

BUDGET MANAGEMENT 2023/24 – PROGRESS REPORT JULY TO SEPTEMBER 2023

REPORT OF: DIRECTOR OF RESOURCES AND ORGNISATIONAL DEVELOPMENT
Contact Officer: Rachel Jarvis, Assistant Director Corporate Resources (and S151 Officer)
Email: Rachel.Jarvis@midsussex.gov.uk Tel: 01444 477064
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 two (Q2) 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 September is an overspend of £654,000.
3. As was the case in 2022/23, the continued impact of rising interest rates and effective investment decision making is also achieving a windfall income on the Council's Treasury Management income. This has continued to be used to offset pressures on services that continue to be impacted by excess inflation.
4. A number of fully funded Capital variations have also come forward in the second quarter of the year totalling £5,385,000 which are detailed at Table 3. These pertain to the investment in Temporary accommodation allowing the authority to access the Local Authority Housing Funding, as agreed at Cabinet on 11th September, and now proposed for formal recommendation to Council.

Recommendations

5. To recommend that Council:

- (i) **Note the current forecast outturn;**
 - (ii) **Endorse the variations to the Capital Programme contained at Table 3 in accordance with the Council's Financial Procedure rule B3 and the Capital Strategy;**
 - (iii) **Approve the use of £2,080m for LAHF Tranche 1 and £1,252m for LAHF Tranche 2, as detailed in paragraphs 23 and 24.**
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REVENUE SPENDING

Q1 Position to the end of September 2023

Table 1 below provides a summary of the estimated forecast outturn as at the end of the second quarter of 2023/24. A more detailed breakdown is at Appendix A of this report. The main reasons for any movements are then provided in the subsequent paragraphs.

Table 1 – Overview of forecast movement

	Current budget 2023/24 £'000	Forecast Outturn 2023/24 £'000	Forecast Variation as at June 2023 £'000
<i>Council Net Expenditure</i>	19,820	20,474	654
Use of Treasury Management Income	0	(654)	(654)
<i>Total Revenue Spending</i>	19,820	19,820	0

Deputy Chief Executive

6. **Development Management** is forecasting a pressure of £52,000 for the year. This is a result of the adverse impact of construction inflation on the market and subsequently on income.

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. Further contract pressures have also resulted from higher than forecast property growth 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.
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 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 NNDR for the year, where backdated charges have resulted from a 2023 revaluation whereby pavilions have now become rateable.
9. Additionally, there is a part year pressure for green spaces management in the region £100,000 pressure.
10. **Building Control** have a net £60,000 pressure emerging. This is due to a projected income shortfall of circa £110,000 at year end, which can be partially offset by; underspends in staffing due to vacant posts, reductions in consultants and scanning costs.

11. **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.
12. **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.
13. **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.
14. **Housing Options** are projecting a £10,000 underspend, due to the expiry of a cross council agreement requiring contribution to a refugee settlement scheme.
15. **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

16. **Legal Services** are projecting an overspend of circa £200k, which has been the trend for a number of years. This is due to circa £40k 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 by the ongoing successful recruitment of permanent staff.
17. **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.
18. **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

19. 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 income use in the base budget for 2023/24 there is £1,202,000 windfall in interest earned to the end of September 2023. It is anticipated that we will continue to see improved returns as we reach the end of investments that were placed when rates were low.
20. It is proposed that this windfall is used to fund the inflationary pressures that are impacting on the forecast outturn. It is then proposed that any further improved receipts are used to, firstly, offset the remaining revenue overspend, secondly, be held to manage future financial risk on the capital and revenue budgets.

CAPITAL PROGRAMME AND REVENUE PROJECTS

Position to the end of September 2023

21. The Council has a 4-year rolling Capital Programme. While it is managed across multiple years this report provides an update in year. Work has been undertaken during September to review the phasing of the programme to better reflect the delivery of the projects. Therefore, there are a number of variations to the programme for phasing in year, but no change to the programme overall. These variations are set out below and reduce the 2023/24 programmed work by a net £2,710,000 in 2023/24 but increase subsequent years by the same amount.
22. There have also been a number of additions to the programme totalling £5,385,000. Details of which are provided in the paragraphs below.

Table 2: Capital Programme and Revenue Project Variations July to end September 2023

	£'000	Ref
<u>Additions</u>		
Temporary Accommodation (LAHF) – tranche 1	3,365	Para 23
Temporary Accommodation (LAHF) – tranche 2	2,020	Para 24
Total Additions	5,385	
<u>Budget reprofiled to reflect delivery</u>		
Hemsleys Meadow and Finches Field	(884)	
Mount Noddy	(395)	
Victoria Park	(343)	
Hickman's Lane Pavilion	(195)	
Bedelands Gypsy and Traveller site	(489)	
Burgess Hill Place and Connectivity Programme	(492)	
Total Reprofiled	(2,798)	
Total Variations	2,587	

23. As recommended by Cabinet on 11th September, Local Authority Housing Fund – Tranche 1 – provides for 8 homes to provide accommodation to families with housing needs who have arrived in the UK via Ukrainian and Afghan resettlement and relocation schemes, funded by a grant of £1,280,000 from DHULC along with £2,080,000 of New Homes Bonus allocated to the Council in 2022/23.
24. As recommended by Cabinet 11th September, Local Authority Housing Fund – Tranche 2 – provides for 4 homes to provide accommodation to families with housing needs who have arrived in the UK via Ukrainian and Afghan resettlement and relocation schemes, funded by a grant of £768,000 from DHULC along with an estimated £1,252,000 of New Homes Bonus allocated to the Council in 2023/24. Although this is scheduled for 2023/24 some of the properties may not be purchased until 2024/25, depending on the property market.
25. The current approved programme continues to be reviewed to ensure that it reflects the best estimated delivery of project.

Policy Context

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

Financial Implications

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

Risk Management Implications

28. There are no risk management implications.

Equality and Customer Service Implications

29. There are no Equality and Customer Service implications.

Other Material Implications

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

Sustainability Implications

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

Background Papers

N/A

Appendix A Forecast outturn at Q2

	Original budget	Current budget (Excl recharges)	Forecast Outturn	Variation (Surplus Deficit)
	2023/24 £'000	2023/24 £'000	2023/24 £'000	2023 £'000
AD Planning & Sustainable Economy				
Development Management	1,210	277	329	52
Planning Policy	736	511	511	0
Housing Enabling	242	149	149	0
Economic Development & Sustainability	694	585	585	0
	2,882	1,522	1,574	52
AD Communities				
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
AD Commercial Services & Contracts				
Cleansing Services	4,902	4,531	4,617	86
Landscapes	2,762	2,175	2,240	65
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	203	60
	4,179	3,456	3,727	271
AD Digital & People Services				
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)
AD Legal & Democratic Services				
Democratic Services	1,035	1,005	1,005	0
Legal	0	306	506	200
	1,035	1,311	1,511	200
AD Organisational Development				
Human Resources & Organisational Development	0	584	639	55
Communications, PR & Community Engagement	517	727	727	0
	517	1,311	1,366	55
AD Corporate Resources				
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
Centrally held budgets				
Benefits	(119)	(119)	(119)	0
Drainage Levies	1	1	1	0
Balance Unallocated	20	20	20	0
Development Plan reserve	300	300	300	0
Organisational Development & Efficiency Reserve	594	594	594	0
Total Centrally Held Budgets	796	796	796	0
Total	19,820	19,820	20,474	654