

COMMITTEE:	CABINET	
DATE:	1 AUGUST 2002	
SUBJECT:	CIVIC BUDGET 2002-2003: REVENUE AND CAPITAL MONITORING	
REPORT OF:	DIRECTOR OF FINANCE AND CORPORATE SERVICES	
Ward(s):	All	
Purpose:	To update Members on the Council's budget position to the end of June and to provide an initial forecast outturn for the full financial year	
Contact:	Sue McHugh, Director of Finance and Corporate Services, Telephone No. 01323 415104 or internally on extension 5104.	
Recommendations:	Members are asked to -	
	i) Note that General Fund Revenue Account expenditure is over budget by £84,000 at the end of June and the forecast outturn for the year is a £544,000 overspend.	
	ii) Agree the Action Plan at section 2.4 for eliminating the overspend and receive an update on the position at the next Cabinet meeting on 5 th September.	
	iii) Note that the Housing Revenue Account is Underspent by £75,000 at the end of June and that the forecast outturn for the year is a £280,000 underspend.	
	iv) Agree to receive proposals for utilising the forecast underspend at the October Cabinet meeting.	
	v) Note the progress of capital expenditure to date and the forecast of capital receipts for the year.	

	vi) Agree to receive proposals for reprofiling the capital programme taking account of forecast receipts at the meeting on 5 th September.				
	vii) Agree to amend the programme to add £30,000 of expenditure and resources omitted in error as explained in section 4.1.				
1.0	<u>Introduction</u>				
1.1	Cabinet Members will receive regular information on the Council's financial position during this financial year to enable them to scrutinise performance and agree appropriate action to ensure spending is in line with budget. This is the first 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 the capital strategy programme. Within each area key risk budgets have been identified and these are reported on in detail within the report. Areas which indicate that significant variances are likely by the end of the financial year are also reported upon to enable Members to take early corrective action.				
1.3	This report reviews the first three months of the financial year.				
2.0	<u>General Fund Revenue Account</u>				
2.1	<u>Spend to date and Forecast Outturn</u>				
	As reported in the July Finance Briefing the position at 30 th June 2002 is shown in the table below together with the full year forecast in the final column.				
		Profiled Budget £000	Actual Spend £000	Variance £000	Full Year Estimated Variance £000
	Chief Executive's	453	449	Cr 4	19
	Housing, Health and Community Finance	524	522	Cr 2	300

	Tourism and Leisure	961	1,022	61	131
	Finance and Corporate Services	609	605	Cr 4	3
	Planning, Regeneration and Amenities	569	552	Cr 17	Cr 9
	Corporate Costs	45	95	50	100
	Contingency	34	34	0	0
	Total	3,195	3,279	84	544
	The significant variances within each department are explained in more detail in section 2.3				
2.2	<u>Contingency Budget</u>				
	<p>The budget includes a contingency of £134,000. This sum has been provided primarily to finance any national pay award in excess of the 3% allowed for in service base budgets. An additional 0.5% pay award would cost the general fund £50,000. In addition it provides for unforeseen or additional expenditure which may be incurred during the year.</p> <p>Cabinet at its meeting on 1st July released £5,500 to finance the implementation of its new policy on Parking for the Disabled.</p> <p>No other sums have yet been released from the contingency. The outturn forecast assumes the contingency will be spent in full.</p>				
2.3	<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 :-				
2.3.1	<u>Eastbourne Leisure</u>				

	<p>The outside attractions side of the business has suffered a shortfall of income of £16,000 during the first three months. This is predominately due to bad weather. The weather in July has not improved which is making it increasingly difficult to hit income targets. Any continuation of this poor summer will add to this shortfall.</p> <p>The Sovereign Centre has similarly experienced a reduction in income as a result of a drop in visitors (including foreign students) as in previous years this shortfall will be contained by reduced spending.</p>	
2.3.2	<u>Coastline Caterers</u>	
	<p>Income here has suffered in a similar way to Eastbourne Leisure. Seafront revenue in particular is down. In addition there seems to be no upturn in the level of Conference activities for this year which is a key area of income generation for this service. Given these trading difficulties the current forecast outturn is a shortfall of up to £100,000. Problems delivering the budgets for the Seafront attractions and Coastline Caterers were anticipated at the time the budgets were set. Members agreed that a fundamental review of the viability of these services was needed this year and that one off support from the Strategic Change Fund might be required to offset problems pending implementation of changes.</p>	
2.3.3	<u>Beachy Head Countyside Centre</u>	
	<p>As reported to Cabinet on 1st July the £15,000 target for rental income for the centre will not be achieved, resulting in a budget overspend in this area.</p>	
2.3.4	<u>Benefits Subsidy</u>	
	<p>The current subsidy budget provision for the current year may be insufficient. This partly because benefit payments are more than budget, and work is still outstanding on the recovery of Housing Benefit overpayments. Based on the trend that developed in 2001-02 this could be as much as £200K. Officers are currently working closely to ensure that ongoing monitoring will enable more accurate predictions throughout the year.</p>	
2.3.5	<u>Weekly Incorrect Benefit Scheme</u>	
	<p>The Government have introduced a new scheme to 'reward' councils for identifying Housing Benefit fraud and error. While the Council did very well under the previous years' Weekly Benefit Savings scheme, it appears that there will be less income from the new scheme. Based on the first quarter's estimate of identified fraud and error, there may be a shortfall of up to £100K against a budget of £140,250. A number of factors will affect this during the year, and progress will be monitored carefully. Our fraud team are currently completing training to enable them to carry out prosecutions jointly with the DWP Counter Fraud Intelligence Service. This will assist in maximising sanction based subsidy income.</p>	

2.3.6	<p><u>Council Tax Collection</u></p>	
	<p>Council Tax collection is currently running at approximately the same level as last year (pre-conversion to Sx3 software). It is anticipated that this will improve during the year as work is brought more up to date and greater use is made of external bailiffs.</p>	
2.3.7	<p><u>Treasury Management costs</u></p>	
	<p>The Council has budgeted for £4,932,000 of capital financing costs. These comprise interest payments on outstanding debt, provision for repayment of a proportion of debt as required by Government, less interest on invested sums. The total charge is split between General Fund and Housing Revenue Account in accordance with a prescribed formula resulting in budgeted charges of £4,350,000 for the Housing Revenue Account and £582,000 for the General Fund. The Council currently has £38,940,000 of debt all at fixed interest rates which average 8.23% and none of which is due for repayment this year. At the same time we have £10,000,000 of investments earning 3.97% interest (figures at 30th June 2002). It is this differential which is causing the overspend. Officers have been exploring the benefit of early repayment of debt to reduce costs. This would involve paying early redemption penalties. To date, the position has been that such a transaction is beneficial to the Council overall, but would result in additional costs in future years in the event of housing stock transfer (LSVT). In the light of the increasing overspend position in this area and the forecast of £100,000 overspend for the year Officers have requested a further options appraisal from the Council's treasury management advisers. An update will be provided in the next budget monitoring report.</p>	
2.3.8	<p><u>Insurance costs</u></p>	
	<p>Cabinet on 10th April received a report on the re-let of the Council's insurance contract. An extended contract had been secured at an amount of £27,000 above the budgeted sum, this being the best agreement achievable. The additional cost has been contained within the Finance and Corporate Services budget.</p>	

2.4	<u>Action plan to eliminate overspend</u>		
	Corporate Management Team are proposing the following action to eliminate the forecast overspend for the year.		
1.	A draft report on options for improving the Coastline Caterers performance is under preparation. Expenditure is being closely monitored to ensure reductions in line with reduced income wherever possible.		
2.	Proposals for reprioritising the work of the benefit fraud team to maximise WBS income will be identified and implemented in conjunction with the Lead Cabinet Member.		
3.	Debt restructuring options to reduce the treasury management overspend will be appraised with our professional advisers.		

	4. Actions to reduce housing benefit subsidy loss and the implications for staff requirements and impact on service delivery will be implemented in consultation with the Cabinet lead Member.			
	5. All underspent budgets will be identified and held to offset overspends.			
	All of the above to be progressed in consultation with the relevant Cabinet lead Members and reported to Cabinet on 5th September.			
3.	<u>Housing Revenue Account (HRA)</u>			
3.1				
	Profiled Budget £000	Actual To Date £000	Variance £000	Full Year Estimate Variance £000
	Income	Cr 4,036	Cr 4,013	23 Cr 200
	Expenditure	4,163	4,065	Cr 98 Cr 80
	Net (surplus)/deficit	127	52	Cr 75 Cr 280

3.2	<p>As external debt reduces there is a movement of capital financing costs away from the HRA, which will lead to net subsidy gain at the year end of over £300,000.</p>	
3.3	<p>Rental income is down partly as a result of a reduction in stock due to the higher level of right to buy sales at the end of 2001-2002 after this year's budget was set. The major alteration programme at Gwent Court will see void levels high throughout the majority of the financial year.</p>	
3.4	<p>At the end of June an underspend currently exists under supervision and management partly as a result of unfilled vacancies.</p>	
3.5	<p>Officers will closely monitor the progress of the repairs programme to ensure investment in tenants' properties is maximised.</p>	
4.0	<p><u>Capital Programme</u></p>	

4.1	The revised programme, taking account of schemes carried forward from 2001/02 (reported to cabinet on 1st July) is as follows:-			
		Original Budget £000	2001/02 Carried Forward £000	Revised Budget £000
	Housing Investment Programme	5,289	2,352	7,641
	Other programmes	1,390	1,984	3,374
		6,679	4,336	11,015
	Resources			
	Major repairs allowance	2,427	331	2,758
	Basic Credit Approvals	1,189	0	1,189
	Disabled Facilities Grant	242	36	278
	E-Government grant	200	0	200
	Coast Protection Grant	30	0	30

	Revenue Contributions	47	1,552	1,599
	Capital receipts	2,544	1,480	4,024
	Other Contributions	0	937	937
		6,679	4,336	11,015

The above also incorporates a small amendment to the original budget figures, which omitted £30,000 of expenditure and resources in error. The expenditure comprises funding for Architectural Services and the resources comprise Coast Protection Grant. Members are asked to approve this amendment.

4.2 **The position to date is as follows:**

		Budget £000	Actual To date £000	Variance £000
	Housing Investment Programme	7,641	928	6,713
	Other programmes	3,374	334	3,040
		11,015	1,262	9,753

	<u>Housing Investment Programme</u>	
4.3	Expenditure on HRA schemes is broadly in line with predictions. Significant contracts are at the tendering and letting stage for delivery of replacement windows programme and also for the conversion works at Gwent Court. Further deliberation is being given to the ongoing investment required and the direction of budgets as a result of the HRA business plan. It is anticipated that further information will be available in terms of those priorities required as a response to the introduction of the “Decent Homes Standard”	
4.4	Officers are keeping the progress of the private sector housing renewal grants under review as expenditure is currently ahead of the profiled budget. The Disabled Facilities Grant spend is slightly behind target but officers are working closely with East Sussex County Council Occupational Therapists to increase the number of cases being referred to ensure budgets are spent within the year.	
	<u>General Fund Capital Schemes</u>	
4.5	The progressive of many of the general fund schemes is dependent upon the completion of land sales and the generation of capital receipts. Once received the go ahead will be given to project managers to commence the schemes.	

4.6	General Fund capital expenditure to date mainly relates to grants paid under the Conservation Area Partnership and Heritage Economic Regeneration Schemes.	
4.7	Work has been completed on the roof of the Devonshire Park Theatre.	
4.8	<u>Capital Receipts</u>	
	Total capital receipts required to fund the programme are £4,024,000. The latest forecast of receipts for this year is £2,998,000. Other receipts are dependent on the outcome of the Borough Plan and therefore cannot be realised this year. Officers are working to agree priorities for the current year with a view to recommending a reprofiling of some programmes to later years.	
5.0	<u>Consultations</u>	
5.1	Not relevant for this report.	
6.0	<u>Implications</u>	
6.1	There are no other relevant implications for this report.	
7.0	<u>Conclusions</u>	
7.1	Some of the key budget pressures have arisen as a result of poor weather conditions at the start of the summer season. Directors will take action to contain these pressures.	
7.2	Officers continue to closely monitor all budgets through the monthly budget monitoring cycle of finance issues 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.	

7.3	Members are asked to approve the recommendations.	
	<p>Sue McHugh</p> <p>Chief Finance Officer</p>	
	<p>Background Papers:</p> <p>Civic Budget 2002-2003</p>	
	<p>OpenlinkCFO/Reports/Cabinet 020801/Civic Budget2002 020801-2</p>	