

## BUDGET MANAGEMENT 2020/21 – PROGRESS REPORT APRIL TO MAY 2020

REPORT OF: Head of Corporate Resources  
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Wards Affected: All  
Key Decision: No  
Report to: Cabinet  
6th July 2020

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### EXECUTIVE SUMMARY AND RECOMMENDATIONS

#### Purpose of Report

1. This report reviews the progress on the Revenue Budget, Capital Programme and Revenue Projects and Treasury Management for 2020/21.

#### Summary

2. The forecast revenue outturn position for 2020/21 at the end of May is showing a projected net overspend of £2,909,000 against the original budget. This mainly relates to the impact of Covid19 which has resulted in both a downturn in income across the Council as well as additional unbudgeted costs; which together total £4,037,000. However, these have been partly offset by MHCLG Emergency grant funding of £1,499,659 as detailed in paragraph 23. In addition, there are on-going savings / pressures from 2019/20 which will be built into the 2021/22 budget.
3. This level of overspend is unprecedented for Mid Sussex, but is not uncommon for shire districts this year as a direct result of the Covid pandemic adversely affecting all sources of income. Whilst there remains the possibility of central government funding these losses, Members are warned that some significant draw on reserves may be needed to balance the budget by year end, after using the Covid Emergency Funding Grant. However, those sums, whilst significant, should not lead to concerns over the viability of the authority in the short term, but evidently the budget over the medium term will need to be brought into a position where expenditure is not in excess of income from all sources.

#### Recommendations

4. **To recommend to Council for approval:**
  - (i) that £357,996 grant income relating to Homeless Support Grant be transferred to Specific Reserves as detailed in paragraphs 25;
  - (ii) that £5,483 grant income relating to Cold Weather Fund Payment Grant be transferred to Specific Reserve as detailed in paragraph 26;
  - (iii) that £8,428 grant income relating to Local Authority Data Sharing Programme Grant be transferred to Specific Reserve as detailed in paragraph 27;
  - (iv) that £34,629 grant income relating to Implementing Welfare Reform Grant be transferred to Specific Reserve as detailed in paragraph 28;
  - (v) that £25,242 grant income relating to New Burdens Verify Earnings & Pensions Grant be transferred to Specific Reserve as detailed in paragraph 29;

- (vi) that £1,233 grant income relating to New Burdens Transparency code and £1,380 grant income relating to New Burdens Severe Disability Premium changes be transferred to Specific Reserve as detailed in paragraph 30;
- (vii) that £695,753 grant income relating to COVID 19 Council Tax Hardship Fund be transferred to Specific Reserve as detailed in paragraph 31;
- (viii) the variations to the Capital Programme contained in paragraph 38 in accordance with the Council's Financial Procedure rule B3.

To note:

- (ix) the remainder of the report.
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## **REVENUE SPENDING**

### **Position to the end of May 2020**

5. 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 2020/21 and thereby establish a position over the summer.

### **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 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 2020**

<b>INCOME</b>	2020/21 Actual to May £'000	Profiled 2020/21 Budget £'000	2020/21 Original Budget £'000	Pressure/ (Saving) To end May £'000	Projected Year-end Variance £'000
Car Park Charges Development	(22)	(386)	(2,151)	<b>364</b>	<b>949</b>
Management Fees	(149)	(250)	(1,494)	<b>101</b>	<b>598</b>
Building Control Fees	(44)	(113)	(549)	<b>69</b>	<b>264</b>
Land Charges	(15)	(30)	(153)	<b>15</b>	<b>0</b>
Licensing Act Fees	(10)	(8)	(145)	<b>(2)</b>	<b>0</b>
Hackney Carriage Fees	(10)	(23)	(139)	<b>13</b>	<b>0</b>
Outdoor Facilities Income	7	(56)	(279)	<b>64</b>	<b>114</b>
Garden Waste	(156)	(170)	(1,459)	<b>14</b>	<b>113</b>
Leisure Contract Income	(0)	(241)	(1,444)	<b>241</b>	<b>1,487</b>
Industrial Estates Rents	(274)	(279)	(1,344)	<b>5</b>	<b>88</b>
Town Centre Rents	(501)	(567)	(2,867)	<b>66</b>	<b>200</b>
Depot Rent	(19)	(20)	(80)	<b>1</b>	<b>0</b>
General/Miscellaneous Property	(57)	(73)	(291)	<b>16</b>	<b>0</b>
<b>Total Income</b>	<b>(1,250)</b>	<b>(2,216)</b>	<b>(12,395)</b>	<b>966</b>	<b>3,813</b>
<b>EXPENDITURE</b>					
Salaries	2,091	2,136	12,815	<b>(45)</b>	<b>(262)</b>

7. Car parking income is below budget by £364,000 in the first two months of the financial year. This is detailed in Table 2 below. This is made up of lower than budgeted Season Ticket income, £62,000 and Pay and Display £302,000. The season ticket income is profiled for when cash is collected, but this can vary from the income that should relate to the April to May period only. The nine-week suspension of Car Park charges during the Covid19 lockdown, will result in a total loss of Season ticket income due in that period of £28,000. Although Car Parks charges recommenced from 8 June 2020, further losses are anticipated for the remainder of the year as Ticket holders may not renew. This is estimated to be a further loss of £41,000, which represents a 25% loss on budget for the remainder of the year. For Pay and Display, there was also a total loss of income for the nine week period, with the exception of some receipts, where customers continued to pay despite the signage. Following this, a further 50% loss on budget is forecast to September and a further 30% loss on budget is forecast for the remainder of the year and potentially more permanently. It is obviously difficult to predict the long term impact of Covid-19. The total projected shortfall for Pay and Display income is £880,000. These forecasts will be kept under review for the remainder of the year.

	<i>Actual April to May</i>	<i>Outturn 2019/20</i>	<i>Forecast 2020/21</i>
	<i>(Over)/ under target £'000</i>	<i>(Over)/ under target £'000</i>	<i>(Over)/ under target £'000</i>
Pay & Display tickets	302	(58)	880
Season Tickets	62	13	69
Total additional income	364	(45)	949

8. At the end of May a shortfall in planning application fee income is showing of £101,000. This represents a 40% shortfall in income compared to budget and is thought to be entirely related to the effects of Covid 19, where a reduction in larger applications has resulted following the uncertainty and loss of confidence in the Economy, created by the crisis. This uncertainty is expected to continue for the foreseeable future and recovery of income to levels pre-Covid would not be anticipated for this financial year. The forecast has been amended to reflect this 40% projected loss of budgeted income for the year of £598,000.
9. At the end of May, Building Control Income is under target by £69,000. There was a shortfall of £103,000 at outturn 2019/20 compared to 2020/21 budget. This shortfall in income pre-Covid, is not expected to recover and is therefore showing as an ongoing 2019/20 pressure in Appendix A. After allowing for this forecast shortfall, a further 50% loss of income has been identified in respect of the lockdown measures due to the crisis. As these measures are eased, it is expected a further reduction of 30% of budgeted income for the remainder of the year, due to the continued economic uncertainty. The forecast has therefore been amended to show a further projected shortfall of £161,000.
10. At the end of May Land Charges income is below budget by £15,000. However, the number of searches has increased again in June and no variation to the full year projection is anticipated at this stage.
11. Licencing income is £2,000 above target for April to May. This is mainly due to the profiling of income, which can fluctuate. Therefore, the forecast remains unchanged.
12. Hackney Carriage Fees are below target by £13,000 for the first two months of this financial year. This is mainly due to the profiling of income, which can fluctuate.
13. Outdoor facilities income is £64,000 below budget after the first two months of the year. This is partly due to income being profiled for when cash is collected, but this can vary from the income due for specific periods. The service also issued refunds in the early part of the year in respect of poor weather cancellations for 2019/20, and in the period to the end of May these amounted to £17,000. The forecast reflects an expectation of a complete closure of facilities which generate sporting income to the end of June and the reopening of Playgroups from September onwards. No forecast loss in Ground rent income has been projected. The sum of these forecasts for loss of income for the year is £114,000.

14. Based on the current budget profile, Garden Waste income is £14,000 below target at the end of May, . Income is profiled for when cash is collected, but this can vary from the income that should relate to the April to May period only. The forecast has therefore been amended to reflect £113,000 shortfall for the year, which is due to the four-week suspension of Garden Waste collections at the start of lockdown due to Covid-19. The service suspension is being addressed through an extension of customer's existing annual contracts by one month.
15. The Government instructed leisure facilities to close on 20 March 2020 under provisions of the Coronavirus Act 2020. This required the Council, in accordance with the contract, to negotiate with the contractors a sum to support the closure of the Leisure centres, which includes a requirement to forego income in respect of the Management Fee. A credit has also been agreed for eleven days in March from when the Centres closed, of £43,000. Due to the ongoing government restrictions the centres are not expected to reopen at normal capacity for the remainder of the year and this is subject to ongoing negotiations due to the forecast operational losses, which will include the loss of the management fee income for the remainder of the financial year and possibly for future years.
16. The actual to May for the four income areas below in paras 16 to 19 relates to income where an invoice has been raised rather than actual income received. There is likely to be a downturn in income received for these income streams because of the impact of Covid 19 and further analysis is being carried out to identify the full extent of any decrease in actual income received.
17. Industrial Estates rent is £5,000 below the target at the end of May. However, the rent-free period for Pure Gym until the beginning of September will result in a forecast pressure of £88k. The full year projection has been amended accordingly.
18. Town Centre rent is £66,000 below the target at the end of May. This shortfall is mainly due to the supplementary rent for the Market Place Car Park where the tenant has made deductions from the rent which is subject to a long-standing dispute. Negotiations are ongoing, and a mutually agreeable solution is being sought. However, it is anticipated that there will be a shortfall in income of £200,000 for this year. The year-end projection has been amended accordingly.
19. 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.
20. General/miscellaneous property income is £16,000 below the target at the end of May. No change to the full year projection is anticipated at this stage.
21. The salaries expenditure to the end of May is showing a saving of £45,000 against the profiled budget, which is mainly due vacant posts as well as the budgeted pay award that remains unpaid to date as the Local Government Pay Settlement for 2019/20 is yet to be agreed. The forecast year-end variance currently stands at a saving of £262,000 as detailed in Appendix A of this report. This position will continue to be monitored closely as we progress through the year.
22. In summary, based on current information available and as outlined in Appendix A, the current forecast year-end position (at the end of May 2020), is an overspend of £2,909,000.

## Covid 19 related pressures to the end of May 2020

23. The overall pressures outlined in Appendix A of this report contain both unbudgeted expenditure and downturn in income as a result of the impact of COVID 19. These have been collated in the Table 3 below. It is proposed that these can be partly funded from the COVID 19 Emergency Fund Specific Reserve totalling £37,729 created at Outturn 2019/20 from grant received by MHCLG. In addition, further non-ringfenced grant monies were received on 14 May 2020 from MHCLG totalling £1,499,659. This unbudgeted grant income has been included in Appendix A of this report and has had the effect of reducing the forecast year-end position (at the end of May 2020) to £2,909,000.

<b>Table 3 COVID 19 Related Pressures 2020/21</b>		
<i>Expenditure / Income</i>	Pressure To end May <b>£'000</b>	Projected Year-end Variance <b>£'000</b>
Digital & Technology – IT equipment and temporary member of staff for the IT Helpdesk	<b>27</b>	<b>27</b>
Corporate Facilities - additional cleaning of offices and securing of outdoor facilities	<b>3</b>	<b>3</b>
Housing Rough Sleepers	<b>14</b>	<b>26</b>
Refuse Collection (cost of social distancing additional trucks)	<b>29</b>	<b>29</b>
Leisure Centres – costs of closure	<b>365</b>	<b>520</b>
Leisure Closure Consultancy	<b>0</b>	<b>10</b>
Garden waste income	<b>14</b>	<b>113</b>
Leisure Management Fee income	<b>241</b>	<b>1,487</b>
Planning Fee income	<b>101</b>	<b>598</b>
Building Control income	<b>47</b>	<b>161</b>
Car Parking income	<b>364</b>	<b>949</b>
Outdoor Facilities income	<b>64</b>	<b>114</b>
<b>Total</b>	<b>1,269</b>	<b>4,037</b>

## Miscellaneous

24. The total remaining in Balance Unallocated is unchanged at £28,000 as there has been no utilisation to date.
25. In May, we received two grants from Ministry of Housing Communities and Local Government relating to homelessness support. £280,925 in respect of Flexible Homelessness Support Grant, and £77,071 in respect of New burdens Homelessness reduction. As the funding is ring-fenced for 2020/21 and can only be used to prevent or deal with homelessness, Members are requested to approve the transfer of these sums totalling £357,996 to Specific Reserves for this purpose.

26. At the end of May the Council received £5,483 from MHCLG in respect of a payment in arrears for the 2019/20 Cold Weather Fund. The purpose of this Section 31 grant is to provide additional services for rough sleepers in the cold weather period. This grant is being paid in arrears and Members are requested to approve that this sum be earmarked in Specific Reserve for Outreach work to be undertaken by Housing Services.
27. In April and May, the Council also received two grant payments of £6,094 and £2,334 respectively from the Department for Work and Pensions (DWP), in respect of Local Authority Data Sharing Programme- IT costs. The payment is specifically for the work completed so far on changes to the Local Authority benefit processing systems necessary to exchange information with DWP. Members are requested to approve the transfer of these sums totalling £8,428 to specific reserves to meet these additional costs.
28. In April, we received grant payments totalling £34,629 from the DWP in respect of Implementing Welfare Reform changes in 2020/21. Members are requested to approve the transfer of this sum to specific reserves to meet this additional cost.
29. In April grant totalling £25,243 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.
30. In April and May, the Council also received two grant payments from Department for Work and Pensions (DWP) of £1,233 in respect of New burdens Transparency code and £1,380 for New burdens Severe Disability Premium changes. Members are requested to approve the transfer of this sum to specific reserves to meet this additional cost.
31. In April, the Council received £695,753 in respect of Covid19 Council Tax Hardship Fund. This is intended to be paid to those in the Council Tax support Scheme to value of £200 per recipient. Members are requested to approve the transfer of this sum to specific reserves to meet this additional cost.

## **CAPITAL SPENDING ON CAPITAL PROGRAMME AND REVENUE PROJECTS**

### **Position to the end of May 2020**

32. The Capital Programme and Revenue Projects for 2020/21, as approved at Council on the 4 March 2020, amounted to £3,155,000. Following the 2019/20 Outturn, this has been increased by £1,291,000, being the slippage of some 2019/20 projects. Therefore, the revised Capital Programme and Revenue Projects totals £4,446,000.
33. Further details relating to these changes are contained in the Outturn 2019/20 report to Cabinet on 1 June 2020. The actual and commitments to the end of May 2020 total £996,360.

### **Variances to the 2020/21 Capital Programme and Revenue Projects**

34. At this early stage in the year all projects are progressing as expected, other than those identified in Table 4 under "Proposed variations to the Capital Programme" below.

## Proposed Variations to the Capital Programme and Revenue Projects

35. In response to the Covid 19 pandemic, it has been necessary to enable social distancing in the office by extending our capacity for flexible working, whilst also ensuring staff who are shielding or isolating can continue to work. This has resulted in the purchase of 70 laptops costing £58,000. The current Capital Programme has been amended to include this project which will be funded from General Reserve.
36. The current Capital Programme includes £400,000 for Affordable Housing. However, as Blackwell Farm Road will not complete until 2021/22 this budget this will now need to slip to the next financial year. The programme has been amended accordingly.
37. Since the Corporate Plan and Budget 2020/21 report was approved at Council on 4 March 2020, we have received notification of increased funding for Disabled Facility Grants in 2020/21, through the Better Care Fund which is passported onto MSDC from West Sussex County Council. The allocation this year is £1,025,000. This allows additional funding of £125,000 compared to the original budget of £900,000. However, the revised budget for 2020/21 also includes last year's unutilised allocation of £140,000 that was built into the 2020/21 budget following Outturn 2019/20, so the Disabled Facilities Budget total now stands at £1,165,000, of which approximately £743,000 had been committed to date.
38. Proposed capital variations are summarised in table 4 below:

	<i>Apr to May</i> £'000	<i>Ref</i>
<u>Capital Projects</u>		
Covid 19 – purchase of laptops	58	<i>Para 35</i>
Affordable Housing	(400)	<i>Para 36</i>
Disabled Facilities Grants.	125	<i>Para 37</i>
	<hr/>	
Total Capital Projects Variations	<u>(217)</u>	

39. Taking into account the change detailed above, the overall effect is a decrease to the current capital programme for 2020/21 of £217,000 and slippage into 21/22 totalling £400,000. Therefore, the revised programme total for 2020/21 now stands at £4,229,000.

## S106 contributions committed/utilised to the end of May 2020

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

	<i>Apr to May</i> £'000	<i>Note</i>
West Sussex County Council	87	1
West Sussex County Council	12	2
	<hr/>	
Total	<u>99</u>	

#### Notes

- 1 Utilisation of Sustainable Transport (TAD) contribution (P/35/638b £11,977, P35/697 £17,515, P35/750 £30,707 & PL13-001074 £26,871) S106 monies for a Cycle Route from Sayers Common to Downlands School, as agreed by the Cabinet Member for Planning on 5 May 2020 MIS 18 6 May 2020.
- 2 Utilisation of Sustainable Transport (TAD) contributions P35/625a £1,289 & P35/781 £140) and Local Community Infrastructure contribution (P35/491 £10,499) S106 monies for the installation of a pedestrian crossing opposite Burgess Hill School for Girls, as agreed by the Cabinet Member for Housing and Planning on 18 May 2020 MIS 20 21 May 2020.

### **TREASURY MANAGEMENT INTEREST**

41. Treasury Management interest for this financial year was projected in the Budget Report to be £354,475 at an average rate of 1.0%. The Budget Report is prepared well before many of the cash flow items are known.
42. The average rate was based on a return of around 0.75% on liquid funds in the money markets and over 1% on fixed term deposits for longer periods. Due to the reduction in Base Rate from 0.75% in January to 0.10% in March, money market fund rates have now dropped to around 0.25% and fixed term deposit rates are around 0.50%; these rates may continue to drop. Consequently, actual Treasury Management interest earnings for the first two months of 2020/21 were £45,487 at an average rate of 0.642%, which is still relatively high due to the fixed term investments made prior to March. The average interest rate will continue to drop as these investments mature. It is also depressed because of the policy to not place any fixed term deposits for the first two months of the year which means that this year's cash is only earning around 0.25% in the money market funds. This has been necessary due to the uncertainty of the Council's financial position due to the impact of COVID19 on our revenue income streams. The average rate may improve if either market rates increase, or the Council decides to opt for some longer terms. This position will continue to be monitored closely as we progress through the year. A very cautious estimated year-end projection for Treasury Management to be earned in the year is £137,840 being £216,635 under target.

### **POLICY CONTEXT**

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

### **FINANCIAL IMPLICATIONS**

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

### **RISK MANAGEMENT IMPLICATIONS**

45. There are no risk management implications.

### **EQUALITY AND CUSTOMER SERVICE IMPLICATIONS**

46. There are none.

### **OTHER MATERIAL IMPLICATIONS**

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

### **Background Papers**

Revenue Budget 2020/21

## Appendix A

### Forecast Budget Variations for 2020/21 at the end of May 2020

	<i>Pressures in 2020/21</i>	<i>Notes</i>
	<i>£'000</i>	
On-going pressure from 2019/20 – Market Place supplementary rent (refer para 17)	200	1
On-going pressure from 2019/20 – bank charges – Finance Corporate	12	1
On-going pressure from 2019/20 – bank charges - Revenues and Benefits	21	1
On-going pressure from 2019/20 – Building Control Income	103	1
On-going Pressure from 2019/20 – Temporary Accommodation	33	1
On-going Pressure from 2019/20 – Outdoor Facilities Utilities	16	1
Corporate Estates – legal costs	12	2
Covid 19 additional costs- Digital & Technology – IT equipment and temporary member of staff for the IT Helpdesk	27	3
Covid 19 additional costs- Corporate Facilities - additional cleaning of offices and securing of outdoor facilities	3	3
Leisure Closure costs (Covid)	520	3
Leisure Closure Consultancy (Covid)	10	3
Housing Rough Sleepers (Covid)	26	3
Refuse Collection – Contracts costs (Covid)	29	3
Pure Gym rental income	88	4
NNDR Revaluations	63	5
Garden Waste Income (Covid)	113	6
Leisure Management Fee Income (Covid)	1,487	7
Planning Fee Income (Covid)	598	8
Building Control Income (Covid)	161	9
Parking Income (Covid)	949	10
Outdoor Facilities Income (Covid)	114	11
Housing Temporary Accommodation	64	12
	4,649	

Notes:

- (1) On-going pressures identified in budget management 2019/20 but too late for inclusion in the 2020/21 budget.
- (2) Legal costs relating to a property managed by Corporate Estates.
- (3) See Table 3 above.
- (4) This relates to a rent-free period ending 5 September 2020. Refer paragraph 17 of this report.
- (5) Additional cost of NNDR revaluations mainly in respect of Car Parks.
- (6) See paragraph 14.
- (7) See paragraph 15.
- (8) See paragraph 8.
- (9) See paragraph 9.
- (10) See paragraph 7.
- (11) See paragraph 13.
- (12) Temporary Accommodation pressure due to increased homelessness in the early part of the year as well as an increase in the average cost per night due to household size and requiring a greater number of self-contained larger units as opposed to shared rooms.

## Appendix A

### Forecast Budget Variations for 2020/21 at the end of May 2020

	<i>Savings in 2020/21</i>	<i>Notes</i>
	<i>£'000</i>	
On-going saving from 2019/20 – Car Parks Snow clearance and gritting	(7)	13
On-going additional income from 2019/20 – Dog bin Emptying	(5)	13
On-going saving from 2019/20 – Illegal Encampments Damage	(4)	13
On-going saving from 2019/20 – Grounds maintenance	(12)	13
Land Charges and Planning Support Salaries	(64)	14
Democratic Services Salaries	(13)	15
Cleansing Services Salaries	(24)	16
Landscapes and Leisure Salaries	(46)	17
Environmental health Salaries	(14)	18
Building Control Salaries	(20)	19
Development Management Salaries	(48)	20
Planning Policy Salaries	(33)	21
COVID 19 Emergency funding S31 Grant	(1,450)	22
	(1,740)	

Notes:

- (13) On-going savings identified in budget management 2019/20 but too late for inclusion in the 2020/21 budget.
- (14) Savings arising from vacant posts in both the Land Charges and Planning Service Support teams which will remain unfilled for the remainder of the financial year.
- (15) Savings arising from a vacant post in Democratic Services which will remain unfilled for the next few months.
- (16) Salary savings due to a vacant post.
- (17) Salary savings due to a vacant post and staff working reduced hours.
- (18) Salary savings due to a vacant post and other temporary staff changes.
- (19) Salary savings due to a post being due to a vacant post and a member of staff working at a lower grade than budget.
- (20) Salary savings due to vacant posts.
- (21) Salary savings due to vacant posts.
- (22) Refer Paragraph 23.