

Report to: Overview and Scrutiny Committee

Date of Meeting: Thursday, 9 December 2021

Report Title: Financial Monitoring Report for 2021/22 – Quarter 2

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

Purpose of Report

To provide a summary of the revised outturn position for services at the end of September 2021 (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 2021/22 budget and the production of the 2022/23 budget.

Background

1. The 2021/22 budget agreed by Council was £12,667,638. These figures excludes the contingency budget (£500,000) which is held separately and recharges.

Table 1: Revenue position

Directorate	2021/22 Original Budget	2021/22 Revised Budget	Variance	Trf to / (Use) of Reserves	2021/22 Estimated Outturn Variance
	£'000	£'000	£'000	£'000	£'000
Operational Services	8,999	11,152	2,153	(640)	1,513
Corporate Resources	3,687	3,726	39	(195)	(156)
Total	12,686	14,878	2,192	(835)	1,357

2. As part of the annual 2022/23 Budget setting process a thorough and detailed analysis of the current year's budget is undertaken. As result of this work the Original budget is then revised in line with current and latest available information and forecasts.
3. The overall revenue forecast identifies additional budget requirement of £1.4m once reserve funded items amounting to £835,000 are excluded.
4. Appendix 1 provides a more detailed analysis of each directorate and this report seeks to provide further narrative on the main variations identified.
5. At the time of writing this report the country and economy is still recovering from the impact of the post Covid-19 pandemic throughout the last couple of financial years and the borough of Hastings is no different. The figures and estimates contained in this report were produced prior the latest Covid strain being identified, and as such the figures could potentially be subject to further change pending any further local or national restrictions or lockdowns being enforced.
6. It should be noted that the figures included in this report for projected salary costs are based on the latest forecasts on any potential increase in pay award for staff based on advice from government. However, negotiations are currently ongoing nationally around this matter with unions and should any increase over the forecast amount be agreed this would become an additional budgeted cost.

7. It should also be noted that the Carry forward requests contained within these figures is yet to be formally agreed pending sign off of the Final Accounts 2020/21 so is only draft at this stage.

Operational Services

Environmental Health

8. The service is showing a positive variance of (£39,517) against the 2021/22 original budget and is made up of various minor under and over spends detailed in appendix A.

Parking

9. The Parking service overall is showing an adverse variance of £85,815 against the 2021/22 original budget.
10. Off Street Parking is showing an overall adverse variance of £93,398. Figures from the first quarter showed a reduction of £160,000 against a seasonal budget. Despite favourable summer months this has not been enough to cover this initial reduction due to the impact of covid-19.
11. Whilst prudent forecasts have been put in place for the future months, latest restrictions could see this figure potentially hit even harder than anticipated. The council is, however, able to reclaim part of this loss through the governments Sales, Fees and Charges compensation scheme so some of this historical loss can be reclaimed as part of that process.
12. The remaining balance is made up from various other under and overspends which can be found in Appendix 1.

Waste

13. The service is showing a positive variance of (£7,011) which is made up of various under or overspends as shown in Appendix 1.
14. Green Waste is forecasting additional income compared to the original budget as a result of an increase in a wider customer base and therefore increased sales revenue.

Amenities

15. The service is showing a positive variance of (£4,228) which is made up of various minor under or overspends as shown in Appendix 1.

Marketing and Major Projects

16. The service is showing a positive variance of (£42,118).
17. The Tourist Information Centre (TIC) has now moved to different location, nearer the train station in the college, and is therefore showing a positive variance of £28,868. The reason for the variance is this was a decision agreed after the original budget was approved by Council and therefore not factored in when setting the original budget.
18. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

Regeneration

19. The service is showing a positive variance of (£293,366).
20. Cultural Activities are showing an underspend of £200,111 due in the main as a result of some additional Grant income being received from the governments cultural recovery fund. This money will be used to support local arts and cultural organisations impacted by Covid-19, and unspent monies will be carried forward.
21. Planning Policy and Local Plan combined are currently showing a positive variance of £58,101 due to a Senior Planner vacancy in Planning Policy. These two cost centres were previously shown as one area but for transparency purposes these are now being shown separate. As result the net figure of both areas should be viewed together when comparing against original budget.
22. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

Leisure

23. The service is showing an adverse variance of £8,324 which is made up of various minor under or overspends as shown in Appendix 1.

Resort Services

24. The service is showing an adverse variance of £129,330 against the 2021/22 original budget.
25. Cliff Railways is showing an adverse variance of £153,745. The East Hill Lift was closed for the majority of the year to date as a result of ongoing mechanical maintenance. This has seen a decrease in income against the expected levels for the year as the maintenance took longer to complete than originally anticipated.
26. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

Housing and Built Environment

27. The service is showing an overspend of £2.17m against the 2020/21 original budget.
28. Development Management is showing an overspend of £179,548 this is due to using agency staff to cover vacant posts after complications in recruitment.
29. Homelessness budget is showing an overspend of £440,883. This is due to the rising costs of temporary housing coupled with the number of residents presenting as Homeless increasing by nearly 30% compared to our original budgeted numbers. This is an issue that has been highlighted in the Medium Term Financial Strategy as not something that is just an issue this financial year. The rising costs in this area will need to be considered as part of wider budgetary discussions and longer term future planning discussions.
30. Dangerous Structures work at Battle Road is expected to cost £522,500 – funded from the General Reserve. Given the potential impact on individuals safety and therefore the councils obligations, the council has incurred considerable additional expenditure in this area this financial year.
31. Rough Sleepers is overspent by £546,490. Following Government guidelines previously to house those impacted as part of the Covid-19 pandemic, which has led to additional pressures and expenditure being incurred by the service in order to protect some of the most vulnerable in our community.

32. Syrian Resettlement Programme is showing an estimated Underspend of £64,752 due to additional expenditure being reclaimed, above and beyond what can be reclaimed from the government. Elements of expenditure have not previously been reclaimed from local authority partners and landlords and some of this expenditure relates to previous financial years.
33. The Syrian Resettlement Programme overall since its inception is showing a significant overspend and further investigative work is being undertaken by Finance colleagues to ascertain the full impact on the service and Council in the current and previous financial years. The overspend is inevitably impacting upon the General Reserve at present.
34. The remaining balance is made up from various other minor variances which are shown in Appendix 1.

Corporate Services

35. The service shows a positive variance of £156,625 between the original 2021/22 budget and revised budget.
36. Unit Factories is showing a positive variance of £450,120. £300,000 of this relates to a backdated rental agreement along with other areas performing better than expected, despite the difficult economic situation. Whilst the additional money is shown in the accounts in total it is being collected over several years.
37. Finance - Other Expenditure and Income, is showing an adverse variance of £299,144. Some of this balance is as a result of writing off of bad and doubtful debts across the whole of the councils' areas along with changes in accounting entries such as recharges to other departments.
38. Non-Distributed Costs is showing a positive variance of £102,400 due to pension changes to backdated and unfunded pensions.
39. The Personnel and Business Support Team are showing a positive variance of (£25,468) due to the current vacant post not being filled. There is also a carry forward of £29,000 for salaries, this amount covering the additional staffing in Corporate Policy (20102)
40. The remaining balance is made up from various other variances which are shown in Appendix 1.
41. It should be noted that there are significantly lower collection rate levels in respect of business rates this year, partly as a result of business rate holidays in the first 3 months, but also because of the level of court access. These issues are being overcome and it is hoped that collection rates can improve in the months ahead.

42. The Council Tax rates of collection are similar to last year, and with the lower level of claimants than expected in respect of the Council Tax Support Scheme there is expected to be a surplus on the collection fund in this respect.
43. The accounting treatment of business rates and the Collection Fund will result in additional reserves being created in 2021/22 to meet much higher deficits on the Collection Fund (circa £4m – HBC’s share) – the deficits being funded by S31 monies that the Council receives from government in lieu of business rates that it would have otherwise received – had the government not provided business rate holidays.

Capital Programme

44. The adjusted capital budget for 2021/22 would have amounted to £14,086,000 once carry forwards and adjustments amounting to £1,575,000 have been allowed for.
45. As Table 2 below shows, the spend to the end of June is £2.553m with the year end forecast outturn expected to be significantly below the budget at some £8.042m. Further details are included in Appendix 2.

Table 2: Capital Programme (Gross expenditure)

Directorate	Original Budget 2021/22	Spend to End Sept 2021	Forecast Outturn
	£'000	£'000	£'000
Operational Services	9,220	1,409	2,837
Corporate Resources	13,243	1,145	5,205
Total	22,463	2,553	7,961

46. The net capital expenditure for the year is estimated at some £3.8m and is significantly lower than the originally budgeted figure of £12.656m. The capital programme is being reprofiled to account for these changes e.g. Buckshole Reservoir works, Cornwallis Street hotel. This does mean that the Council will not borrow as much money this year and there will be reductions in the debt charges and interest payments.,

Conclusion and Management Action

47. The revenue forecast outturn is that an additional £1.4m budget compared to the original budget is required this financial year. All service managers, but in particular those predicting a year end overspend have been asked to identify savings to offset the variances where possible.

48. Cabinet at its meeting on the 18 November 2021, when considering the Medium Term Financial Strategy agreed a range of additional measures to reduce expenditure in this financial year in order to avoid going below the minimum recommended level of reserves being held.
49. Work continues to identify further possible cost reductions.
50. Capital is forecasting to be underspent this financial year compared to the original budget. There has always been a high risk for potential delays and variations in year given the current climate and associated risks with further Covid-19 restrictions being put in place by Government. This will be reflected in the revised Capital Programme Budget as part of the 2021/22 Revised and 2022/23 Budget setting process.
51. 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 the next financial year to achieve a balanced budget-let alone to restore reserves to minimum recommended levels.
52. The additional costs of homelessness and of rough sleepers are placing immense strain on the Council's limited resources and will necessitate some very hard budget decisions in February 2022.
53. The local government funding settlement for 2022/23 is currently awaited, and whilst it is expected to be growth in real terms, the level of the grant award overall is not expected to significantly amend the projections within the Medium Term Financial Strategy.

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 2021/22 under and over spends and setting revised budget.	2022/23 budget	February 2022	Chief Finance Officer / Chief Accountant

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 Operational Services and Corporate Resources – Revenue Summary Q2

Appendix 2 Operational Services and Corporate Resources – Capital Summary Q2

Officer to Contact

Kit Wheeler (Chief Accountant)

Kit.Wheeler@hastings.gov.uk

01424 451520
