

Report to the Cabinet

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Date of meeting: 01 June 2020



**Epping Forest
District Council**

Portfolio: Leader

Subject: Financial Issues Covid 19

Responsible Officer: Nick Dawe (07939449512).

Democratic Services: Adrian Hendry (01992 564246).

Recommendations/Decisions Required:

- (1) To discuss this report and agree the actions and priorities set out in sections 2 and 3.**
- (2) To invite detailed investment proposals to be considered at the July Cabinet.**
- (3) To note that a further report including details of intended proposals and purchases will be taken to Cabinet in July.**

1. Introduction

- 1.1 The following paper updates Cabinet on the actual and assumed impact of Covid 19 on the District and sets out a general approach and certain specific proposals to assist the local economy with a sustainable post Covid 19 recovery.
- 1.2 Cabinet should note that whilst the current position reflects information known to officers, the pace and nature of “lockdown” easing will significantly impact on the figures. In addition, although the impacts on cash-flow are more immediate and require management, the income and expenditure impact may be less, i.e. individuals may not be paying their housing rent now but may recognise the total amounts owing by the end of the financial year.
- 1.3 In terms of recovery actions, in line with initial Cabinet guidance all activities need to “walk the fine line” between encouragement to recovery without inadvertently and negatively distorting the local economy. Again, taking previous Cabinet guidance into account, making good use of retained and useable reserves and taking an “investment” review of recovery actions has also informed the proposals brought forward.

2. Covid 19 Impact on Epping Forest District Council

- 2.1 The District has been monitoring and forecasting the Covid 19 impact on income and expenditure and in addition have been matching this against specific grants received from the Government, (£58,652 and £1,306,973).

- 2.2 The loss of income to EFDC is recorded as being over £900,000 a month with business rates, council tax, leisure income and car parking item being the areas where the greatest risk is reported.
- 2.3 Allowing for a general recovery from July the predicted annual loss of income is £6m. However, £2.7m of this figure relates to business rates where the Government specific grant is likely to reduce this loss significantly. A revised view of business rate losses is currently being produced.
- 2.4 The loss of leisure income for the period July 2020 to March 2021 stands at £500,000 and again depending on Government guidelines around social distancing set against the benefits of exercise, this figure may be overstated.
- 2.5 In terms of additional net expenditure this is estimated as being around £0.6m for the whole year with around half of this being due to potential compensatory payments in respect of leisure services, which may be challenged. Currently the District is in discussion with Places for Leisure on an open book examination of costs and lost income which should be concluded this week).
- 2.6 Although the general reserve balance at year-end has yet to be confirmed, it is expected to be in the order of £8m.
- 2.7 Details of the income and expenditure estimates are attached, and it should be stressed that these are emerging figures and should be set against both the additional Government funding and healthy general reserve balances.

3. Supporting the Post Covid 19 Recovery Locally

- 3.1 Cabinet in the Budget for 2020/21 and subsequently approved a key role for Qualis in supporting and delivering sustainable growth in terms of housing, business and social goods, e.g. St Johns Leisure Centre. A continuation of these projects and ambitions will be a key engine for recovery especially as it is still intended to carry out developments to the pre Covid 19 timetable with only minor adjustments to the sales and lettings timetable on completion (within the current risk and sensitivity view in the Business Case).
- 3.2 District has existing and is working on revised strategies around economic growth and supporting and developing High Streets and other town centres. The District has also a successful apprenticeship scheme. The District has embarked on master planning for North Weald as well. Again, building on these initiatives will be important in the post Covid 19 world.
- 3.3 The first proposed initiative in support of the post Covid 19 recovery is: investment in local high streets properties. The District has formed Qualis to lead the redevelopment of the Epping St Johns and other Epping sites with detailed planning underway. The Cabinet has signalled that Qualis will take a future role in providing and managing investment in other towns within the District. Details of these potential projects in future years including the master planning for North Weald are currently taking place. The uncertainty around current and future market conditions needs to be stressed and any investment would need to see this reflected in the price of acquisition and the certainty of payback. Associated with these strategic initiatives there are a series of more immediate purchases that could fit well with this long-term vision. These potential purchases have been identified as follows (see full report as

attachment). Detail of sites is being gathered and how they will potentially fit into broader economic and investment strategies is being evaluated for the end of June.

- 3.4 The second proposed initiative in support of the post Covid 19 recovery is: the development and support of companies. Potentially in support of the high street initiatives and being mindful of existing companies in recovering and absent companies from the high street, the District may take a more direct role (initially). The District has had significant experience in terms of acting as a landlord and offering served premises but it may be appropriate to “bump start” businesses via measures such as start off stock, fitting out premises, provision of payroll and book keeping services and similar more practical issues. The District will need to approach this initiative in an entrepreneurial way but avoid wherever possible a distortion of the market. This initiative may be geared to a particular subject or approach, i.e. providing drop in office style accommodation, facilities such as CAD or 3d printing, virtual meeting technology and similar. Alternatively, it may fit “gap” in the high street with more traditional but missing retail and commercial presence. It is suggested that 2-3 absent or new business opportunities are found and evaluated for each major high street by the end of June.
- 3.5 The third proposed initiative in support of the post Covid 19 recovery is: the development and support of franchises. In essence, this model is very similar to proposal 3.4 but has a more uniform approach across the district. It may be for instance that the District sets up a franchise for on-demand transport that chimes with the sustainability agenda or similar developments which are in line with other strategies, e.g. the (further) development of horticultural business franchises. It is suggested that 2-3 absent or new business opportunities are found and evaluated for each major high street by the end of June.
- 3.6 The fourth proposed initiative in support of the post Covid 19 recovery is: to invest in companies via shareholdings. There may be companies who are recovering who do not have the capital to return as quickly as they would like or to invest in the future. These companies may be willing to offer an element of their shareholding in return for capital, in practice as per the “angel financing” model. This initiative would need to both invite and/or find these opportunities and assess the financial and future worth of companies and the products and services they wish to offer. This will require a risk and reward assessment and in line with other such market initiatives may have one success (which in practical and financial terms) offsets three comparative failures. Areas of investment that provide broader opportunities, although also have risks would include, IT, 3d Printing, locally sourced products and food, added value agricultural services and potentially the attracting of existing more distant companies to this area. This initiative can be geared to local businesses appropriately and in line with current legislation. It is suggested that 3 to 5 business opportunities are found and evaluated by the end of June.
- 3.7 The fifth proposed initiative in support of the post Covid 19 recovery is: to provide loans at market rates to businesses. There are currently signs of increased cash flow problems for otherwise viable businesses and despite the support provided to businesses from the Government, e.g. the furlough scheme and the business loan scheme. In simple terms the Authority can borrow at around 2.5% (using its covenant) and can offer loans at market rate, i.e. around 5%. In the previous banking crisis, authorities did offer financial support directly or via other institutions. For this approach to succeed it will be important to have a vigorous risk assessment of the loan applications, (e.g. loan to value and debt servicing considerations), good repayment collection and follow-up processes. This initiative may be best delivered

through the risk assessment processes being developed by Qualis or another partner may be required. It may also be possible, by using partners, that the Government intended 50% loans for companies such as those in the IT sector could be “topped up” by local contributions, nominally from the private sector. i.e. subject to appropriate registrations, loans provided by Qualis and/or another partner. This initiative can be geared to local businesses appropriately and in line with current legislation. It is suggested that 3 to 5 loan opportunities are found and evaluated by the end of June.

- 3.8 The sixth proposed initiative in support of the post Covid 19 recovery is: to enhance work opportunities and life opportunities by developing further skills, professional training schemes and extending the apprenticeship scheme. The broad proposal here is that EFDC formalises a management and professional training scheme building upon the success of the apprentice scheme. This can be orientated to provide opportunities to develop and support the District, develop experience and careers and (potentially) substitute for ad-hoc and interim staff in areas such as Planning or Finance. The cost per individual for this scheme will be around £50,000 a year. This cost will be partially offset by savings on interim overheads and agency amounts. It would also be possible to further extend the current apprentice scheme and potentially further extend this scheme to provide staff and training opportunities with other partners in the private and voluntary sector or possibly organisations such as the Clinical Commissioning Group. Such an initiative can obviously geared to District residents. It is proposed that options to provide and extend current skill an apprenticeship schemes are formulated by the end of June.
- 3.9 One of the issues Cabinet needs to consider is whereas Qualis is expected and planned to assist with first initiative, would Qualis be useful to assist with other more commercial initiatives, i.e. the second, third, and fourth suggestion?
- 3.10 Equally it may be that certain of the initiatives, i.e. the fifth and sixth suggestion may need in addition a further partner with financial risk assessment and loan making credentials, such as a local finance institution?
- 3.11 Cabinet are reminded that all the above initiatives have different elements of risk and opportunity and should be considered as medium to long-term investments with a five year plus timeframe. Apart from the primary risk and reward measure other benefits are possible nationally and locally as a result of these initiatives, e.g. corporation tax, employment tax, business rates and council tax yields.

4. Next Steps

Before formal consideration by the Cabinet on 1st June and possibly 11th June it will be possible to add further detail to the initiatives identified above and/or strike from the list proposals that the Cabinet do not wish to follow-up.

Proposed actions are identified in Section 3.