

Second Quarter Financial Update 2020/21

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Part A

Executive Summary & Overview



This report provides members with a financial update for the second 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
- 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 £7.087m. 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	1,384
Income Reductions:	
Business Rates (MBC share)	703
Council Tax (MBC share)	855
Other Income	4,162
Total	7,087

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 do not correspond to the in year budget outturn projections. This is mainly due to the statutory accounting arrangements for council tax and business rates, which mean that these losses do not impact the general fund balance until next year. 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 such as underspends that have the effect of mitigating Covid-19 related losses.

To date, support totalling £2.5m has been announced by the government. The council has also submitted a claim for lost income from sales, fees and charges under the government's compensation scheme. The initial claim covers the period between April and July and we are currently awaiting the outcome of this. 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.

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

Part B: Revenue budget – Q2 2020/21

- Overall expenditure at the end Q1 for the services reporting to ERL is £0.630m, compared to the profiled approved budget of £0.506m, representing an overspend of £0.124m. The forecast year end outturn for ERL is a shortfall of £1.088m. It is likely that these forecasts may change in light of the four-week lockdown which, at the date of report publication, MPs are due to vote on.
- We are anticipating funding to mitigate the impact of losses from fees and charges income. A claim covering the first four months of this financial year was submitted in September and we are currently awaiting the outcome of this.

Part C: Capital budget – Q2 2020/21

- Capital expenditure for the services reporting to ERL of £0.327m has been incurred against the approved budget of £3.901m. Forecast spend for the year is £1.311m.

Part B

Second 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 2. 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 – Quarter 2

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 30 September 2020 £000	Actual £000	Variance £000	Forecast 31 March 2020 £000	Forecast Variance 31 March 2020 £000
Cultural Development Arts	12	6	7	-1	12	0
Museum	12	7	18	-12	82	-71
Carriage Museum	4	1	2	-1	4	0
Museum-Grant Funded Activities	0	-3	-24	21	0	0
Hazlitt Arts Centre	284	151	105	46	426	-142
Festivals and Events	-31	-27	-1	-26	0	-31
Lettable Halls	-4	-2	-6	4	-4	0
Community Halls	75	41	32	8	75	0
Leisure Centre	-182	-111	-130	19	318	-500
Mote Park Adventure Zone	-107	-82	20	-102	7	-114
Cobtree Golf Course	-35	0	0	0	-17	-18
Mote Park Cafe	-56	-20	5	-24	12	-68
Tourism	27	14	10	3	43	-15
Museum Shop	-19	-9	-1	-9	17	-36
Maintenance of Closed Churchyards	3	1	3	-2	3	0
Sandling Road Site	24	12	12	-0	24	0
Business Support & Enterprise	5	5	5	0	5	0
Town Centre Management Sponsorship	7	7	7	-0	7	0
Business Terrace	77	70	94	-24	77	0
Business Terrace Expansion (Phase 3)	-13	-7	-11	5	-13	0
Market	-59	-16	50	-66	35	-93
Economic Dev - Promotion & Marketing	-134	-134	-135	1	-134	0
Leisure Services Section	55	50	51	-1	55	0
Cultural Services Section	544	270	257	13	544	0
Visitor Economy Section	117	58	56	2	117	0
Economic Development Section	281	148	121	27	281	0
Market Section	82	41	37	3	82	0
Head of Regeneration and Economic Development	101	51	43	8	101	0
Salary Slippage 4ERL	-32	-16	0	-16	-32	0
Totals	1,038	506	630	-124	2,126	-1,088

B1.2 The table shows that at the end of the second quarter overall net expenditure for the services reporting to ERL is £0.630m, compared to the approved budget of £0.506m, representing a shortfall of £0.124m. It should be noted that this forecast does not take into account further government support for income losses. 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 second 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 £1.088m, 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. At the date of drafting this report, MPs were due to vote on a 4-week lockdown from Thursday 5th November, and the position beyond this remains unclear. It is therefore likely that the forecasts included in this report may need to be revisited and updated to reflect the impact of this.

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
Economic Regeneration & Leisure Committee	£000		
Museum – The museum was closed during the lockdown period, so there has been no opportunity for any income generating activities to take place.		-12	-71
Hazlitt Arts Centre – Although the theatre had remained closed throughout the first lockdown period, the Council has agreed to continue to honour the contractual payments for the first two quarters of the year. A separate report on the agenda for this meeting provides further detail on the future options regarding this contract.	46		-142
Mote Park Adventure Zone – 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 budgeted income for the year.		-102	-114
Mote Park Café – The café continues to be closed, so there is no income from it.		-24	-68

<p>Market - 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.</p>		-66	-93
<p>Leisure centre – 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. The projected variance may be mitigated if we are successful in bidding against the £100 million fund that the government has established to compensate leisure providers for loss of income during the pandemic.</p>			-500

Part C

Second 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 2 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 2)

Capital Programme Heading	Estimate 2020/21 £000	Actual to September 2020 £000	Budget Remaining £000	Q3 Profile £000	Q4 Profile £000	Projected Total Expenditure £000	Projected Slippage to 2021/22 £000
Economic Regeneration & Leisure							
Mote Park Visitor Centre	2,053	4	2,049	20	20	44	2,009
Mote Park Lake - Dam Works	1,723	322	1,401	442	377	1,141	582
Museum Development Plan	125		125		125	125	
Total	3,901	327	3,575	462	522	1,311	2,591

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 Lake – Dam Works – the project is now under way and should be completed by the end of the financial year.