



**THE
WELSH LOCAL
GOVERNMENT
ASSOCIATION**

--

IN THE MATTER OF

**MODULE 9 OF
THE COVID – 19 INQUIRY**

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ECONOMIC INTERVENTIONS

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**OPENING STATEMENT FOR
THE WELSH LOCAL GOVERNMENT ASSOCIATION**

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Introduction

As you know from other Modules, I represent the interests of the Welsh Local Government Association in this Inquiry.

The WLGA is the representative body for all 22 Welsh local authorities, as well as fire, rescue, and national parks authorities and therefore has a very good overview of the involvement of local councils in the steps taken to address the economic effects of the pandemic.

It welcomes this opportunity to provide evidence to the Inquiry and stands ready to assist in any way that it can. Its Chief Executive, Dr Chris Llewelyn, has already provided a lengthy statement and will give oral evidence in due course.

The WLGA's role

While the WLGA did not make any decisions on policy or delivery it played a vital role in consultation, information sharing, and advocacy for local government needs, and conveying information about government policy and intentions. Its role moved from medium-term policy and advocacy to urgent emergency response, facilitating rapid consultation and engagement between the Welsh Government (WG), local authorities, and other stakeholders.

Pre-Pandemic Funding Structure

The detail of pre-pandemic funding is in Dr Llewelyn's statement. In summary local government funding in Wales comprised a mix of specific grants (mainly from WG), council tax, Revenue Support Grant, and redistributed non-domestic rates.

The system was more flexible than in England, with no referenda on council tax, pooled business rates, and a significant Revenue Support Grant paid monthly.

There have of course been emergencies in Wales before the pandemic and there were in place emergency funding mechanisms, such as the Emergency Finance Assistance Scheme (EFAS). Before COVID-19, one major use of this scheme was to address the consequences of severe weather events.

Financial challenges during the Pandemic

The financial resources of local government across the United Kingdom were very stretched to meet their existing statutory functions. In Wales, local government did not have the depth of reserves to be able to deal with all the new challenges which occurred during the pandemic and moreover it suffered from significant loss of income during this time from its usual sources.

This problem was exacerbated by increased demand for services (especially social care and homelessness), and cash flow issues. So, the role that local government could play depended very largely on the support that it received from the WG.

This quickly became obvious and so the WLGA, the Society of Welsh Treasurers, and WG responded rapidly, with daily meetings and data collection to estimate financial impacts.

Early interventions included front-loading Revenue Support Grant payments, developing business support schemes and establishing the Hardship Fund, which provided support for income loss for matters such as

- leisure,
- car parking,
- school meals

and for the additional demands arising from the pandemic's effects on

- social care,
- homelessness,
- education,

- waste,

and

- enforcement.

The Hardship Fund and business grants were central to bridging the gap between demand and resource, with over £1.3bn distributed to businesses and over £900m to local authorities for income loss and additional pressures.

Key Schemes and Support

The Hardship Fund was not only the provision that was made. In summary there were -

- **Business Support Grants:** Multiple rounds, including non-domestic rates grants, start-up grants, lockdown/firebreak grants, and discretionary funds, totalling over £1.3bn.
- **Care Sector Support:** Dedicated tranches for adult social care, with ring-fenced funding and a stakeholder reference group.
- **Transport:** Bus Hardship Fund and Bus Emergency Scheme to sustain public transport and home-to-school transport.
- **Alternative Support:** Consideration of capitalisation (borrowing against capital assets for revenue costs) and cash flow support through advance grant payments.

Policy Design and Implementation

The WLGA was involved in co-designing these grant schemes, ensuring they reflected local needs and could be delivered rapidly. Indeed, guidance was developed collaboratively, with feedback mechanisms to refine and adapt as needed. Although administrative capacity was very stretched, the redeployment of staff and agile working practices, greatly helped to manage the burden.

Fraud and error

The Inquiry will rightly be looking at the effectiveness of existing governance and audit mechanisms, including the National Fraud Initiative, as mechanisms to minimise fraud and error. Dr Llewelyn provides the WLGA's perspective on the effectiveness of this. Overall, the claims-based approach minimised over- or

underspend, with local authority reserves increasing due to cost avoidance and prudent management.

Gaps in provision

That said it should be noted that his witness statement also notes that there were some initial gaps in support (e.g., for self-employed and new businesses) which were addressed through later schemes.

Lessons Learned and Recommendations

There are significant key lessons and recommendations that the WLGA wishes to draw to the Inquiry's attention, concerning -

- High levels of Effective Engagement between WG and local authorities were crucial for effective fund distribution, and this must be maintained in future emergencies.
- Adaptable, flexible needs-based funding models that balance accountability with local discretion were well received and effective and should be the future model.
- Although largely Welsh councils found grant timing manageable, delays in decisions were noted, so improved dispute resolution and clearer guidance accompanying announcements would be very helpful.
- There should be improved planning for redeployment or the deployment of temporary staff or additional support because administering multiple grants was challenging.
- Continued local government advocacy in shaping national business support grant schemes
- Future funding mechanisms should address long-term sustainability in conjunction with emergency funding, and the variety of grants should be streamlined to provide clear, upfront guidance.
- These plans should be routinely assessed for resilience and sustainability.

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