

Report to Cabinet

12 November 2014

2014/15 Budget Monitoring - Quarter 2

Report of the Deputy Head of Finance FIN/ 347

1. Purpose

- 1.1 The report sets out a summary of the Council's actual revenue and capital spending up to the second Quarter ending September 2014. It identifies the main variations from the approved spending levels and any potential impact on future budgets.

2. Recommendations

- 2.1 The Cabinet is recommended to:

Note the projected outturn for the year 2014/2015 as summarised in this report.

3. Reasons for the Recommendations

To report to Members on the projected outturn for the year compared to the approved budget.

4. Background

- 4.1 As part of the Budget Strategy, the Council has in place robust budget monitoring systems to ensure that unapproved overspends are avoided. The Council also manages and analyses underspending to identify potential savings that could help meet current and future years' priorities.
- 4.2 Budget monitoring is undertaken on a monthly basis with budget holders. There are quarterly budget monitoring reports to Cabinet with the Corporate Management Team receiving monthly update reports on key areas and any other areas of concern. The Performance Monitoring Scrutiny Panel and the Overview and Scrutiny Commission also have the opportunity to scrutinise expenditure.
- 4.3 This report outlines the projected outturn for 2014/2015 as at the end of September 2014.

5. Budget Monitoring Variations

5.1 General Fund

The table below summarises the projected variances in the relevant Portfolio at Quarter 2.

	£000's	
Cabinet	(25)	F
Community Engagement	-	
Customer and Corporate Services	(72)	F
Environment	(20)	F
Housing Services	95	U
Leisure & Cultural	(190)	F
Planning & Economic Development	(161)	F
Investment Interest	(188)	F
North East Sector Interest	(172)	F
Total Projected Variances	(733)	F

[F indicates that the variation is favourable, U that it is unfavourable]

Further details of these projected variances are provided in Appendix 1(ii).

- 5.1.1 In addition to the above 'surplus' there will be an estimated transfer from reserves of £1.588m in respect of a backdated shortfall on Retained Business Rates. A further explanation is given below in paragraph 5.2.10. As a result there will be an estimated net transfer from reserves of £855,000.

5.2 Significant variances Variations over £20,000.

5.2.1 Cabinet

There are no significant variations to report this quarter.

5.2.2 Community Engagement

There are no significant variations to report this quarter.

5.2.3 Customer and Corporate Services

In partnership with Horsham and Mid Sussex CBC contribute to a shared Procurement Service covering the three boroughs. There are currently two vacancies within the Team which has meant a reduced charge of £30,000 to CBC. Moving forward there will be a higher contribution from Horsham to reflect their increasing reliance on the service together with the deletion of one support post thereby reducing the ongoing cost of the Service to CBC.

5.2.4 **Environment**

There are no significant variations to report this quarter.

5.2.5 **Housing Services**

There are no significant variations to report this quarter.

5.2.6 **Leisure & Cultural**

There are no significant variations to report this quarter.

5.2.7 **Planning & Economic Development**

The Council have incurred the legal costs of a commercial property tenant in the sum of £24,000 in respect of a court case where the judgement went against CBC regarding conditions on a lease on the property.

5.2.8 **Investment Income**

The main reason for the increase in investment income above the previously reported projection is that the Council sold its holding of gilts in mid-October when prices jumped following investors seeking a safe haven from plummeting equity values. These disposals resulted in an additional £114,000 investment income.

5.2.9 **North East Sector Interest**

The North East Sector Co-operation Agreement was completed in March 2014. In this agreement a capital receipt of at least £6.5m will be receivable at the end of the project. After detailed discussions with the Council's external auditor around the accounting treatment for this the Council have discounted the £6.5m receipt over 10 years at an interest rate of 3.89% resulting in a capital receipt of £4.4m being recognised in 2013/14 and annual interest payments of £172,000 in 2014/15 rising to £243,000 in 2023/24.

5.2.10 **Retained Business Rates**

In the Budget Strategy report of July 2013 an increase the General Fund balance from just under £7m to £8.5m million was approved. The prime reason for the proposed increase is to accommodate additional risks associated with the new financing arrangements and business rates retention. In part these risks arise from the accounting arrangements that the Government require; Councils are pressing to get this changed.

Due to accounting for 'unsettled appeals' there will be an estimated charge to the general fund of £1.588m in the current year. In the last financial year there was a charge of £0.589m (this totals £2.18m over the two years).

The current estimated transfer back to the general fund for 2015/16 for business rates is £2.4m.

With the volatility of business rates income and the difficulties of making accurate forecasts, it is possible that there could be an unbudgeted charge to the General Fund annually in the order of £1.5 million, which is reversed in the following year. It is also possible that the Council could collect less than budgeted and the Council's reserves would increase; this time with a compensating loss the following year

The General Fund reserve can accommodate these inter year movements.

6. Virements

Virements up to £50,000 can be approved by Heads of Service under delegated powers and reported to Cabinet for information.

6.1 There were no virements in the second quarter.

7. Council Housing Service – Revenue

7.1 The table below provides details of the 2014/2015 HRA budget and the variances.

Expenditure Description	Budget 2014/15 £'000s	Projected Outturn £'000s	Variation £'000s	
Income				
Rental Income	(44,604)	(44,404)	200	U
Other Income	(1,762)	(1,792)	(30)	F
Total income	(46,366)	(46,196)	170	U
Expenditure				
Employees	3,521	3,411	(110)	F
Repairs & Maintenance	10,444	11,144	700	U
Other running costs	2,495	2,495	0	
Rent rebates	146	0	(146)	F
Support services	2,688	2,688	0	
	19,294	19,738	444	U
Net (Surplus) / Deficit	(27,072)	(26,458)	614	
Use of Reserves				
Available to fund future investment in housing	18,763	18,149	(614)	U
Interest Payable	8,309	8,309	0	
Total	27,072	26,458	(614)	U

(F = Favourable, U = Unfavourable)

7.2 Details of significant variances from the budget projections are shown in Appendix 1(iii)

7.3 More properties continue to be sold than budgeted under the Right to Buy scheme with thirty eight being sold up to the second quarter compared to a budget of twenty. As a result the rental income is projected to be lower than budgeted.

7.4 The staffing related savings are mainly due to vacancies and reduced level of agency staff together with associated employee costs.

7.5 The responsive repairs budget is currently £700,000 overspent at Quarter 2 due to the on going effects of the storm damage incurred last autumn and winter. Following negotiations with our contractors, it is anticipated that the programme of these repairs will continue up until October this year, so this overspend may increase next quarter.

- 7.6 The government pays rent rebate benefit payments on the basis of a capped average 'limit rent'. Where an Authority's average rent is higher the HRA is required to fund a proportion of the excess cost; however the actual average "limit rent" now notified to us is greater than estimated and we as an Authority are no longer required to make a contribution from the HRA equating to a saving of £146,000

8. Capital

- 8.1 The table below shows the 2014/15 projected capital outturn and proposed carry forward into 2015/16. Further details on the Capital Programme are provided in Appendix 2.

	Revised Budget 2014/15	Spend to Qtr 2	Estimated Outturn 2014/15	(Under spend)	Re-profiled to/(from) future years
	£000's	£000's	£000's		£000's
Cabinet	1,353	155	962		(391)
Customer & Corporate Services	844	210	844		
Environment	8,344	4,373	8,236		(108)
Planning & Economic Development	4,632	4,632	4,632		
Housing Services	1,458	299	1,378	(80)	
Leisure & Cultural	3,868	1,011	3,208		(660)
Total General Fund	20,499	10,680	19,260	(80)	(1,159)
Council Housing	21,970	7,477	21,631	(100)	(239)
Total Capital	42,469	18,157	40,891	(180)	(1,398)

- 8.2 Gales Drive Parade improvements have been delayed as it is linked to the new Gales Place housing development which is now expected to start in spring 2015 as a result £71,000 has been carried forward to 2015/16.
- 8.3 Broadfield Barton main construction works have been delayed by the need to formalise and receive external stakeholder's contributions to the scheme. The earliest start is projected to be after Easter 2015. The anticipated spend for 2014/15 is now £140,000 this has resulted in £320,000 being carried forward to 2015/16.
- 8.4 WSCC have advised CBC that the Cycle Paths works is unlikely to go ahead in this financial year due to a landslip from land adjoining the path, this has resulted in the £58,000 Cycle Path budget being carried forward to 2015/16.
- 8.5 Following a review of the flood alleviation programme the Titimus Lake scheme has been reprioritised to 2015/16, as a result the £50,000 budget will be carried forward to 2015/16
- 8.6 The North East Sector budget was not fully required, this was for consultancy and legal fees therefore £80,000 is being returned to the capital reserve for future investments.
- 8.7 The New Museum design work is now scheduled to finish in May 2015; this has resulted in £50,000 of 2014/15 budget being carried forward to 2015/16.
- 8.8 It is now anticipated that the majority of the Tilgate Access Road civil engineering works will not be completed until summer 2015, therefore £400,000 budget has been carried forward to 2015/16.

- 8.9 The 2014/15 Play Refurbishments have been delayed to allow sufficient consultation with local residents and Ward Members, as a result the £120,000 Creasys Drive Adventure Playground & £65,000 Broadfield Barton Play Refurbishment budgets will be carried forward to 2015/16.
- 8.10 The balance of provision of £132,000 for neighbourhood & Town Centres scheme scheduled for 2015/16 is not now required after allowing for the virement to the Broadfield Barton scheme of £68,000 under delegated powers. As a result the 2015/16 budget provision of £132,000 has been removed from the capital programme.
- 8.11 Following public consultation changes were made to the scope of the Ifield Community Facilities scheme, resulting in the remaining budget provision of £440,000 no longer being required. As a result 2015/16 budget provision of £440,000 has been removed from the capital programme.
- 8.12 Over recent years the demand on the Improvement/Repair loans scheme has reduced. The Improvement/Repair budgets have now been re-profiled to reflect this reduction in demand resulting in £237,000 of future years budget provision no longer being required.
- 8.13 The HRA Programmed Repairs 2014/15 spend is now anticipated to be £9,866,000 resulting in a £100,000 under spend.
- 8.14 The 151 London Road project was delayed due to having to find a workable solution to overcome planning constraints on the site. It is anticipated that work on land behind 151 London Road will now take place in 2015/16.
- 8.15 The HRA Purchase of Properties 2014/15 budget has been increased to reflect a contribution of £189,000 from The Homes & Communities Agency.
- 8.16 Phase 1 of the Forge Wood development has now started, it is anticipated that costs of £2.876M will be incurred in this financial year and therefore the budget has now been allocated
- 8.17 Up to the end of the second quarter of 2014/15 thirty eight Council Houses with a sales value of £3,625,075 were sold this is the same as the number of properties sold in the same period last year. In the second quarter £247,280 was paid to the Government and £641,090 has been retained by the Council relating to 1-4-1 receipts. [The 1-4-1 arrangement is one where the Council retains a larger proportion of right to buy receipts than they otherwise would, in return for a commitment to spend the additional receipts on building or acquiring properties.]
- 8.18 The total cumulative 1-4-1 receipts retained is £8,957,835 which can be used to fund 30% of any expenditure on new affordable housing. It cannot be used on schemes supported by HCA Funding.
- 8.19 To date, £912,625 of 1-4-1 receipts has been used to partially fund the purchase of properties. Any unused 1-4-1 receipts that are unspent within 3 years are to be returned to the Government with interest.

9. Background Papers

[Budget and Council Tax 2014/15 Cabinet 12 February 2014 Fin/328](#)
[2014-15 Quarter 1 - Budget Monitoring](#) Fin/341

Contact Officer: - Brian Dodd, Financial Accounting Manager.
Direct Line: - 01293 438527

Appendix 1 (i)

General Fund - Revenue 2014/2015

	Original Estimate £000's	Latest Estimate £000's	Projected Outturn £000's	Variance £000's
Cabinet	1,283	1,254	1,229	(25)
Community Engagement	1,484	1,478	1,478	0
Customer and Corporate Services	1,345	1,156	1,084	(72)
Environment	5,731	5,770	5,750	(20)
Housing Services	3,020	3,037	3,132	95
Leisure & Cultural	7,071	7,246	7,056	(190)
Planning & Economic Development	(1,885)	(1,799)	(1,960)	(161)
	18,050	18,141	17,768	(373)
Broken down by Directorate				
Community Services	11,963	12,137	11,967	(170)
Housing & Transformation	(2,692)	(2,889)	(2,955)	(66)
Development and Resources	6,404	6,519	6,424	(95)
Chief Executive	2,375	2,374	2,332	(42)
	18,050	18,141	17,768	(373)
Depreciation	(3,095)	(3,095)	(3,095)	0
Renewals Fund	400	400	400	0
NET COST OF SERVICES	15,355	15,446	15,073	(373)
Interest of Balances	(899)	(899)	(1,087)	(188)
North East Sector Interest			(172)	(172)
Grant Funding (PDG, LABGI, Area based grants)	0	(91)	(91)	0
Council Tax/RSG/NNDR/New Homes Bonus	(14,456)	(14,456)	(14,456)	0
	(15,355)	(15,446)	(15,806)	(360)
Net contribution from / (-to) Reserves	0	0	(733)	(733)

Main Variations Identified for 2014/15 - General Fund

	Q2 Variation £000's	Q1 Variation £000's
1 <u>Cabinet</u>		
Head of Finance savings	(25)	(25)
	(25)	(25)
2 <u>Community Engagement</u>		
No significant variations this quarter		
	0	0
3 <u>Customer and Corporate Services</u>		
Legal & Democratic Services vacancy savings	(42)	(25)
Procurement Shared Services - 2 vacant posts savings	(30)	
	(72)	(25)
4 <u>Environment</u>		
Wardens/Civil Enforcement Officers held vacancies during Systems Thinking	(30)	(25)
Environmental Health Team vacancy	(30)	(25)
Quick wins budget	50	50
Business support Unit Vacancy	(10)	
	(20)	0
5 <u>Housing Services</u>		
Systems Thinking backfilling - Benefits	75	75
Systems Thinking backfilling - Housing Options	20	20
	95	95
6 <u>Leisure & Cultural</u>		
Amenity Services restructure savings	(100)	(100)
Community general vacancies	(20)	(20)
Community Facilities restructure staff savings	(70)	(70)
	(190)	(190)
7 <u>Planning & Economic Development</u>		
Forward Planning vacancy savings (Local Plan)	(40)	(20)
Asset Management - Commercial Rental Income mainly due to Atlantic House lease	(80)	(100)
Planning Fees increase in income	(174)	(174)
Systems Thinking backfilling - Development Control	109	109
Legal costs of a tenant in respect of a court case where the judgement went against CBC.	24	
	(161)	(185)
8 investment interest above budget	(188)	(80)
9 North East Sector income	(172)	
TOTAL VARIANCES	(733)	(410)

Main Variations Identified for 2014/15 - Housing Revenue Account

	Q2 Variation £000's	Q1 Variation £000's
Income		
Reduced rental income due to property sales	200	200
Investment interest above budget	(30)	(30)
	170	170
Employees		
Vacancies - Currently two administrative posts, a gas Surveyor and a Housing Assistant post	(50)	(50)
Reduced level of usage of agency staff	(30)	
Courses & Seminars	(30)	(30)
	(110)	(80)
Repairs & Premises costs		
Ongoing effects of storm damage repairs	700	400
	700	400
<u>Rent Rebates</u>		
Rent Rebates	(146)	
	(146)	0
TOTAL VARIANCES	614	490

Appendix 2

Portfolio Description	Latest Budget 2014/15 £000's	Spend to Date £000's	Projected Outturn £000's	(Under spend) £000's	Slippage £000's	Latest Budget 2015/16 £000's	Future Years £000's
Chair of Cabinet	1,353	155	962		(391)	6,121	1,100
Customer & Corporate	844	210	844			400	0
Environment	8,344	4,373	8,236		(108)	3,235	3,030
Planning & Economic Development	4,632	4,632	4,632			5,368	0
Housing Services	1,458	299	1,378	(80)		2,468	1,455
Leisure & Cultural	3,868	1,011	3,208		(660)	3,830	348
Total General Fund	20,499	10,680	19,260	(80)	(1,159)	21,422	5,933
Housing Revenue Account	21,970	7,477	21,631	(100)	(239)	18,355	18,868
Total Capital	42,469	18,157	40,891	(180)	(1,398)	39,777	24,801
Cabinet Portfolio - Scheme Description	Latest Budget 2014/15 £000's	Spend to Date £000's	Projected Outturn £000's	(Under spend) £000's	Slippage £000's	Latest Budget 2015/16 £000's	Future Years £000's
Town Centre	100	3	100			2,893	1,000
Neighbourhood Centres						0	
Queens Square Env Improvements	200	24	200			2,700	100
Gales Drive Parade	73	1	2		(71)	71	
Ifield Parade Improvements	10		10				
Tilgate Parade Env Improvement	21		21				
Broadfield Barton	460	1	140		(320)	320	
Neighbourhood Centres - Enhanced Mtce	10		10				
Low & Zero Carbon Technologies	12		12				
Photovoltaic System - Council Buildings	124		124				
Town Hall - Air Conditioning	120	52	120				
Town Hall - Maintenance	177	75	177			137	
Maidenbower Day Care & CC PV	47		47				
Total Cabinet Portfolio	1,353	155	962	0	(391)	6,121	1,100
Customer & Corporate Services - Scheme Description	Latest Budget 2014/15 £000's	Spend to Date £000's	Projected Outturn £000's	(Under spend) £000's	Slippage £000's	Latest Budget 2015/16 £000's	Future Years £000's
ICT Capital - Future Projects	98		98			400	
Tree Management Database	25		25				
Windows 7 Upgrade	337	189	337				
On Line Self Service	200		200				
FMS Enhancements	18	10	18				
Public Services Network	7	8	7				
Self Pay Kiosk (ICT)	13	3	13				
ICT Replacements	146		146				
Total Customer & Corporate Portfolio	844	210	844	0	0	400	0

Environment Portfolio - Scheme Description	Latest Budget 2014/15 £000's	Spend to Date £000's	Projected Outturn £000's	(Under spend) £000's	Slippage £000's	Latest Budget 2015/16 £000's	Future Years £000's
New Cemetery	181	62	181			540	
Cycling Signage	12	1	12			7	
K2 Heat Network (Heat & Power)						650	
Refuse & Recycling Vehicles	1,763	1,744	1,763				
Refuse Bins 2014	1,009	806	1,009				
Cycle Paths	58		0		(58)	58	
Reinstate Neighbourhood Recycling	16		16				
Grass Verge Improvements	30		30				
Community Safety Initiatives	100	37	100			123	80
Environmental Imp Future Schemes	87	3	87			506	1,000
Hardhan Close	6		6				
Cherry Lane	22		22				
Pearson Road	6	16	6				
Cobner Close	5		5				
Jackdaw Close	56	32	56				
Southgate Schemes	79	41	79				
Eden Road	71	8	71				
Scory Close	146	13	146				
Flooding Emergency Works	10		10				
Ifield Mill Pond Improvements	4,054	1,540	4,054			1,131	1,581
Tilgate (EA Flood Alleviation)	75		75				
Grattons Park	116	47	116				
Grattons Pond Flood Allev HLF	23	14	23				
Creaseys Drive (Flood Works)	243	10	243				
Operation Watershed	46		46				
Cheals Broadfield Pond	30		30			120	
Titmus Lake	50		0		(50)	50	
Stafford Bridge H&S Improvements	50		50			50	
Flood Alleviation - Future Programme							369
Total Environment Portfolio	8,344	4,373	8,236	0	(108)	3,235	3,030
Planning & Economic Development Portfolio - Scheme Description	Latest Budget 2014/15 £000's	Spend to Date £000's	Projected Outturn £000's	(Under spend) £000's	Slippage £000's	Latest Budget 2015/16 £000's	Future Years £000's
Investment Property Aquisition	4,632	4,632	4,632	0	0	5,368	0
Total Planning & Economic Development	4,632	4,632	4,632	0	0	5,368	0
Housing (General Fund) - Scheme Description	Latest Budget 2014/15 £000's	Spend to Date £000's	Projected Outturn £000's	(Under spend) £000's	Slippage £000's	Latest Budget 2015/16 £000's	Future Years £000's
Housing Enabling	48		48				
Future Schemes	0					1,843	
Temporary Accomodation Acquisitions	774		774				
Lark Rise Phase 2	32	32	32				
North East Sector	93	4	13	(80)			
Affordable Housing Excluding Land	947	35	867	(80)	0	1,843	0
Disabled Facilities Grants	394	231	394			450	1,145
Home Insulation Grants	62	16	62			100	190
Improvement/Repair Loans	55	17	55			75	120
Total Housing (General Fund) Portfolio	1,458	299	1,378	(80)	0	2,468	1,455

Leisure Services Portfolio - Scheme Description	Latest Budget 2014/15 £000's	Spend to Date £000's	Projected Outturn £000's	(Under spend) £000's	Slippage £000's	Latest Budget 2015/16 £000's	Future Years £000's
Vehicle Replacement Programme	266	16	266				
Travellers Prevention Measures	15		15				
Maidenbower Phase 2	19		19				
Tilgate Car Park Toilets			0				
New Museum Tree Refurbishments	188	6	138		(50)	1,751	
Worth Park (Milton Mount Gdns) Phase 2	1,486	562	1,486				
Ifield Community Facilities	250	136	250			32	
Tilgate Park Access Road	609	59	209		(400)	853	
WSCC Transit Site	93		93				
Parks & Open Spaces Spend To Save	37		37				
Parks Infrastructure Signage	30	12	30				
Tilgate Nature Centre & Park Infrastructure	52	27	52				
Tilgate Park - Out Door Gym	20		20				
Parks Car Parks Operational Improvements	12		12			18	
Memorial Gardens Improvements	20	3	20			20	
Parks Infrastructure	50		50			50	
Broadfield Barton -Play Refurbishment	65	0	0		(65)	65	
Knepp Close - Play Refurbishment	65		65				
Play Refurbishment 2014-15 Creasys Drive	120		0		(120)	120	
Play Refurbishment 2014-15	40	15	15		(25)	25	
Refurbishment Playground Future Schemes						260	235
Hawth Main Floor Replacement							
Hawth Main Sound System						115	
Hawth - Flying Equipmnt	37	35	37			39	41
Hawth - Flat Floor	70		70				
Hawth - Light & Dimmers Main						38	
Hawth - Maintenance	32	23	32			10	
3G Pitch - Artificial Pitch						175	
K2 Health & Fitness Replacement						225	
K2 Athletics Track Replacement	93	89	93				
K2 Gym Equipment Replacement	19	15	19			15	17
K2 - Maintenance	158	11	158			19	
Bewbush HLC - Gym Equipment							55
Skate Park Equipment	23	2	23				
Total Leisure Services Portfolio	3,868	1,011	3,208	0	(660)	3,830	348
Total General Fund	20,499	10,680	19,260	(80)	(1,159)	21,422	5,933

HRA - Scheme Description	Latest Budget 2014/15 £000's	Spend to Date £000's	Projected Outturn £000's	(Under spend) £000's	Slippage £000's	Latest Budget 2015/16 £000's	Future Years £000's
Adaptations For The Disabled	300	54	300				
Total Programmed Repairs	9,966	3,368	9,866	(100)	0	10,107	8,818
Total Improvements	10,266	3,422	10,166	(100)	0	10,107	8,818
Breezehurst Drive	2,457	1,681	2,457				
Brunel Place	3,300	874	3,300				
151 London Road (New Build)	239				(239)	239	
Forge Wood	2,876		2,876			3,059	8,900
Gales Place Development	300		300			2,200	
Kilnmead						1,600	
Acquisitions Of Land	1,000	21	1,000			1,000	1,000
Purchase Of Properties including Buy Backs	1,532	1,479	1,532			150	150
Total Other HRA	11,704	4,055	11,465	0	(239)	8,248	10,050
Total HRA	21,970	7,477	21,631	(100)	(239)	18,355	18,868
Total Capital Programme	42,469	18,156	40,891	(180)	(1,398)	39,777	24,801
Funded by							
Capital Receipts	6,767	3,308	5,757		1,010	10,103	2,549
Capital Reserve	9,788	6,160	9,695	80	13	8,259	3,129
Disabled Facilities Grant	335	231	335			378	
Lottery & External Funding	4,376	1,795	4,326		50	2,331	50
MRR	20,605	6,611	20,266	100	239	18,355	18,868
Replacement Fund/Revenue Financing	498	52	498			225	113
Section 106	100	0	14		86	126	93
Total Funding	42,469	18,157	40,891	180	1,398	39,777	24,801