

5. BUDGET MANAGEMENT 2017/18 – PROGRESS REPORT APRIL TO JULY 2017

REPORT OF: Head of Corporate Resources
Contact Officer: Cathy Craigen, Chief Accountant
Email: Cathy.craigen@midsussex.gov.uk Tel: 01444 477384
Wards Affected: All
Key Decision: No
Report to: Cabinet
5th September 2017

EXECUTIVE SUMMARY AND RECOMMENDATIONS

Purpose of Report

1. This report reviews the progress on the Revenue Budget, Capital Programme and Treasury Management for 2017/18.

Summary

2. The forecast revenue outturn position for 2017/18 at the end of July is showing a projected net overspend of £4,000 against the original estimate, after transfers totalling £62,000 to Specific Reserve approved by Council on 19th July 2017.

Recommendations

3. **To recommend to Council for approval:**
 - (i) **that £125,000 be transferred to a Martlets Relocation Specific Reserve as detailed in paragraph 21.**
 - (ii) **the variations to the Capital Programme contained in paragraph 32 in accordance with the Council's Financial Procedure rule B4.**

To note:

- (iii) **the remainder of the report.**
-

REVENUE SPENDING

Position to the end of July 2017

4. 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 2017/18, 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 July only. 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 July 2017

INCOME	2017/18 Actual to July £'000	Profiled 2017/18 Budget £'000	2017/18 Original Budget £'000	Pressure/ (Saving) To end July £'000	Pressure/ (Saving) To end May £'000	Projected Year-end Variance £'000
Car Park Charges	(696)	(662)	(1,972)	(34)	(12)	(103)
Development						
Management Fees	(551)	(405)	(1,214)	(146)	19	(188)
Building Control Fees	(215)	(179)	(486)	(36)	(31)	(60)
Land Charges	(56)	(56)	(150)	0	6	0
Licensing Act Fees	(32)	(14)	(138)	(18)	(8)	0
Hackney Carriage Fees	(39)	(41)	(124)	2	2	(5)
Outdoor Facilities Income	(135)	(137)	(289)	2	3	0
Garden Waste	(327)	(350)	(1,164)	23	20	0
Leisure Contract Income	(403)	(390)	(1,558)	(13)	(9)	(55)
Industrial Estates Rents	(308)	(362)	(688)	54	21	0
Town Centre Rents	(813)	(1,090)	(3,000)	277	0	277
Depots Rents	(36)	(36)	(73)	0	(0)	0
General/Miscellaneous Property	(129)	(105)	(208)	(24)	(15)	0
Total Income	(3,740)	(3,827)	(11,064)	87	(4)	(134)
EXPENDITURE						
Staffing costs	3,967	3,691	11,072	276	73	108

6. Car parking income is above budget by £34,000 in the first four months operation of the service. This is detailed in Table 2 below. The variation includes additional income in respect of Season Tickets (£12,000) and Pay and Display (£22,000). The forecast includes a projection for the full year based on the first four months performance. The overall forecast has therefore been amended to include an additional £42,000 since the last report, resulting in a revised forecast variation of £103,000 to year-end. This has been included in Appendix A of this report.

Table 2: Car Parking Income variance

	<i>Actual April to July</i>	<i>Outturn 2016/17</i>	<i>Forecast based on April to May</i>	<i>Revised Forecast 2017/18</i>
	<i>(Over)/ under target £'000</i>	<i>(Over)/ under target £'000</i>	<i>(Over)/ under target £'000</i>	<i>(Over)/ under target £'000</i>
Pay & Display tickets	(22)	(80)	(50)	(68)
Season Tickets	(12)	(11)	(11)	(35)
Total additional income	(34)	(91)	(61)	(103)

7. Development management income is £146,000 above target for April and July. This is partly due to a large application received in respect of Hurst Farm of £53,000 and partly due to an increased volume of Planning Applications. Additional income of £135,000 is expected for the year due to increased volume, based on an average over the past three year's performance compared to the current budget target. The forecast has therefore been amended to include an additional £101,000 since last reporting (£34,000) to match the revised projection.
8. In addition, a prospective 20% fee increase will require the forecast to be amended once DCLG confirm the commencement date, and the full financial implications, including additional resource requirements for the service, will come forward in due course. In the meantime, the additional forecast volume-related income is expected to offset the part year cost of a Planning restructure as detailed in Appendix A of this report.
9. At the end of July, Building Control Income is over budget by £36,000. This is on track to achieve the projected additional income reported previously of £60,000.
10. Licencing income is £18,000 above target for April to July. This is mainly due to the profiling of income, which can fluctuate. Therefore, the forecast remains unchanged.
11. Hackney Carriage Fees are below target by £2,000 for the first four months of this financial year. This is mainly due to the profiling of income, which can fluctuate. However, the year-end forecast was previously adjusted to reflect £5,000 increased Hackney Carriage income identified at Outturn 2016/17, which is expected to be ongoing and this forecast remains unchanged.
12. Outdoor facilities income is £2,000 below budget after the first four months of the year. No change to the full year projection is anticipated at this stage.
13. Based on the current budget profile, Garden Waste income is £23,000 below target at the end of July. Expansion of the Garden Waste service is expected to deliver an additional 2000 customers in 2017/18 to achieve the budgeted customer base of 18,200 customers by year-end. The waste team are confident that this level of growth will be achieved by year-end and will be undertaking a direct marketing strategy to support this. Garden waste is currently averaging 50 new customers per week. Therefore, the forecast has not been amended at this stage.
14. The value of the Leisure Contract is subject to annual indexation and the previous forecast included an additional £55,000 to reflect the agreed contractual price for 2017/18. The projection remains unchanged.
15. Industrial Estates rent are £54,000 below target at the end of July. This is due to lower than anticipated income compared to the budget as a result of vacant units. No change to the full year projection is anticipated at this stage.
16. Town Centre Rents – the income from the Orchards is non-linear and, while the centre is almost full, we are awaiting some rents from new tenants. Similarly we have agreed some limited tenant incentives which have reduced the overall yield. These temporary arrangements can be offset by the use of the Orchards reserve for their duration.
17. General/miscellaneous property income is £24,000 above the target at the end of July. No change to the full year projection is anticipated at this stage.

18. The salaries expenditure to the end of July is showing a pressure of £276,000 against the profiled budget. This mainly relates to the cost of unbudgeted CenSus ICT staff transferred from Horsham District Council as part of the on-going changes in the CenSus ICT partnership. These costs will be met from future savings following implementation of reduced partnership contributions to Horsham. The variance also relates to the unbudgeted cost of CenSus Revenues and Benefits agency staff which will be met from additional magistrates court cost / grant income. The forecast year-end variation on salaries is therefore a net £108,000 over spend, as set out in Table 1 above. This forecast variance is mainly the result of unbudgeted staff costs which will be partly met from compensating savings identified in the service and partly met from Specific Reserve at year-end. Further detail is set out in Appendix A of this report.
19. In summary, based on current information available and as outlined in Appendix A, the current forecast year-end position (at the end of July 2017), is an over spend of £4,000. As a proportion of the overall budget this is essentially a balanced position. The Management Team will aim to maintain this for the year end.

Miscellaneous

20. Balance Unallocated is unchanged at £12,000.
21. In July 2017, we received the sum of £125,000 from New River Retail Ltd as a contribution to any associated costs relating to the closure of Martlets Hall to support the town revitalisation project. This is the first of two payments due of a total £250,000 contribution. Members are requested to approve the transfer of these sums to a Specific Reserve.
22. In July, we also received a grant payment of £501 from the Department for Work and Pensions, in respect of New Burdens relating to Removal of Spare Room Subsidy. This sum will be pooled along with similar allocations received by our Census Partners to meet this additional cost.
23. In July, we received £1,291 from the Department for Work and in respect of a New Burdens for Limiting Support to two Children. This sum will be pooled along with similar allocations received by our Census Partners to meet this additional cost.
24. In July, we received a grant payment of £2,751 from the Department for Work and Pensions to meet the costs of new burdens relating to Real Time Information. This sum will be pooled along with similar allocations received by our Census Partners to meet this additional cost.
25. In July, we received a grant payment of £366 from the Department for Work and Pensions in respect of Bereavement Support Payments. This sum will be pooled along with similar allocations received by our Census Partners to meet this additional cost.

Potential further pressures

26. As a result of the Census Revenues and Benefits partnership being disaggregated, it is likely that there will be a loss of economies of scale savings, which will present themselves as higher service costs. Whilst Officers are carefully working through the full HR and finance implications, it is expected that some additional costs will be borne by both Horsham and Mid Sussex councils in the short term.

CAPITAL SPENDING

Position to the end of July 2017

27. The Capital Programme for 2017/18 now stands at £3,408,000. This includes slippage from the 2016/17 Capital Programme, and current year capital project variations, as reported to Cabinet 10th July. The actual and commitments to the end of July 2017 total £911,139.

Variances to the 2017/18 Capital Programme

28. 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 £'000 (overspend)</i>	<i>Variances £'000 (underspends)</i>	<i>Notes</i>
Finches Field Community Pavilion and Car Park		(666)	1
Bolnore Pavilion Driveway works	132		2
Disabled Facility Grants		(880)	3
Drainage works		(116)	4
Council Chamber Modernisation		(300)	5
Total	132	(1,962)	

Notes:

Emergency and Outdoor Services

- (1) Increased contribution to Slaugham Parish Council agreed in MIS22A on 2nd June. Payment expected to be complete by the end of 2017/18.
- (2) Bolnore Pavilion Driveway works scheme. Works are completed. To be included in the Capital Programme – refer to para30.

Environmental Health

- (3) Demand-led Housing adaptations service for which £468,365 has been committed as at end of July. A variation is now forecast – refer to para. 31.

Corporate Estates & Facilities

- (4) Drainage works – schemes are in the process of being scoped.
- (5) Council Chamber Modernisation Works – feasibility study has been carried out and the results of this will need to be reviewed.

Proposed Variations to the Capital Programme

29. The current Capital Programme includes £68,000 for Relocation of IDOX UNIFORM software to Oaklands. This software supports the Planning service. It is hosted in Horsham and is used by Worthing, Horsham and Mid Sussex. Worthing are in the process of developing an alternative system which, when ready, will necessitate revising hosting arrangements. The Worthing project, initially slated for 2017/18 has now slipped to 18/19 meaning this linked project will need to move to 2018/19. Therefore, £68,000 needs to be re-phased to 2018/19 and the Capital Programme for 2017/18 total has been reduced to reflect this.

30. The Bolnore Pavilion Driveway project is a new project (now complete) in the 2017/18 Capital Programme. The project total is £132,000 (rounded to the nearest £'000). It was approved at Cabinet on the 17th October 2016 that £107,170 would be funded from two Section 106 receipts for formal sports. As reported in MIS10 on 8th March 2017 the Cabinet Member for Service Delivery authorised a further £24,221.34 be released from formal sport contributions. The remainder of the cost is to be funded from the revenue repairs budget.
31. The Disabled Facility Grant budget for 2017/18 includes a carry forward from 2016/17 of £119,442 and an increased allocation from WSCC making the total budget close to £1million. The budget was increased to try to get a higher number of adaptations completed to reduce the need for admissions to hospital and bed blocking in the NHS particularly over the busy winter months. Mid Sussex has been organised to process a higher level of grant instructions to match the enhanced budget. However, to date the level of instructions has been slow from West Sussex County Council given the budget available. This is expected to now turn round given the Governments direction to make this a priority and the work of a County wide group to make this happen. The slow start will mean some slippage of the budget to 2018/19, currently estimated at £100,000.
32. Proposed capital variations are summarised in table 4 below.

Table 4: Capital Project Variations April to end July 2017/18		
	<i>Apr to July</i> £'000	<i>Ref</i>
Relocation of IDOX UNIFORM software to Oaklands	(68)	<i>Para 29</i>
Bolnore Pavilion Driveway Works	132	<i>Para 30</i>
Disabled Facility Grants	(100)	<i>Para 31</i>
	<hr/>	
Total	(36)	
	<hr/> <hr/>	

33. Taking into account all of the changes detailed above, the overall effect is a decrease to the current capital programme for 2017/18 of £36,000 and an increase in 2018/19 of £318,000. Therefore the revised programme total for 2017/18 now stands at £3,372,000.

Capital receipts and contributions received to the end of July 2017

34. S106s and grant contributions of £963,002 have been received in the period April to July 2017.

S106 contributions committed/utilised to the end of July 2017

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

Table 5 S106 utilisation 2017/18

	<i>Apr to July</i>	<i>Note</i>
	<i>£'000</i>	
Lindfield Rural Parish Council	8	1
Haywards Heath Town Council	4	2
Burgess Hill Town Council	8	3
West Sussex County Council	39	4
West Sussex County Council	3	5
West Sussex County Council	48	6
West Sussex County Council	108	7
East Grinstead Town Council	1	8
East Grinstead Town Council	3	9
Hassocks Parish Council	1	10
Burgess Hill Rugby Football Club	10	11
Hurstpierpoint Cricket Club	21	12
Scaynes Hill Millennium Village Centre	3	13
The Yews (Haywards Heath) Community Partnership	10	14
Haywards Heath Town Council	10	15
Haywards Heath Town Council	9	16
Chequer Mead Community Arts Centre	54	17
Total	340	

Notes

- 1 Utilisation of Local Community Infrastructure contribution (P35/594 £8,040) S106 monies to improve pedestrian and disabled access leading to the Remembrance Garden at Walstead Burial Ground, as agreed by the Cabinet Member for Planning on 27 March 2017 MIS 13 29 March 2017.
- 2 Utilisation of Local Community Infrastructure contribution (P35/669 £986.40 & PL12-000511 £3500.60) S106 monies to replace an existing bus shelter outside Beech Hurst Gardens, as agreed by the Cabinet Member for Planning on 12 April 2017 MIS 16 19 April 2017.
- 3 Utilisation of Local Community Infrastructure contribution (P35/491 £8,495) S106 monies to install a new footpath in Burgess Hill Burial Ground, as agreed by the Cabinet Member for Planning on 12 April 2017 MIS 16 19 April 2017.
- 4 Utilisation of Total Access Demand (Sustainable Transport) contribution (PL12-000170 £35,271 & PL12-00620 £3,579) S106 monies for shared use path surfacing on Worth Way, Crawley Down, as agreed by the Cabinet Member for Planning on 12 April 2017 MIS 16 19 April 2017.
- 5 Utilisation of Total Access Demand (Sustainable Transport) contribution (P35/369 £62.78, P35/382 £77.26 & P35/781 £2,612.96) S106 monies for Speed reduction scheme Leylands Road/West Street, Burgess Hill, as agreed by the Cabinet Member for Planning on 12 April 2017 MIS 16 19 April 2017.
- 6 Utilisation of Total Access Demand (Sustainable Transport) contribution (P35/258 £179.07, P35/519 £12,015, P35/620a £6,480, P35/624 £13,065, P35/632b £2,991.13, P35/743 £1,260, PL13-000019 £4,871.72, PL13-000271 £3,688.08 & PL13-000617 £3900) S106 monies for Safety improvements on West Street, East Grinstead, as agreed by the Cabinet Member for Planning on 12 April 2017 MIS 16 19 April 2017.
- 7 Utilisation of Total Access Demand (Sustainable Transport) contribution (P35/779 £108,155) S106 monies for Traffic calming on Imberhorne Lane, East Grinstead, as agreed by the Cabinet Member for Planning on 12 April 2017 MIS 16 19 April 2017.
- 8 Utilisation of Local Community Infrastructure contribution (P35/632b £1,356.25) S106 monies to purchase a defibrillator for East Court, as agreed by Cabinet Member for Housing and Planning on 16 May 2017 MIS 20 17 May 2017.
- 9 Utilisation of Local Community Infrastructure contribution (P35/632b £348.42 & P35/633b £2,181.58) S106 monies to enhance the public realm in the area to the front of the Kings Street public toilets, as agreed by Cabinet Member for Housing and Planning on 16 May 2017 MIS 20 17 May 2017.
- 10 Utilisation of Formal Sport contribution (P35/638b £1,389.80) S106 monies to install goalposts in Adastra Park, as agreed by the Cabinet Member for Community 23 May 2017 MIS 22 31 May 2017.
- 11 Utilisation of Formal Sport contribution (P35/625a £10,000) S106 monies towards the cost of improvements to the clubhouse, as agreed by the Cabinet Grants Panel 5 June 2017 MIS 23 5 June 2017.
- 12 Utilisation of Formal Sport contribution (P35/544 £31,796 & PL12-000366 £7,144) S106 monies towards an artificial wicket and upgrading the changing rooms, as agreed by the Cabinet Grants Panel 5 June 2017 MIS 23 5 June 2017.

- 13 Utilisation of Community Buildings contribution (PL3-000199 £3,000) S106 monies towards the cost of a new water heater, as agreed by the Cabinet Grants Panel 5 June 2017 MIS 23 5 June 2017.
- 14 Utilisation of Community Buildings contribution (PL12-001035 £9,721) S106 monies towards the cost of garden improvements, as agreed by the Cabinet Grants Panel 5 June 2017 MIS 23 5 June 2017.
- 15 Utilisation of Local Community Infrastructure contribution (P35/562b £2,892.12 & P35/641 £7,238.81) S106 monies to install new lighting on the footpath leading from Butlers Green Road to Lucastes Road, as agreed by the Cabinet Member for Planning on 15 June 2017 MIS 25 21 June 2017.
- 16 Utilisation of Local Community Infrastructure contribution (P35/641 £9,410) S106 monies to upgrade footway lights on Lewes Road, as agreed by the Cabinet Member for Planning on 22 June 2017 MIS 26 28 June 2017.
- 17 Utilisation of Community Building contributions (P35/623b £3,937, P35/705 £4,858, P35/667 £7,824, P35/667 £880, P35/652b £9,731, P35/680 £14,782 & P35/694 £11,488) S106 monies towards building improvements, as agreed by the Deputy Leader and Cabinet Member for Resources and Economic Growth on 30 June 2017 MIS 27 5 July 2017. This application was also considered at the Cabinet Grants Panel on 5 June 2017 but further information was required from the organisation in order to make a decision.

TREASURY MANAGEMENT INTEREST

36. Treasury Management interest for the financial year 2017/18 was projected in the Budget Report to be £308,065 at an average rate of 0.80%. The Budget Report is prepared well before many of the cash flow items are known.
37. As at the end of July 2017, projected Treasury Management interest earnings for 2017/18 were £308,065 at an average rate of 0.853%, being on target. This position will continue to be monitored closely as we progress through the year.

Local Authority Property Fund Dividends

38. Members will recall that £6m is invested in the Local Authorities' Property Fund administered by the CCLA. 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 £74,579 less management expenses of £8,800. Therefore, the net income to the Council is £65,779 as at the end of June 2017. £240,000 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

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

FINANCIAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

41. 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 2017/18.

EQUALITY AND CUSTOMER SERVICE IMPLICATIONS

42. There are none.

OTHER MATERIAL IMPLICATIONS

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

Background Papers

Revenue Budget 2017/18

Appendix A

Forecast Budget Variations for 2017/18 at the end of July 2017

	<i>Pressures in 2017/18</i>	<i>Notes</i>
	£'000	
April to May pressures Cabinet 10 th July 2017	131	
Approved Transfers to Specific Reserve (July)	62	
Car Parks – New Notice processing Platform	7	1
Car Parks – NNDR Revaluation	45	2
Temporary Accommodation	78	3
Hackney carriages – Unmet Demand Survey	10	4
Waste Contract Indexation	25	5
Part year effect of staff restructure changes – Planning	17	6
Playground repairs	35	7
Rental income – The Orchards	277	8
Hurst Farm	40	9
Apprenticeship staffing	19	10
	746	
	746	

Notes:

- (1) Pressure resulting from the purchase of a new Notice Processing Platform for Parking Services.
- (2) NNDR pressure relating to the revaluation of Car parks at Boltro Road £8K, Church Road, Haywards Heath £18K and Church Lane, East Grinstead £19K.
- (3) Forecast pressure in respect of Temporary Accommodation based on the trend over the past 27 months and an expectation that, due to further known national pressures, the trend is likely to continue. Pressures are in respect of further welfare reform changes, including the impact of the Benefit cap and the freeze to Local Housing Allowance rates despite private rents increasing.
- (4) Triennial requirement by the Department of Transport to carry out a survey to assess unmet demand for Hackney carriages as a result of having a quantity restriction.
- (5) Waste contract indexation pressure as a result of confirmed contractual indices for March exceeding those estimated at the time of budget setting.
- (6) Part year effect of a Planning Restructure in response to the need to renew capacity to support the delivery of the District Plan, the Councils' economic development strategy and the ambitious growth programme at Burgess Hill. The total part year cost of £75K is being partly funded by Development Management staffing reserves in-year, leaving a remaining cost of £17K. The full year cost in respect of the permanent change to the staffing establishment will be included in the Corporate Plan and Budget report 2018/19, contingent on confirmation from DCLG regarding the 20% increase in planning applications fees.
- (7) Pressure due to essential repairs to keep playgrounds safe and functional.
- (8) See paragraph 16.
- (9) The cost of making an outline planning application on the site
- (10) Further cost of two Apprentices, employed on 2-year contracts. The sum originally allocated from specific reserve has now been fully utilised and a further pressure relates to the cost of the second year.

Appendix A

Forecast Budget Variations for 2017/18 at the end of July 2017

	<i>(Savings)</i> <i>in 2017/18</i>	<i>Notes</i>
	<i>£'000</i>	
April to May savings Cabinet 10 th July 2017	(227)	
Planning Fee Income	(154)	11
Provision of Bins for new developments	(12)	12
Cleansing Services staffing	(10)	13
Parking Pay and Displays Income	(18)	14
Accountancy Staffing	(20)	15
Parking Season Ticket Income	(24)	16
Reduction in contribution to The Orchards Reserve	(277)	17
	<hr/>	
	(742)	
	<hr/>	

Notes:

- (11) See paragraph 7.
- (12) Additional Income for the year due to charges made for the provision of bins for new developments.
- (13) Staff saving due to a vacant post during the first four months of the year.
- (14) See paragraph 6.
- (15) Staff saving due to a vacant post and staff working reduced hours.
- (16) See paragraph 6.
- (17) See paragraph 16.