

Forward Plan reference number: Not applicable

Report title: Replenishment of General Balance using COVID 19 Funding	
Report to: Councillor Chris Whitbread, Cabinet Member for Finance	
Report author: Nicole Wood, Executive Director, Finance and Technology	
Date: 6 May 2020	For: Decision
Enquiries to: Tina French, Head of Strategic Finance and Insight email tina.french@essex.gov.uk	
County Divisions affected: All Essex	

1. Purpose of Report

- 1.1 To agree that the second tranche of 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 £26.2m 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 £53m, leaving a balance of just £3.6m. With the addition of the first tranche of government funding, the reserve now stands at £41m, equivalent to 15 days of the Council's activities.
- 3.4 The Emergency Reserve being depleted to £1m.
- 3.5 This exposes the Council to a high degree of financial risk.

- 3.6 In its response to the COVID-19 crisis, central government has issued one tranche of additional funding to local authorities totalling £1.6bn nationally, of which the Council's share is £37.4m. Then a further tranche of £1.6bn was announced on 18th April, of which the Council's share is £26.2m.
- 3.7 It is requested that this funding is paid into the General Balance to replenishing the balance of the reserve and so reducing the Council's financial risk exposure. It will also provide a source of funding for any further urgent decisions to deal with pressures relating to COVID-19.

4. Options

- 4.1 Option 1 (Recommended) – pay £26.2m into the General Balance to partially replenish the reserve, reduce the Council's financial risk exposure and provide capacity to deal with any further pressures relating to COVID-19.
- 4.2 Option 2 – allocate the funding elsewhere, for example across portfolios. This would make it less transparent and may not mean that the funding is allocated to the services that need it in order to deal with this pandemic. This would also leave the Council without a General Balance and mean we are ill equipped to manage any further 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 (£53m), however prior agreement that the first tranche of funding from central government (£37.4m) be paid into this reserve has partially mitigated the impact.
- 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 second tranche of COVID-19 funding received from central government to replenish the General Balance (in addition to the first tranche which has already been approved) would restore the financial resilience that the Council had budgeted for. The revised balance of £67.2m would be

sufficient to fund 25 days of the Council's activities, instead of the 21 originally planned for. However, our remaining financial risk exposure relating to COVID-19 means it remains likely that further calls against the reserve will be required.

6 Legal Implications

- 6.1 The decision to pay this money into general balances is for the Cabinet Member for Finance 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 Chris Whitbread, Cabinet Member for Finance	07 05 2020
---	-----------------------

In consultation with:

Role	Date
Executive Director for Finance and Technology (S151 Officer)	
Stephanie Mitchener on behalf of Nicole Wood	05 05 2020
Director, Legal and Assurance (Monitoring Officer)	07 05 2020
Paul Turner	