

Title: **Delivery of Southend 2050 Outcomes and Priorities:
Annual Report and Provisional Resources Outturn
2022/23**

Meeting: Cabinet

Date: 18 July 2023

Classification: Part 1

Policy Context:

Key Decision: No

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Executive Councillor: Councillor Cox Cabinet Member for Leader (SEND)

1 Executive Summary

1.1 The purpose of this report is:

1.1.1 To present Cabinet with the Council's Annual Report for 2022/23, highlighting the achievements, successes, and challenges towards delivery of our Corporate Plan.

1.1.2 To update Cabinet with the provisional revenue outturn for 2022/23, and therefore the indicative level of revenue balances going into 2023/24.

1.1.3 To advise Cabinet of the implications of the revenue outturn for 2022/23 and where appropriate highlight concerns around the potential impact on the future financial sustainability of the Council, caused by the continuing increasing level of demand and cost pressures being experienced, primarily in core statutory service provision for the 2023/24 approved budget and Medium Term Financial Strategy.

1.1.4 To inform Cabinet of the capital investment programme outturn for 2022/23 and to seek approval for the relevant budget carry forwards and accelerated delivery requests.

1.1.5 To seek approval for in year amendments for the current approved capital investment programme for 2023/24 to 2027/28.

- 1.1.6 To request Cabinet to review, and to give appropriate consideration to, the affordability and prioritisation of the current approved Capital Investment Programme and the schemes currently listed as subject to viable business cases.
- 1.1.7 To seek approval to carry forward Community Infrastructure Levy (CIL) Main Fund receipts from 2022/23 and previous financial years and to delegate authority to agree how the CIL Ward Neighbourhood Allocations are to be spent.

2 Recommendations

That Cabinet:

- 2.1 **Note the achievements, successes and challenges brought to life within the Annual Report 2022/23 (Section 4 and Appendix 1).**
- 2.2 **Note the provisional 2022/23 revenue outturn position for both the General Fund (Section 5) and Housing Revenue Account (HRA) (Section 6) and delegate the agreement of any final adjustments following the completion and audit of the Statement of Accounts to the Executive Director (Finance and Resources).**
- 2.3 **Consider and approve the appropriation of revenue funds to and (from) earmarked reserves, as set out in Section 5.19 to 5.27 (General Fund) and Section 6.6 (HRA).**
- 2.4 **Note the potential revenue impact of the 2022/23 outturn on the 2023/24 General Fund budget and Medium Term Financial Strategy (Section 5.28 – 5.44).**
- 2.5 **Note that the expenditure on the capital investment programme for 2022/23 totalled £51.822M against a revised budget of £61.820M (Section 7.4).**
- 2.6 **Approve the relevant budget carry forwards and accelerated delivery requests totalling a net £13.032M moving into 2023/24 and future years, as set out in Appendix 2.**
- 2.7 **Approve the virements, reprofiles, additions, deletions and new external funding for schemes, as detailed in Appendix 2 and note that this will result in an amended Capital Investment Programme deliverable by the Council of £137.705M for the period 2023/24 to 2027/28, as detailed in Appendix 3.**
- 2.8 **Note the requested changes as detailed in Appendix 2 will result in an amended total Capital Investment Programme deliverable by South Essex Homes Limited, Porters Place Southend-on-Sea LLP and Kent County Council of £59.046M, as detailed in Appendix 3.**

- 2.9 **Note that a further review of the affordability and prioritisation of the current approved Capital Investment Programme and all the schemes currently listed as subject to viable business cases will be brought back to a future Cabinet meeting.**
- 2.10 **Note the content of the Infrastructure Funding Statement 2022/23 (included in Appendix 4) and agree to carry forward CIL Main Fund receipts from reported year 2022/23 and previous reported years until the CIL Governance Framework and spending plans are reviewed for the reported year 2023/24, or Cabinet authorise any detailed spending proposals.**
- 2.11 **Delegate authority to the Executive Director for Growth and Housing (in consultation with Ward Members and the Cabinet Member for Housing and Planning) to agree how the CIL Ward Neighbourhood Allocations received up until 31 March 2023 (excluding allocation to Leigh Town Council) are to be spent.**

3 Background Information

- 3.1 Southend-on-Sea officially celebrated gaining full City status on the 1 March 2022, a key landmark event in the history of the area and the Council. In accordance with normal practice the Council's 2022/23 budget was formally approved in February 2022 and at this time no-one could have predicted the scale of economic challenges, national and international circumstances that have dominated headlines right across the world throughout the last financial year.
- 3.2 The concerns around the current cost of living crisis is the latest in a series of critical events, spanning more than a decade, including austerity (following the financial markets crash), Brexit, a global pandemic, the war in Ukraine, energy prices doubling and in some case tripling in cost, inflation peaking at the highest level since the 1980's during 2022/23 have all combined to erode the financial resilience and sustainability of many local public services. These warnings and concerns contributed to an independent national analysis undertaken by Grant Thornton that suggested that as many as 1 in 6 local authorities could run out of money as early as 2023/24, without substantial additional funding and/or significant budget reductions.
- 3.3 Local authorities will continue to have to make some very tough choices and embrace and implement significant further changes to their local service offer including digitalisation to capitalise on the efficiencies this affords. Looked at collectively, there is an unprecedented amount of pressure to deliver service change whilst also managing major affordability and sustainability concerns. The sector has never witnessed so many s114 notices (effectively a declaration that a local authority is no longer a going concern) being issued or being considered.
- 3.4 Southend-on-Sea City Council, along with most local authorities across the country, continues to face significant challenges in providing essential services to meet the needs of residents within the level of resources it has at its disposal.

This has been exacerbated by the continuing challenging operating environment and increasing and more complex local service demand. As reported throughout 2022/23 the Council faced the perfect storm of huge increases in service demand post the pandemic combined with unavoidable and rapid increases in operating costs across almost every aspect of its Organisation. This had a huge impact on the Council's approved financial plans for 2022/23 and the general economic climate created serious cost of living challenges for some of our local residents.

- 3.5 The national statutory deadline for all Local Authorities to publish their Draft 2022/23 Statement of Accounts was brought forward to 31 May 2023 (as part of the response to the pandemic for financial years 2020/21 and 2021/22 it had been extended to 31 July each year). It is pleasing to report that the Council's Accounts were published on our website by this deadline and the formal public inspection opportunity was open until 12 July 2023. This was an excellent achievement by the Council's finance team, given the exceptional level of current demand and pressures. Many Local Authorities up and down the country were unable to publish their 2022/23 Accounts by the deadline date.
- 3.6 The Council and particularly the finance team will still have to manage the finalisation of the independent external audit for both 2021/22 and 2022/23 financial years in 2023/24. The delays have been caused by the resourcing and capacity challenges that our external auditors have experienced over the last 18 months or so. It is reassuring to confirm that the Council received a clean external audit opinion and positive value for money judgement for 2020/21. This was reported to the Audit Committee on 26 April 2023.
- 3.7 As part of the development and approval of the Council's 2023/24 Budget and Medium Term Financial Strategy in February 2023 a commitment was given to a new Transformation Blueprint and development of a major service redesign programme for 2023/24 – 2027/28. This was agreed as part of the Council's overall budget package, with specific areas and themes identified to be scoped and developed further during 2023/24, against a clear set of approved guiding principles. This commitment has been supplemented and enhanced from 1 April 2023 by the introduction of new comprehensive service plans that cover every area of the Council. The ambition is to support the Council's future financial sustainability commitment and help to target resources and re-design plans to avoid a financial 'cliff edge' which would require even more drastic action over a shorter time frame.
- 3.8 Other measures to complement this new Transformation Programme and enhance the Council's financial resilience and continue to improve the value for money delivery of services will also continue and include: on-going budget reviews; implementation of outcome-based budgeting principles (to ensure resources are specifically targeted to delivering better outcomes for local residents); better linking of business planning and budgeting to service outcomes; effective and creative management of service demand; review of major contractual arrangements; further implementation of the Commissioning Framework; exploring new commercial opportunities; evaluating a range of income generation initiatives and continuing to enhance our systems, processes and internal business transformation arrangements.

- 3.9 The unpredicted and unprecedented rapid rise in inflation throughout 2022/23, together with changing professional opinions on the depth and potential duration of continued inflationary increases into the future, will add significant new pressures and local challenges for the Council. The operating landscape continues to be uncertain as the medium to long term implications on demand and service delivery during the transition from responding to the impact of the pandemic and towards building and enabling a successful recovery are difficult to assess. The situation will continue to be closely monitored and appropriate tactics will be deployed to support local businesses and communities wherever possible throughout 2023/24.
- 3.10 A considerable amount of analysis and financial planning was undertaken throughout 2022/23, particularly due to the fact that Southend-on-Sea was already having to respond to some high value social care demand trends from previous years. This scenario was replicated in many other upper tier authorities right across the country. These pressures had been recognised locally and attempts were made to address some of these issues by increasing the revenue base of these services for 2023/24 and as part of the Medium Term Financial Strategy.
- 3.11 The concerns highlighted early in 2022/23 around the potential for previously hidden demand during the pandemic did surface locally throughout the year. This was compounded by the combination of the impact of 'post COVID-19' re-engagement and demand for Council services and the cost-of-living crisis that developed throughout 2022/23 which had a substantial impact on all our local communities, but particularly in the more deprived areas.
- 3.12 Despite reporting a final level of overspending for 2022/23 that is higher than at any time since it became a Unitary Authority on 1 April 1998, the Council remains in a relatively financially resilient position. It is clear though that the overall cost base of the Council is now too high, and ways must be found to reduce it to a more sustainable level. This ambition in the current operating environment and unprecedented levels of service demand is a significant challenge. Throughout the last financial year, the Council also responded proactively to continue to support local communities and our most vulnerable residents, minimising the impact of the cost-of-living crisis wherever it could.
- 3.13 The challenges that will be faced in 2023/24 will be even more significant due to the combination of continuing major increases in core service demand and the impact of inflationary cost pressures that remain high right across the range of Council operations.
- 3.14 This provisional outturn report builds on the financial performance monitoring information provided for period 8, which was reported to Cabinet in January 2023. It highlights the changes in the last four months of the year and provides an insight into the major variances that have contributed to the final outturn position. It also considers the implications of the revenue outturn for 2022/23 and where appropriate highlights concerns around the potential impact on the future financial sustainability of the Council, caused by the continuing increasing level of demand and cost pressures being experienced, primarily in core statutory social care service provision for the 2023/24 approved budget and Medium Term Financial Strategy to 2027/28.

4 Southend-on-Sea City Council Annual Report 2022/23

4.1 The Council's Annual Report provides a high-level overview of the successes and achievements over the past year, setting the context in which we are operating it. It aligns with the financial year end-report reports and the Annual Governance Statement (attached at Appendix 1). The Annual Report presents how we are:

- Helping people access the support they need
- Powering economic and community recovery
- Doing our bit to enable the roll-out of digital infrastructure
- Creating better life opportunities for our children and young people
- Protecting and improving the quality of life for older people
- Working with our partners to enable integrated care and support arrangements and achieving improved health and social care outcomes for our residents
- Pushing forward with our green city ambition and supporting policies that will reduce our carbon emissions
- Providing better and more affordable housing for our residents

4.2 Annual data for the Council's corporate performance indicators is presented, grouped by the four corporate priorities:

- A city that is strong and prosperous
- A city with a good quality of life
- A city rising to the challenge of climate change
- A city delivering genuinely affordable housing

4.3 Delivery against our corporate priorities has been against the backdrop of significant financial challenges as outlined in this report. In order to support and strengthen delivery detailed service planning was introduced, setting out the key activity of each service area, how it will contribute to the delivery of the Corporate Plan and how successes will be measured.

4.4 The Local Government Association Corporate Peer Challenge in October 2022 provided the opportunity for an improvement review of the Council and the challenges we face. Feedback from the review includes:

- We are very self aware
- We have huge potential
- There are many positive attributes within the Council and the city, including the strong community ethos, ambitious regeneration projects and sound financial management.

4.5 Following the Corporate Peer Challenge, a number of recommendations were made, mainly relating to governance and decision making. The Council has developed an action plan to strengthen and improve these areas.

4.6 It is important to reflect on the work we have done and that the report highlights the progress we have made during 2022/23; the report showcases several of our priorities for the coming year and the importance of our transformation

programme. It is more important than ever that at the heart of our work we remain collaborative, inclusive, honest, and proud.

5 2022/23 Provisional General Fund Revenue Outturn

- 5.1 2022/23 was another exceptional and challenging year, with volatility in expenditure as a direct consequence of rising inflation and interest rates and the realisation of pent-up demand for our services (especially in Social Care) following on from the COVID-19 pandemic. The escalation and speed of the increases in the direct costs of service provision and additional price pressure from our supply chains was significant. This was combined with not only major increases in service demands but also in complexity. The scale of the local financial impact on both expenditure and income expectations has led to major variations from our original approved plans for 2022/23 and the actual profile of spending was different to what we would expect to see in a normal year.
- 5.2 Given the size and complexity of the Council's operations and the volatility caused by the operating environment and unavoidable increases in the costs of service delivery there have been several variations from the original approved plans across individual service areas. As part of the year-end arrangements, consideration has also been given to the need to review the level of provisions for insurance, future transformation priorities, specific service risk assessments, bad and doubtful debts and other demand challenges caused locally by the 'cost of living' crisis.
- 5.3 The impact on the Council's reserves caused by the volatility of the operating environment, the speed and impact of exceptionally high inflation levels and unprecedented increases in service demand and cost pressures throughout 2022/23 has contributed to a significant reduction in the level of Earmarked Reserves held by the Council from **£95.883M** (1 April 2022) to **£77.221M** (31 March 2023). A reduction of **£18.662M**, this clearly weakens the current level of financial resilience of the Authority. See analysis represented in the table at Section 5.19.
- 5.4 Specific risk reserves (particularly for statutory social care pressures) were prudently created by the Council to help respond positively to exactly the set of unprecedented circumstances that was experienced in 2022/23 but the Council now needs to reset and reduce its cost base and/or increase its income generating capabilities accordingly as reserves can only be used once. The Council has a statutory fiduciary responsibility to ensure it remains financially sustainable. It is important that appropriate action and decisions are taken to ensure that the Council does everything it can to remain within the approved budget for 2023/24 and to proactively manage and reduce the current forecasted budget gap across the medium term to 2027/28.
- 5.5 The following table summarises the 2022/23 provisional revenue outturn for the General Fund and highlights the scale of spending variations. Careful consideration has also been given to ensure that the Council prepares appropriately for the ongoing impact of global events, local economic recovery aspirations and continuing levels of high inflation in 2023/24 and the future. The 2022/23 provisional outturn has been prepared on the assumption that all

appropriations to and (from) earmarked reserves proposed in this report are approved. Cabinet is invited to consider the recommended level of appropriations at Sections 5.19 – 5.24 in this report.

Provisional Outturn 2022/23

Last Reported Variance £M	Portfolio*	Revised Budget £M	Forecast Outturn £M	Variance £M
0.1	Leader: Corporate Matters and Performance Delivery	24.5	24.3	(0.2)
0.8	Deputy Leader (May-Oct): Environment, Culture and Tourism	11.5	13.0	1.5
1.4	Deputy Leader (Nov-May): Public Protection	14.7	16.1	1.4
1.9	Adult Social Care and Health Integration	43.9	45.9	2.0
0.7	Asset Management and Inward Investment	3.9	4.5	0.6
6.9	Children and Learning and Inclusion	30.3	36.6	6.3
(0.8)	Economic Recovery, Regeneration and Housing	2.8	1.0	(1.8)
0.8	Highways, Transport and Parking	2.4	4.2	1.8
11.8		134.0	145.6	11.6
0.0	Corporate Budgets	6.0	5.6	(0.4)
11.8		140.0	151.2	11.2
(1.0)	Financing Costs, Interest, etc.	19.1	17.4	(1.7)
(1.8)	Contribution to / (from) earmarked reserves	(8.8)	(9.1)	(0.3)
0.0	Revenue Contribution to Capital	0.4	0.3	(0.1)
(0.9)	Non-Service Specific Grants	(12.7)	(14.0)	(1.3)
8.1	TOTAL	138.0	145.8	7.8
(0.8)	Funding	(135.5)	(136.4)	(0.9)
0.0	Planned contributions from reserves	(2.5)	(2.5)	0.0
7.3	NET	0.0	6.9	6.9

** A new political administration was formed in May 2023 which has seen a change in the number of Portfolios and responsibilities within them. The arrangements for financial performance reporting for 2023/24 will reflect these changes.*

5.6 This table shows that the variance for the overall General Fund budget improved from a net overspend of £7.3M at period 8 to a net overspend of £6.9M by the end of the year. This reflects a small improvement in the financial position of the Service Portfolios from a forecast overspend of £11.8M to a final overspend of £11.6M. The remaining improvement of £0.2M is spread across corporate and other non-portfolio budget lines. The Council did take decisive action to try to combat the cocktail of financial challenges and demand pressures that it was faced with from the start of the financial year.

- 5.7 Comprehensive reports summarising the circumstances and suggested mitigations were also presented to Cabinet for period 4 (end of July 2022 – forecast overspend at that time £14.5M) and period 6 (end of September 2022 – forecast overspend updated to £12.1M). The reducing overspend was clearly a positive direction of travel throughout the year but the final level of overspending for 2022/23 is higher than at any time since it became a Unitary Authority on 1 April 1998.
- 5.8 Cabinet have received regular and detailed budget monitoring information throughout 2022/23, so most key variances and trends have previously been well documented and reported.
- 5.9 This report summarises the major variances between the period 8 forecast and the final outturn for 2022/23. Comprehensive year-end reviews are also undertaken across all revenue projects that are supported by specific grant streams. If a project, for justifiable reasons, has not been completed in year, the value of any unspent grant is carried forward into the next year through the mechanism of earmarked reserves.
- 5.10 The headline variances that have occurred between what was reported at period 8 and the provisional final outturn are summarised and rounded to the nearest £0.1M in the following table:

	£Ms
Leader: Corporate Matters and Performance Delivery	(0.3)
Deputy Leader (May-Oct): Environment, Culture and Tourism	0.7
Deputy Leader (Nov-May): Public Protection	0.0
Adult Social Care and Health Integration	0.1
Asset Management and Inward Investment	(0.1)
Children and Learning and Inclusion	(0.6)
Economic Recovery, Regeneration and Housing	(1.0)
Highways, Transport and Parking	1.0
Corporate and other non-portfolio budgets	(0.2)
Total Variance from Period 8	(0.4)

Summary of Movements from the Period 8 Performance Monitoring Report

5.11 Leader: Corporate Matters and Performance Delivery [-0.3M]

5.11.1 The improvement in the outturn is due to additional drawdowns from the Business World ERP and Technology Transition & Systems Modernisation reserves to fund several pre-approved projects being led by Digital & ICT. These drawdowns are included in the figures in paragraph 5.21.

5.12 Deputy Leader (May-Oct): Environment, Culture and Tourism [+0.7M]

5.12.1 Within the Grounds Maintenance service, a significant underspend has been reported all year as vacancies were held to try to offset other expenditure pressures and anticipated income shortfalls. Due to operational pressures, these vacancies could not be held for as long as intended and as a result the forecast expenditure on staffing costs underspent by £0.200M less than anticipated at period 8.

5.12.2 Due to the level of debt outstanding, it was necessary to increase the provision for bad and doubtful debt by £0.169M, discussions are being held as to the options available and viability to recover this debt.

5.12.3 The marketing and events budget over spent by a further £0.114M due the finalisation of the cost of various events, including the City Festival, the Baton relay and the Shakedown event where it was required to implement road closures to ensure public safety.

5.12.4 Pier admission income was forecast at period 8 to exceed the budget by £0.200M based on the visitor numbers provided. However, these numbers over-stated the actual number of tickets sold, primarily for family tickets, which counts as 5 visitors but only one ticket sold.

5.12.5 It has been forecast throughout the year that both development control and building control would significantly exceed income expectations this year. This positive position has materialised at the end of the year, however with the impact of inflation and especially the increase in building materials there was a noticeable reduction in the expected income received from building control applications in the final quarter of the year. This reduced the income surplus by £0.080M by the end of the financial year.

5.13 Deputy Leader (Nov-May): Public Protection [0.0M]

5.13.1 There has been no change to the forecast outturn at period 8, the main headlines that were previously reported continued as forecast and included an increase in residual waste tonnages against pre-covid levels and the significant increase in utility costs to operate the crematorium.

5.14 Adult Social Care & Health Integration [+0.1M]

- 5.14.1 In 2022/23, the level of client contributions increased, this is in correlation to the increase in the price of care provided as a result of the uplifts given to the social care market. Combined with the impact of the increased cost of living, an increased proportion of this debt was outstanding at year end and potentially at higher risk of non-collection. The Council will continue to pursue all outstanding monies owed where it is fair and possible to do so but in these circumstances a provision was raised for this bad and doubtful debt. For adult social care, the provision was increased by £0.704M based on the age profile and value of outstanding debt.
- 5.14.2 An additional £0.343M of grant was received for winter discharge funding to support an improved flow from hospital, at period 8 the full eligible requirements of the grant were uncertain.
- 5.14.3 The government has provided the Council with various funding streams in relation to resettlement schemes (Afghan relocation and assistance / hotel wrap around support / Homes for Ukraine). These schemes have helped to support those both resettling from these areas, and those who are offering homes to them. Although this grant was highlighted in previous budget monitoring reports, we have utilised more of this funding in 2022/23 than anticipated (£0.257M) with any further funding being transferred to reserves to support ongoing needs of those who are resettling here.

5.15 Asset Management and Inward Investment [-0.1M]

- 5.15.1 Overall, there has been very little movement in this portfolio compared with the forecast at period 8. The slight improvement is due to a higher net income received than expected from the operation of the Victoria Shopping Centre.

5.16 Children and Learning and Inclusion [-0.6M]

- 5.16.1 Significant work undertaken to mitigate further cost pressures on both Complex and High Cost Residential Placements through driving and ensuring conditional costs are attributed between Social Care, Education and Health, resulted in an improvement on externally care purchased placements of £0.100M. The significant challenge does remain and continues due to the very high cost of complex residential placements within a market that is critically short on supply of appropriate places.
- 5.16.2 Further reductions in spend have been attributable to reductions in staffing expenditure, where temporary vacancies were held in some service areas particularly within the learning area. All service areas have also continued to reduce expenditure wherever possible and safe to do so to try to alleviate and reduce further spend pressure.

5.17 **Economic Recovery, Regeneration and Housing [-1.0M]**

- 5.17.1 There have been several additional grants received from Central Government in respect of New Burdens and additional local administrative requirements. This additional work has been absorbed by the Council's existing staff and has therefore been a net benefit of circa £0.2M
- 5.17.2 An improvement, following reconciliation at the end of the year of £0.363M associated with the effective management of Housing Benefit Overpayments has been achieved, an additional £0.250M from repayments has been received and an overall reduction £0.123M in the value of the bad debt provision, have all combined to improve the overall forecast outturn position.

5.18 **Highways, Transport and Parking [+1.0M]**

- 5.18.1 As part of the restructure of the Highways team agreed at Cabinet in July 2020 an assumption was made that the proportion of time the team charge to the capital investment programme would remain consistent. The amount of eligible time charged to the capital investment programme has not been at this anticipated level. This has resulted in an increase in the overspend of around £0.300M. Work is being undertaken in 2023/24 to review the staffing structure alongside the capital investment programme to ensure and confirm the expected levels of capitalisation and where any shortfalls are identified the staffing structure will need to be amended accordingly to reduce the financial pressure.
- 5.18.2 A pressure has been reported throughout the year on the costs associated with car parking administration. This has increased towards the end of the year due to several backdated charges from a contractor in relation to the charges for processing car parking transactions. We have also utilised our term contractor for additional essential variable works which was not anticipated. The signs in car parks were recently upgraded too but this investment should help to reduce costs in future years. The combined total increase of these items has resulted in an increased overspend of £0.450M. £0.100M of this related to the charges for processing car parking transactions, £0.080M for parking signage replacement costs and the majority of the rest is linked to responsive maintenance, pothole repairs, barriers, marking out (new/updated lines) and specialist procurement advice.
- 5.18.3 As reported throughout the year, concessionary fares costs linked directly to passenger numbers have reduced significantly post-covid and after a final year end reconciliation from the scheme administrator our expenditure has reduced further, resulting in an improvement to the forecasted underspend at period 8 of around £0.100M.
- 5.18.4 The weather throughout the winter and early spring was cold and wet for extended periods. Unfortunately, this is the perfect combination for additional potholes to appear across the highways network and although it had previously been forecast that our capital and revenue budget would be sufficient for the network's maintenance requirements. Significant responsive works had to be undertaken in February and March resulting in an overspend of £0.330M.

Material prices have also inflated significantly, much more so than the general cost of living inflationary increases which we have seen across the country.

Recommended Appropriations to and (from) Earmarked Reserves

5.19 The following table and supporting commentary outline the rationale and recommended appropriations to and (from) the Council's earmarked reserves for 2022/23. These proposed appropriations are subject to the approval of Cabinet annotated as appropriate where the appropriation is materially different from what was originally planned.

Reserve Type	Opening Balance	Period 1 to Period 8	Period 9 to 13	Proposed Final Appropriation	Closing Balance
	£000's	£000's	£000's	£000's	£000's
Capital	24,118	(3,374)	(323)	(915)	19,506
Corporate	27,809	(658)	(1,942)	(962)	24,248
Insurance	6,033	0	(611)	0	5,421
Services	11,151	(687)	(385)	(4,958)	5,121
Grants	26,772	(1,442)	(2,404)	0	22,925
Total	95,883	(6,161)	(5,665)	(6,835)	77,221

5.20 The appropriations in Period 1 to Period 8 have previously been reported and approved as part of budget monitoring information presented to Cabinet throughout 2022/23.

5.21 Appropriations in Period 9 to Period 13 are summarised by reserve type below and are requesting Cabinet's approval.

- Capital Reserves: use of circa (£0.3M) to fund a revenue contribution to capital outlay (RCCO).
- Corporate Reserves: use of
 - (£1.2M) from the Technology Transition and Systems Modernisation Reserve to fund a range of digital projects and system upgrades e.g., Care Platform, MySouthend and Capita.
 - (£0.4M) from the Service Redesign Reserve to fund the associated costs of employee exit benefits.
 - (£0.3M) from the Business World ERP reserve to fund the programme of upgrades and development.
- Insurance Reserves: release of (£0.6M) to bring the total to £5.4M based on the current level and assessment of cases.
- Service Reserves: use of
 - (£0.6M) from the Passenger Transport Reserve to fund costs associated with the improved operation and transfer of Vecteo.

- (£0.3M) from the Waste Reserve to fund costs associated with the procurement process for Waste Collection and Waste Disposal contracts.
- (£0.2M) from the Southend Adult Community College Reserve to fund a structural redesign of the College.
- (£0.1M) from the Elections Reserve to fund the additional cost of managing elections which was in excess of the budget provision.
- There is also recommended increases to reserves of £0.8M for specific services, including the Supporting People Reserve* and Development Control Reserve.

* During 2022/23, the supporting people contracts were proactively managed and, in some areas renegotiated which delivered a saving of £0.452M. Given the continuing increases in demand and volatility, high inflation and cost of living concerns, this amount is recommended to be appropriated to the Supporting People reserve to provide some additional flexibility to support the Council's response to the increasing financial pressure and risk in this area during 2023/24. The level of the reserve will remain under review to ensure that it is maintained at an appropriate level. This recommended approach should help to reasonably mitigate against future cost exposure/risks.

- Grant Reserves:
 - use of (£6.7M) of Section 31 Grant for Business Rates appropriated in 2021/22.
 - addition of £3.6M to the Dedicated Schools Grant Reserve.
 - use of (£3.5M) of COVID-19 grants appropriated in 2020/21 and 2021/22
 - addition of £1.7M Resettlement Programme funding.
 - net increase of £2.6M made up of multiple other smaller value specific grants for a range of initiatives e.g. Rough Sleeper Grant, Improved Better Care Fund, Afghanistan and Ukraine Education Grants.
 - net decrease of (£0.1M) in the Public Health (including DAAT) grant reserves.

5.22 The proposed final appropriation for Capital Reserves is from the Interest Equalisation Reserve for £0.9M, this is to fund the increased in costs for the interest applied to the HRA and trust balances due to the level of interest achieved on planned investments being higher than anticipated.

5.23 The proposed final appropriations for Corporate Reserves of £1.0M includes the release of £0.9M from the Benefits Volatility/Transition Reserve. This reserve was created at the end of 2021/22 due to the complexity and changes associated with Housing Benefit Overpayments, following a comprehensive analysis and reconciliation during the 2022/23 financial year we are confident that Council's position is correct and therefore the reserve is no longer required and has been released to support the year-end outturn. The remaining £0.1M is the final adjustment to cover the overall forecast outturn and has been funded from the Service Design Reserve.

5.24 The proposed final appropriation for Service Reserves of £5.0M is the application of the Childrens & Adults Social Care Reserves of £2.5M each.

- 5.25 The net overall impact of these proposed appropriations is to decrease the total reserves held by Southend-on-Sea City Council to £77.221M. To establish a 'like for like' comparison with our reserves position across the last two years we need to exclude the requirements for grant reserves due to the impact of COVID-19. This effectively means that our overall reserves position has declined by circa (£18.5M), compared to an increase of circa £2.0M in 2021/22.
- 5.26 To have had the reserves available for use in 2022/23 is testament to the strong financial management of the Council, however the use of reserves to this extent on a regular basis is not a viable option. The Council must urgently find ways to permanently reduce its cost base/generate more income to ensure its future financial sustainability.

Transfers between reserves

- 5.27 It is recognised and expected that significant pressures in Childrens and Adult Social Care will continue and as such these risk reserves need to be replenished. To do this the following transfers between reserves are proposed.

	Starting Balance* £000s	Transfer to / (from) £000s	Updated Balance £000s
Corporate Reserves			
Business Rates Retention	1,801	(1,801)	0
Specific Corporate Projects	2,175	(2,175)	0
Street Lighting	105	(105)	0
Covid-19 Recovery and Response	704	(704)	0
Service Reserves			
Welfare Reform	421	(173)	248
Adult Social Care	42	2,458	2,500
Children's Social Care	0	2,500	2,500

* this is the balance after appropriations detailed in paragraphs 5.21 to 5.26.

Implications for the 2023/24 budget and Medium Term Financial Strategy

- 5.28 Prior to the pandemic and cost of living challenges experienced in 2022/23 Southend-on-Sea was already having to respond to some high value social care demand trends. This scenario was replicated in many upper tier authorities right across the country. These pressures had been recognised locally and attempts were made to address some of these issues by increasing the revenue base of these services for 2021/22, 2022/23 and 2023/24 as part of the Medium Term Financial Strategy.

- 5.29 It is too early to assess or form clear conclusions around the exact level of financial pressure that the Council will be faced with in 2023/24. We are aware of the continuation of the risks of inflationary pressures, including ongoing employee pay negotiations and increases in both the cost and complexity of demand for critical social care statutory services. We have modelled scenarios and earmarked specific service risk reserves for the most volatile statutory service areas of Childrens and Adults Social Care to provide a safety net. The challenge of continuing to design and implement potential financial mitigating strategies for 2023/24 will be significant. The Council will have to find ways to reduce its cost base and the successful implementation and delivery of the new transformation programme will be fundamental to achieving this ambition.
- 5.30 A comprehensive Period 4 financial monitoring and performance report will be presented to Cabinet in September 2023. This will highlight the extent of the financial pressure in 2023/24 and provide a revised illustration of the potential impact on the Council's budget over the medium term until 2027/28.
- 5.31 To help address and close the revised estimated budget gap over the next five years the Council will continue to aim to achieve financial sustainability from local income sources in the future and improve its efficiency and productivity. The Council will continue to work collaboratively with its partners, increase its focus on the delivery or joint commissioning of services in a targeted way to ensure that those in most need and who will receive the greatest benefit are the recipients of services. It is vital that we continue learn from our experience, reduce our cost base wherever possible and tailor our services and working practices accordingly.
- 5.32 Even in these unprecedented circumstances Directors and all services are aware that it is vital to adhere to the approved level of all budgets. The operating climate, particularly in social care is incredibly challenging though and that is why it is so important to have a clear understanding of all the cost drivers within the Council's budget. Financial management and monitoring are also key to highlighting any issues as early as possible and the embedding of the 'Getting to Know your Business' programme will provide enhanced support and advice to service managers. Our approach encourages consideration over the medium term, so not only trying to achieve a balanced outturn in the current year but also to avoid putting further pressure on budget plans for future years.
- 5.33 Critical to achieving financial planning success is to understand pressures inherited from the previous year. These could manifest themselves by way of continued increases in demand and inflationary pressures, reduced income activity, undelivered planned savings, or new service and demand issues emerging post the pandemic and cost of living challenges. Detailed analysis has therefore been undertaken to provide more insight into the key messages contained in the 2022/23 outturn and to estimate the potential ongoing impact into 2023/24 and our Medium Term Financial Strategy.

5.34 In keeping with many councils across the country there are several areas of immediate spending pressure that will require proactive management. The areas that clearly will have a major impact in 2023/24 and beyond for Southend-on-Sea are Children's Social Care, Adult's Social Care and Waste, Highways & Transport. All Services though will be subject to close examination and monitoring due to the organisation wide impact on all costs due to the rapid and continuing challenges of inflationary pressures across all areas.

5.35 **Public Protection**

5.35.1 It is widely anticipated that one permanent legacy of the pandemic will be a continued increase in the number of days people work from home. This should bring environmental benefits to the city due to reduced commuting, however increased time working from home will almost certainly result in increased household waste. It is anticipated that this increased tonnage level which was seen in 2022/23 will continue into 2023/24 and the future, which as a disposal authority will bring additional financial pressure to the Council. It is vital that every effort is made to continually raise awareness and increase local recycling rates.

5.36 **Adult Social Care and Health Integration**

5.36.1 Both the national and local challenge in Adult Social Care have been well documented, with grant funding in the form of the increase ASC Market Sustainability & Improvement Fund being allocated despite the originally planned reforms being delayed. As a result of the cost-of-living crisis there has been a direct impact on the cost of care, where a significant element of the cost is for staff time, especially for Home Care. Whilst there has been significant investment in the market, inflationary pressures have eroded any movement towards the fair cost of care target. This poses a significant risk to the 2023/24 budget and the medium term, as the market will put pressure on the Council to pay increased rates, particularly in residential settings.

5.36.2 2023/24 sees the continuation of the winter discharge funding, with a grant being available to help the flow from hospital into social care. This will enhance the working relationship between the authority and the health sector and should bring benefits right across the health and social care system.

5.37 **Children & Learning**

5.37.1 Children & Learning will continue to have a large spend pressure opening into 2023/24 despite the positive and additional £2.5M funding (agreed and approved as part of the 2023/24 budget). As reported throughout 2022/23, the main contributing factor to that spend pressure is the continuation of high-cost residential care placements for children with complex needs including a continued and increased reliance on both residential and external foster care. Children Social Care teams do also continue to require temporary agency social work posts covering substantive posts that adds further pressure to the Council.

5.37.2 Whilst these pressures do remain, the Council continues to actively seek and mitigate this pressure where possible whilst ensuring the safety and welfare of each child remains of paramount importance. This is demonstrated by the new Inhouse foster care offer launched from April 2023, and it is targeted that this will increase the number of inhouse foster carers supporting our children in care not only benefiting the child by remaining close to local networks and support, but by also reducing reliance on expensive externally provided care placements. The Council does also operate recognised and revised strategies to recruit, retain and support permanent social work staff to try to continue to reduce reliance on agency social workers.

5.38 **Corporate Services and Performance Delivery**

5.38.1 The Council is committed to reducing its significant and traditional ICT on-premise server and infrastructure associated costs and moving the arrangements to a modern software as a service (SaaS) offering based on a more secure and updated cloud-based provider. The programme will also avoid a circa £6 million capital cost avoidance benefit and provide improved agile performance and latest technology to drive our desire to improve our customer's experience. This first phase will also help to provide the technological platform to deliver our transformational blueprint. This initiative forms part of the Capital Investment Programme for 2023/24 and will be funded by a combination of revenue, earmarked reserves and capital resources.

5.38.2 Delivery of Phase 2 of the Business World ERP programme of works is essential to the Council's ability to transform some of its internal management, operational, transactional, and administrative functions. The benefits associated with this project are vital to reducing the overall operating cost base of the organisation and enhancing efficiency and productivity.

5.39 **Transport, Assets Management and Inward Investment**

5.39.1 Car parking income in 2022/23 was in line with the budgeted amount for the year which is a significant achievement against a budget of £8.3M. The overspends in the area were a result of the costs associated with maintaining the infrastructure to facilitate those payments. Machine fees, bank fees, mobile app provider fees etc are all considerable costs to support the parking function and will increase as the number of transactions by digital methods also increase, whilst providing enhanced convenience for our customers. The income budget has been increased by a further £1.1M in 2023/24. It is pleasing to report that the profile of income to be generated at the end of May 2023 is currently on target to be achieved.

5.39.2 The new Civil Engineering and Highways structure is partly funded by the capital investment programme. With significant investment planned in the highway's infrastructure, it is imperative that eligible staff costs are also capitalised where appropriate. Close attention and analysis will be required to ensure both eligibility and value of recharge between revenue and capital is achieved throughout the year. This will also provide a useful barometer towards measuring the successful delivery of the planned capital investment programme ambitions.

Overall Future Mitigation Strategy

- 5.40 All services will need to consider the impact on their service costs and where appropriate their pricing strategies due to the continuing increases in inflation. The range of specifically highlighted issues provide an indication of the potential financial pressures and uncertainty facing services at the start of the new financial year. It is too early to evaluate all these potential challenges with a lot of confidence at this stage. Directors are aware that they have a duty to work within the budget envelope provided, and therefore must make every effort to contain these pressures through in-year management action, and to try to continue to deliver better outcomes and better value for money from within their approved budget allocations.
- 5.41 In setting the 2023/24 budget, around £6.8M (£4.4M employee pay award & £2.4M for energy) of extra provision for inflation related costs were approved. A further £0.6M for 'other' contractual inflation was set aside within the corporate contingency budget. Despite this significant level of combined provision, it is expected that this will still come under significant pressure given the current negotiations with staff representatives and with inflation continuing to stay stubbornly high, despite rapid increases in interest rates to try and combat inflationary pressures. It is expected that the energy provision will prove to be too high and some of it could be released to help to mitigate some of the potential other pressures. However, this is not only dependent on energy tariffs but also on usage. Levels of consumption will be closely monitored throughout the year.
- 5.42 The Council also holds a range of earmarked reserves specifically against some of the risks associated with the identified spending pressures. Careful consideration will be given to reviewing our complete portfolio of earmarked reserves to see if a further review and re-allocation is required to better reflect the potential risks highlighted by the 2022/23 outturn. Use of any reserves are by their very nature only a one-off mitigation and approval will be requested if required from Cabinet.
- 5.43 The challenge of designing and implementing potential mitigating strategies for 2023/24 and the future has been made far more complex due to the impact and uncertainty caused by the current operating environment and the rapid and continuing rise in inflation. A better picture on potential options and an update on the financial performance against the approved budget for 2023/24 will be available as a comprehensive period 4 monitoring report at Cabinet in September 2023. We may then also have a better indication from Central Government about future funding arrangements and intentions.
- 5.44 The Council, like many local authorities, is faced with some very difficult challenges and choices. There is currently a clear and genuine risk to the financial resilience and future financial sustainability of the Council. This has been caused by the continuing increasing level of demand and cost pressures being experienced, primarily in core statutory service provision and it is essential that appropriate mitigating actions and decisions are taken in 2023/24 and the future to reduce costs (service offer) and/or generate more income to invest in local service provision.

6 2022/23 Housing Revenue Account Outturn

6.1 The following table summarises the outturn for the Housing Revenue Account and the consequential use of balances for 2022/23.

	Original Budget £000	Revised Budget £000	Forecast Period 8 £000	Actual £000
Employees	206	206	206	206
Premises (excluding repairs)	787	787	787	792
Repairs	6,053	6,553	6,553	6,097
Supplies and Services	141	141	141	65
Management Fee	6,648	6,698	6,898	6,898
Internal Recharges and Overheads	1,584	1,683	1,683	1,673
Provision for Bad Debts	455	455	455	293
Depreciation, Impairment etc	8,393	8,393	8,393	8,034
Interest and Debt Management Charges	3,142	3,142	3,142	3,563
Total Expenditure	27,408	28,057	28,257	27,621
Fees and Charges	(371)	(371)	(371)	(414)
Dwelling Rents	(27,821)	(27,821)	(27,721)	(27,659)
Other Rents	(1,535)	(1,535)	(1,535)	(1,595)
Contribution from Leaseholders				(175)
Interest	(136)	(136)	(136)	(933)
Recharged to Capital	(584)	(584)	(584)	(451)
Total Income	(30,447)	(30,447)	(30,347)	(31,226)
Net Operating Income	(3,039)	(2,338)	(2,090)	(3,606)
Revenue Contribution to Capital	8,309	8,309	8,309	4,105
Appropriation to Earmarked Reserves	(5,271)	(5,920)	(6,219)	(4,655)
Surplus	0	0	0	(4,156)

6.2 The HRA has been subjected to a same pressure that have been replicated in most areas right across the country in that repairs and maintenance costs have increased significantly throughout 2022/23. An in-year surplus of £4.156M is being declared, principally generated through a major reduction in the planned level of revenue contribution to the Capital Investment Programme.

6.3 At the beginning of 2022/23 there was a major concern around the uncertainty of the legacy impact of COVID-19 and the continuing cost of living crisis on collection levels and potential difficulties for tenants paying their rent and service charges due to changing circumstances. Good management of void properties and early intervention of advice and support for tenants has helped to mitigate this major concern. At the end of the year the actual level of rental income received was very close to the budget set for the year.

- 6.4 The budget report to Cabinet in February 2022 included an ambitious 'affordable housing acquisitions' programme, with a planned revenue contribution of £8.310M to fund the intentions. This required £3.039M of the planned surplus, as well as £5.271M to be drawn down from the capital investment reserve to fund this level of acquisitions. It has not been possible to deliver that size of capital investment programme, given the economic environment. The final funding requirement for 2022/23 was £4.105M. These ambitious plans will look to be accelerated again in 2023/24.
- 6.5 The general reserve for the HRA is considered to be at an appropriate level so an appropriation of the surplus to HRA earmarked reserves is proposed to enable further investment to be made in the Council's housing stock, creating better conditions and environments for local tenants.
- 6.6 The following table summarises all the appropriations for the HRA in 2022/23 and Cabinet is requested to approve the final appropriation to the Capital Investment Reserve of £4.156M.

HRA Reserve	Original Plan £000	Approved Period 8 £000	Proposed Final Appropriation £000	Total £000
Repairs Contract Pensions Reserve	60	0	0	60
Capital Investment Reserve	(5,331)	(300)	8,260	2,630
Major Repairs Reserve (Revenue)	0	0	0	0
Sub-Total	(5,271)	(300)	8,260	2,690
Revenue contributions to capital	8,309	0	(4,105)	4,205
Grand Total	3,039	(300)	4,156	6,894

7 2022/23 Capital Outturn

Overview

- 7.1 Throughout the 2022/23 financial year the capital investment programme has been subject to robust monitoring and challenge to ensure delivery and alignment with the Corporate Plan priorities and desired outcomes. As a result of this monitoring, revisions were made during the year to the capital investment programme budgets with the agreement of Cabinet. The last revision approved by Council on 23 February 2023.
- 7.2 The changes are summarised in the table below.

	£000
Original Budget 24 February 2022 Council	99,077
14 June 2022 Cabinet carry forwards from 21/22 schemes	6,446
Accelerated Delivery of 21/22 schemes	(645)
Re-profiles, New External funding and other adjustments agreed at 14 June 2022 Cabinet	10,653
Re-profiles, New External funding and other adjustments agreed at 13 September 2022 Cabinet	(21,798)
Re-profiles, New External funding and other adjustments agreed at 8 November 2022 Cabinet	(17,985)
Re-profiles, New External funding and amendments agreed at 14 February 2023 Cabinet	(13,928)
Revised Capital Investment Programme 23 February 2023 Council	61,820

Brackets indicate a reduction in budget.

- 7.3 The summary on the next page shows the 2022/23 actual spend against budget for the different types of investment.

Scheme by area of investment	Revised Budget £000	Actual £000	Variance £000	% Spent	Notes on delivery (see paragraphs 7.8 to 7.17 for the outcomes achieved)
General Fund Housing	825	991	166	120.1	More disabled facility grants delivered than anticipated due to a goal to optimise grant usage in this area – requesting accelerated delivery of 2023/24 budget.
Social Care	0	1,527	1,527	N/A	Overspend on Brook Meadows House – see paragraph 7.8.
Schools	1,451	1,671	220	115.2	A combination of multi year projects for condition works and special provision capital fund – see paragraph 7.9.
Enterprise & Regeneration	16,291	7,981	(8,310)	49.0	Multi-year projects including Airport Business Park, Better Queensway, Victoria Centre and No Use Empty– see paragraph 7.10.
Southend Pier	1,783	2,196	413	123.2	Works progressed well with accelerated delivery – see paragraph 7.11.
Culture & Tourism	463	250	(213)	54.0	Multi-year schemes including parks, libraries and museums – see paragraph 7.12
Community Safety	755	470	(285)	62.3	Multi-year schemes including the CCTV equipment renewal that will complete in 2023/24 – see paragraph 7.13
Highways and Infrastructure	19,580	18,736	(844)	95.7	Multi-year schemes at various stages of completion – see paragraph 7.14. £0.8M included as a net of carry forward, accelerated delivery requests and other budget adjustments.
Works to Property	2,455	2,405	(50)	98.0	Mainly Property Refurbishment and Fire Improvement Programme works – see paragraph 7.15.
Energy Saving Projects	516	293	(223)	56.8	Schemes being reviewed and will continue in 2023/24 and future years.
ICT Schemes	2,942	2,214	(728)	75.3	Multi-year schemes at various stages of completion – £0.7M included as carry forward requests. See paragraph 7.16
Section 106 / Section 38 / CIL	528	317	(211)	60.0	Multi-year planning and highways agreements at various stages of completion – £0.2M included as carry forward requests.
Council House Refurbishment	10,087	8,611	(1,476)	85.4	The Decent Homes programme and disabled adaptations are multi-year schemes. See paragraph 7.17.
Council Housing New Build Programme	632	574	(58)	90.8	Delivery stages of several build phases – see paragraph 7.17.
Council Housing Acquisitions Programme	3,512	3,586	74	102.1	Mainly acquisitions relating to the housing acquisitions programme and the Afghan & Ukraine resettlement scheme - see paragraph 7.17.
Total	61,820	51,822	(9,998)	83.8	

Brackets indicate an underspend against budget.

7.4 The outturn across strategic and other schemes is as follows:

	Revised Budget £000	Actual £000	Variance £000	% Spent
Strategic schemes				
Airport Business Park	7,265	4,254	(3,011)	58.6
Better Queensway	5,331	1,352	(3,979)	25.4
Victoria Centre	1,255	753	(502)	60.0
Brook Meadows House	0	1,527	1,527	N/A
Southend Pier schemes	1,783	2,196	413	123.2
ICT Schemes	2,942	2,214	(728)	75.3
Footways and Carriageways	11,430	11,059	(371)	96.8
Parking Schemes	1,467	1,238	(229)	84.4
Highways and Infrastructure – Local Growth Fund and Local Transport Plan Schemes	3,944	3,632	(312)	92.1
Levelling Up Fund Schemes	1,240	1,245	5	100.4
HRA – Decent Homes Programme	9,317	7,989	(1,328)	85.7
HRA – Construction of New Housing	632	574	(58)	90.8
HRA – Housing Acquisitions Programme	3,512	3,586	74	102.1
Total Strategic Schemes	50,118	41,619	(8,499)	83.0
Other schemes	11,702	10,203	(1,499)	87.2
Total	61,820	51,822	(9,998)	83.8

7.5 Best practice and normal accounting convention require that the approved Capital Investment Programme includes budgets for all potential capital expenditure. Therefore, the programme contains budgets for schemes such as Section 106 funding where expenditure is contingent on a condition being met, grants that are paid to the Council in full are drawn down over time and schemes managed in partnership or by other bodies, e.g. schools.

7.6 The outturn for 2022/23 shows a final spend position of £51.822m against a revised budget of £61.820m, which is an 83.8% outturn position.

7.7 The capital investment in the year contributed to the delivery of the desired outcomes identified as part of the Southend 2050 ambition and Corporate Plan. The key themes and outcomes are shown in the following sections:

Investment Areas

7.8 Social Care

Under the corporate priority of a city with a good quality of life, investment in this area contributes to the objective to ensure that health and care services meet the needs of all.

A major investment over the last few years has been the construction of Brook Meadows House with the new care home becoming operational towards the end of 2021/22. The existing Priory Care Home was then demolished prior to final landscaping works being completed.

For the 2021/22 financial year the project had overspent by £3.4M, with further costs of £1.5M incurred in 2022/23 with no budget provision. The overspends have been incurred due to a number of issues including the performance of the design team. The Council is currently taking forward actions with a view to recovering significant costs incurred where these have been caused by the performance of third parties. The timing of any cost recovery is uncertain.

7.9 Schools

Under the corporate priority of a city with a good quality of life, investment in this area contributes to the objective to enable and provide opportunities for the best start in life.

Expenditure on the education capital programme for 2022/23 was £1.7M. £0.7M of this investment was in schools condition works within the maintained primary schools. These covered larger high cost repairs and replacements projects on roofs, windows, doors, kitchens, new classrooms and heating that are beyond the budget of the individual settings. In addition, £0.3M was devolved as formula capital to the maintained schools to manage their own smaller capital works.

£0.6M of the investment was using the special provision grant monies to enhance the facilities and number of places available for children with special educational needs and disabilities or requiring alternative provision. There are currently three schemes in progress which will continue into 2023/24.

7.10 Enterprise and Regeneration

Under the corporate priority of a city that is strong and prosperous, investment in this area contributes to the objective to support economic regeneration and business development.

A major investment of is for the Airport Business Park, which is a major strategic employment site in close proximity to London Southend Airport. It is envisaged that the new Business Park will become renowned as a leading regional centre for the science, medical and technology sectors and deliver benefits for both local businesses and local communities. The development will create thousands of job opportunities for local people, attract inward investment and it is hoped it will bring lasting prosperity to the region. £4.3m of investment

has been made during 2022/23. The completion of the Launchpad progressed well with practical completion achieved and the building now open. There are more works to be completed for the fit out of the Launchpad and for a S106 payment for bus services. A budget carry forward request has been included for £2.8M.

Capital investment of £0.5M was also made to resource the Council's ability to support, directly deliver, hold accountable and work in partnership with Porter's Place Southend-on-Sea LLP and Swan BQ Limited (now a subsidiary of Sanctuary Housing Association) to deliver the Better Queensway regeneration project. A carry forward request of £0.1M relating to this project has been included as part of this report.

Funding of £0.8M was also passed to Porter's Place Southend-on-Sea LLP to facilitate the delivery of the Better Queensway project, £0.4M of this was South Essex Local Enterprise Partnership monies, with the remainder being drawdowns of the junior loan facility, with an equal amount being invested by Swan Housing Association. Carry forward requests totalling £3.8M relating to these schemes have been included as part of this report.

The Council also invested £0.8M in redevelopment of units to enable lettings at the Victoria shopping centre. These refurbishment and redevelopment works will continue into 2023/24 and a carry forward request of £0.5M has been included as part of this report.

Investment of £1.2M was also made in the three Levelling Up Fund projects: Leigh Port, Cliffs Pavilion and City Beach. These projects will continue into 2023/24 and 2024/25 and budget re-profile requests across those years are included as part of this report.

In line with the conditions of the No Use Empty grant conditions, loans of £0.3M were granted to businesses in respect of empty commercial property conversion. Expenditure is dependent on the numbers of businesses that apply for the loans and a carry forward request of £0.8M has been included as part of this report.

7.11 Southend Pier

Under the corporate priority of a city that is strong and prosperous, investment in this area contributes to the objective to enhance our tourism, cultural and leisure offer.

Every year major investment is made in Southend's historic pleasure pier, the longest in the world. In 2022/23 capital investment of £2.2M had been made in the pier, including £1.9m on condition works. The pier had 396,000 visitors in 2022/23 which is higher than the 358,000 in 2021/22 or the average of 350,000 over the three years before the pandemic.

Much of the pier investment programme involves multi-year projects and projects progressed well during 2022/23. Accelerated delivery requests of £0.4M have been included in this report.

7.12 Culture and Tourism

Under the corporate priority of a city that is strong and prosperous, investment in this area contributes to the objective to enhance our tourism, cultural and leisure offer.

In the 2021 Residents' Survey, parks and open spaces were an important aspect for residents. In the future half of residents expect to continue to use Southend's parks and open spaces more than they did before the pandemic. The town has many parks, gardens and nature reserves offering a range of facilities including sports pitches/courts, children's playgrounds, skateboarding, cafés, boating lakes, fishing lakes and wildlife areas. In recognition of this, capital investment of £0.2M has been made in the town's parks and open spaces during 2022/23.

A further £0.1M was invested in the city's libraries, museums and leisure centres.

Much of the culture and tourism investment programme involves multi-year projects. Net carry forward and accelerated delivery requests of £0.2M have been included in this report.

7.13 Community Safety

Capital investment of £0.5M has been made during 2022/23 for community safety, including the installation of CCTV equipment and other security measures such as bollards in the High Street and at Marine Parade. Carry forward requests of £0.3M have been included in this report.

7.14 Highways and Infrastructure

Capital investment of £11.1M in improvements to the town's highway and footpath network has been made during 2022/23, including repairing potholes, junction protection works and resurfacing of Zebra Crossings. During the financial year 98,960m² of carriageways were resurfaced and 45,530m² of footways were resurfaced with 14,270m of new kerbing installed.

Via the Local Growth Fund monies, investment of £0.3M was made in improvements to the A127 Growth Corridor, to the Bell Junction and on A127 essential maintenance works. A further £1.5M was invested in city centre interventions.

Investment of £1.9M was made via Local Transport Plan grant funded schemes including road maintenance, street lighting, bridge strengthening, installation of traffic signal equipment and signage and works to bus stops and shelters.

Capital investment of £1.2M was made in parking schemes, including £0.9M for improvements to the East Beach car park.

Capital investment of £0.9m has been made during 2022/23 for flood prevention and resilience schemes. These included refurbishment of groyne fields and works to the East Beach gabions.

Net carry forward, accelerated delivery and other budget requests of £0.8M have been included in this report so that schemes can continue into 2023/24.

7.15 Works to Property

Major investment of £1.1m on property refurbishment and £0.7m on fire improvement works were made to ensure the Councils operational buildings remain safe, in good condition and meet current standards.

7.16 ICT

Investment of £2.2M has been made in the Council's ICT infrastructure to continue to provide the core services and to progress the Smart Council project.

This investment includes:

- Technology Device Refresh – to provide the ability for staff to work remotely with new laptops and the ability to support them remotely.
- Application Transformation – migration of applications to a stable environment to permit access for the new laptops and to mitigate technical risks.
- Digital Enablement – setting up the foundations for transformation into a Smart City.
- Security and Resiliency – implementing the fundamental security capabilities to protect remote working.
- Stabilise the Estate – remediation work to ensure the technology foundations are robust to support the new ways of working.
- Operational Requirements – the Council's infrastructure licences

This investment will continue into 2023/24 with future years Smart Council requirements to be assessed and considered.

7.17 Council Housing and New Build Programme

Under the corporate priority of a city delivering genuinely affordable housing, investment in this area contributes to the objectives of addressing local housing need and ensuring good quality housing design, management and maintenance.

Investment of £8.6M was made during 2022/23 in the refurbishment of the borough's Council Housing, mainly via the Decent Homes programme. The budget is expected to be spent over the course of 2022/23 to 2024/25 but it not expected to be spent in the ways previously planned. Net carry forward and accelerated delivery requests of £1.3M have been included as part of this report.

Investment of £2.9M was made during 2022/23 for the acquisition of 16 Council dwellings across the Council housing acquisitions programme and the Afghan &

Ukraine resettlement scheme. Valuations were also completed on 25 properties for the Council housing acquisitions programme and these are expected to complete during 2023/24. The programme will continue in 2023/24 to 2025/26 with more suitable properties being purchased as they become available. The Afghan & Ukraine resettlement scheme will continue into 2023/24 with a budget of £3.2M, funded by grant from the Local Authority Housing Fund.

Investment of £0.6M in the construction of new Council Housing was made during 2022/23, with the different phases progressing through design, survey, planning or construction. More significant investment is planned for 2023/24 and 2024/25 as more of the projects move into the construction. Phase 3 of the HRA Land Review project is to deliver circa 29 Council homes across five underutilised garage sites and surrounding land in Shoeburyness and is estimated to start on site in 2023/24. Phase 4 of the project is to deliver circa 9 units of Council housing at the North site within the Council owned Lundy Close housing estate and start on site is estimated for 2023/24.

Revised capital investment programme

- 7.18 A range of schemes have been identified that are funded from external contributions and grants. These have been included in the capital investment programme but there is flexibility in when these schemes are delivered either by the funder determining when it is appropriate or the Council matching delivery to available resources.
- 7.19 In total there are a number of schemes with unspent budgets in 2022/23 where the budget is needed in 2023/24 in order to complete the schemes. These schemes have started and/or are fully committed to but due to various factors have not completed or reached the anticipated stage by the 31 March 2023. These budget commitments total £15.155M and are summarised in Appendix 2.
- 7.20 In addition, some schemes have exceeded their 2022/23 budget allocation. The two causes of this are unforeseen costs being incurred or schemes spending ahead of profile in order to accelerate delivery, i.e. multi-year schemes being delivered earlier or preliminary works starting on 2023/24 schemes to ensure their prompt completion. The sum of this accelerated delivery totals £2.123M and is analysed in Appendix 2.
- 7.21 Where possible schemes that have exceeded their 2022/23 budget allocation will be financed by compensatory under spending on other schemes. The exception to this is the overspend for Brook Meadows House, where the approach is set out in paragraph 7.9. The amended budget for 2022/23 after carry-forward, accelerated delivery requests and budget adjustments have been taken into account is £50.091M.

7.22 An amended Capital Investment Programme reflecting all the changes above is attached at Appendix 3 and is summarised below:

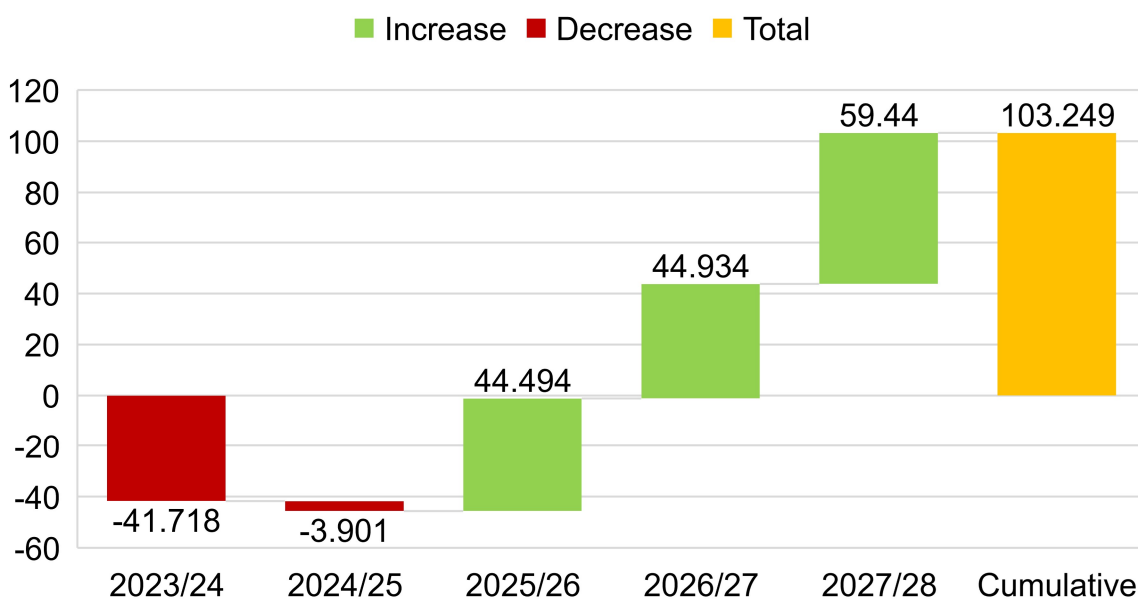
Amended Capital Investment Programme to be delivered by the Council:

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Strategic Schemes	46.4	45.4	4.4	4.0	0	100.2
Other Schemes	25.0	9.0	1.5	1.4	0.6	37.5
Total	71.4	54.4	5.9	5.4	0.6	137.7

Amended Capital Investment Programme to be delivered by Subsidiary Companies, Partners or Joint Ventures:

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
South Essex Homes Limited	8.6	6.3	6.3	6.5	0	27.7
Porters Place Southend-on-Sea LLP	19.9	3.2	3.3	3.2	0	29.6
Kent County Council	1.8	0	0	0	0	1.8
Total	30.3	9.5	9.6	9.7	0	59.1

7.23 The chart below shows the headroom (negative in 2023/24 and 2024/25) for each year compared to the average spend over the last 15 years. Over the five-year period there is cumulative headroom of £103M (£21M each year if profiled equally).



- 7.24 This chart should be considered in the context that there is a further list of schemes that are not in the approved programme but are subject to viable business cases. This includes schemes where the costs have been estimated, totalling £86M and schemes that are yet to be costed. There may also be urgent health and safety works that might occur that are as yet unforeseen.
- 7.25 Given the above and the Council's finite capacity to deliver capital schemes, the Capital Programme Delivery Board has been considering how to review all capital projects and programmes and the status of their business cases.

As a result all capital projects with a budget over £100k will be reviewed and assigned a RAG rating as follows:

RAG rating	Examples of the criteria to be used	Proposed outcome
Red	Project not yet started, no/very low costs incurred, low impact of stopping or pausing the project	Stop, delete the project or move it to the subject to viable business case section
Amber	A project or programme for which the scope can be adjusted, some work started and costs incurred (e.g. consultation started, planning permission sought), can be stopped or paused but implications need to be considered	Further review required
Green	Key political priority, urgent health and safety works, project underway and progressing well (i.e. materials delivered, contractors on site), time limited grant conditions	Continue

- 7.26 A generic approach to the programme as a whole would not be appropriate, as each project is different in its nature, extent and impact. The way that projects are funded also needs to be considered as grant and third-party funding would have to be returned if not spent or if delayed beyond the agreed expenditure timeframe. It is also recognised that these options need to be considered alongside any forthcoming capital challenge sessions, the timing and format of which are yet to be agreed.
- 7.27 The capital investment programme should continue to be subject to continuous review and re-prioritisation to ensure resources are aligned to the Council's Southend 2050, recovery priorities and administration priorities. This will inevitably lead to some difficult decisions having to be made regarding the programme with the delivery of some schemes being scaled back, delivered over a longer timescale, paused or removed.
- 7.28 Progress of schemes will be re-assessed and some schemes may be removed from the main programme entirely and others held as 'subject to viable delivery plans' until it can be demonstrated that there is the capacity and resources to deliver them in the timescales indicated. Schemes can then be brought back into the main programme as and when it is appropriate to do so.

- 7.29 As this review progresses via challenge meetings, the Capital Programme Delivery Board and the Investment Board, re-profiles and other adjustments to the programme for 2023/24 and future years will be put forward for approval.

Financing of the Capital Investment Programme

- 7.30 The capital investment programme is fully financed. When the budget is set, estimates are made on the likely levels of capital receipt, grant that will be received during the year, the likely level of borrowing required as well as the proposed level of expenditure. As the actual expenditure differs from the proposed budget, the associated financing needs to be amended also to reflect this.

- 7.31 The capital expenditure in 2022/23 is financed as follows:

	2022/23 Actual (£m)
Total Capital Expenditure	51.822
Financed by:	
Borrowing	25.999
Invest to Save Financing	1.729
Capital Receipts	0.987
Capital Grants Utilised	11.268
Major Repairs Reserve	6.161
Other Revenue/ Capital Reserve Contributions	4.432
Third Party Contributions	1.246
Total Financing	51.822

Other changes to the budget for 2022/23 onwards

- 7.32 Since the approved capital investment programme was set at Council on 23 February 2023, there have been some changes to the capital budget. They are not significant in number but are required to provide a continually updated programme to enhance the delivery of schemes and are therefore detailed in Appendix 2. These changes are reflected in the amended Capital Investment Programme attached at Appendix 3.
- 7.33 Removal of budgets no longer required is requested for schemes such as the Empty Homes Strategy budget (where the desired outcome can be delivered in another way) and the School Improvement and Provision for School Places budget (where the multi-year scheme has been completed within budget). The overall effect for all schemes identified as needing to be deleted is a decrease of £0.554M in the level of capital budget required.

- 7.34 Regarding the Empty Homes Strategy, although retention of the capital budget would have facilitated allocation of additional grants to empty homes owners, it has been agreed that similar outcomes (i.e. more empty homes being brought back into use) can be achieved more effectively by a renewed emphasis on relationship management with owners of empty homes and a closer working relationship with our Council Tax team. This proactive enabling engagement-based approach is already paying dividends with more empty homes brought back into use in 2022/23 than in any previous year (21 in total) and more properties targeted with an Empty Homes premium, incentivising owners to respond positively in order to avoid paying this Council Tax premium.
- 7.35 All of these changes have been reflected in the revised capital investment programme at Appendix 3.

Capital Scheme Additions

- 7.36 There are a couple of schemes where the Council has been allocated or awarded new external funding and where match funding is a condition of the grant. The following schemes have been added as match funding additions to the programme, together with their new external funding amounts:

Afghan & Ukraine resettlement scheme

- 7.37 The Department for Levelling Up Housing & Communities (DLUHC) have allocated the Council capital grant funding via the Local Authority Housing Fund (LAHF) to ensure arrivals on Afghan and Ukraine schemes are provided with sufficient longer-term accommodation. The aims of the fund are to mitigate the expected increased pressures on local authority housing & homelessness services and reduce emergency, temporary and bridging accommodation costs. It is intended that the fund will also create a legacy of a new general needs accommodation to help address local housing and homelessness pressures beyond the life of this scheme. The project is funded by £1.855M of grant funding and £2.151M in match funding to be financed from the HRA capital investment reserve.

Social Housing Decarbonisation funding

- 7.38 This is grant funding to retrofit Council dwellings to bring them up to Energy Performance Certificate (EPC) rating C, to reduce fuel poverty and to improve tenant comfort. The bid was for works to 110 dwellings currently rated as EPC D and E with measures such as external wall insulation, loft insulation and new double glazing. The project should save 179 tons of carbon per year across those properties and should reduce energy bills by 30%. The project is funded by £1.150M of grant funding and £2.020M in match funding to be financed from the HRA capital investment reserve.
- 7.39 There is also the following scheme being added to the programme relating to the Housing Pipeline:

Passive House Pilot

- 7.40 The Strategic Housing team have identified that future council housebuilding programmes via the HRA Land Review project should aim, where possible, to achieve Passivhaus standard. This seeks to reduce the space heating requirements to a very low level by increasing insulation with minimal thermal bridging, ensuring high levels of airtightness and maximising solar gains. Two sites have been identified for pilots of Passivhaus council housing. Denton Avenue is a section of unused garden land in St Laurence ward and the site at Bradford Bury is an underutilised garage site in Belfairs ward. The project is funded by 60% S106 contributions (£0.640)M and 40% Right to Buy capital receipts (£0.428)M.

8 Infrastructure Funding Statement 2022/23

8.1 Attached as Appendix 4 is the Infrastructure Funding Statement (IFS) for the reported year 1 April 2022 to 31 March 2023. The Summary Tables from the IFS are set out below:

Summary Table 1: Community Infrastructure Levy (CIL) Funds 2022 to 2023

Reported Year 2022 to 2023	Total value of CIL set out in all Demand Notices issued in the reported year	£1,134,900.37
	Total amount of CIL receipts carried over from previously reported years	£3,132,574.15
	Total amount of CIL receipts in reported year	£1,076,850.99
	Total amount of CIL expenditure (including admin expenses) in reported year	£105,604.05
	Total overpayments returned ¹ in reported year	£7,113.08
	Total amount transferred to other organisations in reported year	£43,737.58
	Total amount of CIL allocated but unspent in reported year	£2,156,945.72
	Total amount of CIL collected in any year yet to be allocated and remaining to be spent at the end of the reported year	£1,896,024.71

Summary Table 2: Section 106 (S.106) Planning Obligation Funds 2022 to 2023²

Reported Year 2022 to 2023	Total amount of money to be provided under any planning obligations which were entered into during reported year ³	tbc
	Total amount of money under any planning obligations carried over from previously reported years which had not been allocated and was available to spend at the start of reported year	£1,681,626.93
	Total amount of money under any planning obligations carried over from previously reported years which was allocated but not spent at the start of the reported year	£1,304,351.44
	Total amount of money under any planning obligations which was received in reported year	£61,912.77
	Total amount of money under any planning obligations which was spent in reported year	£869,820.27
	Total amount of money under any planning obligations which was returned in reported year	£104,156.84
	Total amount of money under any planning obligations transferred to other organisations in reported year	£0.00
	Total amount of money under any planning obligations which was allocated but not spent at the end of the reported year	£509,470.51
	Total amount of money under any planning obligations yet to be allocated and remaining to be spent at the end of reported year	1,564,443.52

8.2 The Council commenced CIL charging in July 2015 and at financial year ending 31st March 2023 there was £4,052,970.43 total CIL receipts unspent.

¹ Payments are returned under CIL Regulation 75 (Overpayments) if the amount paid proves to be greater than the amount due.

² Figures correct at time of preparation of this report but may be subject to adjustments.

³ This figure relates to either development that has yet to commence or implemented schemes for which the due date for contributions has not yet been reached i.e. the contributions have not been received and cannot be guaranteed to be received. The figure cannot be confirmed as the developments concerned included an outline planning permission, details of which have yet to be agreed.

8.3 £2,156,945.72 of the total unspent CIL receipts has been allocated to infrastructure projects to support growth and new development in Southend. This comprises CIL Ward Neighbourhood Allocations and two CIL funded programmes that were agreed to be financed through the CIL main fund during the reported year as follows:

- £1m towards Enhancing Children's Play Provision in Public Parks
- £1m towards Cycle Infrastructure Improvement Programme

8.4 **£1,896,024.71** of total unspent CIL receipts is yet to be allocated and is therefore available to spend, and includes:

- £1,642,780.55 in the CIL Main Fund; and
- £253,244.19 as Ward Neighbourhood Allocations (difference of £0.03 due to rounding).

8.5 Remaining CIL funds will continue to be carried forward until suitable projects are identified, either my members in accordance with the [CIL Governance Framework](#) or as part of the new Local Plan review.

8.6 In the last financial year 2021/22, over £1million of Section 106 (S.106) funding was spent on affordable housing within Southend; and this significant S.106 spending has continued into 2022/23 with a further £0.89m being invested in more affordable housing and public open space improvements across the City.

9 Reasons for Decisions

9.1 To provide Cabinet with the provisional revenue and capital outturn position for 2022/23.

9.2 As part of the year end processes, Cabinet is required to approve any appropriations to or from earmarked reserves. This report fulfils that purpose.

9.3 Cabinet is required to approve capital budget carry forwards, accelerated delivery requests and in year amendments to the current approved programme.

10 Other Options

10.1 This is a factual report setting out the 2022/23 outturn and is a reporting requirement of good financial governance. As such there are no other options. Cabinet are of course able to suggest changes to the amounts appropriated to and from earmarked reserves, which would result in a compensating adjustment to the amount taken to or from general reserves. The report also follows and complies with the good practice identified with CIPFA's Financial Management Code which became mandatory from 2021/22.

11 Financial Implications

11.1 As set out in the body of the report and accompanying appendices.

12 Legal Implications

- 12.1 The Council is required by section 151 of the Local Government Act 1972 to plan for the proper administration of its financial affairs. The Council is also required by section 28 of the Local Government Act 2003 to monitor its budget, and take corrective action, as necessary. The Council's chief finance officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for effective budgetary control and for reporting variances to interested stakeholders. To comply with these best practice arrangements, it is important that Cabinet receive information and comment accordingly on the final outturn performance of the revenue and capital budgets as set out in the report.

13 Carbon Impact

- 13.1 None arising from this report.

14 Equalities

- 14.1 Consideration is given to Equalities and Diversity Implications when the Medium Term Financial Strategy and Capital Investment Programme is determined.

15 Consultation

Consideration is given to consultation when the Medium Term Financial Strategy and Capital Investment Programme is determined.

16 Background Papers

Financial Sustainability Strategy 2022 – 2032
Medium Term Financial Strategy 2023/24 – 2027/28
Resourcing Better Outcomes - Financial Performance Report 2022/23 – Period 8

17 Appendices

- Appendix 1 Annual Report 2022/23
Appendix 2 Requested Changes to the Capital Investment Programme
Appendix 3 Amended Capital Investment Programme
Appendix 4 Infrastructure Funding Statement for 1 April 2022 to 31 March 2023