

COMMITTEE:	CABINET
DATE:	10th APRIL 2002
SUBJECT:	CIVIC BUDGET 2001-2002 – REVENUE AND CAPITAL MONITORING
REPORT OF:	SUE MCHUGH, DIRECTOR OF FINANCE AND CORPORATE SERVICES
Ward(s):	All
Purpose:	To update Members on the budget position to the end of February and on the latest forecast of the outturn for the full financial year.
Contact:	Sue McHugh, Director of Finance and Corporate Resources, Telephone 01323 415104 or internally on extension 5104.
Recommendations:	Members are recommended to:
	1. Be advised that general fund revenue net expenditure is under budget at the end of February by £147,000.
	2. Endorse the general fund revenue forecast underspend of £93,000 at 31 st March 2002.
	3. Agree the allocation of £30,000 from the forecast underspend to fund additional expenditure in relation to the Borough Plan.

	4. Note the progress of the general fund capital programme and Housing Investment Programme and the likely carry forward of committed resources to 2002-2003.
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1.0	<u>Introduction</u>				
1.1	Cabinet Members receive regular information on the Council's financial position to enable them to scrutinise performance and agree appropriate action to ensure spending is in line with budget. This is the fifth of such reports for this financial year.				
1.2	The report focuses on the performance of the Council's main revenue accounts: the general fund and housing revenue accounts, plus capital. Within each area key risk budgets have been identified and these are reported on in detail within the report.				
1.3	This report reviews the first eleven months of the financial year, and forecasts the likely outcome.				
2.0	<u>General Fund Revenue Account</u>				
2.1	<u>Spend to date and Forecast Outcome</u>				
	As reported in the March Finance Briefing the position at 28th February is as follows, with the full year forecast variance shown in the final column.				
		Profiled Budget £000	Actual Spend £000	Variance £000	Full Year Estimated Variance £000
	Chief Executive's	1,527	1,371	CR 156	CR 102
	Housing, Health and Community Finance	3,350	3,370	20	30

	Tourism and Leisure	3,799	3,801	2	2
	Finance and Corporate Services	1,882	1,868	CR 14	2
	Planning, Regeneration and Amenities	2,666	2,591	CR 75	CR 85
	Corporate Costs	194	270	76	60
		13,418	13,271	CR 147	CR 93
	It should be noted that £38,000 of the Planning, Regeneration and Amenities underspend relates to Amenities, which, under the previous management structure, was combined with Tourism and Leisure.				
	<p>The significant variances within each group are explained in more detail in section 2.4.</p> <p>The overall improvement in both the variance to date and the forecast outturn figures compared with the January report, comes from Tourism and Leisure and from Housing, Health and Community Finance.</p> <p>In particular, this stems from the continuing financial success of the in-house productions staged by Eastbourne Theatres, and from the improved financial performance of Community Finance in drawing down WBS subsidy and Anti fraud grant.</p>				
2.2	<p>Council on 27th February agreed to commit £55,000 of the then forecast underspend for the year to fund the production of a brief for town centre redevelopment (£50,000) and an event to mark the Queen's Golden Jubilee (£5,000). The latest outturn forecast leaves a further £38,000 unallocated.</p>				
	<p>Additional expenditure pressures in relation to the Borough Plan have been identified and Members are asked to allocate £30,000 of the unallocated funds to meet these pressures.</p>				
2.3	<p><u>Corporate Costs</u></p>				

	The budget includes a contingency of £174,000. This sum has been fully consumed by expenditure relating to the Eastbourne Buses joint venture agreement, the increased proportion of Treasury Management costs falling on the general fund, and the settlement costs arising from an employment case.	
2.4	<u>Key Risk Areas</u>	
	Officers have identified key risk areas within the general fund revenue budget. The position on each of these is as follows:-	
2.4.1	<u>Homelessness</u>	
	The financial position with regards Homelessness has continued to improve since the last Cabinet report and the current expenditure is contained within the profiled budget. It is expected that expenditure will be within budget at the year end.	
2.4.2	<u>Cemeteries and Crematoria</u>	
	Financial pressures continue to exist at the Crematorium as outlined in previous Cabinet reports. The current overspend has however been contained at £36,000. The forecast outturn for the Cemeteries and Crematorium is a £50,000 overspend which is a marginal improvement compared with the previous forecast.	
2.4.3	<u>Lifeline</u>	
	Additional staffing costs to part-time staff, partly offset by additional income has given rise to a current overspend of £16,000. The full year overspend is still forecast at £20,000.	
2.3.4	<u>Benefits</u>	
	The Council bears a proportion of the total costs of Rent Allowances and Council Tax benefits. The proportion is 5% for routine payments. For certain categories of payment the proportion is higher. It is not straightforward to calculate the cost to the Council in-year. However, the level of Rent Allowances and Council Tax benefits granted compared to 2000-01 provides an indication of whether the budget is likely to face pressure.	

	The graph shows the level of Rent Allowances and Council Tax benefits to date compared to 2000-01. Expenditure is on target for Rent Allowances whereas expenditure is ahead of budget on Council Tax Benefits. An expected increase in the net cost to the Council has been factored into the forecast outturn.	
2.3.5	<u>Weekly Benefit Savings/Weekly Incorrect Benefits Savings</u> Preparations are underway for the introduction of the Weekly Incorrect Benefit Scheme from 1 st April. Nationally, there is continuing uncertainty over the effect of the scheme on reducing Local Authority Fraud Incentive Grant in the coming year and the Department of Work and Pensions has still to clarify the final funding scheme.	
	The graph above shows fraudulent overpayments identified under the Weekly Benefit Savings scheme this year compared to 2000-01. Performance shows a continued improvement for November to February. This improvement has helped to reduce the overspend previously identified within the Community Finance budget.	
2.3.6	<u>Council Tax Collection</u>	
	The amount of Council Tax collected impacts on cashflow and the need for future bad debt provisions. The Council increased the target collection rate for 2001-02. A number of outstanding software errors still mean that officers are currently unable to obtain this crucial information. The software fix is currently being tested.	
	Summons have now been issued for overdue Council Tax debts. Income is expected to be within £10,000 of the full year budget.	
2.3.7	<u>Amenities – Car Parks</u>	
	Two of the town's car parks – Hyde Gardens and Beachy Head - continue to show reductions in income against budgets. A proportion of this shortfall is being recovered from extra income generated at the coach and lorry park and Seafront car parks. Although a year end shortfall is still predicted, this has now been further revised downwards from £17,000 to £12,000.	
2.3.8	<u>Tourism Leisure Marketing</u>	
	There has been a shortfall in the take up of advertising in the holiday guide. This has led to a £25,000 overspend.	

2.3.9	<u>Coastline Caterers</u>					
	Absence of large conferences and a shortfall in the number of conference delegates has resulted in a fall in the Coastline Caterers surplus to date by £75,000. The anticipated shortfall for the full year is also expected to be £75,000.					
2.3.10	<u>Treasury Management</u>					
	The forecast for additional costs falling on the general fund budget in this financial year remains at £100,000, principally because there has been no change in investment interest rates. Officers continue to evaluate options which seek to reduce this exposure and have recently met with Butlers, the Council's Treasury Management Consultants, to discuss strategy for next financial year.					
2.3.11	<u>Concessionary Fares</u>					
	Demand for the free bus pass has continued to exceed expectations. Based on latest estimates the expected year end overspend remains as previously reported at £35,000.					
3.0	<u>Housing Revenue Account</u>					
3.1	Spend to date	Profiled Budget £000	Spend to Date £000	Variance £000	Full Year Estimate Variance £000	
	Income	CR 15,151	CR 15,223	CR 72	CR 65	
	Expenditure	15,785	15,587	CR 198	CR 250	
	Net	634	364	CR 270	CR 315	
3.2	Rental income from dwellings has increased due to a slowdown in the expected number of right to buy sales. Some of the repairs expenditure previously charged to the revenue account has now been transferred to the housing capital programme. Vacant posts have also contributed to the underspend in expenditure.					

	Some areas of expenditure (e.g. rent rebates, capital financing costs) are linked with the level of Government subsidy received. Any reduction in expenditure will see a matching reduction in subsidy.	
	Officers believe that this account will show a favourable variance at the year end of at least £300,000.	

3.3	<u>Key Risk Areas</u>						
	Rent Collection						
	There has been a disappointing rise in arrears of current tenants. Although two rent free weeks occur in March, it is expected that rent arrears will be £50,000 above the current year target.						
4.0	<u>General Fund Capital Programme</u>						
4.1	<u>Spend to date</u>						
		Full Year Budget £000	Actual £000	Variance £000		Full Year Estimate Variance £000	
	General Fund	4,275	2,242	2,033		1,660	
	Coast Protection Scheme	81	28	53		20	
		4,356	2,270	2,086		1,680	

4.2	The above table shows the full year budget against spend to date. Various schemes (conservation area partnership grants, theatre roof work) will be committed by 31 st March 2002, but some expenditure will not be paid until the next financial year.				
	Officers will primarily resource the capital expenditure of 2001-2002 through capital receipts. This will avoid holding a balance of usable receipts at the year end which has an adverse effect on future capital allocations.				
	<u>Capital Receipts</u>				
4.3	General fund usable capital receipts generated from asset management plan disposals total £58,000. The balance of receipts required for general fund schemes will come from right to buy sales in excess of the housing programme requirements.				
5.	<u>Housing Capital</u>				
5.1	<u>Spend to date</u>				
		Profiled Budget £000	Actual £000	Variance £000	Full Year Estimated Variance £000
	HRA	2,615	1,976	639	1,200
	General Fund	1,227	1,395	(168)	85
		3,842	3,371	471	1,285
5.2	<u>HRA Capital</u>				

	Although there will be slippage on the Housing Investment Programme, there will be no loss of resources. Any underspending on HRA schemes will be offset by an equal and opposite underspending of the Major Repairs Allowance (MRA) which the Government now pays as a cash grant.	
5.3	<u>Private Sector Grants</u>	
	Officers continue to work to maximise the take up of private sector grants.	
	In respect of disabled facilities grants (DFG) the demand for adaptations remains strong and our caseload has increased. Based on the current level of spend and outstanding commitments the revised estimated outturn is £460,000, against a budget of £545,000 which includes £133,000 brought forward from 2000-2001. Any DFG supplementary credit approval (SCA) not used in the current financial year will be carried forward to 2002/03.	
5.4	<u>General Fund Development</u>	
	Progress has been made in General Fund development budgets and, subject to the successful outcome of negotiations with the Housing Corporation concerning one particular project, we are anticipating expenditure in line with budgets.	
5.5	<u>Housing Related Capital Receipts</u>	
	As at 28 th February over 50 houses and over 20 flats had been sold through the right to buy scheme. The level of usable capital receipts (including shared ownership equity shares) totals £754,000 of which £234,000 will resource general fund capital programme schemes.	
6.0	<u>Consultations</u>	
6.1	There are no relevant consultations for the report.	
7.0	<u>Implications</u>	
7.1	There are no relevant implications for this report.	
8.0	<u>Conclusion</u>	

8.1	The key budget pressures remain in much the same areas as those previously reported but action has continued to be taken by Directors in line with previous Cabinet instructions to contain those pressures.	
8.2	Officers continue to closely monitor all budgets through the monthly budget monitoring cycle of meetings. This mechanism allows corrective and controlling action to be undertaken to ensure that the authority's revenue budget is on target and that capital resources are spent.	
8.3	Officers have provided a revised forecast of the likely revenue account outturns and capital spends for the year. The revenue budget forecast shows an improved position since the report of 9 th January – a forecast surplus of £93,000 compared with a forecast surplus of £62,000. The capital forecast continues to show likely slippage on the Housing Investment Programme (HIP).	
8.4	Full year outturn figures will be reported to Cabinet in July 2002.	
8.5	Members are asked to approve the recommendations.	
<p>Sue McHugh</p> <p>Director of Finance and Corporate Services</p>		
<p>Background Papers:</p> <p>Civic Budget 2001-2002 – Revenue and Capital Monitoring</p> <ul style="list-style-type: none"> - Cabinet 2nd July 2001 - Cabinet 5th September 2001 - Cabinet 31st October 2001 - Cabinet 9th January 2002. <p>To inspect or obtain copies of background papers please refer to the contact officer listed above.</p>		
<p>OpenlinkCFO/reports/Cabinet 02.04.10/CivBud01-02 rev cap monitoring 02.04.10-11</p>		