

Covid-19

The Impact on London Boroughs

London boroughs have played a central role in the emergency response to the public health and economic crises resulting from Covid-19. While both crises have hit the entire country, local authorities in the capital are facing severe financial consequences, exacerbated by the unique social and economic pressures London faces.

The health and social impact

- By 23 June, almost 27,500 people in London had contracted Covid-19 – more than in any other region
- London is home to high levels of deprivation and homelessness. Five of the 25 most deprived council areas in England are in the capital. More than 40 per cent of London's population is from BAME communities.
- During the crisis, London has taken 5,100 vulnerable rough sleepers off the streets – including 1,200 people with No Recourse to Public Funds – at an additional cost of over £50 million.
- Factors such as these mean that many more people have died in London than would otherwise be the case: 16 of the 20 local authority areas with the highest rates of excess deaths are in London.
- The strain on London's health and social care services has been immense; boroughs expect to spend an extra £200 million on adult social care alone this year.

The economic impact

- At the peak of the crisis, TfL report tube passenger numbers fell by 96 per cent in May and are still down 84 per cent in mid-June.
- Londoners are being hard hit: already facing the highest costs of living and, in particular, the highest housing costs in the country, over a million (one sixth of the total workforce) has been furloughed; the top five UK parliamentary constituencies for the number of furloughed workers are all in London; by May there were twice as many Londoners claiming Job Seekers Allowance (47,400) than there were in March (23,100), while those claiming Universal Credit have risen by 500 per cent.
- Along with retail and hospitality sectors, London's cultural and creative sectors have been hit particularly hard. Research by Oxford Economics suggests nearly 110,000 creative jobs in London are at risk (27 per cent of the national total), with an associated reduction in economic output (GVA) of £14.1 billion: more than half the national total.
- In normal times, London businesses pay a third of all the rates in England. Despite £3 billion in new reliefs and £1.7 billion in government grants, London boroughs still expect income from business rates to fall by £600 million.
- Before the crisis, London employed 20 per cent of the national workforce and generated 28 per cent of the national economy (GVA). In 2018/19 it delivered £39 billion more to the national exchequer than was spent on public services in the capital. The economic recovery of the country needs London to be up and running.



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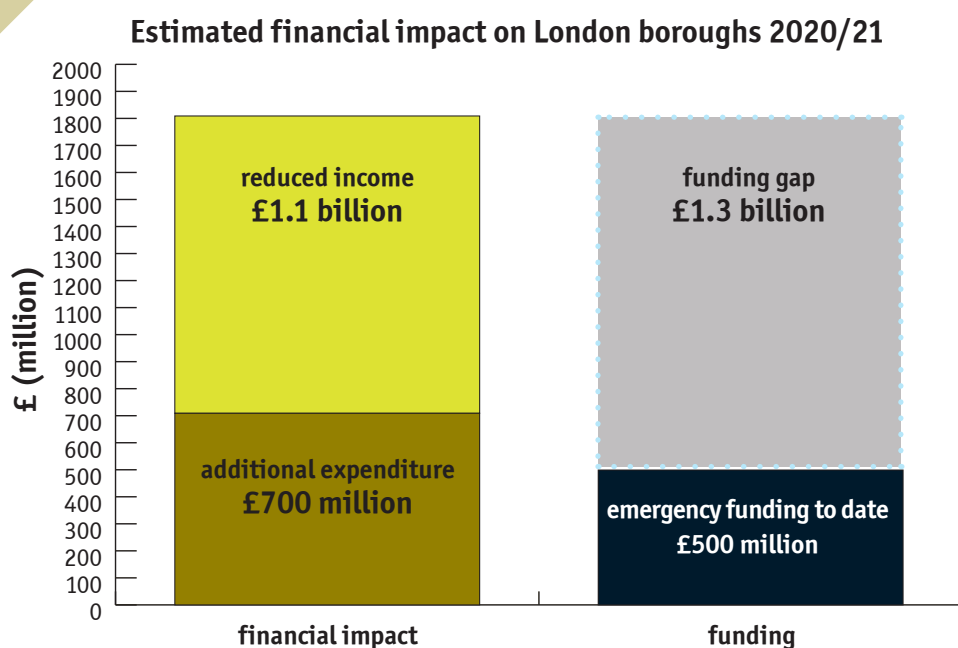
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The financial pressures facing London local government

- Covid-19 will cost London Boroughs £1.8 billion in 2020/21 - £700 million in extra spending, and £1.1 billion in lost taxes and other income.
- The government has so far provided £500 million in emergency funding – but the costs to the end of May were already £600 million.
- £1.8 billion is almost £200 for every man, woman and child in London. Analysis of figures published by the LGA suggests that this is a third higher than the per capita impact in the rest of the country.

What we're asking for

- While the £500 million in funding received to date has been welcome, it has fallen £100 million short of what is needed. **There is an urgent need for another round of funding** to address the **overall £1.3 billion shortfall in 2020/21**.
- **We're calling on government to set out a clear strategy to get councils through 2020/21**, rather than short term month by month bailouts, to ensure the best use of public money.
- **This strategy must recognise the scale of lost tax and non-tax income, the additional costs and new burdens councils have been asked to take on**, as well as recognising the need to support those councils on the brink of financial failure.
- **The crisis will not be over this year** – the impact on council tax and business rates alone could cause major budget issues next year without significant government support.
- **The current settlement should be rolled forward plus a significant uplift** to not only ease the impact of these tax base losses but address the inevitable ongoing spending pressures that will arise from Covid-19.
- **Councils need certainty over next year's settlement as soon as possible** – ideally before the summer when councils will start to plan next year's budgets and will have to consider cutting services.



source: MHCLG May survey