

BUDGET MANAGEMENT 2019/20 – PROGRESS REPORT APRIL TO MAY 2019

REPORT OF: Head of Corporate Resources
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Wards Affected: All
Key Decision: No
Report to: Cabinet
8th July 2019

EXECUTIVE SUMMARY AND RECOMMENDATIONS

Purpose of Report

1. This report reviews the progress on the Revenue Budget, Capital Programme and Treasury Management for 2019/20.

Summary

2. The forecast revenue outturn position for 2019/20 at the end of May is showing a projected net underspend of £347,000 against the original estimate, which mainly relates to on-going savings / pressures from 2018/19 which will be built into the 2020/21 budget, as well as additional unbudgeted investment property income.

Recommendations

3. To recommend to Council for approval:

- (i) that £17,484 grant income relating to Local Authority EU Exit preparation Grant be transferred to Specific Reserve as detailed in paragraph 22;
- (ii) that £9,916 grant income relating to Cold Weather Fund Payment Grant be transferred to Specific Reserve as detailed in paragraph 23;
- (iii) that £5,893 grant income relating to Local Authority Data Sharing Programme Grant be transferred to Specific Reserve as detailed in paragraph 24;
- (iv) that £28,200 grant income relating to New Burdens Universal credits be transferred to Specific Reserve as detailed in paragraph 25;
- (v) that £24,857 grant income relating to Implementing Welfare Reform Grant be transferred to Specific Reserve as detailed in paragraph 26;
- (vi) that £756 grant income relating to New Burdens Single Fraud Investigation Service Grant be transferred to Specific Reserve as detailed in paragraph 27;
- (vii) that £31,658 grant income relating to New Burdens Verify Earnings & Pensions Grant be transferred to Specific Reserve as detailed in paragraph 28;
- (viii) the variations to the Capital Programme contained in paragraph 35 in accordance with the Council's Financial Procedure rule B3.

To note:

- (ix) the remainder of the report;

REVENUE SPENDING

Position to the end of May 2019

- This is the first 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 two months of 2019/20, and thereby establish a position over the summer.

Expenditure and Income to date

- 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 May 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 May 2019					
INCOME	2019/20 Actual to May £'000	Profiled 2019/20 Budget £'000	2019/20 Original Budget £'000	Pressure/ (Saving) To end May £'000	Projected Year-end Variance £'000
Car Park Charges	(380)	(367)	(2,085)	(13)	(75)
Development					
Management Fees	(186)	(243)	(1,454)	57	0
Building Control Fees	(84)	(113)	(549)	29	29
Land Charges	(33)	(30)	(153)	(3)	0
Licensing Act Fees	(13)	(9)	(144)	(4)	0
Hackney Carriage Fees	(17)	(21)	(129)	4	0
Outdoor Facilities Income	(60)	(114)	(280)	54	0
Garden Waste	(144)	(153)	(1,281)	9	0
Leisure Contract Income	(0)	(239)	(1,433)	239	0
Industrial Estates Rents	(531)	(243)	(973)	(288)	(317)
Town Centre Rents	(334)	(393)	(2,540)	59	0
Depot Rent	(19)	(18)	(77)	(1)	0
General/Miscellaneous					
Property	(93)	(73)	(210)	(20)	0
Total Income	(1,894)	(2,016)	(11,308)	122	(363)
EXPENDITURE					
Salaries	2,007	1,978	11,868	29	0

6. Car parking income is above budget by £13,000 in the first two months operation of the service. This is detailed in Table 2 below. This includes variations in respect of lower than budgeted Season Tickets £7,000, which is more than offset by additional Pay and Display (£20,000). The forecast has been amended to recognise the over achievement of income at outturn 2018/19, whilst at the same time including a conservative forecast for the current year of £75,000, due to the uncertainty regarding the take-up of cashless parking and potential additional transaction costs as take up increases.

Table 2: Car Parking Income variance			
	<i>Actual April to May</i>	<i>Outturn 2018/19</i>	<i>Forecast 2019/20</i>
	<i>(Over)/ under target £'000</i>	<i>(Over)/ under target £'000</i>	<i>(Over)/ under target £'000</i>
Pay & Display tickets	(20)	(133)	(75)
Season Tickets	7	2	0
Total additional income	(13)	(131)	(75)

7. At the end of May a shortfall in planning application fee income is showing of £57,000. At a recent meeting with our regular developers, officers were advised that some developers are delaying the submission of planning applications because of current market conditions. This is not unusual and officers are confident that this will even out through the year. This will be reviewed as the year progresses, but for the time being, the forecast remains unchanged.
8. At the end of May, Building Control Income is under target by £29,000. There was a shortfall of £36,000 at outturn 2018/19 compared to 2019/20 budget. However, the Head of Service for Building Control has confirmed that a fee increase is expected to reduce any ongoing shortfalls once implemented, but this is not likely to recover the shortfall to date of £29,000. The forecast has therefore been amended accordingly.
9. At the end of May Land Charges income is above budget by £3,000. However, no variation to the full year projection is anticipated at this stage.
10. Licencing income is £4,000 above target for April to May. 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 £4,000 for the first two months of this financial year. This is mainly due to the profiling of income, which can fluctuate.
12. Outdoor facilities income is £54,000 below budget after the first two months of the year. This is partly due to the profiling of Playgroup hiring income, which is now invoiced monthly rather than at the start of the year. However, no variation to the full year projection is anticipated at this stage.

13. Based on the current budget profile, Garden Waste income is £9,000 below target at the end of May. At Outturn 2018/19 a shortfall of £50,000 was recorded against the current annual budget target. A capital project to expand the Garden Waste service was expected to deliver an additional 1800 customers in 2018/19, in order to achieve the budgeted customer base of 20,000 customers by year-end. Although growth has been steady with 300 new customers since the 1st April 2019, further growth of 400 new customers in 2019/20 is required to achieve the budgeted target. At this early stage in the year it is uncertain whether this can be achieved by year end and the position will continue to be monitored closely as the year progresses. The year-end projection has not been amended at this stage.
14. The value of the Leisure Contract this year has recently been agreed with Places for People Leisure and the first quarter invoice will be raised in June 2019. There is no forecast change to the full year budget.
15. Industrial Estates rent includes unbudgeted rental income of £317,000 following the acquisition of 208-216 London Road, Burgess Hill. The year-end projection has been amended accordingly.
16. Town Centre rent is £59,000 below the target at the end of May. This shortfall is due to the timing of supplementary rent for the Market Place Car Park which will be received later in the year. No change to the full year projection is anticipated at this stage.
17. Depot rent is showing a minor variation to budget for April to May. No change to the full year projection is anticipated at this stage.
18. General/miscellaneous property income is £20,000 above the target at the end of May. No change to the full year projection is anticipated at this stage.
19. The salaries expenditure to the end of May is showing a pressure of £29,000 against the profiled budget, which is mainly due to agency, consultant and recruitment costs across the Council. However, at this early stage we are not forecasting a year-end variance. This position will continue to be monitored closely as we progress through the year.
20. In summary, based on current information available and as outlined in Appendix A, the current forecast year-end position (at the end of May 2019), is an underspend of £347,000.

Miscellaneous

21. The total remaining in Balance Unallocated is unchanged at £62,000 as there has been no utilisation to date.
22. In March 2019, grant totalling £17,484 was received from MHCLG in respect of funding Local Authority EU Exit preparation. In May, the Council received a second payment of £17,484 and Members are requested to approve the transfer of this sum to Specific reserves to meet the cost of any EU exit costs arising.
23. In May the Council received £9,916 from MHCLG in respect of a Cold Weather Fund Payment. The purpose of the grant is to enable Local Authorities, and their partners, to provide swift, bespoke interventions for rough sleepers during the 2018-19 cold period, and use this to further engage and support individuals into longer-term sustainable solutions. Members are requested to approve that this sum be earmarked in Specific Reserve for Outreach work to be undertaken by Housing Services.

24. In May the Council also received a grant payment of £5.893 from the Department for Work and Pensions (DWP), in respect of New Burdens relating to Local Authority Data Sharing Programme. Members are requested to approve the transfer of this sum to specific reserves to meet this additional cost.
25. In April grant totalling £28,200 was received from the DWP, in respect of New Burdens relating to Universal credits: Members are requested to approve the transfer of this sum to specific reserves to meet this additional cost.
26. In April, we received grant payments totalling £24,857 from the DWP in respect of Implementing Welfare Reform. Members are requested to approve the transfer of this sum to specific reserves to meet this additional cost.
27. In April the Council received £756 from the DWP in respect of a New Burdens Single Fraud Investigation Service. Members are requested to approve the transfer of this sum to specific reserves to meet this additional cost.
28. In May grant totalling £31,658 was received from the DWP to meet the costs of new burdens relating to Verify Earnings & Pensions grant. Members are requested to approve the transfer of this sum to specific reserves to meet this additional cost.

CAPITAL SPENDING

Position to the end of May 2019

29. The Capital Programme for 2019/20, as approved at Council on the 27 February 2019, amounted to £2,426,000. Following the 2018/19 Outturn, the current programme has been increased by £959,000, being the slippage of some 2018/19 capital projects totalling £966,000 less a £7,000 19/20 Budget adjustment on the Padel Tennis Court project to reflect preparation costs incurred at end of 18/19 . Therefore, the revised Capital Programme now totals £3,385,000.
30. Further details relating to these changes are contained in the Outturn 2018/19 report to Cabinet on 3 June 2019. The actual and commitments to the end of May 2019 total £133,395.

Variances to the 2019/20 Capital Programme

31. At this early stage in the year all projects are progressing as expected, other than those identified in Table 3 under "Proposed variations to the Capital Programme" below.

Proposed Variations to the Capital Programme

32. Since the Corporate Plan and Budget 2019/20 report was approved at Council on 27 February 19, the Dolphin Leisure Centre improvement works project totalling £198,000 has been approved. This is detailed in a report to Cabinet 29 April 19 and it is to be funded from General Reserve. The Capital Programme has been updated accordingly.

33. The current Capital Programme includes the Telephony System Upgrade project for £120,000 funded from the ICT Reserve. However, prioritisation needs to be given to the completion of the TechOne FMS revenue project, which is also financed from the ICT Reserve in the current financial year. As a result, the Telephony System Upgrade project will need to slip to next financial year. Preparation work will be prioritised to understand our complete communications requirements as a business, so that the Telephony System Upgrade project can be undertaken as soon as possible next year.
34. Since the Corporate Plan and Budget 2018/19 report was approved at Council on 27 February 19, we have received notification of increased funding for Disabled Facility Grants in 2019/20, through the Better Care Fund which is passported onto MSDC from West Sussex County Council. The allocation this year is £1,025,094. This allows additional funding of £125,000 compared to the original budget of £900,000. However, the revised budget for 2019/20 also includes last year's unutilised allocation of £343,000 that was built into the 2019/20 budget following Outturn 2018/19, so the Disabled Facilities Budget total now stands at £1,368,000, of which approximately £700,000 had been committed to date.
35. Proposed capital variations are summarised in table 3 below:

Table 3: Capital Project Variations April to end May 2019		
	<i>Apr to May</i>	
	<i>£'000</i>	<i>Ref</i>
Dolphin Leisure Centre Improvements works	198	<i>Para 32</i>
Telephony System Upgrade	(120)	<i>Para 33</i>
Disabled Facilities Grants	125	<i>Para 34</i>
Total	203	

36. Taking into account the change detailed above, the overall effect is an increase to the current capital programme for 2019/20 of £203,000. Therefore the revised programme total for 2019/20 now stands at £3,588,000.

Capital receipts and contributions received to the end of May 2019

37. S106s and grant contributions of £134,100 have been received in the period April to May 2019.

S106 contributions committed/utilised to the end of May 2019

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

Table 5 S106 utilisation 2019/20		
	<i>Apr to May</i>	
	<i>£'000</i>	<i>Note</i>
Ardingly Parish Council	3	<i>1</i>
West Sussex County Council	157	<i>2</i>
East Grinstead Town Council	18	<i>3</i>
Guinness Housing Association	400	<i>4</i>
Slaugham Parish Council	175	<i>5</i>
Total	753	

Notes

- 1 Utilisation of Local Community Infrastructure contribution (PL13-000981) S106 monies to enhance the car park provision at Ardingly Recreation Ground, as agreed by the Cabinet Member for Planning on 26 March 2019 MIS 13 27 March 2019.
- 2 Utilisation of Sustainable Transport (TAD) contributions (P35/559a £43,833, P35/559b £57,190, P35/650 £8,687, P35/698 £349, P35/756 £43,893 & PL13-000368 £3,313) S106 monies to carry out various traffic management schemes in Handcross, Pease Pottage and Warninglid, as agreed by the Cabinet Member for Planning on 4 April 2019 MIS 14a 5 April 2019.
- 3 Utilisation of Community Buildings contributions (P35/620a £1200, P35/633b £6,775, P35/671 £2,311 & P35/709 £3,545) and Local Community Infrastructure contributions (P35/667 £4,595) S106 monies to refurbish the gents toilets at East Court Mansion, as agreed by the Cabinet Member for Planning on 4 April 2019 MIS 14a 5 April 2019.
- 4 Utilisation of Affordable Housing contributions (P35/323 £3,390, P35/563 £200,662, P35/523b £5,000, P35/694 £38,663 & PL12-000929 £152,285) S106 monies to enable delivery of affordable housing at Blackwell Farm Road, East Grinstead, as agreed by the Cabinet Member for Housing & Planning on 11 April 2019 MIS 16 17 April 2019.
- 5 Utilisation of Formal Sport contributions (P35/698a £3,565, PL13-000368 £9,695, PL13-001524 £9,166, PL12-001742 £20,256, PL12-002157 £6,630 & PL3-000303 £688), Community Buildings contributions (P35/745 £4,704, PL13-000368 £4,211, PL13-001524 £3,982, PL12-001742 £8,799 & PL3-000303 £58,304) and Playspace contributions (PL13-000368 £8,050, PL13-001524 £7,611 & PL3-000303 £29,339) S106 monies to upgrade the pavilion and playground at Handcross Recreation Ground as agreed by the Cabinet Grants Panel on 16 April 2019 MIS 16 17 April 2019.

TREASURY MANAGEMENT INTEREST

39. Treasury Management interest for this financial year was projected in the Budget Report to be £357,230 at an average rate of 1.15%. The Budget Report is prepared well before many of the cash flow items are known.
40. Actual Treasury Management interest earnings for the first two months of 2019/20 were £39,288 at an average rate of 1.031%. The estimated year-end projection for Treasury Management to be earned in the year is £286,879 being £70,000 under target, due to a lower than forecast average balance and lower than forecast average interest rate. The average interest rate has partly been depressed because of the policy of opting for short term investments, rather than putting some money out for longer, in anticipation of increases in rates in the near future. The average rate may improve if either market rates increase or the Council decide to opt for some longer terms. This position will continue to be monitored closely as we progress through the year.

POLICY CONTEXT

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

FINANCIAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

43. 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 2019/20.

EQUALITY AND CUSTOMER SERVICE IMPLICATIONS

44. There are none.

OTHER MATERIAL IMPLICATIONS

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

Background Papers

Revenue Budget 2019/20

Appendix A

Forecast Budget Variations for 2019/20 at the end of May 2019

	<i>Pressures in 2019/20</i>	<i>Notes</i>
	<i>£'000</i>	
On-going pressure from 2018/19 – Outdoor Facilities Grounds maintenance	86	1
On-going pressure from 2018/19 – Revenues and Benefits services and contracts	49	1
On-going pressure from 2018/19 – Revenues and Benefits Software Licence and Maintenance	37	1
On-going pressure from 2018/19 – Revenues Postage	9	1
Customer Services & Communications - salaries	15	2
Building Control Income	29	3
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	225	
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Notes:

- (1) On-going pressures identified in budget management 2018/19 but too late for inclusion in the 2019/20 budget.
- (2) Increase in hours for one employee and the appointment of an Apprentice. As with previous Apprentices it was felt that the Communications team is a good starting point for any new Apprentice. It is hoped they will become a permanent employee thereby reducing any future recruitment costs.
- (3) See Paragraph 8.

Forecast Budget Variations for 2019/20 at the end of May 2019

	<i>Savings in 2019/20</i>	<i>Notes</i>
	<i>£'000</i>	
On-going saving from 2018/19 – East Sussex County Council pension contribution pre 1974 employees	(44)	4
On-going additional income from 2018/19 – Pay and Display Income	(75)	4
On-going saving from 2018/19 – Playground Inspections	(41)	4
On-going saving from 2018/19 – Revenues Magistrates Court costs	(19)	4
On-going saving from 2018/19 – Revenues Magistrates Court Income	(64)	4
On-going saving from 2018/19 – Revenues and Benefits minor variations	(12)	4
Rental income for 208-216 London Road, Burgess Hill	(317)	5
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	(572)	
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Notes:

- (4) On-going savings identified in budget management 2018/19 but too late for inclusion in the 2019/20 budget.
- (5) See paragraph 15.