

Report to Cabinet

Resources Received by the Council in Response to COVID-19 and the Creation of a Council Fund for Related Expenditure to Supplement the Government Announced Funding

Portfolio Holder: Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member for Finance and Corporate Services

Officer Contact: Anne Ryans – Director of Finance
Ext. 4902

Report Author: Anne Ryans – Director of Finance

23 April 2020

Reason for Decision

This report requests that Cabinet approves the deployment of the additional grants received in the financial years 2019/20 and 2020/21 as recommended by the Director of Finance and approves the allocation of additional Council resources to supplement the unringfenced Government Funding already announced to meet costs associated with the COVID-19 pandemic.

It also requests approval for the Director of Finance to create appropriate reserves to support the Council's response to the COVID-19 pandemic.

Executive Summary

The World Health Organisation has classed the outbreak of COVID-19 across the world as a pandemic. In the United Kingdom there is a COVID-19 outbreak and cases are increasing placing further unprecedented pressure on services provided by both the Council and the NHS.

The Government has in response allocated a number of significant grants in 2019/20 and 2020/21 to provide support in relation to the COVID-19 pandemic. This in addition to a number of grants allocated towards the end of 2019/20 that due to their late notification could not be included in the month 9 financial monitoring report approved at Cabinet on 23 March 2020. The report presents all the additional funding received by the Council during March and April 2020 which has not previously been reported.

Section 2.2 of the report sets out a range of ringfenced and unringfenced grants received in late 2019/20 solely for use in 2019/20. These grants will therefore be included within the final outturn for 2019/20 and their allocation and use will be reported within the Council's 2019/20 Statement of Accounts.

On 27 March 2020 the Council received an unringfenced grant payment of £7,641,407, its share of a £1.6bn unringfenced grant allocation for Local Government. The Government indicated that this was to mainly meet the additional costs of Adult Social Care resulting from COVID-19, but also other pressures such as loss of income. On 18 April 2020, a second tranche of £1.6bn funding for Local Government was announced. The Councils' share has yet to be notified.

Also, on 27 March 2020, the Council received £11.233m of grants in lieu of business rates. This was received to support cash flow at the end of 2019/20 and will be carried forward into 2020/21 as a receipt in advance and will be used to support the 2020/21 budget as initially intended.

A grant allocation specifically to finance the Government's business grants initiative was received on 1 April 2020 in the sum of £54.738m. The Government has urged all Councils to pay the grants as quickly as possible and in response payments have begun. The grant payment system is being administered having due regard to Government guidance and a balanced approach has been adopted, managing the requirement to issue grants at speed but also to ensure appropriate administrative disciplines are followed to minimise potential instances of error, fraud and infringements of State Aid protocols.

A £3.015m Hardship Fund grant was received on 3 April 2020. This is to provide support in paying Council Tax for those primarily of working age in receipt of Council Tax Reduction. A separate report has been prepared to outline the proposed use of the grant. This will be treated as an unringfenced grant in 2020/21.

The final grant notified is an increase in notional Public Health grant funding in 2020/21 of £0.606m. This will increase the 2020/21 net revenue budget, but the additional resources will be ringfenced to the Public Health Service.

The Financial Monitoring reports presented to Cabinet during 2020/21 will provide information about the impact of COVID-19 on the financial position of the Council and the use of the grants detailed in this report.

This report also advises that a high-level review has been undertaken of the Balance Sheet and Reserves which indicates an amount of £2.359m can be set aside to supplement the costs associated with the COVID-19 pandemic. When this is added to the £7.641m of unringfenced Government resources, this would enable the Council as a priority, the flexibility to deploy a total of £10m to meet urgent and unforeseen costs and financial pressures that are impacting on the Council and the Oldham economy as a result

of the pandemic. As the grant was received in 2019/20, it is considered prudent financial management to transfer the balance remaining at the end of 2019/20 and the Council resources, to an Earmarked Reserve for use in 2020/21.

This review of the Balance Sheet is ongoing and may identify the potential to further supplement this emergency resource and any future Government funding if required.

Recommendations

It is recommended Cabinet approves the:

- a) Adjustments to the budget of the Council to reflect the additional grant funding received at the end of 2019/20 and in early 2020/21 as outlined in the report.
- b) Councils' approach to the administration of the Government business grants initiative, adopting a balance between speed of payment and appropriate administration arrangements to minimise the risk of loss through error or fraud.
- c) Supplementing of the unringfenced £7.641m of Government resources with £2.359m of reserves to enable the Council to deploy £10m immediately from both its own resources and the Government grant to respond to the COVID-19 pandemic and meet urgent and unforeseen costs and financial pressures impacting on the Council and the Oldham economy.
- d) Creation of other appropriate reserves by the Director of Finance to support the Council's response to the COVID-19 pandemic.

Resources Received by the Council in response to COVID-19 and the Creation of a Council Fund for Related Expenditure to supplement the Government Announced Funding

20 April 2020

1 Background

- 1.1 The World Health Organisation has classed the outbreak of COVID-19 across the world as a pandemic. In the United Kingdom there is a COVID-19 outbreak and cases are increasing placing further unprecedented pressure on services provided by both the Council and the NHS.
- 1.2 As well as the usual late distribution of resources at the end of the 2019/20 financial year, the Government has announced several measures to support both Councils and the economy during the pandemic. This includes the allocation of new resources and advancing the payment of grant to support Councils' cash flow. These grants are explained in the report.
- 1.3 Whilst the Government has declared it will do what is necessary financially to support organisations and more funding can be expected, it is considered prudent financial management for the Council to supplement this grant with extra resources. This will give the Council extra capacity to respond to the pandemic as it develops, as the full impact of support required and consequential impact on the Council finances cannot be assessed at this time.

2 Current Position

- 2.1 The Council has received a number of grants in 2019/20 that were not included within the 2019/20 Month 9 Financial Monitoring approved at Cabinet on 23 March 2020. The Government has also allocated a number of significant grants in 2019/20 and 2020/21 to provide support in relation to the COVID-19 pandemic. The following paragraphs set out the key issues in relation to these grants. The report therefore seeks approval to revise the budget of the Council accordingly.

Grants Received in 2019/20 for use in 2019/20

- 2.2 At the end of the financial year the Council received a number of grants which were solely for use in 2019/20 as follows:
- a) An additional allocation of £1.588m to support the Opportunity Area programme within Oldham was received from the Department for Education. This grant, although unringfenced, was passported to the service within year to fund activities relating to this scheme and therefore increased the Council's 2019/20 net revenue budget.
 - b) An allocation of £0.024m of unringfenced funding was received from the Department for Education for the Special Educational Needs and Disability (SEND) Regional Co-ordinator to support SEND reforms. As in previous years, this grant was passported to the SEND service within year. This increased the 2019/20 net revenue budget.
 - c) As announced in late 2019, Oldham was allocated £0.173m for the Towns Fund Prospectus which aims to regenerate town centres, boost businesses and improve infrastructure. This grant was passported to the Regeneration service in year and increased the Council's 2019/20 net revenue budget.

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- d) Funds of £0.061m were received from the Department for Business, Energy and Industrial Strategy (BEIS) and Ministry of Housing, Communities and Local Government (MHCLG) relating to ringfenced grants to support green agenda projects. These had no impact on the Council's 2019/20 net revenue budget as the increased grant income has been matched against anticipated budgetary provision.
 - e) A ringfenced grant of £0.040m was received from the MHCLG in relation to the Government's Communities and Business Recovery Scheme Funding initiated in 2015 in response to Storms Desmond and Eva. A final review of the 2015 flood relief payments has been undertaken and the Government has now made the final payments, reimbursing those Authorities that incurred flood recovery expenditure in 2018/19. This has had no impact on the Council's 2019/20 net revenue budget as the increased grant income was matched against anticipated budgetary provision.
 - f) An unringfenced new burdens grant of £0.015m was received from the MHCLG to provide support towards expenditure in relation to the requirement for Authorities to give development permission to enough suitable serviced plots of land to meet the demand for self-build and custom housebuilding in their area under the Self-build and Custom Housebuilding Act 2015. This grant had the impact of increasing the level of resources available to the Council and therefore has supported the overall financial position of the Council by increasing the net revenue budget for 2019/20.
 - g) Three small unringfenced grants totalling £0.025m were received in 2019/20 with regard to the Blue Badge Scheme (£0.007m), Council Tax Annexe Discount (£0.005m) and Transparency New Burdens (£0.013m). These grants have been made available to support the Council's financial position by increasing the net revenue budget for 2019/20.

2.3 These grants will therefore be included within the final outturn for 2019/20 and their allocation and use will be reported within the Council's 2019/20 Statement of Accounts.

Grants Received in 2019/20 to Support the Response to COVID-19

2.4 On 27 March 2020 the Council received a grant payment of £7,641,407, its share of an initial tranche of £1.6bn of unringfenced grant to support Local Government address pressures arising from COVID-19. In the letter to the Chief Executive of Oldham Council dated 20 March 2020, the Secretary of State for the Ministry of Housing, Communities and Local Government identified the items the extra funding is expected to support. This letter is attached to the report at Appendix 1. In the main this grant is expected to meet the additional costs of Adult Social Care, but the Secretary of State's letter also identified that it is to be used to support financial pressures such as:

- a) The increased costs of Children's Social Care.
- b) Increased costs from Homelessness.
- c) Preventative support to those residents deemed at high risk from COVID-19 - the 1.5m citizens that the Government has written to that are deemed to be particularly high risk if they catch the virus.
- d) Other areas within the Council where there is reduced income, rising costs or increased demand.

2.5 At the end of the financial year 2019/20, only limited use of this resource had been made to support COVID-19 related expenditure. It is therefore recommended that the balance

of this resource as determined when the outturn position for 2019/20 is finalised, is carried forward into the 2020/21 financial year as a newly created Earmarked Reserve.

- 2.6 A detailed recording system has been put into place by the Finance Service in order to ensure that all appropriate costs can be charged to the funds provided by the Government. The £7.641m is the first tranche of funding. A further funding allocation of £1.6bn for Local Government was announced on 18 April 2020. The Councils' share is yet to be notified but it will increase the net revenue budget of the Council. Therefore, the recording system will ensure that all costs associated with the COVID-19 pandemic deemed eligible for recompense by Government can be evidenced and supported.
- 2.7 In addition, it should be noted that Oldham Clinical Commissioning Group (CCG) has access to a £1.3bn national fund to support accelerated discharges from hospital as a result of COVID-19. Costs are claimed in arrears and this includes relevant costs borne by the Council. The Oldham CCG finance team are working closely with Council colleagues to ensure that all costs that should be funded by the NHS (for the duration of emergency) are captured accurately to enable them to be submitted to NHS England (NHSE) for payment. In line with National NHS Guidance, Oldham CCG will be reclaiming actual costs incurred from NHSE.

Grant Received in 2019/20 to Support Cash Flow

- 2.8 On 27 March 2020, the Council received £11,233,532 which is a cash advance of Government funding anticipated in 2020/21 and hence included in the 2020/21 budget report. As explained at section 6.17 of the report entitled Revenue Budget 2020/21 and Medium Term Financial Strategy 2020/21 to 2024/25 approved at the Budget Council meeting of 26 February 2020, the Council receives grant in lieu of business rates. This represents compensation for historic Government policy announcements and events that have an impact on reducing the amount of collectable business rates revenues. The grant is in effect a substitute for retained business rates income.
- 2.9 The £11.233m is funding that would normally be paid in instalments throughout 2020/21 but was received in 2019/20 primarily to support cash flow at a time of crisis and at the end of 2019/20 it was unspent. It will therefore be carried forward into 2020/21 as a receipt in advance and will be used to support the 2020/21 budget as initially intended.

New Grants Received in 2020/21 to Support the Governments Response to COVID-19

- 2.10 There are two important grants that the Council has received in 2020/21 as part of the Governments' response to COVID-19. These are set out below:

a) **Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund**

In response to COVID-19, the Government announced there would be support for small businesses, and businesses in the retail, hospitality and leisure sectors in the form of two grant funding schemes in 2020/2021, the Small Business Grant Fund and the Retail, Hospitality and Leisure Grant Fund. The letter to the Leader of the Council from the Secretary of State for Business, Energy and Industrial Strategy, dated 23 March 2020 introduced the proposed scheme (see Appendix 2).

The Government has produced eligibility criteria set out in guidance (the latest version of which is set out at Appendix 3). Central Government will therefore fully reimburse Local Authorities, in line with the guidance and the grant offer

letter sent to Local Authorities, for the cost of the grant (using a grant issued under section 31 of the Local Government Act 2003).

The Council is responsible for delivering the funding to eligible businesses in Oldham and will also receive new burdens funding (a sum yet to be determined) to recompense for the cost of delivering the grants to businesses.

Under the Small Business Grant Fund (SBGF) all businesses in England in receipt of either Small Business Rates Relief (SBRR) or Rural Rates Relief (RRR) in the business rates system will be eligible for a payment of £10,000 in line with the eligibility criteria as set out in paragraphs 16-23 of the Government guidance.

Under the Retail, Hospitality and Leisure Grant (RHLG), businesses in England that would have been in receipt of the Expanded Retail Discount (which covers retail, hospitality and leisure) on 11 March with a rateable value of less than £51,000 will be eligible for the following cash grants per property as follows:

- Eligible businesses in these sectors with a property that has a rateable value of up to and including £15,000 will receive a grant of £10,000, in line with the eligibility criteria as set out in paragraphs 24-31.
- Eligible businesses in these sectors with a property that has a rateable value of over £15,000 and less than £51,000 will receive a grant of £25,000, in line with the eligibility criteria as set out in paragraphs 24-31.

On 1 April 2020, the Council received £54,738,000 to support the payment of the grants. As a consequence, the Council has begun to issue these grants, having due regard to Government guidance. A balanced approach has been adopted, managing the requirement to issue grants at speed but also to ensure appropriate administrative disciplines are followed to minimise potential instances of error, fraud and infringements of State Aid protocols.

This is a ringfenced grant and must be used for the purpose intended. It will not therefore increase the net revenue budget of the Council in 2020/21. There will be close monitoring of the use of the resources and weekly reports of expenditure incurred are to be submitted to the MHCLG. Should the sum paid to the Council prove insufficient or excessive, there will be a reconciliation process to reflect actual costs.

b) **Hardship Funding**

As part of its response to COVID-19, the Government announced in the Budget on 11 March 2020 that it would provide Local Authorities in England with £500m of new grant funding to support economically vulnerable people and households in their local area. The Government recognised that COVID-19 may cause fluctuations in household incomes meaning some individuals may struggle to meet Council Tax payments. It also recognised that Council Tax Reduction (CTR) Schemes for 2020/21 could not be amended.

On 3 April 2020 the Council received a grant totalling £3,015,434 paid under Section 31 of the Local Government Act 2003. The grant was allocated based on the Council's share of the national caseload of working age Local Council Tax Reduction Scheme recipients using the most recently published data (2019/20 Q3) as advised in a letter from the MHCLG (see Appendix 4).

The Government expects that most of the Hardship Fund is to be used to provide help with Council Tax for working age residents and it will be awarded as discretionary support alongside existing local CTR schemes. The Government therefore expects that the Council will use the grant allocation to reduce the 2020/21 Council Tax liability of recipients of working age CTR by £150 (or a sum up to £150 if the Council Tax due is less than £150), using discretionary powers under S13A (1) (c) of the Local Government Finance Act 1992.

The Government also considers that Councils may wish to use some of this funding to deliver increased financial assistance through other local support mechanisms.

A separate report sets out the Council's proposals in this regard.

This funding will be treated as an unringfenced grant as the Government has only provided guidance as to its use without a reporting and monitoring regime. It will therefore increase the net revenue budget of the Council in 2020/21. There will, however, be close monitoring of the use of the resources.

Public Health Grant 2020/21

- 2.11 On 17 March 2020, the Council was advised of its notional Public Health grant allocation for 2020/21 at a value of £17,051,235. This announcement was significantly delayed. The Public Health grant has, prior to this year, been included in the Revenue Budget Report considered at Budget Council. In the absence of the grant information the 2020/21 budget was set based on the 2019/20 notional grant allocation of £16,445,000.
- 2.12 Although the Public Health Grant is a ringfenced grant and would not normally increase the net revenue budget of the Council, for Authorities within Greater Manchester due to devolution arrangements, it is treated as a general funding allocation and added to the net revenue budget. This will have the impact of increasing the 2020/21 budget by £606,235. As advised in the 2020/21 approved Revenue Budget report, this additional funding will be ringfenced to the Public Health Service.

Expanded Business Rates Discounts – Retail, Leisure, Hospitality and Nursery Properties

- 2.13 As advised at Appendix 1, as part of its response to COVID-19, the Government has introduced extended Business Rates discounts giving a 100% discount in respect of retail, leisure, hospitality and nursery properties. No Business Rates will therefore be paid by the ratepayers of such properties in 2020/21. The Council has used its discretionary rate relief powers under Section 47 of the Local Government Act 1988 (as amended) to grant these reliefs.
- 2.14 The Council will be fully recompensed for the lost Business Rates income as a result of granting these reliefs. This grant compensation will be paid to the Council under Section 31 of the Local Government Act 2003.
- 2.15 The impact on the budget of the Council will be to reduce the level of Retained Business Rates income included within the 2020/21 Revenue Budget as approved by Council at its meeting on 26 February 2020 and increase the approved level of Grants in Lieu of Business Rates by an equal amount. Although no formal notification has yet been received, the anticipated adjustment is £23.466m.

Additional Support from Council Resources

- 2.16 The Council agreed the budget for the financial years 2019/20 and 2020/21 prior to COVID-19 being declared a pandemic by the World Health Organisation. The overall level of funding available to the Council includes Earmarked Reserves which give the Council the flexibility to respond to unforeseen events. An emergency review of the Balance Sheet including Earmarked Reserves has taken place and this has identified funds of £2.359m. It is proposed that this is reallocated to supplement the unringfenced general Government grant of £7.641m in relation to the pandemic. This would make available a total unringfenced resource of £10m to support the Councils response to COVID-19. As such, this Council resource can be used to finance increased expenditure pressures but also, for example, offset reductions in parking charges and general fees and charges and introduce other measures to support the Oldham economy including businesses not eligible to take advantage of Government assistance schemes.
- 2.17 The review of existing budgets is ongoing. This will assess which other funds can be re-prioritised to meet the costs of COVID-19. It is proposed that this review and the allocation of grants and supplementary funding is overseen by the Director of Finance.

3 Options/Alternatives

- 3.1 There are two options presented for consideration:

Option 1 - Cabinet approves the adjustments to the budget of the Council to reflect the additional grant funding received at the end of 2019/20 and in early 2020/21 and agrees to the allocation of supplementary resources to fund pressures arising from COVID-19 as proposed in this report. This will give the Council the capacity to spend £10m in total in addition to the funding received for business grants and hardship funding.

Option 2 - Cabinet does not approve the adjustments to the budget of the Council to reflect the additional grant funding received at the end of 2019/20 and in early 2020/21 and does not approve the allocation of supplementary resources by the Council thus reducing the funding it has to support pressures arising from COVID-19.

4 Preferred Option

- 4.1 The preferred option is Option 1, that Cabinet approves the adjustments to the budget of the Council to reflect the additional grant funding received at the end of 2019/20 and in early 2020/21 and agrees to the allocation of supplementary resources to fund expenditure on COVID-19 in relation to Council services as proposed in this report.

5 Consultation

- 5.1 Due to the urgency of the matter it has not been possible to formally consult with all key officers or Cabinet Members on the detail of this report. However, there has been consultation with the Deputy Leader and Cabinet Member for Finance and Corporate Services.

6 Financial Implications

- 6.1 The exact financial implications for the Council on the COVID-19 pandemic are currently unclear. The allocation of an extra £2.359m of Council resources to the already allocated unringfenced Government grant of £7.641m would create extra financial capability totalling £10m to respond to the emergency. The extra £2.359m has been identified from a review of the Balance Sheet in advance of the formal closure of the Council's accounts

and therefore has no impact on the overall revenue budgets for 2019/20 and 2020/21. It is therefore affordable. As the £7.641m has been received in 2019/20, the balance at the end of 2019/20 will be carried forward into 2020/21 as an Earmarked Reserve and held with the identified Council resource to be used as additional costs are identified.

6.2 On 18 April 2020, the Secretary of State for Housing, Communities and Local Government announced a second tranche of £1.6bn unringfenced grant funding. The Councils' share has yet to be announced, however, when received it will increase the 2020/21 net revenue budget of the Council.

6.3 The other Government grants referred to in the report will be dealt with as follows:

a) The grants received at the end of 2019/20 as outlined at paragraph 2.2 will be included within the final outturn for 2019/20 and their allocation and use will be reported within the Councils 2019/20 Statement of Accounts.

b) The £11.233m of grants in lieu of business rates received to support cash flow at the end of 2019/20 will be carried forward into 2020/21 as a receipt in advance and will be used to support the 2020/21 budget as initially intended.

c) The £54.738m received on 1 April 2020 to support the payment of business grants will be treated as a ringfenced grant as it must be used for the purpose intended. It will not therefore increase the net revenue budget of the Council in 2020/21. There will be close monitoring of the use of the resources to ensure that the Council is fully reimbursed for all expenditure incurred in administering this Government initiative.

d) The £3.015m Hardship Fund grant received on 3 April 2020 will be treated as an unringfenced grant as the Government has only provided guidance as to its use without a reporting and monitoring regime. It will therefore increase the net revenue budget of the Council in 2020/21. There will however be close monitoring of the use of the resources.

e) The £17.051m of notional Public Health Grant will increase the 2020/21 net revenue budget by £0.606m and the additional resources will be ringfenced to the Public Health Service.

6.4 The Financial Monitoring reports presented to Cabinet during 2020/21 will provide information about the impact of COVID-19 on the financial position of the Council and the use of the grants discussed in this report. (Anne Ryans)

7 Legal Services Comments

7.1 Legal issues are addressed in the body of the report. The preferred option would regularise the adjustments to the Council's budget having regard to the funding received and immediate requirement to fund Covid-19 related expenditure. The Council has a power of general competence under the Localism Act 2011 to provide financial assistance. This power has to be exercised reasonably in exercise of discretion to those applying and the administration of the scheme of assistance. (Colin Brittain)

8 Co-operative Agenda

8.1 Addressing the emergency pandemic and providing the best support to all our residents is a key priority for the Council. The administration of Government funding in accordance with guidance and allocation of supplementary resources in this emergency is consistent with this principle.

9 Human Resources Comments

9.1 There are no direct Human Resource implications arising from this report.

10 Risk Assessments

10.1 The allocation of supplementary resources will increase the Council capability at this stage to better plan for the pandemic, reducing the risk of future challenge that certain matters could have been prevented. With the review of the Balance Sheet being brought forward from the year-end this allocation of extra resource does not destabilise the short term financial resilience of the Council. (Mark Stenson)

11 IT Implications

11.1 There are no IT implications arising from this report.

12 Property Implications

12.1 There are no property implications arising from this report.

13 Procurement Implications

13.1 There are no procurement implications arising from this report.

14 Environmental and Health & Safety Implications

14.1 There are no environmental and health and safety implications arising directly from this report.

15 Equality, community cohesion and crime implications

15.1 None.

16 Equality Impact Assessment Completed?

16.1 No.

17 Key Decision

17.1 The Chair of the Overview and Scrutiny Board has agreed that the decision cannot be reasonably deferred in order to support the Covid-19 response. The report is in line with the Council's Budget and Policy Framework. The decisions cannot wait until the end of the call-in period to meet the support. The decision is exempt from call-in.

18 Key Decision Reference

18.1 n/a

19 Background Papers

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background papers are contained within Appendices 1 to 4
Officer Name: Anne Ryans

Contact No: 0161 770 4902

20 Appendices

- 20.1 Appendix 1 Letter from the Secretary of State for Housing, Communities and Local Government – Emergency Funding for Local Government.
- Appendix 2 Letter from the Secretary of State for Business, Economy and Industrial Strategy - Grant support to small businesses and retail, hospitality and leisure businesses in England.
- Appendix 3 Small Business Grant Fund and Retail Guidance Version 4.
- Appendix 4 Letter from the MHCLG – COVID-19 Council Tax Hardship Fund.