

Third Quarter Financial Update 2020/21

Strategic Planning & Infrastructure Committee

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Part A

Executive Summary & Overview

This report provides members with a financial update for the third 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 £7.568m. 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	1,935
Income Reductions:	
Business Rates (MBC share)	774
Council Tax (MBC share)	665
Other Income	4,194
Total	7,568

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 two claims for lost income from sales, fees and charges under the government's compensation scheme, covering the period April - November. Two further claims will be submitted covering the remainder of this financial year and the first quarter of 2021-22. Funding of £2.1m has been applied for under this scheme to date, although this amount will be subject to a reconciliation and audit process by MHCLG.

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 all 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 – Q3 2020/21

- Overall net expenditure at the end of Q3 for the services reporting to SPI is £0.395m, compared to the profiled approved budget of -£0.724m, representing a shortfall of £1.119m. The forecast year end outturn for SPI is an overspend of £1.946m.
- 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 £2.5m for the council as a whole for this financial year.

Part C: Capital budget – Q3 2020/21

- There has been no capital expenditure incurred for the services reporting to SPI against the approved budget of £86,000. Forecast spend for the year is £20,000.

Part B

Third 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 3. 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 3

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 31 December 2020 £000	Actual £000	Variance £000	Forecast 31 March 2021 £000	Forecast Variance 31 March 2021 £000
Building Regulations Chargeable	-385	-292	-327	35	-411	26
Building Control	-1	-1	2	-2	-1	0
Street Naming & Numbering	-82	-61	-22	-39	-32	-50
Development Control Advice	-251	-186	-156	-30	-196	-54
Development Control Appeals	127	47	41	6	127	0
Development Control Majors	-556	-417	-300	-117	-401	-156
Development Control - Other	-712	-536	-480	-55	-645	-66
Development Control Enforcement	68	33	30	3	68	0
Planning Policy	422	311	314	-3	422	0
Neighbourhood Planning	25	25	11	14	25	0
Conservation	-11	-7	0	-7	-11	0
Land Charges	-298	-221	-252	31	-298	0
Development Management Section	0	0	0	-0	0	0
Spatial Policy Planning Section	474	316	318	-2	474	0
Head of Planning and Development	117	87	86	1	117	0
Development Management Enforcement Section	182	136	130	7	182	0
Building Surveying Section	438	338	331	7	438	0
Mid Kent Planning Support Service	351	261	157	104	267	84
Heritage Landscape and Design Section	221	166	164	2	221	0
CIL Management Section	73	55	31	23	73	0
Mid Kent Local Land Charges Section	98	64	42	21	98	0
Development Management Section – Majors	285	214	205	9	285	0
Development Management Section – Others	677	508	512	-4	677	0
Salary Slippage	-72	-54	0	-54	-0	-72
Sub-Total - Planning Services	1,191	786	838	-52	1,479	-288

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

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Cost Centre	Approved Budget for Year £000	Budget to 31 December 2020 £000	Actual £000	Variance £000	Forecast 31 March 2021 £000	Forecast Variance 31 March 2021 £000
Environment Improvements	4	3	2	1	4	0
Name Plates & Notices	19	14	11	3	19	0
Arterial Route Improvements	0	0	0	-0	0	0
On Street Parking	-381	-281	-204	-77	-198	-183
Residents Parking	-207	-150	-152	2	-207	0
Pay & Display Car Parks	-1,840	-1,346	-361	-985	-469	-1,371
Non Paying Car Parks	16	14	14	0	16	0
Off Street Parking - Enforcement	-116	-84	-7	-77	13	-129
Mote Park Pay & Display	-189	-157	-180	23	-189	0
Sandling Road Car Park	3	2	-0	2	3	0
Park & Ride	166	144	117	27	150	16
Other Transport Services	-5	-4	22	-26	31	-36
Parking Services Section	310	334	295	38	265	45
Sub-Total - Parking Services	-2,221	-1,510	-443	-1,068	-563	-1,658
Committee Total	-1,030	-724	395	-1,119	917	-1,946

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

- B1.2 The table shows that at the end of the third quarter overall net expenditure for the services reporting to SPI is £0.395m, compared to the approved budget of -£0.724m, representing a shortfall of £1.119m. It should be noted that this forecast does not take into account further government support for income losses mentioned earlier in this report.
- B1.3 The table indicates that in certain areas, significant variances to the budgeted income levels have emerged during the third 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 continue to be the 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 both lockdowns on the town centre. This means that the forecast outturn for the end of the year is a shortfall of £1.999m, 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.

The budget shown is now the revised estimate for 2020/21.

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000		
PLANNING SERVICES			
Development Control Advice – Income for pre-application discussions has continued to be at around 60% of what would normally be expected. There are likely to be some underspends in running costs which will partly off-set the reduction in income.		-30	-54
Development Control – Majors – The reduction in income is explained by a number of factors, primarily the impact of Covid-19 and Brexit. However, the reduction has been less than was initially forecast earlier in the year.		-117	-156
Development Control – Other – The reduction in income has been less than was initially forecast, around 10% for the year to date.		-55	-66

Table 4, Significant variances – Planning Services (Q3 2020/21)

	Positive Variance Q3	Adverse Variance Q3	Year End Forecast Variance
Strategic Planning & Infrastructure Committee	£000		
PARKING SERVICES			
On Street Parking – Penalty Charge Notice (PCN) and parking meter income had started to recover after the first lockdown but has now reduced further following the second lockdown.		-77	-183
Pay & Display Car Parks - There was an initial increase in occupancy rates when the town centre re-opened after the first lockdown but once again income levels and occupancy rates have fallen dramatically following the second lockdown.		-985	-1,371
Off Street Parking – Enforcement – PCN income had started to recover after the first lockdown but has now reduced further following the second lockdown.		-77	-129

Table 5, Significant variances – Parking Services (Q3 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 31 December 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
£'s	£'s	£'s	£'s
508,280	416,310	154,814	-62,844

Table 7, Local Plan Review budget (Q3, 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 £62,844.

The primary reasons for the variance arise from increased spending in relation to sustainability appraisals, transport modelling, the accelerated timetable for LPR completion and the extension of contracts for specialist contractors.

The in-year overspend will be addressed as follows:

- £55,750 will be offset against a reduction in revenue costs for the Director of Regeneration and Place. This is a result of work which the Director of Regeneration and Place is currently undertaking relating to the Garden Community project, which will be capitalised.
- It is proposed that a £15,000 underspend on a project which was funded from the business rates pilot (Affordable Housing Supplementary Planning Guidance) be reallocated to the Local Plan Review budget. **This proposal is subject to the agreement of Policy & Resources Committee at its meeting on 10 February.**
- The residual overspend of £62,844 based on current forecasts will be funded through corporate contingency budgets.

Part C

Third 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 3 stage is presented in Table 3 below. The budget for 2020/21 includes resources brought forward from 2019/20. The budget shown is the revised estimate for 2020/21.

Table 8: SPI Capital Programme 2020/21 (@ Quarter 3)

Capital Programme Heading	Revised Estimate 2020/21 £000	Actual to December 2020 £000	Budget Remaining £000	Q4 Profile £000	Projected Total Expenditure £000	Projected Slippage to 2021/22 £000
Bridges Gyrotory Scheme	86		86	20	20	66
Total	86		86	20	20	66

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

Bridges Gyrotory Scheme – the residual budget is being used to fund flood prevention works by the Medway Street subway. Designs have been drawn up. When the necessary approvals have been obtained from Kent County Council Highways Department contractors will be appointed to carry out the work.