure in some sectors that could now be performing very badly for local authorities. Why is it taking so long, Mr Pocklington, when it would be very simple to flick the switch and say to councils, "From next year,"—or from now—"give us these nuggets of information that would provide us with the oversight so that we can be aware that we are not going to have another Icelandic bank issue.", for example?

Jeremy Pocklington: We have already taken action. I think the daily data from PWLB on the borrowing by local authorities is really valuable for us. It is the case that the great majority of borrowing comes from—

Q141 **Chair:** With respect, Mr Pocklington, PWLB is not the whole picture. There are some brakes on how that can be used, but councils can invest their own money in areas, and the point is about the overexposure to particular sectors. If all councils have bought shopping centres, at the moment that is not a very good investment, is it? Or maybe it wasn't before. The current crisis throws up the fact that if too many councils have put their eggs in the same basket, there could be a big crisis in the sector that you have overall responsibility for overseeing.

Jeremy Pocklington: I agree on the need to get a better picture of the data. That is why we are doing the work I have already outlined. I think we have made improvements, but I accept that there is definitely more to do.

Q142 **Chair:** Can I just ask Ms Frances, what would success look like for you? When you or your successors are sitting in your job, keeping an eye on what is going on across local government finances, what would you want to see? How would you measure success?

Catherine Frances: In terms of information, I would want to understand when local authorities in aggregate are borrowing, the sorts of activities they are borrowing for, how far that is commercial and how far it is for other activities and linked to capital; the NAO have said that they have not managed to flush out exactly that connection, either. I would want to know something about the geographic exposure—at headline level, not at the micro level—and I would want to know something about the different sectors. As Jeremy said, we have some of that information from the commercial information we bought in, but we have not seen all that previously, and we have learned from what the NAO have got. I would want to go through that sort of data, so that you can have a sense of overarching coverage.

While I have the floor, may I just answer a question that was asked previously about audit? We are aiming for Sir Tony Redmond to complete his review in September. That will be confirmed depending on the coronavirus situation, but September is the aim for the endpoint.

Q143 **Chair:** There is a lot hanging on the Redmond review. I have to stress that we are a bit disappointed. We did the report on the issue in 2016. We have had an enormous amount of interest from local media, national media, local MPs and councillors about the issue, and lots of people have come to us and told us that they have concerns about overexposure by certain councils and across certain sectors, yet the Department still seems to flying rather blind. A final word to you, Mr Pocklington. You may not agree with my summary, but can you commit that we will have more of a grip on this in future?

Jeremy Pocklington: I think we are taking the action that we need to take to ensure that the behaviours we have seen in the past do not continue in the future. I would like to end by saying, however, that we need to do that in a way that does not stop those councils that want to borrow moderately and prudently to promote their objectives, whether they be regeneration, economic growth, service delivery or housing. That is important, and it will be even more important over the months and years ahead in the economic situation that is developing. We need a system that enables strong good local authorities to provide that leadership and help to grow their areas—they will be a big part of the response—but that also tackles the behaviours that we have been talking about.

Chair: Thank you very much indeed for your time. We have reached the end of our session. Thank you for persevering with us. I think that we are one of the first committees to have a public session not in public, if you see what I mean.

Our colleagues in *Hansard* and on the Committee staff will make sure that you get your transcript from *Hansard*. It goes up on our website uncorrected, though being *Hansard*, it is usually pretty good. They are excellent at what they do, but if there is anything that you think needs to be corrected, please make sure you contact the Committee Clerks.

Our report on this will be out in due course. As with many things, we are not predicting timetables at the moment. I thank you again for the work that your Department is doing to get money out of the door. Thank you to the Treasury for confirming that that is what is supposed to be happening, because—

Will Garton: The Chancellor.

Chair: A promotion is coming your way, Mr Garton, as you have praised the Chancellor a couple of times in this session.

Thank you very much. I am sure that we will be seeing you again, because we will be working as a Committee to think about how we look at post coronavirus and what the plans are for really making sure that our country—not least local authorities—gets on to a stable footing again in future. Thank you very much.