

# Third Quarter Financial Update 2020/21

# Contents

**Part A: Executive Summary & Overview** Page 2

**Part B: Revenue Budget Q3 2020/21**

B1) Revenue Budget Page 5

**Part C: Capital Budget Q3 2020/21**

C1) Capital Budget Page 9

# Part A

## Executive Summary & Overview



This report provides members with a financial update for the third quarter of 2020/21, covering activity for both the Council as a whole and this committee's revenue and capital accounts for this period, and a projected outturn for the year.

Members will be aware that since the budget was agreed in February, the position for 2020/21 and future years has changed significantly as a result of the Covid-19 pandemic. Specific impacts include:

- Redirection of existing resources to support vulnerable people
- Administering government support schemes, notably business rate reliefs and grants
- Increased activity in some council services
- Temporary closure of some Council facilities
- Reduction in levels of activity in some other Council services
- Income generating activities severely impacted by overall contraction in economic activity
- Change in working patterns, with almost all office-based staff now working from home
- Reduced levels of Council Tax and Business Rates collection.

This has resulted in many service areas reporting or projecting adverse variances against the budget for 2020/21, particularly in relation to income. The overall projection for the council as reported to government on our monthly financial monitoring returns is summarised in table 1 below, and shows that the potential impact of Covid-19 on the council's financial position is £7.568m. Councils have been asked to complete these returns to enable a comprehensive picture of the financial impact of Covid-19 on local authorities to be compiled by the Ministry of Housing, Communities and Local Government. The projections are based on the information available to finance officers at the time of submitting the return and are being regularly updated as the situation unfolds and further information becomes available.

	£000
Additional Spending	1,935
Income Reductions:	
Business Rates (MBC share)	774
Council Tax (MBC share)	665
Other Income	4,194
<b>Total</b>	<b>7,568</b>

*Table 1, Covid-19 financial impact*

It should be noted that the projections detailed within table 1 do not correspond to the in-year budget outturn projections. This arises for several reasons.

- Due to the statutory accounting arrangements for council tax and business rates, these losses do not impact the general fund balance until subsequent years.
- The variances above reflect an estimate of the financial impact of Covid-19, and do not take into account other factors which may impact on the budget outturn such as underspends that have the effect of mitigating Covid-19 related losses.
- The Covid-19 financial impact has been offset by both unringfenced government support and grants covering specific areas of expenditure.

To date, unringfenced financial support totalling £2.5m for MBC has been announced by the government. The council has also submitted two claims for lost income from sales, fees and charges under the government's compensation scheme, covering the period April - November. Two further claims will be submitted covering the remainder of this financial year and the first quarter of 2021-22. Funding of £2.1m has been applied for under this scheme to date, although this amount will be subject to a reconciliation and audit process by MHCLG.

Given the all-encompassing impact of Covid-19 across many of the council's services, mitigation for losses will be treated as a corporate exercise, and we will therefore not attempt to apportion all unringfenced support received across service committees.

In addition to the unringfenced support, the council has received funding which can be clearly matched to additional expenditure, or outgoing grants. It is anticipated that these funding streams will be used in full to offset increased costs incurred in responding to the Covid-19 pandemic. Examples of such funding include the Reopening High Streets Safely Fund, Emergency Assistance Grant and the Local Authority Compliance and Enforcement Grant.

Headline messages arising from other sections of this report are summarised below:

#### Part B: Revenue budget – Q3 2020/21

- Overall expenditure at the end Q3 for the services reporting to ERL is £1.228m, compared to the profiled approved budget of £0.814m, representing an overspend of £0.414m. The forecast year end outturn for ERL is a shortfall of £1.309m.
- We are due to receive funding to mitigate the impact of losses from fees and charges income. Initial calculations indicate that this funding could be in the region of £2.5m for the council as a whole for this financial year.

#### Part C: Capital budget – Q3 2020/21

- Capital expenditure for the services reporting to ERL of £0.988m has been incurred against the approved budget of £1.461m. Forecast spend for the year is £1.461m.

# Part B

# Third Quarter Revenue Budget 2020/21



## B2) Revenue Budget

B1.1 The table below provides a detailed summary on the budgeted net income position for ERL services at the end of Quarter 3. The financial figures are presented on an 'accruals' basis (e.g. expenditure for goods and services received, but not yet paid for, is included). The budget shown is now the revised estimate for 2020/21.

### ERL Revenue Budget & Outturn – Quarter 3

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 31 December 2020 £000	Actual £000	Variance £000	Forecast 31 March 2021 £000	Forecast Variance 31 March 2021 £000
Cultural Development Arts	12	9	9	0	12	0
Museum	13	6	28	-22	35	-22
Carriage Museum	4	2	3	-1	4	0
Museum-Grant Funded Activities	0	-2	-18	16	0	0
Hazlitt Arts Centre	284	218	238	-21	305	-21
Festivals and Events	-31	-29	-4	-24	-4	-26
Lettable Halls	-4	-3	-9	6	-4	0
Community Halls	77	59	46	13	77	0
Leisure Centre	-181	-174	-21	-153	619	-800
Mote Park Adventure Zone	-108	-109	5	-114	6	-114
Cobtree Golf Course	-35	0	0	0	-35	0
Mote Park Cafe	-56	-33	7	-41	9	-64
Tourism	27	20	11	9	27	0
Museum Shop	-19	-14	-1	-13	-19	-17
Maintenance of Closed Churchyards	4	3	3	0	4	0
Sandling Road Site	25	19	19	-0	25	0
Business Support & Enterprise	12	12	12	0	12	0
Town Centre Management Sponsorship	7	7	7	-0	7	0
Business Terrace	78	86	112	-26	178	-100
Business Terrace Expansion (Phase 3)	-14	-10	3	-13	19	-33
Market	-57	-38	59	-97	93	-150
Economic Dev - Promotion & Marketing	-123	-123	-124	1	-123	0
Leisure Services Section	53	74	75	-1	53	0
Cultural Services Section	542	403	387	16	542	0
Visitor Economy Section	116	87	84	3	116	0
Economic Development Section	284	224	176	49	218	66
Market Section	86	64	55	9	86	0
Head of Regeneration and Economic Development	100	76	66	10	100	0
Salary Slippage	-28	-21	0	-21	0	-28
<b>Totals</b>	<b>1,072</b>	<b>814</b>	<b>1,228</b>	<b>-414</b>	<b>2,364</b>	<b>-1,309</b>

B1.2 The table shows that at the end of the third quarter overall net expenditure for the services reporting to ERL is £1.228m, compared to the approved budget of £0.814m, representing an overspend of £0.414m. It should be noted that this forecast does not take into account further government support for income losses mentioned earlier in this report.

B1.3 The table indicates that in certain areas, significant variances to the budgeted income levels have emerged during the third quarter of the year. The reasons for the more significant variances are explored in section B2 below.

## B2) Variances

B2.1 The impact of Covid-19 and lockdown has had a significant impact for this committee primarily due to the closure of facilities during the two lockdown periods. The year-end forecast is for an overspend of £1.309m, although that does not include the recovery of fees and charges from the government outlined earlier in this Appendix or measures taken to mitigate the overspend across all committees such as deferring recruitment plans and cancelling non-essential expenditure.

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
<b>Economic Regeneration &amp; Leisure Committee</b>	<b>£000</b>		
<b>Hazlitt Arts Centre</b> - Additional costs were incurred during the first two quarters to support the operator of the Hazlitt.		-21	-21
<b>Leisure Centre</b> - Following the closure of the leisure centre at the start of the lockdown period, Serco Leisure have indicated that they propose to take advantage of their contractual position and recover their losses from MBC, less £5,000 which would be payable by the Leisure Trust. Details remain subject to negotiation and the projected variance represents a preliminary view of the likely outcome. It was hoped that the projected variance could be mitigated by bidding against the £100 million fund that the government has established to compensate leisure providers for loss of income during the pandemic. However, this fund only covers the period December 2020 to March 2021. If we are successful in our bid, we hope therefore to have minimal additional costs for this period, but we will still have to bear additional costs for the first 8 months of the year.		-153	-800
<b>Mote Park Adventure Zone</b> - The facility was closed during both lockdown periods, and the contractor was granted contract relief in recognition of this. There are no plans to re-open during the fourth quarter.		-114	-114
<b>Mote Park Café</b> - The café continues to be closed, so there is no income from it.		-40	-64
<b>Business Terrace</b> – There are a number of vacant offices, and it is assumed that this will continue to be the case for fourth quarter, particularly as there has been no enquiries from prospective new tenants.		-39	-133
<b>Market</b> - The market was closed during the lockdown period, and consequently there was a significant drop in income. Although it has since reopened, the number of stalls is limited to essential goods only with approximately 6 traders. The year-end forecast assumes that recovery will be gradual.		-97	-150

# Part C

# Third Quarter Capital Budget 2020/21



## B1) Capital Budget: Economic Regeneration & Leisure (ERL)

B1.1 The position of the 2020/21 ERL element of the Capital Programme at the Quarter 3 stage is presented in Table 3 below. The budget for 2020/21 is the revised estimate and includes resources brought forward from 2019/20.

Table 4: ERL Capital Programme 2020/21 (@ Quarter 3)

Capital Programme Heading	Revised Estimate 2020/21 £000	Actual to December 2020 £000	Budget Remaining £000	Projected Total Expenditure Q4 Profile £000	Projected Slippage to 2021/22 £000
Mote Park Visitor Centre & Estate Services Building	20	5	15	15	20
Mote Park Lake - Dam Works	1,041	914	127	127	1,041
Mall Bus Station Redevelopment	400	69	331	331	400
<b>Total</b>	<b>1,461</b>	<b>988</b>	<b>473</b>	<b>473</b>	<b>1,461</b>

B1.2 Comments on the variances in the table above are as follows:

Mote Park Lane – Dam Works – the project is now substantially completed.

Mall Bus Station Project - work is progressing on the scheme with survey and design work being undertaken so far. It is anticipated that works will commence later in the year. There is a further update on this project below.

B1.3 Tenders for the bus station project have now been received. However they are greater than the current budget sum that has been set aside. The current overall budget is £1.090m, and a further £0.300m is required to proceed with the project. Funding for this has been identified within the Third Quarter Budget Monitoring Report to Policy & Resources Committee as part of the business rates pilots update.