

Report to: Overview and Scrutiny Committee

Date of Meeting: 12 July 2023

Report Title: Financial Monitoring Outturn Report for 2022/23 – to end of March 2023 (Period 12)

Report By: Simon Jones
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Purpose of Report

To provide a summary of the outturn position for services at the end of March 2023 (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 outturn financial position for the year end and particularly areas of over and under spend. The outturn position for 2022/23 can be used to inform budget monitoring for the 2023/24 financial year.

Key Strategic Points

- The anticipated use of the General Reserve has reduced by £1.16m from the position forecast in the 2023/24 budget working papers in February. Total usage is now expected to be £2.1m down from £3.26m.
- Reduced spending on Capital has led to no borrowing requirement for the year which in turn will lead to revenue savings in future years from lower MRP and interest payments.
- Of the £1.269m of savings identified in the 2022/23 PIER process 78% (£1.066m) of savings were achieved (82% or £401k for 2021/22).

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). Capital budgets are also monitored.
2. Further developments are planned for 2023/24 including monitoring and reporting of performance against Treasury Management Prudential indicators on a quarterly basis as required by the revised Prudential Code and monitoring of PIER savings agreed as part of the 2023/24 budget process.
3. 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.
4. The table below shows the draft outturn position at the end of March 2023 (Period 12). As the accounts are still being closed the figures are subject to change and have not yet been audited.

Table 1: Forecast Revenue Outturn Position

March 2023 Outturn	2022/23 Original Budget £	2022/23 Draft Outturn £	2022/23 Variance £	2022/23 Variance %	February Forecast Variance £	Change £
Directorates						
Corporate Resources	2,634,310	3,271,965	637,655	24.2%	507,304	130,351
Operational Services	10,597,270	13,336,955	2,739,685	25.9%	3,039,891	(300,206)
Direct Service Expenditure	13,231,580	16,608,920	3,377,340	25.5%	3,547,195	(169,855)
Contingency Provision	300,000	0	(300,000)	-100.0%	(300,000)	0
Total Service Expenditure	13,531,580	16,608,920	3,077,340	22.7%	3,247,195	(169,855)
Minimum Revenue Provision (MRP)	1,741,200	870,251	(870,949)	-50.0%	(821,200)	(49,749)
Net Interest (Earnings) / Payments	1,579,758	663,074	(916,683)	-58.0%	(779,308)	(137,376)
Debt Repayment Costs	3,320,958	1,533,325	(1,787,632)	-53.8%	(1,600,508)	(187,125)
Total Expenditure	16,852,538	18,142,246	1,289,708	7.7%	1,646,687	(356,980)

5. As can be seen from the table above the draft outturn for Total Expenditure is £1,289,708 over budget at year end. This is a decrease of £356,980 on the overspend reported at the end of period 11 (February).
6. The overspend of £3,377,340 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

7. 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.
8. 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 Draft Outturn	Variance	Trf to / (Use) of Reserves	2022/23 Draft Outturn Variance
	£	£	£	£	£
Corporate Resources	2,634,310	3,072,422	438,112	199,543	637,655
Operational Services	10,597,270	13,637,160	3,039,890	(300,205)	2,739,685
Total	13,231,580	16,709,582	3,478,002	(100,662)	3,377,340

9. The outturn overspend on Direct Service Expenditure has reduced by £169,855 since the February forecast. The most notable net variance causing this charge are:
- A new variance of £454,148 overspend on Housing Benefits. The budget for the recovery of Housing Benefits Overpayments was set at £896,440 which is in line with previous years. In the last 4 years this cost centre has benefited from an annual reduction in the bad debts provision leading to a credit (income), however this year a £466,960 increase in the provision was required leading to this variance arising. This area is not specifically monitored throughout the year and hence there has been no prior warning of this variance. Quarterly monitoring will need to be undertaken during 2023/24 to insure we are aware of any future variance.
 - An increase of £342,000 on Homelessness expenditure due to rising costs of temporary housing and increasing number of clients presenting as homeless. This variance is in part due to the new year end transfer between Housing Benefits and Homelessness to compensate HB for overpayments which are not covered by subsidy. This is a result of a change made by the Homelessness Taskforce which is bringing in additional income to the council but results in some anomalies on the year end benefits return which need to be corrected by this internal recharge. This recharge is now being closely monitored going forward.
 - Increased overspend of £76,000 on Revenues and Benefits Service in relation to additional audit fees accrual of £21,000 and £55,000 of income not being received from ESCC which had been expected but will not actually be received.
 - Additional overspend of £63,900 on Corporate Expenses due to software costs (Capita system still needed for some payment methods) and systems consultancy work.

Offset by:

- A reduction of £187,400 on Development Management forecast overspend due to additional income being identified which had been miscoded on the ledger. This missing income led to the forecast income being lower and was not identified earlier due to the volume of transactions.
- A increase of £171,200 in the underspend forecast on Financial Services Other Expenditure and Income. There has been a unbudgeted credit of £118,600 due to the writing-off of old balances held on the ledger system which were no longer required. The remainder is due to not all the severance budget being required.
- A reduction of £106,000 on the forecast overspend for Properties and Estates. The Rents and service charges expenditure budget was set based on the prior year which included some backdated invoices for other years.
- Grant income of £90,800 from the Household Support Fund to cover the council's costs of implementing the scheme. This income had not previously been budget for.
- Additional income of £76,000 on Muriel Matter House due to additional rental and service charge income and the cost of cleaning sitting within the DSO budget.
- A reduction of £65,800 in the forecast overspend for Housing Renewal due to Disabled Facility Grant funds being used to cover staff salaries.
- A saving of £64,800 on Cemetery & Crematorium due to greater than forecast levels of income in February and March.
- An additional £132,700 underspend for off-street car parking due to better than forecast parking permit income £50,000 and reduced recharge to Foreshore Trust £75,000.
- A savings of £60,700 on Public Conveniences due to the new contractor charging less and a refund on business rates.

10. Appendix 1 provides a more detailed analysis of each directorate, and this report seeks to provide further narrative on the main variations identified.
11. At the time of writing inflation remains elevated and wage growth demands, and energy costs are high. These factors are having a substantial impact on the Council's budgets and have led to significant unavoidable additional expenditure.
12. 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 and the statement of accounts is finalised and then audited.
13. The salary costs in the report include the agreed 2022/23 pay increase of £1,925 per Full Time Equivalent (FTE) which has now been paid to staff in full. The salaries budget for 2022/23 had assumed an increase of 1% at a cost of £119k. The agreed pay offer has cost the Council £750k. As only £119k was budgeted for this represents an unbudgeted overspend of £631k. The impact of this increase is offset to some extent by vacancies that have occurred and the recruitment freeze.

Corporate Resources

14. The service shows a forecast overspend of £637,655 after transfers from reserves.
15. Accountancy and Exchequer Services is showing an underspend of £40,819 due to salary slippage on vacant posts.
16. Revenues and Benefits are showing an overspend of £264,831 due to a delay in the planned restructure of the service. This has led to the continuation of the temporary staffing structure and reliance on additional agency members of staff longer than anticipated, coupled with additional demand placed on the team to deal with extra grant schemes throughout the financial year. A full restructure is currently in process and will be concluded in the next financial year.
17. Corporate Expenses is showing £78,860 additional spend on software due to a general increase in costs across the board and the need to continue with our current service provider to take payments over the counter and telephone. There has also been additional expenditure on consultancy costs to implement the new Pay360 software.
18. Unit Factories is showing an additional savings of (£34,303), this is mainly due to contract cleaning being done by the Building Cleaning DSO (£22,000) and a saving on the Business Rates budget of (£17,000). Repairs are showing an underspend of (£18,500) which is being used to part offset the repairs overspend in Properties and Estates. Rents are £18,000 down against budget due to some vacant periods and some minor rent free agreements.
19. Properties and Estates are showing an overspend of £72,198. An overspend of £90,900 has occurred on the repairs budget to cover additional works identified. Insurance excess of £7,200 has been paid. There is a reduction in rental income of £78,000 mainly due to a rent free period negotiated by tenants. Business rates for Lacuna Place have been paid for a vacant unit costing an additional £33,900 against the budget. Rents and Service charges payable are showing an underspend of (£113,500). Costs have been recovered for surveyors' fees relating to Harrow Lane (£38,000). The rest of the cost centre is made up of various smaller overs and unders.
20. St Mary in the Castle is showing an overspend of £14,250 on essential costs while the building is vacant.
21. Housing Benefits is showing an overspend of £454,148. This is in relation to lower than budget income for Housing Benefits Overpayments (HBOP). The budget was set at £896,440 which is in line with previous years, however the charge to the bad debts provision was larger than budget for. In the last 4 years this cost centre has benefited from an annual reduction in the bad debts provision leading to a credit (income), however this year a £466,960 increase in the provision was required leading to this variance arising. This area is not specifically monitored throughout the year and hence there has been no warning of this variance. Quarterly monitoring will need to be undertaken during 2023/24 to insure we are aware of any future variance.

22. Finance Other Expenditure and Income is showing an underspend of (£214,334). Various accounts on the balance sheet have been reviewed and old balances written off resulting in a credit of (£118,600). Underspend of (£55,800) is due to recovery from an insurance claim paid out in 2021/22. The severance budget was underspent by (£53,200). The rest of the variance is made up of various smaller over and underspends.
23. Corporate Management Costs is showing an overspend of £131,371, of this £90,000 is due to consultancy work undertaken by the Councils Treasury Advisors to perform a review on the current method of calculating Minimum Revenue Provision (MRP) payments and to provide suggested alternative methods. This review has identified in year savings of approximately £837k which have been added to the monitoring with the savings shown under the "Provision for the Repayment of Principal (MRP)" line. Additional external audit costs of £58,800 have been accrued for the audits taking place for 2021/22 and 2022/23. The cost of the audit work is partly offset by a grant of (£18,400) that has been received. The rest of the variance is made up of various smaller over and underspends.
24. Personnel and Business Support is showing an underspend of (£44,901) due to salaries slippage on vacant posts.
25. Corporate Policy and Partnerships is showing an underspend of (£20,276) 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.
26. Legal Services are showing an additional (£34,366) due to a late (£30,000) refund received from the Ministry of Justice.
27. The Transformation Team is showing a £52,968 overspend on salaries as it is using the salary savings mentioned above in Corporate Policy and Partnerships to fund a Transformation Officer post £26,700. Pay award increases of £5,000 and regrade of post of £21,500 are also showing here.
28. Corporate Personnel Costs is showing an overspend of £33,158 on staffing costs.
29. Muriel Matter House is showing an underspend of (£78,559) due to additional rentals for the 2nd Floor including the service charge (£30,000) and the cleaning contract now being taken over by the Building Cleaning DSO (£40,000), spend for this is in the Building Cleaning DSO cost centre.
30. Decorative lighting is showing an overspend of £24,350 due to increased electricity prices. Project Costs of £44,280 for the Sticks of Rock project in the Decorative Lighting budget have been carried forward from 2021/22 and financed from reserves. Works are dependent on ESCC as decorative lights are replaced once ESCC has replaced the whole lamppost.
31. Information Technology Division is showing a £20,304 overspend due to the staff pay award being higher than the budgeted figure.

32. The remaining balance is made up from various other variances which are shown in Appendix 1.

Operational Services

Environmental Health

33. The service is forecasting an underspend of (£19,192) against the budget.
34. Environmental Management and Admin is forecasting an underspend of (£12,700). There are salary savings of (£42,000) from the Senior Management restructure but also an increase of £24,000 expected for the pay award. There are savings on travel and systems costs of around (£3,000) each which largely makes up the remaining balance.
35. Local Licensing is showing an additional (£19,309) due to a reduction in signage and Disclosure Barring Service costs (£9,000) and (£10,000) additional income from taxi licensing.
36. The remaining balance is made up from various other variances which are shown in Appendix 1.

Parking Services

37. The Parking Service is showing a overspend of £100,833 against the budget.
38. The parking income is showing reduced income of £84,264. This is mainly due to lower fee income received at the sport centre car parks £50,000, the closing of Cornwallis car park £70,000 and a reduction in season ticket sales £25,000. This is partly offset by (£75,000) underspend as the recharge to the Foreshore Trust was lower due to reduced income being received.
39. Salaries are underspent by (£15,900) as the £23,000 increase in costs from the pay award has been offset by (£38,900) in salary slippage for the vacant posts.
40. The Fixed Penalty Notices income is showing reduced income of £19,015 due to the lapse in legislation regarding dog related fines.
41. The remaining balance is made up from other minor variances.

Waste

42. The service is showing an underspend of (£69,543).
43. The DSO service is showing a saving of (£57,783). Of this (£65,000) is due to salary slippage and staff turnover, we are currently still in need of filling 3 posts. The remainder is mainly made up from savings on vehicle repairs (£17,000) and vehicle fuel (£5,000). The Foreshore Trust recharge was £29,500 lower than anticipated resulting in less income.

44. Greenwaste is showing increased income of (£52,568) due to a larger customer base.
45. The Refuse Collection budget is overspent by £43,316. Of this £22,000 is due to changes in indexation, budgeted at 5% but came in at 5.89%. Another £20,000 is from increased costs for purchases of bins due to higher prices. Bulky Waste income came in (£6,800) under budget. Stock adjustment credit for the bins has resulted in a (£10,000) saving against the equipment budget.
46. The Public Convenience budget is showing an underspend of (£90,396). This is mainly due to the new contractor coming in at a lower rate but also savings have been made on Business Rates (£12,000). The Foreshore Trust income recharge came in (£5,000) above the budget.
47. The Building Cleaning DSO is showing spend of £115,185 for the year, this is covered by savings on contract cleaning across various services with an overall saving of over (£20,000).
48. The remaining balance is made up from other variances minor variances which are shown in Appendix 1.

Amenities

49. The service is showing additional spend of £4,259 against the 2022/23 budget once carry forwards and transfers from reserves are taken into account.
50. The Open Space Management Team is showing savings of (£11,405). 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.
51. Cemetery & Crematorium is showing additional income of (£15,410). Fees and Charges have achieved £111,000 additional income above the budget however this has been partly offset by a £95,600 overspend on gas and electricity costs.
52. Welfare Funerals is showing an overspend of £16,938 due to the write-off of uncollectable debts.
53. Arboriculture is £9,893 overspent. There have been additional health and safety works required for Ash Dieback this year of £10,000. This is in addition to the £15,250 carry forward required to deal with a backlog of work following damages from the storms in February and March 2022. The other variance on this cost centre is the pay award.
54. Parks and Gardens is showing an overspend of £20,995. The Grounds Maintenance indexation for November to March means an additional £10,000 costs here. Rents are anticipating a shortfall of £22,000 due to an adjustment for the West Hill Café for dilapidations. There are (£12,000) savings on the cleaning contract as this is now done by the Building Cleaning DSO.

55. Hastings Country Park is showing an under spend of (£10,619). This is mainly due to (£12,700) savings on the cleaning contract as this is now done by the Building Cleaning DSO. There are some minor overs on utilities which make up the balance.

Marketing and Major Projects

56. The service is showing an underspend of (£18,477).
57. Marketing and Comms is showing a salaries overspend of £4,800.
58. Community Awareness has an underspend of (£12,753) due to additional income from advertising on the seafront.
59. Tourist Information Centre / Visitor Centre has an underspend of (£7,944) for salaries due to closing the site.
60. Filming has seen an increase in activities leading to additional income of (£9,198).
61. Midsummer Fish Festival is overspent by £8,853, there was reduced footfall this year caused by train strikes and adverse weather.
62. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

Regeneration

63. The service is showing an underspend variance of (£136,213).
64. Planning Policy underspent (£21,368) due to a Technician vacancy and the Senior Planner being on Maternity Leave.
65. Cultural Activities are showing an underspend of (£17,641) due to a vacant post for Arts & Cultural Regeneration Officer.
66. External Funding Initiatives is showing an underspend of (£9,052) due to a vacant position.
67. Renewable Energy Solutions has an underspend of (£62,649) due to vacancies.
68. Wayfinding has an underspend of (£9,561) which is external funding to offset staff time for the project.
69. UK shared prosperity fund (£20,000) Contribution from the project towards Development Management and admin costs during the year.
70. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

Leisure

71. The service is showing an overspend of £16,785

72. Sports Centres is showing an overspend of £3,770 which is due to agreed reduction in rent for Bowls £5,000 and leisure management fee not requested. Due to the lasting impact of Covid-19 and the large increase in energy costs faced by Freedom Leisure the council has chosen to waive the £30,000 leisure management fee due for 2022/23 to help support Freedom Leisure. The Council is looking at installing PV arrays at Summerfields Leisure Centre to reduce the energy costs faced by Freedom Leisure. The repairs budget was unspent by (£31,000).
73. Active Hastings overspent by £13,100 due to additional staff to cover maternity leave

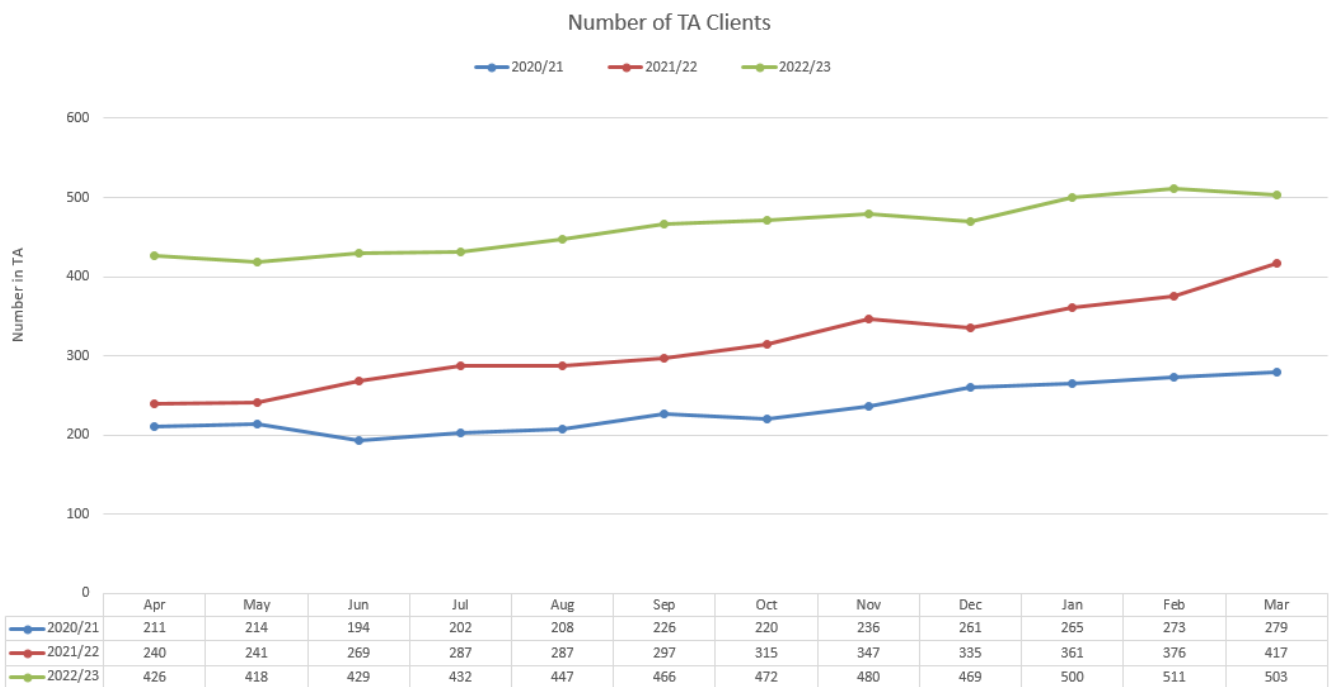
Resort Services

74. The service is showing an underspend of (£136,598).
75. Sports Management is showing an underspend of (£28,979) mainly due to vacant post and additional income.
76. Cliff Railways is showing an underspend of (£62,417). Income was up during the year which allowed the lift to be closed for repairs.
77. Seafront was underspent by (£23,510) as the repairs budget was not fully utilised.
78. Chalets & Private Hut Sites was underspent by (£10,784). Repairs were underspent by (£4,900) and additional income of (£6,500) have been partly offset by other minor net overspend of £600.
79. White Rock Theatre was overspent by £26,560 due to additional repairs
80. The Museum is currently showing an underspend of (£58,855). The vacant manager post and a staffing restructure that has taken place has led to an underspend of (£35,000). Income achieved more than budgeted by (£36,000). A number of other minor under and overspends make up the balance on this cost centre.
81. The remaining balance is made up from various other minor under and overspends which can be found in Appendix 1.

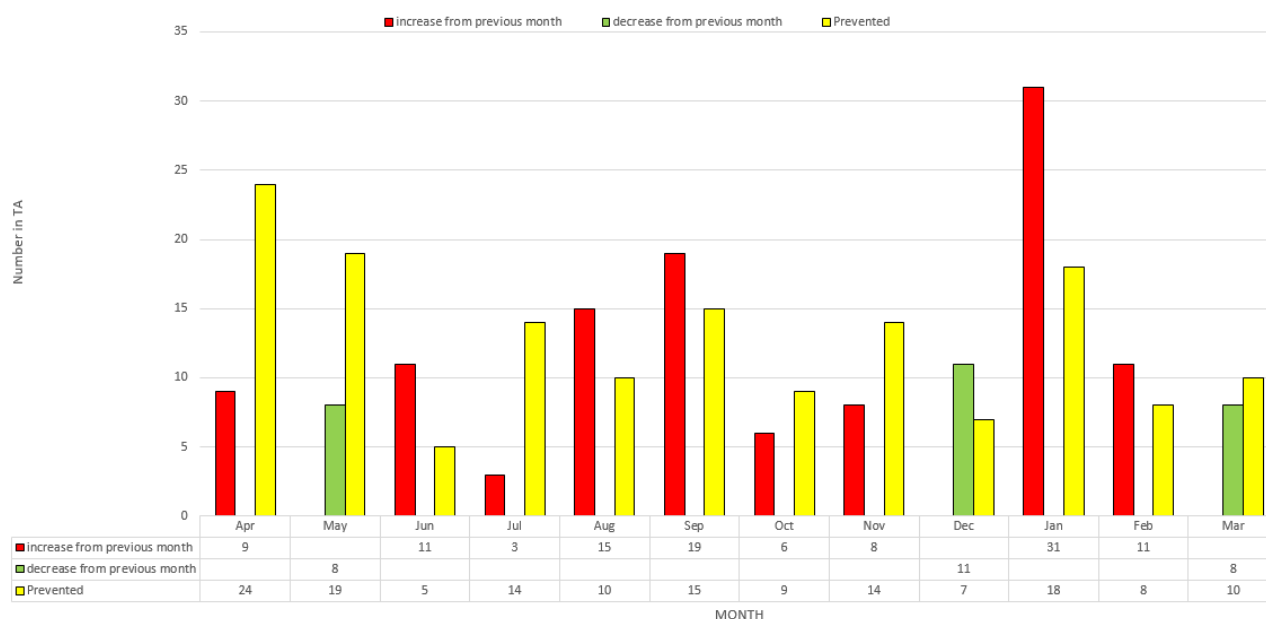
Housing and Built Environment

82. The service is showing an overspend of £2.997m against the 2022/23 budget.
83. Management & Admin cost Centre is showing an overspend of £29,727 mainly due to Additional cost of S184 Officer and Agency Staff.
84. Dangerous Structures work at Battle Road was expected to cost £522,500 to be funded from the General Reserve. £60,000 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 £407,706 for the year.

85. Planning Management & Admin is showing a underspend of (£54,735), This arises from a in year staff vacancy (£10,000) and additional receipts (£44,000).
86. Development Management is showing an overspend of £125,506 against the original budget. This arises from two additional staff agreed mid-year by CMG at a cost of £53,000 each. In the financial year agency staff were being used to cover vacant posts costing £100,000. These overspend are offset in part by a number of small underspends including Legal Fees (£13,200) and Postage (£10,500). Employment of agency staff ended in this financial year.
87. The Homelessness budget is forecasting an overspend of £2,384,699. This is due to the rising costs of temporary housing coupled with the number of clients presenting as homeless increasing.
88. HBC Owned properties have cost £52,407 after allocation of homeless reduction grant, this is the first year of splitting these costs from the leased Social Lettings cost centre. Minor repairs cost £45,000.
89. Rough Sleepers cost an additional £147,795 due to the continuation of the "off the street" discretionary placements offer.
90. The first graph below demonstrates the growth in the number of Temporary Accommodation clients over the current year and past two years. The second graph shows successful preventions from entering Temporary Accommodation and the increase/ decrease from the previous month figure.



Number of TA Clients



- 91. Household Support Fund is underspent by (£90,830). This is the administration element the council is allowed to keep to offset the costs of implementing the scheme.
- 92. The remaining balance is made up from various other minor variances which are shown in Appendix 1.

Debt Repayment Costs

- 93. Table 3 below shows the debt repayment costs position. A underspend of £1,787,633 has been achieved. This is comprised of a number of items which are discussed below.

Table 3: Debt Repayment Costs Position

Net Interest (Earnings) / Payments	Original Budget 2022/23	Draft Outturn 2022/23	Draft Year End Variance
Gross Interest Payable	2,137,124	1,862,230	(274,894)
Gross Interest Received	(503,366)	(1,140,936)	(637,570)
Net Investment Properties Income	(64,000)	(68,470)	(4,470)
Fees	10,000	10,250	250
Net Interest (Earnings) / Payments	1,579,758	663,074	(916,684)
Provision for the Repayment of Principal (MRP)	1,741,200	870,251	(870,949)
Total Debt Repayment Costs	3,320,958	1,533,325	(1,787,633)

Gross Interest Payable

94. 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.
95. When setting the budget for 2022/23 a certain amount of borrowing 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 an underspend of £274,894 on expenditure on interest repayments. This is a decrease of £15,030 since the February budget monitoring.

Gross Interest Receivable

96. 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 4.25% (as at 23rd March 2023) and further increases are forecast. These increases in rates, and hence investment returns, have led to an additional £637,570 in income. This is an increase of £147,936 since the February forecast. The income has kept rising as investments mature and are reinvested at higher rates.

Net Investment Properties Income

97. 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 £68,4700 which is above the budget by £4,470. This is due to lower than anticipated deductible expenses.

Fees

98. The £10,250 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. A minor overspend of £250 against the £10,000 budget has been incurred.

Provision for the Repayment of Principle (MRP)

99. The Council is required to make a Minimum Revenue Provision (MRP) payment in respect of its borrowing – to ensure the debt liability is repaid over an appropriate period.
100. As identified earlier in the report the Council engaged its treasury management advisors to undertake a review for our MRP policy. The review has now been concluded and a new method of calculating MRP has been identified which is not only considered more prudent, fairer to taxpayers and inline with suggested practice from CIPFA but also produces savings in the early years of adoption. The

MRP calculation for 2022/23 has been completed and a total saving of £870,949 has been achieved compared to the budget.

101. As the actual level of borrowing in 2021/22 was less than forecast and this resulted in a savings of £34,200 on the MRP payments that need to be made for 2022/23. The remainder of the saving (£836,749) has come from the MRP policy change.

Capital Programme

102. The revised Capital Budget for 2022/23 is £13,958,000 once carry forwards and budget revisions amounting to (£7,788,000) have been allowed for.
103. As Table 4 below shows, the spend to the end of March was £9.661m resulting in an underspend of £4.297m.
104. Further details are included in Appendix 2.

Table 4: Capital Programme (Gross expenditure)

Directorate	Original Budget 2022/23	Carry forwards & adjustments	Adjusted Budget	Draft Outturn	Variance to Adjusted Budget
	£'000	£'000	£'000	£'000	£'000
Operational Services	9,457	79	9,536	6,025	(3,511)
Corporate Resources	12,289	(7,867)	4,422	3,636	(786)
Total	21,746	(7,788)	13,958	9,661	(4,297)

105. The main variances against the adjusted budget are discussed below:
- Disabled Facilities Grant (£603k underspend). This is a demand led service and if fully financed by government grant. Any underspend will be transfer to the DFG earmarked reserve for use in future years where demand is greater than that years grant allocation.
 - Road at Pelham Arcade (£603k underspend). No expenditure has occurred in this year.
 - Harbour Arms & New Groynes (£234k underspend). Only minimal expenditure of £32k has occurred this financial year. The underspend will need to be carried forward into the new financial year.
 - Playgrounds upgrade programme (£44k underspend). Expenditure of £36k has been incurred on children's play equipment.
 - Energy Generation (£638k underspend). No expenditure has occurred in this year. The underspend will need to be carried forward into the new financial year.
 - Buckshole and Shornden Reservoirs Statutory Protection Works (£81k underspend). Expenditure of £910k has occurred this financial year.

- Priory Street Works (£41k underspend). No expenditure has occurred in this year.
- Next Steps Accommodation Pathway (£745k underspend). Expenditure of £969k has occurred in the year. The underspent budget will be carried forward into the next financial year to continue the programme of purchases. This scheme is 100% grant funded.
- Bexhill Road South (£1,075k underspend). No expenditure has occurred in this year.
- MUGA Refurbishments (£49k underspend). Expenditure of £31k has been incurred on two refurbishments.
- Towns Fund Projects (£360k overspend). Some projects do not have budgets in this year but have still incurred expenditure and others have overspent on their budgets. At this stage all expenditure is grant funded.
- Cliff Railways (£226k overspend). The budget for this project is in 2023/24 however some initial costs have been incurred early. The 2023/24 budget will be underspent due to this early expenditure.
- Conversion of 12/13 York Buildings (£47k overspend). Although all work is now completed, we are still receiving retention payments requests from suppliers. Some of the payments were not expected until 2023/24 so the budget sits in that year.
- Priory Meadow - Contribution to capital works (£250k underspent). No request for contributions to capital expenditure have been received for this year.
- Churchfields Business Centre (£359k underspend). Expenditure of £3,021k has been incurred in this financial year. The unspent budget will be carried forward to the next financial year to complete the project.
- Development / Refurbishment of Lacuna Place (£114k underspend). Expenditure of £27k was made during the year).
- Cornwallis Street Development (£42k underspend). Expenditure of £238k has occurred during the year. The unspent budget will be carried forward to the next financial year to continue the project.
- Castleham Industrial Units roofing repairs (£204k underspend). Expenditure of £121k has been incurred for the year. The unspent budget will be carried forward to the next financial year to continue the project.
- Hastings Retail Park (£158k overspend). Expenditure has been incurred but there was no budget. Part of these costs can be reclaimed from the tenants.

Reserves

106. The forecast movement on reserves is shown in the table below:

	Balance at 1 April 2022 £'000	Movement 2022-23 £'000	Balance at 31 March 2023 £'000
General Reserve	(9,698)	2,099	(7,599)
Capital Reserve	(150)	0	(150)
Renewal and Repairs Reserve	(1,471)	(185)	(1,656)
Risk Management Reserve	(315)	0	(315)
Information Technology Reserve	(206)	(68)	(274)
On-Street Car Parking Surplus Reserve	(40)	0	(40)
Section 106 Reserve (Revenue)	(418)	(8)	(426)
Revenues & Benefits Reserve	(394)	139	(255)
Local Authority Parks Improvement	(6)	6	0
Countryside Stewardship Reserve	(21)	(7)	(28)
Monuments in perpetuity	(46)	0	(46)
Ore Valley Reserve	(250)	0	(250)
Invest to save and efficiency Reserve	(127)	40	(87)
Resilience and Stability Reserve	(1,000)	100	(900)
Redundancy Reserve	(665)	100	(565)
Safer Hastings Partnership Reserve	(100)	2	(98)
Carry-forwards	(933)	933	0
Revenue Hardship Fund	(80)	80	0
Disabled Facilities Grant	(1,374)	0	(1,374)
Syrian Resettlement Programme	(17)	17	0
Selective Licensing Reserve	(144)	144	0
Housing Licensing reserve	(390)	113	(277)
Community Housing Reserve	(55)	44	(11)
Controlling Migration	(116)	0	(116)
Towns Fund	(236)	0	(236)
Section 31 - Grant Reserve	(12,354)	6,018	(6,336)
Rounding	2	(2)	0
Total	(30,604)	9,565	(21,039)

107. Most reserve movements have now been agreed and finalised however as work on closing the accounts is still ongoing the balance on the General Reserve is likely to change but the most accurate estimate possible has been given at this stage.

108. The 2022/23 yearend forecast use of the General Reserve is £2.1m. This is £1.16m less than the £3.26m forecast outturn used in the 2023/24 budget papers agreed by Council in February. This is a result of Total Service Expenditure being £981,000 below the £17.2m forecast outturn in the budget papers and also the transfer of some unnecessary reserve balances to the General Reserve.

Review of PIER savings

109. In the 2016/17 Audit Completion Report from BDO the then external auditors observed that PIER savings are planned in detail within the council's annual budget process reports and savings identified are removed from the budgets once approved by Cabinet. They commented that there is opportunity to enhance reporting to Cabinet further by stating actual savings achieved compared to the original estimate.
110. It was recommended that management include the actual savings achieved against each PIER scheme following their implementation when reporting the outturn variance. This recommendation was accepted by the Council and Appendix 3 details the achievement of the savings in 2022/23.
111. The 2022/23 budget identified PIER savings of £1,368,580 and it has been calculated that £1,066,110 of savings or 78% were achieved within the year. The variance is an underachievement of £302,470 (22%) of the targeted savings. This is a similar situation to 2021/22 where an underachievement of savings of 17% (£83,000) occurred, however this was against a smaller savings target of £484,000.
112. Some of the savings can be hard to quantify and for these accountants have provided commentary to help in the understanding of the figures. The savings have also been colour coded (Red, Amber, Green) to enable quick identification of where savings were not fully achieved. Appendix 3 only considers the PIER savings and does not look at other savings generated within the year or identify any non-related overspends.

Conclusion and Management Action

113. The revenue outturn is that an additional £1,289,708 has been spent compared to the budget this financial year. All service managers, but in particular those predicting year end overspends were asked to identify savings to offset the variances where possible. This has reduced the level of the overspend that would have been incurred had remedial work not taken place. Further savings were achieved by a recruitment freeze that led to only essential posts being filled when they became vacant. The overspend will need to be financed using reserves.
114. The rise of inflation, particularly in relation to energy costs, is a cause for concern for the council and has had a significant impact on the year end outturn position. However, future risk of any increase has been mitigated by a new energy contract which will lead to fixed rates to allow better stability in forecasts and mitigate price changes.
115. The recent Finance Peer Review by the LGA in March has provided additional support and advice for dealing with the current financial position. It should be noted that piece of work was completed before the final financial position for 2022/23 was finalised, but the SLT (Senior Leadership Team) have already started implementing a number of key action areas.
116. The monitoring position has been greatly helped by the change in the MRP policy which has generated a in year saving of £787,000.

117. A number of unidentified under and overspend have materialised in the last month of the year which could have been foreseen earlier. Greater scrutiny of budgets will need to be undertaken to ensure variances are reported at the earliest possible opportunity.
118. As part of the commitment to greater budget awareness and the roles of different committees, all staff and Councillors will have training on a number of crucial areas including budget management, Risk & Audit, Treasury Management and Scrutiny.
119. If it wasn't for the overspend on Homelessness (£2.384m) the council would be reporting an underspend of £1.095m 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 in this area.
120. If the position is not immediately addressed and the costs continue to grow at the current rate for Temporary Accommodation and the Council is not able to control this area and stay within budget whilst also achieving the savings identified as part of the budget setting process then the impact on the MTFP will be greater use of reserves than forecast and the CFO (Chief Finance Officer) will have no option other than to issue a Section 114 notice.
121. Whilst Appendix 4 provides an update to the MTFP (Medium Term Financial Plan), this is based on the original figures used as part of budget setting and updated with the latest outturn figures from 2022/23 included in this report along with some key additional updates at the time of writing. Further updates to the plan will be provided in the next and future monthly financial reports, which will also include Savings (in year) progress as well as the crucial indicator of Quarter one forecasts, in particular Housing.
122. Capital is underspent by £4.297m. Expenditure on many of the schemes will still be incurred but will slip into the next financial year. Slippage on the capital programme will result in interest and MRP charges being pushed out into future years.
123. The further use of reserves to balance the budget reduces the potential to use reserves to fund future expenditure and will necessitate greater cuts to services and staff in future financial years to achieve a balanced budget and keep reserves at or above minimum recommended levels. There is a review of Reserves currently underway and the results and recommendations will be shared in a future report in more detail when the work is completed.

Timetable of Next Steps

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

Action	Key milestone	Due date (provisional)	Responsible
Continued monthly and	Each financial	Relevant CAP	Deputy Chief

quarterly monitoring	quarter	meetings	Finance Officer
Production of 2023/24 outturn Report	Financial year end (31/03/2024)	July 2024	Chief Finance Officer / Deputy Chief Finance Officer

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 P12
Appendix 2 Operational Services and Corporate Resources – Capital Summary P12
Appendix 3 PIER Proposals 2022/23 - Achieved/ Not Achieved
Appendix 4 – MTFP Update

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