

Overview and Scrutiny Committee Agenda

Tuesday, 19 September 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.

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OVERVIEW AND SCRUTINY COMMITTEE

27 JULY 2023

Present: Councillors Patmore (Chair), Sinden (Vice-Chair), Bacon, Carr, Cooke, Foster, Hay, Hilton, Roberts and Webb

Officers: Coral Harding

146. APOLOGIES FOR ABSENCE

Apologies received from Councillor Turner

147. DECLARATIONS OF INTEREST

Councillor	Item	Interest
Cllr Webb	4,5,6	Personal – ESCC Councillor
Cllr Hay	4,5,6	Personal – ESCC Councillor
Cllr Hilton	4,5,6	Personal – ESCC Councillor

148. MINUTES OF THE PREVIOUS OVERVIEW AND SCRUTINY COMMITTEE 12/07/23

RESOLVED - That the minutes of the meeting held on 12th July 2023 be approved as a true record.

149. OVERVIEW AND SCRUTINY PROPOSED WORK PROGRAMME FOR THE 2023-24 MUNICIPAL YEAR

The Chair explained that there will be four key areas. Finance lead by Councillor Patmore, Equalities lead by Councillor Carr, Living Environment lead by Councillor Hilton and Follow up lead by Councillor Sinden.

The Chair explained how a meeting is to be planned to discuss the LGA Peer review. It is hoped to have further updates on homelessness and temporary accommodation with a meeting to be planned in August with the Housing Manager. Councillor Webb requested to be in the Finance working group. Councillor Carr proposed the Equalities working group will be open to all Councillors and not just member of overview and Scrutiny. The Chair agreed with the proposal. A meeting is to be planned to discuss tourism with the retiring Marketing and Major Projects Manager. Councillors discussed the need for follow up meetings. The Continuous Improvement and Democratic Services Officer explained there will be follow up meetings throughout

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the year. The Chair explained the plan is to start meeting with Senior staff and Portfolio holders earlier this year.

The Councillors discussed plans to have a smart sheet completed to be able to review targets. The Continuous Improvement and Democratic Services Officer explained a Smartsheet will be created and the plans for the year shared with Senior Leadership Team and Cabinet. The Chair explained Cabinet Portfolio holders will be requested to be at Overview and Scrutiny meetings and to answer questions rather than officers asking questions.

Resolved (Unanimously)

That the Annual Meeting reach agreement on their key lines of inquiry for the Overview and Scrutiny work programme for the 2023/24 municipal year

Reasons

It is the responsibility of members serving on the Overview and Scrutiny committee to set their own work programme for each municipal year at the Annual Meeting.

150. OVERVIEW AND SCRUTINY PROPOSED WORK PROGRAMME 2022/23 RECOMMENDATIONS

The Chair as the Lead on the finance working group explained there was a meeting held to discuss the asset management plan. It will be requested to have a briefing with the Chief Finance officer to explain what section 114 would mean for the Council. The recommendations have been updated for all Councillors to now receive specialist training and briefings. Councillors discussed the need for a cross party working group regarding asset management. The chair explained how asset management is to be reviewed again in the coming year.

The Committee discussed whether there will be a need to call in the LGA Peer review which is going to cabinet. The Chair explained a meeting is to be planned with Lead members to discuss the LGA Peer review. The group discussed not receiving regular updates from the Chief Finance Officer which had been requested. The Continuous Improvement and Democratic Services Officer explained every month there should be a financial monitoring report for Cabinet which can be reviewed. There should also be a Quarterly report for Overview and Scrutiny. The committee discussed there shouldn't be a need to dig for answers and the committee should be better informed.

The group discussed the need for pre scrutiny which would be inline with other Councils. The Chair explained there are plans to review the Budget earlier this year. The group highlighted the need to have a meeting with Lead members and Senior Leadership team to discuss pre scrutiny. The Chair explained that a trial will be held for an item coming to Cabinet in September or October. The group discussed the Housing Strategy could be an item where Overview and Scrutiny could pre scrutinise.

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Councillor Carr updated the Equalities meetings were well attended through the previous year and will continue into the next year reviewing internal practices and how the Council relates with local groups. The Equalities Charter will be discussed at the next LSP meeting as members expressed concerns regarding the charter and the failure to have meetings with the portfolio holder. There will be a review of the Park Safety Project and the impact on crime figures early next year.

The Chair gave thanks to Councillor Jobson for the work she completed last year. This work will continue, and a letter is soon to be sent to Southern Water requesting them to attend a meeting with the committee. The Chair highlighted the need to review the Climate change delivery plan and for a way to measure the climate change targets.

Resolved (Unanimously)

1. Finance review group recommends the following;

- a) **Councillors to receive specialised financial training and briefings**
- b) **Councillors to receive briefings when requested on decisions with financial implementations.**
- c) **Overview and Scrutiny to identify pre decision scrutiny opportunities for involvement and development**

2. Equalities review group recommends the following;

- a) **Overview and Scrutiny to review the Park Safety Project**
- b) **Equalities Working Group to continue meet and investigate lines of enquiry**

3. Living Environment review group recommends the following;

- a) **Overview and Scrutiny to invite Southern Water for discussions about their future plans for the town**
- b) **Overview and Scrutiny to review the use of My Hastings by residents**
- c) **Overview and Scrutiny to review Climate Change delivery plan**

4. Follow up theme review group recommends the following;

- a) **Motions constitutional reform requesting 6 monthly reports to Full Council be reviewed and agreed.**
- b) **Overview and Scrutiny to review Sea Change's past and future activities in the borough**

Reasons

1. The council's financial situation requires critical decision making by councillors. The committee would like to see this skill set enhanced. They believe early intervention in key decisions will lead them to be more robust and resilient.

2. The Park Safety Project responded to public needs. A review will ensure these are still being met. The Equalities Working Group have identified further areas of opportunity and development.

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3. The living environment in our borough needs to be clean and healthy to promote good health and wellbeing. It is important that the public see the council actively pursue this.

4. It is important that key parts of previous work programmes are followed up and finalised.

(The Chair declared the meeting closed at. 6.57 pm)

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OVERVIEW AND SCRUTINY COMMITTEE

15 AUGUST 2023

Present: Councillors Patmore (Chair), Sinden (Vice-Chair), Carr, Cooke, Foster, Hay, Hilton, Roberts, Turner and Webb

Officers: Jane Hartnell (Chief Executive), Amy Terry (Property and Commercial Assets Manager), Stephen Dodson (Head of Strategic Programmes)

1. APOLOGIES FOR ABSENCE

None received.

2. DECLARATIONS OF INTEREST

Councillor	Item	Interest
Cllr Hay	3	Personal – ESCC Councillor
Cllr Hilton	3	Personal – ESCC Councillor
Cllr Webb	3	Personal – ESCC Councillor

3. CALL IN - LAND AND PROPERTY DISPOSAL PROGRAMME

The Continuous Improvement and Democratic Services Officer explained call in is procedure of overview and scrutiny. The meeting must be held within 8 days. The Continuous Improvement and Democratic Services Officer explained the committee has 3 options. These are to determine that the original decision to be implemented, or it should be referred back to cabinet for reconsideration or that the decision be referred to Full Council.

The Chair read a statement:

It is highly unusual for a cabinet decision to be called-in for discussion, and in the current financial circumstances the Council finds itself in, the committee has not taken this decision lightly.

It is hoped the call-in of this decision will lead to more transparent and comprehensive reports going to cabinet so members and the public have a true record and understanding of how decisions have been made.

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The disposal of the capital assets is being undertaken to bolster the Council's financial position which is understandable. However, this does not negate the need for decisions to be scrutinized and cabinet reports to address the relevant issues.

Structural concerns in the report: "Land and Property Disposal Programme" are:

- How the recommendation relates to the corporate plan
- How these disposals have been identified when there isn't any asset management plan until CIPFA have completed their report in November.
- Part 15 of the cabinet report states: *There are risks associated with disposing of land/property, but it is considered that the market conditions are currently suited to bringing forward the identified sites.* The risks are not explained. For example, the report doesn't state there is a risk grant funding might need to be repaid.
- Recommendation 5 in the LGA Peer review stated that the Council should be improving business cases but no business case appears in the report.
- In the recent Treasury Management training, CIPFA Codes for Capital Strategy stated that our capital strategy should include the following (the section 151 officer agreed these should be covered in any related report) and contain an appropriate level of detail in respect of:
 - Legal power for a scheme to be undertaken
 - Evidence of robust option appraisal work
 - Consideration/quantification of sensitivity analysis outcomes
 - Impact on revenue budget and balance sheet resources
 - Section 151 Officer to vouch for skill-sets of external consultants
 - Committee Members to be adequately briefed on any material risks

In conclusion:

The Council is likely to be selling off more assets, so setting a standard template of good practice for future cabinet reports would be the committee's minimum recommendation.

Due to the discussion of commercial sensitive information the public were excluded. Proposed by Cllr Patmore seconded by Cllr Roberts

The following information is not confidential so is included here.

Q: Has there been any conversation with the team undertaking the Asset Management Strategy to get their views on these disposals? If not why not? Surely they would have some high level sense by now of what might be the best options?

The Chief Executive explained conversation have been had with CIPFA and they agree with the recommendations.

Q: How is this £3 million estimate split between the disposals and how were these figures arrived at?

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The Property and Commercial Assets Manager answered the committee. The Councillors asked how the figures have been come to? Property and Commercial Assets Manager explained they are her professional opinion with knowledge of the local market.

Q: At the cabinet meeting the Chief Finance Officer mentioned that part of the reason for selling Bexhill Road is to reduce our future capital borrowing requirement in terms of the funding needed to build the houses. This is reasonable but should also have been included in the report recommendations along with the estimated sum we had expected to borrow but now won't need to?

The Chief Executive explained there is not currently the staff capacity to build on Bexhill Road and Mayfield E. If the sites are sold to the market, then they will be able to build houses quicker to help with increasing accommodation which the town needs.

Q: Risk management report merely states 'There are risks associated with disposing of land/property, but it is considered that the market conditions are currently suited to bringing forward the identified sites'. On what basis? Is two lines really considered a thorough analysis of risk? The report should have made clear the amount of money that needs paying back to Homes England on York buildings (over £300,000) and Lower Bexhill Road (£160,000) if we sell the property and land.

The Chief Executive explained the information was available in other previous reports. The committee highlighted the need for the information to be in all reports.

Q: Are any additional loans or other repayments that would need to be made other than those that have already been mentioned on these pieces of land?

The Chief Executive explained there is not thought to be.

Q: Who was responsible for the decision to progress this to a cabinet decision without a proper business case for each site or any other financial figures, even as part 2 documents?

The Chief Executive explained that she is the council's senior officer and therefore responsibility sits with her. All officers have been asked to put forward cost savings. It is officers' belief that the business case is pretty simple – that the two housing sites can be built on quicker than the council would be able to. York Buildings is also surplus to requirement and not able to be used for any of the council's current priority needs.

Q: What do you think LGA Peers from the Finance Peer Review Team might say about how it was handled? Do you think this could have been done better and if yes, how?

The Chief Executive explained that sites have been identified as they do not provide opportunities to meet council priorities and that the LGA encouraged the council to increase the pace of its asset disposal programme to assist with the current financial

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crisis. CIPFA have been asked to identify site by business cases looking at organisational impact analysis, cost of maintenance and energy management. Cllr Foster asked a question about potential for developing the land at Upper Wilting Farm. The Chief Executive explained the land is in Rother, it has protected status, and is part of the 'strategic gap' therefore there are no plans or options to build on it in the foreseeable future.

Q: Capacity has repeatedly been cited as a reason for why there is no financials and business cases with this report – is the council lacking in capacity to a point now where it can't operate within industry standards and expected guidelines? Should this lack of capacity be addressed to help the council function more effectively in order to deal with the situation at hand and avoid a Section 114 notice?

The Chief Executive explained the council needs to achieve quick sales of assets as recommended by the LGA. Officers will be asked to make reports clearer.

Land at rear of 419 to 447 Bexhill Road (Bexhill Road south) and Mayfield E

According to the latest Cabinet report, "These two sites were declared surplus to requirements some time ago". Yet in the 23/24 Corporate Plan it states: "Progress developments on council owned land such as Bexhill Road South and Mayfield E to meet our affordable homes target."

Q. Can you help the O and S committee understand the time-line and why these sites were included in the Corporate Plan if they had already been identified as surplus to requirements?

The Chief Executive explained the conclusion had only just been reached this summer that these schemes cannot be completed now due to a lack of capital and staff capacity.

Q. How will the loss of a guaranteed 54 (plus 6 in York Buildings) social homes affect the 500 homes target in the Corporate Plan?

The Chief Executive explained the houses were included in the 500 homes. There are however now several sites which will be bringing forward more than planned social housing. An update report will be bought after the arrival of the new Head of Housing. Cllr Turner asked regarding checking leases. The Chief Executive answered checks would be down to capacity in the property team.

Q. Are offers open to the highest bidder or to the bidder who might provide 100% affordable housing? How will the Council's aspiration of achieving 100% affordable homes on both sites influence the maximising of revenue achievable on the sale of both sites on the open market?

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The Property and Commercial Assets Manager explained the Council is under a duty to obtain best consideration. The committee asked regarding selling the land. The Property and Commercial Assets Manager explained best consideration would be the minimum. Cllr Foster asked if the priority is capital receipts or affordable housing. The Chief Executive explained it is a balancing act. NB the Cabinet report contained a link to an explanation about the statutory duty regarding achievement of best consideration.

York Buildings:

Q: Regarding York Buildings, has proper modelling been undertaken to assess whether it is best for HBC to sell off the asset but retain the freehold, or sell as individual units, vs selling as a block? We should be able to see this modelling as part of a well-rounded business case and that should perhaps have been a decision for Cabinet to have made on this building.

The Chief Executive explained it's the professional opinion of officers to sell the building as one.

A previous Cabinet paper stated: The Council has been awarded funding of £303,910 through the Affordable Homes programme to deliver the units at York Buildings as Affordable Rent. Once accepted, this will place a restriction on how the properties can be used.

Q. It is stated the Council have started a conversation with Homes England. What was Homes England's response? Will this money need to be repaid? And if not, will Homes England's conditions be covenanted to a potential buyer?

The Chief Executive explained there are conversations on going with Homes England.

Returning to the agenda on 2nd September 2019 to agree the Council spending more money on the project (and bearing in mind it would come to Cabinet once more for a further uplift in costs). Cabinet Papers stated, point 7; "It would not be viable to undertake the work and then sell the flats".

Q. What makes the sale viable now?

The Chief Executive explained the market in Hastings has changed significantly since 2019.

Councillor Barnet said in the public meeting that York Buildings was likely to make a profit – on what figures is he basing this statement as none were presented in the report?

It was mentioned by the Leader of the Council that, "(York Buildings) might yet return a small profit."

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The York Building project has been in inception since 2017 (and possibly earlier?). In addition to refurbishment and consultancy costs, it has taken countless hours of officer time, cost of borrowing, MRP and maintaining the property during its void period. It was also mentioned at Cabinet how much officer time it had taken up trying to find solutions to rent the property out. Also, the entire building value must be considered before the refurbishment was started.

Q. Will there be a full breakdown of all the quantifiable costs so that it can be determined whether a profit or a loss has occurred since 2017? If not, will officers advise cabinet that this cannot be determined?

The Chief Executive answered the committee with figures of expenditure.

Due to the unique nature of York Buildings and its Grade II listed status and, as advised, “it will also relieve the Council of responsibility for the costs and management of maintaining the building which are significantly more expensive, and complex compared to traditional social housing.”

Q. Would York Buildings still have been put up for sale even if the Council were not in financial difficulty?

The Chief Executive explained the building is now surplus to requirement and would be recommended to Councillors to sell regardless.

A building survey must’ve taken place before York Buildings was deemed suitable to be redeveloped for social housing, along with feasibility studies and a business case.

Q. Why has it taken the Council six and a half years to determine the property is unsuitable for social housing?

The Chief Executive explained the project was started as a regeneration project. The plans have changed overtime. Cllr Hay asked regarding the previous project planning. The Head of Strategic Programmes explained a full review has been completed and robust project management has been put in place for projects started later than this one.

It was decided by the Council to do a far more complex refurbishment of a Grade II listed building owned by the Council in Wellington Square. Given the complexity of the refurbishment and the amount of officer time needed, plus the many risk variables involved. Added to that all the lessons learnt redeveloping York Buildings;

Q. Has the Council thought to reconsider the decision to refurbish the Wellington Square property? What lessons have been learnt from the York building sale in relation to the council buying further housing for use as temporary accommodation?

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The Chief Executive answered the lessons from York Building are being considered as part of the Wellington Square project. The Town Deal project output is intended to increase affordable housing in the town centre and set new sustainability standards for the refurbishment of listed buildings. Projects of this nature are a challenge and require external subsidy to test approaches which the market would not normally attempt.

Q. Why are sales of this size a cabinet decision?

The Chief Executive explained that the levels of decision-making are set out in the constitution.

The committee discussed what their recommendation will be. The committee discussed a proposal that a report be submitted to cabinet explaining what the committee would expect to be seen in reports regarding future disposals. Councillor Hilton requested that a 'lessons learnt' report be prepared and submitted to cabinet referring to the CIPFA training and what is expected to be included in future reports, including the RAG rating that needs to be applied to future assets and that details of 'best consideration' is included.

Proposed by Councillor Turner and Seconded by Cllr Carr

Resolved Unanimously

Recommendations:

1. After hearing evidence and reasons regarding the decision called in, the committee chose option:
 - A. The matter does not need to be referred back and the original Cabinet decision can be Implemented.

A lessons learnt report will be prepared and submitted to the next Cabinet meeting.

(The Chair declared the meeting closed at. 7.21 pm)

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Agenda Item 4



Report to: Overview and Scrutiny

Date of Meeting: 19th September 2023

Report Title: Financial Monitoring Report for 2023/24 – to end of July 2023
(Period 4)

Report By: Simon Jones
Deputy Chief Finance Officer

Purpose of Report

To provide a summary of the forecast outturn position for services at the end of Period 4 (July 2023).

Recommendation(s)

To note the contents of the report, and the actions within the conclusion and management action section.

Reasons for Recommendations

To assist the Council in understanding the financial position and particularly areas of over and under spend. Early indications of emerging overspends can allow management action to be targeted to those areas.

This monitoring assists in identifying areas for review in the production of the 2024/25 budget and the impact of the 2023/24 outturn on the reserves position.

Background

1. As part of the process of continuous improvement, and to provide more comprehensive financial monitoring, the format of the budget monitoring report continues to change.
2. Last year the monitoring report was revised to not only include the monitoring of direct service expenditure but to also include details on debt repayment (Interest and MRP). Capital budgets are also monitored.
3. Further developments have been implemented for 2023/24 including monitoring of the achievement of PIER savings agreed as part of the 2023/24 budget process, monitoring of the Reserves position and monthly updates to the Medium Term Financial Plan (MTFP).
4. In February 2023 the Council agreed a revenue budget for 2023/24 with total expenditure of £17,754,575 funded by government grants, Council Tax, Business Rates and contributions from reserves.
5. The table below shows the forecast outturn position at the end of July 2023 (Period 4).

Table 1: Forecast Revenue Outturn Position

Monitoring to end of July 2023	2023/24 Original Budget £	2023/24 Draft Outturn £	2023/24 Variance £	2023/24 Variance %	June Forecast Variance £	Change £
Head of Service Area						
Chief Finance Officer / S151 Officer	4,777,960	5,084,422	306,462	6.4%	353,358	(46,896)
Chief Legal Officer / Monitoring Officer	986,090	962,370	(23,720)	-2.4%	(28,920)	5,200
Head of Commercial Services & Developme	1,007,790	1,066,530	58,740	5.8%	71,110	(12,370)
Head of Community and Regulatory Services	861,830	942,390	80,560	9.3%	96,260	(15,700)
Head of Environment and Operations	5,038,340	5,111,749	73,409	1.5%	80,269	(6,860)
Head of Housing	5,165,845	6,877,685	1,711,840	33.1%	1,763,700	(51,860)
Head of People and Business Support	712,550	732,210	19,660	2.8%	18,860	800
Head of Strategic Programmes	1,769,060	1,920,675	151,615	8.6%	152,095	(480)
Property and Commercial Assets Manager	(4,992,890)	(5,429,240)	(436,350)	8.7%	(240,250)	(196,100)
Total Service Expenditure	15,326,575	17,268,791	1,942,216	12.7%	2,266,482	(324,266)
Minimum Revenue Provision (MRP)	945,000	904,100	(40,900)	-4.3%	(40,900)	0
Net Interest (Earnings) / Payments	1,483,000	1,481,500	(1,500)	-0.1%	(1,500)	0
Debt Repayment Costs	2,428,000	2,385,600	(42,400)	-1.7%	(42,400)	0
Total Expenditure	17,754,575	19,654,391	1,899,816	10.7%	2,224,082	(324,266)

6. As can be seen from the table above Total Expenditure is forecast to be £1,899,816 over budget at year end. This is a decrease of £324,266 on the overspend reported at the end of Quarter 1 (end of June). The factors leading to this improved forecast are discussed in paragraph 11 below.

7. The overspend of £1,899,816 on Total Service Expenditure is offset in part by savings on MRP and Net Interest payments. Further details on the different elements are given below.

Total Service Expenditure

8. The 2023/24 Total Service Expenditure budget agreed by Council was £14,826,575. This figure includes the contingency budget which was initially set at £300,000 but is moved out to separate budget areas via a virement (budget movement) when requests for use are approved by the Chief Finance Officer.
9. The Total Service Expenditure budget has increased by £500,000 since the budget was approved, as the targeted revenue saving from changes to the Capital Programme have been removed from the Corporate Management cost centre where it was being held and applied to the Interest payable/receivable and MRP budget lines. The revised Total Service Expenditure budget is now £15,326,575.
10. Following the Senior Management Restructure, the reporting setup for monitoring has changed. The old distinction between Corporate and Operational Services has been removed and we are now reporting under the 9 Head of Service areas.
11. Table 2 below details the current forecast outturn position for Total Service Expenditure.

Table 2: Revenue Direct Service Expenditure Position

Head of Service Area	2023/24 Budget	2023/24 Forecast Outturn	Variance	Trf to / (Use) of Reserves	2023/24 Outturn Variance
	£	£	£	£	£
Chief Finance Officer / S151 Officer	4,777,960	5,084,422	306,462	0	306,462
Chief Legal Officer / Monitoring Officer	986,090	962,370	(23,720)	0	(23,720)
Head of Commercial Services and Development	1,007,790	1,066,530	58,740	0	58,740
Head of Community and Regulatory Services	861,830	942,390	80,560	0	80,560
Head of Environment and Operations	5,038,340	5,106,749	68,409	5,000	73,409
Head of Housing	5,165,845	6,877,685	1,711,840	0	1,711,840
Head of People and Business Support	712,550	732,210	19,660	0	19,660
Head of Strategic Programmes	1,769,060	1,920,675	151,615	0	151,615
Property and Commercial Assets Manager	(4,992,890)	(5,429,240)	(436,350)	0	(436,350)
Total Service Expenditure	15,326,575	17,263,791	1,937,216	5,000	1,942,216

12. The forecast overspend on Total Service Expenditure has decreased by £324,266 since last month (June 2023). The most notable variances causing this charge are:
- The underspend in Accountancy & Exchequer Services is (£72,600) better than forecast in Qtr 1 because of salary slippage from vacant posts.
 - A (£60,000) reduction in the forecast expenditure on Housing Renewal.
 - Additional income of (£54,400) for Unit Factories due the new micro units at Churchfields and a combination of rent reviews and renewed leases.
 - Additional income of (£141,700) for Properties & Estates due to a rent review at Lacuna Place for the DWP.

13. As part of the annual budget setting process a thorough and detailed analysis of the current year's budget is undertaken. This is then used to inform the future years budget. Previously, as a result of this work, the original budget was then revised in line with current and latest available information and forecasts. However, we will not be producing a revised budget going forward and instead will be monitoring and reporting throughout the year against the original budget. The original budget will however have virements (budget movements) between different areas, but the Total Expenditure budget will not change.
14. Appendix 1 provides a more detailed analysis of each directorate, and this report seeks to provide further narrative on the main variations identified.
15. At the time of writing, inflation continues to remain elevated and wage growth demands and energy costs are high. These factors are having a substantial impact on the Council's budgets and will lead to significant unavoidable additional expenditure which will need to be offset by savings from elsewhere within the budget or the use of our limited reserves.
16. The figures and estimates contained in this report were produced based on the latest available information, and as such could be subject to further change.
17. The 2023/24 staff pay rise is yet to be agreed. The current offer on the table is £1,925 per Full Time Equivalent (FTE) or 3.88% whichever is greater. At the time of setting the budget an assumption of a 3% salary increase was made. The salary costs in this report assume that a pay rise equivalent to the current offer is accepted, anything above this will result in additional costs as detailed in appendix 4.
18. The impact of the unbudgeted pay rise is impacting most service budgets. These are however out of the direct control of the service budget managers. In some areas this overspend will be offset against savings, thus reducing the adverse impact in the short term. Where this is the sole impact individual narratives for each area have been removed to avoid repetition within the report itself.

Chief Finance Officer / S151 Officer

19. This area is forecasting an overspend of £306,462.
20. A senior management restructure was undertaken during 2022/23 and took effect from 1st April 2023. The budget for the new Senior Leadership Team was therefore not confirmed nor were details of posts that were to be included at budget setting time. This budget has now been determined, but as it was not in place earlier, it now shows as an overspend of £112,320.
21. Accountancy and Exchequer Services is showing an underspend of (£124,320) due to salary slippage on vacant posts.
22. Revenues and Benefits Service is showing an overspend of £192,922 due to a delay in the planned restructure of the service. This has led to the continuation of the temporary staffing structure and reliance on additional agency members of staff

for longer periods than anticipated, coupled with additional demand being placed on the team to deal with extra grant schemes throughout the financial year. A full restructure is currently underway and will be concluded within this financial year.

23. Non Distributed Costs line is showing an overspend of £105,000 due to changes in the way actuaries calculate pension charges. An overspend is showing here which will be offset by savings on salaries within individual cost centres. However, this saving may not be viable due to other overspends within departmental salary budgets.

Chief Legal Officer / Monitoring Officer

24. This area is forecasting an underspend of (£23,720).
25. Cost of Democratic Processes is showing an underspend of (£36,430) due to the budget for the Special Responsibility Allowances being higher than necessary.

Head of Commercial Services and Development

26. This area is forecasting an overspend of £58,740.
27. The Cliff railway is forecasting £43,880 overspend due to the East Hill lift being closed for essential maintenance work until August. Initially loss of income was only anticipated for quarter 1.

Head of Community and Regulatory Services

28. This area is forecasting an overspend of £80,560.
29. The Fixed Penalty Notices income in the Waste and Environmental Enforcement team is showing a reduction of £15,000 due to lower staffing numbers at the beginning of the year and the delay in introducing the Dog PSPOs which would be expected to create some related fines.

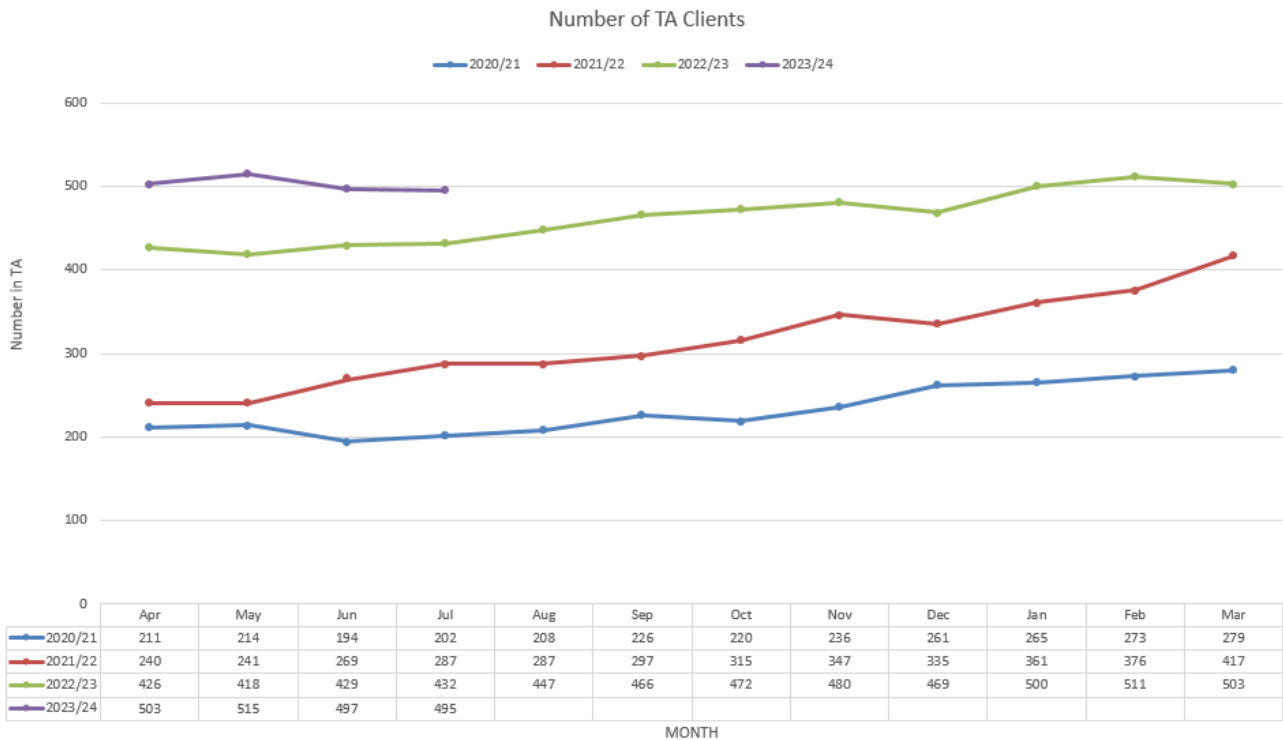
Head of Environment and Operations

30. This area is forecasting an overspend of £73,409.
31. Waste Services Management and Admin is showing an underspend of (£35,674) due to salary slippage on the Waste Manager post.

Head of Housing

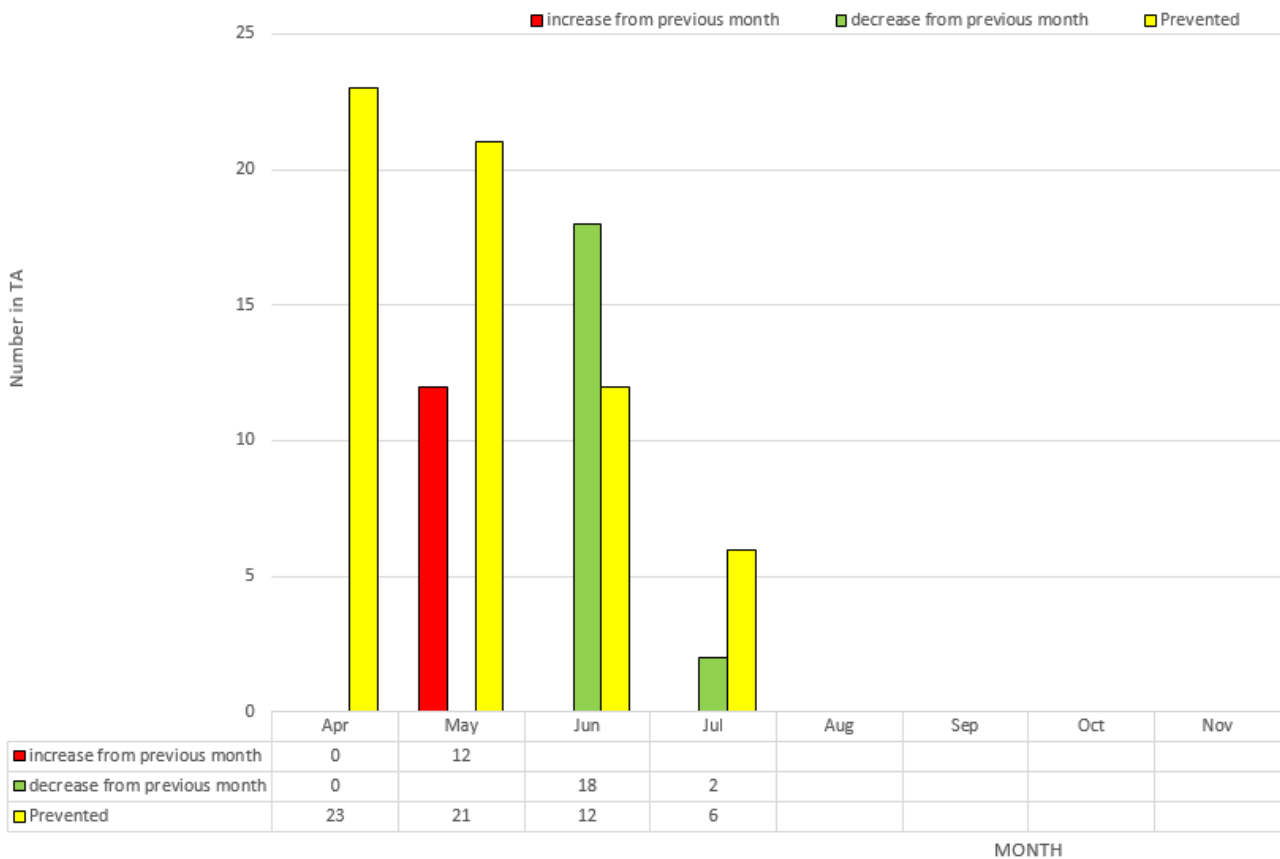
32. This area is forecasting an overspend of £1,711,840.
33. Dangerous structures work at Battle Road have now been completed and £147,570 has been spent to date this financial year. We are not anticipating any further expenditure and cost recovery for this year, and previous years is now underway. (NB the council took the action to remedy the dangerous structure in default following court action requiring the owners to undertake the works).
34. Housing Development Projects expenditure of £110,000 was agreed after the budget was set. In the previous financial year £62,900 was spent leaving £47,100 remaining for this year. To date £3,400 has been spent and the forecast expenditure for the year is £47,100. It is not expected that the full balance remaining will be required. As no budget was set for this expenditure it will show as an overspend.
35. Renewable Energy is showing an underspend (£207,610) due to 1 FTE vacant post and a hold on major expenditure due to limited staff capacity currently assigned in this area.
36. Homelessness (Temporary Accommodation) is forecasting an overspend of £697,790 due to an increase in provider costs, despite numbers of individuals in TA reducing. Additional staff resources were recruited in July with the purpose of reducing client numbers in Temporary Accommodation.
37. A PIER savings target of £1m was set when the budget was agreed in February 2023. Savings were not originally forecast to be achieved until Q4 once the initiatives of the Housing and Homelessness Taskforce started to take effect. The achievement of this saving has been made harder due to providers increasing their fees in line with inflation and delays in the delivery of social housing units.
38. The Rough Sleeper budget is projecting an overspend of £70,000 due to the ongoing accommodation of people in temporary accommodation who otherwise would have returned to rough sleeping following the 'Everyone In' accommodation offer in response to the pandemic. We are not forecasting any additional spend in this budget as we have been able to help the 3 remaining people accommodated to secure alternative, more settled, accommodation and they have either already moved or in the process of doing so in the next few weeks.

39. Housing Renewal is projecting to underspend by £53,330 due to Disabled Facilities Grant contribution to staff costs.
40. To demonstrate the growth in demand for temporary accommodation two graphs have been provided below. The first graph below demonstrates the growth in the number of Temporary Accommodation clients over the current year and past three years. The second graph shows successful preventions from entering Temporary



Accommodation and the increase/ decrease from the previous month figure.

Number of TA Clients



Head of People and Business Support

- 41. No major variances to report.

Head of Strategic Programmes

- 42. This area is forecasting an overspend of £151,615. However, a service review is underway and considering how this overspend can be reduced.
- 43. Development Management is showing an overspend of £90,250. The service budget is predicated on the assumption that we will receive major applications during the year which require significant work which is funded in part by the fee paid by the applicant. The trend has been that the council has received at least one major application in each of the last few years. As there are currently no major applications in the pipeline, the budget forecast will show a reduction of £75,000 income. Officers are developing a proposal to encourage those who may be submitting their major applications to do so ASAP while the council has resources to assess them.
- 44. Local Land Charges Register is showing an overspend of £56,500 as income is expected to be lower than budgeted. A detailed analysis will be undertaken as part of the service review and options to mitigate brought forward.

Property and Commercial Assets Manager

45. This area is forecasting an underspend of (£436,350). In non-accounting terms this is a positive picture demonstrating the vitality of our factory rentals.
46. Unit Factories are showing an underspend of (£142,400) due to additional income from the new factory micro units at Churchfields currently (£51,000) and a combination of rent reviews and renewed leases which have taken place in the last few months (£90,000).
47. The Properties and Estates cost centre is showing an underspend of (£316,000) mainly due to rent reviews at Lacuna Place for the DWP (£260,000) and Pebsham Tip (£60,000). Unforeseen additional repairs of £50,000 are required this year. The rest of the balance is made up of other rent reviews that have occurred and a couple of write offs.
48. St Mary in the Castle is showing an overspend of £20,000 on essential costs while the building is vacant.

Debt Repayment Costs

49. Table 3 below shows the debt repayment costs position. As discussed earlier in this report the budgets have been revised for a £500,000 saving that was budgeted to be achieved from reduced expenditure on the capital programme.
50. Even with the £500,000 reduction in the budgets an underspend of £42,400 is forecasted at year end. This is made up of a number of items which are discussed below.

Table 3: Debt Repayment Costs Position

Net Interest (Earnings) / Payments July Forecast - Period 4	Budget 2023/24	Forecast Outturn 2023/24	Forecast Year End Variance
Gross Interest Payable	2,436,000	2,435,000	(1,000)
Gross Interest Received	(899,000)	(900,000)	(1,000)
Net Investment Properties Income	(64,000)	(64,000)	0
Fees	10,000	10,500	500
Net Interest (Earnings) / Payments	1,483,000	1,481,500	(1,500)
Provision for the Repayment of Principal (MRP)	945,000	904,100	(40,900)
Total Debt Repayment Costs	2,428,000	2,385,600	(42,400)

Gross Interest Payable

51. The Council currently has 22 separate loans with the Public Works Loan Board (PWLB). These loans are a combination of maturity and annuity loans and are all at fixed rates, so the Council is protected from any rises in interest rates.

52. When setting the budget for 2023/24 a certain amount of borrowing was assumed to fund the capital programme. Due to delays and changes to plans in the capital programme the Council did not undertake additional borrowing at the end of 2022/23. This has resulted in a £375,000 budget virement being undertaken to reduce the budgeted expenditure on interest payable. This makes up part of the £500,000 capital programme revenue savings that was budgeted for. Against the revised budget a forecast underspend of £1,000 on interest repayments is anticipated.

Gross Interest Receivable

53. The Council currently has c£35m in investments. At the time of setting the budget interest rates were lower and expected to fall towards the end of the year. With inflation still being a cause of concern the picture now is less certain. Since the budget was set in February 2023 the Bank of England base rate has increased from 4.0% to 5.25% (as at 11th August 2023) and further increases may occur. This has resulted in a £75,000 budget virement being undertaken to increase the budgeted income from interest receivable. This makes up part of the £500,000 capital programme revenue savings that was budgeted for.
54. The increases in rates, and hence investment returns, have led to a forecast additional £1,000 in interest receivable (after the £75,000 budget virement). This figure could grow but is related to how quickly the capital programme progresses and consumes some of the funds we currently have invested.

Net Investment Properties Income

55. The Council has a few properties categorised as investment properties. These do not include the various industrial units and retail parks that the Council owns which are categorised as operational assets. The net income (i.e. income after all costs have been deducted) from investment properties is forecast to be £64,000 which is on budget with no variance.

Fees

56. The £10,500 expenditure on fees relates to the fees we pay our treasury management advisors for the advice they give us. This includes guidance on investment and borrowing strategies, interest rate forecasts, counter party risk analysis and many other technically complex areas. A minor overspend of £500 against the £10,000 budget will be incurred.

Provision for the Repayment of Principle (MRP)

57. The Council is required to make a Minimum Revenue Provision (MRP) payment in respect of its borrowing – to ensure the debt liability is repaid over an appropriate period.
58. As there was no borrowing in 2022/23 to fund the capital programme an underspend is forecast on the provision for MRP payments. This forecast includes making an additional £80,000 Voluntary Revenue Provision (VRP) payment which will be used in future years to offset increases in the MRP as a result of the revised MRP policy. This has resulted in a £50,000 budget virement being undertaken to reduce the MRP budget. This makes up part of the £500,000 capital programme revenue savings that was budgeted for.
59. It is anticipated that there will be a total underspend of £40,900 on MRP payments that need to be made in 2023/24 compared to the revised budget.

Capital Programme

60. The Council approved a gross capital programme budget of £29,322,000 for 2023/24. The adjusted Capital Budget for 2023/24 is £15,380,000 once carry forwards and budget revisions amounting to (£13,942,000) have been allowed for.
61. The capital programme has been reviewed and where possible programmes have been pushed back to future years in order to aid the revenue budget. For schemes that are funded by borrowing, postponing the scheme to future years will achieve revenue savings in the short-term by reduced interest and MRP payments. If capital receipts can be generated from asset sales this will further reduce the need to borrow and generate additional revenue savings.
62. As Table 4 below shows, the spend to the end of July, 4 months into the financial year, is £2,301,000 with the year-end forecast outturn expected to be £267,000. Further details are included in Appendix 2.

Table 4: Capital Programme (Gross expenditure)

	Original Budget 2023/24	Carry forwards & adjustments	Adjusted Budget	Spend to End July 2023	Forecast Outturn	Forecast Variance to Adjusted Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Total	29,322	(13,942)	15,380	2,301	15,647	267

63. The capital programme is forecasting a variance of £267,000. The two main variances are discussed below:
- Towns Fund Green Low Carbon Skills and Economy – A figure of £205,000 is forecast and whilst there is no budget we fully expect at this stage that all expenditure is grant funded.
 - Towns Fund Town to Sea Creative Quarter – A figure of £61,000 is forecast and this will also be covered by grant funding.

Reserves

64. The forecast movement on reserves is shown in the table below:

	Opening Balance at 1 April 2023	Forecast Movement 2023-24	Closing Balance at 31 March 2024
	£'000	£'000	£'000
(1) General Reserve	(7,599)	3,531	(4,068)
(2) Capital Reserve	(150)	0	(150)
(3) Renewal and Repairs Reserve	(1,656)	362	(1,294)
(4) Risk Management Reserve	(315)	15	(300)
(5) Information Technology Reserve	(274)	25	(249)
(6) On-Street Car Parking Surplus Reserve	(40)	0	(40)
(7) Section 106 Reserve (Revenue)	(426)	54	(372)
(8) Revenues & Benefits Reserve	(255)	255	0
(9) Countryside Stewardship Reserve	(28)	3	(25)
(10) Monuments in perpetuity	(46)	1	(45)
(11) Ore Valley Reserve	(250)	0	(250)
(12) Invest to save and efficiency Reserve	(87)	12	(75)
(13) Resilience and Stability Reserve	(900)	900	0
(14) Redundancy Reserve	(565)	225	(340)
(15) Safer Hastings Partnership Reserve	(98)	0	(98)
(16) Disabled Facilities Grant	(1,374)	0	(1,374)
(17) Housing Licensing reserve	(277)	205	(72)
(18) Community Housing Reserve	(11)	0	(11)
(19) Controlling Migration	(116)	0	(116)
(20) Towns Fund	(236)	0	(236)
(21) Section 31 - Grant Reserve	(6,336)	6,336	0
Total	(21,039)	12,324	(9,115)

65. The 2023/24 budget was set based on using a net contribution of £3.758m from reserves. This is comprised of £1.227m from Earmarked Reserves, £0.9m from the Resilience and Stability Reserve and £1.631m from the General Reserve.
66. The current 2023/24 year end forecast use of the General Reserve is £3.531m. This is £1.9m more than the budget agreed by Council in February as a result of Total Expenditure being above the £17.754m budget agreed.
67. There will be a separate paper to discuss the use and the detail of the earmarked reserves.

Review of PIER savings

68. Our previous external auditors observed that PIER savings are planned in detail within the council's annual budget process reports and savings identified are removed from the budgets once approved by Cabinet. They commented that there is opportunity to enhance reporting to Cabinet further by stating actual savings achieved compared to the original estimate.
69. It was recommended that management include the actual savings achieved against each PIER scheme following their implementation when reporting the outturn variance. This recommendation was accepted by the Council and reporting of the achievement of PIER savings was undertaken in the 2022/23 outturn report.
70. To take this a stage further we will now be reporting on the achievement of the 2023/24 PIER savings during the year as part of the budget monitoring process. Appendix 3 details the achievement of the savings in 2023/24 to date.
71. The 2023/24 budget identified net PIER savings of £1,162,550 and it is forecast that £77,550 of savings or 7% have been achieved at the end of July (Period 4).
72. Most savings have already been achieved and the budget reduced. Likewise, for the growth items, the budgets have been transferred to increase the budget, although potentially this may not be fully utilised this financial year and therefore could lead to savings upon further review.
73. It is now mainly dependant on the £1m saving of Temporary Accommodation costs to be achieved to generate any further improvement to the PIER savings list. As the majority of the savings planned for Temporary Accommodation were scheduled to be achieved in Q4 it is unlikely that we will see much improvement until later in the year. We will however, continue to monitor the position on Temporary Accommodation closely.
74. If the growth items and Temporary Accommodation saving are excluded, then 80% of the savings targets have been achieved to date.
75. Some of the savings can be hard to quantify and for these a commentary has been provided to help in the understanding of the figures. The savings have been colour coded (Red, Amber, Green) to enable quick identification of where savings may not be fully achieved. Growth items have been shaded in blue.

76. Appendix 3 only considers the PIER savings and does not look at other savings generated within the year or identify any non-related overspends.

MTFP Update

77. Appendix 4 details an update to the Medium Term Financial Plan (MTFP) after the latest financial position for 2023/24.

Conclusion and Management Action

78. The revenue forecast outturn is that an additional £1.9m will be spent compared to the original budget this financial year. All service managers, but particularly those predicting a year end overspend, have been asked to identify savings to offset the variances where possible. If offsetting savings cannot be found, then reserves will need to be used to balance the budget, taking the General Reserve far below the recommended minimum level of £6m.
79. The rise of inflation, particularly in relation to energy costs and staff pay demands, causes concern for the Council and is likely to have a significant impact on the year end position. The full impact on the year is uncertain and we will need to continue to monitor budgets closely and identify offsetting savings and further possible cost reductions to mitigate the effect.
80. Regular meetings between Members and officers are occurring to identify ways to reduce expenditure in the current year and future year budgets.
81. It should be noted that if it wasn't for the forecast overspend on Homelessness (£1.767m) the council would be reporting an overspend of £132,000 for the year which is less than the cost of the forecast increased pay offer to staff (£459,000). The council has setup the Homelessness Taskforce to cross departmental boundaries and identify and implement solutions to reduce the spiralling costs. This is recognised as a key corporate objective and work continues at pace. The graphs at paragraph 40 are starting to show the first tentative signs of a reduction in the number of people in temporary accommodation which is an encouraging sign.
82. There is a risk of potential delays to some capital programme schemes and variations in the year given the current climate and inflation increasing costs. Any slippage will be carried forward to future year capital budgets. Slippage on the capital programme could result in lower interest and MRP charges, delaying the impact to future years. The capital programme has been reviewed and where possible expenditure plans pushed out to future years to generate revenue savings on interest and MRP payments.
83. The further use of any reserves to balance the budget prejudices the potential to use reserves to fund future expenditure and would necessitate greater cuts to services and staff in future financial years to achieve a balanced budget and restore reserves to minimum recommended levels.

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
Continued monthly and quarterly monitoring	Each financial quarter	Relevant Cabinet meetings	Deputy Chief Finance Officer
Production of 2023/24 outturn Report	Financial year end (31/03/2024)	July 2024	Deputy Chief Finance Officer

Wards Affected

None

Implications

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

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

Additional Information

Appendix 1 Revenue Summary (July – Period 4)
Appendix 2 Capital Summary (July – Period 4)
Appendix 3 Achievement of the 2023/24 PIER savings during the year
Appendix 4 Medium Term Financial Plan Update

Officer to Contact

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GENERAL FUND REVENUE MONITORING

General Fund Activities	Cost Centre	2023/24 Original Budget excl. Recharges	Actuals	2023/24 Full year net Forecast excl. Recharges	2023/24 Total Full year Variance excl. Recharges	Transfer to / from reserves including carry forwards	2023/24 Total Full year Variance on General Fund
Senior Leadership Team	20101	1,105,970	275,044	1,218,290	112,320	0	112,320
Internal Audit Services	20107	205,690	(6,148)	205,810	120	0	120
Accountancy & Exchequer Services	20109	878,060	214,974	753,740	(124,320)	0	(124,320)
Revenues and Benefits Service	20110	1,443,720	512,841	1,636,642	192,922	0	192,922
Fraud Joint Working Initiative	20108	2,300	0	0	(2,300)	0	(2,300)
Corporate Expenses	20120	467,200	739,082	467,200	0	0	0
Housing Benefit Payments	20126	(116,590)	0	(116,590)	0	0	0
Housing Benefit Administration	20127	0	0	0	0	0	0
Rechargeable Works Orders Admin	20134	0	0	0	0	0	0
Fin. Serv.-Other Expend.& Income	20135	431,620	30,039	433,400	1,780	0	1,780
Corporate Management Costs	20124	218,860	(27,416)	239,800	20,940	0	20,940
Corp. Man. Non-distributed Costs	20125	177,600	94,994	282,600	105,000	0	105,000
Tax Collection Costs	20129	(244,170)	0	(244,170)	0	0	0
Household Support Fund	20346	0	(299,494)	0	0	0	0
LA EBSS GB Apps	20356	0	(383,360)	0	0	0	0
Energy Price Guarantee	20357	0	(18,000)	0	0	0	0
Contingency - General Fund	20164	107,700	0	107,700	0	0	0
Contingency - Repairs and Renewals Reserve	20165	100,000	0	100,000	0	0	0
Chief Finance Officer Total		4,777,960	1,132,555	5,084,422	306,462	0	306,462
Corporate Policy and Partnerships	20102	173,890	55,036	180,000	6,110	0	6,110
Legal Services	20106	395,930	105,529	402,530	6,600	0	6,600
Cost Of Democratic Processes	20138	416,270	154,658	379,840	(36,430)	0	(36,430)
Chief Legal Officer Total		986,090	315,224	962,370	(23,720)	0	(23,720)

GENERAL FUND REVENUE MONITORING

General Fund Activities	Cost Centre	2023/24 Original Budget excl. Recharges	Actuals	2023/24 Full year net Forecast excl. Recharges	2023/24 Total Full year Variance excl. Recharges	Transfer to / from reserves including carry forwards	2023/24 Total Full year Variance on General Fund
Marketing & Comms.Division	20178	47,210	14,110	48,730	1,520	0	1,520
1066 Country Campaign	20222	53,410	(19,396)	55,400	1,990	0	1,990
Tourism Marketing	20223	15,000	791	15,000	0	0	0
Battle Marketing	20224	0	0	0	0	0	0
Tourist Information Centre	20225	25,850	3,285	25,850	0	0	0
Community Awareness	20226	(300)	(1,212)	(300)	0	0	0
Seafood and Wine	20228	460	(11,120)	1,100	640	0	640
Midsummer Fish Festival	20237	0	1,699	570	570	0	570
R.T.P. - Hastings Week	20230	1,500	0	1,500	0	0	0
R.T.P. - Jack-in-the-Green	20231	6,800	9,066	9,010	2,210	0	2,210
R.T.P. - Old Town Carnival	20232	4,130	0	4,130	0	0	0
R.T.P. Events	20233	18,000	0	18,000	0	0	0
R.T.P. - Trolley Bus	20234	0	900	0	0	0	0
R.T.P. - Town Crier	20235	0	0	0	0	0	0
Meteorological Expenses	20239	2,420	977	2,420	0	0	0
Civic & Ceremonial Expenses	20240	15,600	5,320	15,500	(100)	0	(100)
Filming	20241	(4,990)	(16,378)	(4,500)	490	0	490
Hastings Castle	20246	16,030	(16,444)	16,030	0	0	0
St Clements Caves	20247	(10,000)	(5,000)	(10,000)	0	0	0
White Rock Theatre	20249	145,000	10,062	145,000	0	0	0
Leisure & Cultural Dev. Div.	20175	130,310	43,863	144,610	14,300	0	14,300
Falaise Hall	20258	13,230	2,522	13,230	0	0	0
Sports Centres	20259	(15,430)	(2,065)	(15,430)	0	0	0
Active Hastings	20264	4,720	(142,598)	4,720	0	0	0
Play Pathfinder	20267	3,000	0	3,000	0	0	0
Playground Projects	20268	0	(4,222)	0	0	0	0
Cultural Activities	20212	66,900	(4,103)	67,000	100	0	100

GENERAL FUND REVENUE MONITORING

General Fund Activities	Cost Centre	2023/24 Original Budget excl. Recharges	Actuals	2023/24 Full year net Forecast excl. Recharges	2023/24 Total Full year Variance excl. Recharges	Transfer to / from reserves including carry forwards	2023/24 Total Full year Variance on General Fund
Museums & Art Galleries	20251	349,010	65,574	349,010	0	0	0
Fisherman's Museum	20252	3,310	554	3,310	0	0	0
Museum - NPO fund	20255	0	(85,049)	0	0	0	0
Museums & Schools Project	20327	0	18,879	0	0	0	0
Regeneration Management & Admin	20177	18,740	3,737	19,070	330	0	330
Regeneration Activity	20208	155,250	(103,587)	145,300	(9,950)	0	(9,950)
External Funding Initiatives	20214	83,460	27,218	85,200	1,740	0	1,740
Community Cohesion	20215	27,310	0	27,310	0	0	0
Youth Windfall	20220	0	0	0	0	0	0
Youth Activities	20221	5,000	0	5,000	0	0	0
UK Shared Prosperity Fund	20354	0	(44,836)	0	0	0	0
Leveling Up - Parks Fund	20355	0	(47,560)	0	0	0	0
CHART CLLD	20269	0	(149,187)	0	0	0	0
CHART ESF	20320	0	284,557	0	0	0	0
Resort Services Management and Admin	20176	60,700	19,446	61,500	800	0	800
Coast Protection Sea Defences	20242	1,480	(6,969)	1,480	0	0	0
Navigational Aids	20243	3,290	1,631	3,290	0	0	0
Environmental Schemes (Net Huts)	20244	12,070	195	12,070	0	0	0
Cliff Railways	20245	(106,700)	(81,776)	(62,820)	43,880	0	43,880
Chalets & Private Hut Sites	20248	(289,080)	(238,083)	(289,080)	0	0	0
Seafront	20250	155,950	204,577	159,030	3,080	0	3,080
Sports Management	20257	(10,850)	1,323	(13,710)	(2,860)	0	(2,860)
Externally Funded:							
Towns Fund	20166	0	(404,547)	0	0	0	0
Commercial Services and Development Total		1,007,790	(663,846)	1,066,530	58,740	0	58,740

GENERAL FUND REVENUE MONITORING

General Fund Activities	Cost Centre	2023/24 Original Budget excl. Recharges	Actuals	2023/24 Full year net Forecast excl. Recharges	2023/24 Total Full year Variance excl. Recharges	Transfer to / from reserves including carry forwards	2023/24 Total Full year Variance on General Fund
Election Services	20103	181,820	47,233	185,400	3,580	0	3,580
Registration Of Electors	20136	76,730	41,216	76,800	70	0	70
Contact Centre	20113	506,630	154,111	502,500	(4,130)	0	(4,130)
Communications and Design	20324	142,070	44,670	144,300	2,230	0	2,230
Environment Management & admin	20169	616,190	164,910	641,500	25,310	0	25,310
Food Safety	20276	18,870	(679)	18,300	(570)	0	(570)
Health & Safety Enforcement	20277	(2,150)	(1,113)	(2,200)	(50)	0	(50)
Health & Safety Corporate	20278	22,800	5,911	22,800	0	0	0
Environmental protection	20279	10,240	9,576	11,900	1,660	0	1,660
Pest Control	20280	46,690	13,234	49,300	2,610	0	2,610
Local Licensing	20281	(35,340)	(156,661)	(25,500)	9,840	0	9,840
Social Metal Licensing	20282	(380)	(2,131)	(400)	(20)	0	(20)
Liquor Licensing	20283	(84,400)	(18,937)	(84,400)	0	0	0
Gambling Licensing	20284	(17,500)	(5,165)	(17,500)	0	0	0
Parking Service - Management and Admin	20317	535,470	162,478	556,500	21,030	0	21,030
Off Street Car Parking	20287	(1,400,820)	(887,537)	(1,398,710)	2,110	0	2,110
Hornbye Car Park	20288	(3,360)	(1,458)	(3,400)	(40)	0	(40)
Abandoned vehicles	20289	2,630	3,128	2,600	(30)	0	(30)
CCTV Control Room	20290	83,600	13,716	83,600	0	0	0
Waste and Environmental Enforcement Team	20297	(20,000)	(160)	(5,000)	15,000	0	15,000
Stray Dog Service	20285	45,560	12,331	45,600	40	0	40
Emergency Planning	20286	51,820	4,034	51,800	(20)	0	(20)
Safer Hastings Partnership (External Funding)	20300	0	9,795	0	0	0	0
Safer Streets	20337	0	(35,124)	0	0	0	0
Safer Streets 4	20352	0	0	0	0	0	0
Community and Regulatory Services Total		861,830	(451,626)	942,390	80,560	0	80,560

GENERAL FUND REVENUE MONITORING

General Fund Activities	Cost Centre	2023/24 Original Budget excl. Recharges	Actuals	2023/24 Full year net Forecast excl. Recharges	2023/24 Total Full year Variance excl. Recharges	Transfer to / from reserves including carry forwards	2023/24 Total Full year Variance on General Fund
Waste Services Management and Admin	20316	364,670	46,859	328,996	(35,674)	0	(35,674)
Public Conveniences	20315	313,090	84,598	313,090	0	0	0
Refuse Collection	20293	1,249,320	(49,970)	1,249,320	0	0	0
Street Cleansing	20295	11,740	1,523	11,740	0	0	0
Recycling	20294	940,000	(12,479)	940,000	0	0	0
Greenwaste	20296	(344,500)	(604,482)	(344,500)	0	0	0
Together Action	20298	15,000	0	15,000	0	0	0
Administrative Buildings - DSO Operational Building	20119	30,540	(3,105)	30,540	0	0	0
DSO Service	20323	1,260,470	1,205,992	1,331,239	70,769	0	70,769
Building Cleaning	20347	167,220	39,936	167,220	0	0	0
Cemetery & Crematorium	20303	(680,450)	(198,703)	(667,300)	13,150	0	13,150
Welfare Funerals	20304	8,240	38,054	8,240	0	0	0
Open Space Management	20170	240,810	99,119	252,500	11,690	0	11,690
Hastings Country Park - Parking	20312	(50,130)	(20,298)	(55,500)	(5,370)	0	(5,370)
Watercourses	20302	14,300	2,715	14,300	0	0	0
ESCC Highway Tree Maintenance	20291	(3,000)	(18,016)	(3,000)	0	0	0
Travellers Costs	20305	18,640	20,211	18,640	0	0	0
Town Centre	20306	16,500	3,123	16,500	0	0	0
Allotments	20307	(27,360)	(36,735)	(28,700)	(1,340)	0	(1,340)
Ecology	20308	7,000	100	2,000	(5,000)	5,000	0
Arboriculture	20309	149,820	38,379	153,584	3,764	0	3,764
Parks & Gardens	20310	1,267,080	342,404	1,281,630	14,550	0	14,550
Hastings Country Park	20313	87,580	50,172	89,450	1,870	0	1,870
Upstraw - INTERREG	20319	0	0	0	0	0	0
Countryside Stewardship	20314	24,000	16,937	24,000	0	0	0
Local Parks Improvement Funding Grant	20330	0	0	0	0	0	0
Hastings Country Park Grant Funded Works	20338	0	0	0	0	0	0
Foreshore Trust Recharge		(42,240)	0	(42,240)	0	0	0
Environment and Operations Total		5,038,340	1,046,334	5,106,749	68,409	5,000	73,409

GENERAL FUND REVENUE MONITORING

General Fund Activities	Cost Centre	2023/24 Original Budget excl. Recharges	Actuals	2023/24 Full year net Forecast excl. Recharges	2023/24 Total Full year Variance excl. Recharges	Transfer to / from reserves including carry forwards	2023/24 Total Full year Variance on General Fund
Housing Management & admin	20172	483,100	154,081	489,740	6,640	0	6,640
Dangerous Structures	20200	0	148,071	147,570	147,570	0	147,570
Housing Development Projects	20350	0	3,421	47,100	47,100	0	47,100
Renewable Energy Solutions	20321	203,610	(1,079)	(4,000)	(207,610)	0	(207,610)
Property Management							
Social Lettings	20184	(139,890)	47,504	(139,890)	0	0	0
HBC Owned TA	20351	102,900	72,666	102,900	0	0	0
Housing Company	20322	0	70	70	70	0	70
HOUSING OPTIONS							
Homelessness	20182	5,013,580	1,367,508	5,711,370	697,790	0	697,790
Homelessness Prevention	20348	(1,000,000)	9,900	0	1,000,000	0	1,000,000
SWEP (Severe weather Emergency Protocol)	20358	0	0	0	0	0	0
Rough Sleepers Prevention	20207	0	(857,168)	70,000	70,000	0	70,000
Homelessness Strategy	20185	41,620	(22,474)	41,620	0	0	0
Housing Register	20186	11,500	2,142	11,500	0	0	0
Deposits funded by ESCC and Discretionary Housing payments	20187	(4,280)	25,547	(4,280)	0	0	0
Youth Homelessness	20188	11,340	7,040	11,340	0	0	0
Homes for Ukrainian Refugees	20349	0	94,246	0	0	0	0

GENERAL FUND REVENUE MONITORING

General Fund Activities	Cost Centre	2023/24 Original Budget excl. Recharges	Actuals	2023/24 Full year net Forecast excl. Recharges	2023/24 Total Full year Variance excl. Recharges	Transfer to / from reserves including carry forwards	2023/24 Total Full year Variance on General Fund
Housing Renewal							
Building Control	20179	69,610	(69,610)	69,610	0	0	0
Housing Renewal	20191	226,530	10,607	173,200	(53,330)	0	(53,330)
Controlling Migration Fund	20193	0	36	0	0	0	0
Housing Licensing Team	20196	159,970	50,903	159,970	0	0	0
Housing Solution Services	20197	(3,310)	(145,832)	(4,200)	(890)	0	(890)
Housing - Works in Default	20198	0	0	0	0	0	0
EXTERNAL FUNDED							
Homeless Reduction Grant	20183	0	(1,235,924)	0	0	0	0
Syrian Resettlement Programme	20206	(10,435)	(82,152)	(10,435)	0	0	0
Afghan Resettlement Programme	20344	0	362,557	4,500	4,500	0	4,500
Resettlement Employability Project	20342	0	150,442	0	0	0	0
Household Support Fund	20346	0	0	0	0	0	0
Head of Housing Total		5,165,845	92,501	6,877,685	1,711,840	0	1,711,840
Personnel and Business Support	20111	441,640	119,953	455,200	13,560	0	13,560
Corporate POD Expenses	20112	126,910	59,524	126,910	0	0	0
Admin.Bldgs.-Town Hall	20116	26,080	(31,059)	12,680	(13,400)	0	(13,400)
Admin.Bldgs.- Muriel Matters House	20117	117,920	16,501	137,420	19,500	0	19,500
Head of People and Business Support Total		712,550	164,919	732,210	19,660	0	19,660

GENERAL FUND REVENUE MONITORING

General Fund Activities	Cost Centre	2023/24 Original Budget excl. Recharges	Actuals	2023/24 Full year net Forecast excl. Recharges	2023/24 Total Full year Variance excl. Recharges	Transfer to / from reserves including carry forwards	2023/24 Total Full year Variance on General Fund
Programmes and Compliance	20115	83,820	26,906	85,029	1,209	0	1,209
DCE-Information Technology Division	20121	609,050	184,435	601,000	(8,050)	0	(8,050)
Local Digital Cyber Fund	20353	0	(125,000)	0	0	0	0
IT Reserve Expenditure	20122	214,000	247,057	214,000	0	0	0
Land & Property Systems-GIS	20123	30,000	14,719	29,996	(4)	0	(4)
Local Land Planning Management and Admin	20173	45,930	(3,357)	46,450	520	0	520
Development Management	20180	507,150	142,161	597,400	90,250	0	90,250
Local Land Charges Register	20181	(125,800)	(41,746)	(69,300)	56,500	0	56,500
Planning Policy	20211	222,910	45,570	234,100	11,190	0	11,190
Local Plan	20341	182,000	(278,321)	182,000	0	0	0
Head of Strategic Programmes Total		1,769,060	212,425	1,920,675	151,615	0	151,615
Estates Services	20104	177,820	55,347	177,600	(220)	0	(220)
Employment Areas	20130	(410,700)	(202,847)	(410,700)	0	0	0
Unit Factories	20131	(1,640,350)	(958,260)	(1,782,750)	(142,400)	0	(142,400)
Properties & Estates	20132	(3,421,460)	(1,925,409)	(3,738,160)	(316,700)	0	(316,700)
St.Mary-in-the-Castle	20133	11,820	13,379	31,820	20,000	0	20,000
Admin.Bldgs.-General Expenses	20118	57,300	2,613	57,300	0	0	0
Contact Centre - Trading Account	20114	0	0	0	0	0	0
Building Surveyors	20105	159,430	50,334	162,400	2,970	0	2,970
Shelters and Seats (Highway)	20148	26,600	2,629	26,600	0	0	0
Naming and Numbering Streets	20149	8,070	1,482	8,070	0	0	0
Decorative Lighting	20150	38,580	26,183	38,580	0	0	0
Property and Commercial Services Total		(4,992,890)	(2,934,551)	(5,429,240)	(436,350)	0	(436,350)
DIRECT SERVICE EXPENDITURE TOTAL		15,326,575	(1,086,065)	17,263,791	1,937,216	5,000	1,942,216

Cost Centre	Description Of Scheme	Service Area	Original Budget 2023/24 (Gross) £000's	Carry forwards & adjustments (From 2022-23) £000's	Carry Fwd to future years	Adjusted Gross Budget £000's	Spend to 31st July 2023 £000's	Forecast Outturn £000's	Forecast Variance to Adjusted Gross Budget £000's
71240	Groyne Refurbishment	Resort Services	35	0	0	35	0	35	0
71241	Work on Harbour Arm and New Groynes	Resort Services	0	234	0	234	7	234	0
71290	MUGA Refurbishments	Leisure facilities	0	49	0	49	0	49	0
71292	TFC - Green low carbon skills & economy	Towns Fund	0	0	0	0	205	205	205
71294	TFC - Town to sea creative quarter	Towns Fund	0	0	0	0	61	61	61
71300	UK Shared Prosperity Fund (Capital)	Regeneration	0	0	0	0	1	1	1
71303	Cliff Railways	Resort Services	1,000	(226)	0	774	552	774	0
Head of Commercial Services and Development			1,035	58	0	1,093	826	1,359	267
71280	Priory Street Works	Parking and Enforcement	0	41	0	41	0	41	0
Head of Community and Regulatory Services			0	41	0	41	0	41	0
71249	Playgrounds Upgrade Programme	Parks & Open Spaces	0	44	0	44	0	44	0
71258	Buckshole and Shornden Reservoirs	Parks & Open Spaces	0	81	0	81	11	81	0
71301	Grounds Maintenance Equipment	Street, Beach & Toilet Cleansing	626	0	0	626	143	626	0
Head of Environment and Operations			626	126	0	752	155	752	0
71227	Private Sector Renewal Support	Housing Renewal	0	(0)	0	(0)	0	(0)	0
71228	Disabled Facilities Grant	Housing Renewal	2,056	603	(603)	2,056	339	2,056	0
71284	Rough Sleeping Accommodation Programme (was Next Steps Accommodation Pathway)	Housing	0	745	0	745	268	745	0
71288	Bexhill Road South (Housing & Car Park)	Housing	2,500	1,075	(3,575)	0	0	0	0
71289	Mayfield E (Housing)	Housing	4,500	0	(4,500)	0	0	0	0
71229	Empty Homes Strategy - CPO	Housing	0	50	0	50	0	50	0
71304	Housing Acquisition Programme	Housing	5,933	0	0	5,933	64	5,933	0
Head of Housing			14,989	2,473	(8,678)	8,784	671	8,784	0
71231	Restoration of Pelham Crescent/ Pelham Arcade	Development Management	350	0	(330)	20	0	20	0
71232	Road at Pelham Arcade	Development Management	60	603	(180)	483	0	483	0
71256	Energy and Solar Panels	Transformation Team	500	638	(638)	500	0	500	0
71267	Energy Generation - Unallocated	Transformation Team	2,300	0	(1,800)	500	0	500	0
Head of Strategic Programmes			3,210	1,241	(2,948)	1,503	0	1,503	0
71253	Conversion of 12/13 York Buildings	Estates Services	74	(47)	0	27	27	27	0
71259	Priory Meadow Contribution to Capital Works	Estates Services	288	250	(250)	288	0	288	0
71272	Churchfields Business Centre	Estates Services	0	359	0	359	312	359	0
71273	Development / Furbishment of Lacuna Place	Estates Services	0	114	0	114	0	114	0
71274	London Road and Shepherd Street	Estates Services	0	0	0	0	0	0	0
71275	Cornwallis Street Development	Estates Services	8,400	42	(6,442)	2,000	35	2,000	0
71276	Harold Place Restaurant Development	Estates Services	0	21	(20)	1	1	1	0
71285	Castleham Industrial Units	Estates Services	0	204	0	204	181	204	0
71302	Roof Refurbishment Programme	Estates Services	700	0	(700)	0	0	0	0
71305	Hastings Retail Park	Estates Services	0	0	0	0	0	0	0
71306	Bexhill Road Retail Park	Estates Services	0	214	0	214	93	214	0
Property and Commercial Assets Manager			9,462	1,158	(7,412)	3,208	649	3,208	0
Grand Total			29,322	5,096	(19,038)	15,380	2,301	15,647	267

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Achievement of the 2023/24 PIER savings during the year - July 2023 update

Proposals	2023/24	Savings to date	RAG	Comments
Savings identified during the PIER process for the 2023/24 budget supporting information set out in Budget Book Appendix L				
REVIEW and REDUCE: On-going programme to review and reduce service costs and staffing expenditure (combination of approaches) to a total of £1m over three years. Posts to be deleted by start of 23/24 are all either vacant or are voluntary severance requests	£275,000	£235,000	Amber	The savings target of £275k is comprised as follows: £14k - HR Reduction in Hours / Flexi Retirement, £36k - Deletion of 1 x FTE Planning Senior Enforcement Officer, £25k - Deletion of 1 x FTE Customer Service Officer, £50k - Renewable Energy Post, £100k one year saving for 4 x vacancies in DSO Street cleaning, £25k - R&B Restructure, £25k - Finance Restructure
REDUCE and COST AVOIDANCE: Temporary Accommodation Costs Reduction Strategy	£1,000,000	£0	Amber	Savings are not expected to be achieved until Q4. There is a risk that the saving will not be achieved as the cost of TA has increased.
Total	£1,275,000	£235,000		
Other Savings Items				
STOP: Emergency Planning – Stop satellite phone and One Voice IT system	£3,300	£3,300	Green	Achieved. Budget has been reduced.
REDUCE: Communications – Saving on printing, etc.	£500	£500	Green	Achieved. Budget has been reduced.
REDUCE: Community safety – Reduce funding for community safety initiatives	£5,000	£5,000	Green	Achieved. Budget has been reduced.
STOP: Cemetery and Crematorium external cleaning contract	£2,500	£2,500	Green	Achieved. Budget has been reduced.
REDUCE: Provision of live meeting streaming - continue only Full Council, Audit, O&S and Planning meetings.	£5,000	£5,000	Green	Achieved. Budget has been reduced.
REVIEW grants/delivery of events: No changes in 2023/24 or first half of 2024/25.	£0	£0	Green	No saving this year
St Leonards Festival £8k	£0	£0	Green	No saving this year
Chess congress £10k	£0	£0	Green	No saving this year
Old Town Carnival £4k	£0	£0	Green	No saving this year
Jack in the Green £5k TBC (£3k reduction already agreed last year)	£0	£0	Green	No saving this year
Hastings Week £1k	£0	£0	Green	No saving this year
STOP: Support for 2023 Town Crier's competition	£2,000	£2,000	Green	Achieved. Budget has been reduced.
STOP: Contribution to 1066 Country Campaign marketing campaign and focus on Hastings-only marketing divert staffing to marketing Hastings as a destination.	£50,000	£50,000	Green	Achieved. Budget has been reduced.
REVIEW and REDUCE: Museum running costs and seek a strategic partnership solution to the sustainable future of the museum	£25,000	£25,000	Green	Achieved. Budget has been reduced.
REDUCE: Contribution to Hastings Contemporary (currently £30k p.a.)	£5,000	£5,000	Green	Achieved. Budget has been reduced.
REVIEW: Options for cost effective provision of public toilets and meeting spiralling vandalism costs	£0	£0	Green	No saving this year
REDUCE: Maintenance costs of decorative lighting across the borough (total net cost is currently £72k)	£40,000	£0	Amber	Budget has been reduced. High energy costs may make saving unachievable.
REDUCE: Expenditure/seek commercial sponsorship for Christmas trees (£7,500 budget)	£5,000	£0	Amber	Budget for income created. No known sponsorship agreements achieved to date.
STOP: Funding Visitor Information Centre at SCCH (net cost £30k) and divert 50% of the budget to marketing Hastings as a destination	£15,000	£15,000	Green	Achieved. Budget has been reduced.
Total Savings	£158,300	£113,300		
Growth Items and Budget adjustments				
Emergency Planning – budget for out of hours on call payments (silver/gold/rest centre) adjusted to meet needs	£4,000	£4,000	Blue	Budget has been increased.
Local Plan evidence research required earlier than profiled to enable plan to be submitted to Examination in Public stage	£50,000	£50,000	Blue	Budget has been increased. Any underspend at year end will be transferred to an earmarked reserve.
Green Investment Fund Created (1% of HBC net budget) to invest in climate emergency activity - to include officer resources, activity and investment in alternative fuels for the waste fleet	£150,000	£150,000	Blue	To be transferred to Reserves for future use
Funding for external support and advice required to review the council's governance system - as per motion agreed by Full Council 15th Dec 2022	£30,000	£30,000	Blue	Discussions still ongoing around timelines for expenditure.
Establish a Hastings specific Tourism & Marketing function with savings from 1066 and VIC closure after Summer 2023 season	£15,000	£15,000	Blue	Budget has been increased.
Pilot to tackle anti-social behaviour in urban and countryside parks (post will be part-year 24/25 and 25/26)	£0	£0	Blue	No growth this year.
New temporary part-time post to promote Voter ID requirements recently introduced by government. Including a Temporary part time post from October 2023.	£21,750	£21,750	Blue	Budget has been increased.
Total Growth	£270,750	£270,750		
NET Total of Savings / Growth	£1,162,550	£77,550		

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Report To: Cabinet

Date of Meeting: 4 September 2023

Report Title: Appendix 4 – MTFP Update

Report By: Kit Wheeler
Chief Finance Officer

Key Decision: No

Classification: Open

Purpose of Report

To update Cabinet on the impact on the Medium Term Financial Plan (MTFP) after the latest Financial Outturn Position for 2022/23.

Introduction

1. The Medium Term Financial Plan (MTFP) seeks to identify the financial risks that will impact the annual budgets for each of the next 3 years, and the anticipated resources that will be available to the Council.
2. It should be aligned to the latest Corporate Plans and objectives and will need to be updated regularly as latest information becomes available. Given the financial position of the Council, a regular updated MTFP will be included as a separate Appendix in all future financial reports to aid future budget discussions and provide a consistency and information flow from these reports to others that are produced throughout the year.
3. Since the budget was agreed back in February 2023 there have been a number of changes which will have a significant impact on the reserve position and financial future of the Council which were estimates at the time of producing the original MTFP and budget. These include the final outturn position at the end of the 2022/23 financial year which was part of the previous update to Cabinet in July 2023.
4. The MTFP was included as part of the Budget papers agreed by Council in February 2023.

Changes from original MTFP Forecast (2022/23)

5. Table A below is an extract from Appendix G – Revenue Budget Forward Plan which was included in the 2023/24 Budget papers agreed by Council.

Table A

Revenue Budget Forward Plan	2022-23 Projection £000's	2023-24 Projection £000's	2024-25 Projection £000's	2025-26 Projection £000's	2026-27 Projection £000's
Direct Service Expenditure (Net)	17,217	14,527	13,219	11,517	10,747
Funding Commitments:-					
Reimbursement of Election Costs (bi-annually)		0	(70)	0	0
Fees and Charges		0	(367)	(587)	(734)
Other:					
Contingency Provision	0	300	300	300	300
Interest (net of Fees) & other Adjustments	985	1,933	3,009	2,994	3,103
Minimum Revenue Provision (excl. Inc Gen Adj)	920	995	1,397	1,760	1,760
Contribution to Reserves	689	689	689	689	689
Net Use of Earmarked Reserves	(3,082)	(1,916)	(1,916)	(1,916)	(1,916)
Net Council Expenditure	16,729	16,528	16,261	14,757	13,949
Funding					
Contribution To General Fund	(13,369)	(13,997)	(14,742)	(15,068)	(15,403)
Funding Shortfall / (Surplus)	3,360	2,531	1,518	(311)	(1,454)
(Use of) / Trf to General Reserve	(3,260)	(1,631)	(1,518)	311	1,454
Use of Resilience and Stability Reserve	(100)	(900)	0	0	0
Net Funding Shortfall / (Surplus)	0	0	0	0	0
General Reserve Balance (31st March)	6,438	4,807	3,289	3,600	5,053

6. As can be seen from table A above, we were originally forecasting that there would be a Net Direct Service Expenditure at the end of 2022/23 of **£17.217m**. However, from the previously presented finance report back in July this figure was in fact **£16.608m**. This represented a financial improvement of **£609k** compared to the original budgeted outturn for the financial year.
7. Table A also shows that we were originally forecasting that there would be net Interest Expenditure of **£985k** in total at the end of 2022/23 financial year. However, from the previous finance report back in July this figure was **£663k**. This represented a financial improvement of **£322k** compared to the original budgeted outturn for the financial year.

8. Table A also includes MRP forecast costs of **£920k** for the financial year 2022/23. The actual MRP (Minimum Revenue Provision) was **£870k** for the financial year of 2022/23. This represented a financial improvement of **£50k** compared to original budgeted forecast outturn for the financial year.
9. Therefore, in total, there were positive financial outcomes in total of **£981k** for 2022/23 financial year compared to the original revenue budgeted forecast.

Earmarked and General Reserve Changes from Original MTFP Forecast (2022/23)

10. The General Fund Balance is the only reserve that is in effect not earmarked for a specific purpose. It is set at a level recommended by the Chief Financial Officer and currently as part of the Reserves policy for Hastings Borough Council this is set as a minimum recommended level of £6m. It represents a working balance of resources that could be used at very short notice in the event of a major financial issue.
11. As part of the Reserve Review piece of work, this level of recommended minimum balance will be reviewed along with all Earmarked Reserves based on the latest Risks and pressures facing the Council.
12. The estimated remaining balance of the General Reserve at the end of 2022/23 financial year was expected to be **£6.438m**. The actual balance was **£7.599m**. This represents a financial improvement of **£1.161m**.
13. Earmarked Reserves are those that have been set aside for a specific purpose e.g. DFG (Disabled Facilities Grant) and should only be used for specific intended purposes only. Effectively everything else other than the General Reserve.
14. The estimated Earmarked Reserves balance at the end of 2022/23 financial year was **£12.787m**. The Actual balance was **£13.440m**. This represents a financial increase of **£653k**. However, unlike the General Reserve and the revenue budget position, this change relates to a number of different specifically identified areas and does not mean that any underspend will lead to a reduced spend in those areas. It could be slippage of spend from one financial year to the next, or income received in advance of spend.
15. A full Reserves review process will cover the use of, and the number of, Earmarked Reserves to ensure that we are fully mitigating the risks to the Council and a separate report is due to be presented at the next Cabinet in October.
16. It should be noted that the Council has still not had an Audit opinion on its 2020/21, 2021/22 and now 2022/23 accounts, so these figures could potentially change and are therefore considered draft until those opinions are provided by our External Auditors Grant Thornton.

Changes from previous MTFP Forecast (2023/24 onwards)

17. The end of 2022/23 provided some welcome improvements in the areas mentioned within this report. However, there are a number of unwanted financial pressures that were previously not included in the MTFP that we are anticipating for 2023/24 onwards.
18. Since the budget was set in February, ongoing negotiations between unions and the LGA are continuing around the level of staff pay increases. With no confirmed figure being agreed we are still having to use best estimates at this stage.
19. However, since the last iteration of this report on the 13th July 2023 the prime minister Rishi Sunak announced that Public Sector workers including Police Officers, Junior Doctors and Teachers in England will be given at least a 6% pay award and that it will need to be funded from current departmental budgets.
20. Therefore, despite the Prime Minister omitting to mention Council staff in his announcement, it would be prudent and sensible to include a similar figure in our forecasts as a likely pay award amount to staff. This is despite negotiations continuing with unions and figures potentially being higher (or lower).
21. It should be noted that Government departments had they themselves originally budgeted for 3.5%. This compares to 3% that Hastings Borough Council budgeted for, so therefore not widely different in terms of expectations and forecasts.
22. As previously reported, this is coming at the same time as changes in pension contribution rates and the way they are calculated by actuaries and accounted for by the Employers, mean that the employer contribution rates have increased as well.
23. Whilst we cannot at this stage be certain of what level of pay award will be agreed, a number of different scenarios have been calculated in order to understand the impact on the council's budget.
24. Previously the pay award had included a minimum level of pay award to staff which was a set amount of £1,925. This was not mentioned as part of the Prime Ministers announcement back in July so the assumption is that it will not be included this time around.
25. Therefore, all figures listed for staff pay awards will be based on no minimum amount and a straight percentage increase instead. However, for comparison in brackets will be shown the financial impact if there was to be an agreed minimum amount of £1,925 with the following examples provided below.
 - If a pay award of **5%** was agreed that would lead to additional budget in 2023/24 being required of **£305k (£499k)**.
 - If a pay award of **6%** was agreed that would lead to additional budget in 2023/24 being required of **£447k (£563k)**.
 - If a pay award of **7%** was agreed that would lead to additional budget in 2023/24 being required of **£589k (£647k)**.

26. As you can see from the figures above the financial impact is considerable, and when this figure reaches 7% the costs start to rise by a greater difference between percentage points. Therefore, the Council must assume at least a minimum of 6% in its medium term financial strategy forecasts and an additional anticipated financial burden of **£447k** this financial year.
27. There are also a number of other areas of concern and pressures for future years additional costs or loss of income which have not been identified or included, such as proposed legislation changes around Food Waste collection and Garden Waste charging, of which details are still not fully known.
28. There is also the ongoing concern around the Temporary Accommodation costs continuing to increase and threat of numbers of people presenting as homeless not decreasing in the way we would have hoped, as seen by the latest financial report, resulting in savings needing to be increased in other areas to respond to this.
29. At Augusts Cabinet meeting it was agreed to dispose of Assets and this will lead to welcome Capital Receipts which can be used to offset any additional borrowing costs for the Capital programme. This will lead to reductions in interest and MRP (Minimum Revenue Provision) charges to the revenue account. These figures are still being calculated in terms of impact so will be included in future reports once full timelines are known.
30. The Finance team continue to produce finance monitoring reports which is in conversation with budget holders and SLT colleagues. However, there are currently high value fluctuations month on month which provide a level of uncertainty for longer term forecasting which needs to be addressed.
31. As part of this process to try and improve the confidence in the figures, finance staff are working with budget holders to identify any training needs and where there are gaps in knowledge or understanding try to resolve this as quickly as possible. There is also a planned upgrade to the finance ERP system later this financial year in which it is hoped this will lead to better information and user experience for staff which is imperative in fully understating the budget areas as well as being able to accurately forecast for future plans.
32. Income forecasts for Fees and Charges, Council Tax, Grant funding and any others will be updated when those areas have more detailed work behind them to feed into this update.

33. Table B below shows the revised MTFP based on the currently known figures and any subsequent changes being documented within this report for transparency purposes.

Table B

Revenue Budget Forward Plan	2022-23 DRAFT Actual £000's	2023-24 Projection £000's	2024-25 Projection £000's	2025-26 Projection £000's	2026-27 Projection £000's
Service Expenditure (Net)	16,608	17,715	18,835	18,929	18,393
Funding Commitments:-					
Reimbursement of Election Costs (bi-annually)		0	(70)	0	0
Fees and Charges		0	(367)	(587)	(734)
Other:					
Contingency Provision	0	300	300	300	300
Interest (net of Fees) & other Adjustments	663	1,481	1,500	2,000	2,000
Minimum Revenue Provision (excl. Inc Gen Adj)	870	904	939	976	1,014
Contribution to Reserves	689	689	689	689	689
Net Use of Earmarked Reserves	(1,348)	(2,661)	(1,916)	(1,916)	(1,916)
Net Council Expenditure	17,482	18,428	19,006	18,872	19,193
Funding					
Contribution To General Fund	(15,283)	(13,997)	(14,742)	(15,068)	(15,403)
Funding Shortfall / (Surplus)	2,199	4,431	4,263	3,804	3,790
(Use of) / Trf to General Reserve	(2,099)	(3,531)	(4,068)	0	0
Use of Resilience and Stability Reserve	(100)	(900)	0	0	0
Net Funding Shortfall / (Surplus)	0	0	195	3,804	3,790
General Reserve Balance (31st March)	7,599	4,068	0	0	0

34. As can be seen from Table B above, the General Reserve balance has worsened with the latest figures included in the main report for 2023/24.

35. The General reserve balance is now showing £4.068m at the end of 2023/24 financial year compared to originally showing £4.807m. This represents a negative change of £739,000 for this financial year and the expectation that the General Reserve will be zero by the end of the next financial year.

Section 151 Officer - Conclusion

36. The current financial position is continuing to worsen and remains critical. There will always be unexpected cost pressures that cannot be predicted, and that is what the General Reserve is effectively there to mitigate against the risk of.
37. The General reserve balance is currently predicted to fall below the current minimum recommended level within the current financial year and now remain there for the length of this MTFP. That should be addressed as quickly as possible, and something highlighted as part of the recent Financial Peer Review work.
38. Despite the best efforts of officers and Councillors of this Council to address the financial emergency, the combination of anticipated pay award and in particular increasing costs of Temporary Accommodation to house the homeless and vulnerable even with savings targets being achieved in the majority of other areas it will not be enough to prevent the General Reserve balance being exhausted within the next financial year.
39. Therefore, in reaction to this worsening position, officers have already held further discussions with colleagues at the Department for Levelling up, Communities and Housing (DLUCH) and our External Auditors (Grant Thornton) around the next potential options available to us as a Council.
40. Discussions are also ongoing with CIPFA (Chartered Institute of Public Finance & Accounting) to provide Councillors with a briefing session on the implications of a Section 114 notice being issued by the Section 151 Officer. This must be stressed will be the last option taken and officers are hopeful that discussions with colleagues elsewhere will lead to positive outcomes being achieved in order to prevent this situation occurring.
41. It should also be noted that Hastings Borough Council is not the only Council in discussions with Colleagues at DLUCH. It is becoming more and more common for Councils, (potential estimate of over a hundred other Councils) are in current discussions around financial support with central Government departments.
42. If a Section 114 notice is issued to Hastings Borough Council by the Section 151 Officer, it will be a very different scenario in terms of reasons that have previously been cited elsewhere more recently across the sector.
43. This Council is struggling to cope financially with the demand placed upon it by the Housing Crisis, despite some excellent work being done locally by the Housing team and other colleagues supporting them.
44. However, with the Housing crisis continuing nationally and showing no signs of abating the impact on this Council, along with many, many others will be substantial across the country unless something is done immediately to help address this issue.

Wards Affected

All

Policy Implications

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

Additional Information

None

Officer to Contact

Kit Wheeler

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Agenda Item 5



Report To: Overview and Scrutiny

Date of Meeting: 19th September 2023

Report Title: Overview and Scrutiny LGA Finance Peer Review Meeting

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

Key Decision: N

Purpose of Report

As part of the Overview and Scrutiny work programme they would like to discuss the LGA Finance Peer review report with Council Leadership.

Recommendation(s)

Overview and Scrutiny note the discussions during the meeting and establish next steps in their line of inquiries as necessary.

Reasons for Recommendations

Overview and Scrutiny are responsible for setting their own work programme and investigating each line of inquiry.

Introduction

1. At the Annual Overview and Scrutiny meeting held on 27th July 2023, the committee confirmed their work programme for the municipal year. The report for this meeting can be found [here](#)
2. As part of their work programme, Overview and Scrutiny wanted to meet with Council Leadership to discuss the Local Government Association (LGA) Finance Peer Review.

Local Government Association Finance Peer Review

3. The LGA Finance Peer Review was conducted in March 2023 by an external team of experienced Councillors and Officers looking at the Council's financial processes and practices. The idea of the review is that the 'peers' provide challenge and recommend changes based on their shared learning.
4. Cabinet discussed the response to the LGA Finance Peer review at their meeting held on 7th August 2023. The report for this meeting can be found [here](#)
5. The final report makes a list of 13 recommendations. The Council is has had an action plan in place for each recommendation and has actively been working in strengthening its financial position.

Overview and Scrutiny

6. Overview and Scrutiny will review the LGA finance peer review findings and the response to this. These will be used to form their lines on enquiry.
7. Overview and Scrutiny will review the recommendations and the associated action plan. They will be like to hear how recommendations have been implemented from August and what to expect in the near future.

Timetable of Next Steps

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

Action	Key milestone	Due date (provisional)	Responsible
Overview and Scrutiny to hold review meeting	Review Meeting	19 th September	Overview and Scrutiny
Overview and Scrutiny to decide next steps in review as necessary	Next steps in review	19 th September	Overview and Scrutiny

Wards Affected

Report Template v30.0R

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

Cabinet report: Response to Local Government Association Finance Peer Review report (7th August 2023)

Officer to Contact

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Agenda Item 5



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

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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.
- Page 59
- 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.

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

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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 63
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.

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.

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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.

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.

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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





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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.