

COMMITTEE:	CABINET	
DATE:	2nd OCTOBER 2002	
SUBJECT:	CIVIC BUDGET 2002-2003: UPDATE	
REPORT OF:	DIRECTOR OF FINANCE AND CORPORATE SERVICES	
Ward(s):	All	
Purpose:	To update Members on the General Fund revenue budget position to the end of August, the projected forecast of the outturn for the full financial year, and the options available to achieve a balanced budget.	
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 net expenditure is over budget at the end of August by £109,000	
	ii) note that general fund revenue net expenditure is currently forecast to be £324,000 over budget at 31 st March 2003	
	iii) consider the options and outcomes which flow from the review of departmental budgets outlined in paragraph 2.5.3, as soon as these are completed	
1.0	<u>Introduction</u>	
1.1	Cabinet Members receive regular information on the Council's financial position to enable them to monitor performance and agree appropriate action to ensure spending is in line with budget. This update follows the September Cabinet report informing Members that potentially the general fund revenue account could be overspent by £540,000.	

1.2	This report shows the position after five months of the financial year has been completed, and takes account of decisions taken by Cabinet at its last meeting to bring the budget back towards target.					
2.0	<u>April – August Monitoring</u>					
2.1	<u>Spend to date and Forecast Outturn</u>					
	As reported in the September Finance Briefing, the position at 31st August 2002 is shown in the table below. A separate table showing the movement of the predicted outturn from the end of July to the end of August follows. An update on the key risk areas is given at paragraph 2.3 and details of other significant movements are given at 2.4.					
	General Fund Department	Budget £'000	Profile £'000	Actual £'000	Variance £'000	
	Chief Executive	2,273	751	731	Cr20	
	Housing, Health & Community Finance	2,675	1,150	1,186	36	
	Tourism & Leisure	4,292	2,197	2,278	81	
	Finance & Corporate Services	2,189	815	792	Cr23	
	Planning, Regeneration and Amenities	3,131	1,018	977	Cr41	
	Corporate Costs	(285)	76	152	76	
	Total	14,275	6,007	6,116	109	

	Movement on forecast outturn	At 31st July £'000	At 31st Aug £000	Movement £'000	
	Department				
	Chief Executive	1	Cr35	Cr36	
	Housing, Health and Community Finance	232	182	Cr50	
	Tourism and Leisure	168	106	Cr62	
	Finance and Corporate Services	3	Cr22	Cr25	
	Planning, Regeneration and Amenities	Cr14	Cr23	Cr9	
	Corporate Costs	150	116	Cr34	
	Total	540	324	Cr216	
	<p>Both the position to 31st August and the forecast outturn now take account of expenditure items totalling £140,000, which Cabinet agreed to freeze at its last meeting. In both cases, this is the main reason for the improvement compared with the figures reported last month. But there have been other significant improvements - and costs - which are dealt with in this report.</p>				
2.2	<u>Contingency Budget</u>				

	<p>The budget includes a contingency of £134,000. This sum is largely earmarked for any national pay award in excess of the 3% allowed for in service base budgets. Members of the Local Government Unions and the Employers side have been consulted on a settlement brokered by ACAS, the result of which is imminent.</p> <p>The outturn forecast assumes that the contingency will be spent in full.</p>	
2.3	<u>Key Risk Areas</u>	
2.3.1	<u>Eastbourne Leisure</u>	
	<p>Financial results were better than expected during August, even though this is when income expectations are at their height because of the school summer holidays. This performance, together with the officers annual strategy of aiming to contain reductions in income through reduced spending, has resulted in a revised forecast outturn.</p> <p>Last months predicted shortfall of £16,000 is revised back to a breakeven position by the year end, which is in line with this years budget.</p>	
2.3.2	<u>Coastline Caterers</u>	
	<p>Like Eastbourne Leisure, financial results during August were very good. Unlike Eastbourne Leisure, they were in line with, but not in excess of, budget expectations. Therefore the outturn forecast remains at a shortfall of £100,000.</p>	
2.3.3	<u>Benefits Subsidy</u>	
	<p>Nothing has happened in the last month to warrant a change to the current forecast overspend of £175,000. Housing Benefit payments have stabilised following the peak earlier in this financial year. Details are still awaited from the Department for Work and Pensions of how it intends to increase subsidy to councils that are Verification Framework compliant (as Eastbourne is).</p>	
2.3.4	<u>Weekly Incorrect Benefits Scheme</u>	
	<p>An announcement has been made by the Department of Work and Pensions (DWP) that there will be some protection for Councils who are out of pocket as a result of the change from the Weekly Benefit Savings (WBS) to the Weekly Incorrect Benefits Scheme (WIBS). This will be calculated on the basis of the level of WBS that we might have made had the scheme continued. Assuming this is the case, an estimate of the first quarter's WBS income would see equivalent WBS of £60,000 for the whole year. But these figures have yet to be confirmed by the DWP.</p>	

	<p>Working on the (reasonable) assumption of this protection, the previous income shortfall of £100,000 has been revised down to £80,000. In addition, there is a saving of £15,000 on legal fees because of the absence of prosecutions so far this year. Overall there is an improvement of £35,000 compared with the forecast made last month.</p>	
2.3.5	<h2><u>Treasury Management Costs</u></h2>	
	<p>Last months Cabinet decision to repay a loan of £3.5 million was implemented on 19th September.</p> <p>Income improvements within Tourism and Leisure services during August - as detailed in paragraphs 2.3.1 and 2.4.1 - have reduced its need to call on support from the Strategic Change Fund. Consequently, there is now an additional £34,000 available that can be redirected to help finance the share of the cost of the loan repayment premium that falls to the General Fund in this year. As a result of this, last months forecast overspend of £150,000 has been reduced by £34,000 down to £116,000.</p> <p>The repayment of this loan has introduced some protection for next years General Fund budget. However, we will continue to look for other opportunities which can reduce the General Fund costs for next year and beyond, and which can be implemented within the Council's agreed treasury management strategy.</p>	
2.4.	<p><u>Other significant month on month movements</u></p>	
	<p>In addition to the freeze of £140,000 mentioned at the foot of paragraph 2.1, and the movements in the key risk areas detailed in paragraph 2.3, there have been the following significant changes to the forecast outturn -</p>	
2.4.1	<p><u>Theatres</u></p>	
	<p>The trading account is now predicting an extra surplus of £19,000 compared with the budget. This relates primarily to the continuing success of theatre shows - not only in financial terms but also in terms of patronage, repeat business, publicity and critical acclaim - and also to a welcome increase in lettings.</p>	
2.4.2	<p><u>Car Parks</u></p>	

	Income during August was especially good at all of our car parks. In revising the forecast outturn, officers have assumed that the same amount of income will be generated in the remainder of this year as was achieved last year. On this basis the prediction is now for an extra surplus of £62,000 compared with £16,000 last month - an improvement of £46,000.	
2.4.3	<u>Planning Appeal</u>	
	I mentioned in last months monitoring report the likely costs of up to £50,000 to defend a planning appeal. This figure has now been factored into the forecast outturn, although confirmation of this costing is still awaited.	
2.5	<u>Action To Eliminate Overspend</u>	
2.5.1	<u>Strategic Change Fund</u>	
	<p>The strategic change fund was created last year out of the proceeds of the Council's successful rating appeal on the Sovereign Centre. Net of costs this produced £258,000.</p> <p>This sum is currently earmarked to meet the following costs -</p>	
		£'000
	Tourism and Leisure income shortfalls	81

Coastline Caterers consultancy	27	
Community Finance restructuring	40	
Best Value Review of Leisure - condition surveys	11	
Premium on debt repayment - shortfall	99	
	258	
<p>Whereas the other earmarked items are financing one off costs, the £81,000 set aside to meet the Tourism and Leisure income shortfalls serves to reduce the forecast outturn. But that still leaves £243,000 of the forecast outturn to be dealt with to bring the budget back on target.</p>		

2.5.2	<p><u>Potential Improvements</u></p>	
	<p><u>Extra Income</u></p>	
	<p>It is possible that for Housing Benefits (paragraphs 2.3.3 and 2.3.4), Theatres (paragraph 2.4.1), and Car Parks (paragraph 2.4.2), extra income may be generated above that which is currently forecast. But this is by no means certain and can only be relied upon when it is actually received.</p> <p>Similarly, it is possible that extra income above budget expectations will be generated elsewhere within the council, for example in land charges.</p> <p>But once again this is by no means certain and can only be relied upon when it is actually received.</p> <p>However, the instruction to officers is that any extra income generated above budget is to be held against the forecast overspend.</p>	

	<p><u>Reduced expenditure</u></p>	
	<p>It is possible that the costs of the planning appeal (paragraph 2.4.3) will not be as high as current expectations. Similarly, it is possible that other costs may not be as high as forecast. But as with income, these gains cannot be relied upon until they have actually been achieved.</p> <p>The instruction to officers is that any expenditure saving that does not jeopardise agreed service delivery is to be held against the forecast overspend.</p>	
2.5.3	<p><u>Other Options</u></p>	
	<p>It is unrealistic to expect that the use of the strategic change fund and potential improvements in income and expenditure will produce the full £324,000 necessary to bridge the current budget gap. In order to do so, each of the Directors, together with their respective Cabinet Member, will meet with the Director of Finance and Corporate Services and the Cabinet lead member for finance to determine how their departmental budget can be delivered within, or better than, the approved budget. This is in line with the recommendation approved by Cabinet at its last meeting.</p> <p>The outcomes of these meetings will be reported back to Cabinet as soon as the series of meetings has been concluded.</p>	

3.0	<u>Consultations</u>	
3.1	Not relevant for this report.	
4.0	<u>Implications</u>	
4.1	There are no other relevant implications for this report.	
Sue McHugh Director of Finance and Corporate Services		
Background Papers: Civic Budget 2002-2003 Revenue and Capital Monitoring Report – Cabinet 1 st August 2002 Revenue and Capital Monitoring Report – Cabinet 5 th September 2002		