

7. BUDGET MANAGEMENT 2016/17 – PROGRESS REPORT APRIL TO AUGUST 2016

REPORT OF: HEAD OF CORPORATE RESOURCES
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Wards Affected: All
Key Decision: No
Report to: Cabinet
17th October 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 August is showing a projected net underspend of £80,000 against the original estimate, after transfers totalling £20,000 to Specific Reserve approved by Council on 21st September 2016. This continues to mainly relate to over-performance of income in Development Management offset by a number of pressures in services areas.

Recommendations

3. **To recommend to Council for approval:**
 - (i) that £5,850 grant income be transferred to a Specific Reserve as detailed in paragraph 20;
 - (ii) that £41,641 grant income relating to Individual Electoral Registration funding in 2016/17 be transferred to Specific Reserve as detailed in paragraph 21
 - (iii) the variations to the Capital Programme contained in paragraph 27 in accordance with the Council's Financial Procedure rule B4, and the variation to the Procurement Code outlined in paragraph 29.

To note:

- (iv) the remainder of the report;
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REVENUE SPENDING

Position to the end of August 2016

4. This is the third 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 five months of 2016/17, and to give an indication of the likely position at the end of the year.

Expenditure and Income to date

5. 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 August 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.

Table 1: Key income/expenditure to the end of August 2016						
INCOME	2016/17 Actual to August £'000	Profiled 2016/17 Budget £'000	2016/17 Original Budget £'000	Pressure/ (Saving) To end August £'000	Pressure/ (Saving) To end July £'000	Projected Year-end Variance £'000
Car Park Charges	(836)	(785)	(1,908)	(51)	(13)	(52)
Development Management Fees	(537)	(383)	(919)	(154)	(145)	(323)
Building Control Fees	(257)	(228)	(486)	(29)	(13)	0
Land Charges	(68)	(68)	(150)	0	2	0
Licensing Act Fees	(36)	(17)	(138)	(19)	(15)	0
Hackney Carriage Fees	(65)	(52)	(124)	(13)	(18)	0
Outdoor Facilities Income	(140)	(142)	(295)	2	1	0
Garden Waste	(410)	(429)	(1,020)	19	12	(25)
Leisure Contract Income	(390)	(384)	(1,537)	(6)	(6)	(21)
Industrial Estates Rents	(269)	(275)	(600)	6	5	0
Town Centre Rents	(180)	(180)	(659)	0	0	0
Depots Rents	(37)	(36)	(72)	(1)	(1)	0
General/Miscellaneous Property	(104)	(104)	(201)	0	0	0
Total Income	(3,329)	(3,083)	(8,109)	(246)	(191)	(421)
EXPENDITURE						
Salaries	4,590	4,513	10,830	77	11	35

6. Car parking income is above budget by £51,000 in the first five months operation of the service. This is detailed in Table 2 below. This includes additional Pay and Display Income of £55,000, offset by a shortfall in season ticket income of £4,000. 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 August (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	(55)	(82)	(69)
Season Tickets	4	17	17
Total additional income	(51)	(65)	(52)

7. Development management income is £154,000 above target for April and August. 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.
8. At the end of August, Building Control Income is above budget by £29,000. 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.
9. Licencing income is £19,000 above target for April to August. This is mainly due to the profiling of income, which can fluctuate, so the forecast remains unchanged.
10. Hackney Carriage Fees are above target by £13,000 for the first five 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.
11. Outdoor facilities income is £2,000 below budget after the first five months of the year. No change to the full year projection is anticipated at this stage.
12. Based on the current budget profile, Garden Waste income is £19,000 below target at the end of August. As previously reported, 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.
13. Members were informed in the last Budget Management Report that a plan to purge the existing waiting list is underway to bring forward growth of 500 new customers previously budgeted for 2017/18. This 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. As a result the forecast in 2015/16 was previously revised to a £25,000 surplus. No further change is anticipated at this stage.

14. Leisure contract income is above budget in the first five months of the year. 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.
15. Industrial Estates rents are £6,000 below target at the end of August. As previously reported, 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.
16. Depots rent is £1,000 above target at the end of August. The forecast for the year has not been amended at this stage.
17. The salaries expenditure to the end of August is showing a pressure of £77,000 against the profiled budget. Additional costs are mainly a consequence of the use of Census Revenues and Benefits agency staff to backfill posts while new recruits are being recruited and trained. There are also additional staffing requirements as a result of new burdens, for which additional grant income has been received from DWP to offset this. Any census staffing cost in excess of budget is partly rechargeable to our shared service partners. 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 the previous Budget Management Reports to Cabinet on 11th July 16 and 6th September.
18. In summary, based on current information available and as outlined in Appendix A, the current forecast year-end position (at the end of August 2016), is an under spend of £80,000.

Miscellaneous

19. The total remaining in Balance Unallocated is unchanged at £41,000 as there has been no utilisation to date.
20. In August, we received a non-ring-fenced grant payment of £5,850 from the Department for Communities and Local Government in respect of Self Build and Custom House building grant. Members are requested to approve that this sum be earmarked in Specific Reserve for development work to be undertaken by Housing Services in relation to this.
21. In August we received a grant payment of £41,641 from the Cabinet Office to cover the third and final year costs associated with the ongoing transition to Individual Electoral Registration (IER). Members are requested to approve the transfer of this sum to the IER Specific Reserve created for this grant which will be used to cover the costs of change management and the IER Canvass.

CAPITAL SPENDING

Position to the end of August 2016

22. The Capital Programme for 2016/17 now stands at £2,732,000. This includes slippage from the 2015/16 Capital Programme, and current year capital project variations, as reported to Cabinet 11th July and 6th September. The actual and commitments to the end of August 2016 total £1,693,000.

Variations to the 2016/17 Capital Programme

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

	<i>Variations</i> £'000 (overspend)	<i>Variations</i> £'000 (underspends)	<i>Notes</i>
Disabled Facility grants		(553)	1
Finches Field Community Pavilion		(473)	2
31 Victoria Gardens - Land Acquisition		(412)	3
Total		(1,438)	

Notes:

Environmental Health

- (1) Demand-led Housing adaptations service for which £316,000 has been committed as at end of August. The balance is expected to be fully spent by year end.

Facility Management & Streetscene

- (2) Budget expected to be fully spent by year end.

Corporate Estates & Facilities

- (3) Refer paragraph 24 below.

Proposed Variations to the Capital Programme

24. Since the last report the purchase of the leasehold interest of 31 Victoria Gardens, Burgess Hill has been completed. This has been funded from the Land and Property Specific Reserve as reported to Cabinet on 14 March 2016. The current Capital Programme has been amended to reflect this change.
25. A new project has come forward for approval for the resurfacing of Queens Crescent Overflow Car Park, Burgess Hill. This will provide an estimated 40 additional car parking spaces in the town and will compensate for the short term loss of parking spaces during the planned town centre development work. Further details on this scheme are set out in the project justification included in Appendix B of this report. The total cost of this work is £21,000 which will be funded from General Reserve. Members are therefore requested to approve this project and the Capital Programme has been revised accordingly.
26. The tender for car parking works has come in £13,000 above the budgeted total for Major Capital Renewals (MCR) in 2015/16. This is due to changes in the market since the original estimates contained in the Corporate Plan and Budget for 2016/17 were approved. This has resulted in a number of small variations to the car parking projects which are detailed in Table 4 below.
27. Proposed capital variations are summarised in table 4 below:

Table 4: Capital Project Variations April to end August 2016/17

	<i>Apr to August</i>	<i>Ref</i>
	<i>£'000</i>	
31 Victoria Gardens – Land Acquisition	414	<i>Para 24</i>
Resurfacing of Queens Crescent overflow Car Park, Burgess Hill	21	<i>Para 25</i>
MCR –Car Parks		
-Hazelgrove Road Car Park, Haywards Heath	10	<i>Para 26</i>
-Horsted Keynes Car Park	10	<i>Para 26</i>
-Orion Car Park, Hassocks	9	<i>Para 26</i>
-Extension of Norton House Car Park, EG Courtmead Road, Cuckfield	(16)	<i>Para 26</i>
Woodside Pavilion, Bolnore Village	Tba	<i>Note 1</i>
The Orchards, Haywards Heath	Tba	<i>Note 2</i>
		<i>Note 3</i>
Total	<u>448</u>	

Notes:

- (1) Build of a house to resell as per exempt appendix. Budget to be finalised post- tender. See also Para 29.
- (2) See separate report in the agenda. . Budget to be agreed post -tender.
- (3) Purchase of a shopping centre. See separate report in the agenda. . Budget to be agreed post -tender

28. Taking into account the change detailed above, the overall effect is an increase to the current Capital Programme for 2016/17 of £448,000. Therefore the revised programme total for 2016/17 now stands at £3,180,000.

29. Note 1 above relates to the addition of a project to build a property to resell. We are advised that in order to fully realise the return on our investment, it would be an advantage to utilise a local builder of distinction, rather than openly tender nationwide, as set out in our Procurement Code. Our Joint Procurement Advisor is comfortable with our business need in this regard and suggests a direct approach to up to ten parties would be within the spirit of our intention to encourage market competition. Cabinet is therefore asked to sanction this approach.

Capital receipts and contributions received to the end of August 2016

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

S106 contributions committed/utilised to the end of August 2016

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

Table 5 S106 utilisation 2016/17

	<i>Apr to</i> <i>August</i> <i>£'000</i>	<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	83	

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

32. 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.
33. As at the end of August 2016, projected Treasury Management interest earnings for 2016/17 were £338,000 at an average rate of 0.930%, being £8,000 under target. This is due to a fall in the year to date average interest rate and a reduction in the year to date average balance available to invest. This position will continue to be monitored closely as we progress through the year.

POLICY CONTEXT

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

FINANCIAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

36. 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

37. There are none.

OTHER MATERIAL IMPLICATIONS

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

Background Papers

39. Revenue Budget 2016/17

Appendix A

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

	<i>Pressures in 2016/17</i>	<i>Notes</i>
	<i>£'000</i>	
April to July pressures Cabinet 6 th September 2016	482	
Approved Transfers to Specific Reserve (September)	20	
Credit card charges	13	1
ICT - Telephones	10	2
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	525	
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Notes:

- (1) Pressure as a result of an increase in the volume of transactions charged by the provider.
- (2) Based on last year and current year costs the budget for the telephone system is insufficient and will need to be increased in 2017/18.

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

	<i>(Savings) in 2016/17</i>	<i>Notes</i>
	<i>£'000</i>	
April to July savings Cabinet 6 th September 2016	(605)	
	<hr/>	
	(605)	
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PROJECT JUSTIFICATION DETAILS

Resurfacing of Queens Crescent Car Park Overflow, Burgess Hill

Purpose of project :

Resurfacing of the overflow area of the Queens Crescent car park, Burgess Hill to provide an estimated 40 additional car parking spaces in the town.

Queens Crescent car park is a long stay car park, located immediately west of Burgess Hill railway station. The car park currently provides 150 long term spaces for commuters and local workers.

To compensate for the short term loss of parking spaces during the planned town centre development work, it is proposed to bring the overflow of the car park at the south of the site back into service.

It is anticipated that the additional car parking spaces would be operational for approximately five years, providing interim capacity for the town during the redevelopment and offsetting spaces lost when the Martlets multi storey is demolished and before the new; New River car park is constructed.

This is a medium term plan for the site as it is allocated for housing development in the long term.

Total Amount : £21,500

Capitalised Salaries included in the project total : n/a

Other sources of funding : n/a

Revenue Implications :

There are no direct revenue implications resulting from this capital scheme, but an expectation that the additional car parking spaces created will partly mitigate the loss of income resulting from the closure of the Martlets multi storey car park. A pressure of £12k is being reported as part of the 2017/18 budget process to allow for partial displacement of parking income as a result of the closure.

Demolition of the Martlets multi-storey car park will result in the temporary loss of spaces in the town. The recent extension of Cyprus Road car park and the proposed resurfacing of the overflow at Queens Crescent car park will provide alternative provision in the town to protect parking for visitors to the town and the Council's income generated from pay and display.

Expenditure on repairs and maintenance would be covered by existing budgets.

An additional pay and display machine could be redeployed from the Martlets when it closes, to reduce the need for £5000 machine investment if a third machine is required.

Value For Money Assessment:*Current practice / doing nothing:*

The site is currently out of use and is unsightly. Resurfacing and bringing the site back into use, would provide replacement parking capacity in the town during redevelopment, and protect income generated from pay & display and season tickets. In addition, making improvements to this area will improve the visual presentation and confirm an 'open for business' reputation to ensure visitors are not deterred from visiting the town during the redevelopment works.

It is considered that a capital investment of £21,500 is a reasonable investment to provide 40 interim spaces in the town. An investment of £537.50 a space and £107.50 a space per annum over 5 years.

Based on 40 spaces achieving 65% occupancy at the daily long stay rate, the additional spaces could generate an annual income of £21,840(nett). (*Based on 252 charging days)

Other alternative approaches:

There are no alternative locations owned by the Council which could provide additional parking.

Business Unit/Service: Parking Services**Head of Service :** Judy Holmes**Project Manager :** Claire Onslow**Cabinet Members :** Cllr Gary Marsh, Cabinet Member for Economic Development & Property