

**Report to:** Overview and Scrutiny Committee

**Date of Meeting:** 19 December 2022

**Report Title:** Financial Monitoring Report for 2022/23 – Quarter 2

**Report By:** Simon Jones  
Deputy Chief Finance Officer

---

### **Purpose of Report**

To provide a summary of the revised outturn position for services at the end of September 2022 (excluding recharges).

---

### **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 2023/24 budget.

## Background

1. As part of the process of continuous improvement, and to provide more comprehensive financial monitoring, the format of the budget monitoring report has now been revised to not only include the monitoring of direct service expenditure but to also include details on debt repayment (Interest and MRP) and a separate section on debtors. Capital budgets are also monitored.
2. In February 2022 the Council agreed a revenue budget for 2022/23 with total expenditure of £16,852,538 funded by government grants, Council Tax, Business Rates and contributions from reserves.
3. The table below shows the forecast outturn position at the end of September 2022 (quarter 2).

**Table 1: Forecast Revenue Outturn Position**

	<b>2022/23 Original Budget £</b>	<b>2022/23 Forecast Outturn £</b>	<b>2022/23 Forecast Variance £</b>
<b>Directorates</b>			
Corporate Resources	2,818,610	2,948,245	129,635
Operational Services	10,412,970	12,630,577	2,217,607
<b>Direct Service Expenditure</b>	<b>13,231,580</b>	<b>15,578,822</b>	<b>2,347,242</b>
Contingency Provision (incl. R&R Reserve)	300,000	0	(300,000)
<b>Total Service Expenditure</b>	<b>13,531,580</b>	<b>15,578,822</b>	<b>2,047,242</b>
Provision for the Repayment of Principal (MRP)	1,741,200	1,707,046	(34,154)
Net Interest (Earnings) / Payments	1,579,758	974,952	(604,806)
<b>Debt Repayment Costs</b>	<b>3,320,958</b>	<b>2,681,998</b>	<b>(638,960)</b>
<b>Total Expenditure</b>	<b>16,852,538</b>	<b>18,260,820</b>	<b>1,408,282</b>

4. As can be seen from the table above Total Expenditure is forecast to be £1,408,282 over budget at year end. This is a decrease of £67,000 on the position reported at the end of quarter 1.
5. The overspend of £2,347,242 on Direct Service Expenditure is offset in part by savings on contingency, MRP and Net Interest payments. Further details on the different elements are given below.

## Direct Service Expenditure

6. The 2022/23 Direct Service Expenditure budget agreed by Council was £13,231,580. These figures exclude the contingency budget (£300,000) which is held separately and recharges.
7. Table 2 below details the current forecast outturn position for Direct service Expenditure.

**Table 2: Revenue Direct Service Expenditure Position**

Directorate	2022/23 Original Budget	2022/23 Forecast Outturn	Variance	Trf to / (Use) of Reserves	2022/23 Estimated Outturn Variance
	£	£	£	£	£
Corporate Resources	2,818,610	3,025,317	206,707	(77,072)	129,635
Operational Services	10,412,970	13,196,770	2,783,800	(566,193)	2,217,607
<b>Total</b>	<b>13,231,580</b>	<b>16,222,087</b>	<b>2,990,507</b>	<b>(643,265)</b>	<b>2,347,242</b>

8. 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. 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.
9. Appendix 1 provides a more detailed analysis of each directorate, and this report seeks to provide further narrative on the main variations identified.
10. 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 unavoidable additional expenditure which will need to be offset by savings from elsewhere within the budget or use of our limited reserves.
11. 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.
12. The figures included in this report for projected salary costs are based on the NJC pay offer of a flat increase of £1,925 per Full Time Equivalent (FTE). Negotiations are still underway, and no final agreement has been reached yet. The salaries budget for 2022/23 has assumed an increase of 1% at a cost of £119k. The current proposed pay off will cost the Council £750k. As only £119k was budget for this represents an unbudgeted overspend of £631k. The impact of this increase is offset by a small extent by vacancies that have occurred and the current recruitment freeze.

13. 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 2021/22 Final Accounts so is only draft at this stage.

## **Operational Services**

### **Environmental Health**

14. The service is forecasting an underspend of £13,934 against the 2022/23 original budget.
15. Environmental Management and Admin is forecasting additional spend of £65,494 against budget mainly due to carry forwards of £80,360 of external funding (COMF and DPH) from 2021/22 which is funding additional salary costs. There are salary savings of (£42,000) from the Senior Management restructure but also an increase of £29,000 expected for the pay award. Additional savings of £1,000 have been identified on travel for 2022-23 only, 2023-24 under review.
16. The remaining balance is made up from various other variances which are shown in Appendix 1.

### **Parking Services**

17. The Parking Service is showing a shortfall of £119,314 against the 2022/23 original budget. The parking income is currently forecasting reduced income of £100,000 mainly due to lower fee income received at the sport centre car parks and also the closing of Cornwallis car park. There is also an increase of £24,000 for the pay award largely offset by (£19,500) in salary slippage for the vacant warden posts which anticipated to be filled from October. The Fixed Penalty Notices income is showing reduced income of £15,000 due to the lapse in legislation regarding dog related fine.

### **Waste**

18. The service is showing additional spend of £67,892. This is mainly due to the pay award of £78,890 for the service 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**

19. The service is showing additional spend of £87,138 against the 2022/23 original budget once carry forwards and transfers from reserves are taken into account.
20. The Open Space Management Team is showing savings of (£10,187). The Parks and Open Spaces Manager reducing from 5 days to 3 days per week is showing a saving of (£23,100). An increase for the pay award of £12,900 is also here.

21. The Cemetery & Crematorium budget is forecasting additional spend of £111,305. £20,000 reserve funded stone works to the Chapel has been carried forward from 2021-22. Large increases in gas costs means an additional budget of £83,000 is required. An additional cost of £20,400 is here for the pay award. Fee income is currently above the profiled budget an additional (£10,000) has been added to the 2022-23 forecast.
22. Arboriculture is showing £15,250 additional spend due to a carry forward required to deal with a backlog of work following damages from the storms in February and March and also issues with Ash dieback. The other variance on this cost centre is the pay award.
23. Parks and Gardens is showing an overspend of £224,182. This is mainly due to carry forwards from 2021/22. There is £50,000 for procurement costs regarding 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.
24. 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**

25. The service is showing an overspend of £14,205.
26. Midsummer Fish Festival is overspent by £10,099, there was reduced footfall this year caused by train strikes and adverse weather.
27. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

### **Regeneration**

28. The service is showing an underspend variance of (£117,837).
29. Regeneration Activity is showing an underspend of (£13,736), Staff member has moved to Towns Fund project
30. Planning Policy is currently showing an underspend of (£37,147) 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.
31. Cultural Activities are showing an underspend of (£17,990) due to a vacant post for Arts & Cultural Regeneration Officer.

32. External Funding Initiatives is showing an underspend of (£9,121), the vacant position is hoping to be filled from September.
33. Renewable Energy Solutions has an underspend of (£43,130) due to a vacancy.
34. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

### **Leisure**

35. The service is showing an overspend of £15,218 which is due to the pay award calculation.

### **Resort Services**

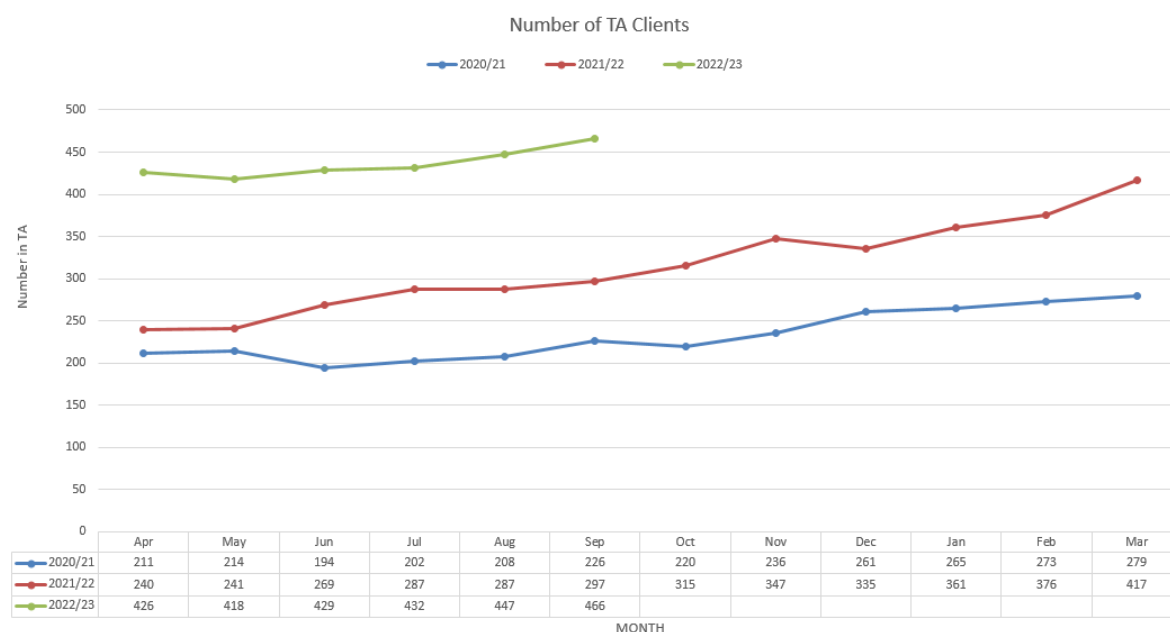
36. The service is showing an underspend of (£31,568).
37. Sports Management has a vacant post which makes the underspend (£13,500).
38. Cliff Railways is showing an underspend of (£7,070). Q1 income was more than budgeted, however there are expected repairs that need carrying out on the East lift later in the year. It is expected that Q2 will see additional income which will cover the period of inactivity.
39. The Museum is currently showing an underspend of (£19,105), staffing restructure has taken place, this figure may change once the impact of this change is fully known.
40. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

### **Housing and Built Environment**

41. The service is showing an overspend of £2.077m against the 2022/23 original budget.
42. The pay award is now showing overspends in the following areas.

Housing Management & Admin (£22,755)  
Housing Renewal (£17,586)

43. The Homelessness budget is showing an overspend of £1,618,536. This is due to the rising costs of temporary housing coupled with the number of residents presenting as Homeless increasing.
44. The graph below demonstrates the growth in the number of Temporary Accommodation clients over the current year and past two years.



45. Planning Management & Admin is showing an underspend of (£24,511), this is mainly due to a one-off receipt of £20k for street name and numbering.
46. Development Management is showing an overspend of £281,743. Two additional staff were agreed by CMG (£53k). Agency staff are being used to cover vacant posts (£90k). Income may be under achieved by £100k, this may change if applications are received for major developments.
47. 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 £122,331 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.
48. The remaining balance is made up from various other minor variances which are shown in Appendix 1.

## Corporate Services

49. The service shows an overspend of £129,635 between the original 2022/23 budget and forecast budget.
50. Accountancy and Exchequer Services is showing an underspend of (£69,275) due to salary changes following the departure of the previous S151 Officer and slippage on a currently vacant Apprentice post.
51. 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.

52. 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.
53. Corporate Policy and Partnerships is showing an underspend of (£20,436), this 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 (£31,600). Pay award increases of £10,200 are also showing here.
54. The Transformation Team is showing a £23,028 overspend on salaries as it is using the salary savings mentioned above in Corporate Policy and Partnerships to fund a Transformation Officer post £17,940. Pay award increases of £5,000 are also showing here.
55. The Contact Centre is forecasting an overspend of £24,581, there is an increase of £39,000 for pay awards with (£15,000) identified as savings due to salary slippage on vacant posts.
56. 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.
57. There are large overspends showing on Revenues and Benefits £48,528 and IT £31,149 which are due to the pay award, various other cost centres with salaries will have smaller overspends due to this as shown in Appendix 1.
58. The remaining balance is made up from various other variances which are shown in Appendix 1.

## Debt Repayment Costs

59. Table 3 below shows the debt repayment costs position. A underspend of £638,960 is forecasts at year end. This is made up of a number of items which are discussed below the table.



**Table 3: Debt Repayment Costs Position**

<b>Net Interest (Earnings) / Payments</b>	<b>Original Budget 2022/23</b>	<b>Forecast Outturn at Q2</b>	<b>Forecast Year End Variance</b>
Gross Interest Payable	2,137,124	1,847,184	(289,940)
Gross Interest Received	(503,366)	(818,232)	(314,866)
Net Investment Properties Income	(64,000)	(64,000)	0
Fees	10,000	10,000	0
<b>Net Interest (Earnings) / Payments</b>	<b>1,579,758</b>	<b>974,952</b>	<b>(604,806)</b>
Provision for the Repayment of Principal (MRP)	1,741,200	1,707,046	(34,154)
<b>Total Debt Repayment Costs</b>	<b>3,320,958</b>	<b>2,681,998</b>	<b>(638,960)</b>

**Gross Interest Payable**

60. 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.
61. When setting the budget for 2022/23 a certain amount of borrow was assumed to fund the capital programme. Due to delays from Covid-19 and changes to plans the Council borrowed less than anticipated. This has resulted in a forecast underspend of £289,940 on expenditure on interest repayments.

**Gross Interest Receivable**

62. The Council currently has c£30m in investments. At the time of setting the budget interest rates were low and forecast investment returns were minimal. Since the budget was set in February 2022 the Bank of England base rate has increased from 0.5% to 2.25% (October 2022) and further increases are forecast. These increases in rates, and hence investment returns, have led to a forecast additional £314,866 in income.

**Net Investment Properties Income**

63. 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**

64. The £10,000 expenditure on fees is in relation 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. No variance is anticipated.

## Provision for the Repayment of Principle (MRP)

65. The Council is required to make a Minimum Revenue Provision (MRP) payment in respect of its borrowing – to ensure debt is repaid over an appropriate period.
66. As the actual level of borrowing was less than forecast there has been a savings of £34,154 on the MRP payments that need to be made for 2022/23.

## Capital Programme

67. The adjusted Capital Budget for 2022/23 is £26,380,000 once carry forwards and adjustments amounting to £4,634,000 have been allowed for.
68. As Table 2 below shows, the spend to the end of September is £3.088m 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 September 2022	Forecast Outturn	Forecast Variance to Adjusted Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Services	9,457	2,257	11,714	1,190	11,309	(405)
Corporate Resources	12,289	2,377	14,666	1,898	11,894	(2,770)
<b>Total</b>	<b>21,746</b>	<b>4,634</b>	<b>26,380</b>	<b>3,088</b>	<b>23,205</b>	<b>(3,175)</b>

The net capital expenditure for the year is estimated at some £14.9m after allowing for grants and contributions.

69. The capital programme is forecasting to underspend by £3.175m. The main underspends are discussed below:
- Harold Place Restaurant Development (£2.77m underspend forecast). This project has been aborted.
  - Energy Generation (£363k underspend forecast). Slippage in the roll out of the scheme means majority of the budget will now fall into 2023/24.
  - Empty Homes Strategy (£50k underspend forecast). Expenditure is not likely in this financial year but the budget will need to be carried forward to the following year.

## Debtors

70. This is a new section and is designed to provide greater detail on the level of outstanding debt owed to the Council. The table below shows some key management information:

Number of Invoices Raised (01/04/22 to 30/9/22)	<b>8033</b>
--	-------------

Value of Invoices Raised (01/04/22 to 30/9/22)	<b>£5,462,817</b>
---	-------------------

Value of Invoices Paid (01/04/22 to 30/9/22)	<b>£4,765,891</b>
---	-------------------

Collection Rate (01/04/22 to 30/9/22)	<b>87%</b>
--	------------

Historic Collection Rates	Percentage
2019/20	95%
2020/21	84%
2021/22	88%

71. To date this financial year the council has raised 8,033 invoices with a total value of £5,462,817 and achieved a collection rate of 87%. At this point in the year this collection rate compares favourably with the past two years where collection rates were impacted by Covid-19.
72. The age debt table below shows the total value of outstanding sundry debt owed to the council and its age. Debts relating to Council Tax and NNDR are not shown within these figures.

### Age Debt Report

Not yet due	1 - 30 days	31 - 60 days	61 - 90 days	91 - 120 days	>120 days	Total
£0	£264,372	£11,846	£129,900	£111,725	£917,339	<b>£1,435,181</b>

73. At the end of the year a provision for bad debts is made within the accounts. The older a debt is, the less the chance of recovery, and the greater the level of provision that is made. For debt under 90 days a provision of 10% is made and for debt over 90 days old a provision of 50% is made. Every effort is taken to still collect debt regardless of any provision made.
74. When the Debtors team have exhausted all efforts to collect a debt it is passed to Legal for review. This will either result in legal action or potential write-off depending on the case. Regular meetings are held between Finance and Legal to review older debts and determine a course of action.

## Conclusion and Management Action

75. The revenue forecast outturn is that an additional £1.408m 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. If offsetting savings can not be found then reserves will need to be use to balance the budget.

76. 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.
77. Weekly meetings between members and officers are occurring to identify ways to reduce expenditure in the current year and future year budgets.
78. If it wasn't for the forecast overspend on Homelessness (£1.6m) 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.
79. At this stage Capital is forecasting to be underspent by £3.175m at year end. There is a high risk for further potential delays and variations in the year given the current climate and inflation increasing costs. Any slippage will be reflected in the Capital Programme Budget as part of 2023/24 Budget setting process.
80. 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 and restore reserves to minimum recommended levels.
81. Budgets will continue to be closely monitored with mitigating action taken offset any overspends identified where possible.

## 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

---

### 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

Simon Jones  
[simon.jones@hastings.gov.uk](mailto:simon.jones@hastings.gov.uk)  
01424 451532