

Second Quarter Financial Update 2020/21

Strategic Planning & Infrastructure Committee
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Contents

Part A: Executive Summary & Overview Page 2

Part B: Revenue Budget Q2 2020/21

B1) Revenue Budget Page 5

Part C: Capital Budget Q2 2020/21

C1) Capital Budget Page 9

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
Total	7,237

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 payment was received 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 SPI is £0.498m, compared to the profiled approved budget of -£0.312m, representing a shortfall of £0.810m. The forecast year end outturn for SPI is an overspend of £1.473m.
- We have now received the first tranche of funding under the government's compensation scheme for sales, fees and charges. Two further claims will be submitted to this scheme later in the year.

Part C: Capital budget – Q2 2020/21

- Capital expenditure for the services reporting to SPI of £37,000 has been incurred against the approved budget of £1.123m. Forecast spend for the year is £0.967m.

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 SPI 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).

SPI 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
Building Regulations Chargeable	-385	-203	-207	3	-346	-39
Building Control	-1	-0	2	-3	-1	0
Street Naming & Numbering	-82	-41	-10	-31	-37	-45
Development Control Advice	-251	-125	-83	-42	-161	-90
Development Control Appeals	127	41	38	4	127	0
Development Control Majors	-556	-275	-218	-57	-409	-148
Development Control - Other	-712	-357	-324	-34	-640	-72
Development Control Enforcement	68	56	21	34	68	0
Planning Policy	349	233	235	-2	349	0
Neighbourhood Planning	25	25	31	-6	25	0
Conservation	-11	-7	0	-7	-11	0
Land Charges	-298	-147	-161	14	-264	-34
Development Management Section	967	481	476	5	967	0
Spatial Policy Planning Section	469	202	150	52	469	0
Head of Planning and Development	118	59	56	3	118	0
Development Management Enforcement Section	185	93	99	-7	185	0
Building Surveying Section	444	224	216	8	444	0
Mid Kent Planning Support Service	356	176	100	77	245	111
Heritage Landscape and Design Section	243	126	110	15	243	0
CIL Management Section	84	42	13	29	31	53
Mid Kent Local Land Charges Section	94	40	32	8	94	0
Salary Slippage	-90	-45	0	-45	-90	0
Sub-Total - Planning Services	1,144	597	579	18	1,408	-264

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

(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
Environment Improvements	25	12	1	11	25	0
Name Plates & Notices	19	9	7	2	19	0
Arterial Route Improvements	0	0	0	-0	0	0
On Street Parking	-413	-191	-54	-137	-187	-226
Residents Parking	-207	-120	-104	-15	-157	-50
Pay & Display Car Parks	-1,846	-805	-120	-685	-1,046	-800
Non Paying Car Parks	11	10	9	1	11	0
Off Street Parking - Enforcement	-116	-52	5	-57	-3	-113
Mote Park Pay & Display	-189	-113	-128	15	-189	0
Sandling Road Car Park	4	2	-0	2	64	-60
Park & Ride	166	119	100	19	166	0
Socially Desirable Buses	0	0	0	0	0	0
Other Transport Services	-10	-5	16	-20	-10	0
Parking Services Section	345	224	188	37	305	40
Sub-Total - Parking Services	-2,211	-909	-81	-828	-1,002	-1,209
Committee Total	-1,068	-312	498	-810	405	-1,473

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

B1.2 The table shows that at the end of the second quarter overall net expenditure for the services reporting to SPI is £0.498m, compared to the approved budget of -£0.312m, representing a shortfall of £0.810m. 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 areas that are most impacted are planning fees, where there has been a fall in demand for the service, and car parking, where user numbers have fallen significantly due to the impact of the first lockdown on the town centre. This means that the forecast outturn for the end of the year is a shortfall of £1.473m, 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
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. There are likely to be some underspends in running costs which will partly offset the reduction in income.		-42	-90
Development Control – Majors – The impact of Covid-19 has now started to be seen in this budget, with income levels now lower than had been seen earlier in the year. However, the reduction is around 25%, which is lower than had been initially forecast at this stage, and it is assumed this will remain the case.		-57	-148
Development Control – Other – The reduction in income has been less than was initially forecast, around 10% for the year to date.		-34	-72
Mid Kent Planning Support Service – This variance reflects a number of vacancies in the team. It is anticipated these posts will be deleted as part of the savings proposals for next year.	77		111

Table 4, Significant variances – Planning Services (Q2 2020/21)

	Positive Variance Q2	Adverse Variance Q2	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 now, with a better level of income for the second quarter than was initially anticipated.		-137	-226
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 but this is expected to be more than offset by the continuing shortfall on PCNs for the remainder of the year.		-15	-50
Pay & Display Car Parks - The effects of Covid-19 have impacted all parking income, although it is recovering now. There was an initial increase in occupancy rates when the town centre re-opened, but this has now levelled off, with long stay car parks particularly affected.		-684	-800

Off Street Parking – Enforcement – Penalty Charge Notice income has dropped significantly, although as occupancy levels increase in the car parks the income levels should improve. This budget also saw a better than expected level of income in the second quarter.		-57	-113
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Table 5, Significant variances – Parking Services (Q2 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 September 2020 and planned further spending over the remainder of the year.

Opening Balance 01/04/2020 (including 2020/21 allocation)	Spending April - September 2020	Forecast Spending October - March 2021	Forecast Spending Balance 31/03/2021
£	£	£	£
508,280	284,589	268,213	-44,522

Table 7, Local Plan Review budget (Q2, 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 spending for 2020/21 exceeds the funding available by £44,522. Officers are 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

Second Quarter Capital Budget 2020/21



B1) Capital Budget: Strategic Planning & Infrastructure Committee (CHE)

B1.1 The position of the 2020/21 SPI 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 8: SPI Capital Programme 2020/21 (@ Quarter 2)

Capital Programme Heading	Actual to		Budget Remaining	Q3 Profile	Q4 Profile	Projected Total Expenditure	Projected Slippage to 2021/22
	Estimate 2020/21	September 2020					
	£000	£000	£000	£000	£000	£000	£000
Strategic Planning & Infrastructure							
Mall Bus Station Redevelopment	1,037	37	1,000	50	860	947	90
Bridges Gyratory Scheme	86		86	10	10	20	66
Total	1,123	37	1,086	60	870	967	156

B1.2 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 Gyratory 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 in the new calendar year.