

## **CHIEF EXECUTIVE USING URGENCY POWERS**

**30 JUNE 2020**

### **ADDITIONS TO THE REVENUE BUDGET AND CAPITAL PROGRAMME AND TEMPORARY SUSPENSION OF TREASURY MANAGEMENT COUNTERPARTY LIMITS**

Portfolio Holder: Councillor Alan Jarrett, Leader  
Report from: Phil Watts, Chief Finance Officer  
Author: Katey Durkin, Head of Finance Strategy

#### **Summary**

This report seeks the Chief Executive's approval, using urgency powers, to approve the addition of further Covid-19 government grant funding to the Council's revenue budget and capital programme.

The report also requests an extension to the approval granted to temporarily lift the counterparty limits within the Treasury Strategy for a further period of three months, to enable the Council to place funds in the counterparty which; is the most economically advantageous, enables fast access to funds, and in which funds can be placed and removed in a manner that can be operated with council and institution staff working remotely and securely.

#### **1. Budget and policy framework**

- 1.1. It is the responsibility of Cabinet to ensure that expenditure remains within the budgets approved by the Council, but it remains the responsibility of Council to approve additions to the Capital Programme and Revenue Budget. Therefore, it is proposed that the Chief Executive uses the urgency provisions as set out in paragraph 4.1 of the Employee Delegation Scheme (including consultation with the Leader of the Council and the Leader of the Labour and Co-operative Group) to agree the additions to the revenue budget and capital programme funded from grant provided by Central Government as set out in Section 3 of this report. The use of these urgency provisions will be reported to Full Council on 16 July 2020 for information.
- 1.2. The Audit Committee is responsible for the scrutiny of the Council's Treasury Management, Investment Strategy and Minimum Revenue Provision Policy Statement. The Constitution also specifies the role of Cabinet in implementing

and monitoring treasury management policies and practices. Final approval of the policy and the setting of prudential indicators is a matter for Council. Full Council approved the current strategy at its meeting on 20 February 2020. For the reasons set out in Section 4 of this report, it is proposed that the Chief Executive uses the urgency provisions as set out in paragraph 4.1 of the Employee Delegation Scheme (including consultation with the Leader of the Council and the Leader of the Labour and Co-operative Group) to agree to an extension to previous decision to temporarily lift the counterparty limits within the Treasury Strategy, with effect from 28 June 2020 for a further period of three months. This would enable the Council to continue to place funds in the counterparty which; is the most economically advantageous, enables fast access to funds, and in which funds can be placed and removed in a manner that can be operated with council and institution staff working remotely and securely. The use of these urgency provisions will be reported to Full Council on 16 July 2020 for information.

## 2. Background

- 2.1. On 1 April 2020 the Chief Executive used the urgency provisions as set out in paragraph 4.1 of the Employee Delegation Scheme to add the £6.628 million of Covid-19 emergency funding from the government to the Council's budget for 2019/20. On 13 May 2020 the Chief Executive again used the urgency provisions as set out in paragraph 4.1 of the Employee Delegation Scheme to add the second allocation of Covid-19 emergency funding from the government of £7.648 million to the Council's budget for 2020/21.
- 2.2. On 20 April 2020 the Chief Executive used the urgency provisions as set out in paragraph 4.1 of the Employee Delegation Scheme (including consultation with the Leader of the Council and the Leader of the Labour Group) to agree to temporarily lift the counterparty limits within the Treasury Strategy, with effect from 27 March 2020 for a period of three months.

## 3. Additional funding allocations

- 3.1. On 23 May 2020 the Secretary of State for Transport announced a range of measures and packages of funding to support local transport authorities to protect and increase transport services, level up infrastructure and regenerate local economies after coronavirus. The funding is allocated in two tranches, with phase 1 supporting the installation of temporary projects and phase 2 for the creation of longer term projects. Medway's allocation for phase 1 is £309,000 which is considered revenue funding. Funding for phase 2 will be announced in due course.
- 3.2. On 24 May 2020 the High Streets Minister Simon Clarke announced the £50million Reopening High Streets Safely Fund, supported by the England European Regional Development Fund (ERDF), to allow local authorities in England to put in place 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. Medway's indicative allocation is £246,396.

- 3.3. On 9 June 2020 the Minister of State for Care announced the £600 million Adult Social Care Infection Control Fund to support adult social care providers, including those with whom the local authority does not have a contract, to reduce the rate of COVID-19 transmission in and between care homes and support wider workforce resilience. Medway's allocation is £2,091,910.
- 3.4. On 11 June 2020 the Minister of State for the Department of Health and Social Care announced the Test Track and Trace Service Support Grant, to provide support to local authorities in England towards expenditure lawfully incurred or to be incurred in relation to the mitigation against and management of local outbreaks of COVID-19. Medway's allocation is £1,592,918.
- 3.5. On 27 March 2020 the Leader used urgency powers to agree the proposals for the distribution of Council Tax and Business Rates Relief including the distribution of Medway's allocation of £2,056,371 for the Council Tax Hardship fund. This funding was received and applied to the Council Tax accounts of those eligible. The Leader also used urgency powers to delegate authority to the Chief Finance Officer, in consultation with the Leader and Portfolio Holder for Business Management, to implement any further measures introduced by the government to provide relief for Council Tax and Business Rate payers, including arrangements to use any remaining grant allocation as part of wider local support mechanisms. At the time of that report, no formal decision was taken to add this funding to the Council's budget.
- 3.6. On 1 April 2020 the Chief Executive, using urgency powers, added £39,712,000 to the 2019/20 revenue budget to fund the provision of small business grants to eligible businesses in Medway. On 2 May 2020 government announced the establishment of a discretionary 'top-up' fund to accommodate certain small businesses outside the scope of the previously-announced business grant fund schemes. This new scheme is funded from an up to 5% increase to the funding awarded for the Small Business Grants Fund and Retail, Hospitality and Leisure Grants Fund. The Department for Business, Energy and Industrial Strategy confirmed the total fund for Medway as £1,848,250. Where the local authority's allocation for the original schemes was higher than the total value distributed through them, the discretionary scheme will be funded from that original grant. To date £33.230million has been paid to eligible businesses through the original schemes and as such Medway's discretionary grant scheme will be funded from the balance of that original grant, meaning no further funding will be received and there is no budget addition required.
- 3.7. The Chief Executive is requested to approve the addition of the funding set out in this section using urgency powers as follows:
  - 3.7.1. £242,500 added to the Council's revenue budget in respect of phase 1 Emergency Active Travel;

- 3.7.2. £246,396 added to the Council's revenue budget in respect of Reopening High Streets Safely;
- 3.7.3. £2,091,910 added to the Council's revenue budget in respect of Adult Social Care Infection Control;
- 3.7.4. £1,592,918 added to the Council's revenue budget in respect of the Test, Track and Trace Service;
- 3.7.5. £2,056,371 added to the Council's revenue budget in respect of the Council Tax Hardship Fund.

#### 4. Treasury Strategy

- 4.1. The Treasury Management Strategy for 2020/21 was approved by Council on 20 February 2020, and sets out the counterparty limits which restrict the value of funds the Council can invest with any one institution. The current counterparty limits are set as follows;
- Maximum amount to be placed with any one institution - £25m and for those with a duration of less than 12 months recommended by the Council's Treasury Management advisors of £20m, and
  - Group limits where a number of institutions are under one ownership – maximum of £25m and for those with a duration of less than 12 months recommended by the Council's Treasury Management advisors of £20m.
- 4.2. The government continues to provide significant additional funds to local authorities to deliver specific programmes of work in response to the Covid19 pandemic as set out in section 2 of this report. Given the impetus to use those funds promptly to support individuals and organisations, these sums cannot be placed in long term investments. In addition the responsive nature of Covid19 related expenditure means the council needs ready access to funds to ensure a sufficient cash-flow is maintained.
- 4.3. It has not been, and is not currently possible to place and return funds from some of the Council's counterparties with the speed required due to security requirements including wet signatures from the institutions. As such, since the authorisation to temporarily lift the counterparty limits was granted on 20 April 2020, the balance held within a number of institutions has been above that prescribed in the Treasury Strategy.
- 4.4. Work has been carried out to identify and open accounts with other suitable counterparties in line with the Treasury Management Strategy, including Money Market Funds however these accounts are not yet ready for us to place investments. As soon as suitable counterparties are available, the Council's funds will be invested as per the Treasury Strategy.

## 5. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
That grant funding is insufficient to cover the additional costs arising from COVID19.	Whilst significant, the grant funding provided may still not be sufficient to cover the costs of delivering the schemes required.	Systems and processes have been put in place to capture and monitor expenditure directly incurred in response to COVID-19.	CII

## 6. Financial implications

- 6.1. The financial implications of the additions to the revenue budget and capital programme are set out in the body of the report.
- 6.2. If the Council is required to observe the counterparty limits set out in the Treasury Strategy, it will either be necessary to place funds with counterparties to which we will not have fast access (risking our ability to ensure a sufficient cash-flow, and/or to arrange new accounts with counterparties that can readily be accessed remotely(which may not be available to place funds immediately, risking a breach of the Treasury Strategy).

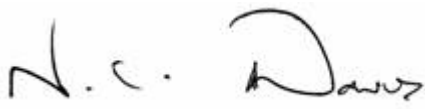
## 7. Legal implications

- 7.1. The Covid-19 pandemic is an unprecedented national and global event requiring urgent intervention by State and Local Authorities. The use of urgency powers will enable a fast and effective response by the Council and is in entirely line with the Constitutional provisions for urgent decision making.

## 8. Decision by the Chief Executive

- 8.1. That the Chief Executive (using urgency powers (in place of referring this matter to Full Council)) agrees to add the following sums:
  - 8.1.1. £242,500 added to the Council's revenue budget in respect of phase 1 Emergency Active Travel;
  - 8.1.2. £246,396 added to the Council's revenue budget in respect of Reopening High Streets Safely;
  - 8.1.3. £2,091,910 added to the Council's revenue budget in respect of Adult Social Care Infection Control;

- 8.1.4. £1,592,918 added to the Council's revenue budget in respect of the Test, Track and Trace Service;
- 8.1.5. £2,056,371 added to the Council's revenue budget in respect of the Council Tax Hardship Fund.
- 8.2. The Chief Executive is asked to agree, using urgency powers, to extend the temporary lifting of the counterparty limits within the Treasury Strategy, with effect from 30 June 2020 for a further period of three months. While arrangements are made to use additional counterparties in line with the Treasury Strategy, this will enable the Council to continue to place funds in the counterparty which; is the most economically advantageous, enables fast access to funds, and in which funds can be placed and removed in a manner that can be operated with council and institution staff working remotely and securely.
- 8.3. The use of these urgency provisions will be reported to Full Council on 16 July 2020 for information.

(signed) 

(date) 30 June 2020

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