Southend-on-Sea City Council

Agenda Item No.

Title:	**Finance and Corporate Performance Report 2023/24 to end of July 2023 (Period 4)**
Meeting:	Cabinet
Date:	18 September 2023
Classification:	Part 1
Policy Context:	
Key Decision:	No
Report Authors:	Pete Bates, Director of Financial Services, Caroline Fozzard, Senior Finance Lead (Strategy, Sustainability and Governance), Suzanne Newman, Head of Corporate Strategy Gareth Nicholas, Insights Manager
Executive Councillor:	Councillor Cox, Leader and Cabinet Member for Special Educational Needs & Disability

1 Executive Summary

The finance and corporate performance report is a key tool in scrutinising the Council's overall performance. It is designed to provide an overview to all relevant stakeholders at regular stages throughout the financial year. It is essential that the Council monitors its budgets and assesses its performance regularly to ensure that it is meeting its strategic objectives and providing value for money. This approach highlights where corrective action is necessary and reasonable mitigation is required to try to deliver a balanced financial position by the end of the year.

Given the current operating environment and the significant increases experienced in both service demand and the ongoing unavoidable inflationary cost pressures, this will be an incredibly difficult ambition to achieve in 2023/24. This report summarises the current forecast position at this early stage of the financial year and highlights the need to make some difficult choices and take decisive action.

2 Recommendations

2.1 **Cabinet notes the unprecedented levels of reported financial pressure and challenges right across the local government sector (appendix 1).**

That, in respect of the 2023/24 Revenue Budget Performance as set out in appendix 2 to this report, Cabinet:

2.2 **Note the forecast outturn for 2023/24 for the General Fund and the Housing Revenue Account as at 31 July 2023.**

2.3 **Note the plans and intentions to try to reduce the forecast overspend of the Council's revenue budget for 2023/24 and agree that the Chief Executive and Executive Director (Finance & Resources) explore all opportunities within their delegated powers and authority to improve the financial position by the year-end (section 5).**

2.4 **Approve the planned budget transfers (virements) of £308,600 from earmarked reserves, as set out in section 5.50.**

That, in respect of the 2023/24 Capital Budget Performance as set out in appendix 3 of this report, Cabinet:

2.5 **Note the expenditure to date and the forecast outturn as at 31 July 2023 and its financing.**

2.6 **Approve the requested changes to the capital investment programme for 2023/24 and future years, as set out in section 4 of appendix 3.**

2.7 **Note the Corporate Performance Report as at 31 July 2023 set out in appendix 4.**

3 Southend-on-Sea City Council's financial situation

3.1 The Council ended the 2022/23 financial year with the largest level of reported overspending since it became a Unitary Authority on 1st April 1998. Following years of strong financial management, the Council had sufficient reserves to cope with the impact of this outcome for that year as a 'one-off' critical event. The Council cannot continue to overspend at that level though and the 2023/24 financial forecast is now putting the Council at serious risk and challenging its future viability. The size of the Council's financial challenge now and for the immediate future is the biggest in the Council's history.

3.2 The Council's financial situation is challenging, and urgent action needs to be taken immediately. It is in the best interests of the Council for all Officers and Elected Members to work closely and collaboratively together at pace to control all areas of identified overspending and to ensure that any adverse variances are brought back as close as possible to the approved budget for 2023/24.

3.3 Despite the difficult circumstances the Council still has its financial destiny and control in its own hands, if it can manage to reduce the forecast overspending significantly throughout the rest of the 2023/24 year. To support this ambition, it is intended to arrange Elected Member briefings to enhance understanding of the current situation, the severity of the challenge, assess the risks and seek their views and co-operation in determining and then implementing budget savings solutions at pace. The Council has also engaged Ernst & Young (EY) to provide additional independent challenge and sector insight to help develop options to mitigate the range of financial pressures that are being faced.

3.4 Even at this early stage of the year – urgent action is needed to try to reduce all non-essential expenditure and/or generate extra income. This priority must be achieved whilst ensuring that our most vulnerable residents are looked after appropriately, and our statutory responsibilities are effectively discharged. Like other Local Authorities we also need to consider how we deliver our statutory responsibilities and if changes can be made. Improving efficiency and productivity is essential but the scale of the continuing unprecedented financial pressures will inevitably lead to a reduction in the range, quality, cost and responsiveness of other discretionary Council services as well as challenging our approach to the delivery of our statutory responsibilities.

3.5 To help to begin to address and close the estimated budget gap over the next five years the Council will continue to aim to achieve financial sustainability by growing local income sources and relying less on grant support from Central Government in the future. 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 learn from our COVID-19 experience and tailor our services and working practices accordingly.

3.6 This report will focus on providing some detail and commentary of the financial variances at a portfolio level that are currently forecast for 2023/24. It should be noted that these estimates have been based on the best information we currently have available and have also been calculated at a very early stage of the financial year.

4 Unprecedented levels of financial challenge right across the Sector

4.1 There is no question that the current national operating environment, particularly for upper tier local authorities has never been so financially challenging with numerous Councils announcing or giving warnings of financial distress. The issuing of a s114 notice was once unheard of and whilst a lot more authorities are highlighting the possibility, it is still a major undertaking which has huge consequences for the local authority concerned. It is effectively a declaration that the organisation is forecasting that it cannot meet all its financial obligations.

4.2 It should be noted that since the financial failure of Northamptonshire County Council which was the first authority to be the subject of a s114 notice in over 20 years, the Department for Levelling Up Housing and Communities (DLUHC) now provide an option for local authorities in financial difficulties that are deemed to be unmanageable to apply for Exceptional Financial Support. In practice, this presents an intermediate step to avoid a s114 scenario. This action inevitably results in an escalation of direct intervention by DLUHC in the Council's management, administration and decision-making.

4.3 The ultimate consequences of issuing a s114 notice are serious and significant and would immediately result in the cessation of all but the most essential levels of expenditure and then only to meet the statutory minimum level of service and Council liabilities. There would also be the need to develop and deliver a comprehensive Council-wide financial recovery plan. This would need to be considered by a full Council meeting within 21 days of issuing the notice.

4.4 There is now widespread concern and risk to the continued delivery and level of public services in many local authority areas. The unprecedented levels of demand and huge increases in costs of maintaining statutory service provision, particularly for support and intervention for vulnerable children and adults has been at such a pace that discretionary universal services are continually being squeezed and are being forced to be significantly reduced to ensure some local authorities remain financially viable.

4.5 The summary of headlines shown at Appendix 1, are all stories that have been published over just the last few months. Many more authorities are highlighting that the respective financial resilience and sustainability of their organisation is under serious threat. The Special Interest Group of Municipal Authorities (SIGOMA) – a collective of 47 urban councils – added to this sector wide raising of the alarm. A recent article in the Guardian, suggested at least 26 of their members are "at risk of bankruptcy in the next two years."[1]

4.6 Given this combination of factors and unheard-of levels of financial distress being raised right across the sector, local authority networks up and down the country are lobbying the Government hard for recognition of the scale of the underfunding problem and the impact on local areas. Authorities are requesting more transparency and a fairer longer term funding deal particularly in the more deprived areas of the country, which are suffering most from huge increases in both the complexity and cost of statutory service demand.

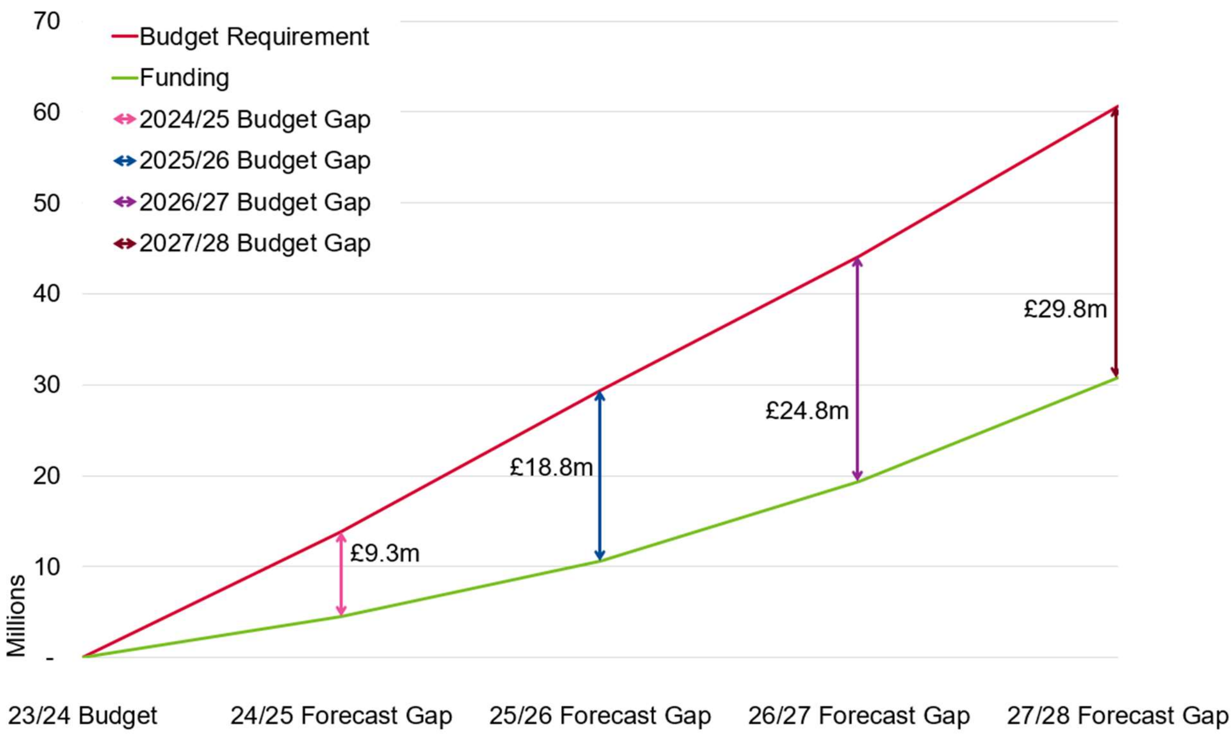
4.7 The fact that this scale of financial challenge is so widespread across the country is of little comfort currently though as all Councils, including Southend-on-Sea, wrestle with maintaining the delivery of their key statutory responsibility to operate in a financially sensible and sustainable way.

[1] https://www.theguardian.com/society/2023/aug/28/at-least-26-english-councils-at-risk-of-bankruptcy-in-next-two-years

5 Southend-on-Sea City Council Revenue Position – General fund

5.1 In February 2023, the Council approved a General Fund Revenue Budget requirement for 2023/24 of £143.875M. This report provides details of the current projected outturn position for 2023/24 based on information as at the end of July 2023 (Period 4). In headline terms Council Corporate Budgets and Service Portfolios are currently forecasting a net overspend by the year-end of £14.040M for 2023/24, which is expected to remain at this level, if no action is taken. Action is and will continue to be taken to further mitigate this potential overspend. The total projected overspend currently stands at around 4.0% of the Council's gross expenditure budget. This level of overspending is unsustainable and puts the Authority at serious financial risk.

5.2 Alongside the 2023/24 budget the Council also approved the Medium-Term Financial Strategy which provided a financial forecast with an estimated budget gap of £29.8M by 2027/28. (2024/25 = £9.3m, 2025/26 = £9.5m, 2026/27 = £6.0m, 2027/28 = £5.0m). The Council's forecast profile of the estimated budget gap for each of the next five years as at February 2023 is illustrated in the following chart.



5.3 Given the current level of overspending caused by persistent high levels of inflation and service demand pressures experienced so far in 2023/24 – the potential budget gap for future years is also likely to have got significantly larger. Some initial work has been done on re-casting the medium-term financial forecast and the intention is to provide a revised illustration of the potential impact on the Council's budget over the medium term until 2027/28 in the Period 6 financial performance update which is scheduled to be reported to the Cabinet meeting in November 2023.

5.4 To support the response to the financial challenge in 2022/23 the Executive Director of Finance and Resources developed 12 budget planning principles for the organisation to follow, the ‘Dozen Principles’. This approach assisted the organisation by helping to reduce the forecast overspend from £14.5M reported in Period 4 (July 2022) to the final outturn position for 2022/23 of a £6.9M overspend (as reported to Cabinet in July 2023). Although this approach clearly had a positive impact in helping to reduce the overspend for 2022/23, this was still a significant overspend and financial pressures have continued into 2023/24, so further urgent work is now required and an even tighter grip on all spending must be implemented across all Council services, together with more severe targeted interventions in some areas.

5.5 A major budget planning intention was to develop a prioritised programme of targeted transformation reviews. The blueprint for this was drawn up with the support of Grant Thornton and is now currently being progressed with the Council’s new implementation partner Ernst & Young (EY). The planned transformation programme will assist the Council towards achieving financial sustainability in the medium term, but the focus now is urgently on the position for 2023/24.

5.6 Another key principle was around Budget Management, which has already been strengthened through the Finance & Resources sections contained within each Service Plan for 2023/24 that clearly sets out each services approved budget, the savings & income generation initiatives it is responsible for delivering and the areas targeted for overspend reduction.

5.7 Given the seriousness of the scale of the Council’s financial overspending now forecast for 2023/24, a series of Budget Challenge sessions for each Executive Director and their service leads with the Chief Executive, Executive Director for Finance & Resources and Senior Finance Officer leads will take place between 5th and 12th September 2023. Key lines of enquiry for all services to identify opportunities for cost reduction, savings and income generation will be explored. Representatives from EY will also be in attendance to add some independent insight and external challenge. These sessions are aimed at identifying specific actions that can be taken immediately to reduce spending/maximise income for 2023/24 and to highlight potential initiatives where permanent savings can be made, or increased income can be generated across the medium term.

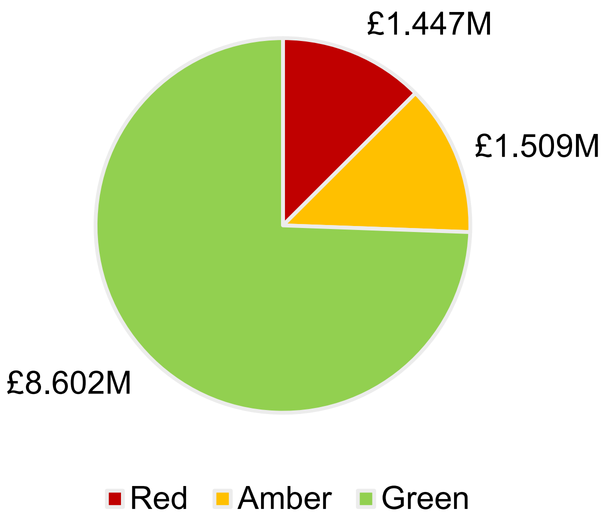
5.8 The output and proposals for action from all these sessions will be evaluated in conjunction with Portfolio Holders and where appropriate implemented as soon as possible. The impact on hopefully improving the forecast outturn for 2023/24 will be included in the Period 6 performance report to Cabinet in November 2023.

5.9 Depending on the revised predicted financial position for 2023/24 and an evaluation of all action taken following the Budget challenge sessions, it may be necessary to introduce even tougher measures to try to move towards a balanced financial position by year end. Tightening the measures that were introduced in 2022/23 with even greater enforcement or lowering of intervention thresholds may need to be implemented. These actions will include the following activities:-

- Transformation programme – use of technology and still customer focussed.
- Target Operating Model (TOM) Changes, delayering of Management and Supervisors – full implementation of Organisation Design principles.
- Recruitment freeze.
- Essential spending only.
- Close services/reduce services.
- Demand management.
- Driving real value from contract management, procurement and commissioning activity.
- Implementing fair and appropriate charging for all relevant services – inflationary increases where necessary.
- Removing all subsidy from discretionary services.
- Risk managed commercial approach.
- Rationalising our estate and reducing poor quality underutilised front-line provision (Children Centres, Libraries, Leisure etc).
- Capital programme – stop, defer, pause.
- Managing some decline on the highway, sticking to very clear service standards.

Summary of performance against savings and income generation initiatives

5.10 The 2023/24 approved budget included £11.557M of savings and income generating initiatives. The following pie chart represents the value of savings which have been categorised as Green – will be achieved, Amber – will be partially achieved or Red – unlikely to be achieved based on the current assessment of progress. It is critical that all approved plans are delivered, or alternative options are urgently developed.



5.11 Where savings or income generating initiatives are not currently being achieved, they have been highlighted in the relevant Portfolio service sections within this report.

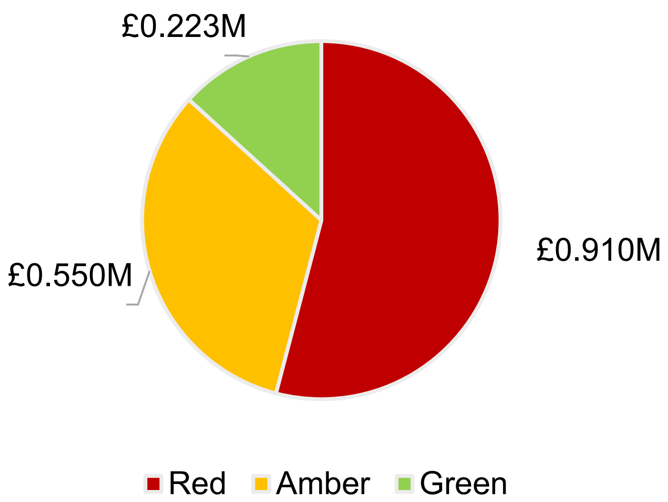
5.12 The table below highlights a summary of the initiatives that are currently classified as Red or Amber. Work is ongoing to try to improve the delivery of these areas and/or alternative proposals are being developed. A further update on progress will be provided in the Period 6 report to November's Cabinet meeting.

Reference	**Title of Proposal**	**£000**
EAP-06	System for management of sickness absence	25
SOC-03	Review Travel Centre Operation / Closure	40
SOC-04	Review of public toilet offer with focus on securing external operator	150
IGC-03	Cremation and burial costs for non-residents	100
IGC-09	Sales, Fees & Charges (this includes a saving from 2022/23 ref. PY-FW06-SP)	586
IGC-10	CCTV Control Room commercial activity	25
IGC-12	Charging for car parks that are currently free	25
PY-SW08	Introduce a new strengths-based refresh in 2021/22	200
PY-ES08	Better use of email for communication	8
PY-PJ02-SP	Expectation of saving from waste disposal procurement, increases to £250k in 2023/24	138
PY-SW19-IS	Enhanced In-house Foster Care Offer	150
	Red - unlikely to be achieved sub-total	**1,447**
ORE-03	Staffing Reduction – Corporate Strategy	210
ORE-04	Staffing Reduction – Revenues Service	145
ORE-05	Customer Services/ Revenues and Benefits Structure Review	125
ORE-07	Staffing Review – Senior Leadership Group	165
ORE-09	Staffing Reduction – Digital & ICT	85
ORE-11	Staffing Operational Review – Library Services	30
SOC-01	Review of the operation of fountains in the City's public spaces	15
SOC-02	Review of operation of City Beach Fountains	5
TPP-03	Recruitment Contract (Hays Commercial)	104
TPP-04	Employee Assistance contract for service	10
TPP-05	Occupational Health contract for service	75
IGC-06	Parking charging times and associated enforcement	250
IGC-09	Sales, Fees & Charges (this includes a saving from 2022/23 ref. PY-FW06-SP)	75
IGC-11	Street Lighting Advertising Banners	40
PY-SW16-IS	Learning Disability Services Transformation	75
PY-OP01	Planning Pre-Application Advice	6
PY-OP02	Fast Track or Premium Services	11
PY-OP03	Park Sponsorship	5
PY-OP04	Planning and Building Control Consultancy Service	18
PY-SW17-IS	Shared Lives Expansion	10

Reference	Title of Proposal	£000
PY-CS02-IS	Public Interface Transformation	50
	Amber – will be partially achieved sub-total	**1,509**

Summary of performance against targeted overspend reductions.

5.13 When setting the budget for 2023/24 it was recognised that there were overspends of £1.683M which occurred in 2022/23 that would need to reduce in 2023/24 for the organisation to operate within the agreed budget. The following pie chart represents the value of overspend reductions which were identified and have been categorised as Green – will be achieved, Amber – will be partially achieved or Red – unlikely to be achieved.



5.14 Where significant overspends are continuing to occur, or have increased, they have been highlighted in the relevant Portfolio service sections within this report. Most of the high values of continued pressure are within our statutory social care services for our most vulnerable children and adults.

Summary of the major factors contributing to the forecast overspend in 2023/24

5.15 The forecast revenue overspend of £14.040M is driven by a wide range of factors which are considered in more detail in the remainder of this section.

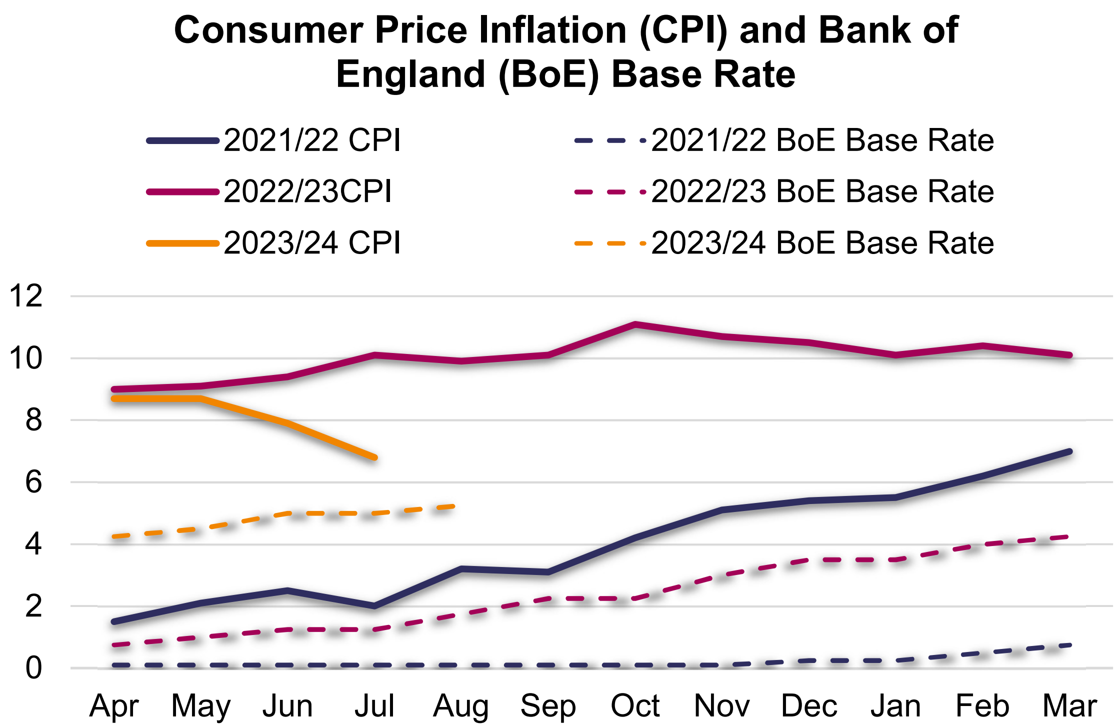
5.16 The budget provision for both the Pay Award April 2023 and inflationary increases on the majority of existing contracts are currently being held corporately.

5.17 The latest information indicates that the provision made for the Pay Award April 2023 may well be sufficient, although no pay deal has yet been formally agreed. The full amount of the provision £4.425M is being forecast as spent and there are no pressures reported within individual portfolios at this stage of the year.

5.18 Stubbornly high inflation continues to drive costs upwards and although the price of energy has not risen as steeply as expected when the budget was set in February 2023 this has been more than offset by price increases elsewhere in the market.

5.19 In July 2023 the rate of inflation, as measured by the Consumer Price Index (CPI), was 6.8%. Inflation increases are being driven by the cost of both goods and services and although the rates are lower than at the same time last year (see graph below) they are increases now on already higher prices creating a cumulative impact that is stretching most Council budgets to breaking point.

5.20 In its efforts to bring inflation back down to its target of 2% the Bank of England has continued to increase interest rates at every opportunity since December 2021. As at 3rd August 2023 the Bank of England Base Rate was 5.25%.



5.21 The increase in the base rate has driven up interest rates being paid on savings and investments. The 2023/24 budget reflected the projected increase with an additional £1.450M of income built into the budget. As at period 4 it is forecast that a further £1.465M will be earnt, and this is reported as a favourable variance against Corporate Budgets in Appendix 2.

5.22 Rising interest rates are not entirely beneficial to the Council and will impact on the cost of borrowing over time. Perhaps more significantly they will affect resident's costs of borrowing (i.e. mortgages) and household bills (i.e. food & energy). It is likely that increasing numbers of residents will be pushed into a position of requiring additional Council services, advice and support over the coming months. A key risk that will add further demand pressure on already over stretched services.

Leader: Corporate Matters and Performance Delivery

5.23 The main cause of the £494,000 is the support packages for Children With Disabilities (CWD) to provide day and club activities and respite breaks, and in certain cases for additional support costs to support a child with disabilities at their home under section 17 (child in need) where needs are most complex. Smaller pressure is also within this forecast position for required and applicable cover of Education and Health Care plan co-ordinators when on maternity leave within the SEND team.

5.24 The 2023/24 budget for Human Resources includes several savings which are not currently being delivered, totalling around £150,000, some of these are a one-off pressure as the savings are part of larger projects that have experienced delays. The service also continues to struggle to meet its income target, the final outturn for 2022/23 showed a shortfall of £74,000 and a similar pressure is forecast for 2023/24.

5.25 The Legal Services team have had significant problems with permanent recruitment and as a result expenditure on agency staff to cover vacant roles is forecast to cause a pressure of £120,000. Not having permanent staff has impacted on the services ability to generate income, a shortfall of £60,000 is forecast for 2023/24 (£40,000 in 2022/23).

Deputy Leader: Environment

5.26 Residual waste tonnages increased significantly during the Covid pandemic but positively the forecast tonnages the Council needs to dispose of is forecast to return to comparable pre-pandemic levels as the volume is decreasing against the same time period last year. However, the reduction of residual waste is not enough to deliver this service within budget and a pressure of £625,000 is currently forecast. This amount could be decreased further by reducing the amount of residual waste presented by households which brings with it both financial and environmental benefits. This is being currently being explored as part of the waste collection contract procurement.

5.27 The pressure of residual waste disposal is being partly offset by the income received from the disposal of food waste for which we receive an income. It is anticipated that this will be somewhere in the region of £300,000.

5.28 Based on the income received last year within the Grounds Maintenance service and current income levels it seems unlikely that the service will achieve its income target in 2023/24. This is being offset by holding staffing vacancies and reducing the number of seasonal workers.

Adult Social Care, Health, Public Health, and Constitutional Affairs

5.29 Adult Social Care is forecast to overspend by £5.603M, predominantly due to the provision of statutorily required care and support to residents. The support to Older People is forecast to overspend by £2.9M, of which half relates to residential placements. There has been a small rise in the volume of packages, however it is the average weekly placement cost, which is resulting in the overspend, with market forces driving the rate up. At the same time, whilst the rate for homecare is fixed, there has been a volume increase, in line with the trend in the latter part of 2022/23, with several packages requiring double handed care. Support for those with a physical or sensory impairment has increased significantly, with the majority of this being for home care. Meanwhile learning disabilities are forecast to overspend by £1.3M due to the cost of placements for those who have transitioned over in the latter end of 2022/23 and those who will transition this financial year. The Market Sustainability and Improvement Fund – Workforce Fund was announced in July, with the Council awarded £1.2M, which will be received this financial year. Work is underway to identify how this can be utilised to best support the care market in the city.

5.30 A £450,000 under spend is reported in Commissioning against the Transitional Supported Housing budgets, this is an early delivery of the 2024/25 saving as the contracts were revised ahead of the original budget profile.

5.31 There is a capitalisation budget within Digital and Technology which is not achievable in 2023/24 within the current programme of work, when combined with an unfunded supernumerary role and unmet vacancy factor there is a forecast staffing pressure of £305,000. The rest of the services pressure is due to a forecast shortfall of £400,000 against the income target of £500,000. There have been early discussions with transformation partners EY that suggest income could be increased over the medium-term which means this may not be such a large pressure in future years.

5.32 With the transition of the Mental Health Service back to the Council from Essex Partnership University Trust (EPUT), there is a £288,000 forecast over spend on the staff/contract budget as the saving will not be fully delivered until the service fully transitions.

Arts, Culture, Heritage and Leisure

5.33 Summer visitor numbers to the Pier have remained strong, with income from admission to the Pier tracking slightly above the budget target to date. A £39,000 over achievement of the budget is reported, with the savings built into the 2023/24 budget around the uplift in admission charges and the visitor numbers being delivered. To ensure that there are sufficient staff to support this number of visitors and to mitigate complaints regarding waiting times, the Pier utilises seasonal workers, these are currently forecast to exceed the expenditure budget set by £200,000. The level of staffing needed to maintain the visitor numbers is being reviewed and no further staff will be appointed as the peak season ends. Some premises related budgets are forecast to overspend, including water testing, waste collection and cleaning.

Children Services, Education and Learning

5.34 Consistent with what is a national issue, Children Services expenditure has continued to increase, with the spend pressure from 2022/23 continuing into the 2023/24 opening position for Childrens Services, Education and Learning contributing to a £7.055M forecast pressure, excluding the one off £2.5M specific children earmarked reserve for 2023/24. This is mainly due to the now very and continued high cost of residential care placements and in particular for children in care with complex needs but also whereby average prices as a total have continued to increase into 2023/24. Market forces impacted by increased demand nationally outstripping supply have driven up residential placement costs and this has sustained into 2023/24. The position is also further impacted by the continued and increased reliance on external foster care placements during 2022/23 and that has currently sustained into 2023/24.

5.35 Work continues within Children Social Care to seek to reduce these costs where possible and safe for the child, including working with health where a child's needs can meet assessment for health contributions, but equally, it must be noted any further required residential care placements or increased residential costs will add further cost pressure to this current position.

5.36 Work building and sustaining capacity within the Inhouse foster carer provision continues and this is promoted by the new, improved and revised Inhouse foster care remuneration offer from April 2023, and work continues to engage regionally with the risks of the costs of the care market to Councils.

5.37 Other financial pressures although smaller than the cost pressure of the external cost placement issues for Children in Care do remain from 2022/23, and this includes continued reliance on temporary agency staff to cover critical social work and certain critical social work management posts. Financial pressures have also increased under the national transfer scheme for Unaccompanied Asylum Seeker Children whereby those children have now turned 18 and remain supported in accommodation whilst their home office asylum application is considered. The home office grant to support the costs of Unaccompanied Asylum Seeker Children reduces once that child turns 18. Smaller but further pressures also remain for care experienced children who are in supported accommodation until they are fully and safely transitioned into adulthood.

Community Safety and Public Protection

5.38 As part of the 2023/24 budget package, it was agreed to review the public toilet offer with a focus on securing an external operator. This £150,000 saving will not be delivered this year and the proposal it not being progressed. As yet an alternative saving has not been agreed.

5.39 The CCTV service have a very stable core group of staff and because of low staff turnover the employee costs are in excess of the budget. There are also a number of potential commercial opportunities to deliver CCTV services for other organisations / Local Authorities but as yet these contracts have not been finalised and therefore there is an income shortfall projected in this area.

Economic Growth and Investment

5.40 Special Events across the City are forecasting to overspend by £143,000, due to the Herd in the City Sponsorship (£23,000) and the Tour of Britain Cycling Event (£120,000). Additionally, there is an acting up arrangement in place where an officer in the marketing team is assisting in covering a vacancy in the Foreshore team.

Highways, Transport and Parking

5.41 Before COVID-19 there was a slow decline in the use of cash, but the pandemic sped that up considerably. As a result, a significant proportion of parking payment transactions are now made by card or phone app and the impact of that is higher costs for card transaction and processing fees. The overspend for this is expected to be in the region of £300,000. Cash collection costs have not reduced to offset some of this as there is still cash to be collected, just less of it.

5.42 The parking enforcement contract is currently overspending by approximately £500,000 due to the volume of variable works undertaken by the contractor and changes made as part of the short-term extension whilst a new contract is procured. The main spend pressures are due to an increase in the number of Civil Enforcement Officers and the wage increases they have received to retain staff.

5.43 Concessionary fares payments are linked directly to actual usage on local buses. Due to the reduction in journeys post-pandemic our financial contribution has continued to reduce. The estimated position by the end of the year is currently forecast to underspend by £300,000.

5.44 Across our entire estate, street lighting energy costs are the highest cost area for electricity. Although the rate is fixed the inflation on utility costs is resulting in an overspend of £475,000 in this area. This is after the significant LED conversion programme undertaken in recent years, without which the impact of increasing energy costs would have been even greater. The inflation contingency reported under the Corporate Budgets line will be utilised to fund this known pressure and the transfer will be undertaken prior to the next budget monitoring report.

5.45 There is also a £125,000 forecast pressure in relation to the repairs of street lighting columns, primarily due to knockdowns from vehicle strikes. Conversations are ongoing as to how this pressure can be mitigated.

5.46 The operation of the Travel Centre in Chichester Road continues to bring with it additional cost pressures due to increased security, cleaning and utility costs totalling approximately £60,000.

Housing and Planning

5.47 The Building Control service exceeded their income budget last year due to some significant works coming into the team in early 2022/23. However, since September 2022 income has been down year on year. As this is a commercial service there is a risk that if the Authority cannot deliver the service on commercial terms the works will go to competitors in the market, and we may struggle to obtain repeat business. The forecast shortfall in income for 2023/24 is £100,000.

5.48 The Housing Benefits service are forecasting an underspend on staffing of around £160,000 as they continue to hold vacancies across their administration teams where possible, whilst maintaining an acceptable level of service. This forecast may be reduced in future reporting periods if there is significant increase in the number of Southend residents seeking support as additional staff will be needed to maintain the levels of service.

Regulatory Services

5.49 The refurbishment of the crematorium is underway and due for completion in March 2024 bringing with it greater efficiency, ensuring that the crematorium can function into the future and improving the environmental impact of the service. During the works and to minimise disruption services have been restricted to Tuesday - Thursday so that 4 days a week are available to deliver the scheme. Reducing the operating hours of the crematorium is resulting in a significant reduction in income over this 12-month period with current estimates forecasting a shortfall of £880k. This income reduction is expected to be temporary and when the crematorium is fully operational again it is expected that income levels will return.

Budget Virements

5.50 All budget transfers (virements) over £250,000 between portfolios or between pay and non-pay budgets are considered and approved by Cabinet. These budget transfers have a net nil impact on the Council's overall budget. The budget transfers for Cabinet approval this period are as follows.

£	
308,600	Planned transfer from the Technology Transition and Systems Modernisation Reserve
308,600	**TOTAL**

6 Revenue – Housing Revenue Account

6.1 In February 2023, the Council approved a balanced 2023/24 Housing Revenue Account budget. This section of the report details the projected outturn position for this year based on actual activity and financial performance as at the end of July 2023 (Period 4).

6.2 The forecast for the Housing Revenue Account (HRA) at period 4 indicates that the services is forecast to be delivered in line with the approved budget.

6.3 There are several variables within the forecasting of this position, mainly the continuing inflationary pressures and volume of responsive repairs. The sustained requirement for rental income to be collected against a background of the continued challenging economic environment for local tenants is a key objective. Appropriate support and advice for any tenant that is struggling with keeping up with their rental payments is being provided.

6.4 The assumptions within the budget forecast will continue to be reviewed and refined throughout the year and the key risks will continue to be monitored.

7 Capital

7.1 Successful and timely delivery of the capital investment programme is a key part of achieving the Council's Corporate Plan and delivering priority outcomes. The investment contributes to the four main priorities in the following way:

7.2 A city that is strong and prosperous – the key investment areas are: the Airport Business Park to deliver benefits for both local businesses and local communities, creating thousands of job opportunities and attracting inward investment; refurbishment works at the Victoria Centre to make a significant contribution to the attraction and amenity of the centre and improve and enhance that end of the City Centre; the Levelling Up Fund projects at Leigh Port, Cliffs Pavilion and City Beach; the refurbishment and enhancement of Southend's historic pleasure pier; the Council's ICT infrastructure to provide core services and to progress the Smart Council project.

7.3 A city with a good quality of life – the key investment areas are the schools' high needs and special provision programmes to enhance the facilities and number of places available for children with special educational needs and disabilities or requiring alternative provision.

7.4 A city rising to the climate change challenge – the key investment areas are energy saving and efficiency projects; cliff stabilisation, coastal defence, flood prevention and resilience schemes; the investment in the City's highways and transport network, including Better Networks and Better Sustainable Transport projects funded via the Local Transport Plan.

7.5 A city delivering genuinely affordable housing – the key investment areas are the construction and acquisition of new council homes and the refurbishment of existing ones via the decent homes programme.

7.6 In February 2023 the Council agreed a capital investment programme budget for 2023/24 of £95.4M. The outturn for 2022/23 showed a final spend of £51.8M against a revised budget of £61.8M, an underspend of £10.0M. The proposed budget carry forwards, accelerated delivery requests and other budget re-profiles and amendments at July Cabinet resulted in a revised budget for 2023/24 of £101.7M. Of this amount £71.4M is deliverable directly by the Council and £30.3M is to be delivered by South Essex Homes Limited, Porters Place Southend-on-Sea LLP and Kent County Council.

7.7 This amount 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.

7.8 The Council is being impacted by the sustained and ongoing inflationary pressures which is affecting the affordability of capital schemes and therefore in some cases the Council's ability to deliver all the expected outcomes. Given this, 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

7.9 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.

7.10 The capital investment programme should continue to be subject to continuous review and re-prioritisation to ensure resources are aligned to the Council's Corporate Plan, 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.

7.11 Progress of schemes will be reassessed, 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.

7.12 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.

7.13 The results of the early stages of this review are included in this report but the review is on-going and further changes will be included in the Period 6 performance report to Cabinet in November. Capital challenge sessions are due to take place with the Leader in early October and the resulting requested changes to the capital investment programme from those sessions will be included in the Period 6 performance report to Cabinet in November.

7.14 Approximately 49% of the capital investment programme is financed by Government grants and external developer and other contributions and at the end of July nearly 50% of that had been received. The rest of the programme is funded by capital receipts, the use of reserves or by borrowing. Funding schemes by borrowing has a revenue consequence of approximately £70k p.a. for every £1M borrowed.

7.15 This report details the projected outturn position for 2023/24 based on information as at the end of July (period 4). The report includes details of progress in delivering the 2023/24 capital investment programme and in receiving external funding relating to that year.

7.16 This report includes any virements between schemes, re-profiles across years, additions to the programme and any new external funding.

7.17 The progress of schemes for 2023/24 is detailed in sections 1 to 3 of Appendix 3 with Section 4 setting out the resulting requests to:

For schemes to be delivered by the Council:

- Carry forward £6,246,000 of 2023/24 scheme budgets, £4,746,000 into 2024/25 and £1,500,000 into 2025/26.
- Add scheme budgets totalling £92,000 into 2023/24, £1,360,000 into 2024/25, £1,160,000 into 2025/26, £1,160,000 into 2026/27 for new schemes and additions.
- Add scheme budgets totalling £1,361,000 into 2023/24 and £1,467,000 into 2024/25 where new external funding has been received.
- Action virements of budget between approved schemes.

For schemes to be delivered by Subsidiary Companies, Partners and Joint Ventures:

- Add scheme budgets totalling £56,000 into 2023/24 where new external funding has been received.

7.18 As at the end of July the capital outturn for 2023/24 is currently estimated at £66,676,000 for schemes to be delivered by the Council and £30,333,000 for schemes to be delivered by subsidiary companies, joint ventures and partners. The amount to be delivered by the Council is expected to reduce following the on-going review of the capital investment programme as highlighted in 6.8 to 6.11. An updated assessment will be included in the Period 6 performance report and presented to Cabinet in November 2023.

7.19 The 2023/24 capital budget is part of the wider capital investment programme spanning several years. The table below shows the revised programme if all the above requests are approved:

Programme to be delivered by the Council (GF and HRA):

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
At July Cabinet	71,441	54,377	5,927	5,400	560	137,705
Amendments	(4,793)	7,573	2,660	1,160	0	6,600
Revised programme	66,648	61,950	8,587	6,560	560	144,305

Programme to be delivered by Subsidiary Companies and Joint Ventures:

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
At July Cabinet	30,277	9,524	9,579	9,666	0	59,046
Amendments	56	0	0	0	0	56
Revised programme	30,333	9,524	9,579	9,666	0	59,102

8 Corporate Performance

8.1 The Corporate Performance Period 4 2023 report (**Appendix 4**) covers performance indicators that link to the Resourcing Better Outcomes financial report. The report shows our performance predominantly up to the period of July 2023, with some exceptions where data is unavailable at this time. Data has been rated against targets using Red, Amber Green (RAG) ratings where applicable and compares our current position to the previous month and previous year where data is available. It is presented by the current four Corporate Plan priorities: *a city that is strong and prosperous; a city with a good quality of life; a city rising to the climate change challenge; and a city delivering genuinely affordable housing*.

8.2 The key performance indicators (KPIs) currently showing as red on their RAG status, indicate that they are at risk of missing target. These indicators are noted below by way of exception:

A city that is strong and prosperous

8.3 **Rate of suppliers paying their staff at least Living Wage [Quarterly snapshot]**

The council continues to struggle to gather the position from suppliers on paying their staff the living wage. Although there has been an increase in reporting of this number (improving by 7 suppliers, increasing total to 26 confirmed in quarter 1 2023/24 against the 19 confirmed in 2022/23), the council is still only aware of 14.5% of those in scope. This could be symptomatic of potential labour shortages and a reduction in economic activity associated with the cost-of-living crisis (see 3.12).

8.4 **Take up of the NHS Health Check programme [Cumulative YTD]**

Since restarting the NHS Health check programme in 2021 numbers have steadily increased with successful take-up more than double when compared against last year (1170 in July 2023 compared against 542 in July 2022) and is shy of target by 282. Engagement and improvements in partnership working (i.e. with Mid and South Essex Integrated Care System) has commenced to further improve the take up.

8.5 **Immunisation- MMR two doses at 5 years old [Cumulative YTD]**

Immunisation rates fell by 5.8% from quarter 4 2021/22 (88.9% 2021/22 to 83.1% in 2022/23); in 2021/22 Southend was behind the East of England by 0.3% (88.9% compared with 89.2%) and was ahead of the England average by 3.2% (88.9% compared with 85.7%). MMR clinics are being used to boost uptake.

8.6 **High Street occupancy [Quarterly snapshot]**

According to the British Retail Consortium's report in 2023 Southend's high street is maintaining occupancy broadly in line with the national average (Southend at 85.8% compared with the national average of 86.2%). East of England, Greater London and the Southeast have had the lowest vacancy rates for the past five years, which points to a larger geographical trend.

There are a number of projects based around: no use empty, shop front grant scheme; progressing a number of planning applications for changes of use in town centre premises, to support improvement for this indicator.

A city with a good quality of life

8.7 **Percentage of placements in residential and PVI settings [Monthly snapshot]**

Percentage of placements remains broadly the same. On the 1st April 2023 the service launched the new in-house fostering offer in an attempt to increase the number of in-house fostering carers. This, along with the areas focus where possible to return children and young people home to their birth family, is an attempt to reduce the reliance on PVI/residential placements.

8.8 **Average length of pre-proceedings for the Public Law Outline (PLO) process (weeks)**

The indicator as of July 2023 is at 18.7, above the target of 14 by 4.7 due to late expert assessments. Management oversight is being provided to ensure no further delays occur.

8.9 **Rate of children in care per 10,000 population under 18 years old [Monthly snapshot]**

More children and young people have entered the Local Authorities care over the last quarter. service demand continues to outweigh provision, as more children enter care than leave, therefore this Performance Indicator continues to be above target. This is demonstrated by the increase by 1.9 percentage points comparing quarter 1 2022/23 with quarter 1 2023/24 to the previous year (79% compared to 80.9%). The service are regularly reviewing the number of children and young people in the local authority's care and are utilising different approaches to support exiting children and young people from its care such as: discharge of care, special guardianship and reunification.

8.10 **People in receipt of long-term support for more than 12 months that have received a review in the last 12 months [Cumulative YTD]**

This measure is below target due to increased demand of public services. The service is currently prioritising the completion of overdue reviews for people with a learning disability and has recently increased staffing levels to improve performance (quarter 1 2023/24 performance of 70.4% has improved by 5.2% percentage points compared to quarter 1 2022/23 of 63.7%).

A city delivering genuinely affordable housing

8.11 **Families with children in B&B for over 6 weeks [Quarterly snapshot]**

Work is underway to explore options to improve the council's temporary accommodation offer (including the establishment of a hostel improvement plan task and finish group) as this measure has risen from 2 to 8 from the last reporting period.
There is a national trend of a lack of alternative housing resulting in B&B usage increasing across England by 110% between April 2022 to April 2023.
Locally this pressure is being further impacted by high volumes of out of area placements by other local authorities into Southend, the pressures arising from central govt. refugee resettlement and asylum policy, frozen Local Housing Allowance rates and a declining private sector rented offer.

8.12 **Percentage of council homes not meeting Decent Home Standard [Cumulative YTD]**

This measure has risen from 5.0% in February 2023 to 5.3% in June 2023. It is expected that this figure will reduce as the year progresses as more works are undertaken on properties to ensure that they meet the decent homes standard.

8.13 **Percentage of property voids and non-relettable [Quarterly snapshot]**

This measure is being impacted by the holding of properties in the Queensway Site. When excluding these properties, the figure reduces to 0.67% (current figure is 1.4% overall against a target of 1.1%).

8.14 **Percentage of property void and relettable [Quarterly snapshot]**

This measure is being partly impacted by the Queensway development, when this is excluded, the figure reduces to 1.2% (current figure is 1.8% against a target of 1.0%).

8.15 The following table sets out corporate risks affiliated to KPIs. The KPIs with associated risks can be read throughout the SCC Corporate Plan Performance Report (appendix 4), the remaining corporate risks are overarching and therefore not linked to KPIs (1 – Covid-19 pandemic, 4 – Public services landscape, 5 – Workforce, 6 – a) Cyber security b) Data protection, 11 - LGA peer review of SEND & CWD, 15 – Southend Travel Partnership); the full risk register reference key can be found on SCC Corporate Plan Performance Report page 33 (**Appendix 4**):

Corporate Risks associated with KPIs	
2 – Financial sustainability	13 – Adult social care
3 – Inflation and cost of living pressures	14 – Social cohesion 16 – Housing
7 - Capital investment programme delivery	17 – House building programme
8 – Mitigating for and adapting to climate change 9 – Waste Management	18 – Local Plan
10 – Safeguarding responsibilities and child welfare	19 – Regeneration and major projects
11 – Health inequalities	20 – Visitor destination and major events 21 - Economic recovery and income inequalities

8.16 The following breakdown provides an overview of the corporate risks aligned to KPIs that are not meeting target. This illustrates what impacts there may be as a result of performance not meeting target:

Corporate Risks with KPIs not meeting target		
Corporate Risk	**Proportion of KPIs that are Red or Amber**	***Potential impact***
3 – Inflation and cost of living pressures	1/12 KPIs rated red (8%)	*This may impact on the council's supply chain with potential labour shortages; a reduction in economic activity.*
8 – Mitigating for and adapting to climate change	6/23 KPIs rated amber (26%)	*This may impact the council's ability to make an adequate contribution to the reduction in carbon emissions required.*
10 – Safeguarding responsibilities and child welfare	2/12 KPIs rated red (17%); 3/23 KPIs rated amber (13%)	*This could cause a failure to deliver the outcomes anticipated for vulnerable people that need support.*
11 – Health inequalities	2/12 KPIs rated red (17%); 2/23 KPIs rated amber (9%)	*This may impact on widening health inequalities in the city.*
13 - Adult social care	1/12 KPIs rated red (8%); 3/23 KPIs rated amber (13%)	*This could cause difficulty in meeting increasing demand for support, resulting in worsening outcomes for those in need of support.*
16 – Housing	4/12 KPIs rated red (33%); 4/23 KPIs rated amber (17%)	*This may impact on the council's ability to address rising homelessness, particularly with the ongoing cost of living pressures.*

17 – House building programme	1/23 KPIs rated amber (4%)	*This may impact pressure on the local housing market and the ability to deliver the anticipated housing supply.*
18 - Local Plan	1/23 KPIs rated amber (4%)	*This could cause an inability to manage development effectively and deliver upon the Council's outcome priorities.*
19 – Regeneration and major projects	1/12 KPIs rated red (8%); 4/23 KPIs rated amber (17%)	*This may impact on the City's ability to meet the needs of residents or provide a suitable destination for visitors; a reduction in economic.*

9 Reasons for Decisions

9.1 The regular reporting of Revenue and Capital Budget Monitoring information provides detailed financial information to members, senior officers and other interested parties on the financial performance of the Council. It sets out the key variances being reported by budget holders and the associated management action being implemented to address any identified issues.

9.2 It also informs decision making to ensure that the Council's priorities are delivered within the approved budget provision.

9.3 It is important that any adverse variances are addressed in order for the Council to remain within the approved budget provision or where this cannot be achieved by individual service management action, alternative proposals are developed, and solutions proposed which will address the financial impact. Members will have a key role in approving any actions if the alternative proposals represent significant changes to the service delivery arrangements originally approved by them.

9.4 The challenge of delivering a balanced financial outturn for 2023/24 is significant. Even at this very early stage of the year – urgent action is needed to try to reduce all non-essential expenditure and/or generate extra income. This priority must be achieved whilst ensuring that our most vulnerable residents are looked after appropriately, and our statutory responsibilities are effectively discharged. Improving efficiency and productivity is essential but the scale of the unprecedented financial pressures will inevitably lead to a reduction in the range, quality, cost and responsiveness of other discretionary Council services, as well as challenging our approach to statutory services.

10 Other Options

10.1 The Council could choose to monitor its budgetary performance against an alternative timeframe, but it is considered that the current reporting schedule provides the appropriate balance to allow strategic oversight of the budget by members and to also formally manage the Council's exposure to financial risk. More frequent monitoring is undertaken by officers and considered by individual service Directors and the Council's Corporate Leadership Team (CLT) including the implementation of any necessary remedial actions.

11 Financial Implications

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

12 Legal Implications

12.1 The report provides financial performance information. It is good governance and sensible management practice for the Council to consider monitoring information in relation to plans and budgets that it has adopted.

12.2 Section 3 of the Local Government Act 1999 requires the Council as a best value authority to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". Monitoring of financial and other performance information is an important way in which that obligation can be fulfilled.

12.3 The Council is required by section 151 of the Local Government Act 1972 to make arrangements 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. To comply with these best practice arrangements, it is important that Cabinet receive information and comment accordingly on the 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 Some of the actions may have equality and diversity implications and these will be considered as part of our normal equalities impact assessments.

15 Consultation

15.1 Engagement has already been made with staff and cabinet members and now with full councillors and this will continue as options to mitigate for 2023/24 are progressed as well as options for delivering a robust balanced budget for 2024/25.

16 Background Papers

Approved 2023/24 Budget – Report to Council 23 February 2023

Medium Term Financial Strategy 2023/24 – 2027/28

17 Appendices

Appendix 1	Summary of Local Government Headlines
Appendix 2	Period 4 – July 2023 Revenue Budget Performance 2023/24
Appendix 3	Period 4 – July 2023 Capital Investment Programme Performance 2023/24
Appendix 4	Corporate Performance report – Period 4 2023-24