



# LEIGHTON-LINSLADE TOWN COUNCIL

## Policy and Finance Committee

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**Date:** 20 July 2020

**Title:** Financial Impact of the Pandemic Crisis on Town Council's Income

**Purpose of the Report:** To demonstrate to Members that the Town Council can meet the income shortfall caused by the Pandemic and to present various ways in which this can be achieved.

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Clare Cummins – Finance Officer

|                                     |   |  |
|-------------------------------------|---|--|
| <b>Corporate Objective/s</b>        |   | To consolidate processes and procedures, ensuring operational efficiency and a structure which will underpin future service delivery by the Town Council.      |
| <b>Implications:</b>                |   |  |
| <b>Financial</b>                    | √ | The income shortfall will have a considerable impact on this year's budget   |
| <b>Human Resources</b>              |   |  |
| <b>Operational/Service delivery</b> | √ | There is potential for certain projects as set out within the Town Council's 5 Year Plan to be deferred until the next financial year should Members be minded |
| <b>Procedural/Legal</b>             |   |  |
| <b>Risk/Health &amp; Safety</b>     |   |  |

### 1. RECOMMENDATIONS

Should the Policy and Finance Committee be minded:-

1.1 To note the report

1.2 To endorse the creation of an Earmarked Reserve (from the 2019/20 revenue underspend) to the sum of £128,010 for the purposes of meeting the anticipated shortfall in income caused by the Covid-19 pandemic.

1.3 That any remaining income shortfall be drawn down from:

- i) general reserves and/or
- ii) revenue budget savings

1.4 Unless determined otherwise, to agree that the projects identified in the Town Council's 5 Year Financial Plan continue as soon as is practicable to do so.

## 2 BACKGROUND

- 2.1 The purpose of this report is to raise awareness of the potential options that the Town Council has at its disposal to meet the anticipated shortfall in income caused by the Covid-19 pandemic.
- 2.2 For the reasons that are familiar, the Town Council's ability to generate income has been compromised because of lockdown measures introduced on 16<sup>th</sup> March 2020. Since the decision, the use of sports pitches, venue hire and the income generating market function have all come to an abrupt halt. Within the agreed budget for the financial year 2020-21, an annual income of £314,925 was forecast (which represents 12.2% of a total expenditure of £2,580,871).
- 2.3 Income generating activity based on agreed budget 2020-21

| <b>Income Breakdown</b>                                     | <b>Annual (£)</b> | <b>Monthly (£)</b> | <b>Comments</b>  |
|---|-------------------|--------------------|--|
| White House<br>Income received<br>from the hire of<br>rooms | 2,100             | 175                | Affected   |
| Interest  | 15,000            |                    | Not affected   |
| Pavilion Hire   | 68,475            | 5,706.25           | Affected   |
| Café in the Park  | 21,000            | 3,500              | Based on 6-month<br>season   |
| Sports pitch hire   | 12,000            | 1,000              | Affected   |
| Allotments  | 3,000             |                    | Presently not affected   |
| Grounds Rent for<br>circus hire                             | 600               | 50                 | Affected   |
| Cemetery  | 88,000            |                    | Not affected   |
| Cultural and<br>Economic                                    | 11,700            |                    | Major part being Canal<br>Festival albeit offset by<br>lack of expenditure on its<br>execution   |
| TACTIC Income<br>received from the<br>hire of rooms         | 5,500             | 458.33             | Affected   |
| Market  | 87,550            | 7,295.83           | Affected albeit pitch fees<br>presently being waived.<br>Based on the activity<br>being outside and the<br>social distancing<br>measures being put in<br>place, the ability to raise<br>market income will return<br>in due course |

|        |         |           |  |
|--------|---------|-----------|--|
| Totals | 314,925 | 18,185.41 | Worst case scenario is a monthly income of 18,185.41 |
|--------|---------|-----------|--|

### Meeting Income Loss

- 2.4 Based on the above, the Town Council has the potential to lose a total of £218,224.92 in income generating activities over the financial year which on a rolling monthly basis equates to:

| Month     | Cumulative Potential loss in Income |
|-----------|-------------------------------------|
| April     | 18,185.41                           |
| May       | 36,370.82                           |
| June      | 54,556.23                           |
| July      | 72,741.64                           |
| August    | 90,927.05                           |
| September | 109,112.46                          |
| October   | 127,297.87                          |
| November  | 145,483.28                          |
| December  | 163,668.69                          |
| January   | 181,854.10                          |
| February  | 200,039.51                          |
| March     | 218,224.92                          |

- 2.5 Until determined otherwise, most income generating activities will remain unavailable for many months to come. Despite reasonable endeavours, it is highly unlikely that bookings (particularly venue hire) will come anywhere near pre-lockdown levels as social distancing measures and strict cleaning regimes will be enforced. There is every likelihood that covid restrictions will remain for many months to come with the potential for further lockdowns highly likely with the onset of winter. Unless a vaccine is found or the virus controlled, this on-going situation will have an impact on next year's budget setting process also.
- 2.6 Whilst an unknown, it is prudent at this stage to firstly raise awareness and secondly to seek direction from Members on what they consider to be the most viable options in meeting shortfall.
- 2.7 For the paper, the assumption is a worst-case scenario (£218,224.92 income shortfall) that theoretically can be met in the following ways.
- i) Potential use of the £128,010 (see **attached** for full line by line breakdown) from the 2019/20 revenue underspend: In accordance with Recommendation 1.2 (unless Members determine otherwise), approximately 58% of any likely shortfall could be met by way of the underspend –(the figure of £128,010 is unrepresentative of a typical year. With lockdown anticipated and loss of income predicted, Officers were mindful that contingency measures would need to be put in place for the

inevitable loss of income as the market as well as pavilions began to shut down). Using the underspend in this way would provide a meaningful financial cushion. In addition, any residual to be met by:

- ii) Deferring Project Spend until Financial Year 2021/22: Within the Town Council's 5 Year Financial Plan, total projects for the current financial year represent £236,268.

And/or

- iii) Draw down from General Reserves which presently stands as at 31 March 2020, £808,018.

And/or

- iv) To use revenue budget savings accrued throughout this financial year for this purpose.

2.8 The ability to plan and execute with certainty is a primary objective for any business model and the Town Council is no different. At this moment, the presumption is that unless Members determine otherwise, it remains that the 5 Year plan projects as set out at para. 2.7 (ii) are to carry on albeit their delivery timing having been compromised.

#### Current Expenditure

2.9 In terms of current expenditure, the two budgets most impacted being health and safety and IT. There is every likelihood that both will be overspent albeit savings elsewhere within the revenue budget have the propensity to meet any shortfall caused by the likely overspend.

#### Conclusion

2.10 The current situation as to when income generating activity will return and to what level are unknowns. However, as set out above, the Town Council has options that can address the income shortfall come year end. At this moment, Officers seek "in-principle support" from Members in terms of the most appropriate way to meet this.

2.11 It is highly likely that income generating activities will remain compromised for many months to come and it is inevitable that this will continue into the next financial year also.

**End.**