

BODY: CABINET

DATE: 9 JULY 2008

SUBJECT: CIVIC BUDGET 2007/2008 FINANCIAL OUTTURN

REPORT OF: ASSISTANT DIRECTOR FINANCIAL MANAGEMENT

Ward(s): All

Purpose: To inform Cabinet of the Council's Financial Outturn for the year ended 31st March 2008

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Recommendations: Members are asked to -

- i) approve the General Fund Revenue out-turn for 2007-08 of **£2.646 million** and its disbursement in 2008-09 and note that the working balance at 31st March 2008 stands at **£1 million**;
- ii) approve the use of reserves for 2007-08 and note that the balance for earmarked reserves at 31st March 2008 stands at **£2.336 million**;
- iii) approve the Housing Revenue Account out-turn for 2007-08 and note that the working balance at 31st March 2008 stands at **£1.28 million**;
- iv) approve the Capital Strategy outturn for 2007-08 and note that capital investment in the year amounted to **£17.968 million**;
- v) note the Council's performance in the delivery of planned outcomes within its 2007-08 capital expenditure programme. Approve slippage to be carried forward to 2008-09.

1.0 Introduction

1.1 This report provides information on the Council's overall financial outturn for the year ended 31st March 2008.

1.2 This information is broken down into three areas:

- The General Fund Revenue Account (paragraph 2.1 below supported by Appendices 1a, 1b, 1c, 1d, 1e, 1f, 1g and 1h)
- The Housing Revenue Account (paragraph 2.2 below supported by Appendix 2)
- The Capital Strategy (paragraph 2.3 below supported by Appendices 3a, 3b and 3c)

1.3 The figures in all of these areas are subject to external audit of the Council's annual statement of accounts by the Audit Commission due to commence on 14 July 2008.

2.0 Financial Outturns

2.1 General Fund Revenue Account

2.1.1 The General Fund revenue budget was actively managed and reviewed throughout 2007-08 and regularly reported to Cabinet during the year.

2.1.2 The table below shows that final levels of net spending after disbursements achieved an overall underspend of £781,000 which is a variance of 4% of the budget. This actual figure compares with the forecast underspend of £59,000 made to Cabinet in April 2008, a movement of £722,000. The main reasons for this movement are:

- unfunded pensions higher than expected £50,000,
- staff savings of £80,000,
- anticipated additional expenditure for Concessionary Fares that did not take place £49,000,
- write off of Housing Benefits and Payments Subsidy £91,000,
- E Procurement savings not achieved £98,000,
- underachievement of crematoria Income £47,000,
- reduced expenditure due to delayed opening of the Cultural Centre £135,000,
- additional income from sports and community centres £36,000,
- additional income from Building Control £51,000,
- regeneration carry forward from 2006/07 not required £29,000,
- parks and gardens contract savings and carry forward from 2006/07 not required £27,000,
- better than anticipated interest on investments of £481,000,
- additional DWP subsidy for prior year £36,000,
- other reductions in corporate expenses £46,000,

2.1.3 A summary of the forecast and actual results, after allowing for requested disbursements for 2007/08, are set out below. A more detailed summary and a breakdown by service area are provided in **Appendices 1a to 1e**. An explanation of significant variances is provided in **Appendix 1f**.

2.1.4

Department	Forecast Variance	Actual Variance
	£'000	£'000
Chief Executive's	126	77
Financial Services	(389)	(543)
Housing Health and Community Services	(19)	111
Economy Tourism and Environment	(104)	131
Corporate Costs	445	1005
Total	59	781

2.1.5 When last reported, the balance on the **Strategic Change Fund** was £689,000. There were further calls on the fund to cover the non receipt of 2006/07 Housing Benefit subsidy of £308,000. This reduced the balance to £381,000.

2.1.6 As a result of the financial performance for 2007-08 the General Fund working balance at 31st March 2008 stands at £1million. This is made up as follows:

	£'000	£'000
General Fund Balance b/f	3,048	
Less: disbursement agreed by Cabinet 23 rd July 2007	<u>2,047</u>	
		1,001
Add: General Fund Revenue Outturn	2,646	
Less: Requested disbursement for 2007/08	<u>1,865</u>	
General Fund Revenue Actual Variance		781
Add: Financial Accounts Adjustment		17
General Fund Balance c/f		1,799

2.1.7 The recommended minimum level of working balance is £1,000,000. It is recommended that the £782,000 is carried forward on the Strategic Change Fund.

2.1.8 During 2007/08 £1,668,463 of General Fund revenue expenditure was funded by earmarked reserves. Requests were made by budget holders to carry forward £851,661 into 2008/09 for goods and services which were not received by year end but for which there was an expectation to pay for the item out of the 2007/08 budget. There are further requests to transfer £1,076,682 into earmarked reserves for ring fenced accounts to be used in future years. Details of the use of reserves are provided at **Appendix 1g**.

2.1.9 The progress made against efficiency targets in 2007-08 is detailed within **Appendix 1h**. This demonstrates that £547,000 worth of cashable savings was achieved as compared with a forecast of £682,000. This demonstrates a success rate of 80% and represents a 3% target on the total net budget which equals the Gershon target set by Government.

This information forms the basis for a backward looking return made to Government that demonstrates our performance in realising efficiencies in 2007-08 and in meeting the statutory target.

2.2 Housing Revenue Account (HRA)

	Budget £000	Actual £000	Variance £000
Income	(13,975)	(14,356)	(381)
Expenditure	13,975	13,862	(113)
Net (surplus)/deficit	0	(494)	(494)

2.2.1 The HRA was monitored in detail throughout the financial year and was forecast to be on target. The final position on the HRA is a surplus of £494,000 amounting to 3.5% of turnover. **Appendix 2**

details the range of variances that have contributed to this outcome.

2.2.2 The principal reason for the surplus is an increase in HRA subsidy receivable. This increase is due to eligibility for a rental constraint allowance of £152,000 in 2007/08 and £257,000 in 2006/07. In addition there is an extra £279,000 subsidy as a result of ALMO funding which is offset by an increase in expenditure of £285,000 for depreciation charges relating to the ALMO capital expenditure.

2.2.3 As a consequence of a surplus of £494,000 the working balance at 31st March 2008 has increased to £1,280,000. This is above the £500,000 recommended level of working balance for the Housing Revenue Account, and will allow the Council to provide additional financial investment, in consultation with Eastbourne Homes Ltd, to further improve the Council's housing stock e.g. decent homes related work.

2.3 Capital Strategy

2.3.1 A summary of capital expenditure for the year is shown in the table below. Details of expenditure and resources for schemes are shown at **Appendix 3a**.

	Original Budget £'000	Revised Budget £'000	Actual £'000	Variance £'000
Expenditure				
General Fund	3,137	5,376	4,142	(1,234)
Services				
Housing	1,400	5,646	1,682	(3,964)
General Fund				
Housing	3,316	12,168	12,144	(24)
Revenue				
Account				
Total	7,853	23,190	17,968	(5,222)
Expenditure				
Resources				
General fund	10,346	16,176	16,493	(317)
HRA	3,795	12,168	12,390	(222)
Total	14,141	28,344	28,883	(539)
Resources				
Resources			10,915	
Remaining				

2.3.2 The initial budgeted capital programme for 2007/2008 was £7.853 million which was revised up during the year to £23.190m. In the autumn, the Council's housing service, Eastbourne Homes, achieved a 2 star rating which secured them an additional £7.520m resources in the form of secured borrowing. Furthermore, additional grant funding was received. A total of £22.383m was released during the year as capital resources became available. Cabinet received regular reports throughout the year to reflect actual activity against released monies as well as the availability of capital resources.

- 2.3.3** The Housing Revenue Account (HRA) capital programme delivered nearly 100% of its adjusted budget with an investment of £12.1 million in 2007/2008.
- 2.3.4** The General Fund Housing budget released totalled £5.646m. Of this £3.136m was in respect of Social Housing schemes, which are still in the developmental stages and did not incur any spend in 2007/2008. These schemes will be carried forward as slippage into the 2008/2009 programme. The budget for housing grants totalled £2.3m, of which 72% was spent, with the remaining budget being carried forward into 2008/2009.
- 2.3.5** Other General Fund Schemes released totalled £4.569m. At the end of the year £4.142m had been spent representing 91% of the released budget. This included £2.97m expenditure on the Cultural Centre.
- 2.3.6** General Fund slippage from the 2007/2008 capital programme is detailed in **Appendix 3b** and cabinet is asked to approve these items to be carried forward to 2008-2009.
- 2.3.7 Remaining Resources**
As noted in paragraph 2.3.1, capital resources at 31st March 2008 totalled £10.915m.

The General Fund Services amount to £10.669m and it is recommended that they be used as follows:

Details	Earmarked Resources	Available Resources	Total
General fund	£000's	£000's	£000's
Resources b/fwd	4,479	6,190	10,669
Less slippage from 2007/2008	2,948	2,785	5,733
Unapplied resources	1,531	3,405	4,936

Additional resources of £1.9m are expected in 2008-09, £1.3m of which will be earmarked for specific purposes. Members should note that £600,000 of non-earmarked resources are not guaranteed.

- 2.3.8** For Members information, a detailed analysis of the performance of capital strategy schemes exceeding £100,000 is contained within **Appendix 3c**.

3.0 Implications

- 3.1** There are no other relevant implications for this report.

4.0 Summary

- 4.1** The pattern of financial outturns established over recent years has continued into 2007-08:

- The Council has delivered its General Fund services for 2007-08 within budget and has maintained its working balance at the financial year end as well as having earmarked reserves available for use in future years. In doing so it has met its financial objective of delivering budgeted growth and savings, and in financing corporate initiatives such as the strategic change programme.
- The services for the Council's housing stock reflected in the Housing Revenue Account, have once again been delivered within budget resulting in a surplus that has been added to a growing working balance. The surplus will provide additional funding to support the costs of meeting decency standards for the Council's housing stock.
- The Capital Strategy has delivered an investment of £17.968 million for the town. The General Fund strategy has been dependent on the realisation of capital receipts. Whilst the HRA part of the strategy is very much less dependent on this for its capital resources, the non-housing part is increasingly dependent. The Council's response to this has been to prioritise its investment in line with its Council Plan and to explore opportunities for investment in partnership with others.

4.2 Cabinet is asked to note the Council's financial performance for 2007-08 and to approve the recommendations in this report.

Lesley Lane
Assistant Director, Financial Management

Background Papers:

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

Civic Budget 2007-08

Civic Budget 2007-08: Finance Matters reports - Cabinet 23rd July, 5th

September, 24th October, 12th December, 06th February, 12th March, 16 April 2008.

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