

<b>COMMITTEE:</b>	<b>CABINET</b>
<b>DATE:</b>	<b>1<sup>st</sup> JULY 2002</b>
<b>SUBJECT:</b>	<b>CIVIC BUDGET 2001-2002 : FINANCIAL OUTTURN</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE AND CORPORATE SERVICES</b>
<b>Ward(s):</b>	All
<b>Purpose:</b>	To inform Cabinet of the Council's Financial Outturn for the year ended 31 <sup>st</sup> March 2002.
<b>Contact:</b>	Sue McHugh, Director of Finance and Corporate Services, Telephone No. 01323 415104 or internally on extension 5104.
<b>Recommendations:</b>	Members are asked to -
	i) approve the General Fund Revenue Outturn for 2001-2002 and to note that the working balance at 31 <sup>st</sup> March 2002 stands at <b>£1,011,000</b> ;
	ii) approve the Housing Revenue Account Outturn for 2001-2002 and note that the working balance at 31 <sup>st</sup> March 2002 stands at <b>£1,889,000</b> ;
	iii) approve the Capital Strategy Outturn for 2001-2002 and the carry forward of unspent resources totalling <b>£2,686,000</b> to finance scheme specific expenditure in 2002-2003;
	iv) approve the Outturn for 2001-2002 for the Coastline Caterers and Eastbourne Leisure trading organisations;
	v) approve the Collection Fund Outturn for 2001-2002 and note that the balance at 31 <sup>st</sup> March 2002 to be returned to taxpayers stands at <b>£478,000</b> .

<b>1.0</b>	<b><u>Introduction</u></b>	
<b>1.1</b>	This report provides information on the Council's overall financial outturn for 2001-2002.	
<b>1.2</b>	<p>It records actual performance compared with budget in five discrete areas, namely –</p> <ul style="list-style-type: none"> <li>· The General Fund Revenue Account (item 2.1)</li> <li>· The Housing Revenue Account (item 2.2)</li> <li>· The Capital Strategy (item 2.3)</li> <li>· Trading Services (item 2.4)</li> <li>· The Collection Fund (item 2.5).</li> </ul>	
<b>1.3</b>	The figures in each of these five areas are subject to external audit by the District Auditor. His staff are due to undertake the main final accounts audit between 5 <sup>th</sup> and 16 <sup>th</sup> August this year. They will however have to make subsequent visits to undertake work on our two major grant claims – Housing Revenue Account Subsidy and Housing Benefits Subsidy. For the purposes of the figures contained in this report best estimates of our entitlement to these two subsidies have been made.	
<b>1.4</b>	A separate report on the Council's 2001-2002 Statement of Accounts will be made to Cabinet on 5 <sup>th</sup> September this year. This will seek a recommendation that Council at its meeting on 25 <sup>th</sup> September gives approval to the statutory accounts as required by the Accounts and Audit Regulations 1996.	
<b>2.0</b>	<b><u>Financial Outturns</u></b>	
<b>2.1</b>	<b><u>General Fund Revenue Account</u></b>	
	<p>The detailed position at Appendix 1 shows that the Council's net expenditure was £11,000 <b>less than</b> the net budget. This means that only £79,000 was required to be withdrawn from the working balance rather than the £90,000 expected by the adjusted budget.</p> <p>At 31<sup>st</sup> March the working balance stands at <b>£1,011,000</b> which is £11,000 more than expected.</p>	
<b>2.1.1</b>	<p>Departmental net spending achieved an overall underspend of £192,000 compared with the forecast of £153,000 made to Cabinet on 10<sup>th</sup> April 2002 in the last of the budget monitoring reports for the year.</p> <p>A comparison of the forecast and actual results is set out below.</p>	

Department	Forecast Variance	Actual Variance	
	£'000	£'000	
Chief Executive's	CR102	CR184	
Finance and Corporate Services	2	CR21	
Tourism and Leisure	2	1	
Housing Health and Community Finance	30	120	
Planning Regeneration and Amenities	CR85	CR104	
Recharge to Non General Fund Services	NIL	CR4	
<b>Departmental Total</b>	<b>CR153</b>	<b>CR192</b>	
<b>2.1.2</b>	Chief Executive's - improvement over forecast came mainly from a saving in Unfunded Pensions which was notified to us by East Sussex County Council after the end of the financial year. There was also a saving in the new Street Wardens scheme because of a delay in receiving final approval from Government.		
<b>2.1.3</b>	Finance and Corporate Services - the improvement here came mainly from higher than expected extra income generated by local land charges.		
<b>2.1.4</b>	Tourism and Leisure - the outturn was as forecast. Members will be aware that exceptionally for 2001-2002 the department had to absorb Coastline Caterers unbudgeted trading deficit of £76,000 (see paragraph 2.4.1 below).		

2.1.5	<p>Housing Health and Community Finance - the outturn was £90,000 worse than forecast due to extra costs of Housing Benefits. The forecast acknowledged that there was likely to be a detrimental financial effect arising from the disruption caused by the mainframe migration project. However, the full effect was not known until the calculation of subsidy entitlement after the financial year end. This, together with a delay in seeking recovery of overpaid benefit from former claimants, is responsible for the increase.</p> <p>Members should be aware that the outturn figures assume that £150,000 of benefit overpaid in 2001-2002 will be reclaimed in 2002-2003 through a recovery process which is due to start very shortly. If this proves not to be the case, unplanned pressure will be placed upon the current year budget.</p>	
2.1.6	<p><b>Planning Regeneration and Amenities - the improvement of £19,000 came mainly from the Amenities Division where there were reductions in the actual shortfall of car park income and also in the cost of cleansing services.</b></p>	
2.1.7	<p><b>As far as Corporate Services was concerned the forecast overspend of £60,000 was exceeded by £121,000. Most of this (£75,000) came from decisions made by Council on 27<sup>th</sup> February and Cabinet on 10<sup>th</sup> April to use the forecast net budget underspend to finance additional spending plans.</b></p> <p><b>But some of it came from Treasury Management where an increasing share of the Council's interest on external loans (£3.2 million) falls on the General Fund because the HRA share of net debt is reducing.</b></p> <p><b>Despite taking money from contingencies during the course of the year, and forecasting a further overspend the outturn</b></p>	

2.1.8

**The budget outturn has delivered a £3,000 improvement against the forecast position reported to Cabinet on 10<sup>th</sup> April 2002. This is after the provision of extra spending agreed by Council on 27<sup>th</sup> February 2002, namely £50,000 for the production of a brief for town centre redevelopment and £5,000 to mark the Queen's Golden Jubilee. It is also after the provision of the additional expenditure approved by Cabinet on 10<sup>th</sup> April 2002 in relation to the Borough Plan, although this has been contained at £20,000 rather than the £30,000 originally approved.**

In summary, the budget has accommodated £75,000 in additional spending, delivered an £11,000 underspend, and provided a working balance at 31<sup>st</sup> March 2002 of £1,011,000.



2.2	<b><u>Housing Revenue Account (HRA)</u></b>			
		<b>Adjusted</b>  Budget £000	<b>Outturn</b>  £000	<b>Variance</b>  £000
	<b>Incom e</b>	<b>16,528</b>	<b>16,319</b>	<b>209</b>
	Expenditure	<b><u>17,220</u></b>	<b><u>16,174</u></b>	<b><u>(1,046)</u></b>
	<b>Net (surplu s)/defi cit</b>	<b><u>692</u></b>	<b><u>(145)</u></b>	<b><u>(837)</u></b>
	The detailed position shown under the new resource accounting format is shown at Appendix 2.			
2.2.1	<b>The final position on the HRA was a surplus of £145,000 compared with a budgeted deficit of £692,000.</b>			

2.2.2	<p>The working balance at 31<sup>st</sup> March 2001 stood at £1,332,000 but was subsequently increased to £1,744,000 as a result of a more favourable final subsidy outturn for 2000-2001.</p>	
2.2.3	<p>Appendix 2 details the range of variances which have lead to this net increase. Primarily this has come from an underspending on Repairs and Maintenance (£212,000) and on Supervision and Management (£239,000). There are also underspends on Rent Rebates (£163,000) and Capital Financing Costs (£255,000) although there has been a consequential reduction in HRA subsidy (£208,000) as a result of the relationship between these items.</p>	
2.2.4	<p>The working balance at 31<sup>st</sup> March 2002 now stands at £1,889,000 which is significantly above the £500,000 recommended by our External Auditor.</p>	
2.3	<p><b><u>Capital Strategy</u></b></p>	

2.3.1		<b>Adjusted Budget</b> £000	<b>Actual</b> Outturn £000		Variance £000
	Expenditure	10,827	<b>7,287</b>		(3,540)
	<b>Resources</b>	<b><u>10,827</u></b>	<b><u>9,973</u></b>		<b><u>854</u></b>
		<b><u>Nil</u></b>	<b><u>(2,686)</u></b>		<b><u>(2,686)</u></b>
	The details of individual schemes are shown at Appendix 3.				
2.3.2	<p><b>Overall capital spending at £7.287 million was £ 3.54 million less than the adjusted budget of £ 10.827 million.</b></p> <p>The financial year 2001-2002 saw the introduction of the single capital pot of resources for capital programme. Capital expenditure proposals are contained within the Council's capital strategy rather than two separate programmes (i.e. general fund capital programme and housing investment programme).</p> <p>A detailed analysis of the performance of the capital strategy is contained within a separate report on today's agenda.</p>				

2.3.3	<p><b>The adjusted budget adds to the original budget programme the slippage from 2000-2001 approved by Cabinet in July 2001, Coast Protection and other schemes financed by third parties, and reallocates money released from the other major works budget based on Cabinet decisions made during the year.</b></p>			
2.3.4	<p>The capital resources available for the year shows that a surplus over expenditure of £2,686,000 remains at 31<sup>st</sup> March 2002 which will be carried forward into 2002-2003 to finance committed and rescheduled schemes.</p>			
2.4	<p><b><u>Trading Services</u></b></p>			
2.4.1		Budget	Actual	Variance
		£000	£000	£000
	Coastline Caterers	NIL	76	76
	Eastbourne Leisure	122	122	NIL

2.4.2	<p>The trading difficulties experienced by Coastline Caterers during 2001-2002, particularly as regards the loss of a major conference, were well documented to Members during the year. The trading deficit has been financed by the Tourism and Leisure department (see paragraph 2.1.4 above). Despite these trading difficulties Coastline Caterers still generated an operating turnover approaching £1.8 million, and contributed over £230,000 to the Council in catering commission.</p> <p>This is still a concern for trading in 2002-2003 where, as a contingency, the Strategic Change Fund has been earmarked to offset any shortfall up to £60,000. However, Coastline Caterers is still expected to manage its business to achieve a break-even position for the year and to protect the Council's income stream.</p>			
2.4.3	<p>Eastbourne Leisure delivered a net expenditure budget of £122,000 on target. It did so by making economies of £71,000 to offset an income shortfall of the same amount. Despite this shortfall it still generated a turnover of £1.6 million from its range of trading operations.</p>			
2.5	<b><u>Collection Fund</u></b>			
2.5.1		<b>Budget</b> £000	<b>Actual</b> £000	<b>Variance</b> £000
	<b>Brought forward surplus</b>	<b>(365)</b>	<b>(476)</b>	<b>(111)</b>
	<b>(Surplus)/deficit for year</b>	<b>365</b>	<b><u>(2)</u></b>	<b><u>(367)</u></b>
		<b>0</b>	<b><u>(478)</u></b>	<b><u>(478)</u></b>
	Details are set out at Appendix 4.			

2.5.2	<p><b>This shows a cumulative surplus for the year of £478,000, consisting of Council Tax surplus £473,000 and Community Charge surplus £5,000.</b></p>	
2.5.3	<p>The Council Tax surplus will be shared between East Sussex County Council, Sussex Police and ourselves based on the respective shares of Band D Council Tax for 2001-2002. As required by legislation, an estimate of this surplus has already been taken into account in the setting of 2002-2003 tax levels. This totalled £462,000 and means that an additional £11,000 is available to be taken into account when making the estimate for 2003-2004.</p>	
2.5.4	<p><b>In contrast to Council Tax the full amount of the Community Charge surplus is redistributed solely to Eastbourne Council Taxpayers. For 2002-2003 the Council estimated that no surplus would be available at 31<sup>st</sup> March 2002. In the event the actual figure at that date is £5,000 which will be taken into account when setting the 2003-2004 Council Tax.</b></p>	
2.5.5	<p><b>The Council continues to make adequate provision for the level of arrears held at 31<sup>st</sup> March 2002, in line with the policy it has applied in previous years. Overall the Collection Fund account continues to perform at a level consistent with the Council's estimates.</b></p>	
3.0	<p><b><u>Consultations</u></b></p>	
3.1	<p>Not relevant for this report.</p>	
4.0	<p><b><u>Implications</u></b></p>	
4.1	<p>There are no other relevant implications for this report.</p>	

<p><b>Sue McHugh</b></p> <p><b>Director of Finance and Corporate Services</b></p>	
<p><b>Background Papers:</b></p> <p>Civic Budget 2001-2002 – Revenue and Capital Monitoring</p> <ul style="list-style-type: none"> <li>- Cabinet 2<sup>nd</sup> July 2001</li> <li>- Cabinet 5<sup>th</sup> September 2001</li> <li>- Cabinet 31<sup>st</sup> October 2001</li> <li>- Cabinet 9<sup>th</sup> January 2002</li> <li>- Budget Council 27<sup>th</sup> February 2002</li> <li>- Cabinet 10<sup>th</sup> April 2002</li> </ul>	
<p>OpenlinkCFO/Reports/Cabinet/Civic Budget2002-03 Financial Outturn 020701</p>	