

Forward Plan reference number: Not applicable

Report title: Replenishment of General Balance using COVID 19 Funding	
Report to: Councillor David Finch, Leader of the Council	
Report author: Nicole Wood Executive Director for Finance and Technology	
Date: 8 April 2020	For: Decision
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County Divisions affected: All Essex	

1. Purpose of Report

- 1.1 To agree that additional COVID-19 funding paid to the Council by central government is paid into the General Balance in order to replenish the reserve which has been severely impacted by pressures relating to COVID-19.

2. Recommendation

- 2.1 That £37.4m received from central government is transferred into the General Balance in 2020/21.

3. Summary of Issue

Context

- 3.1 The global outbreak of coronavirus (COVID-19) is affecting the UK in an unprecedented way. In its response to the crisis, the Council is faced with numerous unplanned, unbudgeted, but highly necessary, interventions.
- 3.2 The Council's 2020/21 budget includes, within its reserves, a General Balance of £56.6m set aside to allow the Council to deal with unexpected events or costs at short notice. This sum would ordinarily be enough to fund the council's activities for 21 days.
- 3.3 The unprecedented events of the last few weeks has resulted in commitments to date against the General Balance totalling £35.8m and further decisions are anticipated within days that may see the entire balance of the reserve depleted to zero. This is in addition to the Emergency Reserve being depleted to £1m.
- 3.4 This exposes the Council to a high degree of financial risk.

- 3.5 In its response to the COVID-19 crisis, central government has issued additional funding to local authorities totalling £1.6bn, of which the Council's allocation is £37.4m.
- 3.6 It is requested that this funding is paid into the General Balance, going some way to replenishing the balance of the reserve and reducing the Council's financial risk exposure. This approach will provide some flexibility to manage further pressures relating to COVID-19 in the short term pending additional funding from central government.
- 3.7 It should be noted that some of the decisions taken over the past weeks have been funded from general balances on the assumption that they would in the longer term be funded from the government grant. Those schemes will have indirectly been funded from this new funding source.

4. Options

- 4.1 Option 1 (Recommended) – pay the £37.4m to be received from central government into the General Balance to partially replenish the reserve, reduce the Council's financial risk exposure and provide flexibility to manage any further pressures relating to COVID-19 in the short term pending additional funding from central government.
- 4.2 Option 2 – allocate the funding elsewhere, for example across portfolios. This would be less transparent and may mean that the funding is not allocated to the services where the financial pressures in order to deal with this pandemic have been seen. This would also leave the Council without a General Balance and ill equipped to manage any further COVID-19 or other unforeseen financial pressures during 2020/21.

5. Financial Implications

- 5.1 The Council's annual budget always includes an un-ringfenced reserve set aside to allow the Council to deal with unexpected events or costs at short notice. This reserve is known as the "General Balance" and typically includes a sum sufficient to fund the council's activities for around 21 days.
- 5.2 The General Balance for the 2020/21 financial year was originally set at £56.6m
- 5.3 Decisions made to date as part of the Council's response to the COVID-19 crisis have seen calls against a significant proportion of the reserve (£35.8m). The reserve is anticipated to be fully utilised within the next few days as additional urgent decisions requiring funding are brought forward.
- 5.4 Whilst there is no requirement for the Council to have a General Balance, it is considered prudent since it provides a degree of financial resilience, allowing the Council to respond to unforeseen events.

- 5.5 Another of the reserves intended to provide a measure of financial resilience in 2020/21, the Emergency Reserve, has seen its balance reduced to under £1m (from £14m) due to other COVID-19 related decisions already approved.
- 5.6 Using the £37.4m COVID-19 funding received from central government to replenish the General Balance would go some way to restoring some of the financial resilience that the Council had budgeted for. However, this sum would only be sufficient to fund 13 days of the Council's activities, instead of the 21 days for which we originally planned.

6 Legal Implications

- 6.1 The decision to pay this money into general balances is for the Leader under the Council's Financial Regulations.

7 Equality and Diversity Implications

- 7.1 The Public Sector Equality Duty applies to the Council when it makes decisions. The duty requires us to have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful.
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 7.3 The recommendations in this report are designed to ensure that the Council meets the need of social care users, most of whom are disabled. In view of the urgency of this decision a full equality impact assessment has not been undertaken but we do not believe that there will be a significant adverse impact on any people with a protected characteristic.

8. List of Appendices

None

9. List of Background Papers

None

I approve the recommendations set out above for the reasons set out in the report.	Date
Councillor David Finch, Leader of the Council	15 April 2020

In consultation with:

Role	Date
Executive Director for Finance and Technology (S151 Officer)	14 April 2020
Stephanie Mitchener on behalf of Nicole Wood	
Director, Legal and Assurance (Monitoring Officer)	8 April 2020
Paul Turner	