

Fourth 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 Q4 2020/21

B1) Revenue Budget Page 5

Part C: Capital Budget Q4 2020/21

C1) Capital Budget Page 9

Part A

Executive Summary & Overview



This report provides members with the provisional outturn for 2020/21 for this committee's revenue and capital accounts for the fourth quarter of 2020/21.

Members will be aware that since the budget was agreed in February 2020, 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.

As reported throughout the financial year, it was anticipated that this would result in adverse budget variances for many service areas for 2020/21, particularly in relation to income. However, progressively more generous government support and active mitigation of the losses have resulted in an overall underspend of £1.2m for the 2020/21 financial year. This is essentially an over-correction for the very significant losses that the Council has incurred. The underspend is one-off in nature and does not give a true reflection of the underlying budget position.

The overall position for the Council as reported to government on our monthly financial monitoring returns is summarised in table 1 below, along with funding that we have received from central government during the year. 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.

	£000
<i>Additional Spending</i>	1,668
Income Reductions:	
Business Rates (MBC share)	895
Council Tax (MBC share)	591
Other Income	4,699
Total	7,853
<i>Offset by</i>	
Unringfenced government grants	2,525
Sales, fees and charges compensation (estimated)	2,321
Tax Income Guarantee compensation (estimated)	52
New Burdens funding	567
Service specific grants	743
	6,208

Table 1, Covid-19 financial impact and government funding

It should be noted that the projections detailed within table 1 do not correspond to the in-year budget outturn. This arises for the following 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.

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 grants totalling £2.5m, the council has received funding which can be clearly matched to additional expenditure, or outgoing grants. These funding streams have been used during the year to offset increased costs incurred in responding to the Covid-19 pandemic. Any unspent funding at 31 March which is ringfenced for specific activities will be carried forward into the current financial year and will be used to fund further activities which support the intended purpose of the grant.

The budget figures shown for revenue and capital are the revised estimate for 2020/21.

The headlines for Quarter 4 are as follows:

Part B: Revenue budget – Q4 2020/21

- Overall net expenditure at the end of Q4 for the services reporting to SPI is £1.251m, compared to the profiled approved budget of -£0.468m, representing a shortfall of £1.719m.
- We are due to receive funding to mitigate the impact of losses from fees and charges income. Current estimates are that this funding will be in the region of £2.3m for the council as a whole for the financial year.

Part C: Capital budget – Q4 2020/21

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

Part B

Fourth 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 4. 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 4

(a)	(b)	(c)	(d)
Cost Centre	Approved Budget for Year £000	Actual £000	Variance £000
Building Regulations Chargeable	-385	-445	61
Building Control	-1	2	-3
Street Naming & Numbering	-82	-38	-43
Development Control Advice	-251	-208	-42
Development Control Appeals	127	205	-78
Development Control Majors	-550	-445	-105
Development Control - Other	-709	-618	-91
Development Control Enforcement	68	28	41
Planning Policy	581	639	-57
Neighbourhood Planning	4	3	1
Conservation	-11	5	-16
Land Charges	-298	-331	33
Development Management Section	0	0	-0
Spatial Policy Planning Section	523	473	50
Head of Planning and Development	126	128	-2
Development Management Enforcement Section	200	180	20
Building Surveying Section	475	489	-14
Mid Kent Planning Support Service	403	321	82
Heritage Landscape and Design Section	248	247	1
CIL Management Section	82	25	57
Mid Kent Local Land Charges Section	103	91	12
Development Management Section – Majors	308	305	3
Development Management Section – Others	761	762	-1
Salary Slippage	-72	0	-72
Sub-Total - Planning Services	1,651	1,815	-164

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

(a)	(b)	(c)	(d)
Cost Centre	Approved Budget for Year £000	Actual £000	Variance £000
Environment Improvements	0	2	-2
Name Plates & Notices	19	13	5
Arterial Route Improvements	11	11	-0
On Street Parking	-381	-234	-147
Residents Parking	-207	-214	7
Pay & Display Car Parks	-1,789	-479	-1,311
Non Paying Car Parks	15	13	2
Off Street Parking - Enforcement	-116	13	-129
Mote Park Pay & Display	-189	-241	52
Sandling Road Car Park	3	84	-80
Park & Ride	164	153	11
Other Transport Services	-5	3	-8
Parking Services Section	357	312	45
Sub-Total - Parking Services	-2,119	-564	-1,555
Totals	-468	1,251	-1,719

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

- B1.2 The table shows that at the end of the fourth quarter overall net expenditure for the services reporting to SPI is £1.251m, compared to the approved budget of -£0.468m, representing a shortfall of £1.719m.
- B1.3 The table indicates that in certain areas, significant variances to the budgeted income levels have emerged during the fourth 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 have been 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.

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

	Positive Variance Q4	Adverse Variance Q4
Strategic Planning & Infrastructure Committee	£000	
PLANNING SERVICES		
Building Control Chargeable – The service has achieved additional income through the year as well as a slight reduction in running costs.	61	
Development Control Appeals – This variance is primarily down to costs incurred for the Church Road Otham appeal.		-78
Development Control Majors - The reduction in income is explained by a number of factors, primarily new legislation relating to affordable housing introduced in response to the pandemic and issues around the Local Plan. However, the reduction has been less than was initially forecast earlier in the year.		-105
Development Control Other - The reduction in income has been less than was initially forecast, around 10% for the year to date.		-91
Salary Slippage - There is a credit budget for 'salary slippage' being the savings arising from staff vacancies. These are reflected in the actual figures for individual sections (ie staff teams). The section codes underspent in aggregate by £208,000 (£253,000 including Parking). This was significantly more than the budget for salary slippage and reflects a policy of deliberately holding posts vacant to address the budget risks that it was originally thought would be posed by Covid-19.		-72

Table 4, Significant variances – Planning Services (Q4 2020/21)

	Positive Variance Q4	Adverse Variance Q4
Strategic Planning & Infrastructure Committee	£000	
PARKING SERVICES		
On Street Parking – Penalty Charge Notice (PCN) and parking meter income recovered during quarters 2 and 3 but fell again in the final quarter due to the last lockdown.		-146
Pay & Display Car Parks – Income levels recovered during quarters 2 and 3 and occupancy rates levelled off, but income fell again during the final quarter due to the last lockdown.		-1,310
Off Street Parking Enforcement - PCN and parking meter income had recovered during quarters 2 and 3 but fell again in the final quarter due to the last lockdown.		-129
Mote Park Pay & Display – Despite the lockdowns occupancy rates were high throughout the year leading to increased income.	52	

Table 5, Significant variances – Parking Services (Q4 2020/21)

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, and the spend as at 31st March 2021.

Opening Balance 01/04/2020 (including 2020/21 allocation)	Budget Adjustments	Actual Spend 2020/21	Variance against adjusted budget
£'s	£'s	£'s	£'s
508,280	73,210	638,847	-57,357

Table 6a, Local Plan Review budget (Q4, 2020/21)

B4.3 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.

B4.4 As previously agreed by Policy & Resources committee, the in-year overspend has been 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.
- A £15,000 underspend on a project which was funded from the business rates pilot (Affordable Housing Supplementary Planning Guidance) has been reallocated to the Local Plan Review budget.
- The residual overspend has been funded through corporate contingency budgets.

2021/22

B4.5 Looking ahead to the 2021/22 financial year, spend for April and May has been summarised below:

Staffing costs	£76,637
Commissioned work	<u>£7,281</u>
Total	£83,918

The cost for commissioned work represents expenditure incurred to date on economic impact consultancy.

B4.6 Funding for the work in the current financial year is as follows:

Annual LPR budget	£200,000
Section 106 funding for Town Centre Planning	£78,333
Vacancies within permanent staffing budget	£45,000
Capitalisation of Director of Regeneration & Place	<u>£41,813</u>
Total	£365,146

B4.7 This budget is now managed by Head of Planning and Development who is seeking to ensure that expenditure can be met from the available resources. Spend in this area continues to be carefully monitored with the support of finance officers.

Part C

Fourth 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 4 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 4)

Capital Programme Heading	Adjusted Estimate 2020/21 £000	Actual to March 2021 £000	Budget Remaining £000
Strategic Planning & Infrastructure			
Bridges Gyratory Scheme	86		86
Total	86		86

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

Bridges Gyratory 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.