

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

REPORT OF: Head of Finance
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Wards Affected: All
Key Decision: No
Report to: Cabinet
28th November 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 October is showing a projected net underspend of £46,000 against the original estimate, after a £20,000 transfer to Specific Reserve approved by Council on 21st September 2016.
3. This net variance continues to relate mainly to the over-performance of income in Development Management and Car Park Charges, offset by a number of pressures in services areas. However, Members should be reassured that whilst our projected underspend for the year is small, we still have an additional £41,000 in Balance Unallocated that, to date, has not been utilised.

Recommendations

4. To recommend to Council for approval:

- (i) that £8,103 be transferred to a General Reserve as detailed in paragraph 22;
- (ii) that £200,000 be transferred to the Local Development Framework Specific Reserve as detailed in paragraph 23

To note:

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

Position to the end of October 2016

5. This is the fourth 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 seven 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 October 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 October 2016						
INCOME	2016/17 Actual to October £'000	Profiled 2016/17 Budget £'000	2016/17 Original Budget £'000	Pressure/ (Saving) To end October £'000	Pressure/ (Saving) To end August £'000	Projected Year-end Variance £'000
Car Park Charges	(1,187)	(1,100)	(1,908)	(87)	(51)	(135)
Development Management Fees	(703)	(537)	(919)	(166)	(154)	(323)
Building Control Fees	(339)	(309)	(486)	(30)	(29)	(30)
Land Charges	(101)	(92)	(150)	(9)	0	(15)
Licensing Act Fees	(72)	(24)	(138)	(48)	(19)	0
Hackney Carriage Fees	(72)	(72)	(124)	(0)	(13)	0
Outdoor Facilities Income	(200)	(237)	(295)	37	2	30
Garden Waste	(667)	(681)	(1,020)	14	19	0
Leisure Contract Income	(779)	(769)	(1,537)	(10)	(6)	(21)
Industrial Estates Rents	(406)	(421)	(600)	15	6	0
Town Centre Rents	(275)	(275)	(659)	0	0	0
Depots Rents	(54)	(52)	(72)	(2)	(1)	0
General/Miscellaneous Property	(152)	(126)	(201)	(26)	0	(26)
Total Income	(5,007)	(4,695)	(8,109)	(312)	(246)	(520)
EXPENDITURE						
Salaries	6,562	6,318	10,831	244	77	35

7. Car parking income is above budget by £87,000 in the first seven months operation of the service. This is detailed in Table 2 below. This includes additional Pay and Display Income of £79,000, and additional season ticket income of £8,000. Season ticket Income has improved since the August position when a £17,000 shortfall was being forecast, based on the 2015/16 outturn position. The recent improvement is the result of increased take up of the new Boltro Road car park and additional income from Corporate parking customers. Therefore, the Season Ticket forecast can now be amended to reverse the £17,000 shortfall previously reported. Income for Pay and Display was being forecast based an average of two prior year's additional income of £69,000. At the end of October, income is already £79,000 over target and the forecast has therefore been amended to include a projection of this increased income to year end, being an additional £135,000. As £52,000 has been previously reported to Members, Appendix A therefore details an additional £83,000 not reported to date.

Table 2: Car Parking Income variance				
	<i>Outturn</i> 2015/16	<i>Actual</i> April to August	<i>Actual</i> April to October	<i>Forecast</i> 2016/17
	<i>(Over)/ under</i> <i>target</i>	<i>(Over)/ under</i> <i>target</i>	<i>(Over)/ under</i> <i>target</i>	<i>(Over)/ under</i> <i>target</i>
	£'000	£'000	£'000	£'000
Pay & Display tickets	(82)	(55)	(79)	(135)
Season Tickets	17	4	(8)	0
Total additional income	(65)	(51)	(87)	(135)

8. Development management income is £166,000 above forecast for April and October. 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 October, Building Control Income is above budget by £30,000. The forecast has been revised to reflect the variance to date with no allowance for a full year projection as a trend has not been identified. This is included in Appendix A of this report.
10. At the end of October Land Charges income is above budget by £9,000. After a slow start Land charges income is likely to exceed expectations by some £15,000 by the end of the year due to the increased level of activity in the housing market.
11. Licencing income is £48,000 above target for April to October. This is mainly due to the profiling of income, which can fluctuate, so the forecast remains unchanged.
12. Hackney Carriage Fees is on target for the first seven months of the financial year.
13. Outdoor facilities income is £37,000 below budget after the first seven months of the year. This is mainly the result of the Loss of Playgroup income at Whitemans Green (£22,000) and loss of Pavilion income for Cricket teams at Clayton and London Road (£8,000). The forecast has been revised to reflect this and is included in Appendix A of this report.
14. Based on the current budget profile, Garden Waste income is £14,000 below target at the end of October. The previous forecast for Garden waste income was a £25,000 surplus, which includes additional income for bringing forward the expansion of the service, by purging the existing waiting list. This plan is underway and income is due later in the year. The shortfall to date is the result of increased cancellations above target for 2016/17, and this trend is expected to continue to year end, resulting in a total shortfall of £25,000, which is included in Appendix A of this report.
15. Leisure contract income is above budget in the first seven 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.

16. Industrial Estates rents are £15,000 below target at the end of October. 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.
17. Depots rent is £2,000 above target at the end of October. The forecast for the year has not been amended at this stage.
18. General/miscellaneous is £26,000 above target at the end of October. This is as a result of rent reviews resulting in additional rental income. The forecast has been amended to reflect this.
19. The salaries expenditure to the end of October is showing a pressure of £244,000 against the profiled budget. As previously reported, additional costs are partly 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. Since the last report, the variance to date is also the result of unbudgeted staffing costs which will be partly met from compensating savings identified within the service and partly met from Specific Reserve at year-end. Therefore, the forecast year-end variation on salaries is a net £35,000 overspend as set out in Table 1 above. Further detail is set out in Appendix A of the previous Budget Management Reports to Cabinet on 11th July 16, 6th September 16 and 17th October 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 October 2016), is an underspend of £46,000.

Miscellaneous

21. The total remaining in Balance Unallocated is unchanged at £41,000 as there has been no utilisation to date.
22. In October, we received £8,103 from the Department of Communities and Local Government in respect of Transparency Code Set Up costs. This New Burdens grant payment is not ring-fenced and Members are requested to approve the transfer of this sum to General Reserve.

Local Development Framework Specific Reserve

23. The Local Development Framework Specific Reserve was set up to help meet the costs of the District Plan and Community Infrastructure Levy examinations. However, this reserve has been significantly utilised this year to cover the costs of consultants and needs to be replenished to accommodate further consultancy costs to deliver the District Plan. Therefore, Members are requested to approve a £200,000 "top-up" of the Local Development Framework Specific Reserve to be funded initially from General Reserve. This will be revisited at Outturn with a view to the reimbursement of General Reserve should funds be available.

CAPITAL SPENDING

Position to the end of October 2016

24. The Capital Programme for 2016/17 now stands at £3,180,000. This includes slippage from the 2015/16 Capital Programme, and current year capital project variations, as reported to Cabinet 11th July, 6th September and 17th October. The actual and commitments to the end of October 2016 total £2,112,000.

Variations to the 2016/17 Capital Programme

25. At this 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 £'000 (overspend)</i>	<i>Variations £'000 (underspends)</i>	<i>Notes</i>
Disabled Facility grants		(466)	1
Finches Field Community Pavilion		(473)	2
Total		(939)	

Notes:

Environmental Health

- (1) Demand-led Housing adaptations service for which £224,000 has been committed as at end of October. The balance is expected to be fully spent by year end.

Emergency and Outdoor Services

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

26. As this report does not contain any proposed variations to the Capital Programme, the programme total for 2016/17 remains unchanged at £3,180,000.

Capital receipts and contributions received to the end of October 2016

27. S106s and grant contributions of £2,538,219 have been received in the period April to October 2016.

S106 contributions committed/utilised to the end of October 2016

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

	<i>Apr</i> <i>October</i> <i>£'000</i>	<i>to</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
Lindfield Rural Parish Council	16		8
Burgess Hill Town Council	75		9
East Grinstead Town Council	9		10
Jubilee Community Centre	10		11
Copthorne Sports and Community Association	35		12
Total	<u>228</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.
- 8 Utilisation of Local Community Infrastructure contribution (P35/594 £16,300) S106 monies towards the purchase of land at Clearwater Lane, Scaynes Hill for use as allotments, a bore hole, fencing and car park, as agreed by the Cabinet Member for Planning September 2016 MIS 38a 23 September 2016.
- 9 Utilisation of Public Arts contributions (P35/614 £3,080, P35/604b £1,540, P35/622 £1,640, P35/618b £1,870, P35/619b £1,200, P35/687 £3,488.50, P35/625a £3,861, P35/716 £29,957, P35/703 £2,162.79 and P35/491 £8,990.71) and Other contributions (P35/491 £8,990.71) S106 monies towards the cost of providing a public art trail on the Green Crescent, as agreed by the Cabinet Grants Panel 12 October 2016 MIS 42 14 October 2016.
- 10 Utilisation of Play Space contributions (P35/632b £189.74, P35/633b £3,921 and P35/694 £4,677.26) S106 monies towards the cost of providing play equipment at East Court, as agreed by the Cabinet Grants Panel 12 October 2016 MIS 42 14 October 2016.
- 11 Utilisation of Community Buildings contributions (P35/581 £3,996.71, P35/588 £5,760 and P35/617 £243.29) S106 monies towards the cost of a Changing Places disability toilet, as agreed by the Cabinet Grants Panel 12 October 2016 MIS 42 14 October 2016.
- 12 Utilisation of Formal Sport contribution (P35/728 £35,000) S106 monies towards the cost of pitch drainage at King Georges Field, as agreed by the Cabinet Grants Panel 12 October 2016 MIS 42 14 October 2016.

TREASURY MANAGEMENT INTEREST

30. 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.
31. As at the end of October 2016, projected Treasury Management interest earnings for 2016/17 were £314,000 at an average rate of 0.902%, being £32,000 under target. This is due to a fall in the interest rate for outstanding short term investments and a reduction in the average balance available to invest. This position will continue to be monitored closely as we progress through the year.

Local Authority Property Fund Dividends

32. 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.
33. We previously reported a net income of £53,113 as at the end of June 2016. Dividends received for the second quarter ending 30 September are £73,639 less management expenses of £8,966, giving a net income to the Council of £64,673. Therefore, in total, we have received a net income of £117,786 in the first two quarters of the year. £160,000 is budgeted to finance the Revenue Budget in the current year. However, based on the first two quarters dividends, 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

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

Revenue Budget 2016/17

Appendix A

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

	<i>Pressures in 2016/17</i>	<i>Notes</i>
	<i>£'000</i>	
April to August pressures Cabinet 17 th October 2016	525	
Council Chamber Feasibility Study	20	1
Printing and postage – Individual Electoral Registration	10	2
Outdoor Services Income	30	3
Cleaning contract retender	19	4
Garden Waste Income	25	5
Replacement Planning Copier/Plotter	8	6
Parking machines	11	7
Environmental Protection Consultants	22	8
Building Control Consultants	12	9
Road Space Audit	70	10
	752	
	752	

Notes:

- (1) In order to bring forward a new capital project in next year's Capital Programme, there is requirement to undertake a feasibility study, providing options and budget costs for the proposed modernisation of the Council Chamber. The detail of this work is set out in Appendix B of this report. However, the cost of the feasibility study is £20,000 which is unbudgeted and will therefore result in a revenue pressure in the current year.
- (2) Ongoing increased costs of Individual Electoral Registration and the annual IER canvass which is no longer being funded by Central Government.
- (3) See paragraph 13.
- (4) Pressure resulting from the retendering of the Cleaning contract for Outdoor Services and Oaklands due to price increases as a result of the National Living Wage.
- (5) See Paragraph 14.
- (6) Replacement of Planning Copier/Plotter which will be inoperable once the current toner cartridges run out, due to its obsolescence.
- (7) Requirement to upgrade Parking Machines due to Royal Mint implementing new £1 coins (£8,000) and purchase of an additional machine at Franklyn Road to ensure business continuity should the other machine fail (£3,000).
- (8) Additional cost of consultants required to cover Environmental Protection and Housing Standards work.
- (9) Building Control consultants pressure for a Structural engineer. The cost is offset by additional Building control Income.
- (10) Requirement to undertake a road space audit at East Grinstead.

Appendix A

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

	(Savings) in 2016/17	Notes
	£'000	
April to August savings Cabinet 17 th October 2016	(605)	
Bin sales to Developers	(10)	11
Pay and Display Income	(66)	12
Season Ticket income	(17)	13
Environmental Health Minor variations	(4)	14
Building Control Income	(30)	15
Census Revenues and Benefits	(25)	16
General/Miscellaneous Property	(26)	17
Land charges income	(15)	18
	<hr/>	
	(798)	
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Notes:

- (11) Additional sale of bins to new properties/communal bin stores due to growth in the number of properties.
- (12) See paragraph 7.
- (13) See paragraph 7.
- (14) Environmental health net saving made up of a number of variations below £10,000.
- (15) See paragraph 9.
- (16) Forecast net saving for Census Revenues and Benefits Shared Service Partnership of £68,000, of which Mid Sussex receives a 36.56% proportional share.
- (17) Additional rental income as a result of rent reviews (refer paragraph 18).
- (18) Increase in the level of activity in the housing market has resulted in additional land charges income (refer paragraph 10)

PROJECT JUSTIFICATION DETAILS

Scheme Name: Council Chamber Modernisation (feasibility)

Purpose of project :

To undertake a feasibility study, providing options and budget costs for proposed modernisation of the Council Chamber, including the Member's accommodation.

Modernisation of the Chamber is considered to be necessary for the following reasons:

- To ensure that the Chamber will continue to effectively support Council business, both now and for the foreseeable future;
- To improve access and communication facilities for users and visitors with disabilities;
- To ensure that audio/visual equipment will support current and proposed expectations for public communication;
- To renew defective or obsolete mechanical and electrical services;
- To explore possibilities for improving the flexibility of the space and income-generation potential.

A project team of staff and members will be established to manage the feasibility study.

Total Amount : £20,000

This represents the estimated cost to commission a suitably experienced architectural practice to undertake a feasibility study. The Council Chamber is the heart of the Council's political and business activities, and professional design input is essential.

Capitalised Salaries included in the project total : N/A

Other sources of funding : Nil

Revenue Implications : N/A

Value For Money Assessment:

Current practice / doing nothing:

The existing Council Chamber has not been significantly upgraded since it was built in the 1960s, prior to the creation of Mid Sussex District Council. The Chamber is now not large enough to comfortably accommodate all members, and seating in the public gallery is limited.

The Chamber and surrounding areas including Member's accommodation, do not comply with current accessibility standards. This disadvantages visitors, members and staff with impaired mobility, vision or hearing.

The audio/visual systems are dated and do not provide video broadcast to the overspill public areas. The audio feed links to the overspill areas in the Committee Room and reception, so any improvement to the Council Chamber AV would need to be extended to these areas.

The electrical and heating systems have reached the end of their design life and are in need of upgrading. The supplementary cooling units are noisy and the environment within the Chamber cannot be effectively controlled. Provision of socket outlets is insufficient to meet today's

requirements.

Other alternative approaches:

The feasibility study will explore potential alternative approaches.

Business Unit/Service: Corporate Estates & Facilities

Head of Service : Peter Stuart

Project Manager : Lance Kester

Cabinet Members : Cllr J Ash-Edwards, Cabinet Member for Resources and Economic Growth

Ward Members : N/A

This project contributes to achieving the Corporate Plan in the following ways :

- Better Lives: Improved public access and communication of Council business.
- Better Services: A Chamber which supports the Council's present and expected future requirements will facilitate delivery of strong community leadership.

Summary of discussions with Cabinet Member: N/A

Risk Analysis:

Preparation of a feasibility study does not present any significant risks. A risk register will be prepared for any subsequent improvement project.