

# First Quarter Financial Update 2020/21

Economic Regeneration & Leisure Committee  
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# Part A

## Executive Summary & Overview



This report provides members with a financial update for the first quarter of 2020/21, covering activity within 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
- Temporary closure of many Council facilities
- Reduction in levels of activity in many 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 is summarised in table 1 below, and shows that the potential impact of Covid-19 on the council's financial position is £8.547m. These projections are based on information submitted to central government as part of the monthly financial monitoring return which councils have been asked to complete 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	1,377
Income Reductions:	
Business Rates (MBC share)	1,901
Council Tax (MBC share)	950
Other Income	4,319
<b>Total</b>	<b>8,547</b>

*Table 1, Covid-19 financial impact*

Income reductions related to business rates and council tax were based on estimates made earlier in the financial year. Collection rates have actually proved better than anticipated so this will mitigate the financial impact, although there will still be a significant loss overall.

It should be noted that the projections detailed within table 1 will not necessarily align to the in year budget outturn projections. This is partly due to the statutory accounting arrangements for council tax and business rates which impact on the timing these losses reaching the general fund balance. In addition to this, 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.

To date, support totalling £2.2m has been received from the government. A further support package to compensate for fees and charges losses has been announced recently and will be confirmed later this month. Any residual in year deficit will need to be met from reserves. 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 necessarily seek to apportion all unringfenced support received across service committees. The impacts which arise from areas within this committee's remit are detailed within section B of this report.

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

#### Part B: Revenue budget – Q1 2020/21

- Overall expenditure at the end Q1 for the services reporting to ERL is £0.435m, compared to the profiled approved budget of £0.256m, representing a shortfall of £0.179m. The forecast year end outturn for ERL is a shortfall of £0.668m.
- We are anticipating funding to mitigate the impact of losses from fees and charges income, however, the value of support to be received will not be confirmed until October. Initial calculations indicate that this funding could be in the region of £1.7m for the council as a whole.

#### Part C: Capital budget – Q1 2020/21

- Capital expenditure for the services reporting to ERL of £34,000 has been incurred against the approved budget of £3.901m. Forecast spend for the year is £1.340m.

# Part B

# First 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 1. The financial figures are presented on an 'accruals' basis (e.g. expenditure for goods and services received, but not yet paid for, is included).

### ERL Revenue Budget & Outturn

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 30 June 2020 £000	Actual £000	Variance £000	Forecast 31 March 2021 £000	Forecast Variance 31 March 2021 £000
Cultural Development Arts	12	3	2	1	12	0
Museum	12	4	7	-3	12	0
Carriage Museum	4	1	1	-1	4	0
Museum-Grant Funded Activities	0	-4	-10	6	0	0
Hazlitt Arts Centre	284	84	92	-8	284	0
Festivals and Events	-31	-39	0	-39	0	-31
Lettable Halls	-4	-1	-3	2	-4	0
Community Halls	75	24	19	5	75	0
Leisure Centre	-185	-76	-85	9	-185	-500
Mote Park Adventure Zone	-107	-55	2	-57	-51	-56
Cobtree Golf Course	-35	0	0	0	-35	0
Mote Park Cafe	-56	-6	-4	-2	-56	0
Parks & Open Spaces Leisure Activities	-5	-1	0	-1	-5	0
Mote Park Leisure Activities	-38	-9	1	-10	-38	0
Tourism	27	7	2	4	27	0
Museum Shop	-19	-5	5	-10	-19	0
Maintenance of Closed Churchyards	3	1	7	-6	3	0
Sandling Road Site	24	6	6	-0	24	0
Business Support & Enterprise	5	5	5	0	5	0
Business Terrace	77	52	58	-5	77	0
Business Terrace Expansion (Phase 3)	-13	-3	-8	5	-13	0
Market	-58	12	46	-34	-8	-50
Economic Dev - Promotion & Marketing	-173	-43	-0	-43	-173	0
Leisure Services Section	58	27	28	-1	58	0
Cultural Services Section	543	135	128	6	543	0
Visitor Economy Section	117	29	28	1	117	0
Economic Development Section	280	74	64	10	280	0
Market Section	82	20	23	-3	82	0
Head of Regeneration and Economic De	94	24	21	3	94	0
Salary Slippage 4ERL	-32	-8	0	-8	0	-32
<b>Totals</b>	<b>941</b>	<b>256</b>	<b>435</b>	<b>-179</b>	<b>1,109</b>	<b>-668</b>

- B1.2 The table shows that at the end of the first quarter overall net expenditure for the services reporting to SPI is £0.435m, compared to the approved budget of £0.256m, representing a shortfall of £0.179m. It should be noted that this forecast does not take into account further government support for income losses announced recently. The planned scheme will see councils absorbing losses of up to 5% of planned sales, fees and charges income, with the government compensating for 75p in every pound of 'relevant losses' thereafter. We are therefore confident that the position will improve from the forecasts set out in tables 2 and 3 above.
- B1.3 The table indicates that in certain areas, significant variances to the budgeted income levels have emerged during the first 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 can be seen most significantly in those areas where income is a significant element of the budget. This has been exacerbated by the fact that the period of lockdown covered the late Spring and early Summer period when the Council would normally expect visitor numbers to the market and leisure facilities to be high. However the market and some leisure facilities were able to re-open in July and this has led to a partial recovery in terms of income received, but given that the peak Summer period has now passed it is highly unlikely that any significant recovery will be possible. The year end forecast is for a shortfall of £0.668m, but that does not include the potential recovery of fees and charges from the government outlined earlier in this Appendix or measures taken to mitigate the overspend such as deferring recruitment plans and cancelling non-essential expenditure.
- B2.2 The forecasts are based on the circumstances as they stand at present, and assume a gradual return to normal levels of activity, but the timescale of that is less clear, and of course the possibility of a second wave of the virus remains a risk that needs to be considered.

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
<b>Economic Regeneration &amp; Leisure Committee</b>	<b>£000</b>		
<b>Festivals &amp; Events</b> – Events planned for spring and summer were cancelled due to the Covid-19 pandemic, and it is unlikely that there will be sufficient further opportunities to significantly reduce the shortfall in income.		-39	-31
<b>Mote Park Adventure Zone</b> – The facility was closed during the lockdown period, and the contractor was granted contract relief in recognition of this. Although it has now re-opened there is unlikely to be a significant reduction in the shortfall for the year.		-58	-56



<b>Market</b> - The market was closed during the lockdown period, and consequently there was a significant drop in income. Although it has now re-opened the current forecast assumes that there will only be a gradual recovery.		-34	-50
<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.			-500
<b>Salary Slippage</b> - This is a credit budget, which allows for service underspends on salaries, due to temporary vacancies arising from staff turnover. This adverse variance offsets underspends in other service areas.		-8	-31

# Part C

# First 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 1 stage is presented in Table 3 below. The budget for 2020/21 includes resources brought forward from 2019/20.

Table 4: ERL Capital Programme 2020/21 (@ Quarter 1)

Capital Programme Heading	Estimate 2020/21 £000	Actual to June 2020 £000	Budget Remaining £000	Q2 Profile £000	Q3 Profile £000	Q4 Profile £000	Projected Total Expenditu re £000	Projected Slippage to 2021/22 £000
<b>Economic Regeneration &amp; Leisure</b>								
Mote Park Visitor Centre (inc.ESB)	2,053	4	2,049	20	10	10	44	2,009
Mote Park Lake - Dam Works	1,723	31	1,692	322	442	377	1,171	552
Museum Development Plan	125		125	25	50	50	125	
<b>Total</b>	<b>3,901</b>	<b>34</b>	<b>3,867</b>	<b>367</b>	<b>502</b>	<b>437</b>	<b>1,340</b>	<b>2,561</b>

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

- Mote Park Visitor Centre – the project has been deferred for a year while the capital programme is reviewed in light of the Covid-19 pandemic. The budget retained for this year will enable preliminary work such as architecture and design to proceed.
- Mote Park Lane – Dam Works – the project is now under way and should be substantially completed by the end of the financial year.