

**Report to:** Cabinet

**Date of Meeting:** 4 March 2024

**Report Title:** Financial Monitoring Report for 2023/24 – to end of January 2024 (Period 10)

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

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### **Purpose of Report**

To provide a summary of the financial forecast outturn position for services at the end of Period 10 (January 2024).

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### **Recommendation(s)**

To note 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. 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 2024/25 budget and the impact of the 2023/24 outturn on the reserves position.

## Background

1. As part of the process of continuous improvement, and to provide more comprehensive financial monitoring, the format of the budget monitoring report continues to change.
2. Last year the monitoring report was revised to not only include the monitoring of direct service expenditure but to also include details on debt repayment (Interest and MRP), and Capital budgets.
3. Further developments have been implemented for 2023/24 including monitoring of the achievement of PIER savings agreed as part of the 2023/24 budget process and monitoring of the Reserves position.
4. In February 2023, the Council agreed a revenue budget for 2023/24 with total expenditure of £17,754,575 funded by government grants, Council Tax, Business Rates, and contributions from reserves.
5. The table below shows the forecast outturn position at the end of January 2024 (Period 10), i.e., what the position is expected to be at 31st March 2024.

**Table 1: Forecast Revenue Outturn Position**

Monitoring to end of January 2024	2023/24 Original Budget £	2023/24 Draft Outturn £	2023/24 Variance £	2023/24 Variance %	December Forecast Variance £	Change £
<b>Head of Service Area</b>						
Chief Finance Officer / S151 Officer	2,622,200	3,377,705	755,505	28.8%	878,670	(123,165)
Chief Legal Officer / Monitoring Officer	985,990	942,000	(43,990)	-4.5%	(39,450)	(4,540)
Commercial Services & Development	931,100	983,535	52,435	5.6%	(11,311)	63,746
Community and Regulatory Services	861,830	936,835	75,005	8.7%	36,470	38,535
Environment and Operations	4,990,980	5,067,885	76,905	1.5%	66,056	10,849
Housing	6,426,235	7,125,207	698,972	10.9%	780,672	(81,701)
People and Business Support	726,050	747,270	21,220	2.9%	20,270	950
Strategic Programmes	2,375,080	2,687,190	312,110	13.1%	297,860	14,250
Property and Commercial Assets Manager	(4,992,890)	(5,355,270)	(362,380)	7.3%	(349,180)	(13,200)
<b>Total Service Expenditure</b>	<b>14,926,575</b>	<b>16,512,356</b>	<b>1,585,781</b>	<b>10.6%</b>	<b>1,680,057</b>	<b>(94,276)</b>
Minimum Revenue Provision (MRP)	945,000	904,100	(40,900)	-4.3%	(40,900)	0
Net Interest (Earnings) / Payments	1,483,000	1,051,500	(431,500)	-29.1%	(431,500)	0
<b>Debt Repayment Costs</b>	<b>2,428,000</b>	<b>1,955,600</b>	<b>(472,400)</b>	<b>-19.5%</b>	<b>(472,400)</b>	<b>0</b>
<b>Total Expenditure</b>	<b>17,354,575</b>	<b>18,467,956</b>	<b>1,113,381</b>	<b>6.4%</b>	<b>1,207,657</b>	<b>(94,276)</b>

6. Total Expenditure is forecast to be £1,113,381 over budget at year end. This is a decrease of £94,276 on the overspend reported at the end of period 9 (end of December 23). The factors leading to this change in forecast are discussed in paragraph 12 below.

7. The overspend of £1,585,781 on Total Service Expenditure is offset in part by savings on MRP and Net Interest payments. Further details on the different elements are given below.

## Total Service Expenditure

8. The 2023/24 Total Service Expenditure budget agreed by Council was £14,826,575. This figure includes the contingency budget which was initially set at £300,000.
9. The Total Service Expenditure budget has increased by £500,000 due to budget amendments and subsequent approval, with the revised Total Service Expenditure budget now being £14,926,575.
10. Table 2 below details the current forecast outturn position for Total Service Expenditure.

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

Head of Service Area	2023/24 Budget	2023/24 Forecast Outturn	Variance	Trf to / (Use) of Reserves	2023/24 Outturn Variance
	£	£	£	£	£
Chief Finance Officer / S151 Officer	2,622,200	3,584,555	962,355	(206,850)	<b>755,505</b>
Chief Legal Officer / Monitoring Officer	985,990	942,000	(43,990)	0	<b>(43,990)</b>
Commercial Services and Development	931,100	1,099,175	168,075	(115,640)	<b>52,435</b>
Community and Regulatory Services	861,830	943,295	81,465	(6,460)	<b>75,005</b>
Environment and Operations	4,990,980	5,348,485	357,505	(280,600)	<b>76,905</b>
Housing	6,426,235	7,135,107	708,872	(9,900)	<b>698,972</b>
People and Business Support	726,050	844,230	118,180	(96,960)	<b>21,220</b>
Strategic Programmes	2,375,080	2,537,190	162,110	150,000	<b>312,110</b>
Property and Commercial Assets Manager	(4,992,890)	(5,355,770)	(362,880)	500	<b>(362,380)</b>
<b>Total Service Expenditure</b>	<b>14,926,575</b>	<b>17,078,266</b>	<b>2,151,691</b>	<b>(565,910)</b>	<b>1,585,781</b>

11. The forecast overspend on Total Service Expenditure has decreased by £94,276 in table 1 since last month (December 2023). The most notable variances causing this charge are:
- The closure of the East Hill Lift due to a land slip in January 24 has led to a reduction of £34,000 in projected income.
  - Reduction in spend on Temporary Accommodation and recognition of Housing Benefit income of £81,701.
  - Whilst no financial change has occurred since the last report, the Housing savings figure listed in Appendix 3 has moved from amber to red in recognition of the reprofiling of the savings as part of budget discussions.
12. Appendix 1 provides a more detailed analysis of each directorate, and this report seeks to provide further narrative on the main variations identified.
13. The 2023/24 staff pay rise has now been agreed. The offer of £1,925 per Full Time Equivalent (FTE) or 3.88% whichever is greater. At the time of setting the budget an assumption of a 3% salary increase was made.

14. The unbudgeted element of the pay rise will adversely impact all service budgets. These are however out of the direct control of the service budget managers. In some areas this overspend will be offset against savings, thus reducing the adverse impact in the short term. Where this is the sole impact, individual narratives for each area have been removed to avoid repetition within the report itself.

### **Chief Finance Officer / S151 Officer**

15. This area is forecasting an overspend of £755,505.
16. The Senior Leadership Team is showing an overspend of £827,225. This is largely due to a PIER savings target of £1m for Housing included when setting the budget was agreed in February 2023. Savings were not originally forecast to be achieved until Q4 once the initiatives of the Housing and Homelessness Taskforce started to take effect.
17. The achievement of this saving target has been made harder due to providers increasing their fees in line with inflation and delays in the delivery of social housing units. Savings are budgeted centrally in SLT until they are confirmed, and budget reductions are then made in the relevant service areas.
18. Accountancy and Exchequer Services is showing an underspend of £82,470. Of this, £140,000 is due to vacant posts, pending restructure outcomes. There is also an overspend of £105,000 due to changes in the way actuaries calculate employer pension charges, which were calculated differently in previous years. The overspend will be offset by savings on salaries within individual cost centres.
19. Revenues and Benefits Service is showing an overspend of £54,457 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 for longer periods than anticipated, coupled with additional demand being placed on the team to deal with extra grant schemes throughout the financial year. A full restructure has been implemented from 1<sup>st</sup> January 2024.
20. The council has received grant income for managing the Household Support Fund of £59,126, which offsets part of the overspend showing in the Revenues and Benefits Service.

### **Chief Legal Officer / Monitoring Officer**

21. This area is forecasting an underspend of £43,990.

### **Head of Commercial Services and Development**

22. This area is forecasting an overspend of £52,435 after reserve movements.
23. The Cliff railway is forecasting a £134,580 overspend due to the East Hill lift being closed for essential maintenance work until mid-October 2023. Initially loss of income was only anticipated for the first quarter. In January 2024 East Hill closed again because of natural causes (land slip) which again will reduce income.

24. The Seafront is forecasting a £23,230 overspend due to additional repairs and increased electricity costs.

### Head of Community and Regulatory Services

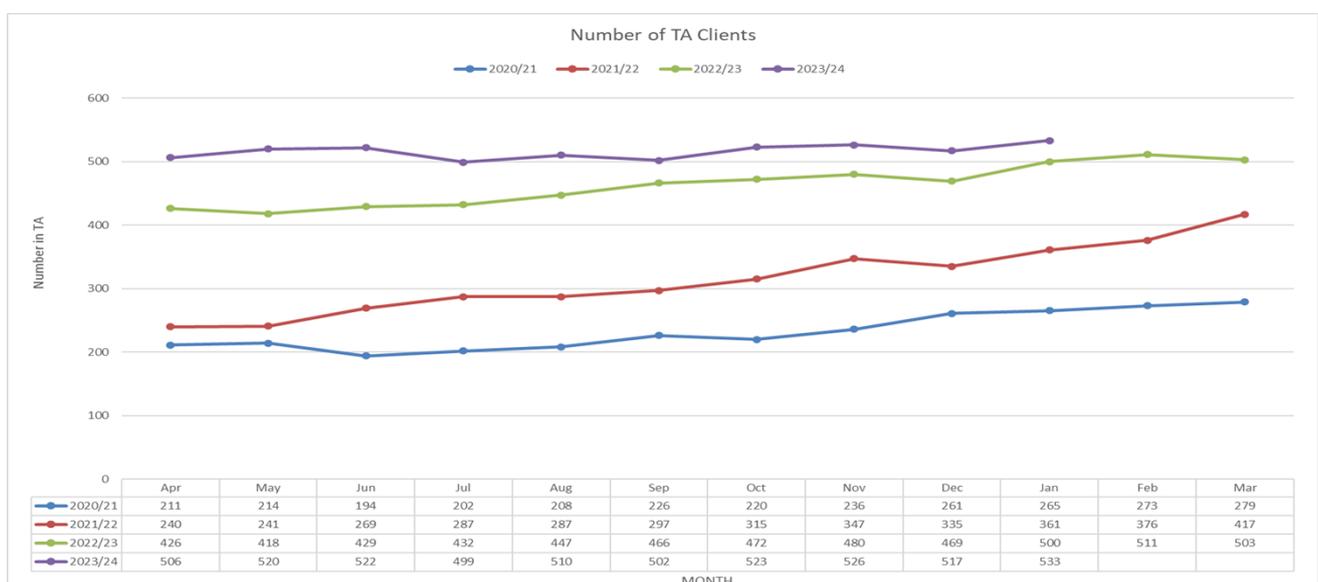
25. This area is forecasting an overspend of £75,005 after reserve movements.
26. Off Street Parking is forecasting an overspend of £69,260. This is mainly due to an increase in electricity costs for car parks including for additional EV charging of £86,380. This figure is partly offset by a reduction in fuel costs for warden vehicles £3,200 and income from the EV charging in car parks £28,000. The Off-Street income is currently showing a £20,000 shortfall compared to the profiled budget.

### Head of Environment and Operations

27. This area is forecasting an overspend of £76,905 after reserve movements.
28. No major variances to report.

### Head of Housing

29. This area is forecasting an overspend of £708,872.
30. Homelessness (Temporary Accommodation) is forecasting an overspend of £995,165 despite the number of households in privately procured emergency accommodation remaining broadly stable. The key driver of additional spend has been an increase in provider costs linked to inflation, which had not been budgeted for.
31. The above is partially offset by HBC Owned properties which is forecasting an expected favourable variance of £125,997, primarily due to Housing Benefit income not being budgeted, but is received for these units and forecasted for the year. Housing Renewal is also forecasting an expected favourable variance of £105k with the main driver being £75k DFG funding being utilised to contribute to the costs of two posts, which was not budgeted.
32. The graph below demonstrates the demand for temporary accommodation The graph



shows the growth in the number of Temporary Accommodation clients over the current and past three years.

## **Head of People and Business Support**

33. This area is forecasting an overspend of £21,220.

## **Head of Strategic Programmes**

34. This service area is showing a forecasted overspend of £312,110.
35. Local Land Planning Management and Admin is showing an underspend of £33,480 due to additional income from a major application for naming and numbering of streets.
36. Development Management is showing an overspend of £118,700. The service budget is predicated on the assumption that we will receive major applications during the year which require significant work which is funded in part by the fee paid by the applicant. The trend has been that the council has received at least one major application in each of the last few years. As there has been a reduction in the number of major applications in this financial year the budget as adjusted to show a reduction of £75,000 income. There is also a £39,000 additional spend on legal fees required for the award of costs against the refusal of 777 The ridge.
37. Local Land Charges Register is showing an overspend of £36,300 as income is expected to be lower than budgeted. Following the service review the budget will be adjusted for future years.
38. Dangerous structures work at Battle Road have now been completed and £178,360 has been spent to date this financial year. We are not anticipating any further expenditure. Cost recovery for this year, and previous years is now underway. (NB the Council took the action to remedy the dangerous structure in default following court action requiring the owners to undertake the works).

## **Property and Commercial Assets Manager**

39. This area is forecasting an underspend of £362,380. This is a positive picture demonstrating the vitality of our factory rentals.
40. Unit Factories are showing an underspend of £122,900 due to additional income from the new factory micro units at Churchfields currently £51,000 and a combination of rent reviews and renewed leases which have taken place in the last few months £90,000.
41. The Properties and Estates cost centre is showing an underspend of £304,600 mainly due to rent reviews at Lacuna Place for the DWP £260,000 and Pebsham Tip £60,000. Unforeseen additional repairs of £50,000 are required this year. The rest of the balance is made up of other rent reviews that have occurred and a couple of write offs.

42. St Mary in the Castle is showing an overspend of £27,080 due to essential costs while the building is vacant.

## Debt Repayment Costs

43. Table 3 below shows the debt repayment costs position. As discussed earlier in this report, the budgets have been revised for a £500,000 saving that was budgeted to be achieved from reduced expenditure on the capital programme.
44. Even with the £500,000 reduction in the budget, an underspend of £472,400 is forecast at year end. This is made up of a number of items which are discussed below.

**Table 3: Debt Repayment Costs Position**

<b>Net Interest (Earnings) / Payments November Forecast - Period 8</b>	<b>Budget 2023/24</b>	<b>Forecast Outturn 2023/24</b>	<b>Forecast Year End Variance</b>
Gross Interest Payable	2,436,000	2,435,000	(1,000)
Gross Interest Received	(899,000)	(1,330,000)	(431,000)
Net Investment Properties Income	(64,000)	(64,000)	0
Fees	10,000	10,500	500
<b>Net Interest (Earnings) / Payments</b>	<b>1,483,000</b>	<b>1,051,500</b>	<b>(431,500)</b>
Provision for the Repayment of Principal (MRP)	945,000	904,100	(40,900)
<b>Total Debt Repayment Costs</b>	<b>2,428,000</b>	<b>1,955,600</b>	<b>(472,400)</b>

### Gross Interest Payable

45. The Council currently has 22 loans with the Public Works Loan Board (PWLb). These 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.
46. When setting the budget for 2023/24 a certain amount of borrowing was assumed to fund the capital programme. Due to delays and changes to plans in the capital programme the Council did not undertake additional borrowing at the end of 2022/23. This has resulted in a £375,000 budget virement being undertaken to reduce the budgeted expenditure on interest payable. This makes up part of the £500,000 capital programme revenue savings that was budgeted for.

### Gross Interest Receivable

47. The Council currently has c£31.3m in investments. At the time of setting the budget interest rates were lower and expected to fall towards the end of the year. With inflation still being a cause of concern the picture now is less certain. Since the budget was set in February 2023 the Bank of England base rate has increased from 4.0% to 5.25% (from 3 August 2023), no further increases are expected. This has resulted in a £75,000 budget virement being undertaken to increase the budgeted income from interest receivable. This makes up part of the £500,000 capital programme revenue savings that was budgeted for.

## **Net Investment Properties Income**

48. 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.

## **Provision for the Repayment of Principle (MRP)**

49. 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.
50. As there was no borrowing in 2022/23 to fund the capital programme an underspend is forecast on the provision for MRP payments. This forecast includes making an additional £80,000 Voluntary Revenue Provision (VRP) payment which will be used in future years to offset increases in the MRP as a result of the revised MRP policy. This has resulted in a £50,000 budget virement being undertaken to reduce the MRP budget. This makes up part of the £500,000 capital programme revenue savings that was budgeted for.
51. It is anticipated that there will be a total underspend of £40,900 on MRP payments that need to be made in 2023/24 compared to the revised budget.

## **Capital Programme**

52. The Council approved a gross capital programme budget of £29,322,000 for 2023/24. The adjusted Capital Budget for 2023/24 is £17,072,000 once carry forwards and budget revisions amounting to £8,626,000 have been allowed for and £20,876,000 has been moved to future years.
53. The capital programme is constantly reviewed and where possible programmes have been pushed back to future years in order to aid the revenue budget. For schemes that are funded by borrowing, postponing the scheme to future years will achieve revenue savings in the short-term by reduced interest and MRP payments. If capital receipts can be generated from asset sales this will further reduce the need to borrow and generate additional revenue savings.
54. As Table 4 below shows, the spend to the end of January, 10 months into the financial year, is £8,498m with the year-end forecast outturn expected to be on track. Further details are included in Appendix 2.

**Table 4: Capital Programme (Gross expenditure)**

	Original Budget 2023/24	Carry forwards & adjustments	Adjusted Budget	Spend to End Jan 2024	Forecast Outturn	Forecast Variance to Adjusted Budget
	£'000	£'000	£'000	£'000	£'000	£'000

<b>Total</b>	<b>29,322</b>	<b>8,626</b>	<b>17,144</b>	<b>9,753</b>	<b>17,144</b>	<b>0</b>
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55. The capital programme is forecasting a nil variance, mainly as a result of moving planned spend to future years and cancelled projects.

## Reserves

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

	Opening Balance at 1 April 2023	Forecast Movement 2023-24 - Income	Forecast Movement 2023-24 - Expenditure	Closing Balance at 31 March 2024
	£'000	£'000	£'000	£'000
(1) General Reserve	(8,423)	760	1,631	(6,031)
(2) Capital Reserve	(150)	0	0	(150)
(3) Renewal and Repairs Reserve	(1,656)	(689)	1,252	(1,093)
(4) Risk Management Reserve	(315)	0	65	(250)
(5) Information Technology Reserve	(274)	(64)	214	(124)
(6) On-Street Car Parking Surplus Reserve	(40)	0	0	(40)
(7) Section 106 Reserve (Revenue)	(426)	0	154	(272)
(8) Revenues & Benefits Reserve	(255)	0	155	(100)
(9) Countryside Stewardship Reserve	(28)	(80)	90	(18)
(10) Ore Valley Reserve	(250)	0	0	(250)
(11) Invest to save and efficiency Reserve	(87)	0	66	(21)
(12) Business Rates Equalisation Reserve	(900)	0	900	0
(13) Redundancy Reserve	(565)	0	0	(565)
(14) Safer Hastings Partnership Reserve	(98)	0	22	(76)
(15) Disabled Facilities Grant	(1,374)	(2,056)	2,056	(1,374)
(16) Housing Licensing reserve	(277)	0	0	(277)
(17) Community Housing Reserve	(11)	0	0	(11)
(18) Controlling Migration	(116)	0	0	(116)
(19) Towns Fund	(236)	(372)	320	(288)
(20) Section 31 - Grant Reserve	(3,653)	0	399	(3,254)
(21) Green Energy	0	(150)	0	(150)
(22) Local Plan	0	(339)	78	(261)
(23) Asset Maintenance Reserve	(46)	(7)	1	(52)
(24) Syrian Refugee Resettlement Programme	0	(53)	53	0
(25) Rounding	1	0	0	1
<b>Total</b>	<b>(19,179)</b>	<b>(3,050)</b>	<b>7,456</b>	<b>(14,722)</b>

57. The 2023/24 budget was set based on using a net contribution of £3.4m from reserves. This comprised of £827k from Earmarked Reserves, £0.9m from the Business Rates Equalisation Reserve (historically the Resilience and Stability Reserve), and £1.6m from the General Reserve.
58. The current 2023/24-year end forecast use of the General Reserve is £2.4m This is £0.8m more than the budget agreed by Council in February 2023 as a result of Total Expenditure being above the £17.4m budget agreed.
59. The opening balance of the General Reserve has increased by £824k to £8.4m. Up until this stage work has been progressing on closing the 2022/23 statement of accounts, however, this is now completed, and balances have been confirmed

(subject to audit) and revised for budget monitoring purposes. The opening balance on the Section 31 Grant Reserve has reduced by £2.683m. These changes are due to the use of the s31 grant reserve to repay central government for unspent government grants. Some of these repayments were initially forecast to have been financed from the General Reserve.

60. There will be a separate paper to discuss the use and the detail of the earmarked reserves.

## **Review of PIER savings**

61. Appendix 3 details the achievement of the PIER (priority income, and expenditure review) savings in 2023/24 to date.
62. The 2023/24 budget identified net PIER savings of £1,162,550. The forecast Housing savings of £1m are not expected to be achieved in the current financial year. The housing budget has since been reprofiled, with future savings identified and forecast for the 24/25 financial year.
63. Most other savings have already been achieved and the budget reduced. Likewise, for the growth items, the budgets have been transferred to increase the budget.
64. If the growth items and Temporary Accommodation saving are excluded, then 80% of the savings targets have been achieved to date.
65. Some of the PIER savings are hard to quantify and for these a commentary has been provided to help in the understanding of the figures. The savings have been colour-coded (Red, Amber, Green) to enable quick identification of where savings may not be fully achieved. Growth items have been shaded in blue.
66. Appendix 3 only itemises the PIER savings and does not list all the other savings generated within the year, nor does it identify any non-related overspends.

## **Conclusion and Management Action**

67. The revenue forecast outturn is that an additional £1.1m will be spent compared to the original budget this financial year.
68. The Council has enforced financial restrictions across the organisation since October 2023 and we are beginning to see the financial benefits of that in the forecasts contained in this report. However, the restrictions implemented are designed to be short term only and longer-term savings plans will need to be robust enough to withstand any future changing circumstances. The in-year restrictions will continue until the end of the financial year and will be reviewed for their effectiveness once we have final figures.

69. The council's Homelessness Taskforce is working hard across departmental boundaries to implement solutions to reduce the spiralling temporary accommodation costs. The graphs at paragraph 32 indicate the first tentative signs of a plateau, and potential reduction in the number of people in temporary accommodation, which is an encouraging sign.
70. There is a risk of potential delays to some capital programme schemes and variations in the year given the current climate and inflation increasing costs. Any slippage will be carried forward to future year capital budgets if deemed appropriate, cost effective and relevant to the needs of the Council. Slippage on the capital programme could result in lower interest and MRP charges, delaying the impact to future years. The capital programme has been reviewed and where possible expenditure plans pushed out to future years to generate revenue savings on interest and MRP payments and a revised Capital programme will be provided as part of the upcoming budget report.
71. 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 future financial years to achieve a balanced budget and restore reserves to minimum recommended levels.
72. The budget for 2024/25 is being developed with the aim of producing a balanced budget with significant savings plans agreed at December Full Council. Timetable of Next Steps

### Timetable of Next Steps

73. Key actions and the scheduled dates:

Action	Key milestone	Due date (provisional)	Responsible
Continued monthly and quarterly monitoring	Each month and financial quarter	Relevant Cabinet meetings	Deputy Chief Finance Officer
Production of 2023/24 outturn Report	Financial year end (31/03/2024)	July 2024	Deputy Chief Finance Officer

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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 Revenue Summary (January 2024 – Period 10)

Appendix 2 Capital Summary (January 2024 – Period 10)

Appendix 3 Achievement of the 2023-24 PIER savings during the year

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### Officer to Contact

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Chief Finance Officer)

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