

Extraordinary Meeting 29th June 2020

Item 7 – Update on impact of Covid-19 pandemic on Town Council finances

This briefing note has been prepared to provide Members with an overview of current expectations regarding the impact of the pandemic on the Council's most significant income streams and its overall financial position. This is an ever-changing picture and a more detailed summary will be presented to the Policy, Finance and Performance Management Committee in July as part of the reports on the first quarter's financial activity.

The table below provides a summary of the impact of the pandemic and lockdown on the Council's five largest sources of income. This suggests that lost income is likely to exceed the risk assessed amount of £360,000 calculated as part of the budget setting process in January.

| Sources of Income in excess of £100k | 2020/21 Estimate (£) | Potential loss (£) | Potential impact of pandemic |
|---|-----------------------------|---------------------------|--|
| Precept | 732,390 | Nil | Unaffected. Confirmed by Dorset Council that this sum is guaranteed whatever the impact of the pandemic on the council tax collection rate in 2020/21. Clearly, however, there is likely to be a negative impact on the tax base for 2021/22. Therefore, if the Council were to look to increase its precept next year this would have an exaggerated impact on bill-payers. |
| Car Parking | 556,085 | 300,000 | The waiving of parking charges during April and May led to a loss of £105,000 during those months. With charges now fully re-introduced, as of 19 th June income was £5,000 out of a budget for the whole month of £65,000. The estimated loss assumes only 50% of income during the second quarter. |
| Property Rental | 202,505 | 50,625 | The Town Council has received requests for reductions in rental income from a large proportion of its tenants. Council will need to determine its policy in respect of rent collection over coming months. This matter is unlikely to be concluded until all parties know how business holds up during the peak season. A notional 25% loss has been included in this table. |
| Investment Income | 185,000 | 35,000 | Estimated 20% reduced income from CCLA due to tenants not paying full rentals. However, early indications are that the other income funds may perform as anticipated. |

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|-----------------|------------------|----------------|--|
| Beach Hut Rents | 127,650 | 73,500 | Cancellation of bookings, deferrals to next year and social distancing have all had a significant impact on projected income. In addition to this, carrying forward the beach hut door improvement work into the current financial year means that this budget heading is likely to make a net negative contribution of approximately £10,000 to the 2020/21 outturn, in contrast to a budgeted positive contribution of almost £90,000. |
| Total | 1,803,630 | 459,125 | |

In addition to the above, the Visitor Services Manager has estimated a further loss of income of £12,000 from the Boat Park, £22,000 from TIC income and £18,000 from Beach Gardens, totalling £52,000.

There will be some savings to partially offset these losses. The Visitor Services Manager has estimated approximately £50,000 in reduced spending from his budgets as a result of factors such as reduced staffing levels, less cash collection and a range of other miscellaneous items. A reduced fee for toilet cleaning was negotiated to cover the period when most facilities were closed.

At the start of the current financial year the Council's General Fund Balance stood at £700,000, and was projected to fall to £674,000 over the next three financial years. Therefore, although the Council is in a position to withstand a net loss in the region of £500,000 this would reduce the general fund well below the recommended minimum level of approximately £530,000.

To address this the Council would be able to move funds out of some of its earmarked reserves into the general fund. However, this would clearly impact on the viability of the projects for which those sums had been reserved.

The Policy, Finance and Performance Management Committee will need to keep the situation under review, and will have an important role to play in considering the parameters for Council spending for the remainder of the financial year. Agreed capital projects and repairs and maintenance works are proceeding as planned for the time being. As an interim measure, managers have put on hold most non-essential spending.

Although NALC and others are lobbying for external funding for town and parish councils there currently appears to be little likelihood of success. Councils were discouraged from furloughing staff and a decision was made not to do so in order to keep the majority of services operating and provide support to the community in case of a severe outbreak. The Council has not been eligible for other government grants and support is unlikely to be forthcoming as the Council has significant reserves.

One small glimmer of hope is the possibility of a reduction in the Council's business rates bill. The Non Domestic Rating [Public Lavatories] Bill is working its way through Parliament and some discussions are being had with Dorset Council about the possibility of using their

discretionary powers to ensure that that this would be applicable to the current financial year. The Council pays a total of £172,000 in business rates, £14,000 of which relates to the public conveniences.

Action required:

To note the content of this report and to identify any specific areas of activity to be reviewed by the Policy, Finance and Performance Management Committee.

Martin Ayres
Town Clerk & Responsible Financial Officer

June 2020