

Report to: Finance Committee

Report Ref: F1917
Meeting Date: 20th April
Agenda Item: 7
Prepared By: Town Clerk



Subject: Financial Implications of COVID-19

1.0 BACKGROUND

In March, the Government implemented a number of measures seeking to minimise the transmission of coronavirus disease (COVID-19). The measures are under regular review but it is expected that the current 'lockdown' measures will be in force well into May and that it is likely to be at least six months before normality returns. It is a time of great uncertainty and this report provides a brief overview of how the council's finances are likely to be affected. As the outbreak is ongoing the information in this report is not final and will change. Estimates are based on currently available information.

2.0 FINANCIAL IMPLICATIONS OF COVID-19

The table below outlines, on a per cost centre basis, the potential financial impact of COVID-19.

Severity ratings – Insignificant (under £500) -> Low (£500-£6,000) -> Medium (£6,000-£10,000) -> High (£10,000+)

Centre	Explanatory	Impact	Severity
101 - Central Admin	The dramatic decrease in interest rates will result in substantially reduced bank interest in the short term, the Town Clerk is in the process of reviewing the council's investments to maximise yields where possible.	£2,000	LOW
102 - Civic	Minimal anticipated impact, insignificant budget line.	< £50	INS.
103 – Grants	Uncertain, likely to initially be a reduced demand for grants as community activities reduced. Depending on the impact in the community there could be additional demand for service delivery organisations. Low severity as the council would not be obligated to provide funding.	UKN.	LOW
104 – Mayor's Civic	Restrictions result in a reduced number of mayoral invitations and a consequent reduced civic cost, but insignificant to overall council budget.	< £200	INS.
201 – Council Offices	Only likely impact would be further delays to the transfer, the transfer has progressed to the legal stage and is likely to be achievable in the first quarter.	+£1,595 pm	LOW
205 – 60 King Street	The council is currently progressing the letting of the property, there is a risk that the ongoing restrictions	£7,500 pm	HIGH

	result in the company withdrawing their offer, seeking a lower rent or general delays to the letting of the property. The tenant has not expressed reservations to date and there are back-up tenants but all are in the sector most effected by the lockdown. Financial implication is low in the immediate (continued operation costs for a mothballed building) as the budget allows a rent free period this year, but any delay pushes back the point at which rent would be received, affecting budgets for the next five years.		
207 – Other Buildings	The income in this cost centre is for the letting of commercial space in the public toilet buildings. It is likely that the restrictions will impede the ability to undertake the works and the ability to attract tenants. The council was aiming to get tenants by September this will likely be delayed resulting in a £2k loss per month after this date.	£2,000 pm	MED/HIGH
250 – Cemetery	Depending on the severity of the spread of the disease there is likely to be increased demand for burial services resulting in increased income in the current year. There have been two COVID related burials booked for April; a (very) crude estimate of the number of COVID deaths based on Knutsford’s population would result in 13 additional burials to August.	+£11,000	MED
255 – Cemetery Chapel	The impact is uncertain at this stage, the final discharge of conditions application is being progressed and the contractor will then be able to be booked and advise a start date for the refurbishment works. Depending on the length of restrictions the works will likely be delayed. Whilst use of the chapel in its present condition was low, it is currently not available at all due to restrictions on gatherings.	<£2,000	LOW
301 - Floriculture	Ability to attract sponsorship income likely to be affected but could be balanced by reduced spending commitments in the street furniture budget. No significant impact forecast.	NIL	-
330 – Environment Projects	No significant impact forecast, projects may be delayed resulting in reduced expenditure, but are not time sensitive.	NIL	-
340 - Communications	No impact forecast.	NIL	-
401 – Christmas Events	If current restrictions remain in place in December, events will be unable to proceed resulting in reduced expenditure. Considered unlikely at present.	NIL	-
402 – Christmas Market	If current restrictions remain in place in December, event will be unable to proceed, whilst the profit would be lost, this would be balanced by reduced expenditure under 401.	NIL	-
403 – Christmas Lights	No impact forecast.	NIL	-

415 – Town Centre Management	The production of a new town centre map has not been progressed due to restrictions on visitors. Benchmarking programme has been delayed due to restrictions and lack of normality. Depending on the recovery of the High Street it might be considered that additional expenditure is required to support the town centre, but this would be discretionary.	£1,000	LOW
420 – Pumpkin Path	If current restrictions remain in place in October, events will be unable to proceed resulting in reduced expenditure.	NIL	-
430 – Town Awards	Whilst the format of the event will be affected it is likely that there will be no overall financial implication.	NIL	-
440 – Music Festival	The Events Committee will be making a decision on postponement/cancellation on 27 th April. Likely to be no impact as any event will be organised within overall budget.	NIL	-
445 – Taste Knutsford	April and May tours have been cancelled, depending on length of restrictions further tours will be cancelled. Replacement tours will be arranged when restrictions are lifted, but overall impact likely to be low.	<£500	INS.
450 – Other Events	Cancellation of Makers Markets reduces income. VE day event has been cancelled but an alternative event later in the year is being considered. Bunny Hop cancelled but some costs had been incurred. Flowers in Wallwood not proceeding in original format due to cancellation of RHS Tatton and School Closures, but alternative being explored.	~£800	LOW
501 – Public Toilets	Loss of income during peak months increases overall expenditure by between £400 and £500 per month.	£400-£500 pm	LOW
510 – Markets	Rents have been waived for traders unable to trade due to the restrictions, leaving just the Butcher and Greengrocer stalls paying rents.	~£2,000 pm	LOW
530 – Allotments	No impact.	NIL	-
545 – Town Ranger	No impact.	NIL	-
550 – Grounds / Open Spaces	No impact.	NIL	-
560 – General Operations	Reduction in expenditure for cancellation of Annual Town Meeting and Mayor Making room hires and reduced printing, postage etc whilst office staff work from home.	+~£700	LOW
600 – HR Budget	No impact forecast at present.	NIL	-
605 – Training	No impact forecast at present.	NIL	-
705 – Conservation Area Reviews	No impact forecast at present.	NIL	-

3.0 INSURANCE

Coronavirus is not included in the schedule of notifiable diseases which are covered by the council's business interruption insurance, which covers the market hall income (and in due course would cover other commercial lettings income).

The Town Clerk enquired with the council's event insurance providers for cover for events in early March and was advised that cancellation/postponement due to coronavirus was subject to an industry wide exclusion and could not be covered.

4.0 DECISIONS REQUIRED

No decisions required, but the committee may wish to consider the implications outlined and whether any action should be taken at this stage to mitigate the impact.