

BUDGET MANAGEMENT 2023/24 – PROGRESS REPORT APRIL TO JUNE 2023

REPORT OF: DIRECTOR OF RESOURCES AND ORGANISATIONAL DEVELOPMENT
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Wards Affected: All
Key Decision: No
Report to: Cabinet
13 November 2023

EXECUTIVE SUMMARY AND RECOMMENDATIONS

Purpose of Report

1. This report provides an update on the forecast financial position at quarter one (Q1) against the approved Revenue Budget for 2023/24 and the current Capital Programme.

Summary

2. The forecast revenue outturn position for 2023/24 at the end of June is a net overspend of £442,000 against the current budget. It should, however, be noted that quarter one projections are prepared early in the year and thus external trends are still emerging.
3. As was the case in 2022/23, the continued impact of rising interest rates and effective investment decision-making is also achieving a positive movement on the Council's Treasury Management income. This continues to be used to offset service pressures.
4. A number of fully funded Capital variations have come forward in the first quarter of the year totalling £635,000 which are detailed in table 3 of this report. The Capital Programme remains on target at this stage in the year.

Recommendations

5. To recommend that Council:

- (i) **Note the current forecast outturn;**
 - (ii) **Endorse the variations to the Capital Programme contained in Table 3 in accordance with the Council's Financial Procedure rule B3 and the Capital Strategy**
 - (iii) **Approve the formal creation of the Specific Reserves as identified in Table 2, funded from external grant funding as detailed in paragraphs 19-21.**
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REVENUE SPENDING

Q1 Position to the end of June 2023

6. Table 1 below provides a summary of the estimated forecast outturn as at the end of the first quarter (Q1) of 2023/24. A more detailed breakdown is shown in Appendix A of this report. The main reasons for any movements are then outlined in the following paragraphs.

Table 1 – Overview of forecast movement April to June 2023/24

	Current budget 2023/24 Current Budget £'000	Forecast Outturn 2023/24 Forecast Outturn £'000	Forecast Variation as at June 2023/24 (surplus) /deficit £'000
<i>Council Net Expenditure</i>	18,926	19,368	442
Contribution to reserves	894	894	0
Use of Windfall Treasury Management Income	0	(233)	(233)
<i>Total Revenue Spending</i>	19,820	19,862	209

Director People & Commercial Services

7. **Cleansing Services** have a net £86,000 pressure emerging, where £85,000 additional costs have been incurred for the Waste Contract in respect of bank holidays, which are subject to additional 'pass through' charges by the contractor. Modelling has been updated for future years' budget setting. Further Waste contract pressures have also resulted from higher than forecast property growth resulting in additional costs of £125,000 and also due to further contractual inflation applied after the pay award was confirmed for 2022/23 of £130,000, which was too late for inclusion in 2023/24 budget. The additional costs are being partially managed in this financial year due to the late mobilisation of the new garden waste vehicle expected to grow the service, resulting in a part-year saving of £96,000. Additionally, a budgeted allowance for the repayment of interest for the old stock of Garden waste bins is no longer required due to the new stock being financed from reserves rather than borrowing, resulting in a saving of £158,000.
8. **Landscapes** are projecting a net saving of £35,000. This is due to projected staff savings resulting from vacant posts and staff working fewer hours than budgeted. Additionally, car mileage savings are emerging due to having fewer staff and staff making fewer journeys. A further £29,000 additional Outdoor Leisure income is also forecast to recognise the recovery of income since the pandemic, to a level achieved in the most recent financial year. These savings are partially offset by a pressure of £49,000 for National Non-Domestic Rates (NNDR) for the year, where backdated charges have resulted from a 2023 revaluation whereby pavilions have now become rateable.
9. **Parking Services** are projecting a £152,000 saving by year-end. This is mainly due to recovery since the pandemic of car parking income to a level achieved in the most recent financial year, by £118,000. Additionally, £34,000 savings in NNDR costs have been achieved due to a revaluation downwards of some car parks and transitional relief in the current year for those car parks revalued upwards.
10. **Leisure Services** have a £212,000 pressure emerging. This is mainly due to the slower than anticipated recovery of the Leisure contractor post-pandemic in terms of income generation, resulting in a lower Management fee to the Council for the year of £200,000. Additionally, the service has employed the use of consultants to assist with the additional contract monitoring requirements to ensure that management fee income is maximised, while still not returning to pre-pandemic levels.

11. **Estates** have a net pressure of £5,000 emerging. This is due to a 2023 NNDR revaluation of properties. However, this is likely to be offset by increased income from ongoing rent reviews.
12. **Housing Options** are projecting a £10,000 underspend, due to the expiry of a cross-council agreement requiring contribution to a refugee settlement scheme.
13. **Digital and Technology** are projecting a £47,000 underspend by year end. This is a result of a £30,000 reduction in expenditure on printers and copiers, due to less usage and £17,000 on Telephones since the migration to Microsoft Teams.

Director Resources and Organisational Development

14. **Legal Services** are projecting an overspend of circa £200,000 which has been the trend for a number of years. This is due to circa £40,000 anticipated underachievement of income (which will be subject to review during the budget setting process for 2024/25) and overspend on staffing due to reliance on agency and locum staff. The service is looking to manage this overspend down, through the ongoing successful recruitment of permanent staff.
15. **Human Resources and Organisational Development** – Transitional pressures with the HR system have resulted a one-off pressure anticipated to be in the region of £55,000.
16. **Corporate Resources** has an anticipated £133,000 overspend. The result of Insurance premium increases as excess inflation has impacted on the cost of potential reinstatement. Combined with potential further pressures on the audit budgets for additional work.

Treasury Management

17. Treasury Management continues to show a steady improvement as the year progresses due to the improved interest rates available and effective investment decision-making. After planned use in the base budget for 2023/24 there is a £233,000 windfall in interest earned to the end of June 2023. It is anticipated that we will continue to see improved returns and it is proposed that this windfall is used to fund (currently in part) the inflationary pressures impacting on the forecast outturn.
18. It is then proposed that any further improved receipts are used to, firstly, offset the remaining revenue overspend and, secondly, be transferred to the general reserve to manage future financial risk on the capital and revenue budgets.

Revenue one off projects

19. As well as day-to-day operational activity, services also deliver additional externally funded revenue projects. Where there are multiple years reserves are set up at the end of the year when this position crystallises. These come about as a result of successful bids for funding, Government specific initiatives or essential reactive work. Where specific funding is received, and work completed over multiple years the funding is held in our reserves and balances. At Q1 new reserves, that were not reported at outturn, are listed below: -

Table 2 – Specific Revenue Funding

Martlets' Temporary Urban Park (UKSPF 22/23))	90	<i>Para 20</i>
Stone Quarry (UKSPF 22/23)	30	<i>Para 21</i>
 Total Revenue Specific Funding	 120	

20. Revenue UKSPF grant of £90,000 has been received to date to provide for activities within the urban park.
21. Stone Quarry received UKSPF grant funding approval of £35,000 for 2022/23 but £30,367 needs to be carried forward to 2023/24. This was revenue funding toward the relocation of community hub activities to the Old Post Office. This project started late due to the delay in confirmation from the Government regarding the award. Therefore, this project now needs to be added to the 2023/24 programme totalling £30,000.

Summary of Revenue Position

22. In summary, the net revenue position is an overspend of £209,000 after applying the windfall income to date from Treasury Management.

CAPITAL PROGRAMME AND REVENUE PROJECTS

Position to the end of June 2023

23. The Council has a 4-year rolling Capital Programme. While it is managed across multiple years this report provides an update at Q1 for 2023/24. The actual spend and purchase orders raised to the end of June 2023 total £1,693,036. The 2023/24 Capital Programme totalling, £5,735,000, was adjusted to reflect rephasing at outturn 2022/23 totalling £3,297,000, resulting in a revised 2023/24 programme of £9,032,000. A review of the profiling of this across future years to reflect more realistic forecasts for delivery is ongoing.
24. Since outturn there have been a number of fully funded variations to the programme shown in Table 3 below: -

Table 3 - Capital Programme Variations April to end June 2023

	<i>Apr to June</i> £'000	<i>Ref</i>
Disabled Facility Grant	220	<i>Para 26</i>
Urban Park Burgess Hill (UKSPF 22/23)	45	
Victoria Park Haywards Heath (UKSPF 23/24)	30	<i>Para 27</i>
Mount Noddy, East Grinstead (UKSPF 23/24)	30	
Cherry Tree Burgess Hill (UKSPF 23/24)	100	
Connected Kerb	210	<i>Para 28</i>
 Total Capital Projects Variations	 <hr style="width: 100%; border: 0.5px solid black;"/> 635 <hr style="width: 100%; border: 0.5px solid black;"/>	

25. Variations to the Capital Programme totalling £635,000 result in a revised 2023/24 programme of £9,667,000.
26. We have received notification of increased funding for Disabled Facility Grants in 2023/24, through the Better Care Fund which is passported onto MSDC from West Sussex County Council. The allocation this year is now £1,120,000 (to the nearest £'000). This allows additional funding of £220,000 compared to the original budget of £900,000.

27. UKSPF funding has been received in support of a number of projects as listed in the table above.
28. Connected kerb grant funding of £210,190 has been secured from the Office for Zero Emission Vehicles (OZEV), Department for Transport for the delivery of 31 double-headed charge points (with a total of 62 sockets). The charge points to be delivered are on MSDC owned land in car parks across the district.

Policy Context

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

Financial Implications

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

Risk Management Implications

31. There are no risk management implications.

Equality and Customer Service Implications

32. There are no Equality and Customer Service implications.

Other Material Implications

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

Sustainability Implications

34. There are no sustainability implications as a direct consequence of this report.

Appendices

Appendix A - Forecast outturn at Q1 2023/24

Background Papers

None

Appendix A Forecast outturn at Q1 2023/24

	Original budget	Current budget (Ex.recharges)	Forecast Outturn	Variation
	2023/24 £'000	2023/24 £'000	2023/24 £'000	2023 £'000
<i>AD Planning & Sustainable Economy</i>				
Development Management	1,210	277	277	0
Planning Policy	736	511	511	0
Housing Enabling	242	149	149	0
Economic Development & Sustainability	694	585	585	0
	2,882	1,522	1,522	0
<i>AD Communities</i>				
Environmental Health	1,335	844	844	0
Community Services	380	236	236	0
Partnerships	390	240	240	0
	2,105	1,320	1,320	0
<i>AD Commercial Services & Contracts</i>				
Cleansing Services	4,902	4,531	4,617	86
Landscapes	2,762	2,175	2,140	(35)
Parking Services	(820)	(1,156)	(1,308)	(152)
Leisure	(629)	(917)	(705)	212
Facilities	429	1,776	1,776	0
Estates	(2,955)	(3,096)	(3,096)	0
Building Control	490	143	143	0
	4,179	3,456	3,567	111
<i>AD Digital & People Services</i>				
Revenues & Benefits	2,786	1,822	1,822	0
Housing Options	1,871	1,557	1,547	(10)
Customer Services	0	367	367	0
Digital and Technology Services	(177)	1,691	1,644	(47)
	4,480	5,437	5,380	(57)
<i>AD Legal & Democratic Services</i>				
Democratic Services	1,035	1,005	1,005	0
Legal	0	306	506	200
	1,035	1,311	1,511	200
<i>AD Organisational Development</i>				
Human Resources & Organisational Development	0	584	639	55
Communications, PR & Community Engagement	517	727	727	0
	517	1,311	1,366	55
<i>AD Corporate Resources</i>				
Land Charges	176	33	33	0
Finance	0	750	750	0
Planning & Building Control Support	0	310	310	0
PMO & Service Redesign	277	189	189	0
Corporate Resources	1,476	1,782	1,915	133
Strategic Core	1,897	1,603	1,603	0
	3,826	4,667	4,800	133
<i>Centrally held budgets</i>				
Benefits	(119)	(119)	(119)	0
Drainage Levies	1	1	1	0
Balance Unallocated	20	20	20	0
Contribution to the Development Plan reserve	300	300	300	0
Contribution to the Job Evaluation reserve	594	594	594	0
Total Centrally Held Budgets	796	796	796	0
Total	19,820	19,820	20,262	442