

Report to the Cabinet

Report reference: C-009-2020/21
Date of meeting: 20th July 2020



Portfolio: Leader

Subject: Covid 19 - Response, Restore, Recovery

Responsible Officer: Andrew Small (01992 564278).

Democratic Services: Adrian Hendry (01992 564246).

Recommendations/Decisions Required:

- (1) To discuss this report and agree any actions required;**
- (2) Agree to support staff in managing their health and safety requirements at home by providing an allowance from the funding set aside in the Budget, (paragraph 4.11 – 4.13) of no more than £180 one off payment per employee.**
- (3) Agreement to continue work on mitigation risk package by transferring some commercial rent risk to Qualis.**
- (4) Agree the key principles and the approach to debt recovery together with the timetable, (paragraph 7.13 and 7.14).**
- (5) Agree Covid19 Response List, (Section 9).**
- (6) To Agree to the secondment of a Strategic Director to Qualis for a period of up to 2 years with a 1 year review to oversee the development of the commercial operations, (paragraph 10.3).**
- (7) To agree to receive regular updates on the Financial impact.**

1. Executive Summary

- 1.1. Covid 19 has presented the Country and this Council with a massive and unexpected challenge. The changes required to daily life to slow the spread of the virus and protect the most vulnerable are unprecedented, huge and potentially long lasting. Even beyond the need to actively control the virus, the impact of this event will live on, through the cost to the national finances, the impacts on the economy and employment and the acceleration of changes to the way in which people shop, work and live their lives.
- 1.2. In Epping Forest District the immediate implications are already being felt in the form of increased unemployment numbers. The number of those registered as unemployed rose by 343% between January and May 2020 and now stands at 4,985, (6.1% of the workforce). On top of this, a further 16,700 residents have been furloughed and there is a significant concern that many of these may add to the unemployment totals when furlough ends.
- 1.3. So far, the Council has responded incredibly to the immediate challenge. The vulnerable have been looked after, businesses have been supported and the council has worked closely with partners to maintain the safety of the community. Through

all of this the council's workforce has rallied to the challenge and ensured that services have been maintained, as far as rules allow. There is much to be proud of, so far, in the council's response.

- 1.4. Financially, the impact on Epping Forest District Council (as with all councils) will be vast. Over the past decade the Government has encouraged all councils to become more self-reliant through locally generated income streams. Covid19 has hit these income streams hard and the impact will last for many months and potentially for years.
- 1.5. Alongside this, the council has a key role in supporting the District through the crisis and in the recovery from it. To do this effectively will require significant additional resource.
- 1.6. The reduction in the council's key income sources and the greater demands being placed upon it by the crisis create a perfect storm in terms of funding.
- 1.7. Whilst the actual position is evolving rapidly, the current roughly estimated cost to the Council in 2020/21 is £6.7 million, against which the Government has provided grant support, thus far, of £1.336 million. Unless other support is forthcoming from the Government then this net cost of £5.4 million will need to be taken from the Council's balances and reserves. It is expected that the Council's unearmarked general balances will stand at around £7 million and so the Council can accommodate the in-year cost without an immediate revision to the financial strategy.
- 1.8. However, there are many significant assumptions used in arriving at this position and these are liable to change, therefore the Council's financial position will need to be kept under careful scrutiny for the foreseeable future.
- 1.9. This paper provides a summary of the impacts to date, assess the scale of the financial challenge facing the council, highlights the action now required to accelerate the restoration of services and the economy and it considers the strategic response required to deliver a stable financial base from which to enable the continued provision of core services and support the district through recovery.
- 1.10. **The recovery and restoration actions in this paper are mainly an acceleration of**
 - a) **already identified opportunities (bringing forward development),**
 - b) **slight adjustment to significant programmes already underway (Civic building use and staff new ways of working)**
 - c) **use of existing delivery vehicles but with clearer drivers and more urgent timescales (Qualis).**

2. Introduction

- 2.1. The Cabinet considered an initial paper of the financial impacts of Covid19 on 1st June 2020. That paper presented some high-level analysis and some proposals as to how the Council might wish to assist the local economy with sustainable post Covid 19 recovery actions.
- 2.2. That paper also identified that more information on the cost of Covid19 would be brought to this meeting as the Council's understanding of the financial impact developed. Work continues at pace to better understand the true scale of the financial challenge that Covid19 represents for the Council and to better understand the risks it brings to the Council's current Medium-Term Financial plan.

- 2.3. This paper provides an update to Cabinet on the actual and potential impact on the District. It also presents views on how the Council can transition through the various phases from response to restoration and finally, recovery.
- 2.4. Cabinet should note that whilst the current position reflects information known to officers, the pace and nature of the easing of “lockdown” will significantly impact on the figures. Thereafter, the economy and the Council will enter a recovery phase and the length and severity of the lasting impacts of Covid19 will heavily determine the final cost of this event.
- 2.5. There remains considerable uncertainty around the latter, and so the Council has begun to consider how the event might impact on the services it provides and how its available resources might change in future. The identification of risks and Council’s ongoing recovery work will be the subject of future reports.

3. Governance Framework and Structure

- 3.1. Whilst identified as a Pandemic earlier in the year the main impact occurred when the Government announced a period of lockdown to contain the spread of Covid19. Since then the Council has been focused on the immediate community, economic and business impacts associated with lockdown.
- 3.2. As the lockdown phase lifts, the Council is now beginning to think about the practical actions to help the district recover from the economic and emotional shock of the crisis, alongside of its continued role in community and business support. In doing so, the Council will move away from the focus on response to the pandemic and concentrate more on returning services to normal and then dealing with the long-term impacts.



- 3.3. In response the Council has formed an operational and reporting structure to ensure that response and recovery actions are prioritised and co-ordinated. Recognising the importance of the Council’s role in helping the community through the life of this crisis, the Leader allocated responsibility for Covid19 matters to Cllr Aniket Patel, to provide Cabinet with guidance and insight on the impacts and actions the Council might take.
- 3.4. In practice the majority of actions required will be delivered through existing reporting and programme structures and through the Cabinet Portfolio responsibilities. The diagram below sets out the broad responsibility structures showing the wide span of Covid19 activities, and how it impacts on virtually all areas of the council. A list of programmes and functions reporting into each of these headings is attached as Appendix 1, thereby highlighting the volume of organisational resources devoted to dealing with the impacts of Covid19

Portfolio Holder	Workstream	Overview
Cllr A Patel	Co-ordinating our Covid-19 Recovery plan	Co-ordinating our response to Covid-19, ensuring we are assessing our impacts, using data to drive our decision making, delivering actions to address required responses and ensuring communications are in place to effectively support our recovery
Cllr J Philip	Focusing our economic development on the financial recovery of our council and local economy	Ensuring our short, medium and long term financial strategy is able to support financial recovery and future capital needs and investing in the practical and financial support required to rebuild our local economy.
Cllr S Kane	Evolving our council to meet the changing needs of our residents and employees	Providing employees with the technology, ways of working, wellbeing support and workplaces to effectively deliver excellent customer services to our residents through the channels required
Cllr H Whitbread	Improving our residents health outcomes by supporting their Community and Housing needs	Supporting our most vulnerable and ensuring our communities have places to live, that are safe and meet their health and financial wellbeing needs
Cllr N Avey	Protecting public health and maintaining safe spaces	Protecting our residents by ensuring robust systems and controls are in place to ensure we safely return to the places we live, work and play
Cllr N Bedford	Building sustainable environments and ensuring our local plan responds to the districts needs	Continuing to plan and develop sustainable environments that balance the climate change priorities and social and economic needs as we recover from the pandemic

4. The Financial and Service Impact of Covid19

- 4.1. The current financial landscape and operating environment is deeply challenging and very uncertain but the Council is determined to build on its positive initial local response to the crisis and to try to ensure we have the key elements in place that will lead to a stronger recovery for the District.
- 4.2. The extent of the challenge may be so impactful on the District that its priority projects may need to be re-visited and revised in order to focus on future prosperity. Effectively managing the short and medium-term financial challenges and the recovery actions associated with Covid-19 is likely to become the central focus for the next planning period.
- 4.3. This report highlights the immediate local financial impact and attempts to estimate the implications over the medium term based on a range of complex and ever-changing assumptions. The report also outlines, at a high level, how the Council is proposing to deal with this additional financial challenge. Some financial commitments as part of our immediate local response can be categorised as a one-off cost but it is believed that Covid19 may have a lasting financial impact on the Council which only gradually reduces.
- 4.4. Consideration is also being given to the financial impact of the relaxation of the lockdown measures. This includes the transition to the new normal, the impact on activity levels (particularly income), the impact on the local economy and the impact on communities associated with isolation, loss of employment and stress caused locally by the pandemic.
- 4.5. At this early stage, the projected total cost to the Council for 2020/21 is very difficult to quantify. Building up a financial assessment of the impact of easing of the lockdown measures and the impact on income collection, then the total cost on the Council's

budget for 2020/21 could be in the region of £4.6 million to £7.6 million. This is without any investment on recovery actions.

- 4.6. The table below summarises the Council's best estimate of current and projected cost for the current financial year; cost being the combination of higher expenditure and lost income, net of any savings that might have accrued.

	Current Cost (March - May) £	Projected Cost 2020/21		
		Best Case £	Most Likely £	Worst Case £
General Fund				
Business Support	77,000	55,000	59,000	64,000
Commercial & Regulatory	390,000	469,000	912,000	1,356,000
Community and Partnerships	85,000	100,000	112,000	129,000
Contracts and Technical	902,000	2,076,000	2,987,000	3,354,000
Customer Services	1,085,000	1,507,000	1,673,000	1,839,000
Housing (non HRA)	15,000	42,000	67,000	92,000
Planning	165,000	396,000	585,000	773,000
Total Cost (General Fund)	2,719,000	4,645,000	6,395,000	7,607,000
Housing Revenue Account	80,000	203,000	300,000	398,000

- 4.7. An explanation of the main cost (and income loss) drivers is as follows:

Business Support

- 4.8. Cost relating to software licensing, IT hardware and employee Well-Being costs associated with enabling all staff to work safely and effectively from home. A Covid Workforce report was considered by Cabinet on 11th June 2020 setting out the measures employed by the Council to make sure staff welfare was being maintained.
- 4.9. All staff have moved to working from home as the standard arrangement in order to preserve social distancing. Despite staff working in their home environment the Council as the employer still has a duty of care to its staff to ensure that their main working environment is safe and correctly set up. In order to determine this a DSE assessment exercise has been carried out on all staff working from home. The results have identified a number of requirements from inadequate desks, seating and display equipment.
- 4.10. As Epping Forest District has required staff to remain at home the Council has a responsibility to help resolve these issues. One option explored was the bulk purchase of certain types of equipment to distribute to staff with issues. In practice, as every individual's home environments are different, no single procured solution would satisfy, and the Council would be tied into procuring multiple solutions.
- 4.11. An alternative solution would be to give staff access to a £180 maximum allowance for equipment required in order to satisfy any Health and Safety requirements.
- 4.12. Aligning to the initiatives listed later in this report, and providing it is practical, staff requiring equipment will be directed to local companies allowing better prices to be negotiated and thus helping to keep council spend within the local economy.
- 4.13. The Council made provision within the budget for £700,000 of which half (£350,000) has been paid as a bonus for good performance. **It is recommended that the costs**

claimed under this proposal are met from the balance of this allocation in order to address any equipment shortfalls identified in individual's DSE assessments.

- 4.14. By enabling staff to safely work from home, the Council will release a significant proportion of office space as vacant and thus enable this to be let to partners or commercial tenants, thereby generating a financial and performance gain for the Council.

Commercial and Regulatory

- 4.15. This impacts under this heading are predominantly associated with reduced income due to the suspension of rental and lease payments across elements of the Council's commercial estate. Lost revenue from services such as Building Control also fits under this heading.
- 4.16. The Council has been very successful in driving up commercial income streams in recent years, with income from commercial property rents now beginning to outweigh income from Council Tax. However, the lockdown has had a devastating impact on the retail sector, which is feeding through to expected rental losses from some of our commercial property tenants.
- 4.17. Unpaid rents currently stand at nearly £400,000 but are likely to increase. These debts remain outstanding and legally collectable. Commercial discussions have commenced with tenants over the recovery of these sums, but the council has effectively already allowed the deferral of all rents from our commercial tenants for the first quarter of 2020/21.
- 4.18. In practice, the Council as landlord, should expect a higher incidence of bad debts in 2020/21 as a result of the financial and economic strain created by the Covid crisis.

Community and Partnership

- 4.19. The costs associated with supporting Operation Shield and the lost income resulting from the suspension of community events and activities. The Council has put significant effort in to ensuring that those groups who have needed to shield have been able to do so, through means of food parcels, medicines and welfare calls. The cost associated with this effort has mainly been accommodated by redeployment of staff within the Council.

Contracts and Technical Services

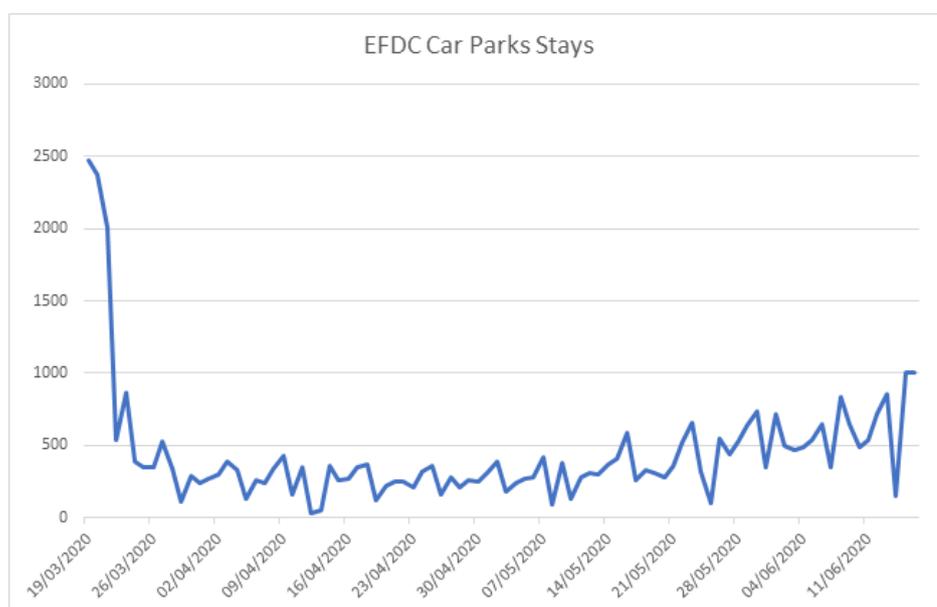
- 4.20. A combination of lost income from Car Parking, Leisure contracts and from Waste operations. Car Parking currently being the largest element with a significant reduction in income between March and June. The key Government message around 'stay at home' has meant that car parks have experienced a large reduction in usage.

Car Parking

- 4.21. Enforcement was reduced to focus upon dangerous parking in all car parks towards the end of March once Government announced suspension of car parking charges. This included free parking for NHS, Social Care staff and key workers. The Council's enforcement contractor, NSL Limited, were on duty throughout the period and were inspecting the car parks, emptying and cleaning cash machines and carrying out

general duties like maintaining the pay and display machines. Penalty Charge Notice (PCN) were issued to vehicles parking dangerously but not for parking without payment, in essence car parks became free to park but we did not advertise this so as not to act contrary to Government advice of avoiding unnecessary travel.

- 4.22. Following the ease of lock down arrangements and the gradual increase in footfall on the high streets it was felt appropriate to start enforcing in Council car parks. From 15th June all motorists who are parking in contravention of car parking rules were issued with Warning Notices and from Monday 22 June they were issued with PCNs. NHS and Social Care workers continue to park for free in car parks.
- 4.23. The table below sets out the reduction in car park visits, based on the issue of tickets over the period of lockdown.



- 4.24. The resultant reduction in Council income from car parking is as follows:

	23/3/2019 - 15/6/2019	23/3/2020 - 15/6/2020	Reduction	Percentage
Cash	£ 225,143	£ 63,834	161,309	72%
Card	£ 6,407	£ 756	5,651	88%
MiPermit	£ 123,968	£ 9,631	114,337	92%
PCN	£ 48,300	£ 10,860	37,440	71%
Total	£ 403,818	£ 85,081	318,737	79%

Leisure Centres

- 4.25. Leisure centres have also been required to close as it is not possible to either maintain social distancing or prevent the spread of the virus in these environments.
- 4.26. Whilst costs of operating these sites have reduced and most staff have been furloughed under the Government scheme, there are still maintenance costs being incurred. The Places for Leisure contract results in a net payment to the Council based upon the contractor deriving income from centre usage. During the period of

- 4.27. closure due to lockdown the centres have generated no income but still incur certain maintenance costs.
- 4.28. As the closure is outside of the contractors control they cannot be held to making their contractual management payments to the Council and thus the Council loses £124,000 for each month of closure and in addition will need to pay the contractor £89,000 per month to retain some staff in order to maintain the centre.
- 4.29. The cost of closing Leisure centres during the period of lockdown (assumed until the end of June 2020) will be approximately £717,000.
- 4.30. After June ongoing distancing requirements at each centre are likely to restrict their ability to operate at pre-Covid19 capacity levels and thus a revision to current contractual payment arrangements is likely to be required for some time. Officers are in an ongoing dialogue with the operator over contractual compensation payments.

Customer Services

- 4.31. This heading includes the impact on Council Tax and Business Rates collection, but also the management of Housing Benefits and Customer Services. It is important to note that whilst face to face customer services have been suspended, all services continue to be provided using telephone, email and web-based contacts. The number of customer contacts have increased significantly via these communication methods and customer feedback has been positive.
- 4.32. Council Tax and Business Rates is one of the Council's major concern areas because of the potential impact the crisis will have in terms of income collection. The Council has prioritised support for local residents, tenants and businesses by not issuing any recovery documentation, no enforcement action by agents and no summons have been issued. This moratorium has been put in place temporarily, but the position needs to be reviewed urgently else arrears will build put residents, tenants and the council in financial risk.
- 4.33. The table below sets out the impact on collection experience up until the end of May 2020.

	Amount Collected			Transaction Numbers		
	2019/20	2020/21	Change	2019/20	2020/21	Change
	£	£	%			%
Council Tax	14,976,089	14,491,567	-3.2	102,179	94,454	-7.6
Business Rates*	6,139,632	3,513,184	-42.8	4,113	2,158	-47.5

*The figures for Business Rates are skewed for 2020/21 as part of the Government's Covid response a lot of small businesses have no rates bill for 2020/21.

- 4.34. The cost of Business Rates reliefs and grants will be met by the Government but a higher incidence of business failure and cash-flow challenges have resulted in immediate reductions. It is currently estimated that Epping Forest District Council will lose £1.5 million in Business Rates this year. Council Tax has seen a smaller

reduction, but the requirement for vulnerable groups to stay at home and a rise in unemployment have both impacted on Council Tax collection. The Council has also seen an immediate rise in applications for Housing Benefit. The Council is continuing to collect council tax arrears but is doing so sympathetically at this time.

Council Tax

- 4.34.1. The table above shows that the actual amount collected has fallen by 3.2% and the actual transaction numbers have fallen by 7.6%. Direct Debit collection figures have held up well and the fall in transaction figures largely relates to a reduction in payments by other methods, including cash. The key impact is that on the collection rate thus far for 2020/21 and the effect of the moratorium of arrears collection from previous years.
- 4.34.2. At the end of May 2020, the authority had collected 17.25% of the £100.8m due for 2020/21. This represents a 1.67% drop from the 18.92% at the same stage last year or if replicated through the year would see at least a 9% drop in the overall collection rate for the year.
- 4.34.3. Since the moratorium on the pursuit of arrears action at the advent of Covid-19 in March there are now a significant number of accounts that will require action to recover these amounts (see later section). As the end of May 2020, the number and value of accounts in Council Tax that are due a Council Tax reminder notice are:

2019/20	1,300 accounts	£313,000
2020/21	7,553 accounts	£1,918,740

The number of accounts in arrears is 1,200 higher than the same stage in 2019/20.

Business Rates

- 4.35. The table in 4.33 shows that the actual amount collected has fallen by almost 43%. However, part of this is due to the reduced debit that needs to be collected after the Government awarded an additional £14m in relief to EFDC small businesses as part of the response. This has reduced the debt that needs to be collected in 2020/21 for Business Rates from £37m to £23m. This would also affect the number of payment transactions.
- 4.36. The additional £14m extra relief is covered by s31 Government Grant and is therefore effectively 100% collection of the original debit for those accounts. It is however necessary to assess collection against the revised £23m and assess the impact of the Covid lockdown. At the end of May 2020, 13.41% of the debit due has been collected. This represents a 7.24% fall on 2019/20 at the same stage or if, replicated throughout the year, would represent at least 35% drop in the overall collection rate for the year.
- 4.37. As with Council Tax, there are arrears for Business Rates from 2019/20 which were affected by the moratorium on recovery action. At the end of May 2020, the number and value of accounts that were due a Business Rates reminder were:

2019/20	108 accounts	£234,000
2020/21	678 accounts	£1,600,000

The number of accounts in arrears is 278 higher than the same stage last year, an increase of 70%.

Sundry Debtors

- 4.38. The level of Sundry Debts outstanding for over 30 days is £2.4m (excluding Commercial Rents handled by the Estates Team). The outstanding debt is skewed by the fact that £2m of this relates to 20 invoices. The plan is to start issuing reminder notices in July in line with Council Tax and Business Rates

Housing Benefits

- 4.39. The timely and accurate processing of Housing Benefits and Local Council Tax Support claims is a key plank supporting customers in the payment of their bills. Unsurprisingly there has been an increase in claims being processed, in spite of almost all new Housing Benefit claims being now handled under Universal Credit. The total number of claims has increased from 6,861 in March to 7,048 at the end of May. The direction of travel is likely to only increase as the employment situation worsens in the months ahead. However, the performance of the Benefits team is turning claims round on an average of 15 days in May which is slightly better than the long-term average of 16 days. The key objective of management is to ensure resources are in place to handle the anticipated increase in claims. Should additional resources be required over and above existing provision then a business case will be made.

Housing

- 4.40. This relates mostly to the higher costs of housing the homeless during the period of lockdown.
- 4.41. At the start of lockdown local housing authorities were asked by government to ensure an offer of accommodation was made to all rough sleepers in order for them to comply with lockdown restrictions and isolate appropriately throughout the pandemic.
- 4.42. As part of this 'Everyone In' initiative EFDC has accommodated 15 different individuals who were either rough sleeping or at risk of rough sleeping at varying times between 23rd March and the date of this report. Individuals have been placed in either hotel accommodation or, where they have displayed Covid 19 symptoms, into self-contained nightly let accommodation to enable self-isolation.
- 4.43. There is a net cost of the provision of this accommodation to EFDC of around £2,000 per calendar month. There is now a push for local housing authorities to ensure the ongoing provision of more settled accommodation for those rough sleepers to prevent a return to the streets. These housing solutions are more often than not found in the private rented sector at an average outlay of around £1,000. We have, therefore projected a net cost to the local authority between July 2020 and March 2021 of around £45,000.

Planning

- 4.44. A slow-down in the building sector, associated with partial closedown of building industry and the reduced ability of applicants to work with architects and thus bring new applications forward has resulted in a reduction in the number of Planning Applications and Pre-Planning Agreements being received by the Council.

Housing Revenue Account

- 4.45. The cost impacts to date are associated with the reduced ability of tenants to pay their rents. This might be physically, because they are unable to leave their properties, or because of reduced income at this time.
- 4.46. The percentage increase of the rent arrears has doubled from 19% in May to 40% for June. Comparatively, at Week 13 in 2019/20 rent arrears were £545,499 and week 13 in 2020/21 rent arrears stood at £763,958, an increase of 40% from last year.
- 4.47. This is despite there being no suspension rent collection, although the increased volume of calls did impact on the extent of recovery work during April and May. There has been no physical action for non-payment only a gentle chasing of debt.

5. Government Support and New Requirements

- 5.1. From around the middle of March 2020, there have been numerous regular announcements by the Government that have touched almost every part of normal daily life. The range of financial support provided to Local Government has effectively been made up of three types, passported funding, additional direct grant and cashflow support.
- Passported funding is where the Local Authority is given funding by Central Government to be 'passported' to residents and businesses, against a range of criteria that is usually set nationally.
 - Additional direct grant has been provided to help Local Authorities deal with a range of emergency expenditure pressures or income reductions in their base budgets because of Covid-19.
 - Cashflow support has been provided by the Government in advancing grant payments to us in the early part of the financial year where we would normally receive these monthly or quarterly over the course of the financial year. They have also allowed us to defer our payments for Business Rates to the Treasury until later in the year.
- 5.2. The Government have also introduced a requirement for monthly returns to be submitted by every Local Authority in an attempt to get a better understanding of the financial impact at a local level but probably more significantly at an overall Local Government Sector level. The contents of these returns will help to identify the key pressures, risks, and indicative scale of financial impact. We are also sharing data with Essex County Council to help inform a County wide position of the impact and therefore enable Essex as a group of councils to better articulate the scale of the challenge to government and in order to lobby for support.
- 5.3. The scale nationally is clearly huge, and the collective returns thus far directly influenced the announcement of a 2nd tranche of £1.6 Billion emergency grant funding nationally for the Local Government Sector, (in addition to the initial of £1.6 Billion in March).
- 5.4. The Epping Forest District Council shares of these grant tranches towards the Council's costs and income losses has been £1.366 million (£58,652 and £1,306,973) and this represents approximately half of the estimated actual cost up until the end of May.

- 5.5. At a national level a number of councils have highlighted that the costs and lost income, (something which the sector now relies heavily upon), is so critical for them that they either need to dramatically reduce spending by cutting services, or issue an S114 notice (the statutory requirement on a S151 officer to stop a council from financially over committing itself).
- 5.6. Epping Forest District Council has sufficient balances and reserves (estimated to be £7 million at the end of the 2019/20 financial year) to ensure that it should not be in a position during the current financial year where it is forced to immediately revise spending. But, like all councils, it will require more Government support in order to mitigate the impact of this event.
- 5.7. On 2nd July 2020, the Secretary of State made a series of further announcements promising ongoing financial help to the sector and recognising their enormous contribution thus far.
- 5.8. This financial help will be grouped around 3 themes. These being, costs pressures, loss of income streams and loss of income from Tax sources, i.e. Council Tax and Business Rates.
- 5.9. An additional £500 million will be made available to support councils facing cost pressures faced as a result of Covid19. Alongside this, the government will guarantee 75% of the losses from sales, fees and charges, above 5%. It will allow councils to pay off council tax and business rates deficits over three years instead of one.
- 5.10. The Secretary of State undertook to work with the sector across the remainder of the year as the true impact of Covid19 on council's finances emerges. He also announced that in the next Spending Review, the government will agree a change in the apportionment of irrecoverable council tax and business rates losses between central and local government for 2020-21.
- 5.11. The partial funding of lost income is welcome, but the detail will be required before an assessment can be made of the benefit to Epping Forest District Council and thus the reduction in the projected losses for the current year. The Government has said that this income support will not cover losses from commercial rent.
- 5.12. If sufficient Government support is not forthcoming, then the financial impact of Covid19 on the Council's reserves and balances, together with any potential reductions in future income streams, may mean that the Council has to revisit its Medium Term Financial Plan to ensure spending plans are sustainable and consistent with projected available resources.

6. Tactical and Strategic Response to Managing the Financial Challenge

- 6.1. After the initial urgency of the response has passed, more time is now been devoted to designing, preparing, and implementing the Council's transition to restoration and whatever the new normal will look like. The potential size of the financial challenge of Covid-19 for the Authority is summarised in Section 4 and is currently estimated to be around £2.6 million to the end of May 2020 and around £5.3 million for 2020/21 (netting off known Government support).
- 6.2. In a future where there is considerable uncertainty, the Council's strategic response should be to try and reduce its financial exposure in those areas which are most

volatile, aim to preserve core service delivery, support the community through this crisis where we can, continue to drive out service efficiency by using the change in habits created by this crisis and clearly evidence and lobby Central Government for additional resources.

- 6.3. At its upper end, there could still be a funding gap of around a £5.3 million in 2020/21, based on the current range of estimates and assumptions. However, this figure should now reduce following the government's announcement of more financial support on 2nd July, but by how will not be known until the details are published. The Council has general balances estimated to be in the region of £7 million, (to be confirmed), at the start of 2020/21 and using these to mitigate immediate funding pressures and ensuring the Council can balance its budget in the current financial year must be the first call on these.
- 6.4. Beyond ring fencing a proportion of its balances for that purpose, the Council has an opportunity to use some of the remaining balance to fund some immediate Covid19 support and response initiatives based around those early initiatives proposed in the 1st June report to Cabinet.
- 6.5. The Council responded to the MHCLG request about potential use of our reserves in the May return, but the position was uncertain at that point. As the estimates of income losses and costs are refined and the level of government support clarifies, the range of potential costs narrows. The reduced uncertainty also allows for a narrowing of the range of general fund balances that need to be ring-fenced. Using the worst case scenario and assuming a small amount of additional government support, it is estimated that the Council could use £1 million of general fund balances, (which would then reduce to £6 million) in response to urgent Covid19 recovery measures. It is stressed that this could only be used on a short-term basis and that our reserves would need to be topped back up again in 2021/22.
- 6.6. At the worst case end of scenarios and should no further resources be secured from Central Government then the financial position is precarious. This risk has softened because of the government's announcement of further financial support, but without knowing how much the council will secure this risk still needs to be managed. One option would be to look carefully at in-year service changes and earmarked reserves to try and fund the difference. This would be challenging and have major repercussions for future medium-term business planning, potentially leading to some very difficult choices. Fortunately, the council is not yet in this position, but the position needs to be kept carefully under review to ensure it does not worsen.
- 6.7. Beyond 2020/21 councils already faced a challenging government spending review which is expected to set out government funding support for future years. This also coincides with the delayed implementation of the government's new distribution methodology (Fairer Funding) and a rebasing of the Business Rates system. Added together with on-going impacts of Covid19 and the need to invest in the recovery of the local area, budget setting for 2020/21 might be particularly difficult.
- 6.8. We have been working closely with Essex authorities to articulate the clear strategic challenge to Central Government and to seek some urgent clarity over the estimated future levels of financial settlements for Epping Forest DC and the overall Local Government Sector.

7. Transition from Response to Restoration

- 7.1. As lockdown eases the Council has started to take some clear decisions and actions over the restoration of services and to help places and communities with the gradual removal of lockdown rules.

High Streets

- 7.2. The Council has been active in helping high streets to reopen gradually by providing support and advice to business owners and Town Councils.
- 7.3. It has also put in place a number of physical measures under the banner of 'Safer Spaces' to assist in ensuring that social distancing can be safely maintained. These have included patrols, the placing of physical stickers, suspension of some parking bays in Epping Town High Street and the re-provision of lost spaces elsewhere in the Town to ensure maximum flexibility and accessibility is safely maintained.
- 7.4. The Council has also submitted a bid to Essex County Council for funding to enable physical changes to be made to the High Street that will create more space for businesses to trade safely outside of their premises and for pedestrians to move around.
- 7.5. Bids are currently being developed for the District's other principal town centres.

Car Parking

- 7.6. To encourage shoppers to return to the District's High Streets the Cabinet member took the decision to temporarily reduce car parking charges. Parking in town centre car parks has now been reduced to 20 pence for the first 2 hours, effectively giving 2½ hours at this nominal charge.
- 7.7. Whilst this has a cost, if car parks stood empty then the Council would get little or no income. By attracting more visitors, it is hoped that the losses, which would otherwise have been incurred, can be reduced.
- 7.8. The Council must also think beyond the simple impacts on car parking income as without support High Streets, Business Rates, Rents might also be negatively impacted. All of which have financial implications on the Council's budgets.

Homelessness

- 7.9. Aside from presentations from rough sleepers, homelessness applications have reduced throughout the pandemic, largely because of the moratorium on evictions (in place until 27th August) and the recommendation for essential moves only. However, the last couple of weeks has seen a significant increase in enquiries relating to domestic abuse and family relationship breakdowns and an increase in homelessness is anticipated by professionals across the sector throughout the rest of the year. This will inevitably have an impact on the general fund resource for the provision of frontline homelessness and temporary accommodation services.

Collecting arrears and unpaid debts

- 7.10. Whilst the Council has been sympathetic to the circumstances of individuals and businesses during this crisis, the collection of arrears will need to resume at some point and the later this is left the harder arrears are to collect and the greater the chance that not all arrears will be collected.

- 7.11. The Council as a landlord and tax collecting agent on behalf of the Government and supplier of key and core services to the community has an on-going obligation to recover outstanding debts. Therefore, the over-riding and guiding principle is that all debts remain due during the Covid19 crisis. There are support mechanisms in place to help those individuals and businesses who find themselves in hardship.
- 7.12. By working with individuals and businesses the Council can find solutions that can help these arrears to be collected in a realistic and fair timeframe that enables the individuals and organisations to better manage their financial positions. This includes sign-posting individuals to support mechanisms where they exist.
- 7.13. There are **key principles** that will guide the debt collection process during the Covid Recovery period, balancing the difficult circumstances facing many customers and businesses at this time and maintaining key income streams for the Council:

<p>1</p> <p>Supportive</p> <p>At all stages, officers will ensure the debtor has access to available support including working with other partners to achieve this. This is particularly relevant to vulnerable customers of which the expectation there will be a growing number as unemployment increases.</p>
<p>2</p> <p>Proportionate</p> <p>The action taken will be proportionate to the levels of debt outstanding and the debtor's circumstances. This is particularly relevant for the changing circumstances the debtor may be in now compared to when the debt originally started accruing.</p>
<p>3</p> <p>Inclusive</p> <p>Officers will seek to take a holistic approach to an individual's debts with the Council to ensure all debts are managed together on a priority basis. This is particularly relevant to those who have debts with more than one service and helping to consolidate those debts will assist the debtor in managing their circumstances.</p>
<p>4</p> <p>Flexible</p> <p>There will be a flexibility in approach to dealing with an individual's debt that meets the need of both the debtor and the Council, including the length of payment arrangements offered. This particularly relevant to businesses who are trying to re-build in the coming months and longer-term payment arrangements may be necessary to assist with their on-going survival. These arrangements are ordinarily to maintain the payments on the current year but extend the arrears payments over an</p>

extended period of time. This ensures the net effect of any arrangement does not mean the underlying amount due increases.

7.14. It is proposed that the timetable for the recommencement of the recovery process, with the above guiding principles, will recommence as follows:

July	<p>'Soft' Council Tax and Business Rates reminders for 2019-20 encouraging contact with the Council to discuss their arrears</p> <p>Those accounts with arrears for 2020-21 to have their instalment plans re-calculated and have the arrears spread from July to March</p> <p>'Soft' Sundry Debt reminders</p> <p>'Soft' approach to debts where the Council has taken court action and has a Liability Order including those accounts with the Enforcement Agents (this will be subject to monthly review)</p>
August	<p>Formal Council Tax and Business Rates reminders for 2019-20 and 2020-21.</p> <p>Formal Sundry Debt Reminder Notices</p>
September	<p>Council Tax and Business Rates Final Notices</p> <p>Sundry Debt Final Notices</p>

8. Transition from Response to Recovery

- 8.1. The table in 4.6 highlights service managers' views around future costs and losses until the end of the current year. The best estimate at this stage is that Covid19 will impact the Council by somewhere between £4.6 million and £7.6 million over course of the year, before Government support.
- 8.2. This estimate is heavily underpinned by the key assumptions that lockdown is eased rapidly beyond the 4th July and that the economy and retail returns to near normal fairly quickly beyond that.
- 8.3. It should be highlighted that this is a specific assumption and it is likely that much will change as we better understand the lasting impacts of Covid19 on the economy and the residents of the Epping Forest district area. Even after the main restrictions are eased it may be that fear of the virus remains a key issue for many and confidence doesn't return for a significant element of the community.

- 8.4. In practice however, the Council should assume that Covid19, distancing and the rapid changes to the economic and community landscape has the potential to be a guiding and driving factor for many years to come.
- 8.5. This will inevitably impact significantly on the Council's finances, not just simply through local impacts, but also through the impact on national finances and reductions in resources or redistribution that might follow in response.
- 8.6. Therefore, the Council needs to immediately consider what medium and longer-term response actions it should plan for. These include risk mitigation factors to its key income streams (such as its commercial rent income) and strategies for reducing the Council's cost base whilst not impacting negatively on service delivery. If these two strategies are unsuccessful then the final option available to the Council would be by reducing its budget through reductions in services.
- 8.7. Beyond the immediate impacts there is also the secondary and lasting impacts on jobs, the economy, housing and on communities. These may be much harder to quantify but will be factors which have the potential to impact and shape the direction and actions of the Council over a longer timeframe. Helping the wider community weather this particular storm is at the heart of the Council's function. So, beyond managing the local impacts the Council may wish to invest in new schemes, plans and initiatives that help support the local economy and community. Exactly which initiatives will be most impactful and most valuable will emerge over time as the immediate and lasting impacts are gradually better understood.
- 8.8. These new initiatives may require financial headroom in order to provide funds to invest and this headroom can be achieved by either creating new income sources or through creating space from within existing budgets.
- 8.9. Development of the budgetary framework to support these plans and initiatives will become a key focus of the Council's work over the coming months.
- 8.10. Officers will continue to work closely with Government, with key partners across the area and with key suppliers to better understand the actual impact of Covid19 on the local economy and the Council's finances.
- 8.11. The financial impact will also need to be kept under careful review as the event has the potential to be significant in budgetary terms. The impact needs to be closely monitored in case remedial budgetary action needs to be taken during the current year. **Regular reports will be brought back on the financial position on the Council.**

9. Recovery and Resilience

- 9.1. This section identifies a series of actions that could assist with ensuring the District recovers economically from Covid 19 and, as importantly, delivers on the strategic direction already set by the District in terms of sustainable growth.
- 9.2. Many of the initiatives require some further analysis before turning them into strong business proposals and this is indicated in the recommendations.
- 9.3. **Preliminary Considerations**
 - 9.3.1. The following section identifies some principles that need to be taken into consideration when considering the individual proposals.

Approach

9.3.2. The suggested test that are proposed to support the decisions around individual proposals are shown below:

Is the proposal in line with the Strategic Direction of the Authority?	It is appreciated that Covid 19 may require some further changes and adaptation to Strategies, but as these are by their very nature long-term, proposals that deliver against pre-agreed strategies and also respond to a post Covid 19 recovery may be considered of merit.
Does the proposal stimulate and mark “the market”?	Proposals that enable and support may be preferred over those that dominate or possible interfere with natural competition and return. Where of course preserving employment is important in previous market conditions businesses came and went and adapted. It is important that proposals deliver but do not have negative unintended consequences.
Does the proposal enable rapid economic recovery?	As Government support via grants and furloughing falls away, personal and corporate savings have already been eroded over the past three months, notwithstanding proposals being strategic, consideration around (some) earliest possible delivery is also of importance.
Is the proposal affordable taking account the financial position of the Authority?	Some proposals require EFDC to stand the investment, some proposals expect funding to be sought from other sources. General affordability is an issue EFDC needs to consider.
Does the proposal offer the right ratio in terms of risk and reward	The returns directly generated by the investment, the degree of risk and the trickle-down benefits locally in terms of taxes and spending and national benefits in relation to taxes are useful to consider.

Role

9.3.3. Consideration will need to be given as to how the proposals that are agreed by EFDC will be carried out by the Authority itself or via Qualis, (the District’s wholly owned development company).

9.3.4. In practice Qualis should offer the best route for asset initiatives and a practical route for business starts up with an entrepreneurial approach.

How options are presented

9.3.5. The summary format for each of the proposals is shown below:

Objective	Basic description
Strategic Links	Links with existing strategies

Covid 19 Recovery Links	Links with other Covid 19 initiatives
Original Project Dates	If already planned in outline
Project Deliverables	In outline more detailed at final sign off point
Investment	Indicative value
Source of Investment	EFDC loans, EFDC investments other from market
Target Return	Should exceed the cost of money (test at 3%)
Return to EFDC	Summarise benefit flows, note loan and dividend repayments are generally over the medium-term
Trickle Down Effect	Impact on other local revenue sources, e.g. council tax
Recommendations	Next steps

9.4. **Assets and Infrastructure**

- 9.4.1. The Cabinet has previously agreed that EFDC has a role in stimulating a sustainable economy through active investment and set-up Qualis a wholly owned subsidiary to deliver this objective.
- 9.4.2. Covid 19 has brought this initiative and Qualis's role into focus as it clearly resonates with the recent Government announcement of additional infra-structure investment.
- 9.4.3. The major change suggested is that the sequential development opportunities, location by location, may not meet the urgent need to provide local investment direct by development and long-term through economic trickle down effects such as council tax and spending increases and business rates growth. In addition, urgent attention is needed to the centre of Waltham Abbey and Ongar as the recent High Street Health survey has indicated.
- 9.4.4. The overall recommendation is to produce outline and then full business cases for all of the proposed projects as soon as practical and certainly before December 2020 as active investment is needed earlier than originally planned and proposals will have to take account of the post Covid 19 economic situation.**
- 9.4.5. To bring forward all the remaining projects to outline business case stage will have an additional investment cost of £200,000, (plus internal opportunity cost).**

Epping and St Johns

- 9.4.6. The Epping and St Johns development has already been agreed and is being actioned by Qualis (EFDC's wholly owned development company).

Objectives	To provide sustainable growth to Epping in terms of housing, employment and encouraging tourism and visit opportunities
Strategic Links	Local Development Plan (draft, sustainable development). Economic Development Strategy (jobs and tourism)
Covid 19 Recovery Links	Provision of Office Local opportunities, loans and investments used to encourage new business and retail presence to the area (re-location from elsewhere including Central London)
Original Project Dates	Now till March 22 (when delivered)
Project Deliverables	Housing units (including affordable units) Employment and office units (flexible) Leisure Centre Retail units (replacement or new style) Cinema Hotel Car parking (replacement)
Investment	£85m (good estimate)
Source of Investment	Loan from EFDC
Target Return	12-15% (per development norms after planning obligations)
Return to EFDC	Margin on loans given, future dividends from Qualis
Trickle Down Effect	Business rates increase Council tax increase Increased visitor spending
Recommendations	Continue and accelerate

North Weald Airfield and Surrounding Area

9.4.7. The North Weald development appears in outline in the Local Development Plan. The major issues are the nature of the airfield enhancement, with a growing interest in this area, and the nature and mix of employment opportunities provided from added but uncertain value engineering and business incubation to logistics with lower employment opportunities but improved certainty of return. Initially it was assumed to be 2 (of 5) in the list of Qualis projects.

Objective	To provide sustainable growth to North Weald in terms of housing, employment, and a continuation of an active airfield
Strategic Links	Local Development Plan (draft, sustainable development). Economic Development Strategy (jobs with added value)

Covid 19 Recovery Links	Provision of business incubation units, engineering units and logistic units, loans and investments used to encourage new business and retail presence to the area (re-location from elsewhere including Central London)
Original Project Dates	Now (master planning) till March 2024 when delivered, original timescale)
Project Deliverables	Housing units (including affordable units) Employment airside support Employment entrepreneurial and office units (flexible) SANG Re-surfaced runway and airside investment in hangers and facilities
Investment	£60m (initial estimate)
Source of Investment	Loan with first offer to EFDC but likely to partnership investment (in-part) from market or special purpose vehicle (SPV) partnership
Target Return	12-15% (per development norms after planning obligations)
Return to EFDC	Margin on loans (if provided), future dividends from Qualis
Trickle Down Effect	Business rates increase Council tax increase Increased visitor spending
Recommendations	Bring forward with delivery now March 2023. Cabinet option workshop, July 2020. Provide outline business case by October 2020.

Waltham Abbey

- 9.4.8. Waltham Abbey centre has been identified where significant improvement is required with investment in housing to promote increased footfall and business activity and supportive development to the retail sector. Initially it was assumed to be 3 (of 5) in the list of Qualis projects.

Objective	To address the current under-investment in Waltham Abbey in terms of housing, employment and retail including hospitality.
Strategic Links	Local Development Plan (but noting current restrictions in terms of development in the Waltham Abbey area draft, sustainable development). Economic Development Strategy (jobs with added value)
Covid 19 Recovery Links	Provision of increased and improved housing and local retail and hospitality and Local Office opportunities. Possible link with loan and investment initiatives

Original Project Dates	April 2021 (master planning) till March 2025 when delivered, original timescale)
Project Deliverables	Housing units (including affordable units) Employment entrepreneurial and office units (flexible) Improved retail offering
Investment	£60m (initial estimate)
Source of Investment	Loan with first offer to EFDC but likely to partnership investment (in-part) from market or special purpose vehicle (SPV) partnership
Target Return	12-15% (per development norms after planning obligations)
Return to EFDC	Margin on loans (if provided), future dividends from Qualis
Trickle Down Effect	Business rates increase Council tax increase Increased visitor spending
Recommendations	Bring forward with delivery now March 2023. Cabinet option workshop, July 2020. Provide outline business case by October 2020.

Ongar

- 9.4.9. Ongar Leisure Centre is reaching the end of its useful life and recently sanctioned works will only extend the life of the centre by around five to seven years. Also, the Ongar town centre was recently (pre Covid 19) identified as under-performing. A project to address both these issues is required. Initially it was assumed to be 3 (of 5) in the list of Qualis projects.

Objective	To address the Leisure Centre replacement issue, address the current under-investment in Ongar in terms of housing, employment and retail including hospitality.
Strategic Links	Local Development Plan (but noting current restrictions in terms of development in the Waltham Abbey area draft, sustainable development). Economic Development Strategy (jobs with added value)
Covid 19 Recovery Links	Provision of increased and improved housing and local retail and hospitality and Local Office opportunities. Possible link with loan and investment initiatives
Original Project Dates	April 2022 (master planning) till March 2026 when delivered, original timescale)
Project Deliverables	Housing units (including affordable units) Employment entrepreneurial and office units (flexible)

	Replacement Leisure Centre
Investment	£60m (initial estimate)
Source of Investment	Loan with first offer to EFDC but likely to partnership investment (in-part) from market or special purpose vehicle (SPV) partnership
Target Return	12-15% (per development norms after planning obligations)
Return to EFDC	Margin on loans (if provided), future dividends from Qualis
Trickle Down Effect	Business rates increase Council tax increase Increased visitor spending
Recommendations	Bring forward with delivery now March 2024. Cabinet option workshop, October 2020. Provide outline business case by March 2021.

9.5. EFDC Investment Assets

- 9.5.1. EFDC is currently subject to considerable income uncertainty from its investment estate due to continued uncertainty in the retail market (of which EFDC is already over-weight in its property portfolio). The current conditions in terms of retail in general and uncertainty over rental payments devalue both the capital value of the asset and have a considerable income risk.
- 9.5.2. Cabinet will however recall that several investment assets have development opportunities, the most recent of which was the Loughton purchase (by adding upper floors to building and conversion of a warehouse to flats).
- 9.5.3. The basic approach is to sell assets with development potential to Qualis (early) on a best value basis which will reflect rental uncertainty and general Covid 19 uncertainty. Qualis will then develop certain sites where rental voids will be an advantage. Qualis will return value to EFDC by a combination of margins on loans and dividend, but the current rental income risk to EFDC is avoided and the returns of loans to Qualis and the payment of dividends will replace the reliance on rental income.
- 9.5.4. An example is shown below.

Loughton High Street and Centric Parade - Example

- 9.5.5. The overall recommendation is to produce outline and then full business cases for Loughton as soon as practical and review the total investment estate portfolio for sale (to Qualis) and development certainly before October 2020 as active investment is needed earlier than originally planned and proposals will have to take account of the post Covid 19 economic situation.

- 9.5.6. To review and survey the existing investment asset list and to work up selected projects to outline business case stage will have an additional investment cost of £100,000, (plus internal opportunity cost).

Objective	To develop existing EFDC investment assets. To reduce the current income risk to EFDC.
Strategic Links	Economic Development Strategy (jobs with added value)
Covid 19 Recovery Links	Provision of increased and improved housing and local retail and hospitality and Local Office opportunities Possible link with loan and investment initiatives
Original Project Dates	None Existing
Project Deliverables	Housing units (including affordable units) Employment entrepreneurial and office units (flexible) Replacement leisure centre
Investment	£25m (initial estimate including asset purchase from EFDC)
Source of Investment	Loan with first offer to EFDC but likely to partnership investment (in-part) from market or special purpose vehicle (SPV) partnership
Target Return	12-15% (per development norms after planning obligations)
Return to EFDC	Margin on loans (if provided), future dividends from Qualis (replaces lost rental income).
Trickle Down Effect	Business rates increase Council tax increase Increased visitor spending
Recommendations	Bring forward with delivery now March 2021. Cabinet option workshop, August 2020. Provide outline business case by November 2020.

9.6. Specific Business Opportunities

- 9.6.1. The most caution should be taken in terms of establishing businesses or frameworks for businesses as these may distort and not assist economic recovery.
- 9.6.2. Of the variety of business opportunities that reflect current economic changes, the provision of local office facilities (linked to the Civic Centre development for larger gatherings and upper end technological solutions) and the provision of on demand sustainable travel service that move smaller numbers of people at a time and do not distort the current taxi market.

- 9.6.3. The Office Local concept would also allow for the purchase and conversion of premises in the high streets with a general rejuvenation impact.
- 9.6.4. Overall recommendation is that these two initiatives are worked up to full proof of concept stage with a small opportunity cost.

Office Local

Objective	This initiative builds on the work at home, do not travel to London approach that is developing due to sustainability and Covid 19 fears
Strategic Links	Economic Development Strategy (jobs with added value)
Covid 19 Recovery Links	Possible links with major asset investment and Local initiatives re Travel
Original Project Dates	None Existing
Project Deliverables	Increase business numbers by around 5 and business rate receipts
Investment	£1m (initial based on five converted and equipped High Street units)
Source of Investment	Tet to be determined
Target Return	6%
Return to EFDC	Possible via Qualis
Trickle Down Effect	Business rates increase Council tax increase Increased visitor spending
Recommendations	Full proposal including partners (if any) by August 2020

9.6.5 Travel Local

Objective	To provide local travel options for more distant villages and towns off the underground route and thereby support local training and employment and shopping. Build upon small travel bubble concept from Covid 19 together with sustainable transport options.
Strategic Links	Economic Development Strategy (jobs with added value)
Covid 19 Recovery Links	Possible links with major asset investment and Local initiatives re Travel

Original Project Dates	None Existing
Project Deliverables	Increase in local transportation at no extra cost than current fares and existing bus subsidies
Investment	£0.3m including buying and set up of a small fleet of sustainable vehicles, further development of a local hailing app and other general franchise set-up
Source of Investment	To be determined
Target Return	6%
Return to EFDC	Possible via Qualis
Trickle Down Effect	Business rates increase Council tax increase Increased visitor spending
Recommendations	Full proposal including partners (if any) by August 2020

9.7. **Local Opportunities**

- 9.7.1. Building upon initiatives that have been trialled in the past it is important that these are reviewed, improved and resonate with the other initiatives set-out in the report.
- 9.7.2. The three local opportunities that provide a platform in terms of delivering the other objectives and providing local opportunities are associated with local skill and apprenticeships, using technology to local advantage and making sure all that we do appropriately and legally favours existing and new entrant local businesses.

9.7.3 **Local Skills and Opportunities**

Objective	To provide training and apprenticeships to school leavers or those changing a career. To orientate this initiative to provide opportunities for local residents.
Strategic Links	Economic Development Strategy (jobs with added value). People Strategy.
Covid 19 Recovery Links	Links with asset-based developments and development of local business initiatives including skilling and re-skilling the workforce.
Original Project Dates	None Existing
Project Deliverables	Increase apprentice numbers outside EFDC by 20 a year through setting up support and incentive mechanisms.
Investment	£100,000 p.a. (estimate based on scheme co-ordination)

Source of Investment	To be determined
Target Return	Measured by increase in apprentice numbers
Return to EFDC	As trickle down benefit, stemming local unemployment, acting as a “magnet” for those setting up in district.
Trickle Down Effect	Business rates increase Council tax increase Increased visitor spending
Recommendations	Full proposal including partners (if any) by August 2020

9.7.4 Local Businesses and Suppliers

Objective	To recognise the broader economic and well-being impact of existing local businesses and attract new businesses to the area.
Strategic Links	Economic Development Strategy (jobs with added value)
Covid 19 Recovery Links	Possible links to local company support and major asset investments for new entrant businesses or local business wishing to relocate in larger or more suitable buildings.
Original Project Dates	None Existing
Project Deliverables	Ensure contracts are explicit around the provision of local job opportunities and/or apprenticeships. Ensure terms and conditions (e.g. faster payment) recognises local business by scale and location of head office. Ensure lot size for contracts and/or preferred provider/contractor list contains a minimum of two local companies
Investment	None, opportunity cost of set-up and change and communication only.
Source of Investment	To be determined
Target Return	Increase by 20% in two years EFDC spend that is remitted locally.
Return to EFDC	Through trickle down impacts
Trickle Down Effect	Business rates increase

	Council tax increase Increased visitor spending
Recommendations	Enact now.

9.7.5 **Digital Enablement and Gateway**

Objective	To use technology to assist with the growth and resilience of the local economy for existing and new businesses
Strategic Links	Economic Development Strategy (jobs with added value)
Covid 19 Recovery Links	Possible links to local company support and major asset investments for new entrant businesses or local business wishing to relocate in larger or more suitable buildings.
Original Project Dates	None Existing
Project Deliverables	<p>Re-provide a web portal that encourages local service supply, production, distribution and purchasing.</p> <p>Ensure this portal meets the needs of the initiatives in Section 3 and the broader requirements of Qualis (property sales, renting and the provision of property services).</p> <p>Encourages local production and local field to table initiatives.</p> <p>Provides a simple information and sourcing website and transaction capability for sales and purchasing.</p>
Investment	£100,000 including development of a second-generation platform based on proprietary products and technology, adding order and payment secure functionality, communication and Initiating widespread use of the system.
Source of Investment	To be determined
Target Return	Increase in local business turnover of 5% in two years (from pre-Covid 19 baseline)
Return to EFDC	Through trickle down impacts
Trickle Down Effect	<p>Business rates increase</p> <p>Council tax increase</p> <p>Increased visitor spending</p>

Recommendations	Enact now.
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9.8 Other Economic Measures

- 9.8.1 Work is also being undertaken in respect of general support to the economy and local businesses and potentially carrying out the proposals identified above with a more formal approach to the creation of development zones of other initiatives.

10 Additional proposals for Cabinet consideration

- 10.1 A workforce analysis has been undertaken to ensure an up to date picture of costs, vacancy factor and where EFDC will have potential shortfall in capacity or skill sets to recover short, medium and longer term. The most significant cost to EFDC is the staff budget, (£23.7 million), therefore absolute clarity on resource deployment, potential in year spend vs budget could be one option to mitigate budget pressure. As a minimum, staff are deployed in Covid 19 response and recovery and across key priority programmes. Q1 Performance reporting will detail the service delivery impacts on service planning for 20/21 and the performance of services.
- 10.2 The MTFS has also been re-examined to ensure full visibility of key deliverables where budget assumptions have been made that may be at risk. In previous points income risks have been highlighted (including impact on waste contract, leisure contract, car parking income and commercial rent collection) however there are MTFS forecasts assumptions that EFDC need to be mindful of including Qualis returns. At this early stage EFDC and Qualis need to work together in order to keep on track during these unprecedented times. On this basis Cabinet are asked to consider a resourcing proposal that brings greater resource into Qualis within a shortened timescale. This proposal also assists in temporarily reducing the EFDC staff budget without job losses.
- 10.4 Cabinet are asked in light of the two additional points made above to agree a secondment of up to 2 years of x 1 EFDC Strategic Director into the Qualis Managing Director (MD) post. There will be a formal review of the secondment at 1 year. This has the budget effect on EFDC of £89,000 in 2020/21 and £178,000 (including all on-costs) in 2021/22. The Qualis company will then have a full time MD focussed on the delivery programme. This programme is significant in terms of supporting Economic Regeneration, development schemes and enables EFDC to have alternative options to mitigating Covid 19 risks that would not be available otherwise. These include those initiatives proposed above such as the High Street property acquisitions. Qualis Group is 100% owned by EFDC. Qualis is required to report to EFDC every quarter on progress against business plans and overall performance. Qualis is on track to deliver to pre Covid timelines however there is an opportunity to ensure the Qualis contribution to EFDC not only remains on track but can be expedited so programmes run alongside each other. This requires the resourcing of Qualis to be bought forward and for a successful candidate to be up to speed in a very short period. Working in these formative months closely with EFDC will be important in order to build confidence and aid transparency. These key points – expediency and existing relationship with EFDC – are the basis of the recommendation to move an existing Strategic Director to Qualis on a secondment.
- 10.5 EFDC supported a senior structure in 2019 that specifically added to strategic capacity. This structure remains a valid requirement and the Strategic Director post remains in the establishment however this role had significant client-side function of

the Qualis set up and initial business cases. For EFDC Medium Term Financial Strategy and latterly the Covid response, restoration and recovery Qualis performance is important. The shift of resource from EFDC to Qualis demonstrates the priority of Qualis performance and the positive working relationship. The proposed change is an agile response at a local level to a worldwide challenge. The strategic skills and capability secured in 2019 has enabled this pro-active response.

10.6 EFDC will retain a Chief Operating Officer (COO) and a Strategic Director. Service Directors will continue to report into either the COO or Strategic Director. The Housing services will report into the Chief Operating Officer.

10.7 Qualis board appointments will be permanently recruited early September 2020 ensuring that significant Company decisions are being taken by permanent board members. Recruitment of Non-Executive Directors is underway as these roles add skills and expertise to the Board.

11 Resource Implications

11.1 These are largely contained within the body of this report.

11.2 The cost to the Council of the actions listed above will depend of the choice of delivery vehicle and this will only be determined through the detailed development of the business cases, which will be reported back to Cabinet in future meetings.

11.3 To facilitate the development of the business cases and to cover the necessary external expertise, where required, the report highlights that £200,000 may be required. As Covid19 has delayed many initiatives in year it is believed that this cost may be found from under-spending in year. The initiatives within this report are vital to the economic recovery of the district, but also its own financial security and therefore the investment is considered priority spending in 2020/21.

12 Legal and Governance Implications

12.1 The legal and governance implications are covered within the body of the report.

13 Safer, Cleaner and Greener Implications

13.1 These are covered within the body of the report.

14 Consultation Undertaken

14.1 None – the proposals contained here are for additional development work.

Background Papers

None