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**UK COVID-19 INQUIRY - MODULE 9**

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**WITNESS STATEMENT OF CHRIS LLEWELYN  
ON BEHALF OF  
THE WELSH LOCAL GOVERNMENT ASSOCIATION**

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**Contents**

- Introduction.....4
- Part A: Background and context.....5
  - The structure and membership of the WLGA.....5
  - The role of the WLGA in the economic response to the pandemic.....6
  - Changes to WLGA’s role and responsibilities during the pandemic.....7
- Part B: The system of local government funding.....9
  - Introduction.....9
  - 1 - The key components of Local Authority funding pre-pandemic..... 10
  - 2 - The new economic and financial issues arising during and in consequence of the pandemic. 12
  - 3 - How the new pandemic related issues were addressed..... 21
    - Introduction.....21
    - Business Support Schemes..... 24
    - Hardship Fund – Income Loss..... 27
    - Hardship Fund – Additional Pressures.....28
    - Welsh Government Support for Care Sector.....29
    - Transport..... 30
  - 4. New pandemic funding arrangements compared with the situation pre-pandemic..... 31
  - 5. How this worked out..... 31
    - Alternative financial support..... 33
    - Welsh Government’s financial support messaging.....34
    - What worked well and did not work well in pandemic local government funding..... 34
    - Recommendations regarding the system of funding to local government in the event of a future pandemic..... 35
- Part C: Communication and cooperation..... 36
  - Departmental engagement by the WLGA..... 36
  - The extent and sufficiency of sharing data and economic analysis..... 37
  - Comparing the extent and sufficiency of data and economic analysis sharing as between the period prior to the pandemic..... 38
  - A retrospective review of the effectiveness of joint working as between local and central government..... 38
  - Comparing the consistency and timing of decision making by the Welsh and central governments. 38
  - The extent to which economic policy was ‘dictated from central government’ ..... 39
  - Notice of new or amended polices and implementation timescales..... 41
- Part E: Financial Support in response to the pandemic..... 42
  - WLGA ‘s contribution to particular schemes..... 42

Economic Resilience Fund.....	42
Business Loan Scheme.....	43
Local Government Hardship Fund.....	43
Bus hardship fund and emergency measures agreement to support services.....	44
Third Sector Covid-19 Fund.....	45
WLGA role in communication with the Welsh Government.....	46
Part F: Business Rates.....	46
Part G: Non-Domestic Rates Relief.....	47
The design of the Business Rates Relief scheme.....	47
Decisions as to the targeting of the support to particular sectors.....	47
The implementation and delivery of business rate relief schemes.....	48
Part H: Local Government Hardship Fund.....	48
Hardship Fund: Overview.....	48
Hardship Fund: Consultation, communication, and coproduction.....	49
Hardship Fund: Scheme Design.....	52
Hardship Fund: Administrative capacity.....	54
Hardship Fund: Guidance.....	55
Payments.....	57
Risk of fraud and error.....	57
Unintended gaps.....	60
Underspend/overspend.....	61
Other aspects of implementation and delivery.....	62
Part G: Lessons Learned.....	62
1. Effective Engagement Between Welsh Government and Local Authorities.....	64
2. Flexible and Needs-Based Funding Model.....	64
3. Timeliness and Clarity of Communication.....	64
4. Administrative Capacity and Resources.....	65
5. Strong Local Discretion in Business Support.....	65
6. Long-Term Financial Planning.....	65
7. Simplified and Efficient Grant Processes.....	65
8. Lack of Preparation was overcome by joint working.....	65
9. The impact of the Pandemic on longer term financial resilience.....	66
10. The impact of the Pandemic on inflation and pressure.....	66
Appendix A - Chronology.....	68

I, Chris Llewelyn, say as follows –

## **Introduction**

1. I am the Chief Executive of the Welsh Local Government Association (WLGA) of One Canal Parade, Dumballs Road, Cardiff, CF10 5BF. I took up this office in January 2019 having joined the WLGA as Director of Lifelong Learning, Leisure and Information in 2002 and later becoming the Deputy Chief Executive in 2010. I am authorised by the WLGA to make this statement on its behalf in relation to Module 9 of the Covid-19 Inquiry (the Inquiry).
2. On 17 December 2024, the Lead Solicitor for Module 6 of the UK Covid-19 Inquiry (the Inquiry), wrote on behalf of Baroness Heather Hallett, the Inquiry Chair, with a request for documentation and witness evidence under Rule 9 of the Inquiry Rules 2006 Reference for Request. I am authorised by the WLGA to make this statement on its behalf in response to this request.
3. In responding to Rule 9 requests, I have already provided eight witness statements (two for Module 1, two for Module 2B, and one witness statement for Modules 3, 4, 5, 6 and 7 respectively). As in previous submissions, I repeat that, while I have broad oversight of the WLGA's work I do not have first-hand knowledge of everything that it does. Accordingly, in making this statement I have had to rely from time to time on information provided to me by officers of the WLGA. It is my belief that they have diligently and fairly undertaken this task.
4. My statement should therefore be read as representing a statement concerning the collective understanding and knowledge of the WLGA of the economic response and systems of funding in place for local government in Wales during the Covid-19 pandemic. The WLGA's officers are highly professional, and it is my belief that they have again diligently and fairly reported to me the relevant information that I have set out below.
5. In parts of my statement, and with the Inquiry's permission, I draw on information provided to the Inquiry by local authorities in response to survey questions set out in a R9 request earlier this year ("the survey"), the results of which were included in a report prepared by the Local Government Association (LGA) (Exhibit CL9/01 – INQ000596485: COVID-19 Inquiry Module 9

- Evidence gathered from English and Welsh authorities). The report disaggregated the results for local authorities in England and Wales. The Inquiry's survey has proved helpful to me in responding to the Inquiry's questions and in describing relevant matters in Wales.

## **Part A: Background and context**

### ***The structure and membership of the WLGA***

6. The WLGA was established in 1996 as an unincorporated Association and the membership body for local authorities in Wales. Membership is voluntary and councils make their own decisions on whether to join. All 22 Welsh local authorities are members and all 3 fire and rescue authorities, and the 3 national parks authorities are Associate Members.
7. The WLGA is politically led and cross-party. It works to give local government a strong, credible voice with national government. As the national membership body for local authorities and the voice of local government, the WLGA's purpose is to promote, improve and support local government.
8. Among its core objectives, it seeks to:
  - Represent and negotiate, wherever possible by consensus, the interests of member authorities to the Senedd Cymru / Welsh Parliament, the Welsh Government (WG), and the Government and Parliament of the United Kingdom.
  - Formulate sound policies for the improvement and development of local governance, effective management in local authorities and the enhancement of local democracy in Wales and elsewhere, now and for future generations.
  - Provide forums for the discussion of matters of common concern to Member Councils and Associate Authorities, and as a means by which joint views may be formulated and expressed.
9. The WLGA is funded through a combination of membership subscriptions, top-slice funding and WG grants for the delivery of specific projects or programmes. The WLGA Council ("the Council") includes 72 members from the 22 local authorities. These are appointed proportionately by reference to population size, together with 6 further non-voting members,

one from each of the Associate Members. The Council considers constitutional and business issues, and it has a deliberative role which can be used in furtherance of Association policy. The Council also sets the budget of the Association.

10. At each Annual General Meeting, the Council appoints the Association's senior office holders which include the leader, Deputy Leader and Spokespersons. The leader of the largest political group is the Leader of the WLGA and has responsibility for promoting the policies of the WLGA supported by other Officer Holders. The WLGA is a cross-party organisation and seeks to operate based on consensus where leaders and senior members from different political groups are involved in the business of the WLGA, thereby representing the collective voice of local government.
11. The Deputy Leader supports the work of the Leader and other Group Leaders to provide collective advice and support and to represent the WLGA where necessary. Spokespersons promote the policies and views of the WLGA in specified policy areas, including social care, and undertake bilateral meetings with relevant Welsh Ministers and UK Government Ministers.
12. The WLGA's Executive Board comprises the 22 leaders of each Welsh local authority and is the main policy and deliberative forum of the Association which seeks to deal with issues at an all-Wales level.
13. The WLGA is a small organisation. At the start of the Covid-19 pandemic, it had approximately 85 employees. The pandemic placed a significant demand on the WLGA's resources as it transitioned from a representative body focused on making the case for greater flexibilities, funding for local government, and medium-term policy development and legislation to working in an unprecedented emergency response environment. The WLGA facilitated urgent and regular consultation and engagement between the WG and other national stakeholders, with council leaders and with the 22 local authorities across many aspects of the collective COVID-19 public service response.

#### ***The role of the WLGA in the economic response to the pandemic***

14. I described the WLGA's broad role and objectives in paragraphs 7-8 of this statement. These apply equally to the range of responsibilities of local government in relation to financial and

economic support. The functions are discharged by the WLGA's organisational structure, which has roles covered by elected members, with seven spokespersons across Finance, Economy and Energy, and by policy officers.

15. Specifically in relation to the financial and economic response during the pandemic, the WLGA liaised directly with WG over the various Covid grant schemes, which I cover in more detail later in my statement and acted as an interface with Finance and Economic Development staff across the 22 local authorities in Wales. The WLGA has a central role in conveying information both to WG and to local authorities. It fed in views on various interventions, collated, raised local authority queries, and provided feedback on the delivery of grants and funding.
16. The WLGA also engaged at a political level with WG. Finance specific bilateral meetings were arranged with WG Ministers, the WLGA Leader, spokespersons and other key partners, to ensure ongoing dialogue that could be fed through to local authority leaders and cabinet members.

#### ***Changes to WLGA's role and responsibilities during the pandemic***

17. In response to the pandemic, a Coronavirus Coordination Team was introduced, which involved regular internal and informal meetings of several officers supporting the WLGA's response to the pandemic. The team provided feedback from meetings, shared latest updates and coordinated the arrangement of meetings of elected members and officials within local government and meetings with the WG. All WLGA's senior managers were part of the Coronavirus Coordination Team, including the Director of Resources, and regular feedback was given to other officers across the Association as appropriate to take forward any actions agreed.
18. Throughout the pandemic, the WLGA did not play a decision-making role but facilitated consultation and engagement between local authority leaders and senior professionals and the WG. The WLGA's Leader, Group Leaders and Spokespersons played a lead role, meeting with Welsh Ministers and raising key matters of local government concern.
19. WLGA officers played an advisory role, supporting and/or convening meetings between local

leaders and Welsh Ministers, local government professionals and WG officials. They also represented local government views, including finance related matters, in discussions with the WG and national partners, such as Business Wales. WLGA officers also commissioned or facilitated the collection and analysis of financial data/surveys that was used as the evidence-base in many instances. This developed 'lobby lines' for making a case to the WG for funding or to present options and estimates for those making decisions in WG.

20. The Society of Welsh Treasurers also played a key role in providing advice to the Association's leaders and WG. The Society of Welsh Treasurers is made up of the 22 local authority finance directors who have the Section 151 responsibility under the Local Government Act 1972 and the Director of Resources of the WLGA. Before the pandemic this network met as an Executive every 2 months and as a full group every 4 months. In the early months of the pandemic the Executive met daily, and the full group met weekly. Civil servants from the WG's Local Government Finance division were embedded in Society of Welsh Treasurers. This became the basis of a trusting and mature relationship between WG and local government.
21. The WLGA convened and supported regular meetings of all 22 leaders, attended by Welsh Ministers, to provide views on the WG Covid-19 response across the full range of issues facing local authorities including non-pharmaceutical interventions, availability of testing, PPE, and adult social care. These meetings provided opportunities to highlight local issues on finance, grants and economic interventions and to develop local solutions to challenges.
22. Such liaison, interface and political support roles are part of WLGA's normal peacetime roles but during the pandemic there was added urgency and importance placed on WLGA's role in getting timely information distributed to all councils, facilitating early discussion of upcoming decisions or changes in policy, and informing WG of any issues arising at a local level.
23. The WG 's approach to engagement with local government was a key feature of the public service response to the pandemic, which differed in many respects in Wales compared to England. This includes specific matters such as grants and financial support in Wales, which is being considered in this module, and the broader approach and ethos of joint working, with regular meetings between elected members in roles with the WLGA and WG Ministers, and between WLGA policy officers and WG officials.

24. It should be noted that several informal and sometimes ad-hoc meetings took place across the four local government associations. The WLGA, the Local Government Association (LGA), the Convention of Scottish Local Authorities (COSLA) and the Northern Ireland Local Government Association (NILGA), met twice during the pandemic, on 7 August 2020 and 3 June 2021, through the UK Forum of local government associations. Meetings of the UK Forum provide opportunities for the 4 local government representative bodies to come together on a reasonably regular basis to discuss issues of mutual interest and concern, such as the sustainability of local government finance but there is no joint formal work programme on emergency planning across the national associations. The WLGA does not have dedicated officers responsible for engagement with the UK Forum but provides appropriate senior management representation based on the issues to be discussed. Should there be an agreement that the associations work together more closely on specific matters in the future, the WLGA would contribute as required within existing resources and structures.
25. The respective finance teams met regularly from May 2020 onwards, exchanging information on financial pressures and income losses due to Covid-19 and recovery from the pandemic, and sharing approaches to engagement with the UK government and devolved governments (this can be seen in the 3 June 2021 UK Forum agenda and papers – Exhibit CL9/34 – INQ000581806: UK Forum June 2021). Officers from the LGA, WLGA and NILGA and English regions also met regularly to discuss issues on asylum and migration, and through the National Association for Regional Employers (NARE) to discuss common issues relating to workforce matters.

## **Part B: The system of local government funding**

### ***Introduction***

26. To give an efficient and logical explanation of the way in which the pandemic affected the system of local government funding, I provide information under five sub-headings –
- 1 - The key components of Local Authority funding pre-pandemic
  - 2 - The new economic and financial issues arising during and in consequence of the pandemic
  - 3 - How the new pandemic related issues were addressed
  - 4 - How these new pandemic related arrangements compared with the situation pre-pandemic

## 5 - How this worked out

In Appendix A - Chronology (page 67 of this statement), I have provided a high-level chronological narrative of funding to local government which can be read with my answers. Appendix B (page 74 of this statement) contains a list of the acronyms I have used in this statement.

### ***1 - The key components of Local Authority funding pre-pandemic***

27. In order to set out the system of funding in place during the pandemic, how this funding was delivered, and its effectiveness, I must first outline the key components of Local Authority funding pre-pandemic. This will allow for comparison of local government funding pre-pandemic with the system that was in place between 1 March 2020 and 28 June 2022 ('the specified period').
28. The basic funding arrangements for local government are easy to conceptualise by thinking of elements of local government spend, as follows:
- In 2019-20, Gross Revenue Expenditure across council services, police, fire and national parks in Wales totalled £8.3bn.
  - Specific grants, provided mostly by the WG but sometimes by the UK Government (funding that tends to be earmarked for a specific purpose like Housing Benefit payments and many grants for schools and education), accounted for £2bn of the funding.
  - In the same year the council tax requirement was also around £2bn. The remainder was made up of Revenue Support Grant, Redistributed Non-domestic Rates and other general funding such as Police Grant. The Revenue Support Grant and Non-domestic Rates available to the 22 councils was £3.2bn and £1.0bn respectively.
  - Taken together both funding streams are referred to as Aggregate External Finance.
  - The focus of discussions with WG on finance issues take place formally through the Finance Sub-Group. One of the main issues addressed on an annual basis is the budgetary pressures that local government face.

Source: Statistics for Wales - Local authority revenue and capital outturn expenditure 2019-20 - 27 January 2021 (Exhibit CL9/02 – INQ000492880: WG local authority revenue and capital outturn expenditure april 2019 march 2020).

29. It may be helpful to state that there are several features of local government funding in Wales that gave local authorities more flexibility than their counterparts in England.

- Firstly, council tax is not subject to any local referenda or restricted to use in certain services like social care.
- Secondly, there is no partial localisation of business rates, they are pooled on an all-Wales basis and redistributed on a simple population basis.
- Thirdly the Revenue Support Grant is still one of the main funding routes. It is paid monthly, so any ‘front-loading’ of the payments, as occurred during the very early months of the pandemic, is a great help if there is a cash-flow issue.

30. It is worth adding that the Finance Sub-Group to which I have referred above is a regular, formal forum for the WG and local government to discuss designated local government finance matters. The Finance Sub-Group’s terms of reference are set out at Exhibit CL9/03 – INQ000596487: PCfW Finance Sub Group - Terms of Reference. It has an advisory and consultative role rather than a decision-making one. It is a sub-group of the Partnership Council<sup>1</sup> which has a remit that includes public service reform and collaboration and taking action to improve the effectiveness and efficiency of public services. The Finance Sub-Group is chaired by the minister with responsibility for local government and 9 council leaders sit on the group who are nominated at the WLGA’s Annual General Meeting. The Chief Executive and Director of Resources also attend, along with the Honorary Secretary of the Society of Welsh Treasurers.

31. Two other sub-groups sit under the Finance Sub-Group. These are –

- The Distribution Sub-Group which is a technical working group that provides advice on matters relating to the distribution of the local government financial settlement, i.e. the

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<sup>1</sup> Partnership Council for Wales is a statutory body established by Section 72 of the Government of Wales Act 2006. Referred to as “PCfW” in Exhibit CL9/03 – INQ000596487

funding formula, and

- The Capital Finance and Investment Group which is a working group that considers aspects of local authority capital funding.

32. Many bilateral meetings with ministers occur which may consider 'specific' grant funding within ministers' portfolios. For 2019-20, there were 86 revenue schemes totalling £751m. As set out in paragraph 20 above the key professional network for finance discussions is the Society of Welsh Treasurers but service-specific issues are also discussed in other professional networks such as the Association of Directors of Social Services Cymru (ADSSC) and the Association of Education Directors Wales (ADEW).

33. There is also long-standing provision for further funding to meet unexpected needs and crises as follows. The Emergency Finance Assistance Scheme (EFAS) used to be known as the Bellwin scheme for local authorities for dealing with emergency situations. It works on a claim basis. Councils must report any eligible expenditure that they incur, and this can cumulate over the financial year if there are multiple incidents. Based on the information supplied, officials determine if they need to take a report to Ministers who take a decision on whether to invoke the scheme.

34. Revenue support is provided once expenditure exceeds a threshold (0.2% of authority's annual budget requirement), and it covers 85% of qualifying expenditure. Guidance states:

*"Any incident for which assistance is sought must involve conditions which are exceptional by local standards and damage to the local authority infrastructure or communities must be exceptional in relation to normal experience".*

Source: Welsh Government Guidance - Emergency financial assistance scheme for local authorities in Wales (Exhibit CL9/04 – INQ000596488: EFAs Guidance - Emergency financial assistance scheme for local authorities in Wales)

35. However, the scheme has tended to be used most for severe weather incidents. In the period running up to the pandemic, it was invoked for two named storms: Storm Ciara and Storm Dennis that hit between 11 January 2020 and 11 February 2020. A Flood Summit had been arranged for 19 February 2020 and both the First Minister and the Minister for Housing and Local Governmental set out to local government leaders, and other representatives, what

financial support that was available, including the Emergency Finance Assistance Scheme at that time (Exhibit CL9/13 – INQ000596512: 200219 Flood summit note).

## ***2 - The new economic and financial issues arising during and in consequence of the pandemic***

36. Under this general heading I shall outline how economic issues, concerning the ability of local authorities to fund their responsibilities, developed during the pandemic.
37. The Finance Sub-Group met four times in 2020. At the first meeting on 5 February 2020, it addressed issues arising from the budget announcement for the upcoming financial year 2020-21, the approach that all parties were taking on the next spending review, and funding formula issues. These discussions were all routine for the time at which it met, save that, as mentioned earlier, an Emergency Finance Assistance Scheme had been invoked for the February storms.
38. There were other Finance Sub-Group meetings scheduled for 19 August and 20 November 2020, but I shall discuss other key events first.
39. During the first months of the pandemic a blueprint for financial support to local authorities was developed as the direct implications of the pandemic and the more indirect effects of lockdowns on public services were thought through and assessed. The most important events in those early Spring months of 2020 arose as Directors of Finance met and discussed the implications of lockdown. Through a quick-fire exchange of correspondence an additional meeting of the Finance Sub-Group convened on the 30 April. The chain of events leading up to that meeting was as follows -
  - **20 March 2020** A letter to the Ministry of Housing Communities and Local Government (MHCLG) confirmed cash flow issues and immediately made requests for additional funding for social care (Exhibit CL9/05 – INQ000581796: 200320 - Letter - Cllr Andrew Morgan and Cllr Anthony Hunt to MfHLG - Finance pressures), a letter was also sent to CEs regarding Bus contracts.( Exhibit CL9/46 – INQ000108905: 20200320 KS AM - Letter to LA Chief Execs - School Bus Contracts)

- **21 March 2020** – A data collection survey was commissioned by WLGA from Data Cymru to make early estimates for income loss and additional pressures in the first quarter of 2020 (the report based on this survey can be found at Exhibit CL9/11 – INQ000338761 – 200430 - FSG - COVID Income and Expenditure Survey report)
- **22 March 2020** – At a daily meeting of the Society of Welsh Treasurers Executive key finance issues facing local authorities were confirmed as 1. business rates and council tax loss, 2. Business Support Grants, 3. Cashflow issues, which included Revenue Support Grant and Business Grants, and 4. other areas of income loss/pressure. (Exhibit CL9/07 – INQ000596491: 200320 SWT Exec Meeting Minutes)
- **23 March 2020** - An early version of business grants guidance was shared with Society of Welsh Treasurers (Exhibit CL9/08 – INQ000596507 – Official Sensitive Covid 19 NDR Grants Scheme Criteria VERSION 2). Payments were estimated at £850m. There were active discussions around frontloading the Revenue Support Grant and it was said that the payments would be received in the first week of April with the possibility of two extra payments i.e. the May and June payments to be included into the April payment. A first draft of an income loss/pressures survey was circulated (the final report can be found at Exhibit CL9/11 – INQ000338761 – 200430 - FSG - COVID Income and Expenditure Survey report).
- **25 March 2020** – Following a meeting of Group Leaders, WLGA Spokesperson Finance & Resources wrote to the Minister for Housing and Local Government (MfHLG) – asking for 50% of the funding for the fiscal stimulus package (small business grants) to be paid up front (Exhibit CL9/09 – INQ000108907 – 200325 - Letter - Cllr Morgan and Cllr Hunt to MfHLG - Finance Pressures). Also, urgent cash cover was required by front loading four payments of Revenue Support Grant into one month rather than four.
- **09 April 2020** - in response to the letter of 20 March, MfHLG responded to say Revenue Support Grant payments have been front loaded to April providing councils with an advance of £500m and further payments would be re-profiled over the year (Exhibit CL9/10 – INQ000115632 – 200409 - Letter - MfHLG to Cllr Andrew Morgan and Cllr Anthony Hunt – Finance). Further 50% of business grants funding and 25% of

the Non-domestic Rates relief scheme were also paid early by WG. All correspondence acknowledged the good communications, goodwill and gratitude for the work that was being undertaken.

- **30 April 2020** - Finance Sub-Group. This was an additional meeting of the Finance Sub-Group that was put into calendars and the first formal meeting of the group to consider evidence of additional pressures and income loss under a paper presented under Item 5 (Exhibit CL9/11 – INQ000338761 – 200430 - FSG - COVID Income and Expenditure Survey report). Section 1 gave an overview of activity, section 2 reported back some of the detailed survey data. Estimated net expenditure loss in the first quarter was estimated as £90m:

*“In the first quarter of financial year 2020-21, local authorities will be incurring just under £90m in additional revenue cost responding to the current crisis. It is important to recognise that this is a net cost. There are, for example, running costs for facilities, and travel and subsistence expenses that have been avoided during this period. The £90m figure is net of over £11m of worth of costs avoided.”*

The paper detailed the services where these costs were arising; not surprisingly these were mainly in social care. The paper also reported details of councils’ income loss, noting that that annual income from sales, fees and charges normally raised over £1bn a year from a range of activities, of which the largest included leisure facilities, car parking, school meals and school transport. The cessation in these services gave rise to much of the £95m of income loss that was reported for the first quarter of 2020-21:

*“The estimate of £95m is largely consistent with the previous high-level estimate. These are commonly activities that have ceased, and the income is lost (£83.7m), while much of the costs associated with these services will continue to fall on Councils that rely on this income to enable the provision of these services and to help balance their budgets. Other income, such as planning fees, are slow or delayed in coming in but with the potential to recover over time (£17.2m). When reductions in costs associated with these income areas is netted off the final position is income loss of £95.2m.”*

40. The Hardship Fund was open to monthly claims from April 2020. By the time the scheme ended claims were being made quarterly. The guidance was updated regularly and especially when a new 'element' of funding was added. Civil servants gave regular feedback from the meeting on the panel, and this also shaped the guidance.
41. A second survey was commissioned by WLGA at the beginning of June 2020 and covered the position across the 22 local authorities in Wales. It set out the estimated financial impact of the ongoing response to the COVID-19 emergency for the second quarter (July to September) concerning local authority income and the pressures on revenue expenditure. This report also looked at emerging issues and references the COVID-19 announcements made by UK Government that had consequential funding allocations in Wales. This also started to cover general pressures facing services outside of the pandemic pressures such as pay and non-pay inflation and general demand. This survey provided the evidence base for a paper presented to the next Finance Sub-Group on 19 August 2020 (Exhibit CL9/15 – INQ000115942: 200819 - FSG - COVID Income and Expenditure Survey Future Pressures).
42. After the immediate crisis at the start of the pandemic in 2020, a new phase occurred arose from June/July 2020. I can explain this by reference to the WLGA's report to the Finance Sub-Group on the 19 August 2020 (Exhibit CL9/15 – INQ000115942: 200819 - FSG - COVID Income and Expenditure Survey Future Pressures) which discussed how local authorities were at an early stage of planning for the transition to a recovery phase. Some authorities had by then started to put recovery plans to their Cabinet. It was clear that the assumptions used at the time 22 local authority budgets were set in early 2020 would need to be reviewed and revised. The WLGA paper discussed what was needed in this recovery phase all councils as part of their Medium-Term Financial Planning.
43. The WLGA recognised that two matters would inform authorities' longer-term planning -
- The First Minister's "Leading Wales out of the coronavirus pandemic: A framework for recovery" (Exhibit CL9/16 – INQ000349353 - WG Leading Wales out of the coronavirus pandemic) and
  - The Minister for Education's written statement on 28 April 2020 (Exhibit CL9/17 – INQ000596517: 200428 MfE Statement Covid19 recovery phase planning - operation of schools).

44. At the time the WLGA was pressing the WG for early indication of its future funding assumptions since these would greatly assist and provide a consistent basis for planning notwithstanding the obvious uncertainty about the wider UK fiscal position. This can be seen in WLGA's report to the Finance Sub-Group on the 19 August 2020 (Exhibit CL9/15 – INQ000115942: 200819 - FSG - COVID Income and Expenditure Survey Future Pressures).
45. The WLGA paper highlighted the issue of financial stability as a key factor given the unprecedented pressure faced by local authorities. Amongst leaders and treasurers, there were concerns about local authority solvency which is triggered by the issuing of a section 114 notice<sup>2</sup> by the section 151 officer<sup>3</sup>.
46. The WLGA's report to the Finance Sub-Group in April (Exhibit CL9/11 – INQ000338761 – 200430 - FSG - COVID Income and Expenditure Survey report) had provided an evidence base for the income loss and pressure in the first quarter of the financial year and the August report (Exhibit CL9/15 – INQ000115942: 200819 - FSG - COVID Income and Expenditure Survey Future Pressures) provided estimates for the second quarter and projections for the remainder of the year. It also started to note the reduced collection rates and increased council tax reduction claims that had the potential to have a significant impact on the financial position of councils.
47. The latter report highlighted issues of council tax collection rates, warning that if rates did not return to previous levels over the remainder of the financial year this would affect budget setting assumptions, and lead to further difficult choices for councils to meet the increase in demand in areas such as social services.
48. Against the background of a likely difficult budget setting round, the WLGA noted that for local authorities to be able to continue to play a key part in the delivery of Welsh public services, the UK Government had to be more flexible and creative in its funding of the WG. That is why on

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<sup>2</sup> A section 114 notice is a report issued by a local authority's chief financial officer (CFO) to prevent excessive spending. It's issued when the council's income is expected to be less than its expenditure for a given financial year.

<sup>3</sup> A Section 151 (S151) officer is a statutory officer who manages the financial affairs of a local authority, generally the CFO.

25 June 2020 the WLGA wrote to the Treasury (Exhibit CL9/19 – INQ000181650: 200625 AH to Chancellor) to make the case for a comprehensive package of additional funding to address the significant funding gap and a relaxation on the limits on fiscal autonomy placed on WG. It was made plain that such an approach would allow councils to work with WG to meet the increased demands for front line services and to provide economic support.

49. On 24 March 2020, the Chancellor had announced that the Comprehensive Spending Review (CSR) would be delayed. This was to enable the UK Government to remain focused on responding to pandemic. At the time we were aware of the CSR context which included a deficit amounting to more than £300bn. The government would be left with difficult choices around increasing borrowing, raising taxes or cutting spending. On 21 July 2020 the Chancellor announced that the CSR 2020 would commence and conclude in September that year, and the WLGA were aware this would have a significant effect on the funding envelope for devolved administrations, and consequently local government.
50. In summarising the position for the remainder of the financial year, the WLGA built three scenarios. These were based on five main elements of the burgeoning aggregate budget gap:
- **Expenditure pressures:** there was now 6 months of evidence around the scale of these pressures in areas such as homelessness and social care to make an estimate of the annual pressure.
  - **Income loss:** as with the expenditure pressures there was enough evidence about the scale of loss of parking charges and arts venues income to model what would happen in over the remainder of the year.
  - **Council Tax collection:** there was a lot of anecdotal evidence building up about loss of CT as regular monthly payments were lower than expected, however it was not clear whether these were just delays in payments. As the year progressed local authorities were able to evidence that collection rates were significantly impacted and a shortfall between anticipated and actual funds emerged of £30million.
  - **Council Tax Reduction Scheme (CTRS) pressures:** and changes to the employment landscape resulted in additional people claiming help with their Council Tax. The Council Tax Reduction Scheme (Wales) allows for entitled claimants to receive up to 100% support based upon a means test. During the 2020-21 financial year the additional claims realised an additional pressure of £11million.

- **Unrealised savings plans:** All authorities had plans to make savings during the financial year which take human resource to implement. As finance teams were being re-deployed to respond directly to the pandemic, plans for saving money would have been abandoned. Eventually payments of £25m were notified on 8 March 2020 for the financial year 2020-21.

51. As set out in the WLGA Paper to the Finance Sub-Group 19/08/20 – the scenarios were as follows (Exhibit CL9/15 – INQ000115942: 200819 - FSG - COVID Income and Expenditure Survey Future Pressures ) -

*“Under Scenario 1, (S1, the worst case) the expenditure pressures and income loss in Q3 and Q4 continue at similar levels to Q2 and there is no real let up in the local government response to crisis and income does not return. Council Tax collection rates do not recover but don’t get any worse either. CTRS gets no worse and the Q1 estimate for the whole year is realised. No savings are realised.*

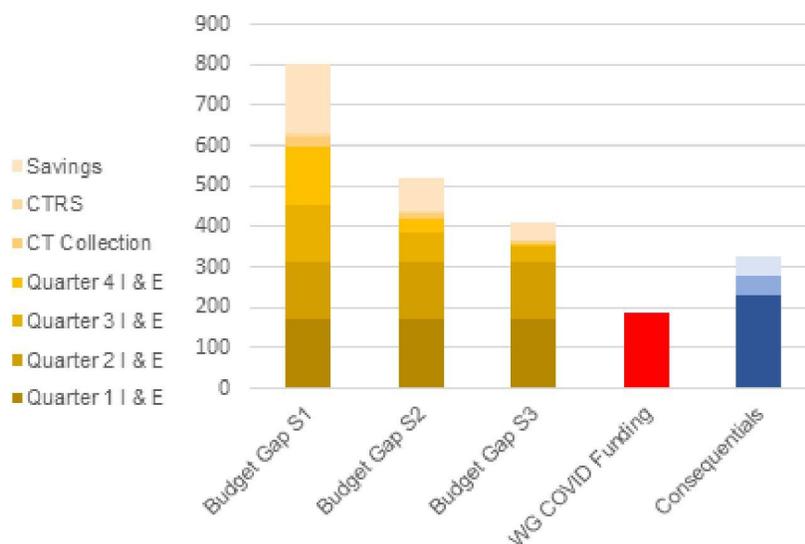
*Under Scenario 2, (S2, the better case) the expenditure pressures and income loss in Q3 and Q4 fall away by 50% in the successive quarters 3 and 4. Council Tax collection recovers enough so that only half of the loss under S1 is realised. CTRS pressure also reduces by half in comparison to S1. 50% of budgeted savings are realised.*

*Under Scenario 3, (S3, the least worst case) expenditure pressures and income loss in Q3 and Q4 fall away by 75% in the successive quarters 3 and 4. Council Tax collection recovers enough so that only a quarter of the loss under S1 is realised. CTRS pressure also reduces by quarter in comparison to S1. 75% of budgeted savings are realised.”*

52. These scenarios were set out in our report (Exhibit CL9/15 – INQ000115942: 200819 - FSG - COVID Income and Expenditure Survey Future Pressures) and replicated in Figure 1 below in the three left hand columns (S1, S2 and S3). Under scenario 1, 2 and 3, the budget gap is estimated as £802m, £523m and £410m respectively. For comparative purposes, the total spend (net revenue expenditure) of councils at the time was around £6.2bn. The red column

on the right shows the COVID funding that had been made available by the WG through its Supplementary Budget. The Hardship Fund made available £110m for service pressures and £78m for Income Loss. It roughly corresponds to our survey estimates for the first quarter.

**Figure 1: Budget gap and available funding 2020-21, £m**



**Source:** WLGA Paper to the Finance Sub-Group 19/08/20 – Exhibit CL9/15 – INQ000115942: 200819 - FSG - COVID Income and Expenditure Survey Future Pressures

53. The final column on the right shows the WLGA’s estimate of the ‘consequential’<sup>4</sup> that had come to Wales for MHCLG and Department for Education (DfE) spending in England. It was based on information from several sources including Wales Fiscal Analysis<sup>5</sup>. The dark blue part of the column shows the WLGA’s estimate for that funding as £280m and light blue is an estimate for what was thought may come through as a consequential for English income loss of £47m (this was a highly speculative estimate). That totalled £327m and this was clearly more than the funding already made available, but it is far lower than the budget gap scenarios

<sup>4</sup> The "consequential" in the context of the Barnett formula refers to the change in funding allocated to devolved administrations (Scotland, Wales, and Northern Ireland) as a direct result of changes in spending by the UK government, particularly in areas where powers are devolved.

<sup>5</sup> Wales Fiscal Analysis (WFA) is a research body within Cardiff University’s Wales Governance Centre that undertakes authoritative and independent research into the public finances, taxation and public expenditures of Wales. They published several papers during the pandemic assessing the impact on the Welsh Government Budget and other parts of the public sector.

to the left. The simple message was that councils needed more money before the end of the financial year, even under the most optimistic assumptions.

54. In the eventuality that the UK Government and WG could not find any more resources, then local authorities would have found themselves in difficult territory. We warned that some would be facing irretrievable financial positions and would start to refer to Chartered Institute of Public Finance and Accountancy (CIPFA) guidelines on s114 notices. CIPFA is the professional body for public sector accountants.
55. At that time, as mentioned in the paper, the WLGA was also starting to think about 'normal' pressures that local government would be facing in the following 2021-22 financial year, and it was cognisant of the fact that this would be addressed through the UK Government's Spending Review and WG Budget announcements due in the autumn of 2020
56. Our assessment at the time of expenditure pressures for local government for 2021-22 was higher than similar estimates for the 2020-21 and stood at £264m. Typically, peacetime pressure is driven largely by wage inflation, service demand and other general inflationary factors.
57. Within the same report we also touched on more positive opportunities, some authorities were seeing the pandemic as an opportunity to pursue transformative change and to identify / maintain new operating models and deliver services in different ways. It was becoming clear that the crisis had forced a shift towards more agile working and these benefits needed to be 'locked-in'. The willingness and readiness of local authorities to generate much needed economic stimulus for our communities was a key component of the 6th of July 2020 letter from WLGA Group Leaders to Julie James MS, Minister for Housing and Local Government (Exhibit CL9/21 – INQ000089909: 200706 - Letter - Group Leaders to MfHLLG and Counsel General - Economic Stimulus Package). The letter contained a list of co-ordinated, Wales-wide programmes of investment in local authority services. The intention of the 'top ten' capital scheme programmes would be to 'lock in' and build on the positive change already evident in response to the pandemic.

### ***3 - How the new pandemic related issues were addressed***

#### **Introduction**

58. Taking business support first we estimated there was around £1.4bn in Business Support funding during the pandemic which mostly comprised direct payments to business using Non-domestic Rates systems. Guidance was issued for each tranche of business support which would follow the pattern of lock downs as these would have been the periods of greatest need as business revenues reduced considerably. The number of eligible businesses was determined from Non-domestic Rates systems, and the size of each grant was determined by the WG. Terms and conditions were issued with each block of funding.
59. In terms of the Hardship Fund, the broad 'control totals' or funding amounts were initially based on levels of funding that had been announced in England, through the operation of the Barnett Formula Wales received a proportionate share, the so-called 'consequential' funding. Initial guidance (Exhibit CL9/49 – INQ000066184 - Terms of Hardship Fund 26 03 20) shows that an initial injection of £30m was made available through a single overarching 'Local Government support fund'. The guidance provided by WG made it clear that local authorities were able to claim for financial assistance related to dealing with the impact of Covid19. This included any additional costs incurred because of providing relief or preventing suffering to its inhabitants. There was a recognition by the WG that this was an initial tranche of funding and more would be needed.
60. As mentioned above the operation of the Hardship Fund was based on the principles of the Emergency Finance Assistance Scheme (for dealing with emergency situations). Before the pandemic this would have included situations like floods and severe weather, and councils would have to report any eligible expenditure they had incurred, and this could cumulate over the financial year if there are multiple incidents. Ministers would take a decision when to invoke the scheme and support provided once expenditure exceeds a threshold (0.2% of authority's annual budget requirement) and it covers 85% of 'qualifying' expenditure.
61. In the two years that the Hardship Fund operated, LAs received around £909m for income loss and additional pressures. In addition, there was £47m for Council Tax loss and Council Tax Reduction Scheme pressures. There was also £70m in additional capital funding and £50m for social care. An extra £60m was also added to the general settlement. This totalled around £1.14bn in additional direct support.

62. As outlined in paragraph 30 above, additional funding for local authorities was discussed directly with ministers and WG officials during Finance Sub-Group meetings, and specific requests for funding were raised via formal correspondence to the Minister for Housing and Local Government.
63. The WLGA's established networks across many professional and political groups proved to be vital in ensuring emergency support could be delivered in a timely manner. The WLGA was able to call upon network members for advice and guidance when advice was needed by ministers making key decisions and, in return, they were assured that we had taken on board all their concerns with WG etc.
64. Examples of where such matters were raised with WG ministers or other organisations can be seen in the following letters and correspondence:
- Exhibit CL9/09 – INQ000108907 – 200325 - Letter - Cllr Morgan and Cllr Hunt to MfHLG - Finance Pressures
  - Exhibit CL9/20 – INQ000108913: 200403 - Letter - Cllr Anthony Hunt to Director General British Chamber of Commerce - Finance
  - Exhibit CL9/21 – INQ000089909: 200706 - Letter - Group Leaders to MfHLG and Counsel General - Economic Stimulus Package
65. Direct support for local authorities was immediately identified by leaders and treasurers in the run up to the decisions on lockdown. Initially these were broadly identified as income loss and additional pressures. These became the principles on which the 'Hardship Fund' which evolved over the course of the pandemic. As stated previously, the administration of the scheme was built on the foundations of the Emergency Financial Assistance Scheme (EFAS) which was claim-based. The EFAS had been effective in dealing with severe local incidents such as extreme weather events in the run up to the first lock down.
66. The original basis of the Hardship Fund was a £30m pot from which local authorities could claim, eventually it would be shaped by bottom-up estimates of expenditure pressure and income loss that came from a survey that was designed with help of the Society of Welsh Treasurers and WG. This survey data was collated into a paper that was presented to the Finance Sub-Group (FSG) on the 30 April 2020 (Exhibit CL9/11 – INQ000338761: 200430 - FSG - COVID Income and Expenditure Survey report). Given the immediacy and scale of the

pandemic, the Society of Welsh Treasurers Executive was convened daily to triage issues of local government finance and funding, with the full Society of Welsh Treasurers Group meeting weekly. The minutes of every daily Executive meeting were circulated almost immediately so that Society of Welsh Treasurers members not on the Executive received key updates from the discussions. From May 2020, the meetings became less frequent.

67. The Finance Sub-Group is a subgroup of the statutory Partnership Council which met 10 times between the beginning of 2020 and the end of 2022. The Finance Sub-Group was chaired by the Minister with local government responsibility and attended by 9 leaders from local government. It is supported by WG officials and WLGA officers. Only one additional meeting was convened during that period above the established cycle of 3 meetings per annum, and it provided a sound basis for political discussions and oversight of the direction of travel. As evidenced in Exhibit CL9/22 – INQ000181406 – 200819 - FSG – Minutes and Exhibit CL9/14 – INQ000227915: 201102 - FSG - Minutes , minutes of these meetings attest to good relations in that forum. The WG also established a Star Chamber to assess high level sectoral claims, and this was first referred to in the minutes of the Finance Sub-Group on 30 April 2020 (Exhibit CL9/23 – INQ000066182 – 200430 - FSG – Minutes).
68. Using the Non-domestic Rates system for business support, had not been attempted before in terms of both scope and scale. Funding and support to businesses in peacetime had comprised small scale grants targeted at particular business and reliefs from Non-domestic Rates that were either mandatory or discretionary in nature. In terms of business support, decisions had to be made at speed in a rapidly evolving environment, but steps were still taken to ensure there was an audit trail and the necessary safeguards in place.
69. There was a recognition (in both the Society of Welsh Treasurers and Finance Sub-Group) of the risk of potential fraudulent claims, but the view was taken by WG that the risk of widespread business failure if grants were not processed with urgency was far greater. It was agreed that fraudulent claims would be investigated later arising from spot checks, local knowledge and other information received. We are aware that local authorities carried out the necessary checks and that funding was reclaimed where found appropriate to do so.
70. Local authorities have established secure payment mechanisms in place to support the range of services they provide. Systems were adapted to enable direct transfers of funding and

grants to business upon successful application.

## **Business Support Schemes**

71. It is important to recognise that while discussions about local authority funding and economic support took place in a wide number of different network meetings, they were all pulled together in the established forum for central-local finance discussions which is the Finance Sub- Group - outlined in more detail in paragraph 67 above.

72. In respect of Business Support, the information below provides a brief timeline of the issues which evolved into grant schemes and is summarised in Table 1. Individual WG guidance was published for each different grant and can be found exhibited below:

- **Non-Domestic rates business grant – March 2020**

Following the first announcement that businesses were instructed to close with effect from 26<sup>th</sup> March, a suite of financial interventions was established to support businesses affected. The WLGA worked closely with WG (Business Wales) colleagues to establish a group of sector professionals to co-design a system of support that could be rapidly deployed. The first payments were made by the end of March 2020. This scheme, which ran until June 2020, saw over £700million distributed.

Guidance - Exhibit CL9/24 – INQ000596524: Covid-19 NDR Grants Scheme Criteria April 2020 FINAL

- **Start-up grant – June 2020**

It became apparent that there was a cohort of business that did not receive any funding from the non-domestic rates grants, as they were new businesses that did not appear on the rating list on the specified date. Together with WG/BW we co-produced a specific grant for the newly established businesses which launched in June 2020.

Guidance - Exhibit CL9/25 – INQ000596525: Start Up Grant Guidance Notes

- **Local Lockdown-Firebreak grant – October 2020**

A circuit break announced in Wales from 23<sup>rd</sup> October to 9<sup>th</sup> November (a week earlier than in England) was followed by a funding announcement as there was a requirement for businesses to close again.

Guidance - Exhibit CL9/26 – INQ000596526: Enhanced Lockdown Non Domestic Rate Grant - Guidance

- **Business restrictions grant – December 2020**

New restrictions effective from 4<sup>th</sup> December for the hospitality and leisure sector were accompanied by additional funding and a further grant scheme to enable sector specific support to be administered. Further restrictions were announced on 16<sup>th</sup> December and additional funding added to the scheme.

Guidance - Exhibit CL9/27 – INQ000596527: Restrictions Business Fund - Discretionary Grant - Guidance Doc

- **Local Discretionary Grant – December 2020**

To accompany the above Business Restrictions grant, a Discretionary fund was established for those businesses not on the rating list.

Guidance - Exhibit CL9/28 – INQ000596528: Local Lockdown Discretionary Grant - Guidance

- **Business restrictions grant – March 2021**

A further round of funding announced to support specific sectors unable to return to normal trading (hospitality and tourism etc.).

Guidance - Exhibit CL9/29 – INQ000596529: Restrictions Business Fund Extension 25 January Updated 1.2.21

<b>Table 1 – Business Support Scheme summary</b>			
<b>Fund – Business Support</b>	<b>Total Value of funds issued</b>	<b>Date launched</b>	<b>Eligibility criteria</b>
Non-Domestic rates business grants	£772,636,151	March 2020	Certain property types on rating list
Start Up Grant	£4,141,000	June 2020	Newly

			Self-employed (outside of scope for SEISS)
Lockdown – Firebreak	£13,279,200	October 2020	Certain property types on rating list
Business Restrictions (December)	£234,004,500	December 2020	Certain property types on rating list
Local Discretionary Grant	£42,667,500	December 2020	Sole traders – not property based
Business Restrictions (March)	£423,823,000	March 2021	Certain property types on rating list
<b>Total</b>	<b>£1,338,878,351.00</b>		
<b>242,635 successful claims paid</b>			

73. In addition to the business support schemes outlined above, I will describe how funding for the work of local government in Wales was affected by the pandemic under four further categories sub-headings:

- 
- Hardship Fund – Income Loss
- Hardship Fund – Additional Pressures
- WG Support for Care Sector
- Transport

#### **Hardship Fund – Income Loss**

74. Local authorities raise a considerable amount of income from fees and charges for services quite separate from the council tax or business rates. The impacts of the first and subsequent

lockdowns reduced that income considerably as people stayed at home and normal economic activity ceased. Council income fell away precipitously. The original guidance on income loss for those service areas that were consistently experiencing losses included leisure centres, cultural and arts venues, car parking and enforcement, school catering and waste. This list broadened as the scheme developed during 2020-21.

75. For services that had stopped then restarted it was recognised that they could not generate the levels of income that had been budgeted for and the gap needed to be covered. It was also recognised that where local authorities were providing services through arms-length bodies (trusts or trading companies running leisure services for example) then they needed to provide funding monthly and the scheme was flexible enough to recognise cash flow issues. The guidance included the following categories that could be claimed:

- Leisure services
- Culture services
- Car parking
- Commercial income – property related
- General fees and charges
- Facilities hire
- Planning / Permits / Registrars / Court income
- Public transport (Bus contracts were considered separately)

### **Hardship Fund – Additional Pressures**

76. The key principle concerning the additional pressures side of the Hardship Fund, was ‘additionality’. The original terms of the fund referred to ‘recovering costs incurred as a result of Covid19’. It was additional to the general funding package that was announced as part of the local government finance settlement in February 2020 (Exhibit CL9/06 – INQ000596490: 200225 MfHLG statement - Final local government settlement). The general funding package was worth £4.5bn for 2020-21.

77. The initial guidance for the Hardship Fund gave examples of the type of expenditure that qualified such as supplying food, medicines, and key services to vulnerable individuals;

maintaining key communications; managing staff absences and illness; and other additional responsibilities arising out of the UK Government Emergency Bill. Eventually this part of the Hardship Fund would cover 20 areas of additional pressure each with its own section within the general Hardship Fund guidance and sometimes additional documentation as well (Exhibit CL9/30 – INQ000539123: Local Government Hardship Fund Additional Costs - Principles and Guidance 2021-22 Oct-Mar 8-12-21):

- Free school meals
- Adult social care
- Children’s social services
- Homelessness
- Homelessness Prevention Fund
- Winter fuel support
- Excess deaths provision
- Education
- Local authority costs
- Waste
- Enforcement
- Protect
- Opening of the visitor economy
- Field hospitals / vaccination centres
- Self-isolation Payments
- Statutory Sick Pay enhancement scheme
- Care home testing
- Care home pods
- Summer holiday childcare
- Flooding

### **Welsh Government Support for Care Sector**

78. Much of the support for the care sector was provided through the Hardship Fund but it was an important element subject to specific guidance, so it is worthwhile highlighting it separately. The WG had provided £40 million, ring fenced for adult social care, during the initial response phase in the first quarter of 2020-21. This provided support for local authorities to maintain

their commissioned and in-house adult social care. The accompanying guidance for local authorities set out how to use the funding to address reasonable, additional costs resulting directly from the pandemic that adult social care providers were experiencing. The first tranche of financial support was initially for April and May and subsequently extended to cover cost pressures arising in June. As the pandemic progressed, adult social care providers continued to experience pandemic-related costs, with the nature of these costs and pressures evolving over time.

79. A second tranche of funding was provided for the period July to September 2020 (i.e., for the second quarter) to continue the provision of support towards these costs. This second tranche of funding (totaling £22.7 million) was also ring fenced for adult social care and had two components: firstly, continued support for in-house and commissioned adult social care provision across domiciliary care, residential care and supported living; and, secondly, funding for local authorities to support providers to address market stability pressures, e.g. voids and other exceptional / unpredictable / emergency expenses across the adult social care sector

80. A Reference Group representing the broad range of adult care stakeholders was specifically set up to support the WG in the intended delivery of the funding and to advise on any matters of interpretation of the scheme to ensure consistency. The Reference Group also reviewed the monitoring processes to ensure funding was being used appropriately and provide advice on how the sector can transition out of these temporary funding arrangements. The group was chaired by a WG civil servant with representation from the following organisations:

- WG Social Services and Integration
- WG Local Government Finance
- National Commissioning Board
- Welsh Local Government Association
- Society of Welsh Treasurers
- Association of Directors of Social Services Cymru
- Care Forum Wales
- National Provider Forum
- Community Housing Cymru
- Cymorth Cymru
- NHS Complex Care representative

- NHS Finance

81. Several support arrangements for the social care sector ran outside the Hardship Fund where they were particularly complex to administer. One of these was the Financial Recognition for Care Workers scheme which was an additional payment for those working in the sector. This scheme ran twice. On 1 May 2020, the First Minister announced a £500 payment for care workers via a Written Statement confirming the eligibility criteria (Exhibit CL9/31 – INQ000596531: 200501 FM press release - extra payment for care staff). The payment was made to care workers who were employed in an ‘eligible role’ between 15 March 2020 and 31 May 2020. A second scheme for £735 was announced on the 17 March 2021 also by Written Statement (Exhibit CL9/32 – INQ000596532: 210317 Financial recognition for NHS and social care workers). The latter amount covered the basic rate of tax and national insurance contributions and after deductions most people received £500.
82. A £40m Social Care Recovery Fund was announced in September 2021. The purpose of the Fund was to support social care recovery activity in line with the priorities set out in the Social Care Recovery Framework, which had been published by the Deputy Minister for Social Services on 22 July. £8m of this fund was ring-fenced for specific purposes.

### **Transport**

83. A Bus Hardship Scheme was also introduced. With the onset and spread of Covid, passenger numbers on public transport dropped dramatically due to the risks associated with travelling in confined spaces with other people (notwithstanding measures such as closing certain seats to reduce proximity and keeping windows open to ensure good ventilation). In 2020/21 the number of bus passenger journeys per capita in Wales fell to about a quarter of pre-pandemic levels (Exhibit CL9/33 – INQ000596533: 231207 Bus services on life support - how did we get here).
84. It quickly became clear that, without financial support, many operators would go out of business and would not be available to meet demand once the pandemic came to an end. WG worked with councils to provide support to the industry. Support was also needed in relation to contracted home to school transport (including taxi provision for Additional Learning Needs students). With schools being closed, cancellation of services and the associated loss of

income would have very likely resulted in several providers failing.

85. There is a close inter-relationship between public bus services and home to school transport provision. Several councils buy season tickets for pupils on public buses. That helps to sustain public services whilst also achieving a lower cost than contracted school services. There was a need for councils to support contracted transport service suppliers alongside the WG support for public bus services.

#### ***4. New pandemic funding arrangements compared with the situation pre-pandemic***

83. All new funding arrangements were additional to the “business as usual” aspects of funding local services either directly as in the case of schools, or indirectly as in the case of social care providers. Support for businesses was additional to the day job. The administration of these new schemes took substantial additional resource, and officers were redeployed from other areas of councils to support finance departments.

#### ***5. How this worked out***

84. Initially, the additional funding support was an administrative burden. Part of this was the novel nature of the support being provided and the other part was just the sheer scale of the interventions and volume of claims made through the hardship fund and the number of businesses being supported. However, many of these problems were overcome as officers were redeployed and, to an extent, administering emergency systems became ‘normalised’. Once initial hurdles were overcome the frameworks and structures operated very effectively in terms of the speed at which payments were made to businesses and the success of the hardship fund in meeting the financial challenges of local authorities themselves.
85. The key turning point in my opinion in the success of the hardship fund was the late summer of 2020, where we described above the pressure that local authorities were under. This had been communicated to WG politically in leaders’ meetings and was more formally set out in an early draft of the paper for the August Finance Sub-Group meeting which had been shared with WG.

86. The WG was able to announce an additional £264m two days before the meeting of the Finance Sub-Group. This was on top of £155m already announced for pressures and £78m for income loss. This bought funding available for the pandemic response through the Hardship Fund to just under £0.5bn for 2020-21 and we reported this more formally through a finance update to the WLGA Leaders' Meeting on the 11 September (Exhibit CL9/35 – INQ000116056: 200911 Leaders Meeting Notes). It is worth noting that we also informed leaders of extensive work around general pressures to cover the medium-term up to 2023-24.
87. In summary this measured up against the second scenario in our paper, and the response to WG announcement was very positive (Exhibit CL9/36 – INQ000596536: 200817 WG Press release - Welsh ministers unveil multi-million pound support package for local authorities and Exhibit CL9/37 – INQ000596537: 200817 MfHLG Written Statement Local Government COVID-19 support for the remainder of 2020-21). In a WLGA press release (Exhibit CL9/38 – INQ000082972: 200817 WLGA Press release – Councils welcome Welsh Government support package), the WLGA Leader, Cllr Andrew Morgan said:

*“The Welsh Government’s announcement today is welcome and provides some much needed financial certainty for councils for the remainder of the financial year. The package announced today brings the total amount of funding to nearly £0.5bn for this financial year. While no one can guess the future path of Covid-19, this guarantee is a significant contribution against the continued fight against the virus and provides a bulwark against any resurgence in the coming months.”*

88. The WLGA’s Finance and Resources Spokesperson, Cllr Anthony Hunt also commented in the same press release:

*“Throughout this crisis we have worked closely with the Welsh Government, and I want to thank both the Minister for Housing and Local Government and the Finance Minister for their tireless support for local government services and our workforce. The announcement today by the Welsh Government shows a firm commitment to fully understanding the financial pressures we are facing and I look forward to working with the Welsh Government in the autumn on our budgets and funding for the next financial year.”*

89. The Finance Sub-Group as well as focussing on the pandemic had an ongoing dialogue around general funding issues.
90. The business grants provided by WG were fairly accessible for a wide variety of businesses, whilst the Hardship Fund was flexible from a local government perspective, enabling it to cover the costs of measures taken to support businesses (e.g. marking out town centres to enable pedestrians to circulate and visit shops safely; additional cleansing and waste collection at tourist hotspots as they were allowed to open up).

### **Alternative financial support**

91. I cannot recall if there were formal discussions about alternative mechanisms of funding such as borrowing or what is termed 'capitalisation' of exceptional revenue costs. However, it was certainly raised informally in the summer of 2020. In local government finance, "capitalisation" refers to a government-granted exception that allows councils to treat certain revenue costs as capital costs, enabling them to fund these expenses through borrowing or capital receipts instead of the usual revenue budget. In the past it has been used for exceptional expenditure, linked to organisational transformation or restructure, such as redundancy costs and is currently used in England as part of the Exceptional Finance Support Framework for authorities in financial distress.
92. This allows councils to use capital funds or borrow against capital assets to cover revenue expenses, providing financial flexibility, especially when facing exceptional circumstances. The WG , like the UK Government, issues capitalisation directions, which specify the types of costs that can be treated as capital and the amounts that can be capitalised. Capitalisation is a relaxation of normal accounting requirements which is why it is subject to strict criteria and an application process.
93. Another alternative measure of financial support was helping with cash flow. I mentioned earlier how much of the core funding for our councils comes through the Revenue Support Grant which is paid in gradual monthly instalments. Within 3 days of lock down assurances were provided by WG that over £500m of Revenue Support Grant payments would be frontloaded in April, with the two the payments from May and June paid at the same. This was

on top of 50% of the funding business grants and 25% of funding for rates relief which altogether provided £1.6bn of payments in April. This addressed risks raised by Treasurers and leaders in the very early days.

### **Welsh Government's financial support messaging**

94. As outlined previously in my statement, there was good and continuous dialogue between WG and local government throughout the pandemic, and this extended to messaging in relation to the financial support to be given to local government in response to the pandemic. Leaders met WG Cabinet Members daily at the height of the crisis to discuss financial matters alongside the range of issues facing local authorities. Where concerns were raised, reassurances over funding were given, enabling councils to act at speed and in the knowledge that WG support would be provided (Exhibit CL9/39 – INQ000115589: 200325 Group Leaders & Ministerial Meeting Notes). The early decision to provide Revenue Support Grant payments in advance instead of arrears is a good example of this.
  
95. Smaller bespoke groups were also established where there was a need for technical expertise to be input into scheme design, for example in Business Support where there needed to be an understanding of the Non-Domestic rates database and the identifiers used against different categories of business some of which fell outside of support schemes (health facilities etc.). The WLGA does not hold minutes of such meetings as they were coordinated by WG.

### **What worked well and did not work well in pandemic local government funding**

96. The regular and frequent dialogue between WG and WLGA was vital in short-circuiting prolonged negotiations and arriving at rapid decisions. Those decisions were made jointly as far as possible, although in some cases WG produced proposals and then ran them past local government leaders (as opposed to them being co-designed).
  
97. From a Business Support perspective an Oversight group was established at the outset (March 2020) (comprising senior officials in WG, WLGA and local government) and was able to quickly discuss and progress financial assistance schemes.

98. WLGA officers also facilitated a network of all Local Authority Economic Development Officers leading on administering the various Business Support Grant Schemes, this met regularly throughout the pandemic with the relevant WG Officials in Business Wales.
99. WLGA officers established and maintained a constructive working relationship and dialogue with WG Business Wales Officials and Local Authority Economic Development Officers leading on delivering the grant schemes throughout the pandemic. This involved working closely and at pace to finalise guidance documents and arrangements for the number of Business Support Grant Schemes, agreeing timescales for opening and closing schemes and regular reporting of support provided to businesses via the Schemes.

### **Recommendations regarding the system of funding to local government in the event of a future pandemic**

100. In the event of a future pandemic, the WLGA wishes to make clear that early reassurance concerning funding is vital to enable actions to be taken swiftly at a local government level without fear that they will undermine the financial position of the council either during or post-pandemic. The Hardship Fund was a flexible source of support that gave councils the latitude to respond in ways that met local needs effectively. Advance payments of Revenue Support Grant were also helpful and should be used again in the event of another pandemic where reduced cash-flows become a risk.
101. Where possible, additional interventions should become part of the ongoing mechanisms and structures for discussing finance issues. Everyone concerned understands both how these work and the transmissions systems. Sharing minutes and debriefing for leaders and finance directors is an established part of the financial landscape. This is discussed further below.

### **Part C: Communication and cooperation**

#### ***Departmental engagement by the WLGA***

102. In the view of the WLGA, the MfHLG did a good job in ensuring the strong political engagement vital in building good central-local relations and. Not only was she open and

honest with leaders, she also encouraged her cabinet colleagues to attend meetings and to maintain an open dialogue with the WLGA leadership and local government leaders in general.

103. The Minister for Finance and the Minister for Economy were also very good in their roles in working with local government and were generous with their time. Ministerial meetings took place with WLGA officers and WG officials in attendance. Such meetings facilitated good working relations with a willingness and openness to share information as and when required. They often set the tone for officer-official level meetings.
104. Throughout the pandemic the contact necessary to drive decision-making and agreeing actions to be taken at a political level was much more prominent than would have been the case prior to March 2020. Direct contact at a political level short-circuited the normal, and more protracted, process of officers following up on political steers to develop proposals and bring them back for approval.
105. At officer/official level, the focus for WLGA engagement with WG was primarily via the Economy Division and Local Government Finance Division. Within the WG Economy Division, the Deputy Director for Business, the Head of Business Wales and Senior Business Wales Managers were all key contacts during the pandemic. Within the Local Government Finance and Workforce Partnership Division the Deputy Director, Grade 6 official and Senior Executive Officer were the main links. The Deputy Director of the Local Government Finance Reform Division was the main link on issues of local taxation including the Grade 6 working on Non-domestic Rates.
106. WG Transport divisions were also involved continuously with WLGA in relation to support for the bus industry. The key WG contacts at an official level were the Director of Economic Infrastructure, the Legislation Policy Lead of the Transport Branch, the Deputy Director of Public and Integrated Transport and the Head of Bus and Community Transport.
107. The WLGA had limited direct contact with UK Government at a political or official level in relation to matters within the scope of this module.
108. Alongside the formal and informal meetings outlined previously in my statement, there was an

ongoing dialogue and exchange of emails between WG and WLGA officials throughout the pandemic, with economic information, intelligence and data being disseminated to, and gathered from, local authorities.

109. Retrospectively, the WLGA considers that the systems and structures to facilitate joint working between local and devolved national government have been broadly effective and improved as the pandemic progressed. Virtual communication developed and became better established (e.g. more formalised with agendas etc. without becoming overly bureaucratic). The benefits of direct working during the pandemic were recognised by WG and LAs. Post-pandemic, an ongoing regular dialogue between Leaders and WG Cabinet Members has been maintained as a result. At present, WLGA is working with WG to develop a joint working agreement, which is likely to build on lessons learned during the pandemic. This includes taking local government's views into account in developing policies, given their greater understanding of what is needed for delivery 'on the ground'.

#### ***The extent and sufficiency of sharing data and economic analysis***

110. The pandemic highlighted the appetite for, and increasing use of, data to inform economic analysis and policy. Data Cymru ran multiple surveys of the financial impact on behalf of the WLGA, and these gathered granular, consistent, and comparable data on local councils' income and expenditure throughout the pandemic.
111. In addition, Data Cymru acted quickly on behalf of local government to develop bespoke data collections on small business grants, enforcement activity (related to lockdown and trading compliance), as well as creating an economic pulse dashboard to highlight and track the macro-economic impacts of pandemic schemes, such as furlough.
112. On the hardship fund, Data Cymru worked with the WLGA to design surveys that collected estimates of income loss and expenditure in very short order and this data provided the leaders, ministers and the Finance Sub-Group with information needed to understand the scale of the financial challenge. Data Cymru also designed systems for local authorities to update data on the amount of business grants that had been paid and this meant that real-time information was provided to the First Minister's Special Adviser on business support.

113. Working closely with WG, local government delivered tens of millions of pounds of additional Statutory Sick Pay and Self-Isolation payments to the social care sector in Wales. Alongside delivering the payments, WG approached Data Cymru to undertake fraud analysis on each of the three rounds of the policy. All councils shared data quickly, freely, and securely, resulting in a robust assessment and ensuring the public sector derived maximum value from the policy.

***Comparing the extent and sufficiency of data and economic analysis sharing as between the period prior to the pandemic***

114. The pandemic demonstrated a readiness to move quickly, develop innovative solutions, and to work collaboratively across the policy and data spaces. Data was shared more readily, and previous information governance hurdles were overcome at pace, as the risks of not acting clearly outweighed the risks of acting. This 'can do' attitude produced a wave of new data collections and was fundamental to developing a rich understanding of the progression and impacts of the pandemic on social and economic life.

***A retrospective review of the effectiveness of joint working as between local and central government***

115. In the WLGA's view and the view of our membership according to the LGA Survey, arrangements for joint working between local and WG worked very well to such an extent that we have replicated them beyond the pandemic. For example, frequent ministerial and leader meetings are still diarised, and civil servants are still embedded within the Society of Welsh Treasurers with WLGA providing policy advice and a secretariat for this professional network.

***Comparing the consistency and timing of decision making by the Welsh and central governments***

116. The WLGA did not have the same experience in respect of the decision making by the WG as that expressed by Mark Lloyd (CEO of the Local Government Association) to the effect that (Exhibit CL9/40 - INQ000215538 – Witness statement of Mark Lloyd, Chief Executive of the Local Government Association, dated 26/05/2023 [paragraph 247] )-

*“Shared responsibility and a lack of clear leadership between ministers in DfE, DEFRA, DWP and Number 10 (as well as HMT and Cabinet Office) led to inconsistent decision-making. Consequently, and despite the best efforts of civil servant announcements on the timing and purpose of funding for councils to help residents with food and or financial hardship were often last minute and contradictory.*

117. WG Ministers were consistently willing to meet regularly with Local Authority Leaders to discuss all the issues facing them. This provided the foundation and political bedrock for a trusting relationship and was reinforced by their conduct in more formal fora such as the Finance Sub-Group.
118. This is not to say that there were no issues whatsoever during the pandemic. There were for example issues in the early period of the pandemic over provision of food support to vulnerable households that were not satisfactory from a local authority perspective and needed resolution. Councils had greater experience of delivering at a local level, with knowledge of local need and links with voluntary sector organisations etc. They were able to devise schemes more effectively than initial proposals emerging from WG. Ultimately, due to the nature of constructive working relationships and open dialogue in Wales, the WG was willing to support councils and recognised their ability to tailor responses to meet local needs.

***The extent to which economic policy was ‘dictated from central government’***

119. I note how Mark Lloyd CEO has also said (Exhibit CL9/40 - INQ000215538 – Witness statement of Mark Lloyd, Chief Executive of the Local Government Association, dated 26/05/2023 [paragraph 17] ) -

*“Councils were able to devise solutions that were effective “on the ground,” precisely because they knew best how things could be made work in their communities. Many aspects of the response that were dictated from central government — from shielding, to test and trace, and volunteering schemes — demonstrated the problems in trying to design, control and manage from the*

*centre, activities that required local responses to widely differing community-based challenges.”*

120. In the experience of the WLGA, the WG recognised the knowledge, experience and expertise of local authorities, as evidenced above in the regular formal and informal dialogue undertaken. WG demonstrated a willingness to listen to local government and actively respond or review proposals based in this information. The daily Leaders’ Meetings were key to good relationships with WG ministers outside formal structures. The MfHGLG played a key role and because she had a background working in local government had an intuitive grasp of the delivery role that local government could and did play during the pandemic and was able to clearly articulate the policy intent first hand to council leaders in their daily meetings. There was a good level of trust in the political relationships so that many leaders felt their views had been heard and this was critical to successful delivery.
121. The note of the meeting on the 27 March 2020 is typical of these meetings (Exhibit CL9/42 – INQ000115599: 200327 Leaders Meeting Notes). The Minister of Health and Social Services attended the meeting to give a PPE update amongst other things along with the Chief Medical Officer and the Director for Social Care. Leaders thanked ministers for attending and a wide range of matters were raised by them. The MfHGLG summarised several finance and emergency planning issues.
122. Many local government officer networks in Wales, such as those involved in local taxation, business support and finance benefit from a close working relationship with both WG and the WLGA. For example, WLGA officers provided secretariat support and policy advice to the Society of Welsh Treasurers. The Society of Welsh Treasurers Executive became pivotal in triaging financial problems and civil servants from WG’s were embedded in both the Executive and the Full Group. WLGA officers ensure that these professional networks understood the national political context to interventions which ensured that a focus was kept on those priorities.
123. In other areas relationships have evolved over time, so we were fortunate that we were involved in decision making from the outset rather than as an afterthought. The network of Local Authority Economic Development Officers has continued to meet on a bi-monthly basis with WLGA officers providing secretariat support and the involvement of WG officials, pending

agenda items. WLGA officers have also maintained a constructive working relationship with WG Business Support officials and have represented local government on the Business Wales Task and Finish Group to consider the national business support offer during a time of reduced budgets.

124. There was a tendency, particularly in early stages of the pandemic, for the WG to suggest economic interventions and then inform local government what support, and how much, was being made available. However, as the joint working developed over time, there was the opportunity to feed into WG's thinking on subsequent rounds.
125. In respect of Business Support, the WLGA was involved at the outset. An Oversight group was established in March 2020 (comprising senior officials in WG, WLGA & local government) as priority for our input into enabling a financial support scheme to be mobilised as quickly as possible. This relationship was collaborative as opposed to dictatorial and set the basis for an established co-production mechanism with regular and effective dialogue and input on all sides. We had access and input into policy at draft stages.
126. A network of Local Authority Economic Development Officers leading on delivering the business support grant schemes was also established and proved invaluable in shaping the different support on offer, ensuring that it reflected the needs and circumstances of businesses in their local areas. This network was also invaluable in providing a trusted forum for the Local Authority Officers managing and delivering the various business support schemes on the ground to share approaches to dealing with challenges and opportunities on the ground. WLGA officers played a key role as an honest broker, facilitating and engaging the necessary discussions between the Local Authority Officers and WG Business Wales officials and championing the key role of Local Authorities in delivering support on the ground.

***Notice of new or amended policies and implementation timescales***

127. I note also that Mark Lloyd has stated that in England (Exhibit CL9/40 - INQ000215538 – Witness statement of Mark Lloyd, Chief Executive of the Local Government Association, dated 26/05/2023 [paragraph 249] ) -

*“...Councils were required to give effect to many of these schemes with very minimal notice and rapid timescales for implementation. In all cases they entailed extensive and intensive collaboration between councils, LGA and Government officials, which often had to happen pace after a public announcement had been made. They were also often subject to considerable shifts in policy”.*

128. In the experience of the WLGA, it was the nature of the pandemic that action had to be agreed swiftly with minimal notice and with rapid timescales involved. Undoubtedly, it meant initially some schemes were launched without much opportunity for thorough dialogue and detailed planning discussions although rapid engagement across organisations became quickly established to feed into subsequent support schemes.
129. Within Wales, there was an emphasis on trust and a recognition that the circumstances warranted a more ‘blanket’ approach to grant provision to avoid multiple business failures with all the knock-on consequences. The Wales-based funds for business support complemented major UKG schemes such as the Coronavirus Job Retention Scheme and payments for furloughed staff.

## **Part E: Financial Support in response to the pandemic**

### ***WLGA ‘s contribution to particular schemes***

#### **Economic Resilience Fund**

130. Although the Economic Resilience Fund (ERF) was largely a Welsh Government/ Business Wales offer, there were elements linked to non-domestic rates and local authorities administered many smaller scale business support grant schemes to businesses in their local areas under the seven rounds of the overall Economic Resilience Fund as follows:

- Local Lockdown Discretionary Grant – October 2020
- Enhanced Local Lockdown Discretionary Grant – November-December 2020
- Restrictions Business Fund Discretionary Grant – December 2020-January 2021
- ERF Local Grant – May-June 2021
- Emergency Business Fund – January 2022

131. Local Authorities also delivered the following business support grant schemes on behalf of the WG during this period:

- Self-Employed Bursary Fund
- Start-Up Grant
- Wales Culture Recovery Fund – Freelancer Support Fund: 1 and 2 rounds.

132. WLGA officers played a key role in co-designing the guidance and application forms for all these business grant schemes, working closely and at pace with WG Business Wales officials and Local Authority Economic Development Teams. This included organising, hosting and facilitating many meetings between WG Business Wales and Local Authority Economic Development Teams and, in relation to the Culture Recovery Fund, with officials from WG Creative Wales and Local Authority Culture officers.

133. WLGA officers also played a key role in supporting councils in their delivery of these grant schemes, seeking clarifications and referring queries to WG officials and coordinating the number of awards made and submitting them to WG .

134. The WLGA was contacted at the outset to participate in discussions around the design and subsequent delivery of targeted financial support based on Non-Domestic Rates databases and for delivery by local authorities. Some aspects of the Economic Resilience Fund were outside of the council's involvement such as the Sector specific and larger scale grant schemes.

### **Business Loan Scheme**

135. The Covid-19 Wales Business Loan Scheme was available to business. This scheme was the responsibility of the Development bank of Wales (Development Bank of Wales/Banc Datblygu Cymru) The WLGA was not directly involved in this scheme and is unable to comment on its delivery.

### **Local Government Hardship Fund**

136. In relation to the Hardship Fund, daily Leader meetings provided the main fora for identifying major local issues. The political discussion would highlight common issues arising of which organisations or individuals needed most support and which local services were at risk of income loss or where demand pressures were building up. The WLGA provided the link between these political discussions and discussions on the practitioner side where financial advice and evidence was required in the development of the Hardship Fund, the collection of evidence to support the expansion of the Hardship Fund and drafting of papers for deliberations in the Finance Sub-Group.

### **Bus hardship fund and emergency measures agreement to support services**

137. I have mentioned before the specific risks around bus transport and why a specific scheme was introduced. The emergency support provided during the pandemic was complex, involving multiple phases and a mix of pre-existing grants and additional financial support. The structure of this support evolved over time, making it difficult to track exact funding sources and amounts. Various schemes were introduced to maintain essential bus services and support operators as passenger numbers plummeted.

138. The initial phase, the Bus Hardship Fund (April–June 2020), provided £69m, requiring operators to run some services and offer free transport to NHS staff. The WG Transport Minister, Lee Waters, wrote to Local Authority Chief executives on 2<sup>nd</sup> July 2020 explaining these proposals. (Exhibit CL9/44 – INQ000596548: 2 7 2020 - DMfET - Covid 19 Bus Industry Support). This was followed by the Bus Emergency Scheme (BES 1) (July–August 2020), which merged funding from the Bus Services Support Grant (BSSG) and Concessionary Fares (CF) pot, paying operators based on historical allocations despite reduced service levels. BES 1.5 (August 2020–March 2021) introduced an additional £10m in ‘ramp-up’ funding to support schools and economic activities.

139. BES 2 (March 2021–July 2022) marked a shift by allowing operators to include a small profit margin (2%) in claims. BES 3 (July 2022–July 2023) involved approximately £48m in funding, with a move back to claims based on actual usage rather than historical levels. To manage cash flow, operators initially received payments based on past levels, with later reconciliations adjusting for actual service usage, requiring some repayments. The scheme was extended to avoid disruptions at the end of the school term.

140. From July 2023 to March 2024, the Bus Transition Fund (BTF) replaced BES, using £46m from the remaining BES budget and new allocations. In December 2024, an extra £6.8m was made available to cover shortfalls. The Bus Network Grant (BNG) (April 2024 onward) replaced BTF, with £39m allocated as services transitioned back to a mix of commercial operations and local authority-subsidised routes.
141. BES and BTF operated as Public Service Obligations (PSO) to ensure essential services continued despite low passenger numbers and later, rising fuel costs and driver shortages. However, PSO support could not be sustained indefinitely. During BTF, councils prepared for a shift back to commercial operations, identifying routes operators would run independently and tendering for subsidised services. Reconciliations for past BES and BTF payments continue, with some requiring audits before finalising repayments.
142. Further detail on the Bus Emergency Scheme can be found in the following Exhibits:
- Exhibit CL9/45 – INQ000596549: BES2 Briefing note for local authorities Jan 2021
  - Exhibit CL9/56 – INQ000596568: 230331 Bus funding briefing
  - Exhibit CL9/61 – INQ000596574: BES 1.5 grant letter 25 Aug 2020 South East Wales
  - Exhibit CL9/62 – INQ000596575: BES Operator Letter Word Version
143. Additionally, from the start of Covid, councils supported bus, coach, and taxi operators providing contracted services, such as home-to-school transport. On 20 March 2020, the Minister for Economy, Transport and North Wales and WLGA Leader wrote to all Welsh local authority chief executives recommending that local authorities continue paying these operators at 75% (Exhibit CL9/46 – INQ000108905: 20200320 KS AM - Letter to LA Chief Execs - School Bus Contracts) . On 28 March 2020 the WLGA Leader wrote again to all local authorities updating this advice and recommending that that payments were maintained in full (100%) despite uncertainty over overlapping financial aid programs (Exhibit CL9/12 - INQ000596511: - 20200328 - WLGA Letter - LA support for contracted transport services during COVID-19). This reflects the broader challenge of navigating multiple funding streams while ensuring operators remained financially viable

### **Third Sector Covid-19 Fund.**

144. The Third Sector Covid-19 Fund was introduced as it became apparent Welsh charities and not-for-profit organisations faced huge financial and operational pressures. This included loss of usual sources of funding through shops, events, and collections. Also travel and contact restrictions impacted on staff availability, limited activity, and constrained service delivery and importantly, more people were becoming vulnerable or already suffering hardship and existing service users needed increasing support. This fund was administered by the Wales Council for Voluntary Action. The WLGA did not have any formal role in relation to the management or administration of this fund and is unable to comment on its delivery. An Audit Wales report on the fund can be found at Exhibit CL9/47 – INQ000214219: Audit Wales Third Sector COVID-19 Response Fund - July 2022.

### ***WLGA role in communication with the Welsh Government***

145. As previously stated, in respect of the elements of the Economic Resilience Fund that applied to councils the WLGA formed and facilitated key discussions across devolved and local government. We established an Oversight Group comprising senior personnel such as S.151 officers and Revenues experts and provided regular updates to elected members/leaders. This worked well as we had built up a close working relationships with our Revenues Teams over several years and was based on mutual trust and understanding of the issues faced. We also established and support a key network of Local Authority Economic Development Officers who were tasked with managing and delivering the number of Business Support Grant Schemes.

146. In relation to the support for buses, there were regular meetings each week between WG, WLGA, bus operators and Transport for Wales. These helped to identify emerging problems (such as driver shortages as many drivers, especially older ones who made up a significant proportion of the total, chose to leave their jobs over fears of exposure to Covid). The joint working at officer level was very productive and closely linked to and from regular political dialogue.

### **Part F: Business Rates**

147. During the pandemic period, Business (Non-Domestic) rates were not waived. Many

businesses benefitted from some existing relief schemes, some of which were amended to widen the criteria to support existing businesses.

148. The WLGA, alongside representatives from local government worked alongside the WG in the design and development of relief schemes. Business (Non-Domestic) rates data can be the only eligibility criteria for Non-Domestic rates relief. Relief criteria relate to the type of property and the rateable value of the premises in question. The Non-Domestic rates database is the best dataset available on which to base Non-Domestic support & relief schemes. The database is regularly updated by frequent revaluations. Ratepayers have a duty to report changes in circumstances (property ownership/nature of business) so that the list accurately reflects the current situation.
149. The existing schemes provided a generous raft of support – for example Small Business Rate Relief which became a permanent relief from April 2018 – and are well known and understood by taxpayers across Wales. During the first iteration of targeted support for businesses where ratepayers of properties were eligible for a grant, it was reported that there were some small businesses that accurate information was not known about. This could have been because they had no rates payable (due to qualifying for full relief) the requirement to report changes had not been met. The only real challenge was that the Revenue processing systems are designed to collect monies from taxpayers as opposed to distribute however solutions were swiftly achieved.

## **Part G: Non-Domestic Rates Relief**

### ***The design of the Business Rates Relief scheme***

150. As business rates relief schemes were already well established in Wales, any decisions to provide additional support to specific sectors, such as the retail, leisure and hospitality, were taken at a WG level. The role of the WLGA was to discuss the operational practicalities of such decisions, through the usual format of consultation responses, evidence sessions, participation in technical working groups and engagement exercises.

### ***Decisions as to the targeting of the support to particular sectors***

151. The WLGA was heavily involved in the decision to use non-domestic rates data in the eligibility criteria for business support. Smaller groups comprising Revenues experts were also established and facilitated by the WLGA where there was a need for technical expertise to be input into scheme design, for example in Business Support where there needed to be an understanding of the Non-Domestic rates database and the identifiers used against different categories of business some of which fell outside of support schemes (health facilities etc ). It was the most accurate and available data set based on a 2017 revaluation exercise.

### ***The implementation and delivery of business rate relief schemes***

152. Business rate relief schemes are well established and operate directly between WG and local authorities. No significant changes were made to business rates relief schemes during the covid period. Prior to the pandemic, there were a few already established Rate Relief schemes in existence available to some businesses, such schemes were amended to support businesses through the period in question of this module. The relief schemes used in Wales differed from the reliefs offered in England. WG did not waive business rates for the whole of 2020-2021 and 2021-2022, only retail, leisure, and hospitality businesses with a rateable value of £500,000 or less received 100% non-domestic rates relief in 2020-21.

153. Business (Non-Domestic) rate relief schemes operate directly between WG and local authorities. There were no significant changes during the covid period as many businesses were able to access additional financial support such as the various specific 'business grants' mentioned earlier in the document.

154. Non-Domestic Reliefs schemes are the responsibility of the WG. The WLGA alongside experienced Revenues professionals provide support in the design and delivery of relief schemes. The schemes are reviewed regularly to ensure they remain relevant, and changes introduced when required by other constraints such as budgetary pressures. The WLGA does not have a copy of guidance available during the pandemic period, but current guidance can be found in Exhibit CL9/48 – [INQ000652099](#) Guidance - Business rates in Wales.

## **Part H: Local Government Hardship Fund**

### ***Hardship Fund: Overview***

155. Originally the Local Authority Hardship Grant was a £30m based scheme set up to respond to the first lock-down and to be administered in a way similar to the Emergency Finance Assistance Scheme. The original guidance (Exhibit CL9/49 – INQ000066184 - Terms of Hardship Fund 26 03 20) specified the general purpose of the funding, and criteria to be met. Originally it was quite specific in identifying pots for certain areas, for example £10m for the vulnerable, the homeless and rough sleepers and £7m to provide financial assistance to the families of pupils who rely on free school meals. There was an intention from the outset to use this mechanism for any further specific support identified rather than new specific grants. The terms also set out the process for making claims and a data collection claim form was appended to the covering email to facilitate the process. It was proposed authorities claimed monthly. The guidance also set out the audit requirements and the statutory basis for the payments. The terms were simple for a modest £30m fund.
156. The size and complexity of the fund changed very quickly based on the survey evidence that was collected from Treasurers (Exhibit CL9/15 – INQ000115942: 200819 - FSG - COVID Income and Expenditure Survey Future Pressures) with subsequent political discussion at the 19 August 2020 Finance Sub-Group (Considered under Item 4 of Exhibit CL9/52 – INQ000181406: 200819 - FSG - Minutes). Guidance circulated in November 2020 (Exhibit CL9/50 – INQ000066186 - Terms of Hardship Fund 04 11 20) noted that these terms had become ‘high-level’ to be read alongside service-specific guidance, periodic FAQs, and monthly feedback.
157. The WG assessed overall funding requirements for the Hardship Fund through its ‘Star Chamber’ considering other national priorities. As claims went into WG, they were closely monitored against available funding, and it would have become apparent whether this was adequate. The process for assessing claims was overseen by a panel comprised mostly of civil servants and we were pleased that the WG agreed that a couple of retired finance directors could sit on the panel as well. Naturally a process like this involves some claims being rejected and therefore may be viewed as naturally contentious but overall, the view was that the process was fair and received solid support from practitioners and politicians alike. Monthly feedback (and example is provided at Exhibit CL9/51 – INQ000596554 - Hardship Fund Feedback Oct Claims 26 11 20) was quite detailed in setting out why the panel had made certain decisions, and the process worked very well. The fund grew organically from its initial £30m.

### ***Hardship Fund: Consultation, communication, and coproduction***

158. The WLGA had very little notice as the Hardship Fund was introduced very quickly but this is not to say that we had little involvement in the ongoing design. Politicians and finance directors from every local authority in Wales were involved with the leaders' meetings or meetings of the Society of Welsh Treasurers. A sense of the good relationships and goodwill were reflected in the minutes of the first meeting of the Finance Sub-Group during lockdown where the Minister for Housing and Local Government, thanked the WLGA for the 'enormous amount of work' that went into the report that help shape the Fund (Exhibit CL9/53 – INQ000066182: 200430 FSG Minutes). In response leader thanked ministers for the 'collegiate' approach and 'good level of communication' with the WG.
159. The ongoing design, implementation and monitoring of the Hardship Fund became a two-year dialogue kept live through the leaders' meetings and Society of Welsh Treasurers. The evidence gathered from local authorities for Module 9 (Exhibit CL9/01 – INQ000596485: COVID-19 Inquiry Module 9 - Evidence gathered from English and Welsh authorities [page 27/28] ) supports a positive view of the Hardship Fund. The most common theme, raised by almost three-quarters of local authorities in Wales, praised the funding that was made available to them, providing authorities with strong financial support:

*“The primary method of providing on-going financial support in Wales was through the ‘hardship process’ and this was on a claims basis. This worked very well, provided very good financial support and had an appropriate level of bureaucracy.”*

160. The survey report goes on to state that almost three-fifths of respondents praised the communication received from the government:

*“The early engagement of senior officers with the Welsh Government provided an element of confidence that decisions and expenditure being incurred by councils*

*would eventually be supported by additional funding. This interaction between Welsh Government and councils was critical.”*

*“One of the key principles underpinning the system to allocate additional funding to the council was close working and regular engagement with the Welsh Government to discuss and understand.”*

161. These comments underline the effort that went into communication and joint production of the Hardship Fund. In the view of the WLGA, sufficient notice was given to local authorities on the design and targeting of the hardship fund and this allowed local authorities time to undertake appropriate financial planning.
162. Initial discussions around pressures and income loss would be raised with WG in the leaders’ meetings and, in parallel, discussions were held in the Society of Welsh Treasurers Executive meetings. (as evidenced in Exhibit CL9/54 – INQ000596557: 200330 SWT Exec Meeting Minutes and associated attachment Exhibit CL9/43 – INQ000596543: Leaders' Teleconference Notes - Monday 30th March). The latter would be more detailed as you might expect when thinking through operational solutions with local government finance professionals. The key issues would be circulated in notes and minutes round the full Society of Welsh Treasurers Group so all finance teams across Wales were aware of what was being discussed in these political and officer circles. As highlighted previously in this statement WG civil servants were embedded in both Treasurer groups and would accompany ministers to leaders’ meetings.
163. More formal engagement took place through the meetings of the Finance Sub-Group where comprehensive papers were taken, especially around estimates and broader local government pressures so that finance issues were always seen in the round. This can be seen in the WLGA’s evidence to the inquiry into covid-19 by the equality, local government, and communities committee (Exhibit CL9/55 – INQ000089880: WLGA Evidence - Local Government - Inquiry into the Covid-19 outbreak 16-07-20):

*“The WLGA is also pressing the Welsh Government to add the Council Tax Reduction Scheme (CTRS) to the hardship fund. Local authority Treasurers have indicated an out-turn figure for additional CTRS pressure of £2.85m for the first*

*quarter and the caseload will only increase as the individuals come off the furlough scheme and as a result of anticipated job losses.”*

164. Feedback on any issues with the implementation of the grants via the Hardship Fund was a two-way dialogue. The WG would get direct political feedback in political meetings and meetings of Society of Welsh Treasurers. Likewise, WG would provide written feedback from the Hardship Fund panel on why claims may have been rejected and what amendments would be made to the guidance.
165. This feedback process could be quite intense, which in the view of the WLGA was justifiable given the scale of public monies involved but was not adversarial. Both local government and WG were receptive to feedback as a way of improving the operation of the fund. Cleary authorities who had claims rejected would be disappointed, but such decisions were always given a clear rationale as to why such rejection had occurred.

#### ***Hardship Fund: Scheme Design***

166. Design improvement for the Hardship Fund was built into the feedback mechanisms established by WG. This allowed the fund to adapt and evolve over time to meet the needs of both local authorities and WG. As outlined previously in my statement, the nature of open and constructive dialogue in Wales, at both political and officer groups level enabled these improvement discussions.
167. While the scheme evolved in its overall financial scale it also expanded in its specificity. The number of elements within the Hardship Fund grew considerably and as documented previously in my statement, it ended up with around 28 different elements within it. This increased complexity was not a drawback as far as we were concerned. Detailed guidance was welcomed by those making claims.
168. As a claim scheme by design, the Hardship Fund was sensitive to local need in a way that a formula grant can only address indirectly. Core funding through the Revenue Support Grant and other specific grants in Wales do use funding formula which at best can only proxy actual need. So, it is difficult to find fault with the Hardship Fund on this basis.

169. The Hardship Fund grew from a £30m fund with a small number of elements into one that had nearly 30 elements and distributed over £904m. While the scheme grew ever more complex and sometime funds were moved in and out of the fund to/from stand-alone pots, the process for claims became more efficient operating quarterly rather than monthly.
170. The nature of the scheme meant that individual claims would be responsive to ‘small-area’ need at sub-authority level. In this sense the claims themselves were part of a system that targeted funding to the hyper-local and the WLGA were content with this approach. Where the WLGA was more useful, sometimes partnering with our sister organisation, Data Cymru, aggregation of LA survey data was undertaken to help with national planning and forecasting (Exhibit CL9/11 – INQ000338761 – 200430 - FSG - COVID Income and Expenditure Survey report and Exhibit CL9/15 – INQ000115942: 200819 - FSG - COVID Income and Expenditure Survey Future Pressures).
171. The reimbursement scheme that was established was well-suited to take account of regional variation and factors. For example Table 2 below shows claims for loss of car-parking income at 01/10/20, taken from the WG’s ‘Budget Tracker’ tool for monitoring the fund (Exhibit CL9/57 – INQ000596569: C19 LA Hardship Fund @ 01 October).
172. The table shows disproportionate allocations to large urban authorities such as Cardiff and Swansea, beyond what would otherwise be expected. As would be expected, income loss in large city centre car parks was extreme in comparison to more rural local authority areas. On the other hand, an authority such as Gwynedd also received a large allocation due to income loss mostly from visitors and tourist to local beauty spots

**Table 2 - Loss of Income funded by the Hardship fund**

	Highways
Blaenau Gwent	£ 45,600
Bridgend	£ 330,030
Caerphilly	£ 209,371
Cardiff	£ 3,918,000
Carmarthenshire	£ 703,000
Ceredigion	£ 377,000
Conwy	£ 642,520
Denbighshire	£ 418,318
Flintshire	£ 232,000
Gwynedd	£ 1,014,000
Isle of Anglesey	£ 404,000

173. In evidence gathered from local authorities (Exhibit CL9/01 – INQ000596485: COVID-19 Inquiry Module 9 - Evidence gathered from English and Welsh authorities [page 28] ) there is modest evidence to support this contention with almost a third of respondents saying that regional variance was considered in the distribution of funds.

*“The Welsh Government’s hardship scheme did a good job of addressing regional variations.”*

174. The WLGA considers that an appropriate amount of discretion was provided to enable the Hardship fund to meet the needs of local issues. This was not the case for all business support schemes outlined previously in this statement, where there were some tensions at local level about discretion.

#### ***Hardship Fund: Administrative capacity***

175. There was no discussion on capacity prior to the implementation of the first schemes but it became a feature of later discussions. In some cases, additional funding was made available where additional funding could buy agency help in administrative tasks, but mostly capacity issues were about redeployment of the local government workforce.
176. ‘Local discretion’ was designed into the guidance of the Hardship Fund. LAs could not claim for everything they put in for, indeed the ‘Budget Tracker’ cited above shows that £9.5m of claims had been disallowed at 01/10/20, while £140m had been provided in support at that time. These decisions may have caused some local concerns but LA treasurers across Wales accepted and respected the Hardship Fund panel’s decisions. This is reflected in evidence gathered from local authorities (Exhibit CL9/01 – INQ000596485: COVID-19 Inquiry Module 9 - Evidence gathered from English and Welsh authorities [page 27]). Just under a quarter of respondents said that the timing in relation to decisions and outcomes was poor.

*“However, with some disputed grant items, the time taken to resolve these despite additional evidence being provided could take a significant number of months or even in some cases Welsh Government waited until beyond the financial year end for a decision,*

*outcome or payment of an outstanding grant.”*

177. It should be noted that some concerns did exist across Wales in relation to the administrative burden associated with the various schemes within the Hardship Fund, as outlined in the Exhibit CL9/01 – INQ000596485: COVID-19 Inquiry Module 9 - Evidence gathered from English and Welsh authorities [page 29]. Just under a quarter of respondents [in Wales] said the number of funds and grants created a large administrative burden on councils and their staff –

*“Although the funding was positive and necessary, the administration of so many grants was really challenging for teams to administer in such a short space of time.” ”*

178. Local authority resources within finance divisions were already stretched due to the nature of the pandemic, the requirement to work from home and the need to ensure staff were provided with the IT kit to fulfil their duties. However, many local authorities already had some form of agile working in place and in the view of the WLGA the administration of the Hardship Fund was not significantly affected.
179. To the knowledge of the WLGA, there was no specific discussions or consultations with regards to the capacity of local government to deliver the various financial support available across the pandemic. Discussions centred on the funds themselves and ensuring monies were targeted at and reached the correct recipients. Local authorities contained the relevant expertise and systems to undertake such work but at times, as noted above, services were stretched.
180. The mass purchase of hardware during the first few weeks of restrictions ensured that future delivery of grants was much smoother as all the issues had been ironed out and processes established. As processes became more established the engagement opportunities increased, more councils were willing to have direct input into scheme development and effective communication amongst all parties complemented delivery.

### ***Hardship Fund: Guidance***

181. WG was largely responsible for the production of guidance to support the implementation and

delivery of the scheme, however the WLGA and the established Oversight Group were able to feed into the development of each grant and scheme. As such, we were collectively able to review the guidance and have input into the final version to ensure maximum effectiveness. Many final versions were a direct result of co-production which is reflected in the LGA Survey. (insert quote from Exhibit CL9/01 – INQ000596485: COVID-19 Inquiry Module 9 - Evidence gathered from English and Welsh authorities [page 55] ) All guidance was, at the least, reviewed by the Oversight Group before issuing wider to councils. This approach resulted in negligible changes needing to be made and councils could concentrate on delivery.

182. All grant guidance was published on WG Business Wales websites with accompanying eligibility checkers and direct links back to council websites for applications to be made. Guidance was updated as necessary throughout the pandemic. The WLGA does not hold copies of such guidance and, as all grant schemes have since closed for a significant time there is no retrospective guidance currently available (Exhibit CL9/41 – INQ000596541: COVID-19 Non-domestic rates grant scheme closing to new applications on 30 June 2020).
183. As noted above, being jointly developed at the outset meant that no significant changes were made to schemes while they were operational. Where clarification and questions arose, the WLGA took the role of managing the issues and established a mechanism to obtain responses and disseminate information to all councils. This worked well as councils were able to report queries into the WLGA and we would circulate the information to all for information.
184. The WLGA considers this approach to have been effective. At the outset of the pandemic, significant effort was made to establish these new working relationships and practices. As the pandemic progressed, we were able to effectively manage the relationship across all departments and disseminate information quickly to local authorities and back into WG as required.
185. There were naturally some variances in how the guidance was interpreted but fortunately the established national networks, and close working relationships across neighbouring councils allowed matters to be discussed openly amongst each other.
186. There was one sector in particular that was affected by the clarity and interpretation of the guidance, namely gaming & gambling establishments. It appeared that some were initially

awarded a grant in error and councils sought to recover funds. In June 2020 the representative trade body (BACTA) made direct appeals to both the WLGA and the WG on behalf of their members (evidenced in Exhibit CL9/58 – INQ000596570 – Email - FW: Letter to Mr. John White, BACTA). WG responded directly via the Head of Business Wales (Exhibit CL9/59 – INQ000596572: Letter - John White - BACTA - 30.06.20).

187. In general, there was limited local flexibility in terms of scheme criteria but there were several smaller and more targeted schemes that will have addressed local and specific issues.

### ***Payments***

188. Payments were made from WG to local authorities using a combination of claims and grant offer letters. The WLGA played no direct role in the movement of finances between WG and local authorities. As outlined above in this statement in relation to the Hardship Fund, local authorities were required to make individual and specific claims initially monthly, moving to a quarterly approach as the pandemic progressed. Monies were transferred directly to local authorities and then allocated internally as required. In relation to payments for the purpose of business support, funding was allocated to local authorities pending application and distribution to businesses.
189. This approach worked well from a local authority perspective, and only during the first tranche of business support were there issues in relation to the distribution of payments. This was due to its timing coinciding with the end of the financial year, a typically intense working period for local authority finance division. Due to discussions with officials, the matter of prepayments and accruals was dealt with without impact on grant recipients.
190. As noted previously in my statement local authority revenues systems are designed with the purpose of money collection rather than distribution or credit. However, nationally, solutions to this were obtained and implemented quickly without impact on the business community.

### ***Risk of fraud and error***

191. The role of the WLGA itself was very limited in this regard and as set out in the paragraphs

below we rely on the sector's well-established arrangements for good governance and managing public money with the help and guidance of Audit Wales. There were some instances where the WLGA did take a direct role. For example, with the payments to social carers we enlisted the help of Data Cymru to help provide assurance that no double payments were being made, and they carried out a process of 'data matching' to cross reference every individual who was paid.

192. In the view of the WLGA, the approach to the risk of fraud and error and measures taken to reduce such risk in Wales was appropriate for the most part. Local authorities have a well-established approach to protect against the risks of fraud, corruption and bribery. The nature of the Covid-19 pandemic necessitated a rapid response to support business and local communities. Grant funding provided via the 22 Welsh local authorities supported retail, hospitality and leisure businesses as well as businesses that are classified as small businesses for business rates purposes. Assurance came from existing arrangements and additional checks.
193. The annual National Fraud Initiative is a well-established counter-fraud exercise that covers the UK public sector. The National Fraud Initiative uses data sharing and matching to help confirm that the correct people are in receipt of payments and in 2020-21 it used the existing approach to look at Covid-19 grant payments.
194. The Audit Wales report on the National Fraud Initiative (Exhibit CL9/18 – INQ000596518: The National Fraud Initiative in Wales 2020-21) states:

*“ NFI matched these grants to ensure that businesses were not inappropriately claiming multiple grants and that grants were not being awarded to known fraudsters. These checks only identified two cases of fraud and error amounting to £20,000, providing assurance that these practices were not common”*

195. Optional tools were made available to establish grant applicants were trading before the pandemic and that legitimate businesses were being used for receipt of grant payments. For example, for post payment purposes Cardiff Council combined internal controls with the National Fraud Initiative tools and identified 41 cases of fraud and error totalling £575,000. In

some cases, companies had ceased trading and were not eligible for a grant. Recovery action was taken to return money to the public purse.

196. Funding was provided by WG, but local authorities retained responsibility for identifying legitimate applications and investigating and recovering incorrect payments. Local authorities recognised that the pandemic would increase the risk of opportunistic fraud. The response required to manage and mitigate exposure to fraud also led to the design of systems and processes in consultation with Internal Audit and counter fraud officers.
197. Post payment verification checks were also be put in place. Councils would also liaise with Audit Wales and Government to develop and test new data matching initiatives. For example, Cardiff Council reported that *“Active company checks, and validation of eligibility and fraud vulnerabilities were completed for fraud prevention and detection”*. It was also reported that for the *“Business Grants scheme applications were open from 26 March until 30 June 2020. As of 31 March 2021, 6,138 applications were processed with a total value of £69.037 million and 1,050 applications (17%), had been rejected due to ineligibility”* (Exhibit CL9/60 – INQ000596573: Cardiff Council Counter-Fraud Annual Report 2020-21).
198. During the pandemic, a combination of accelerated timescales and increased demand changed the level of risk. Across Wales groups and forums exist to share approaches to prevent and detect fraud. These groups are Wales Fraud Officers’ Group, Welsh Chief Auditors’ Group, National Anti-Fraud Network, Wales Fraud Forum and the Audit Wales Good Practice Exchange.
199. Due to the rapid design and development of business grant schemes concerns were raised around the potential for fraudulent or erroneous claims. Using the Non-Domestic rates base did provide a degree of certainty as it was relatively up to date although concerns were raised that there was the likelihood that there had been a change in ratepayer/business use that had not been advised to the local council / Valuation Office Agency.
200. To mitigate this where possible local authorities were asked to undertake the necessary checks before making any automatic awards of payment. It was noted on page 77 of Exhibit CL9/01 – INQ000596485: COVID-19 Inquiry Module 9 - Evidence gathered from English and Welsh authorities that appropriate verification methods were developed at speed. Had more

time been available to local authorities and WG to develop and implement schemes, there would have been greater capacity to develop and implement measures that would have further reduced the risk of fraud and error. Given the time available, the WLGA considers the mechanisms put in place to have been suitable robust. Reference to the quick installation of systems to detect and minimise fraud can be seen in Exhibit CL9/01 – INQ000596485 – page 108.

201. Under Section 151 of the Local Government Act 1972 all local authorities must make arrangements for the proper administration of their financial affairs and appoint a S151 Officer, also known as a Chief Financial Officer (CFO), to have responsibility for those arrangements. Section 151 Officers in Wales are all members of the Society of Welsh Treasurers and the group met daily during the early part of the response to the pandemic this eventually became a weekly meeting. The S151 Officers were able to use the network to discuss arrangements for the payment of Covid-19 grants.
  
202. The WG 's Hardship Fund also supported pandemic related additional costs and loss of income in local authorities. The assessment of claims from the 22 local authorities was completed by two panels; one for additional costs and the other for loss of income. Both panels had agreed principles to support decision making and included external members with experience on local government finance. Typically, they would ask for additional information where a claim unclear, or it only occurred in one authority's claim.

### ***Unintended gaps***

203. The WLGA had concerns around the exclusion of specific groups from eligibility for financial support, and in the run up to the launch of the October 2020 Lockdown-Firebreak grant, time was taken in the policy development phase, involving WLGA, WG and local authority expertise, to ensure the published guidance was as clear as possible in defining eligibility.
  
204. In addition, there was ongoing discussion around the eligibility criteria associated with self-catering accommodation (holiday lets). To ensure funding was properly targeted guidance specified that councils had full discretion to ask for trading business accounts, tax returns etc. to be satisfied that eligibility existed before issuing any funds. It must be noted that some

councils were more impacted than others here and a lot of time was taken to ensure the guidance was clear and funding properly utilised.

205. Drawing on responses from Welsh Unitary local authorities in the Inquiry survey, (Exhibit CL9/01 – INQ000596485: COVID-19 Inquiry Module 9 - Evidence gathered from English and Welsh authorities) a majority stated that schemes administered in Wales were clear, with no identifiable unintended gaps. As stated previously, the WG engaged with the WLGA at the first opportunity – March 2020 – to jointly develop workable guidance. Our views were included from the outset. There was a raft of funding available from specific business grants to other funding & grants and most, if not all, businesses impacted were able to apply for financial support.
206. The survey notes (Exhibit CL9/01 – INQ000596485: COVID-19 Inquiry Module 9 - Evidence gathered from English and Welsh authorities [page 123]) that there were initially gaps for self-employed individuals and new businesses, but these were later addressed by the Start Up Grant and Discretionary funds targeted at those without a property therefore outside of the scope of Non domestic rates-based grants.

### ***Underspend/overspend***

207. From the WLGA's perspective there is little evidence of excessive overspend or underspend in relation to the additional funds made available to local authorities during the pandemic. Indeed, reducing this issue in this way probably oversimplifies what was happening in reality. The way that estimates were made with regard to the Hardship Fund and Business Grants was quite precise, and in respect of the Hardship Fund the additional certainty offered by a claims-based process that operated in arrears meant that payments would have matched the additional pressure or income loss. This would have reduced to a minimum the potential for large over/underspend.
208. However, there is evidence that local authority reserves went up significantly between 2019-20

and 2020-21. For example, 'usable reserves'<sup>6</sup> went up by 35% and 'general reserves'<sup>7</sup> went up by 12%. Schools' reserves quadrupled. This probably merits some further detailed analysis by others, but our view, based on experience of making financial projections, would be that the greater proportion of this increase was attributable to cost avoided during the pandemic rather than underspend of additional funding. Some attempt was made to net off savings from claims with clear guidance at the outset, but the savings may not have been obvious or anticipated at the time which is why any learning from the pandemic is vital in this area. Local authorities have a long history of managing reserves in response to the risk environment and this enhanced resilience has left authorities in better able to weather the post-pandemic shocks.

### ***Other aspects of implementation and delivery***

209. In the view of the WLGA, the introduction of schemes was timely, allowing for appropriate fraud related checks to be in place. As we were involved in discussions from the outset, the WLGA considered that the accessibility, eligibility and complexity of the grant schemes were appropriate. WLGA and local authorities were well informed of adjustments and cessation of support and were able to disseminate such information locally.
210. In terms of lessons from the implementation and delivery of the grant schemes by local government, the WLGA is of the view that local authorities in Wales have the suitable resources and expertise to rapidly mobilise a team to address an emergency without unnecessary complications or trouble. In the face of the pandemic, the speed at which resources were diverted across Wales via local authorities to address the crisis was exceptional. The hours worked by staff, both within local government and WG, to ensure financial support schemes were implemented at speed has not been adequately publicly acknowledged. Their ability to reprioritise and upskill was exemplary.
211. It is likely that with the benefit of hindsight, there will have been some businesses or individuals that were not correctly compensated, although these will have been in a significant minority. The use of targeted financial support based on Non-Domestic Rates databases was

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<sup>6</sup> These are the total of 'cash-backed' reserves that can be used to fund future expenditure, most of which is earmarked. They include general reserves.

<sup>7</sup> These are working balances to help cushion the impact of uneven cash flows to avoid unnecessary temporary borrowing and to provide a contingency to cushion the impact of unexpected events or emergencies. There is no prescriptive guidance on minimum or maximum reserves.

not perfect, but it was the best approach available and at the speed required. The speed and scale of the schemes and financial support made available from WG cannot be overlooked. As noted in the Inquiry survey Exhibit CL9/01 – INQ000596485: COVID-19 Inquiry Module 9 - Evidence gathered from English and Welsh authorities [page 124]) , one of our unitary authorities states that ‘no scheme would ever deal 100 per cent with every circumstance’ .

## **Part G: Lessons Learned**

212. As the schemes in question within the matters in the Provisional Outline of Scope for Module 9 were WG schemes, the WLGA has not itself conducted any internal or external reviews, nor any lessons learned exercises.

213. With reference to Exhibit CL9/01 – INQ000596485: COVID-19 Inquiry Module 9 - Evidence gathered from English and Welsh authorities, the WLGA makes the following key findings:

- More than half of English authorities (51 per cent) thought that central government engaged not very or not at all well with local government in the design and implementation of funding to deliver services during the pandemic. By contrast, almost all Welsh authorities (95 per cent) thought that WG engaged very or fairly well with local government.
- More than two-thirds of English authorities (70 per cent) would have preferred fewer, larger amounts of funding which could be spent on any service. Comparatively, three-quarters of Welsh authorities (77 per cent) thought the number, size and targeting of funding they received was about right.
- For funds or grants with time restrictions, more than half of English authorities (55 per cent) and around a fifth of Welsh authorities (18 per cent) thought that the time limits made grants more difficult to use. Just under a third of English authorities (30 per cent) and half of Welsh authorities (50 per cent) reported that the time limit made no difference.
- Almost three-quarters of English authorities (71 per cent) thought that central government engaged not very or not at all well with local government in the design and implementation of business support schemes. By contrast, 86 per cent of Welsh authorities felt that WG engaged very or fairly well with them.

- On average, across a range of schemes, nearly two-thirds (62 per cent) of English authorities felt they did not have enough time between receiving notice of business support schemes and the public announcement of them. Half of Welsh authorities (50 per cent) felt they did not have enough time, whilst 45 per cent felt they had about enough time.
- Around half of English authorities (49 per cent) and two-thirds of Welsh authorities (68 per cent) thought that the amount of local discretion they had in administering business support was about right. Just over a quarter of English authorities (27 per cent) thought they did not have enough discretion.

214. The survey responses reflect the close political and officer relationships that were established in Wales at the outset of the pandemic. Comparatively the experience in Wales appears better than that of England due to the proximity of these professional networks, both Society of Welsh Treasurers and Revenues and Benefits Group (cited in the survey) and the frequent leaders' meetings held with minister under the WLGA umbrella. While Business Support was distributed under similar statutory arrangements to England there was better engagement and joint working was closer and more collegiate, and the survey results are therefore more positive. Results for the Hardship Fund (which was significantly different to the grants administered in England) are quite stark and more positive from Wales. Need was targeted at the areas of highest pressure and income loss underpinned by survey work, funds distributed to the areas of direct need through a system of moderated claims.

215. From a WLGA perspective the following lessons and recommendations can be drawn from the survey:

### ***1. Effective Engagement Between Welsh Government and Local Authorities***

- **Lesson:** The high level of engagement between the WG and local authorities (95% satisfaction) proved crucial in effectively distributing funds and business support. The WLGA's Leaders' Meetings and Local authority professional networks such as the Society of Welsh Treasurers proved effective vehicles for engaging with officials and ministers who drew on existing links with these groups to develop responses to financial stress.
- **Action:** All agencies' responses should maintain this collaborative approach, ensuring that local authorities are consulted early in the design of funding and support schemes

as a norm and particularly in times of emergency response.

## ***2. Flexible and Needs-Based Funding Model***

- **Lesson:** Welsh authorities were largely satisfied with the number, size, and targeting of funds (77% approval), in contrast to English authorities who preferred fewer, larger, and more flexible grants.
- **Action:** Future funding should continue to be adaptable to local needs, balancing flexibility with accountability while avoiding excessive bureaucracy.

## ***3. Timeliness and Clarity of Communication***

- **Lesson:** Half of Welsh authorities reported that time limits on grants made no difference, while only 18% found them restrictive (compared to 55% in England). However, some Welsh councils faced issues with delays in grant decisions.
- **Action:** While overall timing was effective, improvements could be made in resolving disputes over grant allocation and ensuring that announcements are accompanied by clear guidance.

## ***4. Administrative Capacity and Resources***

- **Lesson:** Welsh councils generally managed well but noted that administering multiple grants was challenging. Staff capacity was a major concern.
- **Action:** Future planning should include provisions for temporary staff or additional administrative support during crises to prevent burnout and ensure efficient fund distribution.

## ***5. Strong Local Discretion in Business Support***

- **Lesson:** Welsh authorities had comparatively greater input in shaping business support grants, which led to schemes being better suited to local economic conditions.
- **Action:** The WLGA should continue advocating for local discretion in national schemes to ensure they align with regional economic needs.

## **6. Long-Term Financial Planning**

- **Lesson:** While emergency funding was effective, local authorities struggled with financial uncertainty beyond the grant periods.
- **Action:** Future funding mechanisms should consider longer-term sustainability and avoid abrupt funding cutoffs that could destabilise local services.

## **7. Simplified and Efficient Grant Processes**

- **Lesson:** Some local authorities found the variety of grants complex and administratively burdensome.
- **Action:** Streamlining future grant schemes by reducing complexity and ensuring clear, upfront guidance will improve efficiency and reduce administrative strain.

## **8. Lack of Preparation was overcome by joint working**

- **Lesson:** The pandemic placed huge pressure on local services. The move to an emergency response was met through joint working and a high degree of local flexibility.
- **Action:** Welsh local authorities should routinely plan responses for similar scenarios and ensure lessons are learned before the corporate memory fades. The role of Emergency Planning and Business Continuity functions needs to be regularly checked to ensure it supports responses effectively.

## **9. The impact of the Pandemic on longer term financial resilience**

- **Lesson:** The rapid funding support was critical ensuring lost income and increased costs were covered. However, the delivery of already agreed budget savings and the impact on council tax collection rates increased ongoing costs and reduced income levels. Increased service demand arose during the recovery phase that likely remains in the system and will have a long-lasting impact, but the impact will vary between councils.
- **Action:** Financial and service planning should routinely assess the level of resilience and financial sustainability if another pandemic occurs so that a system wide failure can be avoided

## **10. The impact of the Pandemic on inflation and pressure**

- **Lesson:** Immediately following the pandemic, demand for local services, and the

inflationary pressures to which they are subject, surged to unprecedented levels. This may have been three times the levels to what had been experienced in peace time and some of it, for example the cost of fuel, was the result of the invasion of Ukraine

- **Action:** Local government and central government should have robust systems in place for the planning to a return to 'peacetime' and maintain dialogue through well-established central-local partnership arrangements.

216. With reference to paragraph 100 of this statement, I also wish to reiterate that in the event of a future pandemic, early reassurance concerning funding is vital to enable actions to be taken swiftly at a local government level without fear that they will undermine the financial position of the council either during or post-pandemic.

### Statement of Truth

I believe that the facts stated in this witness statement are true. I understand that proceedings may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief of its truth.

Signed:

**Personal Data**

Dated:

14<sup>th</sup> August 2025

## Appendix A - Chronology

1. **Finance Sub-Group meeting: 5 February 2020** – Last meeting of Finance Sub-Group under normal conditions, the agenda included and assessment of how the last budget setting had gone and how all would approach the spending review. There was an item on work programme for the group that looks at the funding formula.
2. **Flooding Summit: 20 February 2020** – Held with WG and other partners its set issues emerging from two severe storms and what support was available.
3. **Un-ringfenced funding for English local authorities: March 2020** – UK Government announced £1.6 billion (tranche 1) of un-ringfenced funding to help local authorities meet pandemic related pressures such as reduced income and increased demand such as services for the most vulnerable. Funding was from the Ministry of Housing, Communities, & Local Government (MHCLG) and the Department of Health and Social Care (DHSC).
4. **Business Support package: 18 March 2020** – A £1.4 billion business support package announced by WG providing a year-long rate relief holiday for all but the largest premises in the retail, hospitality and leisure sectors and grant-support for more than 70,000 small businesses.
5. **Economic Resilience Fund: 30 March 2020** – Announcement of a new £500 million fund to provide extra support to the Welsh Economy, businesses and charities experiencing a sharp drop in trading because of the COVID-19 pandemic. The fund aimed to fill the gaps in the support schemes already announced by the UK Government.
6. **Un-ringfenced funding for English local authorities April 2020** – UK Government (MHCLG) announced a further £1.6 billion (tranche 2) of un-ringfenced funding to help local authorities meet pandemic related pressures and also to fund the new responsibilities arising because of the pandemic at the same time as delivering services.
7. **Ongoing funding for free school meals during COVID-19 pandemic 22 April 2020** – Guarantee of ongoing funding for children to continue to receive free school meals throughout the summer holidays in response to the pandemic. WG announced that with the

support of the Welsh Local Government Association it was making £33 million available to help local authorities continue to provide free school meals.

- 8. Finance Sub-Group meeting: 30 April 2020** – Ministers reflected on the progress that was being made on supporting around 40k businesses in Wales. The first estimates were seen for the scale of the additional pressures.
- 9. Society of Welsh Treasurers meeting: 19 June 2020** – The CEO invited to talk to Directors of Finance about funding issues during the pandemic and the use of s114 notices.
- 10. Un-ringfenced funding for English local authorities July 2020** – UK Government announced a further £500 million (tranche 3) of un-ringfenced funding to help local authorities meet pandemic related pressures.
- 11. Extra Funding to support children over the summer holidays in Wales 6 July 2020** – Funding of £2.6 million to help local authorities provide childcare and play provision over the summer and enable children aged five to 16 to take part in activities. WG announced it would work with the Welsh Local Government Association to determine allocation method.
- 12. UK Government Funding package for a range of COVID-19 pressures 2 July 2020** – A further £500 million of un-ringfenced funding to respond to spending pressures, adding to the £3.2 billion of un-ringfenced funding previously provided. It included a new scheme to reimburse councils for loss of income and changes so that local authorities could spread tax deficits over three years rather than the usual one.
- 13. Further funding for Adult Social Care Providers 3 August 2020** – In April, WG made £40m available to help adult social care providers meet the additional costs of the pandemic. This announcement added a further £22.7 million of funding. The funding was via local authorities and available until end of September 2020 to meet on-going additional costs.
- 14. Finance Sub-Group meeting: 19 August 2020** – This meeting set out the case for continued hardship funding in quarter 2 and made projections for the rest of the years. It started to look at non-pandemic pressures for the next financial year in 2021-22.

- 15. Funding package for Wales' sport and leisure sector 17 September 2020** – The £14 million 'Sport and Leisure Recovery Fund' was aimed at supporting the sector with additional challenges arising from the pandemic. It was to help drive innovation for local authority leisure centres and Leisure Trusts to complement the Hardship Fund for local government.
- 16. Phase 3 of the Economic Resilience Fund 28 September 2020** – New phase with £80 million made available by WG to help businesses develop and secure the employment of their workforce as well as £60 million to support businesses in areas subject to local lockdown restrictions.
- 17. Un-ringfenced funding for English local authorities October 2020** – UK Government announced a further £919 million (tranche 4) of un-ringfenced funding to help local authorities meet pandemic related pressures.
- 18. Phase 3 of the Economic Resilience Fund 28 October 2020** – The funding announced by WG on 28 September was doubled to nearly £300 million. The latest phase saw support for businesses of all sizes.
- 19. Finance Sub-Group meeting 2 November 2020** – The Minister for Finance and Trefnydd (MFT) reviewed the in-year position. The UK Government had provided an upfront guarantee of £4bn for Wales as a result of COVID-19 interventions in England. The impact of COVID-19 on collection rates for council tax and non-domestic rates was discussed along with a survey of local authorities to inform the 2021-22 WG budget round.
- 20. Fund for Hospitality, Leisure and Tourism businesses 12 January 2021** – The £180 million funding was part of a £450 million package of support for the hospitality, leisure and tourism sectors as well as their supply chain. The £180 million is in addition to a £270 million support package for businesses that pay non domestic rates, which includes non-essential retail businesses, delivered via local authorities.
- 21. Finance Sub-Group meeting 4 February 2021** – The Minister for Finance and Trefnydd updated on the Draft Budget and the Provisional Local Government Settlement on 22

December (a 3.8% increase) for 2021-22 . Within the settlement £176m was provided for the forecast negative impact of the Covid-19 pandemic on Non-domestic Rates in 2021-22 and of freezing the Non-domestic Rates multiplier. Minister understood local authorities would still have difficult decisions to make.

**22. Final 2021-22 Local Government Settlement 2 March 2021** – A total of £4.65 billion from WG in core revenue and non-domestic Rates for local authorities to deliver services. WG announced that on a like-for-like basis this was a 3.8% increase compared to 2020-21. The Local Government Hardship Fund was also extended for 6 months with an additional £206million made available.

**23. Additional funding for Hospitality, leisure and Tourism businesses 3 March 2021** – A further £30 million from the Economic Resilience Fund to businesses employing 10 or more staff to recognise their higher operating costs.

**24. Finance Sub-Group meeting 15 July 2021** – The WLGA presented a paper outlining the modelled financial pressures facing local government through to 2023-24 and, in particular, the costs local government continued to face, as a result of COVID. The Minister committed to continue the hardship fund for the remainder of 2021-22.

**25. Extra COVID funding for Health and Social Services 19 August 2021** – WG allocated £411 million for on-going costs of dealing with the pandemic until April 2022 and £140 million for recovery and tackling waiting times.

**26. Extra COVID recovery fund to support Social Care 14 September 2021** – The majority (£40 million) allocated to local authorities to be used to help the social care sector meet the on-going challenges caused by the pandemic. A further £8 million to fund several specific priorities including extending the carers support fund and tackling homelessness in older people.

**27. Finance Sub-Group meeting 18 October 2021** – The Minister for Finance and Local Government confirmed the extension of the hardship budget to £327m. She noted she did not expect the fund to continue past 31 March 2022. The ongoing impact of Covid would be considered as part of the draft budget.

- 28. Finance Sub-Group meeting 9 February 2022** – The Minister for Finance and Local Government updated on the funding settlement for 2022-23 that included £46m for the hardship fund.
- 29. Final 2022/23 Local Government Settlement 1 March 2022** – Adjusting for transfers, the core funding for 2022-23 increased by 9.4% on a like-for-like basis compared to 2021-22. No authority received less than an 8.4% increase. The total received by local authorities was £5.1 billion in Revenue Support Grant and non-domestic rates.
- 30. Finance Sub-Group meeting 14 July 2022** – The minister invited the WLGA to update on local government issues. The WLGA presented an early assessment of local government spending pressures and referring to a recently published Wales Fiscal Analysis report.
- 31. Finance Sub-Group meeting 13 October 2022** – The meeting received a paper on the local government funding formula and the distribution of funding to councils. It was note that the impact of covid spending was still distorting the spending data.
- 32. Final 2023-24 Local Government Settlement 28 February 2023** – Adjusting for transfers, the core revenue funding for local government in 2023-24 increased by 7.9% on a like-for-like basis compared to 2022-23. No authority received less than a 6.5% increase. Local authorities received £5.5bn from the WG in Revenue Support Grant and non-domestic rates.
- 33. Finance Sub-Group meeting 1 March 2023** – The Minister for Finance and Local Government gave a brief update on the final local government settlement published on 28 February. The minister explained that as part of the WG 's Programme for Government, ministers had committed to reducing the administrative burden on local authorities.
- 34. Finance Sub-Group meeting 6 July 2023** – The Minister for Finance and Local Government focussed on an update on progress in reducing administrative burdens on local authorities, discussions on local authority and police pressures and a review of the distribution sub group analysis of data for future local government settlements.

- 35. Finance Sub-Group meeting 25 October 2023** – The Welsh Local Government Association provided an update on the pressures faced by local authorities that totalled around £720m for 2024-25 due to inflationary pressures and demand increases.
- 36. Finance Sub-Group meeting 29 January 2024** – An additional meeting of the Finance Sub-Group to review the work completed on reducing the administrative burden on local authorities. The Minister for Climate Change noted the No One Left Out, Discretionary Homeless Provision and Strategic Co-ordinator grants were established after the Local Authority Hardship Fund, to support local authorities with the costs associated with Covid, closed in March 2022.
- 37. Finance Sub-Group meeting 14 March 2024** – The meeting focussed on the implications of the recent UK Government budget. It also covered responses to the phase two consultation on fairer council tax and an update on the progress made in reducing the admin burden on local authorities. The minister agreed to a briefing on S114 notices from officials, followed by a political discussion amongst leaders and WG.