

Economy Committee

Impact of Covid-19 Restrictions on Local Government Sector

A. Context

NILGA, the Northern Ireland Local Government Association, appreciates the invitation by the Economy Committee to present evidence on Covid-19 Restrictions. This submission has, despite short notice, been a collaboration between the Association and SOLACE (the Chief Executive grouping) – therefore, it will be communicated retrospectively to councils.

The submission provided takes into consideration more than just new, specific, restrictions, as it is unproductive not to look at aggregated (to date) and forecast impacts, mindful of the fragile fiscal and essential public service delivery environment councils are operating in.

B. Introduction

From the outset, we respect and uphold the need for containment practices to be regularly reviewed, these reviews should materially involve councils regionally (SOLACE, NILGA) and locally (per Council) at design, implementation and monitoring stages, providing resources are provided to enable these actions to be carried out. Recovery groupings in terms of (overall) emergency planning, medical and economic, now involve local government proactively which is to be welcomed.

We are equally concerned about non Covid illnesses being perceived as being deprioritised, in terms of the negative effects on people's personal health, wellbeing & social cohesion. We believe effective strategic and citizen communication in this regard is essential. For example, at constituent level, members in councils wish only to communicate accurate information, with services like preventative / mental health and reflexology being just three examples of perceived de-prioritisation.

We equally respect the need to balance containment practices with rebuilding and indeed re-inventing the economy. The local economic development, social economy, hard and soft infrastructure, city & growth deal agenda, Shared Prosperity Fund, community planning and local development plans roles of councils, aggregated, provide an enormous opportunity to recalibrate how investment by the public sector in the new economy is delivered. Multi-departmental resources should be targeted through councils – as per benchmarks throughout these islands.

The key & diverse roles of local government in terms of containment, recovery and future renewal are being delivered diligently but with huge, growing deficits financially, with capacity issues very apparent and with legislative and policy deficits clear. The principle of co-design between local and regional government and a one public purse – locally targeted - approach must be part of future policies, resources and solutions associated with Covid, otherwise

reactive communication, essential service delivery failure and inconsistency / misinterpretations will ensue.

The outbreak of COVID-19 has obviously caused massive economic disruption in NI, along with the rest of the UK and the world at large. Councils and their business communities welcome the range of support measures and interventions that the UK Government and the NI Assembly have put in place to date to help businesses mitigate the impacts of Covid-19 and to minimise economic and financial disruption. These aimed to bridge gaps in cash flow in the short term, seeking to help businesses both to avoid having to make staff redundant and to remain in a position enabling them to resume trading normally following the pandemic.

The Economy Committee will appreciate the extremely difficult and unprecedented time for local government. All councils activated their emergency plans in mid-March and while there was a move towards recovery during the summer, the increase in cases and the introduction of local and NI wide restrictions has led to councils returning to a response footing due to the impact on their services and communities. Councils continue to play a key role in delivering essential services such as waste collection and disposal, community and business support, provision of registration and bereavement services, planning and building control. We also continue to maintain all of our parks and open spaces supporting emotional and physical health and wellbeing. The majority of Household Recycling Centres, car parks, leisure and other facilities re-opened in a phased and managed basis. These have presented significant challenges due to costs associated with implementing social distancing requirements and significantly reduced income generation.

The submission (in bullet points, below) therefore provides an overview of the impact upon local government of Covid-19 and the recent restrictions brought forward to slow the spread of the infection across the region. Without further funding based on continued Barnett consequentials and remodelling how local government is financed in future financial years, community, workforce and services consequences will be massive.

1. Impact on Place

The prolonged and uncertain nature of the pandemic and the range of measures and restrictions brought forward has had a devastating impact upon the vitality and functionality of businesses and city/town centres across Northern Ireland. Whilst the uptake of financial support schemes for businesses across all sectors of the economy has been high, many businesses have been faced with closure, significant losses in revenue and disruptions to their cash flow. The scale of impact on the tourism, arts, entertainment and hospitality sectors – key economic sectors and employment drivers - is significant and the future viability of the high street and retail and hospitality is at risk with decreased levels of footfall resulting from safety concerns, social distance measures as well lack of tourists and the shift from office-based to home-working. This has already led to a consequential loss across supply chains with firms considering or already making redundancies. With the Christmas period being an integral part of the survival of many businesses and the incoming winter weather, there is a natural concern as people move towards online purchases that this will lead to further impacts. The loss of cross border trade due to the restrictions in border counties has also impacted retail and hospitality in many border areas.

Some of these sectors most at risk are those which provide entry level jobs and hence there will be a disproportionate impact on the lower paid, exacerbating existing inequalities.

The Department should consider the cumulative impact on town and city centres, not just the impact on individual sectors. A lack of footfall and vibrancy in a city or town could impact on retaining our talent and on attracting new investment. Town and City centres cannot be allowed to fail as this would have a consequential impact on future growth and investment. It would be helpful if the Department could collect up to date data on business failure and the impact is having on vacancy rates and hence on places.

Clear communication with the public that retail remains open is critical at this time and going forward messaging that our spaces are safe to return to will be essential to prevent further impacts in the medium and long term. COVID has brought significant uncertainty and returning business and consumer confidence will be a key driver to encourage consumers and investors.

2. Business survival and job losses (impact on supply chains)

The Committee is asked to recognise and support local government's concerns on the wider impact of the recent restrictions put in place which sees a further closure of the hospitality sector on those businesses which supply goods and services to restaurants, cafes, pubs and clubs. Such businesses – many of which are SMEs and locally based – are at significant risk of closure and putting jobs at risk. It is important that appropriate support is brought forward to mitigate the impact on such businesses and secure their survival. More funding also may be necessary to upskill and help people who have lost their jobs to transition into new roles that are anticipated to be less vulnerable to future downturns. Local government is keen to work with central government when Ministers / departments are developing funding mechanisms to share our understanding of local needs and ensure the schemes are targeted to the areas where they can have the most impact. This will prevent poor uptake and avoid duplication.

3. Ability of councils to deliver services (loss of rates and income)

Typically, 75% of a council's income comes from rates. The other 25% of income (grants, rents and fees & charges) has been significantly lost due to the COVID-19 pandemic which has impacted on ability to deliver services.

All councils are experiencing significant impacts on their rates and income base and they are not in a position to compensate for this loss without cutting back on essential services. This has been recognised by the Department for Communities with a series of funding packages brought forward to supplement some of the losses incurred. These packages must continue, and a constructive dialogue and shared diligence has been the hallmark to date. The recent restrictions brought forward has resulted in business closures in key sectors as well as key visitor and recreational facilities of councils and will therefore further exacerbate the economic impact for local government and ability to sustain important services. Recently (last week) announced Barnett consequential must be communicated and applied to councils here in N. Ireland.

In addition to loss of income, many councils are experiencing additional costs as a result of Covid-19 and ensuring appropriate social distancing and safety measures are in place. Councils have also provided exceptional support for communities and businesses and have had to dedicate significant resource to support vulnerable individuals and families, administer government grants and provide forums for engagement with local businesses. Councils continue to refocus their resources to this work and to support local campaigns.

Councils are particularly concerned that they will continue to face reductions in income and increased costs in the next number of years. And whilst it is appreciated that efficiency measures and 'cuts' are inevitable, the most critical concern is the impact that vacancy levels (due to failure of business) will have on the rates income which provides the core element (70 – 80 %) of Council budgets. If this is significantly reduced, Councils will struggle to provide even basic services and their sustainability could be in question, a scenario NOT being faced by our counterparts in rest of UK and something which would have huge community consequences.

It is for these reasons that Local Government would request that the NI Executive guarantees to councils the level of rates income that they received for 2020/21 for the following two years. Councils realise that significant savings will be required on their part to meet the losses that they will continue to suffer from their commercial activities. However, their sustainability could be undermined if they have to bring in swathing cuts to meet both rates and commercial income losses.

We also are very keen to take forward the Task and Finish sub group of the NI Partnership Panel, as decreed by the Communities Minister and proposed by local government, as a matter of extreme urgency. The Committee's support for this is urged.

The recent restrictions implemented by the NI Executive will directly impact upon how councils operate sports pitches and other leisure facilities as well as community centres, visitor attractions, facilities that can be hired, events and wedding/civil partnership venues. Again, this will directly impact upon the income received by councils and ability to deliver services.

4. Potential staff redundancies and impact on service delivery

Staffing levels are still under significant pressure across council services to ensure adherence with the guidance and social distance measures brought forward to manage the spread of Covid-19. Ensuring the health and safety of staff and those who access our services is the key priority for councils. With at least 50% of local government expenditure attached to staff costs, the growing financial pressures presents a significant risk of substantive staff redundancies impacting on the delivery of services. Councils are seeking further clarification on the support which may be available through any successor to the Furlough scheme which is to be introduced in November 2020.

A number of Councils are actively bringing forward voluntary redundancy schemes.

5. Enhanced enforcement role of councils

The recent regulations brought forward by the NI Executive confers additional enforcement responsibilities on councils in relation to non-compliance by particular businesses and sectors of the NI Executive restrictions and guidance. In addition to this, the councils have undertaken to work in partnership with the police to deal with enforcement issues which arise in the hospitality during their normal operating hours. Councils have taken on this role to support their local areas and businesses. There has been no associated funding provided to councils to support the implementation of the extended enforcement role. The Committee is asked to support the funding of councils to do this – again, as per rest of UK. Councils as institutions seek parity of esteem and see no reason why they should be placed in an unsustainable position whilst diligently fulfilling requirements of the Executive.

6. Investing in sustainable recovery

Many councils are proactively bringing forward measures to mitigate the social and economic effects of the Covid-19 crisis on people, jobs, businesses and the local economy. It will be important that central and local government work together with communities, businesses and partners to assess the longer-term impact of the pandemic and lockdown measures on local economies and society. Many councils have identified a number of immediate interventions and support during the current pandemic as well as building important foundations and identifying key levers to support medium-longer term recovery.

Given the scale and complexity of the challenges we face, it will be important that we work in partnership and bring forward financial support and other policy instruments to help rebuild and stimulate recovery, recognising that businesses/councils have limited cash flow to allocate to planning, administration or match funding arrangements at this time. Examples of opportunities presented:

- Accelerating City & Growth Deals to secure investment, creating jobs and acting as a catalyst for supporting recovery.
- Many Councils are supporting and investing in local skills programmes and employability schemes, working with local employers, further and higher education and training providers, so that local skills supply can better match future demand. This is also a key area where there needs to be a new relationship between central and local government, both in designing the new skills strategy and in developing local funding strategies and programmes. Local government considers it essential that the restrictions on the number of further and higher education places must be relaxed.
- Investing in communities, creating local assets and facilities and building community capacity and resilience.
- Investing in the revitalisation of our high streets and town centres to support key sectors of the economy, provide economic stability and sustain jobs.
- Maximising the opportunities presented through digital innovation to support key growth sectors, repositioning the economy and enhancing skills and employability.
- Investing in green stimulus as a key driver for economic recovery, with the potential for Northern Ireland to be at the forefront of innovation and clean growth.
- Investing in local regeneration programmes to support business growth and promote and secure FDI and real estate investment.

A mechanism should be found for Councils to work alongside government departments in formulating and delivering cross – cutting recovery programmes. It is understood that a Town Centre Task force is to be set up as one potential recovery partnership and Councils would request a seat at this table. However, Councils have many other contributions to make, including the reframing of City Deals as key recovery investments, co-designing future shared prosperity funds, developing innovation hubs and rolling out digital investment.

Unlike central government, there is no legislative or fiscal protection of employment in councils. Any workforce reductions will adversely impact on councils' ability to respond to increasing demands, as articulated above, and will adversely affect both the community and

the recovering / new economy. Hence the request – identical to that which is being provided in the rest of the UK – for income losses and projected rates losses to be underwritten. It is very reasonable and urgently necessary for local government's workforce to have the same certainties as the rest of the public service. Councils here simply want the same co-designed, enabling funding & policy environment as the rest of the UK.

This would help us all as public servants – elected and official - to deal with the pandemic and bridge a democratic deficit also.

Both NILGA and SOLACE, look forward to continued engagement with and support from the Economy Committee together with all NI Executive Ministers, departmental, cross departmental and scrutiny mechanisms, in order to locally deliver containment, recovery and longer-term investments in our community. A huge democratic, public service and economic deficit would ensue without councils just as a better, faster, recovery and renewal will result if local government is enabled and sustainable in the future.

20th October 2020

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