

Report to: Overview and Scrutiny Committee

Date of Meeting: 10th March 2021

Report Title: Financial Monitoring Quarterly Reports for 2020/21 – Quarter 3

Report By: Kit Wheeler, Chief Accountant
Accountancy and Exchequer Services

Purpose of Report

To provide a summary of the interim outturn position for services at the end of December 2020 (excluding capital financing charges and recharges).

Recommendation(s)

To accept 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. This assists in identifying areas for review in the revised 2020/21 budget and the production of the 2021/22 budget.

Background

1. The original 2020/21 budget agreed by Council was £12,000,474. This figure excludes the contingency budget (£300,000) which is held separately.

Table 1: Revenue position

Directorate	2020/21 Net Budget	2020/21 Forecast Outturn	Variance	Trf to / (Use) of Reserves	2020/21 Estimated Outturn Variance
	£'000	£'000	£'000	£'000	£'000
Operational Services	8,488	11,312	2,812	(781)	2,031
Corporate Resources	3,512	2,731	(781)	(397)	(384)
Total	12,000	14,043	2,031	(1,178)	1,647

2. The overall revenue forecast identifies a potential deficit of £1,647,000 once reserve funded items amounting to £1,178,000 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 an overall overspend of £611,058 against the 2020/21 original budget.
5. Environmental Health Service is showing a positive variance of (£30,063) due to Senior Management restructure savings achieved.
6. A £7,500 reduction in income is expected on Gambling Licensing, £10,000 on Liquor Licensing and £16,528 on Local licensing because of the Covid outbreak on local businesses. This gives a total combined overspend of £34,028 across these services as a result.

Parking

7. The service is showing a total overspend of £782,735 against the 2020/21 original budget.
8. Off Street Parking is showing an anticipated reduction in fee income of £740,000. The majority of this loss of income was in the first quarter of the financial year c£500,000 against a seasonal budget. The Covid outbreak has significantly effected attendance figures across all the car parks
9. The Parking Team Admin centre is showing a saving of (£17,665), (£10,000) of this is to be moved to the Off Street Parking budget as an amount retained from a PIER saving with the remainder being as a result of salary slippage on two warden posts which are expected to be filled before the end of the financial year end.
10. Waste and Environmental Enforcement is showing an overspend of £51,500. This is due to a reduction in Fixed Penalty Notice income because of not having a full workforce and the effects of the Covid outbreak. The legislation has lapsed on the issue of dog related fines and new fines cannot be issued until the new legislation comes into force.

Waste

11. The service is showing a total underspend of (£70,121).
12. Public Conveniences is showing additional spend of £45,260 due in the main because of increased cleaning contract costs specifically focussing on deeper cleans because of Covid regulations and guidance.
13. Changes in allocation of the Waste contract means the Waste Admin Team is showing an increase of £22,209, this is due to changes to the joint waste admin charge and pension costs relating to the contract. This increase is covered by savings in the variable element of the contract.
14. Refuse Collection is showing a positive variance of (£48,000) mainly due to lower variable costs because of lower activity, part of this saving is covering the increase on admin cost. However, there is a £10,000 reduction in expected income from Bulky Waste collections as the service was suspended for a month due to the Covid outbreak.
15. Recycling is showing contract savings of (£23,070) due to a reduction in need for variable items.
16. The DSO service is showing a large saving on third party contractor costs (£43,000), due to equipment now being owned by the Council directly thus removing the third-party requirement. There are also reduced transport costs

(£30,000), partly due to a reduction in the price of fuel, as well as reduced vehicle repairs this year which are covered by warranty agreements.

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

Amenities

18. The service is showing a total underspend of (£51,873) against the 2020/21 original budget.
19. The Cemetery and Crematorium shows a positive variance of (£15,452), of this, (£8,000) is due to reserve funded repairs being postponed until 2021-22. There is an anticipated increase in fee income of (£25,000) because of current conditions. Some small reductions in salary costs where the service had a vacant period and reduced hours are also included in the figures. These are offset because of additional spend directly resulting from Covid-19 mainly due to additional cleaning costs of £21,440 and the purchase of a new AV system for broadcasting services c.£5,000. Salary slippage of (£7,000) is also showing here due to a recent vacancy.
20. Hastings Country Park is showing a positive variance of (£52,170), this is mainly due to two financially large reserve funded repairs for resurfacing being postponed until 2021-22.
21. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

Marketing and Major Projects

22. The service is showing a total overspend variance of £21,809.
23. Due to covid-19 restrictions, planned events for the Summer/ Autumn were cancelled, however staffing costs remain fixed and as such are not offset by the expected budgeted income to cover these posts. Staff were re-deployed as a result to support other service areas within the council.
24. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

Regeneration

25. The service is showing a total positive variance of (£50,214).
26. Cultural Activities (£22,393) and Community Partnership Fund (£19,430) both have experienced vacancies in the first three quarters of the financial year and as a result there is reduced spend. These are expected to be filled within the final quarter of the financial year. However, Covid-19 has also had an impact where it comes to regular planned activities as one might expect.

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

Leisure

28. The service is showing a total overspend of £382,685 against the 2020/21 original budget.
29. As a result of the Covid-19 impact on Leisure facilities the expected income of £30k from the Sports Centres has been deferred to 2021/22 as agreed by Cabinet earlier this year. Additional support costs also agreed at the July Cabinet meeting are £348k.
30. Active Hastings is showing an overspend of £23,997. Indoor activities have been cancelled due to Covid-19 restrictions which has had a direct impact on this area of business.
31. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

Resort Services

32. The service is showing a total overspend of £290,101 against the 2020/21 original budget.
33. Sports Management hire of sports facilities has been affected by covid-19, with reduced activity creating a funding shortfall and reduction in income of c.£22,000 compared to budgeted forecasts.
34. Cliff Railway East Hill Lift is expected to remain closed for the remainder of the financial year with staff being re-deployed elsewhere where possible. The West Hill lift has been allowed to reopen but at a reduced capacity at various points during the first three quarters of the financial year with an expected financial impact on the council of around £300,697
35. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

Housing and Built Environment

36. The service is showing a total overspend of £1,35,284 against the 2020/21 original budget.

37. Homelessness is showing additional expenditure of £888,290 for the financial year. As previously updated to Members and stakeholders separately the demand for bed and breakfast accommodation is significantly higher than in previous years with a real lack of affordable and suitable housing stock available in the local area. Therefore, due to Covid-19 there is currently more demand than suitable properties available to place families into, which in turn is increasing the demand for temporary costs including for B&B's not previously budgeted for.
38. Development Management is showing an overspend of £63,062 because of a drop in income due to the uncertainty around covid-19 and its potential impact.
39. The remaining balance is made up from various other minor variances which are shown in Appendix 1.

Corporate Services

40. The total service shows an overspend of (£781,007) between the original 2020/21 budget and forecasted outturn.
41. The Managing Director cost centre is showing additional expenditure of £36,253 because of staffing changes.
42. Accountancy and Exchequer Services are showing a positive variance of (£5,000) because of savings from the insurance contract and less travel due to staff working at home.
43. Revenues and Benefits are showing a saving of (£18,193). There is a saving on Legal fees of (£7,500). A further (£7,000) has been saved on the insurance contract and the remaining balance is made up from various savings on travel and printing due to staff working from home.
44. Corporate Expenses is showing a overspend of £53,587 against budget. £30,000 of this is due to the one-off implementation and associated costs for the full introduction of Smartsheets and upgrade in the service provided. A variance of c.£20,000 is from price increases in various contracts including the Firmstep platform and keeping Capita PAYE.NET for an additional year due to delays associated with the ERP implementation. The rest is various miscellaneous increases mainly GDPR registration costs.
45. Unit Factories is showing a reduction of £300,000 for rental income, a large drop because of businesses being unable to pay following the Covid outbreak this year.
46. Properties and other Estates is also showing an overspend of £236,650. There is a reduction of £220,000 in rental income for the same reasons as listed previously for Factory Units. An additional budget of £20,000 is required

for surveyors' fees. The remaining balance is made up of small savings that have been achieved on Insurance and other miscellaneous items.

47. The Finance Other Expenditure code is showing a variance of (£1,147,730). Of this (£225,000) and (£158,000) relate to reductions on the Severance reserve and Invest to Save reserve funded items. We have also received (£986,000) in income from central government as at the end of December 2020 as a part of the recovery of lost income due to Covid and also support costs for the additional administrations required for the rollout of grants and other Covid activities. Both Insurance (£144,000) and Senior Management (£130,000) variances are shown here but are offset across a wide range of other budgets throughout the council.
48. Democratic Services is showing a positive variance of (£13,319) due to salary slippage, the position has been filled via secondment for the remainder of 2020-21.
49. Legal services are showing an overspend of £29,434. There are savings on salaries for reduced hours due to flexi retirement (£22,000) and slippage on a vacant post (£15,000), however there is an income variance of £69,000 due to a combination of lower FPN cases, a lower recovery from Housing Company activities and also the general slowdown in recovery due to the Covid outbreak.
50. Muriel Matters House is showing a positive variance of (£93,950). The main variance comes from a refund of Business Rates received this year which is backdated for the last three years (£99,000). A reduction of room hire income has also been forecast of £9,000 with the remaining balance made up from various misc. budgets. (£12,000) reduction in utility costs due to the increase of working at home. Additional £10,000 to be spent on AV equipment upgrade for Council chamber. The remaining balance is made up of small variances mainly insurance savings of (£3,000)
51. The Street Cleansing DSO administration building formerly (the Archive) is showing a positive variance of (£12,710) as the need for private BT has been removed.
52. Borough Council Election Expenses is showing a positive variance of (£67,000) this year as the election has been delayed until 2021-22. These costs will need to be built into the future years budget however, and so will not be a true 'saving'.
53. The Contact Centre is showing a positive variance of (£93,209). (£50,000) is due to a reduction in Team leader posts, one permanent and one temporary secondment position not backfilled for the current financial year. There is a further saving of (£27,000) for salary slippage for other vacant posts offset slightly by additional costs £5,500 after staff members not previously in the pension scheme joined the scheme. (£7,000) reduction in ongoing software costs this includes £3,000 to be transferred to Democratic Services for Electoral Registration software. There was (£13,000) added in the budget last

year for self service desks to be installed in the Contact Centre which are not now required.

54. The Communications Team is showing an overspend of £26,241 because of an additional FTE staff member being identified as being required due to an additional need identified in the service not previously budgeted for.
55. Decorative Lighting is showing an additional £36,500 expenditure. These are carry forwards from 2019-20 required for works to the lighting on the seafront (Sticks of Rock), East Sussex County Council are currently changing all of the lights and we are using the opportunity to repair and upgrade the existing lights. (£14,500) of the carry forward is funded from the repairs and renewals reserve with the rest coming from an under spend 2019-20, spend was reduced as this work was anticipated.
56. IT Reserve is showing a reduction of (£67,500) in profiled spend because of projects being delayed. These delays are due to the move to home working and other priority issues faced during the year.
57. The remaining balance is made up from various other variances which are shown in Appendix 1.

Capital Programme

58. The adjusted capital budget for 2020/21 is £22,190 once carry forwards and adjustments amounting to £5,254,000 have been allowed for. As Table 2 below shows the spend to the end of December is £7,200,000 with the year-end forecast outturn expected to be on budget 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 Sept 2020	Forecast Outturn	Forecast Variance to Adjusted Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Services	3,657	611	4,268	1,791	4,268	0
Corporate Resources	13,279	4,643	17,922	5,409	17,922	0
Total	16,936	5,254	22,190	7,200	22,190	0

Operational Services - Capital

59. Operational Services capital budgets have been reviewed with service managers and at this stage of the year no variances are forecast.

Corporate Services - Capital

60. Corporate Services capital budgets have been reviewed with service managers and at this stage of the year no variances are being forecast.

Conclusion and Management Action

61. The forecast outturn position for Revenue is an adverse variance of £1.647m. Service managers in areas predicting a year end overspend have been asked to identify savings to offset the variances where possible.
62. The position will continue to be monitored extremely closely given the current economic climate and Finance colleagues will be working with management to identify key areas of risk and opportunities to reduce these overspends wherever possible.
63. It is clear from this report and other publicly available documentation that the financial impact of Covid-19 on Local Authorities and their respective income losses over this period has been severely negatively impactful.

64. It appears to be more and more likely that the remaining period of this financial year, and at least the first quarter of the next financial year will continue to be difficult financially for the economy as a whole and the council itself. However, finance colleagues will continue to support managers and chief decision makers wherever possible to provide assurance that all consideration is given to the financial impact of decisions to mitigate any risk and reduce unnecessary expenditure being incurred whilst maximising potential income.
65. The forecast overspends and how it is to be financed will form part of the Medium-Term Financial Strategy.
66. It should be noted that the 2020/21 Revenue budget was revised as part of the budget setting process previously agreed by budget council on the 17th February.
67. The revised Revenue budget will therefore be provided in more detail in the Quarter 4 report but for reference and assurance the adverse variances contained in this report were considered as part of the budget setting process.
68. As at the end of Quarter 3 Capital is being forecast as per this report to be on budget at year end. However, it should be noted that the 2020/21 capital budget was revised at part of the Budget setting process agreed by budget Council on the 17th February 2021.
69. The revised Capital budget figures will therefore be provided in more detail in the Quarter 4 report, however for reference Corporate Resources was adjusted down to £6,053m and Operational Services adjusted down to £3,219m respectively. The total expected Capital outturn was therefore agreed at £9,272m for 2020/21.
70. These figures will still be subject to scrutiny and challenge from the finance team as the final quarter of the financial year is completed and finalised, and as such there may still be some variances to be expected come the final outturn for 2020/21. However, all material variances will be highlighted with suitable narratives provided in the Quarter 4 report where necessary.
71. 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 future expenditure and would necessitate greater cuts to services and staff in the year. This has been explained in further detail in the Medium-Term Financial Strategy paper circulated separately.

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 quarterly monitoring	Each financial quarter	Relevant CAP meetings	Chief Accountant
Further review of 2020/21 under and overspends and setting revised budget.	2021/22 budget	February 2021	Chief Finance Officer / Chief Accountant

Wards Affected

None

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 13.9.

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

Additional Information

Appendix 1 Operational Services and Corporate Resources – Revenue Summary Q3
Appendix 2 Operational Services and Corporate Resources – Capital Summary Q3

Officer to Contact

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