

# FAREHAM

## BOROUGH COUNCIL

### Report to Policy and Resources Scrutiny Panel

**Date** 2 March 2021

**Report of:** Deputy Chief Executive Officer

**Subject:** UPDATE OF COVID IMPACT ON COUNCIL FINANCES  
INCLUDING FINANCIAL SUPPORT TO BUSINESSES

#### SUMMARY

The Policy and Resources Scrutiny Panel are to receive a presentation on the impact of Covid on the Council's Finances, and the work carried out to provide financial support to businesses. This report summarises the key information to be provided in the presentation.

The Covid pandemic has had a fundamental impact on the Council's finances. An emergency revenue budget for 2020/21 had to be introduced in September 2020 to reflect a projected increase of £3.7m. Although partially funded by Government Covid local authority grants, there is a shortfall that will need to be met by reserves. This need continues into 2021/22 such that overall, nearly **£3m** (60%) of useable reserves may need to be drawn down. Actions have been taken to try and mitigate the impact where we can.

The Council has, however, continued to resource the delivery of a number of Government support initiatives for businesses. To date, there is/has been a total of £51.7m of funding available and financial support of nearly **£44m** has been provided to businesses.

#### RECOMMENDATION

It is recommended that the Scrutiny Panel consider the contents of this report and presentation and make comments or raise any questions for clarification.

## INTRODUCTION

1. The global Covid 19 pandemic in 2020 and 2021 is having a significant effect on the economy. At a local level this effect has also been seen on the Council's finances and those of local businesses.
2. This report summarises the current position of the Council's finances and the actions taken to maintain the financial health of the Council. It also summarises the work that has been carried out to implement the Government's financial support schemes for businesses.
3. The Scrutiny Panel will also receive a presentation to supplement the information contained in this report.

## COVID IMPACT ON THE COUNCIL'S FINANCES

### 2020/21 Revenue Budget

4. In February 2020, the Council approved a net revenue budget for 2020/21 of **£9.6m**. This budget was reported to be fully financed although it was noted that a funding gap of £489,000 was predicted from 2021/22 in the 5-year Medium-Term Financial Strategy. Reserves were therefore being used to fund a number of projects in the Opportunities Plan which were expected to deliver year on year savings to bridge the gap.
5. The emergence of Covid-19 fundamentally changed the expected financial position and by the end of June 2020 it was clear that the Council would exceed the annual revenue budget, due to extraordinary costs being incurred and a drastic reduction in a number of income streams.
6. In September 2020, an emergency budget of **£13.3m** was therefore approved. This would be partially funded by Covid grants being provided by the Government, who recognised the impact the crisis was having on local authorities. However, it was predicted that there would still be a funding shortfall of **£1.1m** which would have to be funded from reserves.
7. A summary of the budgets and funding sources is provided in [Appendix A](#).

### Actions Taken

8. In response to the financial forecasts a number of actions are being taken to mitigate the impact where possible. These include:
  - (a) A number of events or activities have been cancelled or postponed, such as the local election, Fareham In Bloom and Access All Areas.
  - (b) Staff are being redeployed to support the services where demand has increased, new responsibilities have emerged or where the Covid infections or restrictions are impacting on service delivery. This means a number of other discretionary service activities have been or are being reduced or put on hold.
  - (c) The capital programme has been reviewed to identify any projects that could be postponed, or which needed reassessing once the impact on the economy is clear. In particular the delivery of Fareham Live has been put on hold.

- (d) Nominated staff have been assigned to monitor the Government's financial support packages for Councils and to ensure that applications for assistance are being submitted, where appropriate.
  - (e) The Council has rolled out a message to all managers that they should strive to find ways to "Live below their Means" for the time being as every pound saved will reduce the impact on the Council's reserves.
9. The Government's Job Retention Scheme was considered, which would involve furloughing some members of staff, but it was ultimately not invoked as staff either continued to provide services or were deployed to support other areas.
10. Additional financial monitoring has been instigated by the Section 151 Officer. The latest forecasts for 2020/21 are indicating that the Council's spending will be contained within the emergency budget envelope and there will be a reduced call on the Council's reserves this year than originally anticipated.

### **2021/22 Budget Setting**

11. The budget setting process for 2021/22 is nearly complete and the Council is proposing to again increase council tax by £5 which is the allowable limit without needing to carry out a referendum. The revenue budget of **£12.8m** is slightly reduced compared to the 2020/21 emergency budget. However, it will again require the use of the Council's reserves to fully fund the budget.
12. If the use of reserves in 2020/21 and 2021/22 is in line with the budgets set this will mean that 60% of the council's useable reserves will have been drawn down.

### **FINANCIAL SUPPORT TO BUSINESSES**

13. There are approximately 3,300 business rates payers in the Borough of Fareham. There are also an unknown number of businesses which operate from domestic properties who pay council tax, or who operate from shared commercial offices where they are not the rates payer.

### **Grants and Reliefs**

14. Throughout the year, the Government has been announcing and funding a range of support packages to help with the impact of the pandemic restrictions on businesses. They have been using local councils to administer the grant schemes as well as the business rate relief schemes. The Council has therefore been resourcing this new responsibility since February 2020 and continues to deliver against the Government's expectations.
15. **Appendix B** lists all the grant schemes and reliefs that have been introduced in response to the pandemic that the Council has been delivering. The spring and summer schemes have now closed, and the reliefs currently relate to the 2020/21 financial year only.
16. However, there is still funding available for the current grant schemes. We are actively promoting the schemes to encourage businesses to apply including assisting them with

their applications. Details of all current schemes is shown in [Appendix C](#).

17. To date, there is/has been a total of £51.7m of funding available and financial support of nearly **£44m** has been provided to businesses. Nearly 3,000 businesses have been helped under the 3 groups of initiatives. However, some of these will be the same businesses receiving support under more than one initiative.

### **Other Support**

18. Other Council activities and decisions which have been assisting businesses survive the pandemic include:
  - (a) Changing the council's business terms to ensure all invoices are paid as soon as they have been verified and passed for payment.
  - (b) Negotiating debt terms with business rates payers and businesses renting property from the Council to help those severely impacted manage their cash flow.
  - (c) Targeted financial assistance package to one key Council supplier
  - (d) Implementing a plan of work and assistance as part of the Economic Recovery Plan
  - (e) On-going advice and support to help businesses comply with Government restrictions and social distancing requirements.

### **RISK ASSESSMENT**

19. Although expenditure over the next two years will be fully funded, this report highlights that there is a financial risk that by the end of 2021/22 60% of the Council's useable reserves may have been drawn down. The Council will therefore need to continue to identify projects, such as are being delivered in the Opportunities Plan, to bridge future funding gaps and to make provision to replenish the reserves.
20. There is an inherent risk of fraud in the business grants process and indeed a number of cases have been found at the Borough. The council has therefore adopted proportionate pre and post payment assurance processes which seek to balance the need to ensure that only eligible businesses receive grants, against the need to get the grants to businesses who are struggling as fast as possible.

### **Appendices**

**Appendix A** – Summary of Budgets 2020/21 and 2021/22

**Appendix B** - Summary of the Grants and Reliefs Provided to Businesses

**Appendix C** – Current Business Support Grant Schemes

**Background Papers:**

Results of Survey of Businesses in the Borough January 2021

**Reference Papers:**

Report to the Executive Committee on 3 February 2020 on the Revenue Budget and Council Tax 2020-21

Report to the Executive Committee on 7 September 2020 on the Covid 19 Emergency Revised 2020/21 Budget and Financial Recovery Plan

Report to the Executive Committee on 1 February 2021 on the Revenue Budget and Council Tax 2021-22

Report to the Executive Committee on 26 January 2021 on the Local Restrictions Supports Grants (Open) Scheme

Report to the Executive Committee on 07 December 2020 on the Additional Restrictions Grant Scheme

Report to the Executive Member for Policy and Resources on 02 June 2020 on the Discretionary Business Grant Scheme

Government Guidance documents on each Business Grant Scheme

**Enquiries:**

For further information on this report please contact Elaine Hammell (Ext 4344)

## Summary of Budgets 2020/21 and 2021/22

	2020/21 Initial Budget Feb 2020 £'000	2020/21 Emergency Budget Sept 2020 £'000	2021/22 Initial Budget Proposed Feb 2021 £'000
Net Service Budgets	8,821	12,569	14,693
Non-Service Budgets	785	703	-1,854
<b>Net Budget</b>	<b>9,606</b>	<b>13,272</b>	<b>12,839</b>
Core Funding & Collection Fund balance	2,410	2,410	2,662
Council Tax	7,196	7,196	7,456
Government Covid Funding	-	1,464	751
Fees and Charges Reduction Funding	-	1,058	0
Lower Tier Services Grant	-	-	154
Use of Reserves	-	1,144	1,816
<b>Total Funding</b>	<b>9,606</b>	<b>13,272</b>	<b>12,839</b>

## Appendix B

### Summary of the Grants and Reliefs Provided to Businesses

As at 12th February 2021

	Period of Restriction	Nature of Scheme	Value of the Fund to date	Grants or Relief paid out to date	Number of Businesses Supported
<b>Current Grant Schemes</b>					
<b>LRSB - Closed</b>	November Lockdown	Mandatory	£1,500,360	£779,218	482
	December Tier 2		£11,010	£49,435	31
	December Tier 4		£2,250,540	£276,865	482 <sup>1</sup>
	January Lockdown			£1,162,830	482 <sup>1</sup>
<b>Closed Business Lockdown</b>	January Lockdown	Mandatory	£4,500,000	£2,390,000	479
<b>Christmas Support for Pubs</b>	December Tier 2/4	Mandatory	£40,000	£24,000	24
<b>LRSB - Open</b>	December Tier 2	Discretionary	£177,815	0	0
<b>ARG</b>	November Lockdown	Discretionary	£909,864	£358,746	143
	December-March Top Up		£929,864	£632,500	142
<b>ARG - Markets</b>	Not applicable	Discretionary	£20,000	£3,234	26
<b>ARG – Wider Support</b>	Not applicable	Discretionary	£464,932	0	
<b>ARG top Up</b>	Not applicable	Discretionary	£1,032,504	0	
<b>Totals of Current Grant Schemes</b>			<b>£11,836,889</b>	<b>£5,595,828</b>	<b>651<sup>2</sup></b>
<b>Closed Grant Schemes</b>					
<b>Small Business Grants</b>	Spring / Summer	Mandatory	£11,030,000	£10,890,000	1,089
<b>Retail, Hospitality and Leisure Grants</b>	Spring / Summer	Mandatory	£9,350,000	£7,905,000	403
<b>Local Authority Discretionary Grants</b>	Spring / Summer	Discretionary	£1,019,000	£1,019,000	150
<b>Totals of Closed Grant Schemes</b>			<b>£21,399,000</b>	<b>£19,814,000</b>	<b>1,642</b>

	Period of Restriction	Nature of Scheme	Value of the Fund to date	Grants or Relief paid out to date	Number of Businesses Supported
<b>Business Rates Relief</b>					
<b>Extended Retail Relief</b>	2020/21	Mandatory	£17,992,243	£17,992,243	647
<b>Nursery relief</b>	2020/21	Mandatory	£230,244	£230,244	12
<b>Pub Relief</b>	2020/21	Mandatory	£170,000	£170,000	34
<b>Totals of Business Rates Relief</b>			<b>£18,392,487</b>	<b>£18,392,487</b>	<b>659<sup>3</sup></b>
<b>Total Value of Business Support</b>			<b>£51,628,376</b>	<b>£43,883,315</b>	<b>2,952</b>

*Note 1 - 5 of these businesses are different to those receiving the November Lockdown payment*

*Note 2 – This figure only includes different businesses receiving at least one grant*

*Note 3 – This figure excludes the pubs as they also get Extended Retail Relief*



## CURRENT BUSINESS SUPPORT GRANT SCHEMES

Ref	Scheme	Who is this for?	What is the value of the grant?	How do I get the grant?
<b>MANDATORY GRANTS (SCHEME DEFINED BY GOVERNMENT)</b>				
LRSG (C) / A	<b>Local Restrictions Support Grant (Closed) Addendum</b>	<p>Businesses rates payers forced to close by the government during a <b>National Lockdown</b></p> <p>Businesses required to close but still partially trading, for example, by adapting to takeaway, click and collect or online trading are still eligible</p>	£1,334, £2,000 or £3,000 every four weeks (based on the rateable value of the property)	<p><b>Application form on the Council's website</b></p> <p>Only 1 application needed for the first period of lockdown, after which payments will be automatically made.</p>
LRSG (C)	<b>Local Restrictions Support Grant (Closed)</b>	<p>Business rates payers forced to close by the government when the borough is in <b>Tier 2 or Tier 3</b></p> <p>Businesses required to close but still partially trading, for example, by adapting to takeaway, click and collect or online trading are still eligible</p>	£667, £1,000 or £1,500 every two weeks (based on the rateable value of the property)	Payments automatically sent to recipients of LRSG (C) / A who also qualify for this grant
LRSG (C) / A T4	<b>Local Restrictions Support Grant (Closed) Addendum Tier 4</b>	<p>Business rates payers forced to close by the government when the borough is in <b>Tier 4</b></p> <p>Businesses required to close but still partially trading, for example, by adapting to takeaway, click and collect or online trading are still</p>	£667, £1,000 or £1,500 every two weeks (based on the rateable value of the property)	Payments automatically sent to recipients of LRSG (C) / A who also qualify for this grant

Ref	Scheme	Who is this for?	What is the value of the grant?	How do I get the grant?
		eligible		
CSP	<b>Christmas Support Payment for Wet-Led Pubs</b>	<p>Pubs and Bars who derive more than 50% of their income from sales of drink</p> <p>Businesses must be liable for business rates, open to the general public and allow free entry</p>	One-off payment of £1,000	<b>Application form on the Council's website. Closed 28/02/21</b>
CBLP	<b>Closed Business Lockdown Payment</b>	<p>Business rates payers forced to close by the government during the <b>National Lockdown commencing 5 January 2021</b></p> <p>Businesses required to close but still partially trading, for example, by adapting to takeaway, click and collect or online trading are still eligible.</p>	One-off payment of £4,000, £6,000 or £9,000 (based on the rateable value of the property)	Payments automatically sent to recipients of LRSG (C) / A who also qualify for this grant
<b>DISCRETIONARY GRANTS (SCHEME DEFINED BY LOCAL AUTHORITIES)</b>				
LRSG (O)	<b>Local Restrictions Support Grant (Open)</b> – as proposed in this report	<p>Business rates payers <b>severely impacted</b> when the borough is in <b>Tier 2 or Tier 3</b> from the following sectors:</p> <p><b>Hospitality, Hotel, Bed and Breakfast and Leisure</b></p> <p>Businesses in the supply chain where their primary customers are in these sectors are also included.</p>	£467, £700 or £1,050 every two weeks (based on the rateable value of the property)	Application form on the Council's website (not yet available)
ARG T1	<b>Additional</b>	Businesses suffering a	One off payment of £1,334,	<b>Application form on the</b>

Ref	Scheme	Who is this for?	What is the value of the grant?	How do I get the grant?
	<b>Restrictions Grants Tranche 1</b>	financial loss of at least 15% during the November 2020 <b>National Lockdown</b> and who are not eligible for a Local Restrictions Support Grant.	£2,000 or £3,000 depending on nature of the business's premises.  Top up of £2,500 for businesses operating from domestic premises.	<b>Council's website</b>
ARG T2 P1	Additional Restrictions Grants Tranche 2 Part 1	Businesses suffering a financial loss of at least 15% during the December 2020 <b>Tier 4 restriction</b> and January 2021 <b>National Lockdown</b> , and who are not eligible for a Local Restrictions Support Grant.	One off payment of £4,000, £6,000 or £9,000 depending on nature of the business's premises.  Top up of £2,500 for businesses who are not rate payers but operate from commercial premises and who did not receive assistance under the previous discretionary scheme.	Payments automatically sent to recipients of ARG T1 who also qualify for this grant
ARG T1M	<b>Additional Restrictions Grants for Market Traders</b>	Businesses who actively trade at the Fareham or Portchester Markets	Varies depending on the frequency and cost of hiring the market stall between 14/12/20 to 31/03/21	Arranged via the Market Operator