

## THE FINANCIAL IMPLICATIONS OF CORONAVIRUS – COVID 19 APRIL – MAY 2020

### 1. Recommendation

- 1.1 That Cabinet note the financial implications as set out throughout the report and recommend to Council that the budget for 2020/21 be updated to take into account;
  - 1.1.1 the income losses and expenditure pressures sustained by the Council during April and May 2020;
  - 1.1.2 the emergency support funding received to date; and
  - 1.1.3 the use of reserves to bridge the gap between the income and expenditure pressures and emergency support funding.

### 2. Purpose of the report

- 2.1 The purpose of the report is to update Council members on the quantifiable financial effect that COVID-19 has had on the Council's budget to date in 2020/21 and provide some context and direction to the commencement of the Recovery Task and Finish process.

### 3. Background

- 3.1 The 'REPORT FROM THE CHIEF FINANCIAL OFFICER ON THE FINANCIAL IMPLICATIONS OF CORONAVIRUS – COVID 19' presented to the Cabinet on 6 May 2020 set out an overall general assessment of the projected monthly financial implications that Covid-19 was having on its finances. That report also quantified the financial support received to date, including cashflow assistance measures.
- 3.2 This report confirms the levels of financial pressures for April and May, both in income and expenditure, at Portfolio Level, and confirms the budget adjustments necessary to 2020/21 to re-balance the budget.
- 3.3 The appendix is consistent with the presentation of the budget as it was approved in February 2020 and the report narrative at section 4 is best read alongside Appendix 1.

#### 4. Impact to the 2020/21 Budget

4.1 On the 24<sup>th</sup> Feb, Council set the NFDC budget for 2020/21. The Budget included a £1.062M contribution to the Budget Equalisation Reserve to be utilised over the Medium Term. Supporting the budget, useable reserves include a £3 million General Fund reserve, and a £1 million HRA reserve.

#### 4.2 Implication to Individual Portfolios

##### 4.2.1 **Community Affairs Portfolio**

The Council has a responsibility to assist in meeting the needs of the vulnerable as a result of the shielding measures introduced by the Government in March. To the middle of May, the Council received 975 referrals and provided and delivered 717 food parcels to individuals across the district.

The Council received £5k from Hampshire County Council in April and match funded this amount to distribute funds across the District to support the Local Resilience Centres. The Council also had a request for additional support funding from Community First New Forest to enable them to respond to the additional pressures they were facing in their role as a key point of contact for individuals across the New Forest requiring advice and assistance as a result of changes in financial circumstances, isolation and shielding.

**The impact to the Portfolio Budget for April – May is a net increase in budget requirement of £25,000.**

##### 4.2.2 **Economic Development Portfolio**

The Economic Development Team have played a key role in relaying information out to Business regarding the Support Grant Schemes, and have been supported in this task by administrative officers from with Planning. The team have managed this task within existing resources.

**The net impact to the Portfolio Budget for April – May is £nil.**

##### 4.2.3 **Environment & Regulatory Services Portfolio**

Waste services required a re-prioritisation to ensure available resource was directed to the essential household waste and recycling collections. Additional costs have been incurred in the hiring of additional vehicles to ensure social distancing protocols have been adhered to. Trade waste and special collections ceased from the end of March, and the garden waste service was temporarily suspended resulting in losses in income.

Charging for Beach Huts were also temporarily suspended following the lockdown announcement made on 23<sup>rd</sup> March.

Additional costs have been incurred on the purchase of essential PPE, including signage across the coast.

**The impact to the Portfolio Budget for April – May is a net increase in budget requirement of £197,000.**

#### 4.2.4 **Finance, Corporate Services and Investment Portfolio**

The Revenues and Benefits team have been exceptionally busy dealing with changes in circumstances (Housing Benefits), Council Tax Reduction Support enquiries (including the administration of the new Hardship fund) and the administration of the Business Support Grants. Some overtime has therefore been necessary, although it is anticipated that separate new burdens funding will be received to offset this (value and timing not yet confirmed).

In readiness for a re-opening of the Council offices, risk assessments have resulted in various adaptations being made to accommodation and information offices. This includes, for example, protective Perspex screens at front desks and one-way signage.

Shown further down in appendix 1 is 'Interest Earnings (net)'. Due to reductions in pooled fund returns and a decrease in the base-rate to 0.1%, interest earnings for 2020/21 will be significantly lower than budgeted.

**The impact to the Portfolio Budget for April – May is a net increase in budget requirement of £51,000, plus lost interest earnings income of £90,000.**

#### 4.2.5 **Housing Services Portfolio (General Fund)**

An increase in households and individuals presenting to the Council as a result of the Covid-19 situation has resulted in additional cost pressures for the Council through the sourcing of additional accommodation. The need to find accommodation for those people finding themselves without a home at this time, is in line with Government guidance.

**The impact to the Portfolio Budget for April – May is a net increase in budget requirement of £119,000.**

#### 4.2.6 **Leader & Corporate Affairs Portfolio**

An amount has been set aside within the Portfolio to provide financial support and resilience to individual Towns and Parishes within the District who find themselves in financial distress

**The impact to the Portfolio Budget is a net increase in budget requirement of £100,000.**

#### 4.2.7 **Leisure & Wellbeing Portfolio**

The closure of the Leisure Centres on 18<sup>th</sup> March has resulted in significant income losses occurring. As part mitigation, the majority of Leisure services' employees have been placed on Furlough and to date the Council has submitted claims for March and April.

Dibden Golf Centre also closed temporarily and so the Council agreed to a waiver from its third party operator equivalent to 12 week's rent.

**The impact to the Portfolio Budget for April – May is a net increase in budget requirement of £835,000.**

#### 4.2.8 **Planning & Infrastructure Portfolio**

The most notable financial implication is down to the necessary cessation of charging in the Town and Village Car Parks, and the temporary closure and cessation of charging within the Amenity Car Parks. Amenity charging was re-introduced on 13<sup>th</sup> May, and parking clocks are available for purchase.

Planning income was also much reduced in April and May due to inactivity in the Housing Market.

**The impact to the Portfolio Budget for April – May is a net increase in budget requirement of £635,000.**

- 4.3 The April and May implication to the General Fund Net Budget Requirement equates to a net increase of £2.052M. The value of support grant received and available to assist income and cost pressures in 2020/21 is £1.783M. The funding gap of £269,000 to the end of May will be met from the General Fund Reserve reducing this to £2.731M.

## 5. **Assumptions Beyond May 2020**

### 5.1 COVID-19 Funding

- 5.1.1 NFDC's share of the initial 2 tranches of emergency support funding totals £1.853M. £70,000 was utilised in 2019/20 in absorbing immediate cost pressures and income losses, leaving the second tranche funding of £1.783M available to support 2020/21. As outlined above and as shown within appendix 1, new ongoing and one-off expenditure pressures incurred or committed to means that this funding has been utilised before the end of May.

- 5.1.2 Although data collection exercises are being carried out and calls for additional funding are being made to Central Government, no announcement has currently been made to confirm that more funding will be coming to the Council

## 5.2 Forward Looking Assumptions

5.2.1 The Finance Recovery Task and Finish Group will be engaged in the discussions in and around the assumptions to equate a range of scenarios so the Council can gauge the potential overall financial implication to 2020/21, and will also be required to review the Medium Term Financial Plan. This exercise will then give necessary direction to the 3 other recovery Task and Finish Groups.

5.2.2 The review of the Medium Term Financial Plan will include, but not be limited to a review of;

- business rate retention and collection fund assumptions for 2021/22 in light of the delay to the Business Rate Reset and new retention scheme (largely good news in the short term), and collection fund performance in 2020/21 (potentially bad news in the short term)
- pay assumptions based on latest pay negotiations
- recovery periods and impacts to service delivery beyond 2020/21
- the top up of the general fund reserve assuming (non-temporary) use is necessary in 2020/21
- the budget equalisation reserve balance and how it will continue to support the unidentified funding gap to 2022/23, pending initial use of the 2020/21 contribution to help balance the 2020/21 financial position
- Council Tax assumptions based on taxbase figures, and maximum allowable precept increases
- investment returns based on medium term activity assumptions
- learnings from the 'new normal'
- service prioritisation to protect essential statutory services; and
- the revised annual position and overall medium term deficit taking into account all changes as outlined above

## 6. **Crime & Disorder Implications**

6.1 None.

## 7. **Portfolio Holder Comments**

7.1 Whilst the overall financial impact of COVID-19 will remain unknown for some time, the report as laid out sets the scene of the financial challenge for the period April to May. Whilst thus far, minimal usage of the General Fund Reserve is required, this will not be the case for long if further funding support tranches are not forthcoming.

7.2 The Councils Medium Term is continually reviewed, but more important than ever is a timely review in 2020 to ensure the Council remains financially strong over the Medium Term.

### **Further Information**

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### **Background Papers**

COVID-19 Update May 20  
2020/21 Budget Feb 20

## BUDGET ADJUSTMENTS APRIL &amp; MAY 2020/21

## SUMMARY OF NET BUDGET REQUIREMENTS WITH FINANCE

	2020/21	Covid-19	Covid-19
	Original	Apr - May	Apr - May
	Budget	Adjustments	Adjustments
	Income	Expenditure	
£'000's	£'000's	£'000's	
<b>PORTFOLIO REQUIREMENTS</b>			
Community Affairs	1,497	-5	30
Economic Development	-11	0	0
Environment and Regulatory Services	9,177	177	20
Finance, Corporate Services and Improvement	3,863	0	51
Housing Services	1,847	0	119
Leader and Corporate Affairs	68	0	100
Leisure and Wellbeing	1,403	1,245	-410
Planning and Infrastructure	1,361	635	0
	19,205	2,052	-90
Reversal of Depreciation	-1,545	0	0
Contribution to/(from) Earmarked Revenue Reserves	-256	0	0
Contribution to Revenue Reserves	1,250	0	0
<b>NET PORTFOLIO REQUIREMENTS</b>	<b>18,654</b>	<b>2,052</b>	<b>-90</b>
Minimum Revenue Provision	1,181	0	0
RCCO	375	0	0
Interest Earnings (Net)	-730	90	0
New Homes Bonus	-286	0	0
Other Grants	0	0	0
<b>GENERAL FUND NET BUDGET REQUIREMENTS</b>	<b>19,194</b>	<b>2,142</b>	<b>-90</b>
<b>COUNCIL TAX CALCULATION</b>			
Budget Requirement	19,194	2,142	-90
Less:			
Settlement Funding Assessment			
Revenue Support Grant	0	0	0
Business Rates Funding Target	-3,997	0	0
Emergency Support Funding	0	-1,783	0
	-3,997	-1,783	0
Locally Retained Business Rates	-2,398	0	0
Budget Equalisation Reserve	1,062	0	0
Estimated Collection Fund (Surplus)/Deficit Business Rates	-892	0	0
Estimated Collection Fund (Surplus)/Deficit Council Tax	-218	0	0
<b>COUNCIL TAX</b>	<b>12,751</b>	<b>359</b>	<b>-90</b>
<b>GENERAL FUND BALANCE RESERVE</b>	<b>£3.00M</b>	<b>-£0.269M</b>	<b>£2.731M</b>