

First Quarter Financial Update 2020/21

Strategic Planning & Infrastructure Committee

7th October 2020

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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
Total	8,547

Table 1, Covid-19 financial impact

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 of when 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 net expenditure for the services reporting to SPI is £0.596m, compared to the profiled approved budget of -£78,000, representing a net income shortfall of £0.674m. Of this, £0.700m is attributable to income shortfalls within parking services. The forecast outturn for planning and development activity at the end of the first quarter is net expenditure of £0.219m.
- 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 SPI of £12,000 has been incurred against the approved budget of £1.03m, which is forecast to be fully spent by the end of the financial year.

Part B

First Quarter Revenue Budget 2020/21



B1) Overall Position – SPI Committee

B1.1 The table below provides a detailed summary on the budgeted net income position for SPI 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).

SPI 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 2020 £000	Forecast Variance 31 March 2020 £000
Building Regulations Chargeable	-385	-96	-86	-11	-346	-39
Building Control	-1	-0	0	-0	-1	0
Street Naming & Numbering	-82	-20	-3	-18	-37	-45
Development Control Advice	-251	-60	-21	-40	-188	-63
Development Control Appeals	127	13	7	7	127	0
Development Control Majors	-556	-128	-124	-4	-335	-222
Development Control - Other	-712	-177	-177	-1	-496	-215
Development Control Enforcement	68	17	9	8	68	0
Planning Policy	163	49	52	-2	163	0
Neighbourhood Planning	25	25	24	1	25	0
Conservation	-11	-3	0	-4	-11	0
Land Charges	-298	-73	-81	8	-264	-34
Environment Improvements	25	6	1	6	25	0
Development Management Section	967	242	240	2	967	0
Spatial Policy Planning Section	408	91	60	31	404	4
Head of Planning and Development	111	28	30	-2	111	0
Development Management Enforcement Section	185	46	53	-7	185	0
Building Surveying Section	444	100	95	5	444	0
Mid Kent Planning Support Service	395	101	56	45	327	67
Heritage Landscape and Design Section	223	58	58	0	223	0
CIL Management Section	145	36	18	18	145	0
Mid Kent Local Land Charges Section	55	10	6	5	55	0
Salary Slippage	-90	-23	0	-23	-90	0
Name Plates & Notices	19	5	1	4	19	0
Sub-Total - Planning Services	975	245	219	27	1,520	-546

Table 2, Budget & Outturn – Planning Services (first quarter 2020/21)

(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 2020 £000	Forecast Variance 31 March 2020 £000
On Street Parking	-403	-107	37	-144	-157	-246
Residents Parking	-209	-49	-21	-27	-135	-74
Pay & Display Car Parks	-1,860	-296	182	-478	-1,210	-650
Non Paying Car Parks	11	9	8	1	11	0
Off Street Parking - Enforcement	-125	-32	29	-60	-31	-94
Mote Park Pay & Display	-189	-52	-37	-15	-162	-27
Sandling Road Car Park	4	1	-0	1	4	0
Park & Ride	166	94	82	13	166	0
Socially Desirable Buses	0	0	0	0	0	0
Other Transport Services	-10	-2	6	-9	-10	0
Parking Services Section	343	111	91	20	343	0
Sub-Total - Parking Services	-2,271	-323	377	-700	-1,180	-1,091
Committee Total	-1,297	-78	596	-674	340	-1,636

Table 3, Budget & Outturn – Parking Services & Committee Total (first quarter 2020/21)

B1.2 The table shows that at the end of the first quarter overall net expenditure for the services reporting to SPI is £0.596m, compared to the approved budget of -£78,000, representing a net income shortfall of £0.674m. 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 sections B2 and B3.

B2) Planning & Development

B2.1 The initial impact of Covid-19 and lockdown has been minimal, but a delayed impact on income from planning fees is forecast for later in the year as the level of new applications decreases. There are some signs of recovery in terms of application numbers, including the receipt of a two significant sums totalling £40,000 for major developments. 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.

B2.2 Actual net expenditure for the planning & development services is £0.219m against a profiled budget of £0.245m, representing an underspend of £27,000 at the end of the first quarter. However, considering the potential impact of Covid-19 the projection for the end of the year is a shortfall of £0.546m. However, as stated previously, this variance may be partially mitigated through the government's support scheme for lost income. The following table highlights the most significant variances and explains the background to them:

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000		
PLANNING SERVICES			
Development Control Advice – During the first part of the year there has been a 50% reduction in income for pre-application discussions and Planning Performance Agreements. This trend is expected to continue as the effects of Covid-19 continue to be felt.		-40	-63
Development Control – Majors – Income has been on budget for the first quarter, but there is expected to be a delayed impact from Covid-19 with a forecast reduction in income of potentially up to 75%.		-4	-222
Development Control – Other - Income has been on budget for the first quarter, but there is expected to be a delayed impact from Covid-19 with a forecast reduction in income of potentially up to 60%.		-1	-215
Mid Kent Planning Support Service – This variance reflects a number of vacancies in the team. One post will remain vacant, but the remainder will be recruited to by the middle of the year.	45		67

Table 4, Significant variances – Planning Services (Q1 2020/21)

B3) Parking & Transportation

- B3.1 Covid-19 and the lockdown have had a significant impact on parking income with a dramatic reduction in occupancy levels. There is a separate report on the agenda for this committee which will provide a more detailed update on parking services, and the operational response in this area. Table 5 below provides a summary of income levels for off street pay and display car parks for the first 18 weeks of the year and illustrates the decline in income compared to the same period in 2019/20. It does also however show the early signs of recovery as the town centre reopened in early July (week 14), although occupancy rates are still only around 40% of what would normally be expected at this time of year. It should also be noted that the rise in parking charges that was due to be implemented on 1st April has been deferred.
- B3.2 As with the forecast figures referenced earlier for planning these are based on current circumstances and assume a gradual return to normal levels of activity. In the case of parking this means more footfall in the town centre from both shoppers and office workers. Again the prospect of a second wave of the virus remains a risk.

Week No	Budget 20/21	Income 20/21	Income 19/20	Variance 19/20- 20/21	Year on Year variance (%)
1	£39,133	£8,924	£38,080	-£29,156	-77%
2	£43,794	£1,082	£39,392	-£38,310	-97%
3	£42,902	£1,085	£36,813	-£35,729	-97%
4	£39,502	£1,290	£33,804	-£32,514	-96%
5	£41,945	£1,439	£38,993	-£37,554	-96%
6	£38,968	£5,390	£36,947	-£31,556	-85%
7	£40,732	£4,921	£35,992	-£31,071	-86%
8	£38,194	£4,448	£35,677	-£31,229	-88%
9	£40,458	£3,778	£36,924	-£33,146	-90%
10	£41,172	£11,743	£35,306	-£23,563	-67%
11	£40,822	£5,753	£37,357	-£31,604	-85%
12	£39,663	£13,700	£36,615	-£22,915	-63%
13	£40,697	£10,180	£36,961	-£26,781	-72%
14	£40,432	£23,200	£36,697	-£13,496	-37%
15	£39,726	£14,460	£36,449	-£21,989	-60%
16	£41,979	£17,475	£37,309	-£19,834	-53%
17	£42,022	£17,520	£36,988	-£19,468	-53%
18	£43,794	£17,663	£37,695	-£20,033	-53%
Total	£735,935	£164,051	£664,000	-£499,949	-75%

Table 5, Off-street / Pay & Display income, weeks 1-18 2020/21

B3.2 Actual net expenditure for the parking and transportation services is £0.377m against a profiled net income budget of -£0.3.23m, representing a shortfall of £0.700m at the end of the first quarter. However, considering the potential impact of Covid-19 the projection for the end of the year is a shortfall of £1.091m. As stated previously, it is likely that this variance will be partially mitigated through the government's support scheme for lost income and the year end forecast will improve in line with this once the position has been clarified. The following table highlights the most significant variances and explains the background to them:

	Positive Variance Q1	Adverse Variance Q1	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000		
PARKING SERVICES			
On Street Parking – The effects of Covid-19 have impacted all parking income, although it is recovering slowly now, and this forecast assumes that trend will continue.		-144	-246
Residents Parking – Penalty Charge Notice income has dropped significantly, in part due to restrictions placed on collecting outstanding debts. Income from parking permits has remained at normal levels.		-27	-74
Pay & Display Car Parks - The effects of Covid-19 have impacted all parking income, although it is recovering slowly now, and this forecast assumes that trend will continue.		-478	-650
Off Street Parking – Enforcement – Penalty Charge Notice income has dropped significantly, although as occupancy levels increase in the car parks this is forecast the slowly improve.		-60	-94

Table 6, Significant variances – Parking Services (Q1 2020/21)

B4) Local Plan Review

- B4.1 The Local Plan Review (LPR) process is an important, high profile and continuous task undertaken by the Planning Services team. The associated revenue spending profile however is cyclical and does not fit the conventional 12-month financial planning process for general revenue expenditure. Instead, spending tends to follow the five-year production period of each Local Plan with various peaks and troughs over that time period.
- B4.2 The LPR process is therefore funded through an annual £200,000 revenue contribution, in addition to the existing service budget, with any remaining unspent balances at year end automatically rolled forward into the following financial year. The table below shows the available revenue resources currently allocated to fund LPR activities, the spend at 30 June 2020 and planned further spending over the remainder of the year.

Opening Balance 01/04/2020 (including 2020/21 allocation)	Spending April - June 2020	Forecast Spending July - March 2021	Forecast Remaining Balance 31/03/2021
£'s	£'s	£'s	£'s
508,280	-59,640	-502,222	-53,583

Table 7, Local Plan Review budget (Q1, 2020/21)

- B4.3 Table 7 above identifies that there is a budget of £508,280 available to spend during 2020/21, including unspent resources brought forward from previous years. The forecast spend for 2020/21 exceeds the funding available by £53,583. Officers are currently

working to identify alternative funding or options for controlling spending in this area. The primary reasons for the variance arise from new areas of spending in relation to climate change assessments and the local walking and cycling implementation plan, and the extension of contracts for specialists.

Part C

First Quarter Capital Budget 2020/21



C1) Capital Budget: Strategic Planning & Regeneration Committee (SPI)

C1.1 The position of the 2020/21 SPI 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: SPI 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 Expenditure £000	Projected Slippage to 2021/22 £000
Strategic Planning & Infrastructure								
Mall Bus Station Redevelopment	947	12	935	15	50	870	947	0
Bridges Gyrotory Scheme	86		86		43	43	86	0
Total	1,033	12	1,021	15	93	913	1,033	0

C1.2 Comments on the variances in the table above are as follows:

- Mall Bus Station Redevelopment – 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 with completion due in early 2021.
- Bridges Gyrotory Scheme – the residual budget is being used to fund flood prevention works by the Medway Street subway. Designs have been drawn up and the work is now expected to take place during this year.