

**Report to:** Overview & Scrutiny Committee

**Date of Meeting:** 17 December 2019

**Report Title:** Financial Monitoring Quarterly Reports for 2019/20 – Quarter 2

**Report By:** Simon Jones, Chief Accountant  
Accountancy and Exchequer Services

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### **Purpose of Report**

To provide a summary of the interim outturn position for services at the end of September 2019 (excluding capital financing charges and recharges).

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### **Recommendation(s)**

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

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### **Reasons for Recommendations**

To assist the council in understanding the financial position and particularly areas of over and under spend. This assists in identifying areas for review in the revised 2019/20 budget and the production of the 2020/21 budget.

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## Background

1. The 2019/20 budget agreed by Council was £13,325,158. This figure excludes the contingency budget (£300,000) which is held separately.

**Table 1: Revenue position**

Directorate	2019/20 Net Budget	2019/20 Forecast Outturn	Variance	Trf to / (Use) of Reserves	2019/20 Estimated Outturn Variance
	£'000	£'000	£'000	£'000	£'000
Operational Services	8,935	9,256	321	(175)	146
Corporate Resources	4,390	4,435	45	(32)	13
<b>Total</b>	<b>13,325</b>	<b>13,691</b>	<b>366</b>	<b>(207)</b>	<b>159</b>

2. The second quarter is normally a good indication of the future outturn as managers can more accurately financially assess their operations compared to the budgeted position. The overall revenue forecast identifies a potential deficit of £159,000 once reserve funded items amounting to £207,000 are excluded.
3. Appendix 1 provides a more detailed analysis of each directorate and this report seeks to provide further narrative on the main variations identified.

## Operational Services

### Environmental Health

4. The service is showing a positive variance of (£30,316) against the 2019/20 original budget.
5. The Environmental Protection contractor budget has (£10,000) ongoing savings identified.
6. The Licensing Team has (£21,000) salary savings identified but faces reduced income of £10,000 in respect of "Pavement - Tables and Chairs" licensing returning to East Sussex County Council. Local licensing is anticipating (£20,000) additional income in other areas mainly taxis. There is also £6,400 anticipated reduced income on Gambling Licensing as fewer establishments are opening.

## **Waste and Parking**

7. The service is showing a positive variance of (£70,809).
8. There are savings due to salary slippage in the Wardens service amounting to around (£75,000). However, due to there not being a full team, the Fixed Penalty Notices income is down by £49,000. There are savings of (£1,700) identified on transport as one of the vehicle leases is not being renewed and (£1,000) ongoing savings identified within supplies and services.
9. Off Street Parking is showing a forecast reduction of income against the budget of £40,000, there are cash collection savings of (£9,500) from the new contract. However, we are anticipating paying an additional £18,000 in bank fees following increased usage of Chip and Pin and the Ringo paying methods.
10. Public Conveniences is showing a forecast additional spend of £16,330 due to increased utilities costs. One of the main reasons for this is the cesspit emptying costs at West of Haven (Chalets).
11. There is a saving of (£15,000) on systems costs following the end of the Waste contract.
12. For the Street Cleansing DSO we are expecting salary costs to be around (£25,000) lower due to changes in weekend working and therefore less use of overtime and agency workers. Fuel costs are less due to a lower fuel price than originally estimated and the servicing of the vehicles is also showing an under spend as the vehicles are new. This gives us a (£54,430) reduction in forecast spend against the original budget on vehicles.
13. The £19,000 income for Weed Spraying will no longer be received as this service has gone back to East Sussex County Council. We will however be receiving an additional (£11,420) in Recycling credits for the first quarter – no longer receivable thereafter.
14. Additional clear ups for events and sales of recycling bins are expected to bring in an additional (£5,000) each by the end of the year. There is also an additional (£20,000) expected from Green Waste income.
15. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

## **Amenities**

16. The service is showing a positive variance overall of (£87,524) against the 2019/20 original budget.
17. The main variance in the service is an (£86,260) refund received for Business Rates at the Cemetery and Crematorium following a review, the refund is for the last three years and we will have an annual saving of (£35,000) going forward from this.

18. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

### **Marketing and Major Projects**

19. The service is showing an adverse variance of £5,485.
20. "Happy Harold" Trolley Bus has needed repairs costing £11,000
21. A breakdown of the variances are shown in Appendix 1.

### **Regeneration**

22. The service is showing a positive variance of (£85,283).
23. Planning Policy is showing a positive variance of (£75,579) due to two staff vacancies. We have also received £30,000 grant from New Burdens towards staffing.
24. External Funding Initiatives has identified (£6,474) in savings due to reduction of travelling and conferences.
25. A breakdown of the variances are shown in Appendix 1.

### **Leisure**

26. The service is showing a positive variance of (£27,169) against the 2019/20 original budget. Play Development Officer has left the council and the post is remaining vacant for present.
27. A breakdown of the variances are shown in Appendix 1.

### **Resort Services**

28. The service is showing an overspend of £65,797 against the 2019/20 original budget.
29. Cliff Railway is showing an adverse variance of £63,195 as one of the lifts has been out of action needing repair. Income budget was increased to match price increase but quarter 1 figures were on par with 2018/19 and will now be significantly down as the lift has been out of action during its busiest period waiting for repair. The repairs budget will also be significantly overspent.
30. White Rock Theatre is showing a positive variance of (£24,801) as backdated profit share has now been paid.
31. A breakdown of the variances are shown in Appendix 1.

## **Housing and Built Environment**

32. The service is showing an overspend of £375,684 against the 2019/20 original budget.
33. Homelessness budget is showing a projected overspend of £355,263. As detailed in previous reports the demand for bed and breakfast is significant with a lack of affordable properties to move into. In October Cabinet approved a new business case for the Social Lettings Agency, which will expand the private sector leasing scheme which will improve move on options from bed & breakfast accommodation. The Council is also undertaking a second round of capital investment in its own emergency accommodation in order for us to manage the increasing demand more cost effectively.
34. Social lettings is showing an adverse variance of £19,346 mainly due to additional staff being recruited to manage the increasing property portfolio in order to reduce spend in the Homelessness Budget.
35. Local Land Charges - Income has continued to drop compared to previous years and the number of personal searches has reduced. A projected £53,430 adverse variance is expected due to reduced income.
36. Development Management is showing a positive variance of (£99,210), £60,000 carry forward from Scanning project, £20,000 related to restructure from vacancies and £18,000 following the latest budget review meeting.
37. The remaining balance is made up from various other minor variances which are shown in Appendix 1.

## **Corporate Services**

38. The total service shows a deficit of £12,775 between the original 2019/20 budget and forecasted outturn.
39. Internal Audit are showing a forecast overspend of £16,625. Internal Audit staff are currently backfilling work on the Enterprise Resource Planning (ERP) system implementation. £12,000 is to be vired from the Accountancy budget to backfill officer time taken up on the ERP project in order to complete the Audit schedule. There is also a £3,131 reduction in income as we are no longer recovering 1<sup>st</sup> level controller costs for the European grant funding Climate Active Neighbourhoods (CAN) project due to changes in staffing.
40. Accountancy and Exchequer services are showing an under spend of (£11,875). Of the £24,000 carry forward for external staffing at year end and budget (£12,000) is to be transferred to Internal Audit to cover ERP work. The rest is made up of minor variances identified in the supplies and services budgets.
41. Revenues and Benefits service is showing a deficit of £26,509. Salaries are showing a (£104,000) under spend following a reduction in agency and salary

- slippage. Systems spend is showing £74,000 over budget as we are implementing a number of improvements at the same time. Universal Credit Deliver Partnership income of £57,000 will also not be received as the money is being paid directly to delivery partners e.g. Citizens Advice Bureau (CAB).
42. Corporate Expenses is showing an anticipated over spend of £42,920 due to price increases for corporate software and delays in the ERP implementation.
  43. Corporate Management costs are showing a (£28,072) underspend, this is mainly due to lower external audit costs following the external tender exercise by PSAA (£12,000) and also a backdated refund received in banking fees of (£16,000), which will offset additional ERP costs.
  44. Corporate Policy is showing an anticipated underspend of (£36,350). Of this (£11,824) is due to salary changes - new starters on career grades. The remaining amount is for the transfer of an officer into the Operational Services directorate so the overall saving will be (£11,824).
  45. Digital By Design is showing a underspend of (£28,090) against the 2019/20 original budget due to staffing changes.
  46. The Registration of Electors budget is showing an anticipated over spend of £11,915 due to the recent system upgrade requiring additional support costs but mainly the need to run the systems side by side before switching completely.
  47. The Contact Centre is showing a saving of (£55,987) for the year due mainly to salary savings for 2020-21 PIER being achieved early with some slippage in vacant positions, total salary saving of (£49,600). The systems budget has been reduced by (£5,000) to reflect the delay in installing the self-service kiosks. The rest is made up of small savings identified within supplies and services.
  48. IT Services are forecasting a saving of (£30,068) due to staff changes.
  49. Based on the prior years' experience it is possible that there will be lower than anticipated benefit subsidy paid on some aspects of Housing Benefit administration, as a result of this and lower levels of court recovery costs a provisional additional cost of £150,000 is being estimated for. This constitutes less than ½% variation on the level of benefit subsidy expenditure, and the figures will be refined for the revised budget.
  50. Estate rental income is showing a surplus of (£123,000) due to high occupancy and increases following rental reviews. We are however expecting an additional £41,000 surveyors costs this year. The net surplus is forecast to be (£82,000).
  51. The remaining balance is made up from various other variances which are shown in Appendix 1.

## Capital Programme

52. The adjusted capital budget for 2019/20 is £29,039,000 once carry forwards and adjustments amounting to £12,383,000 have been allowed for. As Table 2 below shows the spend to the end of September is £8,018,000 with the year end forecast outturn expected to be under budget by (£215,000) at this stage. Further details are included in Appendix 2.

**Table 2: Capital Programme**

Directorate	Original Budget 2019/20	Carry forwards & adjustments	Adjusted Budget	Spend to End September 2019	Forecast Outturn	Forecast Variance to Adjusted Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Services	11,164	6,707	11,780	7,988	11,547	(233)
Corporate Resources	5,492	5,676	11,168	30	11,186	18
<b>Total</b>	<b>16,656</b>	<b>12,383</b>	<b>22,948</b>	<b>8,018</b>	<b>22,733</b>	<b>(215)</b>

### Operational Services - Capital

53. Operational Services capital budgets have been reviewed with service managers and at this stage of the year an underspend of (£233,000) is forecast. It should however be noted that with an Operational Services capital budget of £11.8m there is potential for further delays and variations. There are five variances of note within Operation Services which are discussed below.
54. No expenditure is forecast on Empty Homes Strategy so a (£100,000) underspend will be achieved against this budget.
55. On temporary Homelessness Accommodation an underspend of (£60,000) is forecast due to slippage of expenditure for 22 Wellington Square falling in to 2020/21.
56. Restoration of Pelham Crescent and Arcade is anticipating an underspend of (£30,000) this financial year due to slippage with the spend falling into 2020/21. The Road at Pelham Arcade scheme is forecasting an underspend of (£64,000) with no expenditure this year as priority is given to repair of Pelham Crescent and Arcade instead. The budget will need to be carried forward to 2020/21.
57. The Lower Bexhill Road scheme is forecasting an overspend of £19,000 as the profile of expenditure has occurred earlier than budgeted. This overspend will be offset by reducing the budget in future years. Total budget is £105,000 spread evenly over 3 years (£35,000 per year).

## **Corporate Services - Capital**

58. Corporate Services capital budgets have been reviewed with service managers and at this stage of the year an overspend of £18k is being forecast. This is in respect of the additional consultancy costs incurred on completing the implementation on the ERP system.
59. The conversion costs of 12/13 York Buildings with 6 new flats have increased following delays in obtaining approval and additional conservation requirements. A further £192,000 expenditure has been approved by Cabinet and added to the adjusted budget. The forecast expenditure on this scheme is now £846,000.

## **Conclusion and Management Action**

60. The forecast outturn position for Revenue is an adverse overspend of £159,000. This has improved from the forecast overspend of £195,000 that was reported for quarter 1. Service managers in areas predicting a year end overspend have been asked to identify savings to offset the variances where possible. The position will continue to be monitored.
61. The forecast overspend will be financed from other savings identified during the year, use of the contingency provision budget and greater transfers from earmarked reserves if necessary.
62. The variances in this report, if not offset by savings or the remaining contingency budget, will lead to a deficit of £1,906,000 at the year end which will be funded through the use of funds from the Transition Reserve and other Specific Reserves. This compares to an originally forecast deficit of £1,747,000.
63. Capital is forecast to be under budget by £215,000 at year end – after allowing for additional budget increases agreed by subsequent Cabinet meetings following the budget being set. The position will continue to be monitored.
64. Councillors and management are asked to identify savings wherever practical to ensure that the budgets are not overspent by year end. The further use of any reserves prejudices the potential to use reserves to fund 2020/21 expenditure and would necessitate greater cuts to services and staff in the year.

## **Timetable of Next Steps**

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

<b>Action</b>	<b>Key milestone</b>	<b>Due date (provisional)</b>	<b>Responsible</b>
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Continued quarterly monitoring	Each financial quarter	Relevant CAP meetings	Chief Accountant
Further review of 2019/20 under and over spends and setting revised budget.	2020/21 budget	February 2020	Chief Finance Officer / Chief Accountant

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### Wards Affected

None

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### Implications

Relevant project tools applied? Yes

Have you checked this report for plain English and readability? Yes. This has been done as far as possible considering the complex financial issues involved. Flesch-Kincaid grade level 14.4.

Climate change implications considered? N/A

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

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### Additional Information

Appendix 1 Operational Services and Corporate Resources – Revenue Summary Q2

Appendix 2 Operational Services and Corporate Resources – Capital Summary Q2

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### Officer to Contact

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