Attachment 08

BODY: **CABINET**

DATE: **6th February 2008**

SUBJECT: **Civic Budget 2007/2008 : Finance Matters**

REPORT OF: **Assistant Director, Financial Management**

Ward(s): All

Purpose: To update Members on the position of the Council's budget at the end of December 2007

Contact: Lesley Lane, Assistant Director, Financial Management
Telephone 01323 415149 or internally on extension 5149

Recommendation: Members are asked to -

i) Note that General Fund Revenue Account expenditure is underspent by £385,000 at the end of December 2007

ii) Note the General Fund outturn projection is £201,000 underspend.

iii) Agree releases from the Strategic Change Fund of £20,000 as a contribution to 'Save the DGH' fund and £50,000 for the cost of undertaking a Corporate Review

iv) Note that the Housing Revenue Account is overspent by £44,000 at the end of December 2007

v) Note the position of the capital programme

1.0 Introduction

1.1 Cabinet will receive regular information on the Council's financial position during this financial year to enable it to scrutinise performance and agree appropriate action to ensure spending is in line with budget. This is the fourth of such reports and includes:

- Financial position and outlook for the year **(section 2)**
- Budget Transfers **(section 3)**
- Balances **(section 4)**
- Debt Collection **(section 5)**
- Housing Revenue Account **(section 6)**
- Collection Fund **(section 7)**
- Capital Programme **(section 8)**

2.0 Financial Position and Outlook for the Year

2.1 The General Fund at the end of December showed an underspend of £385,000 (£30,000 before Corporate Costs). This compares to an underspend of £409,000 (£88,000 before Corporate Costs) at the end of November. The table below provides a summary of the position at 31st December 2007 and a further analysis by service area can be found in **Appendix A1**.

Under spends/ (Over spends)	**Profiled Budget**	**Actual Spend**	**Variance To 31 Dec**	**Previous Month's Variance**	**Outturn To 31 March**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Chief Executive's	1,322	1,233	89	94	81
Financial Services	2,889	2,798	91	112	(311)
Housing, Health and Community Services	3,559	3,672	(113)	(90)	(69)
Economy, Tourism and Environment	5,117	5,154	(37)	(28)	(41)
Total before Corporate Costs	**12,887**	**12,857**	**30**	**88**	**(340)**
Corporate Costs	(185)	(540)	355	321	541
Grand Total	**12,702**	**12,317**	**385**	**409**	**201**

2.2 **Appendix A2** provides details of significant variances (i.e. those greater than £10,000) that have arisen and note is made of any **key risk** areas.

2.3 **Appendix A3** provides a risk log of the areas identified in the Finance Matters report to Cabinet dated 23/07/07. Also included is an update on any prior year risks that remain outstanding. The Housing and Council Tax benefit subsidy claim for 2006-2007 has been audited and an estimated penalty of £272,000 has been identified.

2.4 The main issues emerging at this time include:

Chief Executive

The variance has moved this month from £94,000 underspend to £89,000 underspend. This is still mainly due to Local Land Charges fee income exceeding budget by £25,000 at present, staff vacancies of £15,000 and savings on Members Services of £48,000.

Financial Services

Last month Financial Services showed an underspend of £112,000. This has reduced to an underspend of £91,000 this month. Key issues are:

- Additional costs within Accountancy of £35,000 (mainly due to agency staff used for year end work) are being offset at present by staff savings within Internal Audit of £18,000 and savings on insurance premiums of £45,000.
- Within Benefits there are staff savings amounting to £88,000. This is partly reduced by agency costs of £41,000 and additional equipment costs of £20,000. There are also staff savings with the Fraud Team of £19,000.
- Within Council Tax there is an underspend of £4,000 (£17,000 last month). There are staff savings within the control team of £16,000 and additional summons costs income within Business Rates (£17,000). These savings are reduced by the additional agency costs and costs written off of £29,000.
- Staff savings within Customer Services are currently £21,000. This is partly offset by unfunded employee costs of £12,000 within Contract and Procurement.

Housing, Health & Community Services (HHCS)

The variance for HHCS moved from an overspend of £90,000 last month to an overspend of £113,000 this month. Key issues are:

- Housing Services are showing an overspend of £14,000 this month, mainly due to the additional wages and training costs within Housing Strategy.
- Environmental Health is currently showing an overspend of £98,000 (£77,000 previous month). This is mainly due to the shortfall in cremation income and interment fees of £85,000. There is also a shortfall in Pollution income of £11,000.
- Theatres are showing a net overspend of £67,000 compared to a net overspend of £49,000 last month. This is mainly due to additional expenditure on repairs and maintenance and utility costs.
- Shortfall on the Catering contract of £37,000.
- Salary savings within Community Development of £35,000.
- Savings on Galleries and Museums of £49,000 (£32,000 previous month) mainly due to the delayed opening of the Cultural Centre.
- There are also currently savings with IT of £10,000 due to staff savings.

Economy, Tourism & Environment (ETE)

Last month ETE showed an overspend of £28,000. This has increased to an overspend of £37,000 this month. The key issues are:

- Staff savings within the Communications unit amounting to £70,000.
- Fee income for Building and Development Control is currently showing a combined under achievement of income of £25,000.
- As previously reported, income from Events is down by £48,000. This is largely due to a shortfall of £40,000 in sponsorship and trade stand income for Airbourne.
- There is also a shortfall in income of £50,000 (£43,000 last month) for Seafront Attractions which includes deckchairs, Dotto Train, Princes Park, Seafront Shelters and Redoubt Event Programme.
- There is a £16,000 shortfall on tennis hospitality which is countered by staff savings within Conferences and Group Travel of £20,000.
- Recycling income is better than anticipated showing a favourable variance of £45,000 (£40,000 last month).
- Due to additional utility costs and a shortfall in income, Public Conveniences are showing an overspend of £13,000.
- As previously reported, there are staff savings within Estates resulting in an underspend of £25,000. This is being countered by loss of rental income within Corporate property of £14,000 due to the sale of a leased asset.
- Additional utility costs within Facilities are now showing an overspend of £21,000.

Corporate Costs

Last month there was an underspend of £321,000 on Corporate Costs. This has increased to £355,000 for December. Higher interest rates and larger balances of capital receipts set aside have meant that investment income is still exceeding budget. Receipt of additional LABGI monies has also contributed to the underspend on Corporate Costs.

2.5 Variance History

Appendix A4 provides a history of variances declared each month by

service area. This will enable Members to track the changes over the course of the year.

2.6 Outturn

The outturn for year end is currently projected as £201,000 underspent. This is a significant movement on the last projection of £479,000 underspent. This is mainly due to the inclusion of £272,000 projected penalty for the 2006-2007 Housing and Council Tax Benefit subsidy claim. **Appendix A5** provides details of the main variances anticipated and plots the outturn projections by service area over the course of the year.

2.7 Delivering on savings and efficiency targets

The budget set by Council in February included further savings and efficiency targets that officers expect to deliver. Our regular budget monitoring will advise on the delivery of these targets, as well as identifying additional savings where possible.

2.8 Rent Support Grants

The following rent support grants have been awarded this year:

Rent Support Grants

Date Awarded	Start Date	Property	Amount P/Annum £	Period
21/05/2007	01/04/2006	Hampden Park Tennis Club	300	3 years
21/05/2007	/08/2007	Eastbourne United Football Club	8,325	3 years
21/06/2007	24/06/2004	The Goffs Tennis Club	650	4 years
09/08/2007	01/01/2007	Langney Playing Field	7,000	10 years*

* a rent review will be carried out after 5 years that will not increase rent received from tenant but could increase the Rent Support Grant given.

2.9 Community Services Maintenance Programme

As agreed at last Cabinet 50% of any surpluses will be invested back into particular income generating properties within Community Services. At **Appendix A6** a list of proposed works for 2007-08 are shown that relate to essential maintenance requirements and are shown in order of priority under specific areas.

3.0 Budget Transfers

3.1 Included within Corporate Costs are earmarked funds for the **Strategic Change Fund** and **Contingencies** from which budget transfers are made during the course of the year to support service delivery.

3.2 Strategic Change Fund

The balance on the Strategic Change Fund after taking account of the 2006/2007 outturn stands at £739,000.

	£'000
Balance at 1st April 2007	288
Transfer of 2006/2007 working balance	503
Total for 2007/2008	**791**
Revenues and Benefits Fraud Services joint partnership working	(20)
Refuse Collection/Street Cleansing contract inflation	74
Cost of commissioned forensic work	(5)
Implementation of forensic report recommendations	(100)
Cost of IT consultants for review of Council Tax processes	(10)
Employee Relations support	(3)
Highways Management Agreement contract inflation	12
Balance at 31st December 2007	**739**

3.3 Contingencies

The budget for contingencies for 2007/2008 amounts to £180,000. Release of funds from the contingency budget are set out in the table below:

	£'000
Budget Allocation for 2006/2007	180
Legal costs	(3)
Employment Tribunal Costs	(3)
Maternity cover for Legal Services	(50)
Member Support	(15)
Eastbourne Strategic Partnership support	(5)
Budget consultation	(8)
Balance at 31st December 2007	**96**

3.4 Requests for budget transfers requiring approval

The following budget transfer requests from the **Strategic Change Fund** have been made and approval is sought for:

1) A contribution towards 'Save the DGH' campaign of **£20,000**.
2) Cost of undertaking Corporate Review of **£50,000 -**
   IDEA support £9,000
   HR support for review £30,000
   Other – IT, materials, rooms etc £11,000

3.5 Virements

Under the Council's financial regulations, Members are asked to approve all budget virements over £10,000 for revenue and £50,000 for capital. Virements requiring approval for this month can be found in **Appendix A7**.

4.0 Balances

4.1 During September there was a call on the Council's balances which are held for such emergencies. The amount was £210,931.42 and was agreed at a Special Cabinet Meeting held on 19 September to fund the immediate repayment of all costs to Performance Retail Limited Partnership. Officers have since reported to Cabinet (report dated 12th December 2007) as to how these balances will be replenished.

5.0 Debt Collection

5.1 The table below provides analysis on the movement in debt for the year to date. It shows the balances at the start of the year, plus any new debt or costs added to the original charge, less payments received and debts written off or cancelled to arrive at the current position on debt. Future months reporting will split out new debt arising in 2007-08 and prior year debt.

	Balance as at 01/04/07 £'000	New debtors/ Additional Charges/Costs to 31/12/07 £'000	Payments Received to 31/12/07 £'000	Write offs to 31/12/07 £'000	Cancellations to 31/12/07 £'000	Balance as at ####### £'000
Council Tax Arrears	4,394	375	(1,295)	(582)	0	2,892
Business Rates Arrears	382	365	(452)	(86)	0	209
Rent Arrears to date	536	4,487	(4,307)	(68)	0	648
Housing Benefits	2,275	1,087	(614)	(42)	0	2,706
Other Debtors	935	8,406	(8,200)	(15)	(365)	761
Total	**8,522**	**14,720**	**(14,868)**	**(793)**	**(365)**	**7,216**

6.0 Housing Revenue Account

6.1 The table below provides a summary of the position on the Housing Revenue Account (HRA) at 31st December 2007.

Under spends/ (Over spends)	Profiled Budget	Actual To Date	Variance at 31st Dece	Variance at 30th Nov	Outturn
	£'000	£'000	£'000	£'000	£'000
Income	(10,787)	(10,742)	(45)	(56)	0
Expenditure	9,919	9,918	1	0	0
Total	**(868)**	**(824)**	**(44)**	**(56)**	**0**

6.2 Eastbourne Homes Ltd is delivering the management and maintenance services to tenants on behalf of the Council. Officers from both organisations meet regularly to monitor the delivery of budgets and service targets.

6.3 The HRA is currently showing an overspend of £44,000. This compares to an overspend last month of £56,000. This is mainly due to rental income being below budget. Projections for year end show a nil variance.

7.0 Collection Fund Performance

7.1 The following table gives an up to date position relating to Council Tax collection performance.

Under spends/ (Over spends)	Profiled Budget	Actual	Variance to 31st Dec	Outturn
	£'000	£'000	£'000	£'000
Collectable Council Tax (excl. benefits)	37,810	38,604	794	92
Revised total Value of collectable tax (excl. benefits) @ target of 98% collection	39,060	38,604	(456)	
Collection rates of tax collectable	85.2%	84.2%	1.0%	1.0%
Total Fund including prior year debt collection and write offs				287
EBC proportion				41
Council tax base	**Budget**	**Actual**	**Variance to 31st Dec**	**Outturn**
Number of Dwellings	36,668	38,134	1,466	

7.2 The current target for collection of council tax is at 98% for the full year but collection is currently 1.0% below target. The council tax base continues to be above budget and has now risen to 1,466 properties above the budgeted base line. This increase is mainly due to chargeable dwellings increasing as well as a lower level of discounts than predicted at

this point in the year totalling 908 the remaining 558 equates to the predicted collectability of 1.5% less than the full base.

7.3 Therefore collection is below target for the time of year and against the higher collectable sum so although this lower rate of collection is likely to continue the fund is currently in surplus by £287,000 of which this council's share would be £41,000.

7.4 It should be noted that we do not have past years data to compare with the in-year performance but we expect this latest position to be held to year end. However this will require continued focus on the management of prior year debt.

8.0 Capital Programme

8.1 **Appendix A8** provides an update on the Capital programme as at 31st December 2007.

8.2 Housing Revenue Account (HRA) Schemes
Expenditure on the HRA programme is being delivered on behalf of the Council and its tenants by Eastbourne Homes Ltd. At the end of December most of the original budget of £4.6m had been spent. An additional £7.52m has been added to the Decent Homes budget, following Eastbourne Homes' success in gaining a two star accreditation, and spend against this is progressing well. Regular meetings take place that monitor the progress of capital spending and the delivery of associated performance targets. The programme is fully resourced.

8.3 General Fund Housing Schemes
General Fund Housing is split between Social Housing schemes (which are currently under development), Disabled Facilities Grants and Private Sector Renewal Grants. Expenditure on grants continues to progress well and we have recently received confirmation of a further £95k in Disabled Facilities Grant from central government.

8.4 General Fund Other
Nearly all other general fund schemes are now released. A budget of £3k to update meteorological equipment is no longer needed and has been returned to central resources. The Cultural Centre makes up the majority of the spend.

8.5 Further General Fund Releases
Members will be aware that Cabinet has agreed that the Director of Financial Services be authorised to release further schemes from the approved programme in consultation with the Cabinet portfolio holder for finance.

8.6 Schemes to be released from the 2007/2008 Capital budget have now been released. There will now only be budgets released for agreed urgent works prior to a new Capital strategy being put in place which will be informed by and will follow the Service and Financial Planning exercise for 2008-09 budget setting. In addition the new Asset Management Plan

Strategy will also inform the development of the new Capital Strategy.

8.7 Urgent works releases

Members should note that the following items have been released to address health and safety issues

- Theatre orchestra Pit lift mechanism replacement **£34,000**
- Urgent health and safety requirements at Royal Hippodrome Theatre required by enforcement notice licence compliance **£144,500**

9.0 Consultations

9.1 Not relevant for this report.

10.0 Implications

10.1 There are no other relevant implications for this report.

11.0 Conclusions

11.1 Officers monitor all budgets through monthly monitoring meetings held by Assistant Directors, their service budget holders, and their accountant from the Financial Management team. This mechanism allows corrective and controlling action to be undertaken to ensure that the authority's revenue budget remains on target and that capital resources are realised and applied.

11.2 Members receive regular monitoring reports at each meeting of Cabinet to monitor the progress of both revenue and capital budgets. Where necessary, recommendations are made that support action to control spending within available resources, and/or to authorise additional spending when additional resources become available.

11.3 Members are asked to approve

1) Releases from the Strategic Change Fund of £20,000 as contribution to 'Save the DGH' campaign and £50,000 for corporate review costs.

Lesley Lane
Assistant Director, Financial Management

Background Papers:

The Background Papers used in compiling this report were as follows:

Eastbourne Borough Council Financial Regulations 2003
Civic Budget 2007-2008
Civic Budget 2007-2008 finance matters report 23rd July 2007
Civic Budget 2007-2008 finance matters report 5th September 2007
Civic Budget 2007-2008 finance matters report 24th October 2007
Members Newsletter October 2007
Civic Budget 2007-2008 finance matters report 12th December 2007
Town Centre Replenishment Strategy report 12th December 2007
Members Newsletter December 2007

To inspect or obtain copies of background papers please refer to the contact officer listed above.