

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

REPORT OF: Director of Resources and Organisational Development
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477244
Wards Affected: All
Key Decision: No
Report to: Cabinet
21 November 2022

EXECUTIVE SUMMARY AND RECOMMENDATIONS

Purpose of Report

1. This report reviews the progress on the Revenue Budget, Capital Programme, Major Revenue Projects and Treasury Management for 2022/23.

Summary

2. This paper sets out several movements across the Revenue Budget which result in a sustainable midyear position. This is achieved despite a challenging economic climate. In addition, the Capital Programme and our major Revenue schemes continue to deliver despite some difficult external market pressures.
3. Due to national economic factors and internal spending pressures the projected overspend has increased from £701,000 in the April to July period to a current overspend position of £1,235,000
4. The Consumer Price Index (CPI) rose to 10.1% by the end of July and although dropping slightly to 9.9% at the end of August has now risen again to 10.1% for September. Projected inflationary pressures for the year are currently predicted to be £762,000.
5. However, the impact of rising interest rates and effective investment decision making is also achieving a positive movement on the Council's Treasury Management income. As at the end of September 2022 this has achieved an above target performance of £269,000, which is projected to rise to £1,194,000 by year end. This income stream has a fundamental and positive effect on the overall position, and it is proposed that this sum should be used to finance the revenue budget, reducing the projected overspend. Once this contribution is considered the net revenue overspend position is projected to be £41,000.
6. The Capital and Major Projects programme is delivering across a large number of schemes with an anticipated spend of £8,064,000 in year. In addition, £4,910,000 has been subject to detailed review and consequently reprofiled into 2023/24. In most cases this reflects that fact that projects are significant and will be delivered across more than one financial year. Officers will work in a clearer profiling approach for rolling multi-year schemes going forward.
7. Additionally, Officers are currently undertaking a review of the planned use of Specific Reserves, as detailed in the Budget Guidelines 2023/24. Progress on this will be reported in future budget management reports.

Recommendations

8. To recommend to Council for approval:

- (i) that £11,510 received from DLUHC in respect of Rough Sleeper Accommodation Programme grant be transferred to Specific Reserve as detailed in paragraph 27;
 - (ii) that £82,500 received from the Home Office in respect of Dispersal of Asylum Seekers grant be transferred to Specific Reserve as detailed in paragraph 28;
 - (iii) that £5,200 received from DLUHC in respect of new burdens grant for Temporary Pavement Licencing. be transferred to Specific Reserve as detailed in paragraph 29;
 - (iv) that £280,465 received from UK Health Security Agency in respect of Track and Trace Self Isolation Administration grant be transferred to Specific Reserves as detailed in paragraph 30;
 - (v) that £61,542 received from DLUHC for New Burdens Council Tax Rebate scheme be transferred to Specific Reserve as detailed in paragraph 31;
 - (vi) the variations to the Capital Programme contained in Table 4 in accordance with the Council's Financial Procedure rule B3;
 - (vii) to approve the use of the projected increase of £1,194,000 for Treasury Management income to finance the revenue budget, reducing the projected revenue overspend year end position to £41,000.
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REVENUE SPENDING

Position to the end of September 2022

9. This is the third 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 half of 2022/23 and to give an indication of the likely position at the end of the year.

Expenditure and Income to date

10. 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 September. This table also details the projected year-end position for these key income categories.

Table 1: Key income/expenditure to the end of September 2022

INCOME	2022/23 Actual to Sept £'000	Profiled 2022/23 Budget £'000	2022/23 Original Budget £'000	Pressure/ (Saving) To end Sept £'000	Pressure/ (Saving) To end July £'000	Projected Year-end Variance £'000	*To Note: 2022/23 Budget Unadjusted For Covid-19 £'000
Car Park Charges	(948)	(899)	(1,831)	(49)	(7)	(48)	(2,151)
Development Management Fees	(739)	(608)	(1,216)	(131)	(3)	0	(1,494)
Building Control Fees	(224)	(264)	(447)	40	32	0	(447)
Land Charges	(91)	(59)	(107)	(32)	(11)	(15)	(107)
Licensing Act Fees	(62)	(23)	(146)	(39)	(24)	(15)	(146)
Hackney Carriage Fees	(57)	(69)	(139)	12	8	25	(139)
Outdoor Facilities Income	(202)	(143)	(276)	(59)	(44)	(57)	(276)
Garden Waste	(822)	(851)	(1,583)	29	(4)	0	(1,548)
Leisure Contract Income	0	(300)	(600)	300	200	0	(1,444)
Industrial Estates Rents	(801)	(670)	(1,340)	(131)	(94)	(131)	(1,340)
Town Centre Rents	(992)	(1,115)	(2,231)	123	127	121	(2,231)
Depot Rent	(46)	(40)	(81)	(6)	(4)	(6)	(81)
General/Miscellaneous Property	(192)	(150)	(309)	(42)	(29)	(30)	(309)
Total Income	(5,169)	(5,191)	(10,306)	15	147	(156)	(11,713)
EXPENDITURE							
Salaries	7,002	6,818	13,636	184	160	736	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).

	2022/23 Actual to Sept (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	(48)	(1,725)	(1,958)	172	(48)
Season Tickets	(1)	(106)	(193)	(12)	0
Total	(49)	(1,831)	(2,151)	160	(48)

11. Car parking income is above budget by £49,000 in the first six months of the financial year. This is detailed in Table 2 above. This is made up of better than budgeted Season Ticket income (£1,000) and better than budgeted Pay and Display (£48,000).
12. 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 September 2022 is recording £1,000 additional income. 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.
13. 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 six months have recorded a further recovery of £48,000. This has been included in the full year forecast and any further recovery will be reported as it occurs.
14. At the end of September planning application fee income is above target by £131,000. Whilst recovery of income to pre-pandemic levels is not anticipated for this financial year there have been several applications for major developments in the last quarter. Whilst officers continue to liaise with developers over the timing of applications the current level of economic uncertainty is impacting on planning application fee income. Therefore, no full year variation is anticipated at this stage, but this will be kept under review for the remainder of the year.
15. At the end of September Land Charges income is over target by £32,000. However, search levels are expected to slow down in the second half of the year. The full year projection is expected to be £15,000 above target.
16. Licencing income is £39,000 above target for April to September. 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. Any remaining variation to date is mainly due to the profiling of income, which can fluctuate. Therefore, no further full year variation is anticipated at this stage.
17. Hackney Carriage Fees are below target by £12,000 for the first six months of this financial year. The forecast has been previously 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.
18. Outdoor facilities income is £59,000 above budget after the first six 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.
19. The target for Management Fee income from the leisure centre contractor was removed for the 2021/22 budget, the impact of this was £1,444,000. This was due to the ongoing effects of the pandemic. Forecast recovery of £600,000 was included in the Corporate Plan and Budget 2022/23, which remains as the case.

20. Industrial Estates rent is showing as £131,000 above target at the end of September. 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 and an additional £35,000 in the April – July Budget Management report. £37,000 is now reported for further rent reviews. The full year projection is expected to be £131,000 above target.
21. Town Centre rent is projected to be a pressure of £121,000 at this stage. This mainly relates to some rents which have been written off due to tenants vacating post Covid and ongoing commercial negotiations.
22. Depot rent is showing as £6,000 above budget for April to September. 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 £42,000 surplus at the end of September due to ongoing estate management of ground rents and renewal of licences. The best estimate at year end is a £30,000 surplus as shown in the table.
24. The salaries expenditure to the end of September is a pressure of £184,000 against the budget, which mainly relates to the cost of agency staff across several of the Council's services. Those relating specifically to Housing and Revenue and Benefits will be met from a central government grant known as new burdens. In comparison, the forecast year-end variance currently stands at an increased pressure of £736,000, of which £458,000 relates to the flat rate pay award for 2022/23 of £1,925 per employee, approved on 2 November 2022. This is higher than the 2% pay award estimate included in the budget.
25. In summary, based on current information available and as outlined in, the current forecast year-end position (at the end of September 2022), is a net revenue overspend position of £41,000 after the additional income from Treasury Management is considered.

Miscellaneous Items

26. In September, the Council received £11,510 from DLUHC in respect of a payment for Rough Sleeper Accommodation Programme Grant. The purpose of this grant is to provide additional services for rough sleepers. Members are requested to approve that this sum be earmarked in Specific Reserve for additional Homelessness costs incurred by Housing Services.

27. In August, we received a grant payment of £82,500 from Home Office in respect of Dispersal of Asylum Seekers grant. Members are requested to approve the transfer of this sum to Housing Needs specific reserves to meet administration costs arising from this dispersal work.
28. In September, grant totalling £5,200 was received from DLUHC to meet the costs of new burdens relating to Temporary Pavement Licencing. Members are requested to approve the transfer of this sum to supplement the existing specific reserves to provide enforcement of this.
29. In September, the Council received £280,462 from UK Health Security Agency in respect of Track and Trace Self Isolation Administration Grant. 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 May, we received £61,542 from DLUHC for New Burdens Council Tax Rebate scheme. Members are requested to approve the transfer of this sum to the Revenues and Benefits New Burdens specific reserves to meet additional Software and staffing costs associated with this.

SPENDING ON CAPITAL PROGRAMME AND REVENUE PROJECTS

Position to the end of September 2022

31. The Capital Programme and Revenue Projects for 2022/23 as at the end of September 2022 stands at £12,974,000. The actual spend and purchase orders raised to the end of September 2022 total £4,610,391. As noted in paragraph 6 (above), £4,910,000 has been reprofiled into 2023/24. For the most part this reflects the fact that many projects are significant and will be delivered across a number of financial years, Therefore, the revised projected in year spend is £8,064,000.

Variances to the 2022/23 Capital Programme and Revenue Projects

32. At this stage in the year, projects with remaining budgets that are greater than £100,000 are set out in Table 3 below.

Table 3: Unspent Budgets for 2022/23 Capital Programme and Revenue Projects as at 30 September 2022

	Remaining Budget 2022/23 £'000	<i>Ref</i>
Burgess Hill Place and Connectivity Programme	(419)	<i>Para 33</i>
Rural Connectivity Programme	(334)	
Telephony System Replacement (RP)	(196)	<i>Para 48</i>
Affordable Housing	(610)	<i>Para 39</i>
Temporary Accommodation	(1,149)	<i>Para 40</i>
Disabled Facility Grants	(707)	
Hickman's Lane Pavilion Renovation	(255)	<i>Para 37</i>
Swan Mead Redevelopment	(1,453)	<i>Para 38</i>
Bedelands Gypsy & Traveller Site Repairs (RP)	(489)	<i>Para 46</i>
Centre for Outdoor Sport (Master Planning) (RP)	(404)	<i>Para 44</i>
Hemsleys Meadow and Andrew's Field PP		
Masterplan Park Imps (RP)	(810)	<i>Para 43</i>
Victoria Park, HH Masterplan Parks Imps (RP)	(326)	<i>Para 44</i>
Mount Noddy, EG Masterplan - Parks Imps (RP)	(180)	
Total Budget Remaining as at 30 September 2022	(7,332)	

* RP= Revenue Project

Proposed Variations to the Capital Programme and Revenue Projects

33. Burgess Hill Place and Connectivity Programme. This is a multi-year project. The majority of Phase 1 works are complete with some snagging issues still to be resolved in 22/23. All works will be delivered within the original budget envelope of £5.34m with a final project spend estimated at £4.59m. A final reconciliation is underway and, any variation to the budget will be utilised in phase 2 of the programme. . Project costs are fully funded by grant in partnership with WSCC.
34. The current programme includes £18,000 for the Air Quality Monitoring Station project. Installation is completed and the monitoring station is in operation with a £8,000 saving on the cost of the project. The project total has been amended to £10,000 accordingly.
35. Turners Hill Recreation Playground improvements project is complete and additional funding was reported in MIS under a Cabinet member decision on 28 July 2021. Therefore, the additional cost of £12,000 will be funded from S106s and the budget increased from £17,000 to £29,000. The Programme has been adjusted to include reflect this.
36. £30,000 currently included in the Programme for St John's Park Burgess Hill Playground Improvements will now be included in the wider Park Masterplan and this budget is therefore no longer required. The Capital Programme has been updated accordingly.
37. The Hickmans Lane Pavilion Renovation project totalling £255,000 is a multi-year project will be reprofiled to 2023/24 as total costs (and available external funding) are identified.

38. Swan Mead redevelopment project is in the pre-construction phase. This includes technical design and costing before works commence. £1,350,000 will be reprofiled into 2023/24. The programme has been updated to reflect this position.
39. The Affordable Housing Budget in 2022/23 was £690,000. £80,000 has been used to finance the provision of supported housing. Unfortunately, the proposed development at East Grinstead Police station site is not being progressed. Therefore, the £610,000 commuted S106 monies will be reallocated to future affordable housing projects as they come forward. The programme has been amended accordingly.
40. The current programme includes £1,880,000 for Temporary Accommodation. This is a multi-year project which anticipated the majority of spend in this phase during 2022/23. However, the current year objectives have been met and £830,000 can be rephased to 2023/24 to reflect a more accurate spend profile for this project. The Capital Programme has now been updated to reflect this.
41. The current programme includes £693,000 for the Hill Place Farm SANG project. This is to secure an easement under the Bluebell Railway line to allow access to part of the SANG. The Deed of Easement at Hill Place Farm has been secured and the SANG is now live. The total costs also include Stamp Duty Land Tax (SDLT) and legal costs totalling £38,000, which were not included in the original budget. These costs will be met from General Reserve. All monies will be recouped via financial contributions from developers as they secure the SANG capacity.
42. Centre for Outdoor Sport project totalling £545,000 is a multi-year project. The development and implementation phases are planned to take place in 2022/23 and 2023/24. The latest phasing across these years is predicted to be £375K in 22/23 and £170K in 23/24. A further Project Justification form is being prepared to release funds for subsequent phases of the work.
43. Hemsleys Meadow and Andrew's Field, PP Masterplan Park Imps totalling £900,000 is in progress. This is a multi-year project and site work is starting before the end of 2022/23 and will be completed in 2023/24. Therefore, £810,000 now needs to be rephased to next year. The programme has been updated to show this position.
44. Victoria Park, HH Masterplan Parks Imps project totalling £326,000 and is in progress. This is a multi-year project and will be completed in 2023/24. Therefore, £164,000 is being rephased to 2023/24. The programme has been updated to show this position.
45. The current programme includes £41,000 and £16,000 for MCR Resurfacing of Heath Road Car Park and Muster Green Car Park respectively. These projects are awaiting the outcome of car park condition survey/ Asset Management Plan (AMP) to be commissioned in 2023/24. The programme has been updated accordingly.
46. Bedelands Gypsy & Traveller Site Repairs Revenue project will be rephased to Spring/Summer 2023 to reduce risk of weather disruption/delays. Therefore, £485,000 is to be rephased to 2023/24 and the programme has been updated accordingly.
47. Cherry Tree (St Albans Hall) Fairfield Road BH Repairs project for £13,000 is complete. The boiler renewal and asbestos removal works are completed as planned. During the project reactive repairs were identified totalling £3k which will be funded from the revenue reactive repairs budget and do not form part of the original works. The programme has been updated accordingly.
48. Phase II of Telephony System Replacement revenue project will take place in 2023/24 to align with service improvements for the customer journey within services. £194,000 has been rephased to 2023/24 and the programme has been updated to reflect this position.

49. Proposed capital variations are summarised in table 4 below

Table 4: Capital Programme and Revenue Project Variations April to end September 2022		
	<i>Apr to Sept</i> £'000	<i>Ref</i>
<u>Capital Projects</u>		
Air Quality Monitoring Station	(8)	<i>Para 34</i>
Turners Hill Playground Imps	12	<i>Para 35</i>
St John's Park BH Playground Imps	(30)	<i>Para 36</i>
Hickman's Lane Pavilion Renovation	(255)	<i>Para 37</i>
Swan Mead Redevelopment	(1,350)	<i>Para 38</i>
Affordable Housing	(610)	<i>Para 39</i>
Temporary Accommodation	(830)	<i>Para 40</i>
Total Capital Projects Variations	(3,071)	
<u>Revenue Projects</u>		
Hill Place Farm SANG	38	<i>Para 41</i>
Centre for Outdoor Sport (CfOS)	(170)	<i>Para 42</i>
Hemsleys Meadow and Finches Field, PP Masterplan Park Imps (RP)	(810)	<i>Para 43</i>
Victoria Park, HH Masterplan Parks Imps RP	(164)	<i>Para 44</i>
MCR Resurfacing of Heath Road Car Park (RP)	(41)	<i>Para 45</i>
MCR Resurfacing of Muster Green Car Park (RP)	(16)	<i>Para 45</i>
Bedelands Gypsy & Traveller Site Repairs (RP)	(485)	<i>Para 46</i>
Cherry Tree (St Albans Hall) Fairfield Road BH Repairs	3	<i>Para 47</i>
Telephony System Replacement (RP)	(194)	<i>Para 48</i>
Total Revenue Projects Variations	(1,839)	

Capital receipts and contributions received to the end of September 2022

50. Capital Receipts, S106s and grant contributions of £1,040,566 have been received in the period April to September 2022.

S106 contributions committed/utilised to the end of September 2022

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

Table 5 S106 utilisation 2022/23	
	<i>Apr to Sept</i> £'000
Ardingly Parish Council	23
1st Copthorne Scout Group	11
West Sussex County Council	25
Copthorne Sports & Community Association	10
Bolnore Village Community Partnership	8
Total	77

52. A full breakdown of S106 contributions secured and utilised by Mid Sussex District Council 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

53. Treasury Management interest for this financial year was originally projected to be £223,918 when the revenue budget was set in March. The interest receivable which is forecast currently exceeds the budget due to the improved interest rates available and effective investment decision making. As a result, the current estimated year-end projection for Treasury Management to be earned in the year is £1,417,696, being £1,193,778 over target. This position will continue to be monitored closely as we progress through 2022/23.

Policy Context

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

Financial Implications

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

Risk Management Implications

56. There are no risk management implications.

Equality and Customer Service Implications

57. There are no Equality and Customer Service implications.

Other Material Implications

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

Sustainability Implications

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

Background Papers

Revenue Budget Report 2022/23