

5. BUDGET MANAGEMENT 2016/17 – PROGRESS REPORT APRIL TO JULY 2016

REPORT OF: Head of Finance
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Wards Affected: All
Key Decision: No
Report to: Cabinet
6th September 2016

EXECUTIVE SUMMARY AND RECOMMENDATIONS

Purpose of Report

1. This report reviews the progress on the Revenue Budget, Capital Programme and Treasury Management for 2016/17.

Summary

2. The forecast revenue outturn position for 2016/17 at the end of July is showing a projected net underspend of £123,000 against the original estimate. This continues to mainly relate to over-performance of income in Development Management offset by a number of pressures in services areas.
3. Funding is to be made available so that 500 Garden Waste bins are rapidly delivered in early September, thereby reducing the waiting time for this service to around four weeks. Bin delivery thereafter will continue at 50 to 60 per week

Recommendations

4. **To recommend to Council for approval:**
 - (i) **That £20,000 from the revenue underspend is transferred to a Specific Reserve as detailed in paragraph 25;**
 - (ii) **the variations to the Capital Programme contained in paragraph 30 in accordance with the Council's Financial Procedure rule B4.**

To note:

- (iii) **the remainder of the report;**
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REVENUE SPENDING

Position to the end of July 2016

5. This is the second budget management report for the current financial year. This is intended to inform Members how key income and expenditure targets are performing after the first four months of 2016/17, and to give an indication of the likely position at the end of the year.

Expenditure and Income to date

6. Table 1 details 'actuals' to date for the key income categories and salaries expenditure, compared to their profiled budgets. It gives a snapshot position on performance to the end of July only, together with comparative figures for the previously reported period, in order to show movement trends. This table also details the projected year-end position for these key income categories, but this only forms part of the consideration for the year-end predictions for the Council's overall revenue budget.

INCOME	2016/17 Actual to July £'000	Profiled 2016/17 Budget £'000	2016/17 Original Budget £'000	Pressure/ (Saving) To end July £'000	Pressure/ (Saving) To end May £'000	Projected Year-end Variance £'000
Car Park Charges	(653)	(640)	(1,908)	(13)	16	(52)
Development Management Fees	(452)	(307)	(919)	(145)	(52)	(323)
Building Control Fees	(192)	(179)	(486)	(13)	12	0
Land Charges	(54)	(56)	(150)	2	6	0
Licensing Act Fees	(29)	(14)	(138)	(15)	(10)	0
Hackney Carriage Fees	(59)	(41)	(124)	(18)	(3)	0
Outdoor Facilities Income	(134)	(135)	(295)	1	(1)	0
Garden Waste	(271)	(283)	(1,020)	12	22	(25)
Leisure Contract Income	(390)	(384)	(1,537)	(6)	0	(21)
Industrial Estates Rents	(272)	(277)	(600)	5	0	0
Town Centre Rents	(180)	(180)	(659)	0	0	0
Depots Rents	(37)	(36)	(72)	(1)	0	0
General/Miscellaneous Property	(99)	(99)	(201)	0	0	0
Total Income	(2,822)	(2,636)	(8,109)	(191)	(10)	(421)
EXPENDITURE						
Salaries	3,621	3,610	10,830	11	3	35

7. Car parking income is above budget by £13,000 in the first four months operation of the service. This is detailed in Table 2 below. This includes additional Pay and Display Income of £42,000, offset by a shortfall in season ticket income of £29,000. The Season Ticket shortfall is mainly the result of lower than expected take up of the new Boltro Road car park. The forecast is based on outturn 2015/16 and assuming a similar shortfall in income for Season Tickets of £17,000 and an average of two past years additional Pay and Display Income of £69,000. The overall forecast for the year is an additional £52,000.

Table 2: Car Parking Income variance

	<i>Actual April to July (Over)/ under target £'000</i>	<i>Outturn 2015/16 (Over)/ under target £'000</i>	<i>Forecast 2016/17 (Over)/ under target £'000</i>
Pay & Display tickets	(42)	(82)	(69)
Season Tickets	29	17	17
Total additional income	(13)	(65)	(52)

8. Development management income is £145,000 above target for April and July. Additional income is expected in the short term, pending approval of the District Plan. Therefore, additional income totalling £323,000 has been forecast for the year, based on an average of the two most recent year's actual income.
9. At the end of July, Building Control Income is above budget by £13,000. Vacant posts at the start of the year contributed to loss of income due to a reduction in capacity. These posts have now been filled, which has generated additional income. At this stage there does not appear to be an ongoing trend and the projection remains unchanged.
10. At the end of July Land Charges income is below budget by £2,000. There has been a slow start to this financial year which has been caused by the end of stamp duty rates favourable to buyers on 1st April 2016 and the uncertainty caused by Brexit in June. No change to the full year projection is anticipated at this stage.
11. Licencing income is £15,000 above target for April to July. This is mainly due to the profiling of income, which can fluctuate, so the forecast remains unchanged.
12. Hackney Carriage Fees are above target by £18,000 for the first four months of this financial year. This is due to a recent change in Licencing Fees to three and five year licences. We are in the process of identifying income relating to future years in order to exclude this for monitoring purposes. However, no variation to the full year budget is anticipated at this stage.
13. Outdoor facilities income is £1,000 below budget after the first four months of the year. No change to the full year projection is anticipated at this stage.
14. Based on the current budget profile, Garden Waste income is £12,000 below target at the end of July. Expansion of the Garden Waste service is expected to deliver additional gross income of £130,000 which was reflected in the 2016/17 budget based on an additional 2000 customers. Growth is on target with approximately 50 new customers per week following the introduction of the new rounds. However, due to a two month time delay between when bins are ordered and when cash is received, some of the anticipated growth will be deferred to next year, resulting in a forecast £7,000 shortfall.

15. A plan to purge the existing waiting list and bring forward growth of 500 new customers previously budgeted for 2017/18, will cost a further £10,750 (£3,750 additional delivery costs and £7,000 additional temporary staffing costs). This 12 day project will start 12th September and will result in an additional £32,000 income in 2016/17, revising the forecast to a £25,000 surplus..
16. The value of the Leisure Contract is subject to annual indexation and the forecast was amended previously by £21,000 to reflect an ongoing saving from the 2015/16 calculation.
17. Industrial Estates rents are £5,000 below target at the end of July. There have been increases in rent received as a result of a number of historic commercial rent reviews being concluded. Where historic rent reviews have been completed, the Council has allowed some tenants, which are local SMEs, to enter into temporary payment arrangements which allow them to spread the backdated rent over a few months, in order to alleviate some financial pressure. It is anticipated that the projected income will be on target once the backdated rents are fully recovered throughout the financial year. It is not proposed to amend the forecast for the year at this stage and the situation will be kept under review.
18. Depots rent is £1,000 above target at the end of July. The forecast for the year has not been amended at this stage.
19. The salaries expenditure to the end of July is showing a small pressure of £11,000 against the profiled budget. The overall forecast year-end variation on salaries is a net £35,000 overspend as set out in Table 1 above. Further detail is set out Appendix A of this report and the last Budget Management Report to Cabinet on 11th July 16.
20. In summary, based on current information available and as outlined in Appendix A, the current forecast year-end position (at the end of July 2016), is an under spend of £123,000.

Miscellaneous

21. The total remaining in Balance Unallocated is unchanged at £41,000 as there has been no utilisation to date.
22. In June, we received a grant payment of £618 from the Department for Work and Pensions to meet the costs of New Burdens in respect of Pension Credit Assessed income. This sum will be pooled along with similar allocations received by our Census Partners to meet this additional cost.
23. In June, we received a grant payment of £1,298 from the Department for Work and Pensions in respect of Local Authority Data Sharing: IT costs. This sum will be pooled along with similar allocations received by our Census Partners to meet this additional cost.
24. In July, we also received a grant payment of £16,117 from the Department for Work and Pensions for New Burdens in respect of Benefits Cap Changes. This sum will be pooled along with similar allocations received by our Census Partners to meet this additional cost.

Use of Underspend

25. Members are requested to consider the following £20,000 allocation of monies from revenue underspend:

- a) There will be a £50,000 pressure resulting from a legal requirement to undertake a Technically, environmentally and economically practicable (TEEP) assessment in respect of the waste service, requiring the employment of consultants to provide options appraisal and soft market testing to support the Councils waste strategy of continued co-mingled collections. The cost is expected to be phased over two years (£20,000 in 2016/17 and £30,000 in 2017/18). Therefore the sum of £20,000 is requested to be earmarked in reserves from the current revenue underspend with further consideration of the additional £30,000 at Outturn should funds be available.

CAPITAL SPENDING

Position to the end of July 2016

26. The Capital Programme for 2016/17 now stands at £2,770,000. This includes slippage from the 2015/16 Capital Programme, and current year capital project variations, as reported to Cabinet 11th July. The actual and commitments to the end of July 2016 total £748,000.

Variances to the 2016/17 Capital Programme

27. At this early stage in the year the major variances are set out in table 3 below, the remainder being a number of smaller variations of less than £100,000.

	<i>Variances</i> £'000 (overspend)	<i>Variances</i> £'000 (underspends)	<i>Notes</i>
Disabled Facility grants		(647)	1
Finches Field Community Pavilion		(511)	2
Oaklands External works		(396)	3
Total		(1,554)	

Notes:

Environmental Health

- (1) Demand-led Housing adaptations service for which £350,000 has been committed as at end of July. The balance is expected to be fully spent by year end.

Facility Management & Streetscene

- (2) Refer paragraph 28 below.

Corporate Estates & Facilities

- (3) Works have commenced. Budget expected to be fully spent by year end.

Proposed Variations to the Capital Programme

28. The 16/17 Capital Programme currently includes a sum of £511,000 for the construction of a new community building at Finches Field. However, the construction of this community building will now be undertaken by Slaugham Parish Council. A Cabinet Member report (MIS11a) on 18th March 16, details the agreement to enter into a ground lease arrangement with Slaugham Parish Council in order to release s106 monies for the construction of the new Community Building and Pavilion. However, due to new S106 pooling restrictions, a lower sum of £472,842 was granted to the Parish at Cabinet Grants Panel on 21st March 2016, resulting in a saving in the current Capital Programme of £38,158. The current Capital Programme has been amended to reflect these changes but Members should note that it is anticipated that additional S106 contributions should be coming forward later this year.
29. Proposed capital variations are summarised in table 4 below:

	<i>Apr to July</i> £'000	<i>Ref</i>
Finches Field Community Pavilion	(38)	<i>Para 28</i>
Total	<u>(38)</u>	

30. Taking into account the change detailed above, the overall effect is a decrease to the current Capital Programme for 2016/17 of £38,000. Therefore the revised programme total for 2016/17 now stands at £2,732,000.

Capital receipts and contributions received to the end of July 2016

31. S106s and grant contributions of £1,338,073 have been received in the period April to July 2016.

S106 contributions committed/utilised to the end of July 2016

32. The following S106 contributions have been utilised during this period:

	<i>Apr to July</i> £'000	<i>Note</i>
Ashurst Wood Parish Council	3	1
East Grinstead Cricket Club	5	2
St Lawrence Church of England Primary School, Hurstpierpoint	20	3
Sheddingdean Baptist Church, Burgess Hill	27	4
Worth Parish Council	21	5
Ashurst Wood Village Council	6	6
Ansty and Staplefield Parish Council	1	7
Total	<u>83</u>	

Notes

- 1 Utilisation of Play Space contribution (P35/739 £2,603) S106 monies towards the installation of a kick wall game at John Pears Recreation Ground, as agreed by the Cabinet Member for Leisure and Sustainability MIS 18 4 May 2016..
- 2 Utilisation of Formal Sport contribution (P35/514 £5,000) S106 monies towards the cost of refurbishing the cricket squares, as agreed by the Cabinet Grants Panel 7 June 2016 MIS 23 8 June 2016.
- 3 Utilisation of Local Community infrastructure contribution (P35/778 £20,000) S106 monies towards the cost of installing an enclosure for the existing swimming pool at St Lawrence Church of England Primary School, Hurstpierpoint, as agreed by the Cabinet Grants Panel 7 June 2016 MIS 23 8 June 2016.
- 4 Utilisation of Community Buildings contributions (P35/687 £6,104, P35/703 £4,152, PL13/ Kingshead £5,318, PL13-000386 £5,357 & PL12-000682 £6,202) S106 monies towards the cost of constructing a new church with community facilities on land at Maple Drive, Burgess Hill, as agreed by the Cabinet Grants Panel 7 June 2016 MIS 23 8 June 2016.
- 5 Utilisation of Community Buildings contribution (P35/717 £460) and Playspace contributions (PL12-000170 £11,206, P35/728 £1,314 & PL13-000562 £8,331) S106 monies towards the cost of new IT equipment at Copthorne Parish Hub and new play equipment at Bowers Place, Crawley Down, as agreed by the Cabinet Member for Leisure and Sustainability 1 July 2016 MIS 27a 8 July 2016.
- 6 Utilisation of Play Space contribution (P35/739 £918), Formal Sport contribution (P35/739 £1,224) and Local Community Infrastructure contribution (P35/729 £4,230) S106 monies towards the installation of the kick wall and creation of a new footpath, as agreed by the Cabinet Member for Leisure and Sustainability on 1 July 2016 MIS 28 13 July 2016.
- 7 Utilisation of Local Community Infrastructure contribution (P35/723 £515) S016 monies to install a new bench in Brook Street, as agreed by the Cabinet Member for Planning on 18 July 2016 MIS 29 20 July 2016.

TREASURY MANAGEMENT INTEREST

33. Treasury Management interest for the financial year 2016/17 was projected in the Budget Report to be £346,000 at an average rate of 0.994%. The Budget Report is prepared well before many of the cash flow items are known.
34. As at the end of July 2016, projected Treasury Management interest earnings for 2016/17 were £350,000 at an average rate of 0.934%, being £4,000 over target. This position will continue to be monitored closely as we progress through the year.

Local Authority Property Fund Dividends

35. Members will recall that on 30 July 2015 £4m was invested in the Local Authorities' Property Fund administered by the CCLA. A further £2m was invested on 27th May 16, following approval of the Corporate Plan and Budget 2016/17. Dividends on these investments are paid to the Council on a quarterly basis being due for the quarters ending 30 June; 30 September; 31 December and 31 March. Dividends received for the quarter ending 30 June are £60,215 less management expenses of £7,102. Therefore, the net income to the Council is £53,113 as at the end of June 2016. £160,000 is budgeted to finance the Revenue Budget in the current year. However, based on the first quarter dividend, this is likely to be exceeded by year-end. This will continue to be monitored and further updates will be reported in future Budget Management Reports.

POLICY CONTEXT

36. This report shows actual financial performance against the original budget, which was approved within the context of the Financial Strategy.

FINANCIAL IMPLICATIONS

37. The financial implications are detailed within the body of this report.

RISK MANAGEMENT IMPLICATIONS

38. There are no risk management implications. Financial risks have been seen as a strategic risk in the past but the Council has a proven track record in Budget Management and this is not seen as a strategic risk for 2016/17.

EQUALITY AND CUSTOMER SERVICE IMPLICATIONS

39. There are none.

OTHER MATERIAL IMPLICATIONS

40. There are no legal implications as a direct consequence of this report.

Background Papers

Revenue Budget 2016/17

Appendix A

Forecast Budget Variations for 2016/17 at the end of July 2016

	<i>Pressures in 2016/17</i>	<i>Notes</i>
	<i>£'000</i>	
April to May pressures Cabinet 11 th July 2016	149	
Temporary Accommodation	121	1
Planning & Building Control staffing	25	2
Human Resources & Payroll - salaries	40	3
Treasury Management – BACS payments	5	4
Asset Management system	13	5
Census ICT Partnership	7	6
Waste contract variation – Additional properties	17	7
Waste contract variation - Indexation	24	8
Waste contract variation – Expansion of Garden Waste service	8	9
Recycling Credit Income	9	10
Outdoor Facilities – Playground Inspections	9	11
Housing Legal Advice	5	12
Environmental Health Consultants	30	13
Asset Recovery Incentivisation Scheme	9	14
Garden Waste Expansion	11	15
	482	

Notes:

- (1) Forecast Temporary Accommodation pressure for the year, resulting from the growth in demand nationally.
- (2) Amendment to the 2016/17 staffing budget to establish a permanent Application Officer post within the Planning and Building Control Service Support team. The cost of this proposal is being met by planning fee income.
- (3) In expectation of a restructure within this Business Unit a salary saving of £40k was built into the 2016/17 budget. Work is currently taking place to replace the HR & Payroll system, along with work on generally making policies and processes more streamlined but it is unlikely that this will be fully completed during this financial year.
- (4) Upgrade to security on the system for making BACS payments in order to ensure statutory compliance.
- (5) Cost of interface between the ordering and invoicing module in the new Asset Management system (Tech Forge) and the Financial Management System (Civica).
- (6) This relates to the increased cost of MSDC's proportional share of the Census ICT partnership as a result of increased maintenance costs and salaries.
- (7) Waste contract variation due to growth in the number of properties in excess of the allowance in the budget.
- (8) Waste contract variation for indexation calculated at the recent anniversary date of the contract. Actual inflation based on March 2016 indices was higher than that estimated at the time of budgeting.
- (9) Waste contract variation for the higher than anticipated cost of a new vehicle for expanding the Garden waste Service.

- (10) Shortfall in Recycling Credit Income due to penalties incurred for poor quality recycling materials taken to West Sussex sorting facility.
- (11) Additional cost of Playground Inspections due to additional Playground adoptions.
- (12) External legal advice required to review our standard Housing Nomination agreement and the S106 clauses that relate to the provision of affordable housing.
- (13) Additional cost of consultants required to cover Environmental protection work as a result of vacant posts and also in response to additional Disabled Facility Grant activity in order to spend an increased grant allocation. There is a corresponding saving in Environmental Health staffing.
- (14) The Council received funding from the Home Office on the 31st March 2016 relating to the Asset Recovery Incentivisation Scheme (ARIS). This funding was transferred to Reserves and was not rolled forward to 2016/17 which has resulted in a budget pressure in the current year. This funding will be used for crime prevention projects.
- (15) See Paragraph 13.

Forecast Budget Variations for 2016/17 at the end of July 2016

	<i>(Savings)</i> <i>in 2016/17</i>	<i>Notes</i>
	<i>£'000</i>	
April to May savings Cabinet 11 th July 2016	(484)	
Corporate Estates & Facilities - salaries	(35)	16
Human Resources & Payroll - salaries	(16)	17
Bulky waste income	(6)	18
Cleansing Services - printing	(9)	19
Environmental health Staffing	(30)	20
Garden Waste Income	(25)	21
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	(605)	
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Notes:

- (16) Saving as a result of a part year staff vacancy and a member of staff working reduced hours.
- (17) Saving due to the permanent reduction in hours for a member of staff.
- (18) Additional forecast Bulky waste income due to increased demand.
- (19) Planned printing costs in respect of expanding the garden waste service were incurred earlier than anticipated in 2015/16 and were managed within budget for last year, resulting in a current year's budget saving.
- (20) Staff saving in respect of vacant posts. There is a corresponding pressure for Environmental health consultants.
- (21) See Paragraph 14 & 15.