

# Report to Cabinet

## Financial Update – Budget 2020/21 and 2021/22

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### Reason for Decision

The report is presented to provide an update on the deployment of additional capital and revenue grants received in 2020/21 since the report to Cabinet of 23 April 2020 and to advise of the estimated financial challenge for the Council arising from 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 the COVID-19 outbreak continues to place further unprecedented pressure on services provided by both the Council and the NHS.

The Government has in response allocated a number of significant grants to provide support in relation to the COVID-19 pandemic. A report was considered by Cabinet on 23 April 2020 which presented a range of grant support received towards the end of 2019/20 and early 2020/21. This report outlines the additional grant funding that has been received since the Cabinet meeting.

In addition, the report advises of the financial information that the Council provides to the Ministry of Housing, Communities and Local Government (MHCLG) on a monthly basis which informs the Government of costs being incurred/income lost by the Council as a

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result of the pandemic. The information included in the returns highlights the financial challenge that the Council is facing in 2020/21 although additional Government grant funding is expected. Members are also advised of the on-going impact of COVID-19 on the financial position of the Council in future years, with the provisional budget reduction requirement for 2021/22 increasing to £30m.

The Financial Monitoring reports presented to Cabinet during 2020/21 (the report for month 3 is included elsewhere on this agenda) will provide information about the impact of COVID-19 on the financial position of the Council as it develops throughout the year. The reports will also advise of the use of the grants, both COVID and non-COVID related, detailed in this report.

### **Recommendations**

It is recommended Cabinet:

- a) Approves the adjustments to the budget of the Council to reflect the additional unringfenced and ringfenced revenue grant funding received since Cabinet considered its last financial update report at its 23 April 2020 meeting.
- b) Notes the additional capital grant funding that the Council has received.
- c) Notes the estimated extent of the financial challenge that the Council is facing in 2020/21 as a result of the COVID-19 pandemic.
- d) Confirms support for the measures that have been introduced to reduce the call on Council resources in year.
- e) Notes that financial planning for 2021/22 and future years is extremely challenging due to the uncertainty about the impact of the pandemic and the level of Government funding that will be received.
- f) Agrees that the provisional budget reduction requirement for 2021/22 has increased to £30m.

**1 Background**

- 1.1 Members will recall that the Cabinet meeting of 23 April 2020 considered and approved a report which provided a financial update and outlined a range of grants that had been received from Central Government as follows:
- Those grants received at the end of 2019/20 for use in that financial year which were not included within the 2019/20 Month 9 Financial Monitoring approved at Cabinet on 23 March 2020
  - An unringfenced grant of £7.641m received in 2019/20 to support the response to COVID-19 (included in 2019/20 year end reserves)
  - A grant of £11.233m relating to 2020/21 but received in 2019/20 to support cash flow (treated as a receipt in advance within the 2019/20 accounts)
  - Small business grant funding and retail, leisure and hospitality grant funding totalling £54.783m received on 3 April 2020 (although the funding total has not changed, the Government scheme has been subsequently been extended to cover a discretionary fund)
  - Hardship grant funding of £3.015m received on 3 April 2020 (this was the subject of a separate report also approved at the Cabinet meeting of 23 April 2020)
  - The receipt of additional Public Health Grant funding of £0.606m in 2020/21
- 1.2 Members were also advised that the Government had introduced extended Business Rates reliefs giving a 100% discount in respect of retail, leisure, hospitality and nursery properties and that the Council would be fully compensated for this by means of grant awarded under Section 31 of the Local Government Act 2003. It is currently anticipated that the grant received will total £23.446m. However, due to the accounting arrangements relating to Business Rates, the Section 31 grants will be accounted for in 2020/21 but will need to be transferred to the business rates reserve to meet the resultant collection fund deficit that would otherwise be included in the 2021/22 budget.
- 1.3 The report advised of the identification of £2.359m of reserves to be added to the £7.641m of Government resources to create a fund of £10m to support the Council's response to COVID-19. It was intended that this £2.359m of reserves could 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.
- 1.4 Since that report in April, several new revenue and capital grants have been announced including a further package of support for Local Government. The key issues in relation to the grants are set out at Sections 2.2 to 2.7.
- 1.5 It is also important to advise Cabinet of the requirement to provide financial information in the form of a monthly return to the Ministry of Housing, Communities and Local Government (MHCLG). This return informs the Government of costs being incurred/income lost as a result of the pandemic and is to enable an assessment of the additional level of grant needed by Councils to support the continued provision of services. The information included in the returns highlights the financial challenge that the Council is facing in 2020/21 and provides an indication of the on-going impact of COVID-19 on the financial position of the Council in future years. The key issues in this regard are set out at Section 2.8.

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## 2 Current Position

2.1 Since the Cabinet meeting of 23 April 2020, the Council has received a range of revenue grants, some specifically to support expenditure linked to COVID-19 and some grants to support business as usual activities. These grants are presented as follows and the report therefore seeks approval to revise the budget of the Council accordingly.

### 2.2 COVID-19 Related Unringfenced Grant

#### Second Tranche of General Grant

2.2.1 On 18 April 2020, as part of its response to the coronavirus pandemic, the Government announced its second tranche of general grant funding totalling £1.6bn. On 28 April 2020, the grant allocations were notified with a different method of distribution than the first tranche resulting in grant for the Council of £6.531m. This was £1.110m lower than the £7.641m received in the first tranche of funding. This grant will increase the net revenue budget of the Council.

2.2.2 The second tranche was allocated on a per capita basis, using the latest ONS population projections and was intended to support all Authorities with the additional cost pressures from the extra work and the specific tasks required as a result of the pandemic but particularly social care – both adult and children’s, public health services, shielding the most vulnerable, homelessness and rough sleeping, supporting the NHS and managing excess deaths. It was also recognised that income losses were having an impact and that these were more likely to affect District Councils. As a result, the allocations were based on a 65:35 split in allocations between Counties and Districts in two-tier areas and designed to provide significantly more funding to District Councils than the first wave of funding. The letter advising of the funding allocation is included at Appendix 1.

#### Third Tranche of General Grant

2.2.3 On 2 July 2020 the Government announced a further funding package (the letter advising of this is included at Appendix 2). This was comprised of:

- A further £500m of unringfenced funding to cover Local Authority spending pressures
- A co-payment mechanism for irrecoverable Sales, Fees and Charges income, with the Government covering 75% of losses beyond 5% of planned income
- Phased repayment of Collection Fund deficits over the next 3 years
- A commitment to determine the support needed to help Councils meet the pressures of irrecoverable tax income at the Spending Review

2.2.4 Allocations with regards to the £500m were announced on 16 July 2020. Of this £500m, £6m was allocated separately for Unaccompanied Asylum Seeking children, leaving £494m to be distributed using data drawn from the second and third rounds of financial monitoring of COVID-19 expenditure pressures. The methodology used is comparable to that proposed for the Relative Needs and Resources Formula included as part of the Fair Funding Review. Oldham’s allocation for this tranche is £2.466m and will increase the net revenue budget of the Council.

2.2.5 Taking the three tranches of funding together the Council has to date received £16.638m of unringfenced grant. Further detail is awaited with regard to the other funding elements announced on 2 July 2020 and until this is received it will be impossible to be confident about the level of Government financial support that the Council will receive as:

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- The operating arrangement for the co-payment scheme for compensating for income losses has not been announced. Of particular concern is that this does not include compensation for commercial income losses and the payment of grant compensation may be based on actual losses which it may not be possible to calculate for some time.
  - By deferring the Comprehensive Spending Review, the detail as to how Councils will be compensated for Business Rates and Council Tax losses has been delayed, and the uncertainty is heightened.
  - The spreading of Collection Fund deficits (losses arising from the inability to collect Council Tax and Business Rates as planned) is welcomed but until there is clarification of the detail of the compensation referred to at the point above, the financial implications cannot be determined.

#### Unringfenced COVID Related New Burdens Funding

2.2.6 On 29 May 2020 the Council was notified of an allocation of £0.002m to support additional costs of implementing Local Housing Allowance changes. This grant will increase the net revenue budget of the Council and will be passported to the service administering Local Housing Allowance changes.

2.2.7 On 7 July 2020 the Council received £0.170m to support the costs of implementing the Government's initiatives to support business in the form of the small business grant, retail hospitality and leisure grant and discretionary grant schemes. This resource, which will increase the net revenue budget of the Council is being used to support the Council's costs incurred in the administration of the business support schemes. Should there be any excess funding once the grant schemes have closed, the resources will be used to support the overall financial position of the Council.

### 2.3 COVID Related Ringfenced Grant

2.3.1 The Council has been notified of two COVID related ringfenced grants as follows:

#### a) Infection Control Fund Grant

On 13 May 2020 the Government announced an allocation of £600m to support social care providers through a new adult social care infection control. The Council was notified on 15 May 2020 that its share of the national allocation was £2.317m.

The purpose of the grant is to provide support to adult social care providers to reduce the rate of COVID transmission in and between care homes and support wider workforce resilience. Guidance about the use of the grant was issued on 15 May and supplemented on 22 May 2020. This guidance was focused on how to prevent and control COVID-19 in all registered care homes.

The funding has been allocated according to the number of care home beds, with an adjustment to reflect the costs of operating in each area. It was paid in 2 equal instalments (tranche 1 was received on 29 May 2020 with tranche 2 being received on 29 July 2020). The Government required that 75% of the funding allocation be passed straight to care homes in 2 equal instalments for use on infection control measures, including to care homes with whom the Council does not have existing contracts. The second instalment of grant to the Council, and hence the second payment to care homes, was contingent on the first being used for infection control.

The Council has followed the Government guidance with regard to payments and has been able to demonstrate compliance with Government reporting requirements.

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With regard to the use of the remaining 25% of grant, this must also be used for infection control measures but can be allocated on the basis of need. The Council has put processes in place to fully deploy this resource.

The Council has complied with the Government guidance and anticipates (in line with Government expectations) that the grant will be fully spent within 2 months of the authority receiving the second instalment i.e. by end of September 2020.

#### **b) Local Authority Test and Trace Service Support Grant**

The Government announced that Local Authorities would be central to supporting the test, track and trace service across England, with a funding package of £300m. On 11 June the Council was notified of its allocation of Local Authority Test and Trace Service Support Grant at a value of £1.560m. The grant was received in full by the Council on 23 June 2020.

The Council is using this funding allocation in accordance with Government guidance, to prevent the occurrence and transmission of COVID by maximising access to testing to identify cases, trace contacts and take action to prevent onwards transmission. In this regard key areas of expenditure are being focussed on:

- Providing rapid access to testing to those who develop symptoms, prioritising the most vulnerable and key workers and ensuring the testing and contact tracing offer meets the needs of the local population and local system
- Having clear end to end pathways and data collection for testing and contact tracing
- Providing regular 'screening' for those most likely to come into contact with COVID through their work, and for the most vulnerable
- Establishing systems to identify contacts of those with symptoms of, or testing positive for, COVID, and provide advice on infection prevention and control, testing and isolation
- Maximising local capacity to deliver the test, track and trace function by making use of national offers and resources where these fit with our local system and meet the needs of our residents

The Chief Executive and Head of Corporate Governance (Chief Internal Auditor) are required to sign and return a declaration to the Department of Health and Social Care that confirms that the funding has been used in line with Government intentions. This should not present a challenge.

#### **c) Local Authority Emergency Assistance Grant for Food and Essential Supplies**

On 10 June 2020 the Government announced £63m of new funding for Local Authorities to help those struggling financially as a result of coronavirus. Allocations were notified on 10 July 2020 with Oldham being awarded £0.361m (received on 28 July 2020).

The Government has allocated this grant and expects that the funding is used from July onwards to meet the immediate need and help those who are struggling to afford food and essentials due to COVID-19. Although the grant is for use in 2020/21, it is expected that this grant will be spent within 12 weeks of receipt. The Council is currently finalising its approach to the most effective deployment of this resource in alignment with the Government's expectations.

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Government monitoring of this grant will include a short online survey to be completed at the end of October 2020. This survey will ask for information such as:

- The type of support provided
- The criteria used to assess claims
- The percentage of funds used to support administration of the scheme (it is anticipated that this is kept to a minimum)
- The level of demand for support compared to before the lockdown
- The processes used to maintain equality and reduce fraud

#### **d) Coronavirus (COVID-19) Rough Sleepers Contingency Fund**

This Fund was initially announced in March 2020 as a £3.2m national allocation, to assist Local Authorities to provide accommodation and support to people who were at high risk or who had been diagnosed with coronavirus. The Government has targeted this support at those who are rough sleepers or in accommodation where bedrooms are shared or there is a dormitory style provision and where, as a result guidance on self-isolation could not be followed. The Council was able to submit a claim in May for its share of the funding (£0.002m).

### **2.4 Other Unringfenced Grant Funding**

#### School Improvement Monitoring and Brokerage Grant

- 2.4.1 The school improvement monitoring and brokering grant of £50 million per academic year was announced on 30 November 2016. The grant has been allocated to Local Authorities since September 2017 to allow them to continue to monitor performance of maintained schools, broker school improvement provision, and intervene as appropriate. On 27 April 2020 the Council was notified of an allocation of £0.104m to cover the period April 2020 to August 2020. Although this grant is unringfenced, it will be passported to the service in line with Government intentions.

#### Extended Rights to Home to School Travel

- 2.4.2 On 20 May 2020 the Council was notified that its allocation of funding for the financial year 2020/21 in respect of extended rights to home to school travel and the general duty to promote sustainable travel, was £0.038m. The allocations have been calculated using estimates of the number of pupils eligible to extended rights using data collected in the January 2019 census. Although this grant is unringfenced, it will be passported to the service in line with Government intentions. This is a service area experiencing financial pressures during 2020/21.

#### Verify Earnings and Pension Service

- 2.4.3 The Verify Earnings and Pensions Alerts Service aims to provide Local Authorities with the capability to prevent Housing Benefit fraud and error through real time identification of changes in income. The Government provides resources to support this activity and the Verify Earnings and Pensions Alerts service grant payment was received on 22 May 2020. The Council's share was part of the £12.777m funding package made available to Local Authorities to manage the service in 2020/21. The allocation for Oldham is £0.030m. Whilst this grant is unringfenced, the Government sets out an expectation for its use. It will therefore be passported to the Revenues and Benefits service area that is responsible for administering the payment of Housing Benefit in line with the practice in previous years.

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## Transport Grant

- 2.4.4 On 8 July 2020, the Council received £0.009m Transport Grant for 2020/21. This unringfenced grant will be passported to the home to school transport service for use in 2020/21. This is a service area experiencing financial pressures during 2020/21.

## SEND Regional Coordinator Grant

- 2.4.5 The Council has now been notified of its allocation for the Special Educational Needs and Disability (SEND) Regional Coordinator grant in 2020/21. The total grant of £0.024m will be received in two instalments; one in August 2020 and the other in February 2021. Whilst the grant is unringfenced it is intended that this funding is used to support Local Authorities in their implementation of SEND Reforms from April 2020 and is it is therefore intended to passport this to the service. The aspiration of the Department for Education is that the funding should be used to:

- Improve the quality of services for children and young people with SEN and disabilities, whether in education, health or social care
- Ensure a strong spirit of co-production with parents and young people, and ensuring individual children, young people and their parents are at the heart of decisions made about the provision they receive
- Build relationships between local authorities and their health and social care partners
- Build relationships across educational institutions, including early years settings, mainstream and special schools, Further Education colleges and independent or non-maintained providers

Although an unringfenced grant, it will be passported to the service as this is a service area experiencing financial pressures during 2020/21.

## 2.5 Other Ringfenced Grant Funding

### Reopening High Streets Safely Fund Grant

- 2.5.1 The Government has allocated £50m of additional funding to support the safe reopening of high streets and other commercial areas. The Council has been allocated £0.210m. This money will allow additional measures to establish a safe trading environment for businesses and customers, particularly in high streets, through measures that extend to the end of March 2021.

- 2.5.2 Expenditure for reimbursement under this grant was eligible from 1 June 2020. The detail of the requirements of this European Regional Development Fund grant will be covered in a Funding Agreement which the Government hoped to have agreed with all Local Authorities by the end of June, however this has been delayed. The Council is currently working on this Agreement. Once this is in place then claims for reimbursement for expenditure incurred from when the agreement has been signed can begin to be made. The grant awards will be available to access up until the end of March 2021. The costs of administering this grant will also be eligible for reimbursement of up to 4% of the total grant value. This 4% would be taken from the grant itself.

- 2.5.3 The Fund will support 4 main strands of activity:

- The development of an action plan for how Councils can begin to safely reopen their local economies
- Communications and public information activity to ensure that reopening of local economies can be managed successfully and safely



- Business-facing awareness raising activities to ensure that reopening of local economies can be managed successfully and safely
- Temporary public realm changes to ensure that reopening of local economies can be managed successfully and safely

#### Learning Disability and Autism Community Grant

2.5.4 The Council will receive on behalf of Greater Manchester, an allocation of the Learning Disability and Autism Community Grant, from the Department of Health Social Care amounting to £0.957m for 2020/21. Authorities in England will receive a total of £62m over three years (£20m in 2020/21) to speed up the discharge of individuals with learning disabilities or autism into the community from mental health inpatient care in England. Oldham has agreed to receive and administer the grant on behalf of all the Greater Manchester Authorities. Once a basis of allocation has been agreed the grant will be passported to those Authorities. The Council's share will be allocated to Community Health and Adult Social Care Services.

## 2.6 Summary of Grants Received Since the Cabinet meeting of 23 April 2020

2.6.1 The table below summarises the various grants received by the Council since the Cabinet meeting of 23 April 2020. The above mentioned funding allocations total £14.781m.

Grant	2020/21 £000
<u>Covid-19 Related Unringfenced Grant</u>	
Second Tranche of General Grant	6,531
Third Tranche of General Grant	2,466
<u>Unringfenced Covid-19 Related New Burdens Funding</u>	
Local Housing Allowance Changes	2
Government Initiatives to Support Business	170
<u>Covid-19 Related Ringfenced Grants</u>	
Infection Control Fund Grant	2,317
Local Authority Test and Trace Service Support Grant	1,560
Local Authority Emergency Assistance Grant - Food & Essential Supplies	361
Coronavirus (COVID-19) Rough Sleepers Contingency Fund	2
<u>Other Unringfenced Grant Funding</u>	
School Improvement Monitoring and Brokerage Grant	104
Extended Rights to Home to School Travel	38
Verify Earnings and Pension Service	30
Transport Grant	9
SEND Regional Coordinator Grant	24
<u>Other Ringfenced Grant Funding</u>	
Reopening High Streets Safely Fund Grant	210
Learning Disability and Autism Community Grant*	957
<b>Total</b>	<b>14,781</b>

\*Full Greater Manchester allocation – basis of allocation to be agreed

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## 2.7 Capital Grants

2.7.1 Since the Capital Strategy/Programme was agreed on 26 February 2020, the Council has been notified of the following funding allocations from Central Government. Some of these grants had already been anticipated within the approved capital programme, albeit that some of the confirmed allocations are slightly different as follows:

a) Highways and Transport Funding

The Council has been notified of £19.046m of additional funding for Highways and Transport schemes. This includes £1.833m from the Pothole and Challenge Fund, £0.062m of additional highway maintenance funding, £11.836m from the Mayor's Cycling and Walking Challenge Fund (£9.794m will be received in 2021/22), £0.232m of Growth Deal 3 monies for bus stop enhancements, £0.411m of incentive funding and £4.172m from the Highway Maintenance Challenge Fund.

The Council has also received confirmation from the Greater Manchester Mayor's Cycling and Walking Safe Streets Fund of a grant of £0.500m to maintain higher levels of cycling and walking as lockdown restrictions are eased and businesses begin to re-open their premises.

b) Schools Funding

In mid-April 2020, the Department for Education confirmed School Condition allocations and funding for Devolved Formula Capital for 2020/21. Oldham's allocations are £1.291m for School Condition and £0.316m for Devolved Formula Capital.

In May 2020, Oldham's Basic Needs Allocation for 2021/22 was confirmed as being £6.833m.

The Council has received notification from the Department of Education of a School Nurseries Capital Fund Grant of £0.274m at Northmoor Academy School Nursery. The grant will create 24 new FTE two-year-old places, 30 wraparound places, and 30 holiday places through a new build on an underused part of the existing site.

c) Other Funding Allocations

In May 2020, MHCLG confirmed Local Authority allocations of Disabled Facilities Grant (DFG) for 2020/21. Oldham's allocation is £2.065m (£0.065m higher than anticipated) and will be spent in line with the guidance issued. In addition, there has been £0.015m in private contributions towards DFG works.

On 20 June 2020, the Government announced the bringing forward of £5bn of capital investment project funding to support and accelerate the economic recovery from the COVID-19 pandemic. On 1 July 2020, the MHCLG notified Oldham of an allocation of £1.000m of Towns Fund Grant to finance capital projects that can be delivered in this financial year. The Towns Fund forms a key aspect of Government plans to 'build back better' to support the economic recovery and is central to the Government's ambition to enable towns like Oldham to benefit from significant investment through the delivery of transformation projects. The Council has prepared a submission to enable it to access the resources available. This £1.000m is in addition to the £25m Towns Fund allocation Oldham has already received.

The Council has also received £0.010m from The Big Local for a Parks and Open spaces capital scheme.

The above-mentioned funding allocations totalling £30.850m are summarised in the table below.

Grant	2020/21 £000	2021/22 £000	Total £000
<u>Highways</u>			
Pothole & Challenge Fund	1,320	513	1,833
Highways Maintenance (additional)	62		62
Mayors Cycling & Walking Challenge Fund	2,042	9,794	11,836
Growth Deal 3	232		232
Incentive Fund	411		411
Highways Maintenance Challenge Fund	4,172		4,172
Greater Manchester Mayor's Cycling and Walking Safe Streets Fund	500		500
<u>Schools</u>			
School Condition Allowance*	1,291		1,291
Devolved Formula Capital*	316		316
Basic Need		6,833	6,833
Department of Education - School Nurseries Capital Fund Grant	274		274
<u>Other Allocations</u>			
Disabled Facilities Grant*	2,065		2,065
Disabled Facilities Grant – Private Contributions	15		15
Towns Fund	1,000		1,000
Big Local	10		10
<b>Total</b>	<b>13,710</b>	<b>17,140</b>	<b>30,850</b>

\*The external grants which had already been anticipated within the 5 year capital programme approved at Budget Council in February 2020.

d) Regional Funding Allocations

The following grants were announced on 30 June 2020 and awarded to Greater Manchester to take forward a regional programme of investment:

- £81m of Brownfield Fund allocation (from a national £360m) to support the development of housing on brownfield sites;
- £54.2m Getting Building Fund allocation (from a national £900m) to support the delivery of 'shovel-ready' projects intended to provide stimulus to local economies.

The methodology for allocating this funding to Districts within GM has yet to be determined.

Members are also advised that the Council is in the process of preparing bids to access a number of funding streams. Bids for significant resources are being

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developed to access funding from both the Towns Fund and Future High Streets Fund in accordance with earlier announcements.

## **2.8 Impact of COVID-19 on the Financial Position of the Council**

- 2.8.1 The 2020/21 Revenue Budget and Capital Strategy/Programme were both approved at the Council meeting on 26 February 2020. The revenue budget was prepared to support Council priorities. The Capital Programme was framed around the ambitions of Creating a Better Place strategy with the 2020/21 to 2024/25 revenue budget aligned accordingly. The level of reserves and balances was considered sufficient to support the 2020/21 budget and the Medium Term Financial Strategy.
- 2.8.2 At the time of the Council meeting, the rationale behind the assumptions supporting budget setting for 2020/21 seemed sound. Those expenditure and income pressures that were known had been addressed. Council Tax and Business Rates assumptions were prudent. Gains from the piloting of Business Rates Retention in Greater Manchester were anticipated as a one-off resource, a year in arrears. The implications of COVID-19 were not foreseen and in view of subsequent events, some of the key strands that underpinned the budget are no longer valid.
- 2.8.3 The finances of the Council have been significantly impacted by the COVID-19 pandemic. The financial pressures have been experienced since the middle of March but especially since the lockdown was announced on 23 March 2020. This has required the Council to incur additional expenditure to support the residents of Oldham during these extraordinary times. The Council has also lost income from sales, fees and charges including commercial income from its investments and trading activities.
- 2.8.4 The Council is of course reviewing and monitoring the impact of COVID-19 and has been required to submit information to the MHCLG to inform the Government of pressures being experienced by all Local Authorities. The returns outline to Government the costs being incurred/income lost as a result of the pandemic and enables an assessment of the additional level of grant needed by Councils to support the continued provision of services. The first return was completed on 15 April, with further returns in May and June. The most recent return was submitted on 31 July 2020. Each of the returns has been completed in response to revised guidance as, each time, the MHCLG has refined its information gathering processes. It is expected that monthly reporting to the MHCLG will continue for the immediate future.
- 2.8.5 The completion of the returns and forecasting of the likely impact of the pandemic on the Council's budget is based on both actual expenditure/income loss detail but also relies on a series of assumptions, particularly about how long the effects of the pandemic are likely to last, the phasing of the impact and what the new normal will look like. The base assumption is that all other spending remains the same and that the reporting relates to the extra burdens associated with COVID-19. The in-year position will, however, become clearer as more detailed financial monitoring takes place on non-COVID related activities. The month 3 financial monitoring report elsewhere on the agenda shows the overall projected financial position including financial pressures that do not relate specifically to COVID related activity. Ultimately, the financial impact will depend on the final level of Government support that is received and on measures the Council can take to control net expenditure.
- 2.8.6 The table below shows the financial projections included in each of the MHCLG returns and highlights that the position has moved each month. The July 2020 MHCLG return showed an overall full year impact of £55.2m with increased expenditure pressures of £32.2m and reduced income of £23.0m (including £7.1m in relation to lost Council Tax and Business Rates). As the budgetary impact of lost Council Tax and Business Rates will occur in 2021/22 (although there will be a cash impact in 2020/21), the adjusted

potential shortfall is £48.1m. After offsetting £7.3m of ringfenced grant for specific purposes (Hardship Fund Grant of £3.0m, Infection Control Grant of £2.3m and Test, Track and Trace Grant of £1.6m and the Emergency Assistance Grant for Food and Essential Supplies of £0.4m) together with funds that can be recharged to the NHS for Adult Social Care related costs and the £16.6m of unringfenced Government grant that has so far been notified, there is a potential in year shortfall of £17.1m as shown in the table below.

Pressure	April 2020	May 2020	June 2020	July 2020
	Estimated Costs in a full year £m	Estimated Costs in a full year £m	Estimated Costs in a full year £m	Estimated Costs in a full year £m
Increased Expenditure	19.2	17.2	30.7	32.2
Reduced Income	27.0	25.9	25.7	23.0
<b>TOTAL ANTICIPATED IMPACT</b>	<b>46.2</b>	<b>43.1</b>	<b>56.4</b>	<b>55.2</b>
Exclude Council Tax and Business Rates	-8.0	-9.6	-9.3	-7.1
<b>Financing Available - Government Funding</b>				
- Unringfenced Grant	-14.2	-14.2	-14.2	-16.6
- Hardship Grant Funding	0	0	-3.0	-3.0
- Infection Control Grant	0	0	-2.3	-2.3
- Test Track and Trace Grant	0	0	-1.6	-1.6
- Local Authority Emergency Assistance Grant for Food & Essential Supplies				-0.4
Anticipated Recharge to NHS funding via Oldham CCG	0	0	-5.2	-7.1
<b>Potential Shortfall in Year</b>	<b>24.0</b>	<b>19.3</b>	<b>20.8</b>	<b>17.1</b>

2.8.7 There will be further grant compensation as outlined at 2.2.5 but the financial position will continue to change given the unpredictable impact of COVID-19. It is disappointing that Government is expecting Local Government to “share the burden” as clearly at this stage, there is no intention to provide funding for all income losses. Indeed, the overall level of support remains unclear.

2.8.8 It is evident that a major challenge still remains in relation to budget setting for 2021/22 and future years. It is inevitable that COVID-19 will have a significant impact on the financial position. Members will recall that there was an already challenging budget reduction target of £23.3m for 2021/22 as presented within the reports approved at Budget Council on 26 February 2020. The Council and the Local Government sector urgently needs the Government to announce its funding intentions for 2021/22 and future years, in addition to the clarity which is required on the additional funding announced for 2020/21.

2.8.9 Once there is more detailed information upon which to base estimates, the projected budget shortfall for 2020/21 will be recalculated and revised estimates will be prepared for 2021/22 and future years. In the meantime, the Council is planning for budget reductions of £30m which it aims to address via programmes of activity based around three themes:

- Property and Assets
- Workforce Redesign
- Transformation of Service Provision

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Budget proposals to achieve the target of £30m will be prepared over the coming weeks and months. This will include considering options for reducing the size of the workforce in line with the Workforce Redesign theme. The Council's reserves will be available to provide the necessary financial support whilst the proposals are finalised and then during the delivery period as there will inevitably be a lead-in time whilst changes are implemented.

2.8.10 As the development of detailed budget reductions is taking place, the Council is introducing a number of measures to support its in-year financial position. These include:

- A full review of the capital schemes within the Creating a Better Place programme to ensure that the schemes are focussed on maximising the benefit to the Borough whilst minimising the revenue impact (a report is elsewhere on this agenda)
- Implementing expenditure controls to stop the commissioning of goods and services not deemed essential to the operation of the Council at a time of emergency – both revenue and capital items
- Tightening recruitment controls and reviewing the use of agency/temporary staff. A Recruitment Panel is already in place to take forward this initiative
- Reviewing all revenue budgets to assess if there is an excess resource that can be reallocated to offset the financial challenge presented by COVID-19
- More rigorously enforcing budget holder accountability, especially on all overspending budgets via task and finish meetings with officers and the Cabinet Members with responsibility for the relevant budgets
- Stopping the introduction of new initiatives unless they are essential (such as a response to a Government initiative) which will enable resources (staffing and financial) to be focussed on existing priorities
- Introducing stringent controls on the use of any reserves in order to minimise the call down of reserves. The Reserves Policy covering the outturn position for 2019/20 and the reserves available in 2020/21 was presented to the Audit Committee on 22 July 2020
- Undertaking a complete review of all reserves with a view to decommissioning those deemed to be no longer supporting a priority initiative so they are available to underpin the financial position of the Council.

2.8.11 It is anticipated that such measures will reduce spending in this year to at least partly offset the impact of COVID-19 and the associated pressures not covered by Government grant and also support the 2021/22 budget setting process.

2.8.12 Members should note that if the above actions are unsuccessful in reducing the in-year pressure, then any gap remaining will have to be addressed by the use of reserves. Whilst the Council holds sufficient levels of reserves to cover such a gap, the utilisation of reserves will reduce the Council's financial resilience. A significant reduction in reserves will also limit the ability of the Council to support the implementation of programmes of service transformation and the setting of future years' budgets.

## **2.9 Summer Statement 2020**

2.9.1 On 8 July 2020, The Rt Hon Rishi Sunak MP, Chancellor of the Exchequer presented to Parliament, the Summer Statement – A Plan for Jobs 2020.

2.9.2 The Statement was centred on a plan to rejuvenate the economy through measures to support, protect and create jobs and encourage spending through a range of tax cuts / incentives.

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- 2.9.3 The Statement provided no specific or additional information regarding the outlook for Local Government Finances in the medium term but advised that this detail would emerge as part of the Budget and Spending Review in Autumn 2020.

## **2.10 Other Government Announcements**

### Business Rates Revaluation

- 2.10.1 In May 2020, the Government announced a postponement to the planned Business Rates revaluation to provide greater certainty for firms affected by the impacts of COVID-19. Under current legislation, this revaluation should have taken effect on 1 April 2022 based on pre-COVID19 property values as of 1 April 2019.
- 2.10.2 On 21 July 2020, the Government announced that the next revaluation of non-domestic property in England will instead take effect on 1 April 2023. To better reflect the impact of COVID19, it will be based on property values as of 1 April 2021. This change to the anticipated revaluation of Business Rates, creates further uncertainties and forecasting issues for the financial planning process especially as it crosses the period covered by the Comprehensive Spending Review as highlighted below.

### Comprehensive Spending Review

- 2.10.3 Also on 21 July 2020, the Government launched the 2020 Comprehensive Spending Review (CSR). The CSR, which will conclude in the Autumn, will set UK Government departments' resource budgets for the years 2021/22 to 2023/24 and capital budgets for the years 2021/22 until 2024/25. Due to unprecedented uncertainty, the Chancellor did not fix a set spending envelope, but confirmed that departmental spending (both capital and resource) will grow in real terms across the CSR period and that the Government will deliver on the commitments made at Budget to level up and invest in the priorities of the British people.
- 2.10.4 Given the impact COVID-19 has had on the economy, the Chancellor was clear there will need be tough choices in other areas of spending at the review. As part of their preparations for the CSR departments have been asked to identify opportunities to reprioritise and deliver savings.
- 2.10.5 Until the outcome of the CSR is announced, financial projections will continue to be made on the basis of best estimates and only concentrate on 2020/21 and 2021/22.

## **2.11 Summary**

- 2.11.1 In summary, the Council is facing an unprecedented financial challenge, both in-year and in future financial years. It is evident that the Government support will fall short of that required to address all COVID related pressures and that consequently the net spending of the Council will have to be reduced. However, in such a rapidly changing and unpredictable environment it is essential that the action being taken to control spending in year and prepare for a £30m budget reduction is prioritised.

## **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 during 2020/21 as outlined in this report, confirms its support for actions being taken to address the financial challenge and notes the updated financial forecasts.

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Option 2 - Cabinet does not approve the adjustments to the budget of the Council to reflect the additional grant funding received during 2020/21 as outlined in this report, suggests alternative action to address the financial challenge and does not agree to note the updated financial forecasts .

#### **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 during 2020/21, confirms its support for being actions taken to address the financial challenge and notes the updated financial forecasts.

#### **5 Consultation**

5.1 There has been consultation of Members and officers on the content of this report and detailed briefings for the Cabinet Member for Finance and Green.

#### **6 Financial Implications**

6.1 The exact financial implications for the Council on the COVID-19 pandemic are currently unclear however all relevant information in this regard is included in the body of the report.

6.2 The Financial Monitoring reports presented to Cabinet during 2020/21 will provide continued 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. (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 additional resources by Central Government supports the overall financial position of the Council. There remains a risk to the future financial resilience of the Council if the gap between resources available and anticipated spending is not reduced. (Mark Stenson)

#### **11 IT Implications**

11.1 There are no IT implications arising from this report.



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**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 Yes

**18 Key Decision Reference**

18.1 FG-06-20

**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 & 2  
Officer Name: Anne Ryans  
Contact No: 0161 770 4902

**20 Appendices**

20.1 Appendix 1 - COVID Funding Distribution – Letter to Local Authority Leaders from the Secretary of State for Housing, Communities and Local Government

Appendix 2 – Support Package for Local Authorities – COVID-19 – Letter to Leaders and Chief Executives from the Minister for Regional Growth and Local Government