

# 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 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 £7.237m. 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	1,483
Income Reductions:	
Business Rates (MBC share)	760
Council Tax (MBC share)	721
Other Income	4,273
<b>Total</b>	<b>7,237</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 next year.
- 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 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 is due to be paid at the end of November. Two further claims will be submitted (one in December 2020, the other in April 2021) covering the remainder of this financial year. 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 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 – Q2 2020/21

- Overall expenditure at the end Q2 for the services reporting to CHE is £2.595m, compared to the profiled approved budget of £2.935m, representing an underspend of £0.340m. The forecast year end outturn for CHE is an underspend of £0.120m.
- 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 £1.7m for the council as a whole.

#### Part C: Capital budget – Q2 2020/21

- Capital expenditure for the services reporting to CHE of £2.852m has been incurred against the approved budget of £23.947m. Forecast spend for the year is £12.332m.

# 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 CHE 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).

### CHE 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 2021 £000	Forecast Variance 31 March 2021 £000
Parks & Open Spaces	1,004	516	462	54	954	50
Playground Maintenance & Improvements	149	73	69	4	149	0
Parks Pavilions	40	20	10	9	40	0
Mote Park	265	135	151	-16	265	0
Parks & Open Spaces Leisure Activities	-5	-3	1	-4	-5	0
Mote Park Leisure Activities	-38	-19	0	-19	-38	0
Allotments	13	8	5	2	13	0
Cemetery	54	50	19	31	24	30
National Assistance Act	-0	-0	0	-0	-0	0
Crematorium	-854	-380	-401	20	-949	96
Community Safety	28	-3	-6	3	28	0
PCC Grant - Building Safer Communities	0	-16	-18	2	0	0
CCTV	75	9	7	2	75	0
Drainage	32	16	0	16	32	0
Licences	-6	-0	1	-1	7	-12
Licensing Statutory	-64	-32	-35	3	-8	-57
Licensing Non Chargeable	8	4	4	-0	8	0
Dog Control	29	12	14	-1	29	0
Health Improvement Programme	9	9	0	9	9	0
Pollution Control - General	1	-2	3	-5	1	0
Contaminated Land	1	0	-0	0	1	0
Waste Crime	28	17	4	13	28	0
Food Hygiene	9	4	-1	5	9	0
Sampling	4	1	0	1	4	0
Occupational Health & Safety	-6	-3	-2	-1	-6	0
Infectious Disease Control	1	1	1	-0	1	0
Noise Control	1	0	0	0	1	0
Pest Control	-12	-6	-1	-5	-12	0
Public Conveniences	207	99	123	-24	207	0
Licensing - Hackney & Private Hire	-63	-33	-20	-14	-7	-56
Street Cleansing	1,152	551	524	27	1,117	35
Household Waste Collection	1,200	605	571	34	1,150	50
Commercial Waste Services	-61	-32	-37	4	-61	0
Recycling Collection	788	228	148	81	678	110

(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 2021 £000	Forecast Variance 31 March 2021 £000
Community Environmental Engagement	0	0	0	-0	0	0
Community Hub	0	-72	45	-117	117	-117
Public Health - Obesity	0	-8	-3	-6	0	0
Public Health - Misc Services	0	-4	-1	-3	0	0
Grants	177	88	87	1	177	0
Delegated Grants	2	2	0	2	2	0
Parish Services	130	65	65	0	130	0
Member's Community Grant	0	0	1	-1	0	0
General Fund Residential Properties	-95	-48	-28	-20	-95	0
Strategic Housing Role	14	8	2	6	14	0
Housing Register & Allocations	11	10	11	-2	11	0
Private Sector Renewal	-47	-49	-50	1	-47	0
HMO Licensing	-20	-10	-4	-6	-20	0
Homeless Temporary Accommodation	409	205	180	25	515	-106
Homelessness Prevention	264	-454	-471	17	264	0
Predictive Analysis and Preventing Homelessness	57	57	57	0	57	0
Aylesbury House	23	12	2	10	23	0
Magnolia House	9	4	-10	14	9	0
St Martins House	0	2	-2	4	0	0
Marsham Street	61	31	26	5	61	0
Sundry Temporary Accommodation (TA) Properties	2	3	-9	12	2	0
Pelican Court (Leased TA Property)	0	-12	-9	-3	0	0
2 Bed Property - Temporary Accommodation	-59	-30	-45	14	-59	0
3 Bed Property - Temporary Accommodation	-38	-19	-26	7	-38	0
4 bed Property - Temporary Accommodation	-1	0	-4	4	-1	0
1 Bed Property- Temporary Accommodation	3	2	0	1	3	0
Melville Road Supported Accommodation	-28	-15	-27	11	-28	0
Marden Caravan Site (Stilebridge Lane)	19	9	-2	10	19	0
Ulcombe Caravan Site (Water Lane)	7	0	-1	1	7	0
Head of Environment and Public Realm	107	53	49	4	107	0
Bereavement Services Section	251	126	127	-1	251	0
Community Partnerships & Resilience Section	447	223	199	24	447	0
Licensing Section	113	57	53	4	113	0
Environmental Protection Section	267	134	133	0	267	0
Food and Safety Section	262	131	131	0	262	0
Depot Services Section	807	404	378	26	807	0
Head of Housing & Community Services	112	56	55	0	112	0
Homechoice Section	214	83	74	9	214	0
Housing & Inclusion Section	593	144	115	28	593	0
Housing & Health Section	270	42	16	26	270	0
Housing Management	273	95	97	-2	273	0
Homelessness Outreach	6	-162	-158	-4	6	0
Salary Slippage 3CHE	-150	-75	0	-75	-150	0
Fleet Workshop & Management	241	121	80	41	189	52
MBS Support Crew	-63	-32	-23	-8	-63	0
Grounds Maintenance - Commercial	-135	-68	-112	45	-180	45
<b>Totals</b>	<b>8,502</b>	<b>2,935</b>	<b>2,595</b>	<b>340</b>	<b>8,382</b>	<b>120</b>

B1.2 The table shows that at the end of the second quarter overall net expenditure for the services reporting to CHE is £2.595, compared to the approved budget of £2.935m, representing an underspend of £0.340m. 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 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. For this committee the area that is most impacted is licencing, with a lack of demand for the service. A further issue is an anticipated increase in the demand for temporary accommodation should the current restrictions on landlords evicting tenants cease. However with less significant issues in other service areas the year-end forecast for this committee is for an underspend of £0.120m, 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.

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 impact of the second wave will become more apparent by the time of the third quarter report in the new year.

	Positive Variance Q2	Adverse Variance Q2	Year End Forecast Variance
<b>Communities, Housing &amp; Environment Committee</b>	<b>£000</b>		
<b>Licensing</b> – Due to the impact of Covid-19 a shortfall in income is now forecast for the end of the year.		-12	-125
<b>Recycling Collection</b> – Demand for green bins and wheeled bins continues to be high and is forecast to continue to increase for the remainder of the year.	81		110
<b>Community Hub</b> – The hub was set up to help vulnerable people in the community during the early stages of the Covid-19 outbreak. All the costs are expected to be funded by the end of the year via the grants received that were referenced earlier in the Contingency budget		-116	-116

<p><b>Homelessness Temporary Accommodation</b> – The forecast overspend arises from additional costs to accommodate rough sleepers during the lockdown. Additionally, under the emergency Covid-19 measures, landlords were prevented from evicting tenants during lockdown. This presents a possible risk of increased demand for temporary accommodation.</p>	24		-106
<p><b>Depot Operations</b> – This covers the Fleet Workshop, MBS Support Crew and Commercial Grounds Maintenance. There are reduced costs in the workshop, and grounds maintenance has generated more income than had been forecast.</p>	77		97

# Part C

# Second Quarter Capital Budget 2020/21



## B1) Capital Budget: Communities, Housing & Environment Committee (CHE)

B1.1 The position of the 2020/21 CHE 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: CHE 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
<b>Communities, Housing &amp; Environment</b>							
Housing - Disabled Facilities Grants Funding	1,577	241	1,336	150	200	591	986
Housing Investments	2,343	500	1,843	335	1,052	1,887	456
Brunswick Street - Costs of Scheme	4,233	1,672	2,561	1,269	1,292	4,233	0
Brunswick Street - Receipts	-1,502	-636	-866	-769	-97	-1,502	0
Union Street - Costs of Scheme	5,201	1,516	3,685	2,503	1,182	5,201	-0
Union Street - Receipts	-2,100	-599	-1,501	-744	-757	-2,100	0
Springfield Mill	1,807	8	1,799	900	899	1,807	0
Granada House Extension	1,664	12	1,652	114		126	1,538
Indicative Schemes	8,042	3	8,039	174		177	7,865
Affordable Housing Programme	1,315		1,315	138	264	402	913
Acquisitions Officer - Social Housing Delivery Partnership	80	34	46	23	23	80	0
Street Scene Investment	96	78	18	9	9	96	-0
Flood Action Plan	400		400	25	25	50	350
Electric Operational Vehicles	100		100	100		100	
Rent & Housing Management IT System	50		50				50
Installation of Public Water Fountains	15		15	15		15	
Commercial Projects - Cemetery Chapel Repairs	230		230	30	200	230	
Continued Improvements to Play Areas	297	23	274	50	50	123	174
Other Parks Improvements	99		99		99	99	-0
<b>Total</b>	<b>23,947</b>	<b>2,852</b>	<b>21,095</b>	<b>4,322</b>	<b>4,441</b>	<b>11,615</b>	<b>12,332</b>

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

Housing Investments – Phase 4 of the purchase and repair scheme to acquire properties for temporary accommodation is now underway.

Brunswick Street and Union Street – Construction at both sites was delayed due to Covid-19, and both schemes are now around 4 months behind schedule, but they are both due to be completed by the end of the financial year.

Indicative Schemes – A number of schemes are being considered and are at various stages of development. Where a decision is taken to proceed a more detailed report will be brought forward for consideration as with two schemes which were considered at the last meeting of the Policy & Resources Committee.