

# Report to Cabinet

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

**Portfolio Holder:** Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member for Finance and Green

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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 reports to Cabinet of 23 April 2020 and 24 August 2020, and to advise of the estimated financial challenge for the Council arising from the COVID-19 pandemic.

### Executive Summary

The Government has in response to the COVID-19 pandemic, allocated a significant number of grants to provide support to Local Government and therefore the Council. Reports were considered by Cabinet on 23 April 2020 and 24 August 2020 which presented a range of grant support received towards the end of 2019/20 and early 2020/21. This report outlines the additional and updated grant funding that has been received since those Cabinet meetings in the sum of £15.658m of ringfenced and unringfenced revenue grants and £0.694 of capital grants, together with a range of grants to support businesses in Oldham.

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 result of the pandemic. The information included in the returns highlights the financial

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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 estimated budget reduction requirement for 2021/22 at a value of £30m.

The Financial Monitoring reports presented to Cabinet during 2020/21 (the report for month 6 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 acceptance of all the additional unringfenced and ringfenced revenue grant funding received since Cabinet considered its last financial update report at its 24 August 2020 meeting (as set out at sections 2.3 to 2.6) together with all corresponding adjustments to the budget of the Council.
- b) Approves the administration of the business grant funding as set out at section 2.7 of the report and delegates the determination of any discretionary business grant funding regimes to the Directors of Finance and Economy in consultation with the Leader of the Council and the Cabinet Member for Finance and Green.
- c) Notes the additional capital grant funding that the Council has received.
- d) Notes the estimated extent of the financial challenge that the Council is facing in 2020/21 as a result of the COVID-19 pandemic.
- e) Confirms support for the measures that have been introduced to reduce the call on Council resources in year.
- f) 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.
- g) Agrees that the estimated budget reduction requirement for 2021/22 is at a value of £30m.
- h) Notes the public consultation that is taking place with regard to 2021/22 budget reduction proposals (from 9 November 2020).
- i) Approves the release of the supported voluntary redundancy applications received as part of the organisation's recent voluntary workforce reduction programme as detailed within this report.
- j) Approves the revised decision making timeline for budget setting 2021/22 as set out at section 2.10.8 of the report

**1 Background**

1.1 Members will recall that the Cabinet meetings of 23 April 2020 and 24 August 2020 considered and approved reports which provided a financial update and outlined a range of revenue grants that had been received from Central Government as follows:

**a) April Report**

- 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 £54.738m received on 3 April 2020 (although the funding total was not changed, the Government scheme was subsequently 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
- A grant to compensate the Council for the extension of the Business Rates Reliefs giving 100% discount in respect of retail, leisure, hospitality and nursery properties. This grant, now increased to £25.463m, will be transferred to the business rates reserve to meet the resultant collection fund deficit in 2021/22.
- The identification of £2.359m of reserves which were to be added to the first tranche of COVID funding at a value of £7.641m creating a fund of £10m to support the Council's response to COVID-19.

**b) August Report**

- The second (£6.531m) and third (£2.466m) tranches of unringfenced grant funding
- Two tranches of new burdens funding (Local Housing Allowance changes at £0.002m and Business Grants Administration at £0.170m)
- Round 1 Infection Control grant of £2.317m
- Local Authority Test and Trace grant of £1.560m
- Local Authority Emergency Assistance Grant for Food and Essential Supplies £0.361m
- Coronavirus Rough Sleepers Contingency Fund at £0.002m
- Five small unringfenced grants, School Improvement Monitoring and Brokerage grant (£0.104m), Extended Rights to Home to School Travel (£0.038m), Verify Earnings and Pension Service (£0.030m), Transport Grant (£0.009m) and SEND Regional Coordinator Grant (£0.024m)
- Two other ringfenced grants, namely the Reopening High Streets Safely Fund Grant (£0.210m) and the Learning Disability and Autism Community Grant (£0.957m) for which the Council was acting as the lead Authority for Greater Manchester.

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- 1.2 Information on the receipt of a number of capital grants since the start of the financial year was presented in the August report and encompassed:
- £19.046m of highways and transport grants (£8.739m in 2020/21 and £10.307m in 2021/22)
  - £8.714m of schools related grants (£6.833m in 2020/21 and £1.881m in 2021/22)
  - £3.090m of other grants all in 2020/21, the most significant of which are Disabled Facilities Grant (£2.065m) and the Towns Fund (£1.000m).
- 1.3 The August report also advised Members of the requirement to provide financial information in the form of a monthly return to the Ministry of Housing, Communities and Local Government (MHCLG) to inform Government of costs being incurred/income lost as a result of the pandemic. This return also enables Government to make an assessment of the additional level of grant needed by Councils to support the continued provision of services. Since the last report, further returns have been submitted (August, September and October). The information included in the August and September returns is presented at section 2.9.8 and highlights the changing financial position of the Council but also the financial challenge that the Council is facing in 2020/21.

## **2 Current Position**

- 2.1 Since the Cabinet meeting of 24 August 2020, the Council has received a further 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**

- 2.2.1 The Council has been notified of several COVID related unringfenced grants. These grants can be used for any purpose to support the activities of the Council. The grants are as follows:

#### **Fourth Tranche of General Grant - £6.058m**

- 2.2.2 As part of its continued response to the coronavirus pandemic, the Government announced its fourth tranche of general grant funding totalling £1bn in early October. On 22 October 2020, the grant allocations were notified with a total of £919m being allocated to Local Authorities. A different method of distribution was used compared to the first three tranches of funding resulting in grant for the Council of £6.058m. This grant will increase the net revenue budget and be used to offset the COVID related expenditure of the Council. Taking the four tranches of funding together the Council has to date received £22.696m of unringfenced grant.

- 2.2.3 The Government is using the balance of the £1bn funding allocation (£100m) to invest in supporting public leisure centres this winter. The Department of Digital, Culture, Media and Sport (DCMS) is working with Sports England and the MHCLG to design a scheme to provide a suitable funding package. Details of this have yet to be announced and will be included in further update reports.

#### **Sales, Fees and Charges - £1.282m**

- 2.2.4 Members will recall that on 2 July 2020 the Government announced a further funding package which included a co-payment mechanism for irrecoverable Sales, Fees and Charges income, with the Government covering 75% of losses beyond 5% of planned income. On 8 October 2020, the Council made its first claim to the MHCLG for this income compensation. The amount claimed for the period April to July 2020 was

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£1.282m and the MHCLG has now confirmed the payment of this sum. It is expected that the grant will be received on 27 November 2020.

- 2.2.5 This grant will increase the net revenue budget and be used to offset the COVID related expenditure of the Council. Further submissions in this regard will be made to MHCLG in December 2020 and April 2021 however, the amounts to be claimed cannot yet be determined.

### **Funding for Local Authorities for Support to Clinically Extremely Vulnerable (CEV) Individuals - £0.145m**

- 2.2.6 On 2 November 2020 the Government issued guidance with accompanying grant funding so that during the national lockdown Councils would be able to support CEV individuals. Funding equivalent to £14.60 per CEV individual on the Shielded Patient List (SPL) has been provided for the 28-day period that restrictions are in force (5 November to 2 December). This is over £32m nationally and the Oldham Council share is £0.145m. The Government has advised that if the number of CEVs significantly increase whilst restrictions are in force, funding will be adjusted accordingly.
- 2.2.7 The funding will be an unringfenced Section 31 grant to provide maximum flexibility, but Councils are expected to use the funding to deliver the activities and outcomes outlined in the Shielding Framework issued to Councils. This includes the overheads of setting up and managing the local system, contacting CEV individuals within the area of intervention, assessing the food and basic support needs of CEV individuals and facilitating the delivery of that support where necessary.
- 2.2.8 This grant will increase the net revenue budget of the Council and although unringfenced will be passported to use for CEV individuals. The Council is deploying this resource to the maximum benefit of those eligible for support.

### **2.3 COVID Related Ringfenced Grant**

- 2.3.1 The Council has been notified of several COVID related ringfenced grants. These must be used for the purpose intended and do not increase the net revenue budget of the Council. The ringfenced grants are as follows:

#### **a) Enhanced Response to COVID - £0.300m**

This ringfenced grant was allocated by the Department of Health and Social Care to support the on-going initiatives the Council was funding in July/August when Oldham was one of the very few Authorities in the country with significantly higher infection levels.

#### **b) Infection Control Fund Grant – Round 2 - £2.276m**

On 13 May 2020 the Government announced grant of £600m to support social care providers through a new adult social care infection control grant. This grant was 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.

Due to its success in limiting the transmission of COVID-19 within and between care settings, the Adult Social Care Infection Control Fund has been extended until March 2021, with an extra £546m of funding being made available nationally. This is a new grant, with revised conditions from the original Infection Control Fund. It brings the total ringfenced funding for infection prevention and control to £1.146 billion. This ringfenced grant is exclusively for actions which support care homes and CQC-regulated community care providers mainly to tackle the risk of COVID-19 infections

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and is in addition to funding already received. Oldham's share of this funding is £2.276m.

The funding is to be paid in 2 equal instalments (tranche 1 was received on 1 October 2020 with tranche 2 due to be received in December 2020). Local Authorities are required to pass 80% of each instalment to care homes within the Local Authority's geographical area on a 'per beds' basis and to CQC-regulated community care providers within the Local Authority's geographical area on a 'per user' basis, including to social care providers with whom the Local Authority does not have existing contracts. The Local Authority has discretion to use the remaining 20% of each instalment on other COVID-19 infection control measures, including providing support to other care settings, and wider workforce measures in relation to COVID-19 infection control.

The Council has followed the Government guidance with regard to payments and is complying with Government reporting requirements.

**c) Local Authority Compliance and Enforcement Grant (Surge funding) - £0.155m**

On 22 September 2020 the Prime Minister announced £60m would be made available to Local Authorities and the Police to support additional compliance and enforcement activities. Of this £60m, £30m has been allocated to all district and Unitary Authorities including Metropolitan Borough and London Borough Councils in England to spend on COVID-19 related compliance and enforcement activities. On 8 October 2020 the Council was notified of its allocation at a value of £0.155m. The grant was received in full by the Council on 28 October 2020.

The Council is using this funding allocation in accordance with Government guidance to cover additional staffing costs in support of:

- Measures to aid public and business awareness and understanding of regulations and guidance
- Undertaking enforcement of COVID-19 regulations and guidance

The Director of Finance as Section 151 officer is required to certify that any expenditure using this grant was used for the purposes of compliance and enforcement activity.

**d) Next Steps Accommodation Programme (NSAP) - £0.147m**

The Next Steps Accommodation Programme (NSAP) makes available the financial resources needed to support Local Authorities and their partners with the prevention of rough sleepers returning back to rough sleeping in the local area. Allocations were notified in October 2020 with Oldham being awarded £0.147m. The funding is being deployed to engage additional staffing support and to secure accommodation to, for example, the extend the A Bed Every Night initiative.

A condition of this grant is that the Local Authority must work with the MHCLG's analytical and policy teams for the evaluation of the Next Steps Accreditation Programme. Members should also note that the Local Government Association (LGA) in conjunction with the MHCLG will be launching a peer review process for those Local Authorities which have received NSAP funding.

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#### **e) Pilot Scheme Self Isolation Payments – 100% compensation**

Oldham Council was one of three pilot Authorities with Blackburn with Darwen and Pendle Councils asked by Government to deliver Self-Isolation Payments (the precursor to the national Test and Trace Support Payments scheme). The pilot offered payments of between £130 and £182 to those who had been required by NHS Test and Trace to self-isolate because they tested positive or were a designated contact of someone required to self-isolate. Take up overall was quite low for the pilot scheme and the Government decided that the payments offered may have been a disincentive to claiming and rolled out the national scheme within 3 weeks of the launch of the pilot. The Council is being reimbursed for payments made under this scheme and the Department for Work and Pensions is in the process of paying in full the £0.027m costs that were incurred.

#### **f) Test and Trace Support Payment Scheme - £0.245m**

The national Test and Trace Support payments scheme began on 28 September 2020 and will operate until 31 January 2021. Via this scheme, support is available for those told to self-isolate by the Test and Trace services because they have tested positive for coronavirus or have been in contact with someone who has tested positive.

Payments of £500 are available to those employed or self-employed earners also in receipt of means-tested benefits. Payments are also subject to tax, and only available to those who will lose earned income as a result of self-isolating e.g. where statutory sick pay cannot be claimed.

Oldham Council has been allocated £0.129m for the main scheme and £0.077m for a discretionary scheme (enough to support 154 applications), as well as £0.039m for administrative costs. If more is spent on the main scheme it will be topped up by Government.

The guidance allows awards of discretionary payments of £500 to those who satisfy most of the eligibility for the main scheme but are not in receipt of the qualifying benefits. The funding for this scheme is limited and will not be topped up by the Government - so managing the impact of the demand for discretionary payments may be an issue. Common criteria have been agreed across Greater Manchester for the operation of the discretionary scheme.

#### **g) Contain Outbreak Management Fund – £1.897m**

As a result of the movement to Tier 3 COVID status, the Council has received a funding allocation of £8 per head of population from the Contain Outbreak Management Fund in the sum of £1.897m. This is to additional funding to support local initiatives to cover such issues as:

- Targeted testing for hard-to-reach groups out of scope of other testing programmes
- Additional contact tracing
- Enhanced communication and marketing e.g. towards hard-to-reach groups and other localised messaging
- Delivery of essentials for those in self-isolation
- Measures to support the continued functioning of commercial areas and their compliance with public health guidance
- Targeted support for school/university outbreaks
- Community-based support for those disproportionately impacted such as the BAME population

The precise deployment of this resource is currently being determined.

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## **h) Additional Dedicated Home to School and College Transport - £0.180m**

The Government initially announced in August that it would make funding available to ensure that there was sufficient transport capacity so children and young people could get to school and college safely and on time given that there may be a requirement for flexible arrangements arising from social distancing. The funding is to support transport to school or college for pupils of compulsory school age and students in 16-19 education (those aged 16-18 and those aged 19 if they are on a course they started before their 19th birthday).

This funding was initially payable to the Greater Manchester Combined Authority /Transport for Greater Manchester as the Local Transport Authority. After discussion, it has been agreed that Oldham's allocation of this funding is two £0.090m tranches of grant to support the costs of additional transport provision for the two halves of the Autumn term.

## **i) COVID Winter Grant Scheme - £0.975m**

On 10 November 2020 the Government announced initial details of the £170m COVID Winter Grant Scheme. Grant has been allocated to Councils on the basis of the population of each Authority, weighted by a function of the English Index of Multiple Deprivation and is aimed at supporting those most in need across England with the cost of food, energy and water bills and other associated costs. Oldham Council has been notified of an allocation of £0.975m covering the period from 1 December 2020 until the end of March 2021.

The grant will be paid in three instalments; 50% in December 2020, 25% in February 2021 with a final reconciliation of up to the remaining 25% in April/May 2021

The grant must be deployed so that:

- at least 80% of the total funding supports families with children, with up to 20% of the total funding to other types of households, including individuals.
- at least 80% of the total funding is used to support food costs, energy and water bills (including sewerage), with up to 20% on other items.

There are extensive requirements in relation to the administration of the grant, the preparation of management information and reporting. The Council is currently preparing proposals for the distribution of the grant to eligible families/households in Oldham.

## **2.4 Other Unringfenced Grant Funding**

2.4.1 The Council has been notified of six other unringfenced grants as follows:

### **a) Opportunity Area Grant - £1.580m**

The Opportunity Area programme aims to improve social mobility outcomes for children and young people in deprived areas in England. Oldham has been an Opportunity Area since 2017/18. As included within the Month 5 revenue budget monitoring report, the Council has been allocated £1.580m to support this programme for a fourth year. Although this grant is unringfenced, it will be passported to the Education Service in line with Government expectations.



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**b) Staying Put Grant - £0.116m**

The Children and Families Act 2014 introduced a new duty so that Local Authorities must support young people to continue to live with their former foster carers once they turn 18 (the 'Staying Put' duty). This duty came into force on 13 May 2014. Oldham has received funding allocations each year since 2014 and has recently been allocated £0.116m for this purpose in 2020/21. Half of this funding has already been received. The remaining funding will be split equally with payments being made on 30 November 2020 and 26 February 2021. The funding will be passported to the service.

**c) Extended Personal Adviser Duty Implementation Grant (New Burdens) - £0.008m**

The Children and Social Work Act 2017 introduced a new duty on Local Authorities, requiring them to offer Personal Adviser support to all care leavers up to age 25. This duty came into force on 1 April 2018. The Extended Personal Adviser Duty Implementation grant assists Local Authorities to meet the requirements of this duty in response to young people that may request such support after the age of 21 and up to their 25th birthday. The Council will receive £0.008m in 2020/21.

This funding has been passported to the service in full.

**d) Wellbeing for Education - £0.038m**

This unringfenced grant totalling £0.038m in 2020/21 is allocated to Local Authorities with an expectation that it is spent to support the Wellbeing for Education Return project which seeks to better equip education settings to support pupils and students' wellbeing and psychosocial recovery returning to full-time education in Autumn 2020. The Department for Education anticipates that the funding is used to:

- Adapt the Wellbeing for Education Return training package, shared with local authorities in September, to include local context and information about local services.
- Make accessible, and deliver, the adapted Wellbeing for Education Return training package to all state-funded education settings in their area in the first half of autumn term 2020.
- Provide ongoing support to all state-funded settings in their area, on promoting and supporting mental health and wellbeing for a period of 6 months.

The Department for Education has asked Councils to provide contact details for the relevant lead managing the delivery of Wellbeing for Education Return and has requested the completion of a voluntary survey.

The Council is using the funding as anticipated with the funding having been passported to the Education service.

**e) Local Reform and Community Voices - £0.161m**

In 2020/21 the Department for Health and Social Care is making £34.410m available through the Local Reform and Community Voices grant, allocated using the Adult Social Care Relative Needs Formula to cover:

- funding for deprivation of liberty safeguards (DoLS) in hospitals
- local Healthwatch funding
- funding for Independent NHS Complaints Advocacy Services (ICAS)

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The Council's share of this funding in 2020/21 is £0.161m

Local Authorities have a duty under the Local Government and Public Involvement in Health Act 2007 (as amended by the Health and Social Care Act 2012) to ensure that an effective local Healthwatch is operating in their area, delivering the activities set out in the legislation. The Local Reform and Community Voices grant provides one element of the non-ring fenced funding provided for local Healthwatch, with the larger proportion having been rolled into the Local Government settlement in 2011 to 2012.

The funding will be passported to support the relevant Adult Social Care services in line with Government expectations.

**f) War Pensions Disregard - £0.045m**

In November 2016 the Department for Health and Social Care consulted about the allocation of new funding to disregard (for the purposes of social care charging) all payments made under the War Pension Scheme with the exception of Constant Attendance Allowance. For 2020/21 there is a national grant allocation of £12m of which the Council receives a £0.045m. The allocations for 2020/21 reflect War Pensioner populations at 31 March 2019.

The funding has been passported to support the relevant Adult Social Care services in line with Government expectations.

## **2.5 Other Ringfenced Grant Funding**

2.5.1 There is only one non-COVID related ringfenced grant that the Council has received since Members were last updated. This is set out as follows:

**a) Role of Virtual School Heads to Certain Previously Looked after Children £0.050m**

The Children and Social Work Act 2017 amended the Children Act 1989 to introduce a new duty on Local Authorities to promote the education of certain previously looked-after children, including appointing an officer (commonly known as a Virtual School Head) to discharge this duty through the provision of information and advice to relevant parties supporting the education of those children. This duty came into force on 1 September 2018.

The purpose of this grant is to provide support to local authorities in England, to help them meet their duty to appoint a Virtual School Head for previously looked-after children and make information and advice available to the following parties for the purposes of promoting the education of eligible previously looked-after children:

- Any person that has parental responsibility for the child;
- Providers of funded early years education, designated teachers for previously looked-after children in maintained schools and academies; and
- Any other person the authority considers appropriate for promoting the educational achievement of relevant children.

## 2.6 Summary of Revenue Grants Received Since the Cabinet meeting of 24 August 2020

2.6.1 The table below summarises the various grants received by the Council since the Cabinet meeting of 24 August 2020. These grants total £15.658m.

Grant	2020/21 £000
<u>Covid-19 Related Unringfenced Grant</u>	
Fourth Tranche of General Grant	6,058
Sales, Fees and Charges compensation	1,282
Local Authority Support for Clinically Extremely Vulnerable Individuals	145
<u>Covid-19 Related Ringfenced Grants</u>	
Enhanced Response to COVID	300
Infection Control Fund Grant – Round 2	2,276
Local Authority Compliance and Enforcement Grant	155
Next Steps Accommodation Programme	147
Test and Trace Support Payment Scheme	245
Contain Outbreak Management Fund	1,897
Additional Home to School and College Transport	180
COVID Winter Grant Scheme	975
<u>Other Unringfenced Grant Funding</u>	
Opportunity Area – Year 4	1,580
Staying Put Grant	116
External Personal Advisor	8
Wellbeing for Education Grant	38
Local Reform and Community Voices	161
War Pensions Disregard	45
<u>Other Ringfenced Grant Funding</u>	
Role of Virtual Schools Heads	50
<b>Total</b>	<b>15.658</b>

## 2.7 Grant Support for Business

2.7.1 Members will recall that the Council was allocated £54.738m of grant to provide financial support to businesses and in this regard acting as an agent of the Government to make payment to eligible businesses. The grant schemes closed on 28 August and all final payments have been made and a full reconciliation undertaken. Government was notified in accordance with the deadline of 30 October 2020 that in total, payments of £47.835m were made under the small business and retail, hospitality and leisure grant regimes to 4,230 businesses. In addition, £2.501m (the maximum allowable) was paid under the discretionary grant regime. This sum was paid to 259 businesses. The Council's net budget will be amended by £2.501m to reflect the finalised payment of Discretionary Grants at month 7. In total, the Council will return £4.402m of the grant funding of £54.738m.

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2.7.2 On 9 September, the Government announced that there would be further funding to support businesses legally required to close due to restrictions being put in place to manage coronavirus. Further changes were announced during October with the Local Restrictions Support Grant (LRSG) introduced which included a number of elements. As a consequence, there are five different funding regimes in place. There were considerable delays in the issuing of Government guidance and this created delays in beginning the payment process. However final information was received late on 2 November 2020 and is summarised below.

2.7.3 To date, the Council has received £10.418m of additional funding to support the LRSG schemes. Of this sum, £3.517m is for LRSG (Closed, Closed Addendum and Sector), £1.884m for LRSG (Open) and £5.017m for the Additional Restrictions Grant as explained below.

2.7.4 The Council is following the detailed guidance issued by Government in the administration of these grant regimes. All of the elements of the LRSG are subject to eligibility criteria with common areas in relation to insolvency, tax regulations, managing the risk of fraud, post-event assurance, monitoring and evaluation requirements and State Aid conditions. The grants are summarised as follows:

**a) Local Restrictions Support Grant (Closed)**

**The grant is payable to businesses required to close under Tier 3 restrictions from 23 October 2020 to 4 November 2020**

Central Government is providing funding to Local Authorities to pay grants to eligible businesses that were affected by local restrictions. Oldham entered Tier 3 on 23 October and as such certain businesses were required to close and became eligible for grants. These were:

- Pubs and bars excluding those that stayed open to operate as if they were a restaurant
- Soft play areas
- Casinos
- Bingo halls
- Betting shops
- Adult gaming centres

Grant funding has been allocated to the Council in the sum of £3.517m (also covering payments outlined in (b) and (c) below) to administer the payment of these grants. Payments are being made as follows (note pro rata payments are being made even though the qualifying period was only 13 days given the national lockdown began on 5 November 2020):

- Businesses with properties with a rateable value of £15,000 or under will receive grants of £667 per two weeks of closure (£1,334 per 28-day qualifying restriction period)
- Businesses with properties with a rateable value of over £15,000 and less than £51,000 will receive grants of £1,000 per two weeks of closure (£2,000 per 28-day qualifying restriction period)
- Businesses with properties with a rateable value of £51,000 or over will receive grants of £1,500 per two weeks of closure (£3,000 per 28-day qualifying restriction period)

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**b) Local Restrictions Support Grant (Closed) Addendum**

**This grant is payable to businesses required to close due to the national lockdown for the period 5 November to 2 December 2020**

Businesses that have been mandated to close by Government due to the national lockdown will receive these grants. These businesses include non-essential retail, leisure, personal care, sports facilities and hospitality businesses. Payments will be made to the same value and qualifying period as those applicable to the LRSG (Closed).

Once national restrictions are removed, grant payments under previous arrangements will be resumed.

**c) Local Restrictions Support Grant (Sector)**

**This grant is payable to qualifying businesses for the period 1 to 4 November 2020**

This strand of LRSG support was announced on 9 October 2020. This grant support is payable to businesses that have been required to close nationally since 23 March 2020 (nightclubs, discotheques and adult entertainment venues) and currently applies only from 1 to 4 November 2020 until the start of the national lockdown.

As the national 'lockdown' restrictions were imposed from 5 November, the Local Restrictions Support Grant (Sector) ceased to apply, as relevant businesses were eligible for funding from the LRSG (Closed) grant regime as outlined above. The payments for this category of business are also based on rateable values as per the LRSG (Closed) grant regime.

**d) Local Restrictions Support Grant (Open)**

**This grant is payable to qualifying businesses for the period 1 August to 4 November 2020**

This strand of LRSG support was announced 22 October 2020 to help recovery for businesses that were not legally required to close but were severely impacted by the restrictions under a Tier 2 designation. It applies to England only and is retrospective, applying from 1 August 2020. This grant regime continues if restrictions are changed and the Local Authority is subject to additional restrictions (as applied in Oldham with Tier 3 being introduced from 23 October).

As the national 'lockdown' restrictions were imposed from 5 November, the Local Restrictions Support Grant (Open) ceased to apply from that date as relevant businesses were then eligible for support from the LRSG (Closed).

The Local Restrictions Support Grant (Open) is aimed at hospitality, hotel, bed & breakfast and leisure businesses. Although there is discretion as to how to award grant funding to individual businesses, the Government expects Councils to use the funding in line with its intentions. The Government has issued the following as a guide only and has indicated that the following approach may be followed:

- Grants of up to £934 payable per 28-day period for businesses occupying properties with a rateable value of exactly £15,000 or under

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- Grants of up to £1,400 payable per 28-day period for businesses occupying properties with a rateable value over £15,000 and less than £51,000
  - Grants of up to £2,100 payable per 28-day period for businesses occupying hereditaments with a rateable value of exactly £51,000 or above

The Council has been issued with a funding allocation of £1.885m calculated using Valuation Office Agency (VOA) data on the number of hospitality, accommodation and leisure businesses in Oldham plus a 5% top-up.

The Government acknowledges that Local Authorities are best placed to determine local needs for supporting recovery, hence allowing discretion. The Council is still determining its approach to this discretionary funding.

#### **e) Additional Restrictions Grant (ARG)**

The Additional Restrictions Grant can be used for business support activities and to supplement support payments to businesses made under either Tier 2 or Tier 3 restrictions.

In Greater Manchester (GM), as a result of the discussions between the GM Mayor and the Government, an ARG in the sum of £53.916m was paid to the GM Combined Authority (a separate £6.1m directly to Bolton Council) on 13 November 2020. The Oldham share of £5.017m, calculated on the basis of population was immediately paid by GMCA to the Council .

This is a discretionary grant and there is flexibility over its use. Discussions are taking place at GM level as to a collaborative approach to the use of this resource and as such the Council is still determining its approach to the use of this grant. This funding covers the period from 23 October 2020 up to 31 March 2022.

At the end of the national 'lockdown' from 3 December 2020, it is expected that the LRSO Closed, Sector and Open will be resumed.

## **2.8 Capital Grants**

2.8.1 Since the Finance Update – Budget 2020/21 and 2021/22 which was approved by Cabinet on 24 August 2020, the Council has been notified of the following capital funding allocations from Central Government. These are detailed below:

### **a) Highways and Transport Funding**

The Council has been notified of £0.029m of additional funding for Highways and Transport schemes. In September 2020, the Department of Transport via the Emergency Active Travel Fund Tranche 1 allocated £0.029m for a scheme in Oldham Town Centre as part of the safer street programme.

### **b) Schools Funding**

Over the summer, the Department for Education announced that an additional £560m in condition funding would be made available to maintain and improve the school estate. Consequently, the Council received an additional grant of £0.600m.

### **c) Other Funding Allocations**

Since the last update to Cabinet the Council has received other contributions to schemes not from Central Government. These additional contributions total

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£0.065m and are mainly associated with private contributions towards Disabled Facilities Grant works and an insurance claim payment.

The above-mentioned funding allocations totalling £0.694m and are summarised in the table below.

Grant	2020/21 £000
<u>Highways</u>	
Emergency Active Travel Fund Tranche 1	29
<u>Schools</u>	
School Condition Allowance	600
<u>Other Allocations</u>	
Insurance claim payment	43
Disabled Facilities Grant – Private Contributions	9
Revenue contribution to capital schemes	13
<b>Total</b>	<b>694</b>

## 2.9 Impact of COVID-19 on the Financial Position of the Council

- 2.9.1 Members have previously been advised that, when the 2020/21 Revenue Budget and Capital Strategy/Programme were approved at the Council meeting on 26 February 2020, the impact of COVID-19 could not have been foreseen. 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.
- 2.9.2 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.
- 2.9.3 It is evident that since February, the finances of the Council have been significantly impacted by the COVID-19 pandemic as reported to Cabinet in both financial monitoring and budget update reports. The Council has had to incur additional expenditure to support the response to COVID and has also lost income from sales, fees and charges including commercial income from its investments and trading activities.
- 2.9.4 The requirement to monitor the impact of COVID-19 and to submit information to the MHCLG has not only informed the Council's own financial monitoring but also allowed Government to understand the pressures being experienced by all Local Authorities.
- 2.9.5 The MHCLG returns outline the costs being incurred/income lost as a result of the pandemic. The first MHCLG return was completed on 15 April, with further monthly returns submitted. Each of the returns has been completed in response to revised guidance as, each time, the MHCLG has refined its information gathering processes.
- 2.9.6 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. Given that

the country is now in a second period of national lockdown, the forecasts are therefore likely to require constant revision.

2.9.7 The return covering the period to the end of September was submitted on 6 October and the table below shows the financial projections included within the month 1 to 6 returns. It highlights that the position has moved each month (a month 7 return was submitted in early November but this will be reported with the month 7 financial monitoring report).

2.9.8 The September 2020 return showed an overall anticipated full year impact of £50.0m with increased expenditure pressures of £29.3m and reduced income of £20.7m (including £6.8m 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 £43.2m. After offsetting £7.5m 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, the Emergency Assistance Grant for Food and Essential Supplies of £0.3m and the COVID-19 Enhanced Response grant of £0.3m) 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 had been notified at that time, there is a potential in year shortfall of £12.3m as shown in the table below.

Pressure	2020 Estimated Costs in a full year					
	April £m	May £m	June £m	July £m	August £m	Sept £m
Increased Expenditure	19.2	17.2	30.7	32.2	30.0	29.3
Reduced Income	27.0	25.9	25.7	23.0	21.5	20.7
<b>Total Anticipated Impact</b>	<b>46.2</b>	<b>43.1</b>	<b>56.4</b>	<b>55.2</b>	<b>51.5</b>	<b>50.0</b>
Exclude Council Tax and Business Rates	(8.0)	(9.6)	(9.3)	(7.2)	(6.4)	(6.8)
<b>Impact Excluding Council Tax and Business Rates</b>	<b>38.2</b>	<b>33.5</b>	<b>47.1</b>	<b>48.0</b>	<b>45.1</b>	<b>43.2</b>
<b>Government Funding</b>						
- Unringfenced Grant	(14.2)	(14.2)	(14.2)	(16.6)	(16.6)	(16.6)
- Hardship Grant Funding	0	0	(3.0)	(3.0)	(3.0)	(3.0)
- Infection Control Grant	0	0	(2.3)	(2.3)	(2.3)	(2.3)
- Test Track and Trace Grant	0	0	(1.6)	(1.6)	(1.6)	(1.6)
- Emergency Assistance to Food Grant	0	0	0	(0.3)	(0.3)	(0.3)
- Covid19 Enhanced Response	0	0	0	0.0	0.0	(0.3)
- Recharge to NHS via Oldham CCG	0	0	(5.2)	(7.1)	(6.3)	(6.8)
<b>Potential Shortfall in Year</b>	<b>24.0</b>	<b>19.3</b>	<b>20.8</b>	<b>17.1</b>	<b>15.0</b>	<b>12.3</b>

2.9.9 The MHCLG returns and the Council's financial monitoring reports are based on the same information but are subject to timing differences. The month 6 financial monitoring report elsewhere on the agenda shows the in-year overall projected financial position including financial pressures that do not relate specifically to COVID related activity. The month 6 report shows an overall adverse variance of £5.369m with COVID related pressures of £4.3m which contrasts with the £12.3m as presented in the table above. The difference is largely due to the monitoring report including two additional unringfenced Government grants of £6.058m and £1.282m (as outlined at 2.2.2 to 2.2.4), which improved the overall financial position.

2.9.10 Whilst Government has provided considerable financial support in response to COVID to date, ultimately, the overall financial impact for the Council will depend on the final level of Government support that is received and on the success of the measures that the Council has already implemented to control net expenditure.



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2.9.11 Members will recall that it has been agreed to introduce measures to control expenditure in 2020/21. These are operating well and 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 (report 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.

2.9.12 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.

2.9.13 The Government has announced the end of the Comprehensive Spending Review (CSR) is 25 November and therefore it is expected that on that day information will be published to give an overarching indication of Government funding intentions. Members will recall that the CSR has already been reduced to cover a one year rather than a multi-year settlement period. In this regard it must be recognised that the position the Government is dealing with is constantly changing and hence it is extremely difficult for both the Government and by extension, the Council, to take medium to long term forward view. Nonetheless the Council and the Local Government sector urgently needs the Government to announce its funding intentions for 2021/22 and future years. However, it is only when the Provisional Local Government Finance Settlement is received that there can be any confidence about Government funding for 2021/22. Members should note that the 2020/21 Settlement was released on 20 December 2019 at a time when there was a good deal more certainty about the economic and financial situation. A late announcement for 2021/22 would not therefore be unexpected.

## **2.10 Progress in Addressing the Budget Reduction Requirement for 2021/22**

2.10.1 In the absence of more detailed information upon which to base estimates, it has proved challenging to determine the budget reduction requirement for 2021/22. Updated forecasts have been prepared for 2021/22 and future years using the best information available but include considerable estimation. This has confirmed the already planned budget reduction of at least £30m (as reported to the August meeting of Cabinet) is required for 2021/22. Members will recall that the aim is to address this budget reduction requirement by programmes of activity based around three themes:

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

2.10.2 Budget proposals that contribute towards the delivery of the target of £30m have been prepared at a total of £8m and public consultation on proposals impacting directly on Oldham citizens began on 9 November 2020 (see link to the consultation webpage <https://online.snapsurveys.com/s/bna3i1>), partner consultation will begin on 23 November with staff consultation on those proposals directly impacting on staff beginning on 4 January 2021. The Council aims to issue a further S188 Notice on 4 January 2021 with regard to any staff related proposals.

#### Voluntary Workforce Reduction Programme

2.10.3 In support of the Workforce Redesign theme, and in order to deliver the required savings, the Council launched a voluntary workforce reduction programme inviting the workforce to submit applications for a range of saving-creating options. These included:

- Voluntary Redundancy
- Flexible Retirement
- Voluntary Reduced Hours
- Annual Leave Purchasing

2.10.4 In response to the programme, the Council received 171 applications for Voluntary Redundancy. The assessment of applications was initially undertaken at a service level and then further assessed by a corporate panel. For the Council this process has now concluded and details of the applications by Directorate area can be found in the table below. Applications recommended for approval (subject to Cabinet decision) within the Council total 72 (55.9 Full Time Equivalent) and represent salary savings (including on-costs) of £2.246m. Exit costs (including redundancy payments and pension strain costs) amount to £1.917m providing an average repayment period of 13.3 months (such costs can be managed within existing budgetary resources).

#### Summary of Voluntary Redundancy Applications by Directorate

Directorate	Posts	FTE
Chief Executive's	3	2.6
Children's Services	14	9.5
Commissioning	7	5.2
Communities & Reform	16	12.7
Community Health & Adult Social Care	2	1.1
People and Place	30	24.8
<b>Grand Total</b>	<b>72</b>	<b>55.9</b>

2.10.5 In total, 43 supported applications (totalling 37 full time equivalent) relate directly to budget reduction proposals. The remaining 29 applications (totalling 18.9 full time equivalent), represent additional savings. These consequent savings will be presented as a supplementary budget reduction proposal for approval.

2.10.6 The Unity Partnership has also operated a voluntary redundancy process and received 28 applications as a result. These will be assessed and ratified in-line with the organisation's governance structure.

## Next Steps and Revised Timeline for Decision Making

2.10.7 At this stage there remains a gap between the budget reductions under consideration and the £30m target. Much depends on the Local Government Finance Settlement. Current estimates are based on grant funding levels anticipated at February 2020 (there is no better information) and much has changed since then. The financial challenge that the Council is facing has been worsened by COVID-19 but it is expected that funding from Government will be increased to acknowledge the challenge that Local Government is facing. As advised above, the Council will not be fully able to determine the budget reductions required until after the Provisional Local Government Finance Settlement is received, however it is likely that the Council will need to use one off measures, including the use of reserves, to provide the necessary financial support to deliver a balanced budget for 2021/22.

2.10.8 Given that the Provisional Local Government Finance Settlement is likely to be announced close to Christmas and because the intention is not to consult on budget proposals impacting on staff until January 2021, it has required a revision to the Council's decision making cycle. The table below sets out the existing and proposed dates for consultation and decision making for the 2021/22 budget.

Action/Decision	Current Date	Proposed Date
Public Consultation	9 November 2020 to 1 February 2021	9 November 2020 to 1 February 2021
Staff Consultation	9 November 2020 to 1 February 2021	4 January 2021 to 18 February 2021
Overview & Scrutiny Performance & Value for Money Select Committee – Administration	21 January 2021	28 January 2021
Overview & Scrutiny Performance & Value for Money Select Committee – Opposition	2 February 2021	9 February 2021
Budget Cabinet	8 February 2021	23 February 2021
Budget Council	24 February 2021	4 March 2021

2.10.9 Whilst the month 6 financial monitoring position would indicate that there is likely to be a limited call on reserves to support the financial position in 2020/21, this means that the Council will have reserves and the necessary financial resilience to support budget setting for 2021/22. However, whilst sufficient reserves are available, Members should note that the utilisation of reserves will have an impact on the Council's medium term 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. It is therefore imperative that the process of reviewing the budget and identifying efficiencies continues beyond the current budget cycle.

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## 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 whilst in-year Government support has significantly increased and the potential financial challenge being faced in year has reduced, there is still considerable uncertainty, especially with the introduction of a second national lockdown. The challenge for 2021/22 is undiminished and consequently the net spending of the Council will have to be reduced. However, in such a rapidly changing and unpredictable environment it is essential to continue the action to control spending in year and take forward budget reductions towards the £30m target.
- 2.11.2 Any shortfall between resources required in 2020/21 and 2021/22 and resources available will have to be addressed by using reserves. Whilst the Council currently holds adequate reserves to manage the anticipated financial position, action is required to minimise such use as a priority. The use of reserves is a short term measure to allow time for the implementation of permanent budget reductions.

## 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, endorses the proposed release of supported voluntary redundancy applicants and notes the updated financial forecasts.

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 does not endorse the proposed release of supported voluntary redundancy applicants 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 actions taken to address the financial challenge, endorses the proposed release of supported voluntary redundancy applicants and notes the updated financial forecasts.

## 5 Consultation

- 5.1 There has been consultation of Members and officers on the content of this report with detailed briefings for the Cabinet Member for Finance and Green. The start of the public consultation process on budget reduction proposals on 9 November is a key element in the budget setting process. Public consultation will conclude on 1 February 2021.

## 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.

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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 The voluntary redundancy programme detailed within has been led by the Human Resources Service and included the full engagement and consultation of the recognised Trade Unions (including the associated issue of a Section 188 notice). The release of staff under this scheme will support in-year and recurring savings. (Paul Dernley)

## **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.

## **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.

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**17 Key Decision**

17.1 Yes

**18 Key Decision Reference**

18.1 FG-25-20

**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 Appendix 1 and reports to Cabinet on 23 April 2020 and 24 August 2020  
Budget Consultation documentation contained on the Councils webpage <https://online.snapsurveys.com/s/bna3i1>

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**20 Appendices**

20.1 Appendix 1 - Letter to the Leader of the Council dated 22 October 2020 – Allocations of Additional Local Authority Funding