

Report of the Deputy Chief Executive

FINANCIAL IMPLICATIONS OF COVID 19 (2020/21)1. Purpose of report

This report informs the Committee on the latest estimates of the financial impact of Covid 19 on the Councils 2020/21 financial position, and the impact on the Council's medium term financial strategy.

2. Detail

It is important to note that under the current environment, the financial estimates are being revised on a monthly basis, to reflect the various advice and guidance being issued by the government (e.g. the pace of 'unlocking' businesses, and advice social distancing).

The financial impact of Covid 19 covers the following areas, more detail of which can be found in the appendix:

- 1 Additional spending pressures
- 2 Losses of income from fees and charges
- 3 Government Covid grant
- 4 General Fund balances 2020/21 – 22/233.
- 5 Council Tax and Business rates income

3. Financial implications

The financial implications are covered in the details are provided in the appendix.

Recommendation

The Committee is asked to NOTE the financial impact of Covid-19 and RESOLVE that a refreshed Medium Term Financial Strategy and Business Strategy will be presented to the next Finance and Resources Committee on 8 October 2020.

Background papers

Nil

APPENDIX

1. Additional spending pressures

1.1 In line with our requirements, we report to Ministry of Housing, Communities, and Local Government, the additional spending estimates in the table below are based on costs up-to the end of July 2020, however, a number of these areas may continue during the remainder of 2020/21.

Additional spending	April to July 2020 (£s)	Comments
Liberty Leisure furloughed staff - 20% 'top-up'	136,000	Approximately £34,000 per month
Additional agency staff – Refuse collection	40,000	Cover for 'shielded' staff with health conditions
System upgrades for Business support grants and Council Tax hardship scheme	15,000	Potential re-imburement from section 31 grant.
Housing – bed and breakfast and temporary accommodation	40,000	
Printing and mailing letters to over 76s	6,000	
Total estimated spending pressure	237,000	

2. Losses of income from fees and charges

2.1 The table summarises the estimated losses in fees and charges across Liberty Leisure Limited and Council departments.

Income losses	April to July 2020 (£s)	Comments
Liberty Leisure income	1,200,000	Approximately £300,000 per month.
Loss on interest on investments	320,000	Base rates remain at 0.1%, full year loss
Planning Fees	150,000	
Car parking charges	120,000	Car parking charges re-commenced 6 July 2020
Craft Centre Complex Rent	12,000	
Sale of Glass	16,000	
Sale of Wheeled Bins	12,000	
Recycling Credits - Glass	36,000	
Beeston Square Rent	232,000	Tenants have deferred the first quarter rents.
Industrial Units Rent	60,000	

Income losses	April to July 2020 (£s)	Comments
Trade Refuse Income	204,000	
Special Collections	20,000	
General Properties Rent	20,000	
Total estimated income losses	2,402,000	

3. Government Covid grant

3.1 In order to mitigate the financial impact of Covid, the Government provided a grant of £1,187,365 to Broxtowe Borough Council. The grant was utilised to provide support to various community groups (£66,000), with the balance being set aside in general balances to meet the significant shortfalls in income and additional spending pressures highlighted above.

4. General Fund balances 2020/21 to 2022/23

4.1 The significant financial impact of Covid, will be reflected in a detailed refresh of the Medium Term Financial Strategy, to be presented to the next Finance and Resources Committee in 8 October 2020.

4.2 Based on the latest financial information available to date, the table below, shows the estimated financial impact of Covid and the resultant reduction in general fund balances over the medium term. In order to manage the financial challenges, a revised Business Strategy 2021/22 to 2023/24 will be developed and presented to the Finance and Resources Committee in 8 October 2020.

General Fund Balances 2020/21 to 2022/2023 (Estimates)

	£millions	Comments
Balances at 31/3/20	5.5	
Planned Use 2020/21	(1.2)	Approved at Full Council budget meeting.
COVID-19 Impact	(2.6)	Significant income loss (very difficult to quantify, as linked to the infection rates and economic recovery) and additional spending pressures
COVID-19 Govt Funding	1.1	
Projected at 31/3/21	2.8	

	£millions	Comments
Planned Use 2021/22	(1.3)	MTFS projection to be reviewed during the budget process, and the Business Strategy to be refreshed for further proposals .
Business Strategy 2021/22	0.5	Proposals developed, but excluded the Business rates growth and LL management fee reduction proposals as they are unlikely to materialise.
Projected at 31 March 2022	2.0	
Planned Use 2022/23	(1.4)	MTFS projection to be reviewed during the budget process, and the Business Strategy to be refreshed for further proposals.
Projected at 31 March 2023	0.6	Our financial strategy aims to maintain a minimum £1.5m balance, and our current estimates suggest that this level will be reached at the end of 2021/22. Urgent requirement to focus on a refreshed Business Strategy and financial recovery plan, reviewing all areas of spend, and commercial opportunities.

A couple of other significant financial risks also need to be highlighted;

- Due to the poor state of the food and beverage market, the Council is also carrying an additional financial risk, relating to a loss of revenues at Beeston Phase 2 development over the next 2 years.
- If members decide to provide additional financial assistance to Liberty Leisure Limited, and do not reduce the annual management fee of £845,000, this will result in additional savings required from other General Fund services.

5. Council Tax and Business rates income

- 5.1 On the basis of the first 2 month's income received, the collection rates for Council Tax have reduced by 1% equating to approximately £750,000, which is partly offset by the use of the Council Tax Hardship grant of approximately £250,000, leaving a shortfall of approximately £500,000. Business Rates income (circa £27m) is currently largely unaffected as a result of the significant amount of reliefs (circa £16m) granted to the retail, leisure and hospitality sector. This position will be closely monitored as the position may change due to the uncertain economic conditions.
- 5.2 It is important to remember that Nottinghamshire County Council, as the largest preceptor bears the biggest burden of the likely Council Tax collection, and

Broxtowe Borough Council's share of the shortfall will be approximately 9 % (£45,000).

- 5.3 Any reductions in Council Tax or Business rates income will result in a deficit in the collection fund that will need to be recovered in 2021/22 and 2022/23.
- 5.4 The Council has paid £16.725m in BEIS grants equating to 93% of the total allocation to over 1,400 eligible businesses. Hardship Fund allocations totalling over £330,000 in relation to Council Tax support have also been made. The Government has also recently announced that Local Authorities are to administer a local discretionary business grant scheme, which aims to provide financial support to small businesses who were not eligible for the Small Business Grant Fund or the Retail, Leisure and Hospitality Fund. In order to receive the grant, they must meet the local scheme criteria. The level of BEIS funding for Broxtowe is £883,000. The local policy has been developed with other Nottinghamshire districts and is in operation.