

Report to: Scrutiny Committee

Date: 18 September 2023

Title: Revenue and Capital Financial Monitoring Report Quarter 1 2023-24

Report of: Homira Javadi, Director of Finance and Performance

Cabinet member: Councillor Robin Maxted, Cabinet Member for Finance and Resources

Ward(s): All

Purpose of report: The report provides an assessment of the Council's financial performance against its approved 2023-24 budget, incorporating key financial risks, issues and opportunities identified since 1 April 2023 for the General Fund and the Housing Revenue Account (HRA)

Decision type: Non-Key

Officer recommendation(s): It is recommended that the Cabinet:

- i) Note the forecast outturn position for 2023-24 and associated risks.
- ii) Delegate authority to the Director of Finance and Performance and the portfolio holder for finance to apply the required budget virements to support effective management of the overall budget.
- iii) Note Appendix 1 and 2

Reasons for recommendations: To update members on the financial position of the Council and ensure that the Authority complies with its financial regulations.

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1. Introduction

- 1.1. Eastbourne Borough Council provides a range of services to residents and businesses across the area including the collection and disposal of waste, housing, and support for the homeless, leisure and community wellbeing, planning and tourism and culture activities.
- 1.2. The Council successfully balanced its 2022-23 budget and published the details in the provisional outturn report that Cabinet considered.
- 1.3. However, the Council, alongside many other local authorities and organisations across the nation, has seen a significant impact on its finances because of external factors beyond its control. The main drivers of these cost pressures are highlighted below:
 - Inflationary and cost of living pressures impacting on the cost of providing services.
 - Ongoing financial impact of Covid allied with the withdrawal of significant Covid funding previously received.
 - Demand led and inflationary pressures within housing.
 - Risk of cost of living pay awards which are greater than included at the time of setting the budget.
 - The underlying uncertainty surrounding the cost of energy and utilities in particular gas and electricity.
 - The lack of clarity over Government funding for local government particularly around business rates and a long-term settlement to enable planning over the medium term.
- 1.4. As a result of these externally driven financial challenges, Directorate Management Teams continue to be focused on reducing the cost-of-service delivery in their areas to support the Council to forecast spend closer in line with the budget, while ensuring that services are still delivered and that there is not a corresponding reduction in service provision.

2. General Fund

- 2.1. The forecast outturn position for 2023-24 is an overspend of £2,348k, as shown in Table 1. No previous positions have been formally reported to Cabinet this year.
- 2.2. This is an initial assessment of the forecast outturn position at the first quarter milestone. More detailed financial monitoring will be undertaken over the coming months to inform the forecast outturn with service teams and reported to Cabinet.
- 2.3. Teams are working on mitigation options for the potential overspend with Service Delivery already highlighting some £1,351.8k of options under development.
- 2.4. The initial main underlying pressures which directorates are seeking to mitigate are as follows:

- Underlying levels of inflation and increased interest costs affecting contracts, operations and running costs.
- Increase in homelessness and the use of expensive nightly purchase temporary accommodation.
- Increased number of planning appeals.
- Budget pressures associated with establishment restructures.

2.5. The detailed forecast variations against budget are set out in section 4.

Directorate	Net Budget £'000	Forecast Net Expenditure at 31/03/24 £'000	P3 Forecast Outturn Variance at 31/03/24 £'000
Corporate Services	4,820	5,128	309
Service Delivery	8,139	10,460	2,321
Regeneration & Planning	(56)	666	722
Tourism & Enterprise	2,037	2,023	(14)
Cost of Services	14,940	18,277	3,337
Technical/Centrally Controlled Budgets	3,033	3,033	0
Total Budgeted Expenditure	17,973	21,310	3,337
Less Funding	(17,973)	(18,962)	(989)
Net Position 2023-24	0	2,348	2,348

Table 1: Period 3 Forecast Outturn 2023-24 by Directorate

- 2.6 The report reflects the position at a particular time as of 31 June 2023. Period 4 analysis to the end of July is already showing an improved position.
- 2.7 Services have an early awareness of their pressures and as a result are taking positive steps to mitigate the overspend in their areas. It is anticipated that the Quarter 2 position as of 30 September 2023 will give a much improved position compared to this quarter.

3. Housing Revenue Account (HRA)

- 3.1. The Housing Revenue Account is a ring-fenced account used to manage the Council's housing stock. The costs of managing and maintaining the properties, collecting rents and meeting the interest cost of monies borrowed to pay for investment in the housing stock are all charged to the housing revenue account.
- 3.2. The HRA is reporting an underspend (surplus) position of £221k against the original budget, as shown in table 2. This is the first reported position communicated to Cabinet members for the financial year 2023/24.
- 3.3. The forecast underspend has predominately been driven by three main areas:

- Charges for Services – there is a forecast £202k of additional income above the budget set and agreed in February. This is a due to the agreed budget being uplifted by 7% following the same guidance as percentage increases adopted for Dwelling Rents. However, unlike Dwelling Rents service charges are purely a recharge of the underlying costs being incurred. The income for service charges have therefore increased following the detailed work undertaken on individual charges across the estate and have been affected by the underlying inflationary pressures within the UK economy including areas such as energy and wage pressures. These costs have worked their way through to the charging levels and the Council is only passing the actual costs incurred onward to tenants' charges.
- Dwelling Rents – the forecast reduced income of £181k (1%) is due to two factors; the underlying levels of voids being slightly higher than budgeted and the number of rental days within the fiscal year being reduced by two days as only commencing on the 3 April.
- Depreciation – there is a forecast reduction in the depreciation charge of £172k due to the Council's S151 agreement to change the methodology adopted for the depreciation of the land element of the housing stock, increasing the percentage of the land from 15% to 25% of the total value of each property, thus reducing the depreciation as there is no depreciation on land.

HRA 2023/24	Original Budget £000's	Forecast Outturn £000's	Variance Q1 £000's
INCOME			
Dwelling Rents	(15,827)	(15,646)	181
Non-Dwelling Rents	(358)	(341)	17
Charges for Services	(1,418)	(1,620)	(202)
GROSS INCOME	(17,603)	(17,608)	(5)
EXPENDITURE			
Management Fee	8,436	8,436	0
Supervision and Management	1,789	1,744	(45)
Provision for Doubtful Debts	145	145	0
Depreciation	5,518	5,346	(172)
Debt Management Costs	15	15	0
GROSS EXPENDITURE	15,903	15,686	(217)
NET COST OF HRA SERVICES	(1,700)	(1,921)	(221)
Loan Charges - Interest	1,781	1,781	0
Interest Receivable	(57)	(57)	0
NET OPERATING SURPLUS	24	(197)	(221)
Contribution to Capital Expenditure	0	0	0
Contingency	0	0	0
HRA (SURPLUS) / DEFICIT	24	(197)	(221)

Table 2: HRA Period 3 Forecast Outturn 2023-24

4. Financial Overview by Directorate

- 4.1. This section of the report provides an update on the forecast variations against the 2023-24 budget focused on individual Directorates. A more detailed tabular presentation of variances by team is available in appendix 1.

Corporate Services

Net Budget - £4,819.5k

Forecast Outturn - £5,128.1k

Forecast Overspend - £308.6k

Variance Percentage – 6.4%

- 4.2. The Corporate Services Directorate delivers services including human resources, financial services, corporate management team, business transformation and legal and democracy support.
- 4.3. The Directorate is reporting a forecast outturn position of £308.6k overspend.
- 4.4. Similar to many other local authorities, financial services is experiencing difficulty in recruiting for some key vacant posts on permanent basis. The reported position includes a projected outturn overspend of £207k against the financial services in respect of the projected cost of interim staff. The vacancy savings are currently being partially offset against the interim costs. The service is actively progressing with its recruitment plans to appoint for the vacant posts.

Service Delivery

Net Budget - £8,139.3k

Forecast Outturn - £10,460.3k

Forecast Overspend - £2,321.0k

Variance Percentage – 28.5%

- 4.5. The Service Delivery Directorate delivers services including housing and support to the homeless, waste and environmental services and maximisation and welfare and regulatory service teams.
- 4.6. The Directorate is reporting a forecast outturn position of £2,321.0k overspend, which is an adverse movement of £630k from the reported Period 1 position.
- 4.7. The period 3 reported position includes a projected overspend of £855.4k to meet the current costs of providing homeless support and housing. The Council had budgeted to support approximately 250 homeless households during the year while the current demand is 320 households in emergency accommodation. While the current demand remains high, the number of households in emergency accommodation in June has reduced and the service is projecting to reduce placements down by a further 193 by the end of the financial year. This will continue to be monitored and reviewed over the coming months.

- 4.8. There are also forecast overspends relating to employee costs in two areas, the Neighbourhood First Team, against office cleaning (£354.8k) and Devonshire Park Grounds maintenance staff (£162.4k) as initial R and S savings for both contract business cases remain unrealised. However, the service is looking to resolve these through transformation which may mitigate the impact this financial year depending on delivery timescales.
- 4.9. The Customer First Team are forecasting an overspend of £329.8k against staffing costs as they continue to incur difficult to fill vacancies which are currently filled by agency workers at higher rates than permanent budget levels.
- 4.10. The Directorate are forecasting overspends of £134.2k against the costs of various routine maintenance costs and security (such as repairs and maintenance and surveys) for the Town Hall and College Road Offices as well as a loss in lettings income of £47.0k due to a change in demand for room hire.
- 4.11. The Directorate are forecasting overspends of £115.4k in Parks and Gardens due to grounds maintenance contract inflation costs which have been passed onto the Council due to underlying inflationary pressures in the economy incurred by contractors and suppliers.
- 4.12. There is a forecast overspend of £94.0k relating to the cost of the Wellbeing Service which was introduced in 2022-23 as there is no base budget for the service. The service was funded in 2022-23 through the use of reserve allocations. The cost of the service, now embedded, will need to be included as a growth item in the budget setting process for 2024/25.
- 4.13. The Bereavement Team are forecasting a shortfall in bereavement income of £78.0k due to the declining national death rate along with pressures of increased business rates and other repairs and maintenance totalling £104.1k
- 4.14. There are other smaller variances across teams (all below £50k) that make up the remaining £45.9k of overspend forecasts at period 3.
- 4.15. Additionally, the Service Delivery Directorate have identified £1,351.8k of mitigations which then offset the pressures identified above, these have yet to be built into the above period 3 position and are in various stages of development and consultation. As they come to fruition and implementation, they will be incorporated into the position with Cabinet being informed of the details through the normal governance routes.

Regeneration and Planning

Net Budget – £(56.1)k

Forecast Outturn – £665.8k

Forecast Overspend - £721.9k

Variance Percentage

- 4.16. The Regeneration and Planning Directorate delivers services including estates and property, estate management and regeneration and planning activity across the geographical borough area.

- 4.17. The Directorate is reporting a forecast outturn position of £721.9k overspend, which is an adverse movement of £721.9k from the balanced position reported at period 1.
- 4.18. The reported position includes a projected overspend of £230.0k within Estates and Property against repairs and maintenance costs which have seen significant increases in labour and materials prices due to the underlying inflationary aspects within the UK economy.
- 4.19. The reported position includes a projected overspend of £138.2k within the Planning Team due to the procurement of consultants to manage the volume of planning appeals (currently running at 20) compared to the budgeted level which assumes a likely number of appeals of approximately 1-2 per year.
- 4.20. The service are also projecting an overspend of £129.8k against the NNDR/Business Rates budgeted levels set in 2023/24 within Estates and Property. Although the forecast outturn is in line with actual costs incurred last year these came in too late to amend this year's budget. This will need to be reflected in the budget setting for 2024/25 as a recurring base budget gap.
- 4.21. There is a projected overspend of £49.5k related to the costs of servicing and maintaining fire alarms across the estate and the bi-annually requirement to conform with safety standards which are not budgeted in the year incurred.
- 4.22. There are other smaller variances across teams (all below £50k) that make up the remaining £174.4k overspend forecast at period 3.

Tourism and Culture

Net Budget – £2,037.0k

Forecast Outturn – £2,022.8k

Forecast Overspend - £(14.2)k

Variance Percentage – -0.7%

- 4.23. The Tourism and Culture Directorate delivers a range of cultural activities across the area including the Devonshire Quarter, leisure and sporting facilities as well as ongoing and one-off yearly events and productions.
- 4.24. The Directorate is reporting a forecast outturn position of £(14.2)k underspend, which is a positive movement of £196k from the position reported at Period 1.
- 4.25. The reported position includes a projected overspend of £132.7k against the Theatres service with the significant variances occurring due:
- Employment/establishment costs £175.7k - due to budget pressures on establishments predominantly in the Devonshire Quarter operations and facilities team (£167.7k) and cleaning team (£107k) due to the underlying base budget not being reflective of the movement to in-house provisions. These are partly offset by underspends against the remaining contracting cleaning budgets (£94.8k) with these needing to be reviewed with the

service over the coming months to be consolidated and corrected. There are also smaller variances across establishments totalling £4.4k across the service.

- There are other smaller expenditure variances across teams (all below £50k) that make up the remaining £43.0k of underspend forecasts at period 3.
- Income £1.0k – there are no major variances reported in Theatre income budgets.

4.26. The reported position includes a projected underspend of £(174.9k)k against the Sports Delivery area which is the result of projected variances connected to the Sovereign Centre:

- (£1,022.2k) – the centre is forecasting additional income over budgeted levels particularly in relation to membership fees and admissions. This follows similar income trends as the previous financial year and will be kept under review monthly.
- £370.0k – a projected overspend due to a revised corporate landlord recharge of £370k for the Sovereign Centre for the year. This will need to be reviewed over coming months with the corporate property team to confirm the exact charge for 2023-24. The budget then needs to be reviewed as part of the budget process and in light of the future procurement and contracting arrangements for the centre.
- £302.0k - the Sovereign Centre is forecasting an overspend on staffing related costs but it should be noted that this is mitigated by the projected increases in income demonstrating a correct ratio of increased staffing costs with increased membership and throughput at the centre.
- £135.1k – the centre is forecasting an overspend on premises responsive repairs and maintenance due to the high than budgeted member throughput at the centre and reflective of the increased volumes of income.
- £40.2k – the balance is the result of a number of minor variances (all below £50k) as a result of increased activity.

4.27. The reported position also includes a projected underspend of £(47.3)k against the Tourism and Culture Team with the significant variances occurring due to:

- Employment/establishment costs £(246.4)k – the service is forecasting an overall underspend on employment/establishment costs across a number of areas/services including the following:

Underspends

- Conferences - £(117.9)k – there are a number of posts that have been deleted in prior year restructures but the budget remains on the

ledgers. These posts are therefore not actively to be recruited and can now be released as underspends this year with the budget to be adjusted as part of the next budget round.

- Sovereign Centre Café – £(113.9)k – the reported underspend is a result of the methodology of the loading of the budgeted growth items for the Sovereign Centre. This budget will be realigned as part of the active re-procurement of the operations of the centre as it is implemented and outsourced.
- Tourism Catering Administration - £(102.2)k – there are a number of posts that have been deleted in prior year restructures but the budget remains on the ledgers. These posts are therefore not actively to be recruited and can now be released as underspends this year with the budget to be adjusted as part of the next budget round.
- Pavilion - £(91.0)k – the Pavilion has been outsourced for the start of 2023/24 and the budget has not been adjusted to allow for this change and will be reflected/adjusted at the next budget round.
- Head of Tourism and Enterprise - £(85.8)k – due to the post being made redundant early this calendar year but the budget still existing. This will be corrected at the next budget round.

Overspends

- The Stage Door Pub – £108.4k – This is due to a range of factors but includes the permanent appointment of long-standing temporary staff which has not been reflected in a budgetary growth but also projected increases in budgeted income of £94.1k this financial year.
- Eastbourne Downs Golf Club (EDGC) - £158.8k – This is due to a range of factors but includes the permanent appointment of long-standing temporary staff which has not been reflected in a budgetary growth but also due to currently projected increases in budgeted income of £68.5k this financial year.
- Conference Catering Poppers - £68.9k – this is due to the significant increase in budgeted income of £118.9k and the resultant requirement to bring in additional staffing manage the demand.

The balance of £(71.7)k is the result of a number of minor variances (all below £50k) across multiple services/teams.

- Supplies and Services £140.7k – the team are forecasting an overspend in relation to supplies and services predominantly due to increased cost associated with stocks and provisions (£94.1k) to support higher than budgeted income levels and also the costs of consultants (£66k) which are unbudgeted to support the ongoing review of the tourism offer. There are also smaller variances (all below £50k) across multiple services/teams totalling £(19.4)k.

- There are other smaller expenditure variances across teams (all below £50k) that make up the remaining £9.7k of underspend forecasts at period 3.
- Income £68.0k – the team are reporting a £68.0k reduction in income at period 3 with the most significant reductions in income occurring due to:
 - The Pavilion - £190.2k - no income is reported against the full year budget of £190.2k as the service has been outsourced, the budget will be adjusted in the next budget round to reflect the new arrangements.
 - International Lawn Tennis Centre Kitchen - £117.9k – no income is reported against the full year budget of £117.9k as the service has been outsourced, the budget will be adjusted in the next budget round to reflect the new arrangements.
 - There are also a number of services which are reporting increased income projections at period 3 due to increased ticket and visitor numbers which include The Stage Door Pub (£91.1k), Eastbourne Downs Golf Club (£68.5k) and the Welcome Building Café (£65.3k). There are smaller variances (all below £50k) which account for the remaining increased income of £15.2k.

4.28. The Seafront services team are projecting a small outturn pressure of £75.2k against budget at period 3 with minor variances (all below £50k) across various services.

Technical and Central Controlled Budgets

Net Budget – £3,033.1k

Forecast Outturn – £3,033.1k

Forecast Overspend - £nil

Variance Percentage – 0.0%

4.29. Technical and centrally controlled budgets include the treasury budgets, capital financing and contingency budgets. This area will also include any Council wide corporate cross cutting issues and/or opportunities.

4.30. The Council is reporting a balanced outturn position in technical and centrally controlled budgets at period 3. There are a number of measures to offset against any projected increase in expenditure.

4.31. The budget reported in February for centrally controlled budgets totalled £3,369.0k with the budget now sitting at £3,033.1k, a movement of £335.9k. The movement of £335.9k follows the distribution of the following budget proposals to service budgets:

Proposal Code	Proposal Description	Budget £
EBC2324001	2021/22 Base Budget Pay Inflation Adjustment	-83,375
EBC2324002	2022/23 Base Budget NI Adjustment	-32,677
EBC2324003	2022/23 Pay Award Adjustment	469,369
EBC2324007	External Audit Fees	101,625
EBC2324024	Provisional Funding Cost of Living Support	100,000
EBC2324047	General review of EBC Fees & Charges	(119,000)
n/a	manual adjustment undertaken on interest payable outside of CAFi	(100,000)
Budget Distribution/Allocation		335,942

Table 3: Budget Distribution 2023-24

4.32. Further updates and will be provided to Cabinet as the year progresses and as financial monitoring is reported.

5. Capital Expenditure

5.1. Capital Expenditure - General Fund

5.2 The capital programme at Appendix 2 provides a detailed summary of spend for quarter 1 compared to the revised allocation for 2023/24. The Capital Programme including slippages from 2022/23) for 2023/24 totals £25.3m compared to the original Capital Programme approved by Council in February 2023 of £27.9m. The summary of the General Fund Capital Programme is shown in the following table.

General Fund Capital Programme	Original Budget 2023-24	2022/23 Budget B/F	Other Variation	Revised Budget
	£'000	£'000	£'000	£'000
General Fund Housing	1,200	1,047	-	2,247
Other Housing	751	605	-	1,356
Community Services	2,946	410	251	3,607
Tourism & Leisure	150	50	-	100
Corporate Services	570	453	-	1,023
Regeneration	17,947	691	6,910	11,728
Asset Management	4,256	836	175	5,267
General Fund	27,820	3,992	6,484	25,328

Table 4: General Fund Capital Programme Summary Table 2023-24

5.3 At the end of Quarter 1 the spend against year 1 of the programme was below expectation for the period and whilst it is too soon to forecast what level of slippage we might anticipate into future years; it is unlikely that all aspects of the programme will be deliverable this year. As a result, a review of the existing capital programme and prior year slippages by the Capital programme Overview Board is due to take place during Q2 and it is anticipated that the current programme will be reduced.

5.4 Capital Expenditure – HRA

- 5.5 The detailed HRA capital programme at Appendix 2, provides a summary of spend for quarter 1 compared to the allocation for 2023/24. The HRA Capital Programme (including slippages from 2022/23) for 2023/24 totals £14.7m compared to the original Capital Programme approved by Council in February 2023 of £13.6m. A summary of the HRA Capital Programme is shown in the following table.

HRA Capital Programme 2023/24	Original Budget 2023-24	2022/23 Budget B/F	Other Variation	Revised Budget
	£'000	£'000	£'000	£'000
Major Works	5,000	880	-	5,880
Disabled Adaptations	450	-	-	450
New Build	6,688	- 44	-	6,644
Acquisitions	1,453	273	-	1,726
Total HRA	13,591	1,140	-	14,731

Table 5: HRA Capital Programme Summary Table 2023-24

- 5.6 The revised budget for the Housing Capital Programme for the year is £14.7m, with expenditure and commitments at the end of Quarter 1 of £1.6m. Capital budgets from the previous year have been carried forward to 2023/24, relating to the maintenance of the Council's housing stock, and the New Build programme.
- 5.7 The existing 30-year HRA business plan is currently under review and as part of that process the HRA Capital Programme will also be assessed to ensure that the programme is both deliverable and affordable. Members will be advised where there are significant revisions. Based on the review reprofiling will be undertaken where necessary to reflect these changes within the HRA Capital Programme.
- 5.8 As with the General Fund, the level of expenditure against the HRA Capital Programme was below expectation for the period and whilst it is also too soon to forecast what level of slippage we might anticipate into future years, the review of the existing capital programme and prior year slippages by the Capital programme Overview Board will also consider the HRA programme in line with the revised 30-year HRA Business Plan.

6. Funding

- 6.1. The Council's net service budget is funded from the following areas: Council Tax income, Business Rates income, Government grants and reserves. A breakdown of the funding budget is detailed below.

Financing Budgets P3 Forecast Outturn at 31/03/24	Net Budget £'000	Forecast Net Expenditure at 31/03/24 £'000	P3 Forecast Outturn Variance at 31/03/24 £'000	Forecast Variance Against Budget %
Council Tax	(9,639)	(9,639)	0	0.0%
Retained Business Rates	(5,144)	(5,730)	(586)	11.4%
Government Grants	(1,034)	(1,034)	(0)	0.0%
New Homes Bonus	(15)	(15)	0	0.0%
Better Care Fund (BCF) Conversion	(879)	(1,282)	(403)	45.9%
Transfer from Reserves	(1,263)	(1,263)	0	0.0%
Net Position	(17,973)	(18,962)	(989)	5.5%

Table 6: Financing Period 1 Forecast Outturn 2023-24

6.2. The Council is forecasting an over-recovery of income totalling £989k position for the year in at Quarter 1 with more detailed reviews and updates to be provided over the coming months and reported to Cabinet.

7. Financial appraisal

7.1 The forecast outturn position for 2023-24 is an overspend of £2,348k reflecting the position as of 31 June 2023.

7.2 However, analysis to the end of July is already showing an improved position with services taking positive steps to mitigate the overspend in their areas. It is therefore anticipated that the Quarter 2 position will show an improved position than at quarter 1.

7.3 The capital programme will also be reviewed prior to the Q2 position being confirmed, with particular emphasis on the prior year slippage that is routinely added to the Original Budget to ensure that only those amounts required are allocated within the revised Capital Programme going forward.

8. Legal implications

8.1 There are no legal implications arising directly from this report.

9. Risk management implications

9.1 There are no risk management implications arising directly from this report.

10. Equality analysis

10.1 There are no environmental sustainability implications arising directly from this report.

11. Appendices

- Appendix 1 – EBC Revenue Finance Monitoring – Directorate Tables Q1 2023-24
- Appendix 2 – EBC Capital Programme Monitoring Q1 2023-24

12. Background Papers

12.1 EBC General Fund Revenue Budget 2023/24 and Capital Programme