

**Report to:** Overview and Scrutiny Committee

**Date of Meeting:** 07 September 2022

**Report Title:** Financial Monitoring Report for 2022/23 – Quarter 1

**Report By:** Kit Wheeler,  
Chief Finance Officer

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### **Purpose of Report**

To provide a summary of the revised outturn position for services at the end of June 2022 (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 2022/23 budget and the production of the 2023/24 budget.

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## Background

1. The 2022/23 budget agreed by Council was £13,231,580. These figures exclude the contingency budget (£300,000) which is held separately and recharges.

**Table 1: Revenue position**

Directorate	2022/23 Original Budget	2022/23 Forecast Outturn	Variance	Trf to / (Use) of Reserves	2022/23 Estimated Outturn Variance
	£'000	£'000	£'000	£'000	£'000
Operational Services	10,413	12,420	2,007	(536)	1,471
Corporate Resources	2,819	2,900	81	(77)	4
<b>Total</b>	<b>12,232</b>	<b>15,320</b>	<b>2,088</b>	<b>(623)</b>	<b>1,475</b>

2. 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 result of this work the original current year budget was then revised in line with current and latest available information and forecasts. We are however not proposing producing a revised budget going forward and will be monitoring and reporting throughout the year based on the original budget.
3. The overall revenue forecast identifies additional budget requirement of 2.088m. After reserve funded items and taken into account this amount reduced to £1.475m.
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 Covid-19 pandemic and the borough of Hastings is no different. Coupled with this inflation, and in particular energy and salary growth, is now having a substantial impact on the Council's budgets and will lead to significant additional unavoidable expenditure which will need to be offset by savings from elsewhere within the budget or use of our limited reserves.
6. The figures and estimates contained in this report were produced based on the latest available information, and as such could potentially be subject to further change.

7. 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.
8. 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 2021/22 so is only draft at this stage.

## **Operational Services**

### **Environmental Health**

9. The service is forecasting an underspend of (£36,799) against the 2022/23 original budget.
10. Environmental Management and Admin is forecasting an underspend of (£28,929) against budget mainly due to carry forwards of £41,290 of external funding (COMF and DPH) from 2021/22 which is funding additional salary costs.
11. The remaining balance is made up from various other variances which are shown in Appendix 1.

### **Parking Services**

12. The Parking Service is showing an underspend of (£8,171) against the 2022/23 original budget. This is made up of a (£23,171) underspend on salaries due to vacant posts and a £15,000 overspend due to an anticipated reduction in fixed penalty notices.

### **Waste**

13. The service is showing an underspend of (£7,888). This is made up of a £7,114 overspend on administration costs offset by (£15,000) additional income on Greenwaste. The remaining balance is made up from other variances minor variances which are shown in Appendix 1.

### **Amenities**

14. The service is showing an underspend of (£38,227) against the 2022/23 original budget once carry forwards and transfers from reserves are taken into account.

15. The Open Space Management Team is showing savings of (£23,140) due to the Parks and Open Spaces Manager reducing from 5 days to 3 days per week.
16. The Cemetery & Crematorium budget is forecasting an underspend of (£15,109) due to a vacant assistant manager post.
17. Arboriculture is showing £15,013 additional spend due to a carry forward required to deal with a backlog of work following damages from the storms in February and March. After the transfer from the carry forward reserve there is a minor underspend of (£237) anticipated.
18. Parks and Gardens is showing an adverse variance of £220,328. This is mainly due to carry forwards from 2021/22. There is £50,000 for procurement costs in regards to the new contract and £170,070 on the Repairs and Renewals (R&R) reserve for items unfinished in 2021/22 the main ones being Cliff works £43,000, Gensing Gardens Wall £60,000 and Roof Replacement at Bexhill Road Spots Pavilion £34,000. The other R&R items are mainly Health and Safety related. After the transfer from the carry forward reserve there is a minor overspend of £258 anticipated.
19. Hastings Country Park is showing an adverse variance of £55,080. Again, this is due to Repairs and Renewals Reserve items from 2021/22 where the works have slipped into 2022/23. The items being carried forward are Coastguard Lane resurfacing £23,000, Country Park Paths, £25,000 and clearance of historic waste at the yard £6,000. This expenditure will be offset by carry forward from 2021/22 with no overall variance anticipated.

### **Marketing and Major Projects**

20. The service is showing an underspend of (£8,415).
21. The Tourist Information Centre (TIC) has now moved to the college and is showing an underspend of (£10,955). The reason for the variance is the budget was maintained for the staffing group and will not fully be utilised.
22. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

### **Regeneration**

23. The service is showing an underspend variance of (£114,162).
24. Planning Policy is currently showing an underspend of (£47,242) due to a Technician vacancy and the Senior Planner being on Maternity Leave and not forecast at full pay until much later in the year.
25. Cultural Activities are showing an underspend of (£21,330) due to a vacant post for Arts & Cultural Regeneration Officer.

26. External Funding Initiatives is showing an underspend of (£9,875), the vacant position is hoping to be filled from September.
27. Renewable Energy Solutions has an underspend of (£45,911) due to a vacancy.
28. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

### **Leisure**

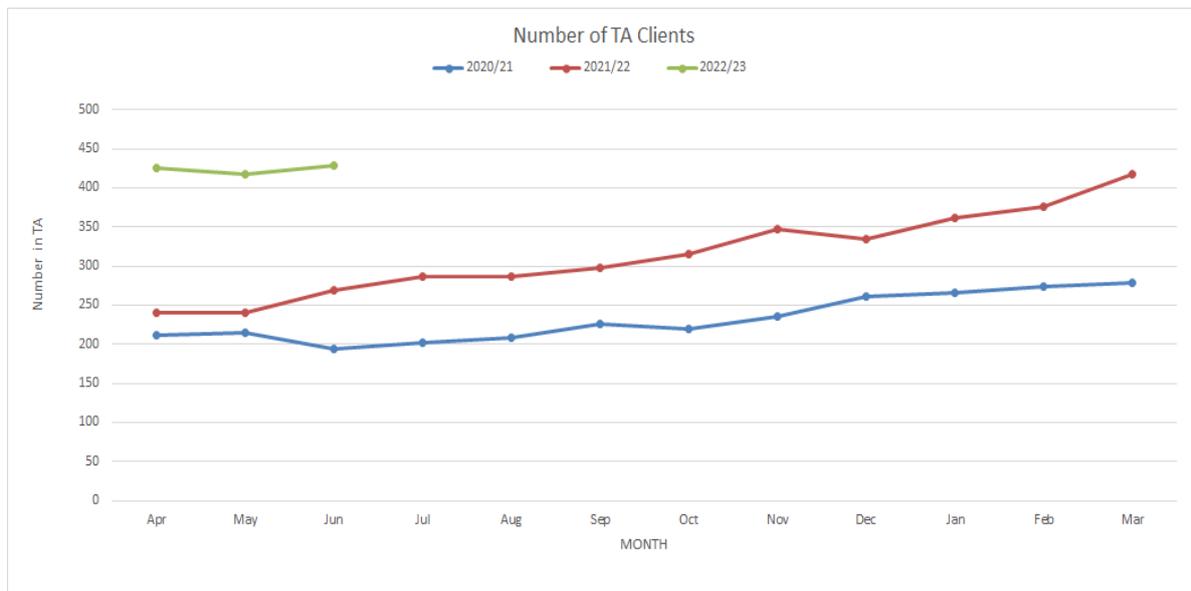
29. The service is not expecting to vary too far from the budget at this stage. This may change as the year progresses and more activities are put on.

### **Resort Services**

30. The service is showing an underspend of (£22,411).
31. Sports Management has a vacant post which makes the underspend (£13,500).
32. Cliff Railways is showing an underspend of (£6,848). Q1 income was more than budgeted, however there are expected repairs that need carrying out on the East lift later in the year. It is expected that Q2 will see additional income which will cover the period of inactivity.
33. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

### **Housing and Built Environment**

34. The service is showing an overspend of £1.707m against the 2022/23 original budget.
35. Planning Management & Admin is showing a positive variance of (£17,842), this is due to a one-off receipt of £20k for street name and numbering.
36. The Homelessness budget is showing an overspend of £1,649,537. This is due to the rising costs of temporary housing coupled with the number of residents presenting as Homeless increasing.
37. The graph below demonstrates the growth in the number of Temporary Accommodation clients over the current year and past two years.



38. Dangerous Structures work at Battle Road was expected to cost £522,500 – funded from the General Reserve. £60k was remaining at the end of 2021/22 and requested to be carry forward. With this taken into account there is an adverse variance of £69,813 forecast. Given the potential impact on individuals safety and therefore the councils obligations, the council may incur further expenditure in this area this financial year.
39. The remaining balance is made up from various other minor variances which are shown in Appendix 1.

## Corporate Services

40. The service shows an overspend of £4,147 between the original 2022/23 budget and forecast budget.
41. Accountancy and Exchequer Services is showing an underspend of (£20,469) due to salary changes following the departure of the previous S151 Officer and slippage on a currently vacant Apprentice post.
42. Corporate Expenses is showing £15,000 additional spend on software due to the need to continue with our current service provider in order to take payments over the counter and telephone.
43. Properties and Estates are showing an overspend of £43,000. An overspend of £50,000 is forecast on the repairs budget in order to cover additional works identified. These include repairs to walls at Jackson Hall, Cinque Ports Way, Summerfields Walled Garden and repairs required at Cornwallis Street and the fire doors at Bank Buildings. A net (£7,000) additional income is forecast on service charges payable following rent reviews increasing the service charge and rents income budgets.
44. Corporate Policy and Partnerships is showing an underspend of (£29,717) due to salary savings on the Continuous Improvement and Democratic Services

Manager post, these savings are being used to fund a Transformation Officer post in the Transformation Team.

45. The Transformation Team is showing a £19,261 overspend on salaries as it is using the salary savings mentioned above in Corporate Policy and Partnerships to fund a Transformation Officer post.
46. The contact Centre is forecasting an underspend of (£23,960) due to salary slippage on vacant posts.
47. Project Costs of £44,280 for the Sticks of Rock project in the Decorative Lighting budget are to be carried forward from 2021/22. Works are dependent on ESCC as decorative lights are replaced once ESCC has replaced the whole lamppost. This expenditure will be offset by carry forward from 2021/22 with no overall variance anticipated.
48. The remaining balance is made up from various other variances which are shown in Appendix 1.

## Capital Programme

49. The adjusted Capital Budget for 2022/23 is £26,195,000 once carry forwards and adjustments amounting to £4,449,000 have been allowed for.
50. As Table 2 below shows, the spend to the end of June is £1.655m with the year end forecast outturn expected to be in line with budget at this stage. Further details are included in Appendix 2.

**Table 2: Capital Programme (Gross expenditure)**

Directorate	Original Budget 2022/23	Carry forwards & adjustments	Adjusted Budget	Spend to End June 2022	Forecast Outturn	Forecast Variance to Adjusted Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Services	9,457	2,257	11,714	664	11,714	0
Corporate Resources	12,289	2,192	14,481	991	14,481	0
<b>Total</b>	<b>21,746</b>	<b>4,449</b>	<b>26,195</b>	<b>1,655</b>	<b>26,195</b>	<b>0</b>

The net capital expenditure for the year is estimated at some £19.3m after allowing for grants and contributions. **Conclusion and Management Action**

51. The revenue forecast outturn is that an additional £1.475m 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.

52. The rise of inflation, particularly in relation to energy costs, 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.
53. Weekly meetings between members and officers are occurring to identify ways to reduce expenditure in the current year and future year budgets.
54. If it wasn't for the forecast overspend on Homelessness the council would be forecasting a small underspend for the year. The council has setup the Homelessness Taskforce to cross departmental boundaries and identify and implement solutions to reducing the spiralling costs. This is recognised as a key corporate objective and work continues at pace.
55. At this stage Capital is forecasting to be in line with the adjusted budget. However, there is always a high risk for potential delays and variations in the year given the current climate and inflation increasing costs. This will be reflected in the Capital Programme Budget as part of 2023/24 Budget setting process.
56. 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.

## 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 2022/23 under and over spends and setting revised budget.	2023/24 budget	February 2023	Chief Finance Officer / Chief Accountant

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### Wards Affected

None

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### 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

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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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