

BUDGET MANAGEMENT 2022/23 – PROGRESS REPORT APRIL TO JULY 2022

REPORT OF: Interim Head of Corporate Resources
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Wards Affected: All
Key Decision: No
Report to: Cabinet
12 September 2022

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 2022/23.

Summary

2. The forecast revenue outturn position for 2022/23 at the end of July is showing a projected net overspend of £701,000 against the original budget. The last report Cabinet on 18 July 2022 highlighted the forthcoming challenges facing the Council in relation to both rising energy costs and inflation on the Council's budget for 2022/23.
3. As previously explained, although modest inflationary increases were budgeted in the Corporate Plan and Budget report approved at Council in March 2022, prices have risen sharply since the start of the year. The Consumer Price Index (CPI) rose to 10.1% by the end of July. As a result, further work to quantify the projected inflationary pressures for the year has now been undertaken showing these are currently predicted to be circ. £762,000. These are partly offset by the net on-going 2021/22 savings previously reported to Members in the last Budget Management Report. Appendix A of this report provides further detail.
4. However, Members can be assured that officers will continue to closely monitor the overall position for the Council as the year progresses and will be working to mitigate the projected overspend in 2022/23.

Recommendations

5. To recommend to Council for approval:
 - (i) that £150,000 grant income from WSCC in respect of a payment for Ukraine Support be transferred to Specific Reserve as detailed in paragraph 27;
 - (ii) that £20,000 grant income relating to Neighbourhood Planning be transferred to Specific Reserve as detailed in paragraph 28;
 - (iii) that £445 grant income for new burdens relating to Council Tax Submissions be transferred to Specific Reserve as detailed in paragraph 29;
 - (iv) that £16,335 grant income relating to Housing Benefit Award Accuracy Initiative be transferred to Specific Reserves as detailed in paragraph 30;
 - (v) that £62,857 grant income from WSCC relating to Employment Projects Coordinator be transferred to Specific Reserve as detailed in paragraph 31;

- (vi) **the variations to the Capital Programme contained in paragraph 35 in accordance with the Council's Financial Procedure rule B3.**

To note:

- (vii) **the remainder of the report.**
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REVENUE SPENDING

Position to the end of July 2022

6. 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 2022/23 and to give an indication of the likely position at the end of the year.

Expenditure and Income to date

7. 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 2022

INCOME	2022/23 Actual to July £'000	Profiled 2022/23 Budget £'000	2022/23 Original Budget £'000	Pressure/ (Saving) To end July £'000	Pressure/ (Saving) To end May £'000	Projected Year-end Variance £'000	*To Note: 2022/23 Budget Unadjusted For Covid-19 £'000
Car Park Charges	(613)	(606)	(1,831)	(7)	15	0	(2,151)
Development Management Fees	(409)	(406)	(1,216)	(3)	58	0	(1,494)
Building Control Fees	(149)	(181)	(447)	32	14	0	(447)
Land Charges	(52)	(41)	(107)	(11)	(8)	0	(107)
Licensing Act Fees	(40)	(16)	(146)	(24)	(12)	(15)	(146)
Hackney Carriage Fees	(38)	(46)	(139)	8	9	25	(139)
Outdoor Facilities Income	(144)	(100)	(276)	(44)	26	(57)	(276)
Garden Waste	(492)	(488)	(1,548)	(4)	20	0	(1,548)
Leisure Contract Income	0	(200)	(600)	200	100	0	(1,444)
Industrial Estates Rents	(631)	(537)	(1,340)	(94)	(58)	(94)	(1,340)
Town Centre Rents	(754)	(881)	(2,231)	127	92	121	(2,231)
Depot Rent	(44)	(40)	(81)	(4)	(1)	(6)	(81)
General/Miscellaneous Property	(179)	(150)	(309)	(29)	(7)	(30)	(309)
Total Income	(3,545)	(3,692)	(10,271)	147	248	(56)	(11,713)
EXPENDITURE							
Salaries	4,705	4,545	13,636	160	80	526	13,636

*For information only - It shows the 22/23 budgets without the income reductions built in. (i.e., Before budgets were reduced to take account of the income decreases where demand has been affected by the pandemic).

8. Car parking income is above budget by £7,000 in the first four months of the financial year. This is detailed in Table 2 below. This is made up of lower than budgeted Season Ticket income, £9,000 and better than budgeted Pay and Display £16,000.
9. A pressure for Season ticket income was included in 2021/22 budget of £87,000 representing an expected 45% continued annual loss in income resulting from the pandemic, and season ticket holders not renewing. By outturn 2021/22 the shortfall was a 38% loss on the pre covid position. However, income for this year to July 2022 is recording a £9,000 shortfall. Therefore, it is too early to identify a recovery of income on the pre-covid position, and this will be kept under review throughout the year.
10. For Pay and Display, there was a pressure of £583,000 included in 2021/22 budget, which represented a 30% annual shortfall on 2020/21 pre pandemic budget. Some recovery was forecast in the 2022/23 budget process of £350,000, leaving a forecast shortfall on the pre covid budget of £233,000. The first four months have recorded a further recovery of £16,000. This will be kept under review throughout the year and any further recovery reported as it occurs.

	2022/23 Actual to July (Over)under target £'000	2022/23 Original Budget £'000	2020/21 Unadjusted For Covid-19 £'000	Outturn 2021/22 (Over)under target £'000	Forecast 2022/23 (Over)under target £'000
Pay and Display	(16)	(1,725)	(1,958)	172	0
Season Tickets	9	(106)	(193)	(12)	0
Total	(7)	(1,831)	(2,151)	160	0

11. At the end of July planning application fee income is above target by £3,000. A pressure of £285,000 was included in 2021/22 budget, representing an anticipated 20% continued loss of Planning Fee income as a result of the pandemic, where a reduction in larger applications resulted following the uncertainty and loss of confidence in the Economy. Whilst recovery of income to pre-pandemic levels is not anticipated for this financial year there are indications that, with the adoption of the Site Allocations DPD, several major applications will be submitted before the end of the financial year. Any upturn in income will be closely monitored. Minor recovery of £7,000 was allowed for as part of 2022/23 Corporate Plan and Budget.
12. At the end of July, Building Control Income is under target by £32,000. This is mainly due to the profiling of income, which can fluctuate. Therefore, no full year variation is anticipated at this stage.
13. At the end of July Land Charges income is over target by £11,000. However, search levels are expected to slow down this year. Therefore, no variation to the full year projection is anticipated at this stage.
14. Licencing income is £24,000 above target for April to July. The forecast has been previously amended to reflect additional income achieved by 2021/22 outturn of £15,000 and therefore too late for inclusion in the budget.
15. Hackney Carriage Fees are below target by £8,000 for the first four months of this financial year. The forecast has been amended to reflect the ongoing shortfall in income identified by 2021/22 outturn of £25,000 and therefore too late for inclusion in the budget.
16. Outdoor facilities income is £44,000 above budget after the first four months of the year. The full year forecast has been previously amended to reflect ongoing additional income identified by outturn 2021/22 of £57,000 and therefore too late for inclusion in the 2022/23 budget.
17. Based on the current budget profile, Garden Waste income is £4,000 above target at the end of July. The budget allows for further expansion of the service to 23,000 customers by the end of the year. No variation is forecast at this stage.

18. The target for Management Fee income from the leisure centre contractor was removed for the 2021/22 budget, a loss of £1,444,000. This was subject to ongoing negotiations due to the forecast operational losses, resulting from the ongoing effects of the pandemic. Forecast recovery of £600,000 was included in the Corporate Plan and Budget 2022/23 and in addition, the Management Fee will also be adjusted to include 75% of any further contractor surplus above the £600,000, to be identified through ongoing open book reconciliations. No further variation to the £600,000 budget is forecast at this stage in the year.
19. The actual to July for the four income areas below in paras 20 to 23 relates to income where an invoice has been raised rather than actual income received.
20. Industrial Estates rent is showing as £94,000 above target at the end of July. This is due to some rent reviews being undertaken and invoices raised for the backdated rent arrears. £59,000 was reported in the April – May Budget Management report. An additional £35,000 saving is now being reported for further rent reviews as shown in Appendix A. The full year projection is expected to be £94,000 above target.
21. Town Centre rent is £127,000 below target at the end of July. This shortfall is mainly due to a refund of the Market Place Supplementary Car Park income from 2020-21 offset by additional supplementary rent for Market Place Shopping Centre relating to 2020-21 for which £66,000 was reported in the April – May report. There is an additional £55,000 pressure now being reported relating to write offs and credit notes on the Orchards retail rents as shown in Appendix A. The full year projection is anticipated to be a £121,000 pressure at this stage.
22. Depot rent is showing as £4,000 above budget for April to July. This is due to a rent increase last year which has not yet been reflected in the budget. A previously reported £6,000 saving against the full year projection is anticipated at this stage.
23. General/miscellaneous property income is showing a £29,000 surplus at the end of July due to ongoing estate management of ground rents and renewal of licences. A previously reported £30,000 surplus against full year projection is anticipated at this stage.
24. The salaries expenditure to the end of July is a small pressure of £160,000 against the profiled budget, which mainly relates to the cost of agency staff across a number of the Council's services. However, those relating to Housing and Revenue and Benefits will be met from external grant or reserves at year end. In addition, the pressure partly relates to redundancy costs incurred which will also be mitigated when met from earmarked reserves as part of the year-end adjustments for 2022/23. In comparison, the forecast year-end variance currently stands at an increased pressure of £526,000, of which £458,000 relates to the proposed flat rate pay offer for 2022/23 of £1,925 per employee, which is more than the 2% pay award estimate included in the budget. This offer has not yet been accepted/confirmed, but due to the additional value, an estimate for pay inflation is being forecast on this basis. This is also detailed in Appendix A of this report. This position will continue to be monitored closely as we progress through the year.
25. In summary, based on current information available and as outlined in Appendix A, the current forecast year-end position (at the end of July 2022), is an overspend of £701,000.

Miscellaneous

26. The total remaining in Balance Unallocated is unchanged at £20,000 as there has been no utilisation to date.
27. In July, the Council received £150,000 from WSCC in respect of a payment for Ukraine Support Grant. The purpose of this grant is to provide relevant Community projects. Members are requested to approve that this sum be earmarked in Specific Reserve to fund this.
28. In July, we received a grant payment of £20,000 from the DLUHC in respect of Neighbourhood Planning Grant. Members are requested to approve the transfer of this sum to the existing specific reserve to meet costs arising.
29. In July, grant totalling £445 was received from the Office for National Statistics for New Burdens Funding to meet the costs of new burdens relating to Council Tax Submissions. Members are requested to approve the transfer of this sum to the Revenues and Benefits New Burdens specific reserves to meet this additional cost.
30. In June, the Council received £16,335 from DWP in respect of Housing Benefit Award Accuracy Initiative. Members are requested to approve the transfer of this sum to the Revenues and Benefits New Burdens specific reserves to meet this additional cost.
31. In June, we received £62,857 from WSCC for Employment Projects Coordinator. Members are requested to approve the transfer of this sum to the Revenues and Benefits New Burdens specific reserves to meet this additional cost.

SPENDING ON CAPITAL PROGRAMME AND REVENUE PROJECTS

Position to the end of July 2022

32. The Capital Programme and Revenue Projects for 2022/23 now stands at £12,824,000. This includes additions to the programme as detailed in the Capital Programme Update reports to Cabinet 21 March 2022 and Cabinet 6 June 2022. This also includes slippage from the 2021/22 Programme of Capital and Revenue Projects and current year project variations, as reported to Cabinet 18 July 2022. The actual and commitments to the end of July 2022 total £2,302,902.

Variances to the 2022/23 Capital Programme and Revenue Projects

33. At this early stage in the year the major variances are set out in Table 3 below, the remainder being several smaller variations totalling less than £100,000.

Table 3: Expenditure Variations on the 2022/23 Capital Programme and Revenue Projects

	<i>Variances</i> £'000 (overspend)	<i>Variances</i> £'000 (underspends)	<i>Notes</i>
Burgess Hill Place and Connectivity Programme		(418)	1
Hill Place Farm (SANG) (RP)		(693)	2
Rural Connectivity Programme		(341)	3
Telephony System Replacement (RP)		(196)	4
Affordable Housing		(690)	5
Temporary Accommodation		(1,730)	6
Disabled Facility Grants		(931)	7
Replacement Wheelie Bins		(117)	8
Orchards Shopping Centre - Changing Places WC		(189)	9
Hickman's Lane Pavilion Renovation		(255)	10
Swan Mead Redevelopment		(1,500)	11
Bedelands Gypsy & Traveller Site Repairs		(500)	12
Centre for Outdoor Sport (Master Planning) (RP)		(418)	13
Hemsleys Meadow and Finches Field, PP			
Masterplan Park Imps (RP)		(900)	14
Victoria Park, HH Masterplan Parks Imps RP		(326)	15
Mount Noddy, EG Masterplan - Parks Imps RP		(180)	16
About the Place - Public Art Project - RP		(106)	17
Total	0	(9,490)	

Notes:

Planning Policy

- (1) Burgess Hill Place and Connectivity Programme. This Programme has a number of phases some of which have already been delivered; some are on site and in delivery now; and some programmed for later years. The balance of the project budget is being funded through a grant claimed from Coast to Capital LEP. No forecast variation is anticipated at year end.
- (2) Hill Place Farm SANG (RP) - £693K was approved in a Capital update report to Cabinet on 21st March 2022. This is for an easement which is required under the Bluebell Railway line to allow access to part of the SANG. This is due to be paid shortly.

Digital & Technology

- (3) Rural Connectivity Programme - Works underway. All spend is funded by the Coast to Capital LEP). No forecast variation is anticipated at by year end.
- (4) Telephony System Replacement (RP) – Digital and Technology are currently assessing our needs following on from the Management Team restructure – this project will need to be considered alongside other business priorities as it will require considerable resources.

Housing

- (5) Affordable Housing – Project updated to reflect (£40K) Rough Sleeper grant, now expected to be paid in 2022/23 and (£650K) for the East Grinstead Police station site, which is now no longer planned to go ahead. However, this budget is entirely funded by Affordable Housing Commuted sums and no underspend is forecast at this stage pending other opportunities which may arise in 2022/23.
- (6) Temporary Accommodation – This project has allocated funding of £1.88m. This includes £150K from an earlier approved sum of £1.4m which did not form part of the budgeted programme. Due to the nature of the project, it is anticipated that this will be utilised in 2022/23 and 2023/24.

Environmental Health

- (7) Demand-led Housing adaptations service for which a further £434,563 has been committed as at end of July. No forecast variation is anticipated at this stage.

Cleansing Services

- (8) Replacement Wheelies Bin Purchase -full spend anticipated by close of this financial year.

Corporate Estates and Facilities

- (9) Orchards Shopping Centre -Changing Places WC – additional work in procurement has been required. It is anticipated that the project will be completed this financial year.
- (10) Hickman's Lane Pavilion Renovation £255K was approved in a Capital update report to Cabinet on 21 March 2022 – this project has been delayed due to negotiations and consultation with stakeholders and is subject to securing external funding from the Football Foundation This project is therefore unlikely to commence until 2023/24.
- (11) Swan Mead Redevelopment £1.5m was approved in a Capital update report to Cabinet on 6 June 2022 to develop a former community building at Swan Mead and rebuilding 6 flats for use as temporary housing. We are now in the process of implementing the pre-construction phase which includes technical design prior to development commencing. This work will inform a more detailed spending profile.
- (12) Bedelands Gypsy & Traveller Site Repairs (RP) £500K was approved in a Capital update report to Cabinet on 6 June 2022. Negotiations are ongoing leading to a delayed anticipated start date in Spring 2023. A detailed spending profile will be produced once the negotiations have been concluded.

Landscapes and Leisure

- (13) Centre for Outdoor Sport (Master Planning) (RP) - Consultants/ Project Manager appointed and progress with project is underway. This is a two-year long project. Detailed design and development work is currently underway, but implementation will not commence until 2023/24. A more accurate proposed spend profile will be provided later in the year once the programme has been finalised.
- (14) Hemsleys Meadow and Finches Field, PP Masterplan Park Imps (RP). Spend anticipated to start in September following appointment of consultant. This is a multi-year project, with initial detailed design currently underway, and construction due to commence before the end of the financial year; but some funding will not be spent until 2023/24. It is not possible to accurately profile anticipated spend at this early stage and this will be reported later.
- (15) Victoria Park, HH Masterplan Parks Imps (RP). Spend anticipated to start in September following appointment of consultant. As above, this is a multi-year project, with initial detailed design currently underway, and construction due to commence before the end of the financial year; but some funding will not be spent until 2023/24. It is not possible at this early stage to accurately profile the project spend, and this will be reported later.
- (16) Mount Noddy, EG Masterplan - Parks Imps (RP). Spend anticipated to start in September following appointment of consultant. As above, this is a multi-year project, with initial detailed design currently underway, and construction due to commence before the end of the financial year; but some funding will not be spent until 2023/24. It is not possible at this early stage to accurately profile the project spend, and this will be reported later.

Community Services, Policy and Performance

- (17) About the Place - Public Art Project – RP. Artist now commissioned and purchase order raised to be invoiced in stages, completion due September 2023. Remainder of works will be delivered over the course of the next year. A more detailed spending profile will be produced later in the year.

Proposed Variations to the Capital Programme and Revenue Projects

34. The current programme includes £1,730,000 for Temporary Accommodation. However, the balance earmarked in Capital Receipts to finance the Temporary Accommodation budget is £1,880,000. This is because it includes an additional £150,000 being the unspent balance from an earlier approved sum of £1.4M which did not form part of the budgeted programme. The Capital Programme has now been updated to reflect this in order that the Budget for 2022/23 matches the planned spend for the year.

35. Proposed capital variations are summarised in table 4 below:

Table 4: Capital Programme and Revenue Project Variations April to end July 2022		
	<i>Apr to July</i>	<i>Ref</i>
	<i>£'000</i>	
<u>Capital Projects</u>		
Temporary Accommodation	150	<i>Para 34</i>
Total Capital Projects Variations	150	

36. Considering the changes detailed above, the overall effect is an increase to the current programme of Capital and Revenue Projects for 2022/23 by £150,000. Therefore, the revised programme total for 2022/23 now stands at £12,974,000.

Capital receipts and contributions received to the end of July 2022

37. Capital Receipts, S106s and grant contributions of £457,920 have been received in the period April to July 2022.

S106 contributions committed/utilised to the end of July 2022

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

Table 5 S106 utilisation 2022/23		
	<i>Apr to July</i>	<i>Note</i>
	<i>£'000</i>	
Ardingly Parish Council	23	1
1st Copthorne Scout Group	11	2
Total	34	

Notes

- 1 Utilisation of Formal Sport contribution (PL12-000981 £22,621.00) S106 monies for tennis court improvements at Ardingly Recreation Ground, as agreed by the Deputy Leader on 18 May 2022 MIS 20 18 May 2022.
- 2 Utilisation of Community Buildings contribution (PL12-000910 £10,791.00) S106 monies for landscaping, surfacing, and fencing works at the Scout Centre and Guide Hall, as agreed by the Cabinet Grants Panel on 22 June 2022 MIS 25 22 June 2022.

39. A full breakdown of S106 contributions secured and utilised is published each year in the Council's Infrastructure Funding Statement which can be found on the Council's website here: <https://www.midsussex.gov.uk/planning-building/consultation-monitoring/>

TREASURY MANAGEMENT INTEREST

40. Treasury Management interest for this financial year was projected in the Budget Report to be £223,918 at an average rate of 0.5%. The Budget Report is prepared well before many of the cash flow items are known.

41. The interest receivable forecast currently exceeds the budget due to the improved interest rates available. Although, the calculated average rate shows as 0.895%, several maturities occurring in the early part of this year will allow us to secure better rates. This has been accounted for in the forecast. Therefore, the estimated year-end projection for Treasury Management to be earned in the year is £1,159,231 being £935,313 over target. This position will continue to be monitored closely as we progress through the year.

Local Authority Property Fund Dividends

42. 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 £66,968 less management expenses of £10,837. Therefore, the net income to the Council is £56,131 as at the end of June 2022. £240,000 is budgeted to finance the Revenue Budget in the current year. Based on the first quarter dividend, this is likely to result in a shortfall of £15,476 by year-end, therefore any shortfall will need to be funded from General Reserve. However, this will continue to be monitored and further updates will be reported in future Budget Management Reports

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 no Equality and Customer Service implications.

OTHER MATERIAL IMPLICATIONS

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

SUSTAINABILITY IMPLICATIONS

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

Background Papers

Revenue Budget Report 2022/23

Appendix A

Forecast Budget Variations for 2022/23 at the end of July 2022 - Pressures

	Pressures in 2022/23	<i>Notes</i>
	<i>£'000</i>	
April to May pressures Cabinet 18 July 2022	269	
On-going Inflationary pressure – Pay award Offer 22/23	458	1
On-going Inflationary pressure – Estimated Refuse Contract Inflation	181	2
On-going Inflationary pressure – Arboriculture Contract	15	3
On-going part year inflationary pressure - Energy	108	4
The Orchards retail rent	55	5
	1,086	
	1,086	

Notes:

- (1) A flat rate pay offer for 2022/23 has been made of £1,925 per employee, which is more than the 2% pay award estimate included in the budget. This offer has not yet been accepted/confirmed, but due to the additional value, an estimate for pay inflation is being forecast on this basis.
- (2) Refuse Contract Inflation is based on a weighted average of four indices, including RPI and the Public Sector Pay Award. This has yet to be confirmed but due to the additional cost anticipated as a result of sharply rising inflation, an estimate of the likely impact is being forecast.
- (3) An increase of 7% inflation has been agreed for Arboriculture contract for 2022/23.
- (4) Part year effect of an estimated increase for annual Energy Inflation, effective from when the contract renews on 1st October 2022. As this pressure is ongoing, the full year effect of £216,000 will be included in the Budget process for 2023/24.
- (5) Write offs and credit notes on The Orchards retail rents.

Forecast Budget Variations for 2022/23 at the end of July 2022 - Savings

	Savings in 2022/23	<i>Notes</i>
	<i>£'000</i>	
April to May savings Cabinet 18 July 2022	(350)	
Industrial Estates rent	(35)	6
	(385)	
	(385)	

Notes:

- (6) Increased and backdated rent due to rent reviews.