

Overview and Scrutiny Committee Agenda

Wednesday, 9 August 2023 at 6.00 pm

Muriel Matters House, Breeds Place, Hastings, East Sussex, TN34 3UY. Please enter the building through the Contact Centre entrance via the seafront.

If you are attending the Town Hall for this meeting, please enter the building via the Community Contact Centre entrance.

For further information, please contact Democratic Services on 01424 451484 or email: democraticservices@hastings.gov.uk

	Page No.
1. Apologies for Absence	
2. Declarations of Interest	
3. Overview and Scrutiny Committee Work Programme 2023/2024 - Quarter 1 <i>(Coral Harding - Continuous Improvement and Democratic Services Officer)</i>	1 - 4
4. Performance Monitoring 2023/2024 - Quarter 1 <i>(Stephen Dodson – Head of Strategic Programmes)</i>	5 - 8
5. Financial Monitoring - Verbal Update <i>(Kit Wheeler - Chief Finance Officer)</i>	
6. LGA Finance Peer report Discussion <i>(Coral Harding - Continuous Improvement and Democratic Services Officer)</i>	9 - 42

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Agenda Item 3



Report To: Overview and Scrutiny Committee

Date of Meeting: Wednesday, 9 August 2023

Report Title: Overview and Scrutiny Committee Work Programme (2023/24) Update

Report By: Coral Harding, Continuous Improvement and democratic Services Officer

Key Decision: N/A

Purpose of Report

To provide an update of progress for the 2023/24 Overview and Scrutiny work programme and proposed follow up actions..

Recommendation(s)

That the committee note the progress of the Overview and Scrutiny work programme for the 2023/24 municipal year and follow up actions.

Reasons for Recommendations

It is the responsibility of members serving on the Overview and Scrutiny committee to set their own work programme for each municipal year and complete the associated actions by the end of year.

Introduction

1. Following the agreement of the work programme at Annual Overview and Scrutiny meeting on 27th July 2023. The committee has since met to provisionally confirm work groups and lines of enquiry.
2. The confirmed work programme can be found in appendix A. These ideas and themes draw on previous Overview and Scrutiny work. The committee have grouped work into 4 themes this year; Finance, Equalities, Living Environment and Follow up 2022

Overview and Scrutiny work programme 2023/24

3. The committee has decided to pursue 4 themes this year;
4. The work programme will use a combination of reviews and updates. It is also accepted that some of the information the require will be obtained from the quarterly review meetings.
5. Appendix A sets out the proposed O&S work programme for the year ahead breaking down the proposed reviews of each theme over the course of the year.
6. The bulk of the investigative work will be done through Quarter 2 and 3. Any recommendations from this work will be reported in Quarter 4. These recommendations will go to Cabinet or Full Council depending on relevance.

Finance Theme

7. The Overview and Scrutiny committee are concerned by the large deficit the council faces this year which is currently estimated at £2.1 million. Overview and Scrutiny committee are keen to help support efforts to lessen the impact of the deficit.
8. The work programme consists of several different areas as followed;
 - Finance Peer Review Meeting with Council Leadership
 - Costs of Homelessness
 - Asset Management Review
 - Tourism & Cultural Strategy
 - Management & Staff restructuring
9. Overview and Scrutiny are currently confirming meeting times with key individuals in order to commence the review process.
10. These reviews will be led by Councillor Patmore. Councillors Foster, Hay and Webb have indicated that they will part of the review groups.

Equalities theme

11. The committee recognises that local residents come from many different backgrounds and have many different needs. The Equalities theme will look at how the council monitors the

levels of accessibility and considerations taken in providing public services for a diverse population.

12. The Overview and Scrutiny committee wanted to continue previous work from last years work programme and are keen that the Equalities Working Group continues to meet and explore its line of enquiries. This group will be open to all Councillors.
13. The committee would also like to review the Park Safety works which were completed early in the year in Alexandra Park in response to a resident's petition as a result of a violent incident.
14. Councillor Carr will lead this review.

Living Environment theme

15. Overview and Scrutiny recognise the need for a healthy living environment that is safe & clean, promotes healthy behaviours and is pleasant to live in.
16. Overview and Scrutiny believe in positively promoting a healthy living environment in the borough and actively support initiatives to reduce issues that can affect this such as pollution, climate change and cleanliness.
17. This review is keen to establish a Climate Change Action Group. This group will support and scrutinise the councils' efforts to build climate resilience in the borough.
18. The review will also look at ways of reducing fly tipping incidences in the borough by investigating the current data from My Hastings and exploring if new incentives can help.
19. The review would scrutinise the changes the council need to undertake to implement the new national refuse and recycling collections.
20. Councillor Hilton will lead this review. Councillor Carr will be part of this review group.

Follow up theme

21. The previous year's Overview and Scrutiny work programme was not completed in full by the committee, but they would like to continue and monitor progress from previous commitments.
22. The review will complete a review of the performance indicators and will look at the indicators for Finance, Housing and Climate Change as a priority.
23. The review would still like to review Sea Changes activities and achievements. The committee are currently looking at ways to explore this review with other partners.
24. The review would also like to meet with Southern water to discuss the future plans for the town and the resolutions to the issues that are currently being experienced.
25. This review will lead by Councillor Sinden. Councillors Foster and Roberts will be part of this review group.

Action	Key milestone	Due date (provisional)	Responsible
Overview and Scrutiny to agree their work programme actions	Work programme and actions agreed	9 th August	Overview and Scrutiny committee

Wards Affected

Policy Implications

Reading Ease Score:

Have you used relevant project tools?: N/A

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	Y/N
Crime and Fear of Crime (Section 17)	Y/N
Risk Management	Y/N
Environmental Issues & Climate Change	Y/N
Economic/Financial Implications	Y/N
Human Rights Act	Y/N
Organisational Consequences	Y/N
Local People's Views	Y/N
Anti-Poverty	Y/N
Legal	Y/N

Additional Information

Appendix A- Proposed Overview and Scrutiny Work Programme 2023/24

Officer to Contact

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Agenda Item 4



Report To:	Overview and Scrutiny
Date of Meeting(s):	O&S 9 August 2023
Report Title:	Performance Monitoring Quarter 1 2023/24
Report By:	Stephen Dodson – Head of Strategic Programmes
Key Decision:	N/A
Classification:	Open

Purpose of Report

1. To provide a summary of performance for Quarter 1 (April-June) 2023/24
2. To enable Senior Managers, Portfolio Holders, and O&S to agree and finalise performance indicators for remaining quarters 23/24 against the updated corporate plan and agreed delivery plan.

Recommendation(s)

1. That the Overview and Scrutiny Committee review performance for statutory performance indicators for Quarter 1 and public indicators for remaining quarters 2023/24
2. That O&S are content with the agreed ongoing quarters Performance Indicators for 23/24.
3. That staff be thanked for their hard work and achievements to date.

Reasons for Recommendations

1. To assist the council to undertake performance and financial monitoring arrangements.
2. To ensure that senior management, officers, and Portfolio Holders (Lead Cllrs) have ownership of performance of the service areas under their responsibility.
3. That O&S and the public can review performance and highlight both achievements and areas of concern.
4. That Portfolio Holders have agreed performance indicators against the updated corporate plan and agreed delivery plan for 23/24.
5. That O&S are sighted on and agree statutory performance indicators for Q1 and ongoing quarters for 23/24.

Introduction

1. The Council updated its four year [corporate plan \(2020/24\)](#) in February 2023. This update took into account new challenges facing the council. The update can be found here [2023-24 Corporate Plan update | Hastings Borough Council](#)

2. This report sets out a summary of council performance for Quarter 1 (April-June 2023), where it was agreed by O&S that only statutory performance indicators and those on Finance and Housing would need to be reported and that the quarter would be used to review and revise ongoing performance indicators for the remaining quarters for 23/24 against the corporate plan update. Therefore, some areas of the performance sheets may be blank. That said that it should be noted that where service areas have been able to, they have provided data against potential performance indicators as agreed with Portfolio Holders and to be reviewed with O&S.
3. Performance reporting and updates continue to be reported in a Dashboard format and the intention remains to build and improve the performance reporting including financial information from Quarter 1 23/24 and ongoing quarters following reassessed performance indicators.
4. O&S have agreed that Q1 23/24 would provide a transition period to revise the performance indicators against the corporate plan update (23/24) and that the key areas of focus for O&S would be finance and housing.
5. Thus, Q1 one will only be reporting statutory performance indicators and progress on agreeing the revised indicators.

Performance reporting

1. CAP colleagues are comfortable with the performance measures for their respective areas ensuring programme for the year aspirations are duly covered for ongoing quarters and that these are shared with O&S for discussion.

2. Performance measures and targets are set out by service area at the link below in dashboard format.

[Performance monitoring - Public - Smartsheet.com](#)

3. On the dashboard, a snapshot of overall performance per quarter is given before presenting performance by each service area in bar charts.

4. A RAG rating is used to determine progress where Green reflects performance on track, and Red and Amber are 'exceptions' – will not (Red) or might not (Amber) meet expected performance.

5. When you click on Red, Amber or Green in the bar charts you will then be given further detail on the associated key activities or PIs from within that service area.

6. Where performance is Red or Amber (an exception) an explanation should be provided outlining why expected performance is not being met.

7. In line with the request from the Overview and Scrutiny committee to report by exception, comments would be welcome on Green, Amber, Red

8. At the top of the Dashboard there is a link that will show all service area performance exceptions with a Red or Amber status at quarter one.

Performance Reporting 23/24

9. O&S have agreed that a transition period for Q1 (April -June) would allow us time to review all KPI's and PI's with SLT, Service Managers and portfolio holders – but any mandatory statutory

PI's would still be required and reported on asap after the completion of Q1 these will also need to be aligned with budget monitoring.

10. That O&S are sighted on and agree statutory performance indicators for Q1 and ongoing quarters for 23/24.

11. Once targets are agreed this will mean the Strategic Programmes team need to rewrite the SmartSheet dashboard as soon as KPI's and PI's are agreed in Q1 so that for Q3-Q4 we are reporting against these new measures. These will be aligned to the updated corporate plan and agreed delivery plan.

12. In addition to the usual report dashboard to O&S they will be seeking to call for more detailed reports on Finance and Housing our two priority areas – which may include additional/separate O&S working group meetings.

Options

13. No alternative options were considered. Regular performance monitoring is required to ensure the Overview and Scrutiny Committee can undertake its scrutiny function as set out in the Constitution.

Timetable of Next Steps

14. Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
O&S t provide questions on Performance 3 days before O&S	Questions provided to Portfolio Holders/SLT	4/08/23	Democratic Services Officers
Record and collate views of O and S on performance	Minutes and associated actions drafted and approved.	TBD	Committee Administrator
Coordinating feedback on questions, queries & issues raised but not addressed at this meeting	O and S Chair approval that issues raised were addressed.	TBD	Democratic Services Officers
SLT Review feedback from O&S and revise ongoing quarters PM 23/24	All new/revised PM's agreed by Lead Cllrs	August 23	SLT

Wards Affected

ALL

Policy Implications

Reading Ease Score:

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	Y
Crime and Fear of Crime (Section 17)	Y
Risk Management	Y
Environmental Issues & Climate Change	Y
Economic/Financial Implications	Y
Human Rights Act	Y
Organisational Consequences	Y
Local People's Views	Y
Anti-Poverty	Y
Legal	Y

Additional Information

See links in the main body of the report.

Officer to Contact

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Agenda Item 6



Report To:	CABINET
Date of Meeting:	7TH August 2023
Report Title:	Response to Local Government Association Finance Peer Review report
Report By:	Jane Hartnell, Chief Executive
Key Decision:	N
Classification:	Open

Purpose of Report

To set out the council's response to the report of the Local Government Association's Finance Peer Review Team of the review undertaken in March 2023.
To set out the actions taken since the review and further actions planned.

Recommendation(s)

That:

- 1. Cabinet thanks the Local Government Association Peers for their time and input to assisting the Council to address its financial challenges and the impact of the local housing crisis which is impacting on the budget so significantly.**
- 2. That Cabinet note the actions taken since the Peer review in March.**
- 3. That Cabinet agree the council's response and the future actions set out in the table in appendix A.**

Reasons for Recommendations

1. The Budget Council report in February 2023 set out the issues impacting on the Council's financial stability. Most notably these are as a result of the massive increase in costs of providing temporary accommodation for those homeless people to whom we owe a legal duty.
2. The Budget report also set out the council's strategy to tackling the budget deficit, address the housing budget spend and identified that if these plans are achieved, the council would be in a position of financial stability by 2025/26.
3. In order to provide the council with confidence in its plans, the Local Government Association was invited to visit in March 2023 and undertake a Finance Peer Challenge. The Peer Team's final report and recommendations have been received and are presented together with the council's response. Details are included in the table in appendix A of the progress made to date in addressing the council's financial challenges, implementing the LGA recommendations as well as further planned actions.

Background

1. The council highlighted as part of the 2023/24 budget report that the financial pressures facing the authority have been made significantly worse by the housing crisis which is particularly acute in the town. The council has a legal duty to house homeless people in temporary accommodation, and the costs of meeting this ever-increasing bill is putting the council's viability at risk.
2. Since the beginning of austerity in 2010, when funding for district councils has continually been reduced, the council has made significant staff and service cuts as it adjusted to the reduced direct support from the government:

Budget levels

In 2010/11 the council's net budget was £22.9m.

By 2022/23 this had fallen by 28% to £16.5m.

During this period direct government support (grants) has reduced from £15.9m in 2010/11 to £1.5m in 2022/23, a reduction of over 90%.

Staffing levels

In 2010 the council employed 442 full time equivalent (FTE) staff

That figure is now much lower at 284 FTE. (NB This figure also includes the 34 new staff employed after bringing street and building cleansing services back in house).

For direct comparison purposes we now employ 192 less FTE staff than we did in 2010.

3. During this time the council has diversified to find new sources of income generation from rents, new services, fees and charges and investments in regeneration schemes. This income, whilst helpful has struggled to match the funding lost from government and keep pace with increased service demand, additional responsibilities placed on council's which are only funded for a short time, and latterly inflation, increased energy costs and wage increases.
4. Since 2010 the council has stopped or significantly reduced the scale of many services it can no longer afford to provide (e.g. CCTV monitoring, play, empty homes, tourism and marketing, some public toilets etc) and has required its staff to continue to meet increasing service demands, but with many less people.
5. Councillors and senior management recognise the pressure that all staff are working under and are extremely grateful for their commitment and continued dedication to public service and in particular their support for the most vulnerable people in our society.
6. In order to reduce costs and be more efficient, the council underwent a detailed transformation programme and changed where and how it works. The number of buildings

occupied has been rationalised, many services are provided more efficiently and cheaper on-line, and flexible working changes have helped to recruit and retain 'hard to attract' professional staff.

7. These savings and efficiencies enabled the council to be financially sustainable, but the pandemic in parallel with the housing crisis has changed the landscape both quickly and dramatically.
8. In 2019 the council spent c.£730,000 on temporary accommodation, in 2022/23 this rose to £4.5m and is predicted to rise to £5.6m in 2023/24. The council's net budget is only £16.5m so the ongoing impact of this unavoidable cost is clear.
9. With the potential of being issued with a Section 114 Notice (legally required when the council cannot balance its budget, unlike the NHS and other parts of the public sector councils are not allowed to carry a deficit) the Budget Council in February 2023 committed to focussing all efforts to positively changing this financial position.
10. It must be noted that the circumstances that caused some other councils to issue a Section 114 Notice are NOT the same here. The issues facing HBC are not because of ill-advised investments or a questionable approach to debt management.
11. The council's Treasury Advisors have told councillors that the council's management of, and prudent approach to treasury management and risk appetite has provided a very good basis for dealing with the current financial difficulties.
12. It is in this context, and following the stark warnings to Budget Council in February that the council invited the Local Government Association to give a critical friend view of the council's plans to address its financial situation.

Local Government Association Finance Peer Challenge

13. The council invited the Local Government Association to undertake a Finance Peer Challenge in March 2023.
14. The scope of the Peer Challenge was to consider the five themes which form the core components of all Finance Peer Challenges and at the council's request to also provide feedback on our plans to address the impacts of the Housing crisis.

The core component themes are:

Financial leadership: Does the authority have plans for its long-term financial sustainability, which are owned by its members and officer leaders?

Financial strategy, planning & forecasting: Does the authority understand its short and long-term financial prospects?

Decision-making: Are key decisions taken in the understanding of the financial implications, risks, and options?

Financial outcomes: Are financial results (including those of the Council's investments and transformation projects) monitored and acted upon so as to realise the authority's intentions?

Partnership & innovation: Is finance at the cutting edge of what the authority is working to achieve, working with partners, and seeking innovative approaches?

15. In undertaking peer challenges, the LGA stress that they are *'improvement focused; are not an inspection, and the process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer teams use their 'experience and knowledge of local government to reflect on the information presented to them by people they meet, things they see and materials that they read.'*
16. Following the review, the LGA team composed their report which contains a number of recommendations and comments. Officers worked with LGA colleagues post-review to supply additional evidence and ensure factual corrections were made where necessary. This meant there was a longer than anticipated timeline between the review date and the report being published.
17. The delay has led to increased speculation and media interest in the report and its contents, but it must once again be stressed that this was a key piece of work requested by the Council and fully supported throughout the process by staff and Councillors. There was also no delay in the actions initiated by the council in response to the discussions held in March.

Peer Team's Final Report

18. The full report is appended (Appendix B) and includes an executive summary, key recommendations and feedback on each of the themes considered during the process.
19. The report contains figures that were correct at the time of the visit in March 2023. For completeness key figures are updated here:
- The growth in numbers of temporary accommodation clients has continued to rise as the council is implementing the measures that will reduce them in time – there are currently 522 households (over 1000 people) living in TA at an estimated cost of £5.6m per annum.
 - The balance of the General Reserves balance is now £7.6m but forecast to reduce to £3.7m by the end of the financial year.

Action Taken since Peer Review visit

20. A whole-council focus has been set on achieving financial stability and achievement of the housing costs reduction plans. Further expert advice was sought on our plans to reduce the cost of the temporary accommodation and these additional recommendations have now also been included in the priority work plans for the year.
21. Since the Peer Team visit, the council has worked swiftly to secure the right capacity and skills are in place to implement these improvement plans. Challenges experienced nationally in attracting skilled staff with experience in these areas have been overcome, and a full complement of additional housing officers are now also in place.
22. The year-end outturn position for 2022/23 has shown good early progress. The council was expecting to use £3.2m of reserves to balance its budget, however through a combination of in-year savings, reduced borrowing costs and better than expected investment performance the council has reduced this need by over £1m.

Recommendations

23. The Peer Challenge team made 13 recommendations. The council accepts each of the recommendations.
24. The table below sets out details of the actions taken to date to implement the recommendations and those which are planned.

Conclusion

25. Hastings Borough Council requested the LGA finance peer review team to provide advice and assurance as part of its commitment to doing everything possible to improve its financial position.
26. Lead Councillors and Senior Officers wish to place on record their thanks to the review team for their constructive and helpful comments and recommendations as part of this process.
27. The officer team and councillors are all continuing to work extremely hard together to focus on achieving financial stability and reduce the costs of temporary accommodation. However, the ability to achieve this will require further difficult decisions and it is likely that more services will need to be scaled back or paused until the council is on a strong financial footing again. The speed at which this can be achieved also depends on a number of external factors – the length of the cost-of-living crisis for example.
28. A recent media report identified that the numbers in temporary accommodation nationally are at a 25 year high. Officers are working with a number of other councils who are facing similar financial challenges as a result of temporary accommodation cost pressures. Collectively these councils are lobbying government to recognise that the challenges faced by councils like HBC are as a direct result of the housing crisis and more support for communities like Hastings is desperately needed.

Timetable of Next Steps

1. Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
Response to report and recommendations & further actions list agreed	Cabinet	7 th August 2023	Jane Hartnell - Chief Executive

Wards Affected

(All Wards);

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	Yes
Crime and Fear of Crime (Section 17)	Yes
Risk Management	Yes
Environmental Issues & Climate Change	Yes
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	Yes
Local People's Views	Yes
Anti-Poverty	Yes
Legal	Yes

Additional Information

N/A

Officer to Contact

Officer: Jane Hartnell

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LGA Recommendation 1 - Immediate management actions to bring in and embed more stringent financial controls and accountability to urgently reduce spending.

Actions Taken

1. Lead Councillors have agreed the focus on Finance and Housing as priorities for 2023/24
2. No new expenditure to be agreed during 2023/24 unless is required by law or for health and safety reasons.
3. Refresher training sessions scheduled for all budget managers – ensuring robust monitoring and accountability for every £1 of expenditure
4. Dedicated meetings for SLT (Senior leadership Team) to focus on savings targets, both current year and future years savings, budget monitoring variances and identification of cost pressures as early as possible to understand the strategic impact across the organisation and allow for quicker decision making.
5. Senior Leadership Team produced a detailed delivery plan for the use of resources, focus and time to ensure there is capacity to implement the Financial Stability and Housing cost reduction plans which incorporate the advice sought from external advisers.
Half day workshop with Cabinet tested this delivery plan and agreed that the priority activities in 2023/24 will be limited to:
 - a. Financial stability and avoidance of S114.
 - b. Reducing costs of housing and homelessness activity.
 - c. New Statutory and on-going/previously made decisions and/or committed legal and contractual responsibilities.
 - d. New statutory responsibilities – where unavoidable e.g. new Environment Act requirements for waste
 - e. Maintaining a healthy and committed workforce - investing in our people.
 - f. Actions to implement budget savings.
 - g. Climate Emergency response actions already planned.
 - h. Delivery of major regeneration schemes already committed to.
 - i. Maintaining effective 'business as usual' (BAU) services
 - j. Service specific projects that impact on ability of BAU services to help address costs of our homeless and temporary accommodation costs.
 All other Corporate Plan targets will be re-programmed
7. Leader has explained to all councillors that there is no capacity to consider new proposals for services/activities at present and the 'councillor ideas' process to be suspended for 6 months – all new ideas will be captured and considered when resources allow.
8. Paused recruitment of vacant posts in the new senior structure.

9. Finance team restructure underway to increase capacity for strategic work and more resources to enable dedicated senior accountant focus on housing budget management. The team are also implementing a business partnering model to work even closer with service managers to provide expert financial management support.
10. New interim Audit arrangements in place to enhance our audit capacity, resilience, and deliverability. This is essential for governance, compliance, and probity assurance. Also dedicated additional resources allocated to improve the speed of responses, now typically turning around responses to queries on the day.
11. All-staff meeting updated on current situation and senior managers tasked with identifying further savings and resources to re-direct to housing activities.

Further Actions planned

- Training for staff and councillors and work on understanding budgets and forecasts
- Briefings for all-Cllrs to ensure full understanding of the challenges and how they can play their part in this challenging but achievable process.
- Finance system Unit 4 update scheduled – this is essential to ensure we have accurate and accessible financial information and to make potential future efficiencies across the organisation.

Page 15

Recommendation 2

A comprehensive review of all service budgets should be undertaken identifying areas of non-essential/non-statutory expenditure that could be stopped or significantly reduced.

Actions Taken/Underway

1. Heads of Service working with managers and service accountants to complete line by line budget review
2. Non-essential spend and activity identification reviews underway
3. Review of earmarked reserves is underway to determine if these are required or use of these can be delayed.
4. Capital Asset Management Strategy project underway with CIPFA (Chartered Institute of Public Finance & Accounting) – to identify the council’s assets, how best to use them and if there are any assets that can be identified as surplus or change of use / sale. This will inform the Capital Programme budget, Strategy and future borrowing requirements. This thorough analysis of asset performance and income generation will also inform the Treasury Management borrowing requirements strategy.
5. Phase 2 officer restructure underway and will be completed by early August 2023

6. August 7th Cabinet to receive land disposal recommendations (if land is sold the money gained can be used to reduce borrowing costs and reduce the burden on revenue budgets)

Further Actions planned

- Quarterly outturn meetings with Chief Finance Officer, Chief Executive and budget holders to monitor savings achievements and in year monitoring forecasts
- SLT (Senior leadership Team) to bring forward savings proposals, to include impacts of reducing/ceasing non-statutory services and/or reallocating resources to priority work reducing the TA costs
- Updated MTFP (Medium Term Financial Plan) to published monthly and reported to Cabinet.

Recommendation 3 - Swiftly change the organisational narrative, financial sustainability is the priority, focus on what is within your control. The organisation needs to stop relying on general revenue reserves to fill significant budget gaps going forward.

Actions Taken/Underway

- Page 13
1. Update to all staff immediately following Peer Challenge setting out the Team's advice that our plans are achievable, but we need to increase the pace and have a total focus on achieving the savings, costs reductions and new income set out in the budget.
 2. Draft year-end outturn for 2022/23 report presented to Cabinet 03/07/23 and Overview and Scrutiny 12/07/23, the report highlighted:
 - a. A more positive outturn than previously expected as part of budget setting.
 - b. If it were not for the overspend on Temporary Housing costs the Council achieved an underspend of nearly £1m. (In part due to capital financing changes and better than expected investment returns, but also savings bought forward by services)
 - c. a forward plan projection of the financial position (part of MTFP) and performance against savings target (this will be included in future reports)
 3. Overview and Scrutiny Committee will also focus their work programme on Financial stability and Housing.

Further Actions planned

- Budget savings of £1m to be achieved over period 2023/24 to 2025/26 – first tranche to be considered in autumn 2023.
- By implementing improvement plans and the 'invest to save/avoid cost' measures – reduce the Housing budget requirement by £3m during 2023/24 to 2025/26
- Clarify with staff and public that HBC's financial challenges are as a result of structural issues in the housing market, not a as a result of factors which caused other councils to issue S114 notices.
- Monthly Finance reports to Cabinet and regular timely reports to Overview and Scrutiny Committee.
- Training for Councillors and staff on the assurance and governance roles of the oversight bodies – Internal Audit, the Audit Committees and Overview and Scrutiny.

- Review of all reserves completed – setting out the reserves the council has as ‘earmarked’ and what an appropriate level of reserves are required for the proper management and mitigation of risk.

Recommendation 4 - The housing overspend needs to be tackled immediately: engage an interim Head of Housing to focus on this task; urgently implement the recommendations in the LGA desktop housing review; adopt an agile approach to Housing delivery and savings, with clear lines of accountability.

Actions Taken

1. An Interim Head of Housing was appointed and is driving the programme forward with support of the Deputy Chief Executive who is spending 50% of her week on this priority. The rest of the Senior Leadership Team SLT are also prioritising their respective teams’ contributions to achieving the plans. Some colleagues have been focussing on reducing the number of households in TA whereby a final decision hasn’t been made within 56 days of the homelessness duty being owed, and other Housing staff are working overtime to provide extra capacity to speed up decision making.
2. The new permanent Head of Housing starts in August, he is already engaging at key opportunities. He brings excellent skills and innovation experience having worked in both the local authority and a national third sector organisation at a senior level.
Two unsuccessful rounds of recruitment were undertaken to fill the 6 new Housing officer posts agreed by Council. The third round has seen success and the posts are now filled. These additional posts are essential for reducing costs by creating capacity within the housing team as well as carrying out home visits to prevent homelessness for those being asked to leave by family/friends through negotiation/mediation.
4. Further advice was received from the LGA Housing Advisors Programme (HAP) expert who conducted a review and made 15 recommendations which are being implemented at pace. These together with the LGA Diagnostic review set out the holistic blueprint for cost reduction of temporary accommodation, together with clarity about the KPI’s/targets and performance measures that are being used to monitor our progress. This work is being project managed by a new Recovery Manager who started in post on 1st July.
5. Housing and homelessness taskforce board meetings have moved to quarterly to enable staff to focus on delivering the actions recommended by external advisers.
6. Excellent progress is being made on the housing acquisitions programme – the focus is on acquiring accommodation to use as an alternative to privately owned and expensive nightly paid TA. (NB Although the LGA Peer team questioned this approach, the LGA Housing Advisors Programme expert advice supported the council’s approach to purchasing property as Temporary Accommodation. The council has developed a thorough business case and are monitoring the success of this programme very carefully.
7. Real-time data being used to inform budget and performance monitoring and to track trends.

8. A weekly casework management process has been implemented to support client moves to more affordable TA and determine final decisions where these are outstanding.
9. Improved inter-departmental communication and systems changes have been made to streamline and track income recovery from the benefits system to cover eligible costs of TA.
10. New interim Directors have been appointed to the Hastings Housing Company and are conducting a detailed review of the current arrangements and are assessing the future options for HHC. (Note that the HHC was not set up for, nor was it, or is it intended to be used for provision of temporary accommodation.)

Further Actions planned

- Recruitment and retaining of staff to essential housing roles remains biggest risk to success, this is therefore being monitored closely.
- Monthly monitoring of housing delivery plan and savings reported to councillors.
- Options paper for future of Hastings Housing Company being developed by newly appointed Directors.

Recommendation 5 - Streamline arrangements for managing projects, creating clearer accountability, and improving business cases

Actions Taken

1. Housing and homelessness taskforce board meetings have moved to quarterly to enable staff to focus on delivering the actions recommended by external advisers.
2. Quarter 1 monitoring focussed on key milestones to ensure progress in achieving objectives for financial stability and reducing housing budget spend on TA.
3. Overview and Scrutiny Committee agreed to also focus on these two priorities.
4. Regular monitoring arrangements determined by individual project boards based around risk and reported centrally with highest risk areas being brought to SLT attention.
5. Review being undertaken of all Housing grants and projects to ensure compliance and to assess if there are any additional resources that can be identified to help with the issues faced by the Council.

Further Actions planned

- All non-essential projects not resulting in financial benefit paused or stopped

- No new ideas / projects to be considered whilst the focus remains on delivering the projects currently in progress

Recommendation 6 - Plans to deliver the savings targets should be prepared and monitored, on a monthly basis with clear actions and accountabilities assigned. More visible leadership is needed on the key financial challenges and housing.

Actions Taken

1. Savings plan under-development with staff teams encouraged to contribute proposals
2. New additional finance resources have been recruited and appointed to help support Audit backlog, IFRS16 legislation introduction and also to back fill resource to allow dedicated Housing Finance Accountant to work full time on supporting the service
3. Savings are one of the key areas of focus for the Overview and Scrutiny Committee and regular reporting will be provided in terms of progress to highlight any risk areas that are unlikely to achieve their targets and what mitigation measures are being taken
4. Changes in Cabinet roles to include the Council leader now also the lead Cabinet member for Finance to demonstrate more visible leadership and regular meetings with Chief Finance Officer

Further Actions planned

- Monthly finance report submitted to Cabinet which includes updated MTFP and savings monitoring appendices
- Invest to Save business cases bought forward where additional resources can reduce costs or increase income
- Chief Finance Officer (CFO), Leader and Chief Executive to continue to lobby for fairer funding and allocations around budgets and specifically in relation to Housing costs
 - CFO to continue to meet with counterparts across the country who are facing similar challenges with regards to the Housing crisis and shortage of accommodation, to provide a consistent message to Government departments about the current state of the market and impact on Councils

Recommendation 7 - Regular budget monitoring and savings reports to Cabinet, with all member briefings on the key challenges from the S151 Officer and the Chief Executive.

Actions Taken

1. Treasury Training provided to Cllrs in May on the Treasury Management, borrowing requirements and Financial Management Code.
2. Introduction meeting with new Internal Auditors and Councillors, with further training sessions scheduled
3. One to one sessions arranged with budget managers as part of regular monthly meetings with finance colleagues.

4. CFO updated staff at all staff briefing around financial position and implications of S114 notice and what is needed for avoidance

Further Actions planned

- CIPFA to provide briefings for Cllrs and senior staff in relation to implications of issuing of a S114 notice and ways to avoid.
- Cabinet receiving regular financial reports, highlighting the latest and most up to date forecasts of savings, outturn and pressures

Recommendation 8 - Prepare a more detailed Medium Term Financial Strategy (MTFS) covering at least the period from 2023/24 to 2026/27, undertaking scenario analysis of all income sources including council tax, business rates, income from fees and charges.

Actions Taken

1. MTFS updates informed by latest monthly monitoring set out in regular Finance update reports.
2. 2024/25 Budget setting progress already underway – Financial Resilience Working Group tasked to develop early budget proposals for consideration by councillors and engagement with staff.

CFO discussed with colleagues across the county impacts of legislation changes (Waste), Council Tax, Inflation, Staff Pay awards and other key MTFP assumptions to inform the development of the strategy with as much detailed information as possible.

Further Actions planned

- Updated MTFP including detailed scenarios and full explanations to be published in the next quarter
- Budget proposals to be considered by Lead Councillors and then shared more widely

Recommendation 9 - Make changes to enable asset disposals to happen. This should include having clear accountability and decision making on disposals.

Actions Taken

1. The council tendered for external resources to undertake the work to develop an asset management strategy. No responses were received to the first two exercises. CIPFA Property Services have been approached directly and are now undertaking the work. This will provide a full diagnostic and recommendations of how assets can be best utilised by November.
2. A review of opportunities previously included in the Land and Property disposal programme is currently underway to explore early opportunities for achieving capital receipts circa £1m – £3m, decisions to be bought to Cabinet in August 2023 – these capital receipts could potentially be used for the transformation of the housing and TA services and reduce costs.

Page 21

3. Solution identified for future of White Rock Theatre – seeking interest in leasing the building, will reduce subsidy payable by HBC but retain use of building as a theatre.

Further Actions planned

- An additional resource for the Property and Assets team will be recruited to increase capacity to deliver the new strategy.

Recommendation 10 - Review delegations and governance, so that where appropriate decisions can be delegated and enacted more swiftly, with the appropriate due diligence.

Actions Taken

1. Review is underway across all service areas.

Further Actions planned

- Recommendations to be brought to Cabinet or Full Council as appropriate.

10

Recommendation 11 - Strengthen strategic political governance and oversight to reflect corporate priorities and the scale of the financial challenge. Consider the governance arrangements for projects and programmes.

11

Actions Taken

1. The Financial Sustainability Programme and Housing Improvement Programme both have detailed action plans which are being delivered. With the new monitoring arrangements in place (see rec 7) the frequency of Project Board meetings has been reduced to quarterly or by exception. This has freed up officer time to focus on delivering agreed plans.
2. A sub-group of the Financial Stability Working Group will oversee the property and assets work (see rec. 9) to facilitate pace of decision making.
3. Following the early retirement of the Chief Auditor Cabinet has approved contracting ESCC to provide Audit Management for the remainder of 2023/24 – this will bring a fresh perspective and opportunity to review our governance arrangements learning from practice elsewhere.
4. Leader of the Council has taken responsibility for the Finance Portfolio, and the previous Lead for Finance now has responsibility for Housing.
5. Ongoing briefing of DLUHC about progress HBC are making to address financial stability and lobbying to secure HM Government’s attention on issues out of the council’s control e.g. levels of Local Housing Allowance in Hastings (makes private renting unaffordable for people on low incomes), support for people who have supported accommodation needs not currently being met.

Further Actions planned

- Further work with other councils who are also in a similar position to ourselves around the housing crisis to enable sharing of what has worked for them in their circumstances, lessons learnt and to gather evidence for a joined up and louder and voice to central government for the support the sector needs to manage the housing crisis.

Recommendation 12 - Take advantage of existing partnerships and further develop them to meet the financial challenge (for example, East Sussex procurement hub for Temporary Accommodation)

Actions Taken

1. HBC is leading work with London Borough of Hillingdon who are sharing their experience of using a dynamic purchasing agreement to secure experienced suppliers for the provision of temporary accommodation (TA). This should enable a reduced and fixed cost to the council, better quality accommodation for those who need to live in TA, reduce the need to use bed and breakfast-type accommodation and provide certainty for quality TA providers who are more likely to remain in the market and work with the council.
2. Also exploring the initiatives developed at London Borough of Newham and their collaborative work with Waltham Forest, Redbridge & Enfield
3. Leader announced at Full Council a focus on working with landlords, identifying those keen to help resolve the local housing crisis in partnership with the council, and to include caravan and holiday park owners in these conversations.
4. Work has commenced with Eastbourne and Lewes Councils on identification of opportunities for maximising economies of scale.

Further Actions planned

- East Sussex Procurement Hub are engaged in the block booking project as it is the intention to encourage all councils in East Sussex to sign up to this same approach
- The new Head of Housing has extensive experience in working with the VCS and will explore how they can collaborate in partnership to help reduce the numbers needed to access TA and to provide cheaper alternatives.

Recommendation 13 - Break down silos in order to get the whole organisation working together to meet the financial sustainability challenge

Actions Taken

1. New Senior Leadership team appointed, including new Deputy Chief Executive and Chief Finance Officer/Section 151 officer confirmed in post.
2. Staff meeting June 2023 focussed on financial stability and housing priority and how staff will be contributing to achieving objectives. Explained that non-essential activities and spend will be paused, so that all can focus on delivery of services to most vulnerable whilst directing all-council effort to reducing costs of TA.

3. Work of the Housing Task Force has already seen significant improvements in collaboration and joined up working and innovation and new ideas progressed by staff in housing and benefits teams.

Further Actions planned

- On-going staff engagement and reassurance that the council can, as the LGA Team suggested, achieve its objectives by working together and at pace.

Finance Peer Challenge


Hastings Borough Council

20th - 22nd March 2023

Feedback 31st March 2023

Feedback report





1. Executive summary	3
2. Key recommendations	4
3. Summary of the peer challenge approach	6
4. Feedback	8
5. Next steps	18

1. Executive summary

The appointment of the new S151 Officer (Chief Finance Officer) has been welcomed across the organisation by both officers and members. In interviews, many people highlighted the approach of the new S151 Officer. They noted that in comparison to the previous officer holder, there is a more open and collaborative approach.

The new s151 Officer has made a number of changes to procedures, reports, and outputs. Importantly, monthly monitoring reports are now produced. This is a positive step forward and will help the organisation to get more control over spending. It will also allow the organisation to track and monitor savings more effectively.

The Finance Department is seen as being good at operational matters including a much-improved budget monitoring process. However, in interviews the peer team heard that the department is perceived to be lacking at a strategic level, with one interviewee stating that: “finance is focused on detail and is not strategic.”

In focus groups the peer team heard that budget managers generally find the finance system to be “clunky”. In the view of the peer team, consideration should be given to rolling out a user training programme so that staff feel more confident using the system and are given advice on how to use it most effectively.

The peer team found that the Finance Department needs to reconsider its approach and improve engagement, particularly when the Council is developing external funding bids and business cases for investment.

The peer challenge team reviewed the council’s finances, budget reports and financial monitoring information. Having reviewed these documents and discussed them with interviewees, the peer challenge team are very concerned about the council’s financial sustainability, the low level of unallocated revenue reserves and the record on achievements of savings and overspends in housing. Unless the revenue budget position is addressed as a matter of urgency, with savings promptly realised, then the S151 Officer will be left with little choice but to issue a section 114 (s114) notice to the Council at some point during the 2023/24 financial year.

The issuing of a s114 notice is an extremely serious matter; it will severely impact the Council, both in terms of its ability to deliver for residents as well as its wider

reputation. All necessary steps should be taken now to reduce expenditure and make savings promptly.

The peer challenge team are of the view that the Council has the means to address the budget and savings problems if it works together to swiftly implement the cost reduction programme, and promptly realises planned savings.

The Council must find a way to maintain programme management discipline whilst working at pace. The peer challenge team found that the current pace of decision making and implementation on key projects is slow which is delaying the achievement of key savings. Agile decision making, implementation and delivery are critical to the Council's recovery.

In interviews the peer challenge team heard that the political leadership is passionate about housing issues but does not consider the financial situation sufficiently. One interviewee stated that: "compassion from the political leadership is not balanced to the reality of the financial position". The peer challenge team reviewed information on the council's housing service spending, and it is clear that the Council cannot continue to spend at the current rate, with repeated significant overspends. Difficult decisions such as: reducing Housing/Homelessness spend; selling surplus assets; controlling costs; reviewing capital programme spending plans, need to be made promptly. The peer challenge team also believe that a comprehensive review of revenue budgets needs to be taken.

The political decision making at Hastings Borough Council needs to be streamlined and focused on: reducing costs; controlling spending; achieving savings and rebuilding the revenue reserves. Aspirational projects need to be temporarily put on hold whilst focus is given to tackling the revenue budget problems and putting the council on a sustainable financial footing.

The Cabinet needs to urgently focus on the key strategic issues facing the Council, namely the budget challenge, the housing overspend and low revenue reserves.

2. Key recommendations

There are a number of observations and suggestions within the main section of the report. The following are the peer team's key recommendations to the council:

2.1. Recommendation 1

Immediate management actions to bring in and embed more stringent financial controls and accountability to urgently reduce spending.

2.2. Recommendation 2

A comprehensive review of all service budgets should be undertaken identifying areas of non-essential/non-statutory expenditure that could be stopped or significantly reduced.

2.3. Recommendation 3

Swiftly change the organisational narrative, financial sustainability is the priority, focus on what is within your control. The organisation needs to stop relying on general revenue reserves to fill significant budget gaps going forward.

2.4. Recommendation 4

The housing overspend needs to be tackled immediately: engage an interim Head of Housing to focus on this task; urgently implement the recommendations in the LGA desktop housing review; adopt an agile approach to Housing delivery and savings, with clear lines of accountability.

2.5. Recommendation 5

Streamline arrangements for managing projects, creating clearer accountability, and improving business cases

2.6. Recommendation 6

Plans to deliver the savings targets should be prepared and monitored, on a monthly basis with clear actions and accountabilities assigned. More visible leadership is needed on the key financial challenges and housing.

2.7. Recommendation 7

Regular budget monitoring and savings reports to Cabinet, with all member briefings on the key challenges from the S151 Officer and the Chief Executive/Managing Director.

2.8. Recommendation 8

Prepare a more detailed Medium Term Financial Strategy covering at least the period from 2023/24 to 2026/27, undertaking scenario analysis of all income sources including council tax, business rates, income from fees and charges.

2.9. Recommendation 9

Make changes to enable asset disposals to happen. This should include having clear accountability and decision making on disposals.

2.10. Recommendation 10

Review delegations and governance, so that where appropriate decisions can be delegated and enacted more swiftly, with the appropriate due diligence.

2.11. Recommendation 11

Strengthen strategic political governance and oversight to reflect corporate priorities and the scale of the financial challenge. Consider the governance arrangements for projects and programmes

2.12. Recommendation 12

Take advantage of existing partnerships and further develop them to meet the financial challenge

2.13. Recommendation 13

Break down silos in order to get the whole organisation working together to meet the financial sustainability challenge

3. Summary of the peer challenge approach

3.1. The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected the focus of the peer challenge and peers were selected on the basis of their relevant expertise. The peers were:

- Senior Officer Peer – Dale Philipson, Deputy Chief Executive, St Albans City and District Council

- Chief Finance Officer Peer – Wayne Layton, Havant Borough Council
- Member Peer - Cllr Terry Paul (Lab), Newham Council
- Member Peer - Cllr Neil Stock (Con), Tendring District Council
- Member Peer - Cllr Julian German (IND), Cornwall Council
- LGA Finance Improvement & Sustainability Associates (FISA) – Andrew Hardingham
- LGA Peer Challenge Manager – Angela Kawa

3.2. Scope and focus

The peer team considered the following five themes which form the core components of all Finance Peer Challenges. These areas are critical to councils' performance and improvement.

1. **Financial leadership:** Does the authority have plans for its long-term financial sustainability, which are owned by its members and officer leaders?
2. **Financial strategy, planning & forecasting:** Does the authority understand its short and long-term financial prospects?
3. **Decision-making:** Are key decisions taken in the understanding of the financial implications, risks, and options?
4. **Financial outcomes:** Are financial results (including those of the Council's investments and transformation projects) monitored and acted upon so as to realise the authority's intentions?
5. **Partnership & innovation:** Is finance at the cutting edge of what the authority is working to achieve, working with partners, and seeking innovative approaches?

In addition to these questions, the council asked the peer team to provide feedback on **Housing**, as the substantial overspend in this area is creating significant financial pressure.

3.3. The peer challenge process

Peer challenges are improvement focused; it is important to stress that this was not an inspection. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared by reviewing a range of documents and information in order to ensure they were familiar with the council and the challenges it is facing. The team then spent three days onsite at Hastings Borough Council, during which they:

- Gathered information and views from more than 32 meetings, in addition to further research and reading.
- Spoke to more than 51 people including a range of council staff together with members and external stakeholders.

This report provides a summary of the peer team's findings. In presenting feedback, they have done so as fellow local government officers and members.

4. Feedback

4.1. Financial Leadership

The Council has relied on the use of reserves to balance its budget to the extent that by the end of 2024/25, unless drastic action is taken, the revenue reserves will be exhausted. Prior to the appointment of the current s115 Officer financial information provided to members has been opaque. This has led to limited scrutiny by members before major decisions are taken. For example, there appears to have been limited scrutiny of the original decision to enter into a contract to build a hotel in the town.

In 2021/22 the Council incurred a significant overspend on homelessness services of £174k, which has grown to a forecast overspend of £2.029m in 2022/23. The Council has overseen a steady growth in the number of temporary accommodation clients rising from 240 in April 2022 to 513 in March 2023. This growth in demand has placed significant pressure on the revenue budget.

The peer challenge team reviewed savings plans. Savings have been identified for

2023/24 through to 2025/26 but the detail that sits behind the headline numbers is not clear. For example, the Council has agreed to incrementally reduce the homelessness budget by £1m per year from 2023/24. The peer challenge team are of the view that there is not a detailed action plan sitting behind this savings target. This combined with the current rise in demand suggests these savings are unlikely to be achieved as planned without swift and decisive action. This needs to be addressed as a matter of urgency.

The peer challenge team found that there is a lack of clarity regarding the ownership of the capital programme and how schemes are included. The capital programme, strategy and treasury management strategy need to be reviewed and joined up. The financing of the capital programme has a significant impact on the revenue budget in terms of debt interest and the minimum revenue provision. Therefore, the Council needs to be cautious and review the capital programme which includes some legacy schemes. Capital projects need to be properly appraised and should only proceed where the initiatives reduce the revenue deficit or deliver key corporate priorities. The Council also need to ensure that it can afford to proceed with the projects, particularly in light of the Council's financial position and the increase in costs and inflation.

The Council have approached DLUHC (Department for Levelling Up, Housing and Communities) to discuss support for housing pressures. Unless the Council can demonstrate it is taking action to improve the financial sustainability of the organisation, DLUHC are unlikely to be convinced to provide additional or exceptional financial support, if the council were to request this.

The political leaders and senior management team should urgently focus their attention and efforts, on addressing the very substantial budget issues. The peer challenge team very strongly believe that the priority for the senior leaders needs to be getting the council's finance on a sustainable footing.

The peer challenge team reviewed the current governance and project management arrangements. The team believe that the current arrangements could be improved through streamlining to enable the senior leadership of the organisation to deliver more effectively. The project management arrangements could be more agile and create better opportunities for more effective scrutiny. Currently a lot of officer time and capacity is spent tracking and documenting rather than delivering. A greater

focus on the outcomes and delivery would assist the council to move more swiftly with key projects. It would also provide greater clarity for members when scrutinising progress on key projects.

4.2. Financial strategy, planning & forecasting

The peer challenge team reviewed the Council's budget, budget documents, audit, and financial monitoring information. The General Reserves balance at 1st April 2022 were £9.698m. The Council have agreed that the minimum level of general reserves should be £6m.

The opening balance of the General Fund Reserve for 2023/24 stands at £4.838m, which is £1.162m below the agreed £6m minimum level of reserves. The approved budget for 2023/24 included a planned use of £2.530m of reserves leaving the general reserve balance at £2.308m at the end year of the 2023/24 financial year (i.e. 31 March 2024). The peer team noted that this figure is predicated on no in-year overspends, assumptions on the pay award, interest payments on borrowing, inflation and the £1m reduction in homelessness. As a consequence, additional pressures are likely to occur in-year. For example, if inflation or borrowing costs are higher than expected or the savings on homelessness are not fully achieved.

Therefore, unless urgent action is taken by the Council, it is likely the organisation will have utilised all of the General Fund Reserve by March 2024. Although the Council holds a number of earmarked reserves, these are either unusable or of insufficient value to be considered as a funding solution. This is a very concerning situation that needs to be addressed urgently.

The peer challenge teams saw evidence that the Council's financial controls are showing signs of improvement under the new S151 Officer, but these controls are not fully developed yet.

The peer challenge team reviewed audit reports and interviewed auditors. The audit process has been difficult. The peer challenge team noted that external audit has an unsigned opinion for 2020/21 and the Council hopes this can be signed-off by the end of April 2023. However, in interviews the peer challenge team heard that information from the Council is slow in coming forward; with knowledge concentrated

in just a few people. There are significant external audit delays across the local government sector, there also appear to be some local issues in Hastings which needs to be addressed to ensure the accounts are signed-off.

The lack of audit 'sign off' of the statutory accounts for 2020/21 and 2021/22 is causing some concern amongst Finance staff. Preparing the statutory accounts is a complex task dependent upon a number of detailed transactions and the reconciliation of data held in different systems. There are some transactions that still need to be finalised which may affect the General Fund (after the completion of the peer challenge the council received external advice and confirmed there is no adverse impact on the General Fund).

It is noteworthy that the external auditors for Hastings Borough Council have flagged substantial concerns about the financial sustainability of the organisation going forward. The peer challenge also noted that a report from the S151 Officer on the Medium-Term Financial Strategy was discussed at Cabinet in September 2022 and this report also raised concerns about the council's financial sustainability. The peer challenge team shares these concerns and urge the Council to act swiftly to address the concerns.

The peer challenge team reviewed the Medium-Term Financial Strategy (MTFS). The Council does not have a robust enough MTFS. A draft budget covering years 2023/24 to 2026/27 was included in the budget papers approved by Council in February 2023. The assumptions for 2024/25 are not explicit and appear in some cases to be understating the likely position.

The current MTFS requires £1.5m of reserves to be used in 2024/25 to balance the budget. There does not appear to be any explicit allowance for inflation on pay or other similar costs. Provision has been made for annual increases in council tax of 2% as well as a 1% year-on-year increase in the council tax base. There is no explanation accompanying these assumptions. Government grants are assumed to remain at the 2023/24 level, including the admin support grants for council tax and housing benefit. Fees and charges are projected to generate additional income of £367,000 rising to £734,000 over 3 years, no details have been provided in the MTFS on how that will be achieved.

The Cabinet were presented with a draft MTFS in September 2022 which included a

recommendation to present an updated MTFS in October 2022. This has yet to be presented.

The peer challenge team recommend that the Council prepares a MTFS covering at least the period from 2023/24 to 2026/27. The Council should undertake scenario analysis of all income sources including council tax, business rates and income from fees and charges. The new MTFS should include a plan to replenish useable and general reserves.

The peer challenge team also recommend a comprehensive review of all service budgets be undertaken, identifying areas of non-essential and non-statutory expenditure that could be stopped, or as a minimum reduced. This will enable the Council to have confidence in the budget gap.

Plans to deliver the savings targets already included in the MTFS should be prepared, approved, and monitored on a monthly basis, with clear actions and accountabilities assigned. This will help the council to deliver the savings that are needed to put the council on a sustainable financial footing.

4.3. Decision making

The peer challenge team considered the arrangements for holding officers to account for delivery and found that they were not clear. Collective responsibility was often quoted by officers and councillors in interviews, but there are instances where the Chief Executive is shown on project documentation as holding responsibility for a project activity, rather than overseeing or driving delivery. The view of the peer challenge team is that this dilutes the effectiveness of boards which should be holding others to account for delivery.

The Strategic Overview and Planning Board (SOAPB) is an effective engagement tool, but does it help the organisation to achieve the key aims and ensure things are being delivered? Does it provide effective oversight for Cabinet Members? The peer challenge team recommends that the Council considers reviewing this body, what it does, and what the alternative means of Cabinet Member oversight on delivery could be.

In October 2022 the Council received a desktop review from a senior LGA housing

officer peer. This review included clear recommendations to help the Council tackle its homelessness problem, and as a consequence reduce pressure on its general fund budget. The Council has created a Housing Homelessness Taskforce, the peer challenge team acknowledged there have been some good outcomes as a result of the taskforce. However, the peer challenge team found that the taskforce has not addressed a number of the recommendations from the LGA housing desktop review and as a consequence budgets are still overspending.

In interviews, the peer challenge team heard from people across the organisation, the general feeling appears to be that whilst some savings have been found spending continues and demand continues to grow. There is considerable scepticism amongst senior managers and finance staff about the achievability of the budget savings (an incremental £1m per year). The peer challenge team is also concerned that Council needs to act swiftly to deliver the savings otherwise the savings target will not be achieved.

The peer challenge team is concerned that the Council's approach of buying property to house the homeless, will add pressure to the capital financing budget, with a knock-on effect for the revenue budget. The Council has identified purchasing property as a way of alleviating the current housing budget pressure. This pressure is in part due to the use of expensive temporary accommodation. Whilst purchasing property will create capacity, this will not be enough to combat the housing overspend. A more holistic approach is needed with the focus on addressing costs and the overspend, by managing demand and preventing homelessness.

The peer challenge team were also concerned by the decision under a previous Head of Paid Service, previous S151 Officer, and previous Leader, to enter into an agreement to build and then lease (under a forward funding arrangement) a hotel within the town. The peer challenge team reviewed the documentation provided by the Council and are of the view that the short-term return on investment is now unclear given the current economic circumstances, and may actually constitute a cost/loss of income in the short to medium-term, with a return in the longer-term. This will need to be factored into the base budget. In response to these concerns, the Council told the peer team that they have ongoing discussions with the other party and these discussions have been positive and the town does not currently have sufficient hotel provision. The peer challenge team encourages the Council to

continue to explore the available options in relation to this contract, to minimise costs and maximise benefits in so far as is possible. The peer team also encourages the council to learn lessons from this and ensure that future projects have appropriate flexibilities which take into account changes in circumstances.

4.4. Financial outcomes

The peer challenge team considered the Council's project and programme management. The Council has a comprehensive approach to programme and project management. However, there is a disproportionate amount of staff capacity and staff time associated with this comprehensive approach. This approach to programme management appears to be stifling activity and delivery. The transformation programme and project plans seen by the review team list a wide range of actions and tasks with associated detail, many of which appear to be 'business as usual' rather than transformational. There is no indication or ranking of the priority projects that deliver financial savings or reduce demand for services. Many of these projects are capital. Whilst the thoroughness of this approach is laudable the Council should consider its effectiveness in delivering the desired outcomes and whether this approach is the best way to use staff capacity. Focusing staffing resource on priority areas for change that deliver financial savings for the Council will be more likely to deliver the type of change required to provide financial stability.

The peer challenge team noted that the Council has prepared a brief for consultants to undertake a full review of assets, this was agreed in July 2022. At the time of the peer challenge the brief had yet to be issued to prospective bidders for the work. In the meantime, the Council's ability to generate income from an asset disposal programme is being hampered. As a consequence, its ability to utilise capital receipts to deliver sustainable projects is being severely restricted.

The peer challenge team found that the Council's ambitions are not aligned with its financial circumstances, and this leads to frustration from Councillors. The Council needs to prioritise its efforts to balance political aspirations with economic and financial realities. The focus should be on those activities that can provide a financial benefit and support the attainment of longer-term community outcomes.

The peer challenge team were concerned that the Council's programmes and processes have not yielded the expected and planned for savings. One-off, non-recurring income has helped show an improved position, but the underlying financial challenges have not been addressed. This must change going forward. The council needs to ensure that planned savings are delivered swiftly and that there are contingencies for any unexpected pressures that may occur in-year.

The peer challenge team reviewed the reporting of the capital programme and found that it is inconsistent with the homelessness strategy. There is a disconnect between the homelessness strategy, capital programme and the revenue budget. The costing of the purchase of houses/flats to house homeless people is not properly reflected in a capital programme and strategy. The strategy should also connect to the Treasury Management strategy and funding requirements. Furthermore, this should also which be reflected in the revenue budget in terms of interest and Minimum Revenue Provision on borrowing.

The link between the homeless strategy and the financing of the Housing company also needs greater explanation. £10m is being diverted to the acquisition of property by the Council for homeless people. But is the acquisition of property the right strategy to tackle the homelessness issue, particularly in light of the growing overspend in housing and the impact on the revenue budget of borrowing to buy homes? The peer challenge team are of the view that there needs to be a shift in the Council's approach towards managing demand, preventing homelessness, and finding other ways to support people who are at risk. Buying property needs to be seen as only one part of the plan to tackle the homelessness issue, with greater focus on alternative ways to support people. For example, with small grants for rental deposits, signposting to voluntary sector organisations, ensuring people are claiming the correct benefits, supporting people to find work etc.

The peer challenge team noted the lack of audit 'sign-off' of the statutory accounts for 2020/21 and 2021/22. The peer challenge team also noted there are some transactions that need to be finalised.

4.5. Partnership & Innovation

The Council is seen as a good partner by its neighbouring councils and other partners such as the voluntary sector. The peer challenge team heard in a number of interviews that the Council is open and willing to consider partnerships.

On procurement the peer challenge team found that the Council has been slow to respond to opportunities for collaboration, but this has improved very recently. For example, some council services, such as Housing, have been unaware of the opportunities for using the East Sussex Procurement Hub to full effect, and are only now aware of the possibility of using a Dynamic Purchasing System via the hub. This could help the Council achieve better value for money for temporary accommodation. It could also replace more expensive options such as spot purchase of accommodation.

The peer challenge team are of the view that more can be done to utilise the Council's partnerships with other local authorities, public sector organisations such as the NHS, and the voluntary and third sector. Working with partners on some of the key challenges facing the local authority and the local area could also help the organisation to meet its budget challenge. The Council needs to do less, but can partners do more? Particularly on housing and cultural activities.

4.6. Housing

The peer challenge team reviewed key documents on housing and the housing company. These documents included plans, savings targets, the LGA desktop housing review, relevant Cabinet, and budget papers. The peer challenge team also interviewed staff working on housing, the Senior Management Team, and Cabinet Members. The team found that there are two key issues to be addressed regarding housing:

1. The Hastings Housing Company
2. The housing service and the budget overspends in this service

The Council owns a housing company (Hastings Housing Company). The company

will undertake trading in three areas:

- Investment of up to £5m per annum for three years for the purchase and provision of housing on the open market for private sector rent.
- The acquisition of residential property for rent from developers in lieu of capital receipts it would receive as part of wider regeneration proposals.
- Development or the receipt of housing on land owned or purchased by the council, for sale or rent.

The Council has lent the Hastings Housing Company £5m on an interest-only basis in order to finance the above objectives. The interest payment (£0.260m) due for 2022/23 is at risk due to the letting agent being unable to recover sums that are due. During the peer challenge, finance staff reported that they are unable to locate key documentation concerning the loan.

A report containing recommendations regarding the structure and the future direction of the housing company was prepared for members in November 2021. At the time of the peer challenge the report had not yet been included on a Cabinet agenda for discussion.

The peer challenge encourages the Council to consider reviewing the business case for the Hastings Housing Company and whether this is the most appropriate delivery model at this time. The housing company currently only holds social housing, there is no requirement for the Council to hold social housing in a company although it does mean the properties are not subject to right-to-buy. The peer challenge team noted that this is an expensive way to hold property given the commercial premium on borrowing. The Council is also a registered provider which means that it can access the Affordable Homes Grant. The housing company is not a registered provider and therefore the grant available cannot be claimed by the company.

The housing service overspend is the largest budget pressure the Council is facing. The peer challenge team strongly believes that this overspend needs to be urgently addressed with a clear action plan that is swiftly implemented. The Council has a target to achieve £3m savings over the next three years. The Council needs to urgently implement the recommendations from the LGA desktop housing review, with clear actions and quick implementation of changes to realise the savings. The new

allocations policy being a key example of where urgent action is required now. This is one of the key changes needed to manage demand and bring down overspending in this area.

The peer challenge team also believes that there needs to be a more strategic view of the homelessness issue. Who are the council housing and why, is it the most cost-effective method to support people? The Council should explore whether other support be given to people who present as homeless and see if there are opportunities to work with the County Council and other partners on this issue. The Council should consider what are the pathways to get people out of the system and prevent homelessness. The peer challenge team suggest that the Council review the use of the Homeless prevention grant and ensure that all initiatives are being considered that help to prevent homelessness. The peer challenge team urges the Council to move from meeting the housing demand to managing it and where possible preventing homelessness.

The peer challenge team were unclear on the Council's the procurement strategy for temporary accommodation and housing more generally. The peer challenge team were not presented with a strategy document or clear plan for procurement in this area. As a result, the Council is using the more expensive approach of spot-purchasing temporary accommodation to address housing demand. As stated elsewhere in this report the peer challenge team believe that this situation could be improved by using the East Sussex procurement hub to change the approach and realise savings.

5. Next steps

It is recognised that senior political and managerial leadership will want to consider, discuss, and reflect on these findings.

Both the peer team and LGA are keen to build on the relationships formed through the peer challenge and further support can be discussed. In the meantime, William Brooks Principal Adviser for the Southeast, is the main contact between your authority and the Local Government Association. William Brooks is available to discuss any further support the council requires: william.brooks@local.gov.uk.