

**Public Document Pack  
SOUTHEND-ON-SEA BOROUGH COUNCIL**

**Cabinet**

**Date: Tuesday, 11th February, 2020**

**Time: 2.00 pm**

**Place: Committee Room 1 - Civic Suite**

**Contact: Colin Gamble**

**Email: [colingamble@southend.gov.uk](mailto:colingamble@southend.gov.uk)**

**A G E N D A**

- 1 Apologies for Absence**
- 2 Declarations of Interest**
- 3 Housing Revenue Account (HRA) Budget and Rent Setting Report 2020/21**
- 4 Treasury Management Policy - 2020/21**
- 5 Prioritising Resources to Deliver Better Outcomes - 2020/21 to 2024/25**

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# Southend-on-Sea Borough Council

Agenda  
Item No.

Joint Report of Executive Director  
(Finance and Resources)  
and Deputy Chief Executive and Executive Director  
(Housing & Growth)

to  
**Cabinet**

on  
**11 February 2020**

Report prepared by Pete Bates  
Interim Head of Corporate Finance

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**Housing Revenue Account (HRA) Budget and Rent Setting Report 2020/21**  
**Policy and Resources Scrutiny Committee**  
**Cabinet Member: Councillor Ian Gilbert**  
***A Part 1 Public Agenda Item***

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## **1 Purpose of Report**

- 1.1 To highlight how investment from the Housing Revenue Account (HRA) will contribute towards meeting housing needs in Southend-on-Sea. The planned investment programme and effective management of the Council's housing stock will also contribute to our Southend 2050 ambition for everyone to feel safe and well and for everyone to have a home that meets their needs.
- 1.2 To present the outcome of Southend-on-Sea Borough Council's annual rent review and associated rent setting proposal for all council dwellings within the HRA for 2020/21. This report also sets out the HRA budget for 2020/21 – 2024/25, together with the information necessary to set a balanced budget as required by legislation.
- 1.3 To present proposals to increase service and facilities charges to recover actual costs, together with a review of rental charges for garages.

## **2 Recommendations**

**That Cabinet recommends to Council that, as part of the budget setting process, it approves the following increases with effect from 6<sup>th</sup> April 2020: -**

- 2.1 An average rent increase of 2.7% on all tenancies;**
- 2.2 An average rent increase of 2.7% on shared ownership properties;**

2.3 An increase of 2.7% for garage rents to £12.02 per week for tenants and £14.42 for non-tenants (being £12.02 plus VAT), a rise consistent with the proposal for the main rent increase. All variants on a standard garage will receive a proportionate increase.

That Cabinet recommends to Council that, as part of the budget setting process, it approves: -

2.4 South Essex Homes core management fee be agreed at £6,114,000 for 2020/21;

2.5 South Essex Homes proposals for average increases of 6.36% in service charges and 16.69% in heating charges to reflect the actual costs incurred be agreed;

2.6 The following appropriations be agreed;

- £60,000 to the Repairs Contract Pensions Reserve;
- £5,126,000 to the Capital Investment Reserve; and
- £8,708,000 from the Capital Investment Reserve

2.7 Subject to item 2.1 through to 2.6 above, the HRA budget for 2020/21 as set out in Appendix 1 be agreed; and

2.8 The value of the Council's capital allowance for 2020/21 be declared as £57,261,000, as determined in accordance with regulation 16 of the Local Authorities (Capital Finance and Accounting) (England) Regulations.

### 3 Background

3.1 The Housing Revenue Account (HRA) is the statutory "landlord" account for the authority. For Southend-on Sea Borough Council, this expresses in financial terms the level of housing service provided within agreed policy guidelines.

3.2 The Council is obliged by law to set rents and other charges at a level, to avoid a deficit on the HRA balance (i.e. the legal minimum balance at any time during the financial year must be greater than zero). This report proposes an HRA budget that avoids a deficit balance.

3.3 The estimates have been prepared alongside South Essex Homes, and incorporate their proposed management fee for 2020/21.

3.4 The HRA Budget for 2020/21 is summarised at **Appendix 1**.

### 4 Southend 2050 Housing Ambition

4.1 South Essex Homes has a vital role to play in helping to deliver the Council's Local Housing Strategy and our ambition, developed together with our local community, to ensure that 'everyone has a home that meets their needs'. The three key aims of South Essex Homes are: -



- 1) To support the delivery of quality housing, including affordable housing to meet local needs and promote a sustainable and balanced housing market.
- 2) To support improvement in the quality of the existing housing stock to achieve decent, healthy and environmentally sustainable homes across all tenures.
- 3) To support greater accessibility to different types of housing and promote independent living for our (most) vulnerable residents and continue to work to prevent homelessness.

4.2 This aspiration is being achieved through several initiatives including major investment via the HRA Capital programme of £57,261,000 over the next 5 years. This will ensure that we maintain decent homes and improve those that need it. The types of works will include electrical rewiring, bathroom installations, new roofs, new kitchens, new windows and doors replacements and installation of new more economical and energy efficient boilers.

4.3 The provision of a range of temporary accommodation services provides assistance and support to some of Southend-on-Sea's most vulnerable residents. Our Housing, Homelessness & Rough Sleeping Strategy aims to encourage good quality housing design, management and maintenance, and this directly relates and supports a lot of the day to day work that South Essex Homes undertake.

## 5 Rent Levels

5.1 The Council reviews and sets all council house rents in line with national policy, guidance and legislation. The average weekly rent charged for 2019/20 on HRA secure general needs tenancies was £86.83 and for sheltered accommodation £75.64.



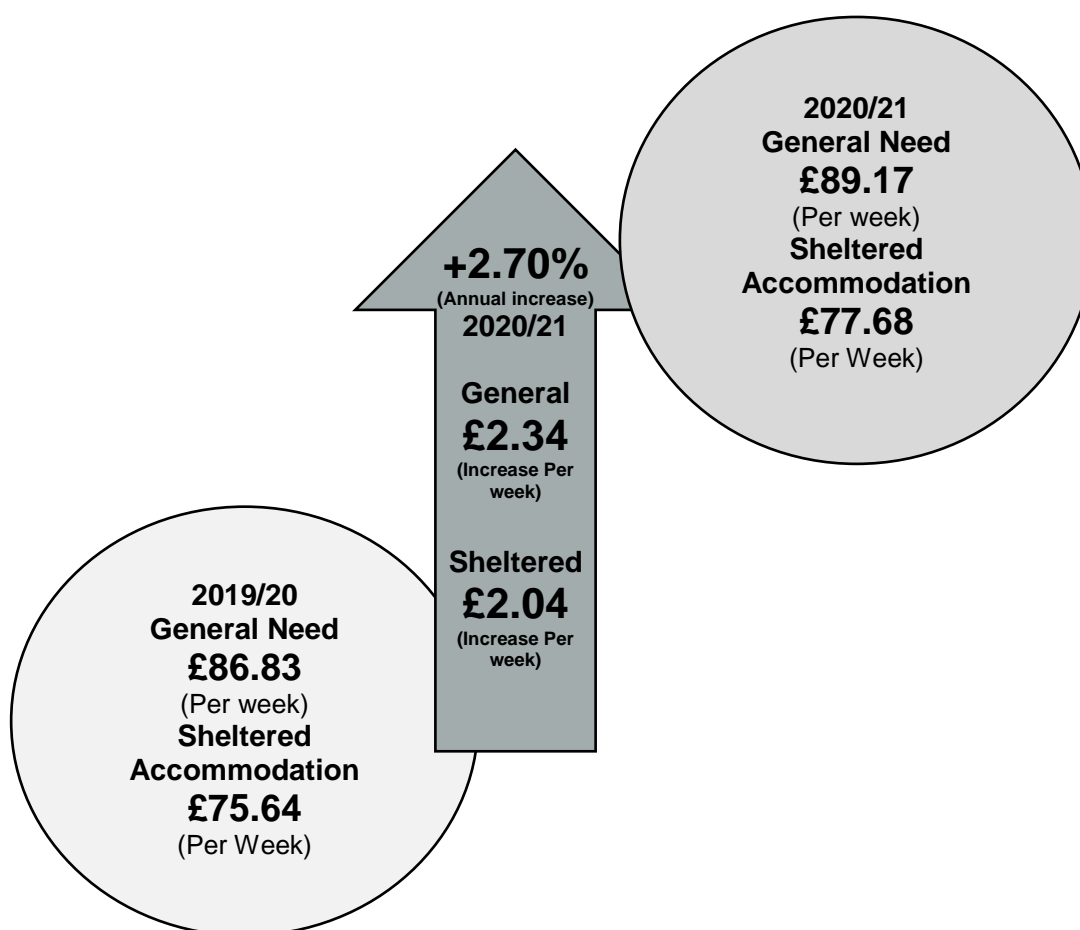
5.2 Since 2001, rents for social housing properties have been set based on a formula set by Central Government, which was calculated based on the relative value of the property, relative local income levels and the size of the property. This created a 'formula rent'. The aim of this approach was to ensure that similar rents are charged for similar type of properties. In Southend, we have about 800 properties that are yet to convert to formula rents.

- 5.3 In 2011, Central Government introduced a new regime for defining affordable rents, which permitted rents (inclusive of service charges) to be set at up to 80% of market rent for a local area. Only new properties (or new social housing) can be let at this new affordable rent level. In Southend, our affordable rent level equates to the Local Housing Allowance (LHA) rates which is lower than the 80% level of market rents. The council currently has 56 properties on the LHA rate, and all new HRA properties will be set at LHA levels and calculated on this basis.
- 5.4 In October 2017, the government announced its intention to set a long-term rent deal for both local authority landlords and housing associations. This would allow annual rent increases on both social rent and affordable rent properties of up to CPI at September each year plus 1 percentage point from the financial year 2020, for a period of at least five years ('the new policy'). This equates to a 2.70% increase for 2020/21. The new policy, which comes into effect from April 2020, recognises the need for a stable financial environment to support the delivery of new homes and to enable registered providers to plan ahead and have a viable future financial investment programme.
- 5.5 The Council will be able to continue with its policy to move rents to formula level on change of tenancy. The rent increase for general needs and sheltered tenancies is summarised by number of bedrooms in the table below.

| No. of bedrooms        | No. of tenancies | Average Rent 2019/20 (£) | Average Rent 2020/21 (£) | Average weekly increase (£) | Average percentage increase |
|------------------------|------------------|--------------------------|--------------------------|-----------------------------|-----------------------------|
| 0                      | 537              | 69.29                    | 71.16                    | 1.87                        | 2.70%                       |
| 1                      | 2,456            | 75.92                    | 77.97                    | 2.05                        | 2.70%                       |
| 2                      | 1,242            | 84.92                    | 87.21                    | 2.28                        | 2.70%                       |
| 3                      | 1,554            | 101.76                   | 104.51                   | 2.75                        | 2.70%                       |
| 4                      | 91               | 109.17                   | 112.12                   | 2.95                        | 2.70%                       |
| 5                      | 1                | 116.28                   | 119.42                   | 3.14                        | 2.70%                       |
| <b>Total Tenancies</b> | 5,881            |                          |                          |                             |                             |

- 5.6 The rents for the Council's 13 shared ownership properties have traditionally been set on the same basis as a full Council dwelling, on a pro-rata basis to the Council's ownership. It is recommended that these rents continue to increase by the prevailing September CPI rate +1%, being consistent with the proposal for the main rent increase. Across the 13 properties, the Council's ownership ranges from 10% up to 75%.

- 5.7 Rents in the Council's hostels are set with reference to the national formula. This is applied to managing Temporary Accommodation (TA) of the Local Housing Allowance (LHA) rate, minus 10% plus £60 per week, equivalent to £164.87. This charge is inclusive of service charges but is subject to additional charges for heating and water.
- 5.8 Councillors are reminded that a proportion of tenants will be impacted by other welfare reforms. Where working age tenants are in under occupation of their home, any housing benefit payable will be reduced by 14% for one extra bedroom or 25% for two or more extra bedrooms. Some tenants may also be affected by the benefit cap, which limits the totality of all benefits to a maximum of £20,000 per year for a couple or a single person with children. Where total benefits, including housing benefit, exceed the cap, the housing benefit will have to be reduced to bring the total package back down to £20,000. Single people with no dependent children are capped at £13,400. Around 55% of all tenancies also receive housing benefit support that will be funded by Central Government. The majority of these will receive 100% support.
- 5.9 The effective date of any change in rent will be 6 April 2020, being the first Monday of the new rent year. The illustration below shows the average rent increase for both general needs tenancies and for sheltered accommodation proposed for 2020/21.

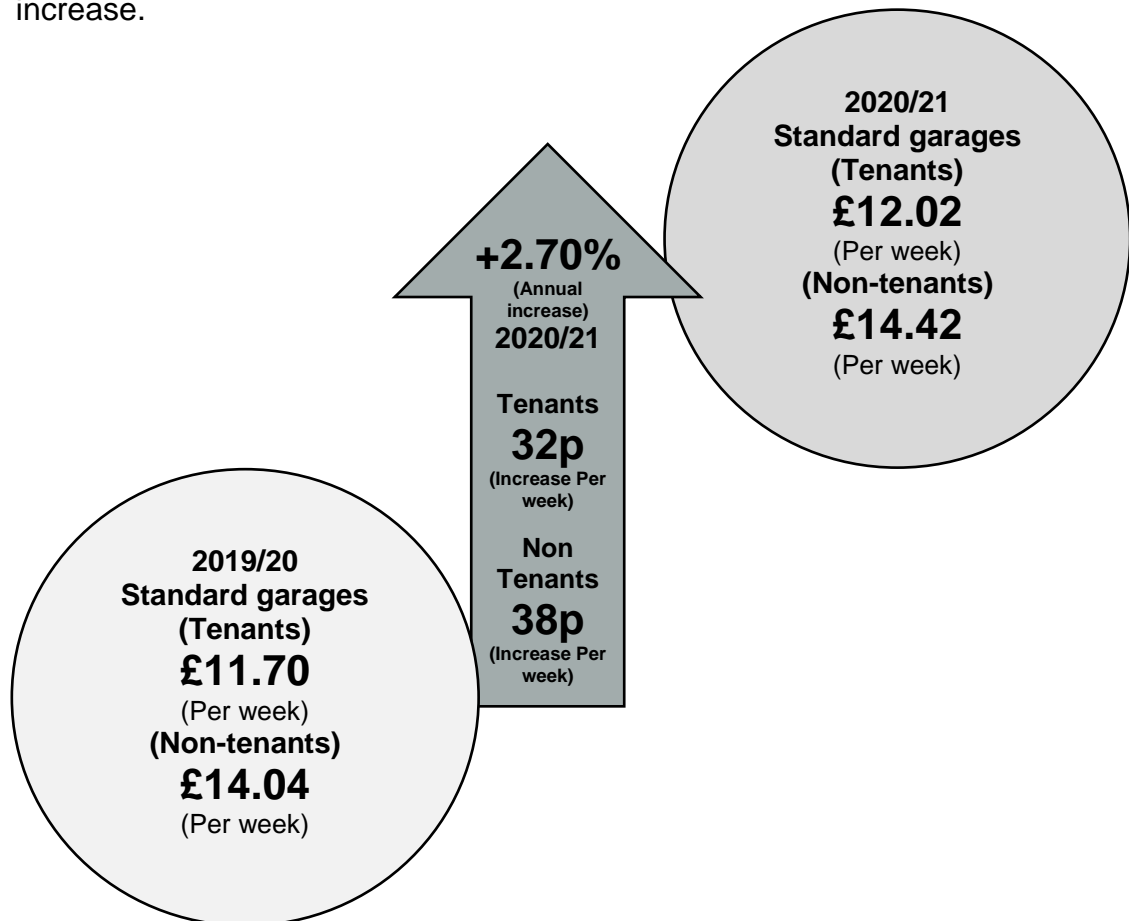


## 6 Other Fees and Charges

6.1 The HRA has several income streams other than dwelling rents, the majority of which are set by the Council and therefore need a resolution for any changes.

### Garages

6.2 Standard garages are currently charged at £11.70 per week for tenants and £14.04 for non-tenants (being £11.70 plus VAT). It is proposed that both these charges be increased by 2.7%, to be consistent with the proposal for the main rent increase. All variants on a standard garage will receive a proportionate increase.



### Water Charges

6.3 The Council (acting as an agent) collects the water rates on behalf of Northumbrian Water Company (trading locally as Essex & Suffolk Water); in respect of all unmetered Council houses and remits this to the water company in full including void properties. The Council is compensated separately by the water company for collecting these water rates including an appropriate void loss allowance. The Council renewed this arrangement with Northumbrian Water Company with effect from 1 April 2017, which will run until March 2022.

## 7 Management Fee to South Essex Homes

- 7.1 On an annual basis a management fee bid for the following financial year is sent to the Deputy Chief Executive by the Board of South Essex Homes. Following negotiations, the proposed fee has been agreed and has been set mindful of the financial pressures within the HRA. The agreed bid is summarised in the following table.

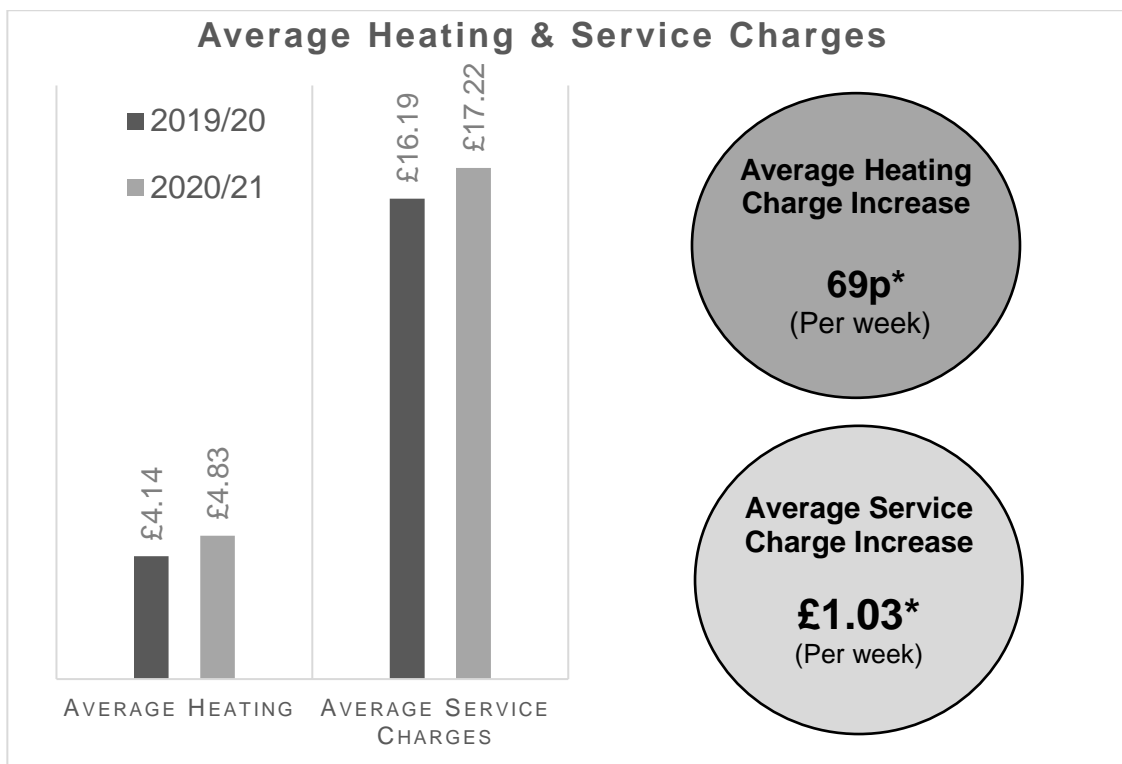
|  | <b>2019/20<br/>Budget<br/>£000</b> | <b>2020/21<br/>Forecast<br/>£000</b> |
|--|------------------------------------|--------------------------------------|
| Management Fee                         | 5,738                              | 5,738                                |
| Inflationary Pressures                 |                                    | 176                                  |
| Pension Triennial Review Outcome       |                                    | 143                                  |
| Support for increased Hostel Provision |                                    | 90*                                  |
| Professional Support for Residents     |                                    | 23*                                  |
| Less:                                  |                                    |                                      |
| Inflation Absorbed                     |                                    | (56)                                 |
|  |                                    |                                      |
| <b>Total Management Fee</b>            | <b>5,738</b>                       | <b>6,114</b>                         |

\*Pilot extended into 2020/21 – evaluation to be completed by March 2021.

- 7.2 The inflationary pressures for South Essex Homes are primarily in respect of employee related increased costs. Following the publication of the draft report for Cabinet on 16<sup>th</sup> January 2020, South Essex Homes received confirmation of the outcome of the Essex Pension Fund Triennial review for 2019. The valuation of their assets and liabilities has led to an estimated increase in the required level of employer pension contributions for 2020/21 of £143,000.
- 7.3 South Essex Homes have also made several requests for ‘one-off’ financial support for 2020/21. Whilst all these requests were valid it has been agreed that they will review all relative priorities and reconsider the use of the £150,000 approved as ‘one-off’ for 2019/20. The requests for 2019/20 included £140,000 for ICT integration and £10,000 for General Data Protection Regulation (GDPR). GDPR compliance has now been achieved without the need for additional investment, £45,000 is expected to be needed for Application Programming Interfaces (APIs) for the Northgate system. Other ICT integration work remains under review, together with other potential ‘one-off’ investment priorities out of the expected £105,000 remaining for 2020/21.
- 7.4 This agreement provides some flexibility for South Essex Homes whilst also recognising the financial pressures and within the HRA. This approach is fully supported but any monies will only be released on the submission of a clear evidenced business case to the Council’s Housing Client Team.
- 7.5 Following decisions made as part of previous budget setting rounds, South Essex Homes also receive a significant proportion of their income from service and heating charges levied directly on tenants and leaseholders. It is beholden on South Essex Homes and the Council to ensure that service charges to tenants are reasonable, and that they are set as near as possible on an actual cost recovery basis. South Essex Homes has therefore proposed increases in these charges as set out below for Councillors endorsement.

## Service Charges and Heating Charges (South Essex Homes Charge)

- 7.6 Over the past year, there has been a detailed review of the cost-recovery of all service charges, to ensure that the overall income received covers the cost of service provision. Based on this analysis South Essex Homes are proposing an average 6.36% increase in service charges.
- 7.7 As service charges are based on both the actual costs for each block and actual costs of services provided, individual charges could change by more or less than the average proposed increase. This will ensure that service charges are kept in line with the cost of providing the service. Service charges are generally covered by housing benefit where applicable.
- 7.8 Heating charges for sheltered housing and hostel tenants are monitored on a scheme by scheme basis, with the aim that each scheme broadly covers its costs.
- 7.9 Based on costs associated with heating, South Essex Homes are proposing that there is an average 16.69% increase in heating charges in 2020/21. The increase is based on the actual costs incurred over the year ending October 2019 and is a combination of utility price increases and tenant usage over that period.
- 7.10 The actual charge for 2020/21 will be the actual costs associated with each individual scheme.



\*indicates an estimate (this could go up or down)

## 8 Options to Balance the HRA

- 8.1 The HRA budget has been constructed using realistic and reasonable estimates based on the best information currently available. The budget, based on the proposals outlined in this report, is shown at **Appendix 1**. The budget shows an operating surplus of £5,186,000 and on that basis the HRA is clearly viable.
- 8.2 The surplus will be primarily used to fund a revenue contribution towards the completion of the current new build programme, and the commencement of the next phase. This means that £5,126,000 is proposed to be appropriated to the Capital Investment Reserve. The remaining £60,000 of the surplus is proposed to be appropriated to the Repairs Contract Pensions Reserve under the on-going arrangement put in place when the repairs contract was last let.
- 8.3 Finally, to finance these ambitious plans it will also be necessary to appropriate £8,708,000 from the HRA Capital Investment Reserve. The net overall impact is an appropriation from earmarked reserves of £3,522,000 in 2020/21.
- 8.4 General HRA balances will remain above the target of £3,000,000 at £3,502,000.

## 9 HRA Medium Term Financial Plan and Strategy

- 9.1 The HRA Medium Term Financial Plan is shown at **Appendix 2**. The forward forecast of the HRA is based on a general assumption of an underlying 2% CPI, consistent with the Bank of England's latest forecasts.
- 9.2 For expenditure, the variations from the 2% assumption are depreciation and interest charges which are based on the Council's underlying business plan and treasury management strategy. The plan allows for borrowings to rollover on maturity.
- 9.3 For income, it is assumed that rent will increase by CPI at September + 1% from 2020/21 as indicated by the Government. Other income increases will be limited to 2%, in line with the Council's Medium Term Financial Strategy assumptions for the General Fund. The value of the proposed Capital Investment Programme includes an agreed 8% recharge for facilitation of the capital works and will clearly vary in line with the size of the Programme.
- 9.4 Councillors will be aware of the proposed regeneration of the Queensway Estate. The HRA Medium Term Financial Strategy assumes that this development would be broadly revenue neutral at this stage. On the basis that lost rental income will be largely offset by a reduced need for management and maintenance liabilities. Some basic allowance has been made for a net loss in future years. Further work will be undertaken to understand the exact implications when the redevelopment proposal is finalised and phased, including how any decant process will work. The Medium Term Financial Strategy will be updated as soon as a better understanding of the exact timing of any impact is known.

- 9.5 As part of formulating the overall Medium Term Financial Strategy for the HRA an extra £50,000 per year has been included from 2020/21 to fund an additional dedicated housing fraud investigator. This extra capacity will be based within the Council's corporate fraud and investigation team and recharged to the HRA on an appropriate basis. This arrangement will enable the effective investigation of allegations of unlawful subletting, abandonment, parting with possession, succession claims, fraudulent right to buy applications, fraudulent housing applications, unauthorised occupation and money laundering concerns. Additional pro-active and wide-ranging operational activity will also be undertaken to identify those taking advantage of, or defrauding, the social housing system.
- 9.6 Prosecutions will be taken where there is a clear public interest to do so and there are aggravating features such as false representation, a failure to declare information or where individuals have demonstrably made a profit from their activities. In these types of cases the Council will seek to recoup all costs and any losses from the offender and apply for compensation and unlawful profit orders. Consideration will also be given to seek confiscation and proceeds of crime awards if appropriate. One of the main aims in all housing offences is to recover the property so that it can be made available for those who need it. The recovery of Council properties means that those in the most need get housed, families are protected, homelessness is reduced, the housing system operates fairly, and the Council's overall costs are reduced.
- 9.7 The Medium Term Financial Strategy demonstrates that the HRA is currently financially robust and sustainable. From 2021/22 to 2024/25 an operational surplus is forecast, which will be appropriated to HRA earmarked reserves and be available for future investment priorities to continue to deliver improved housing outcomes for Southend-on-Sea tenants. The HRA reserves position are shown at **Appendix 3**.
- 9.8 The Major Repairs Allowance is used to support improvements to existing stock and maintain decent homes standards. The Medium Term Financial Strategy currently assumes around £6,600,000 capital expenditure on the decent homes programme per annum from 2021/22. It is proposed that some of the future HRA surplus be diverted to the Major Repairs Allowance to support and enhance the level of capital investment to maintain and improve the quality of our housing stock.

## **10 HRA Capital Allowance and Housing Strategy**

- 10.1 South Essex Homes supports our ambition that 'everyone has a home that meets their needs'. This will be achieved through a combination of the revenue repairs investment and the HRA capital investment programme, which is included within the main 'Prioritising Resources to Deliver Better Outcomes – 2020/21 to 2024/25' budget report, elsewhere on the agenda. This proposes an indicative programme of works over the next 5 years totalling £57,261,000.



At the same time, capital receipts generated by the sale of HRA assets continue to be subject to pooling arrangements with up to 75% of proceeds being at risk of being paid over to Central Government. The Council is taking action to minimise the value that is paid over to Central Government, by declaring a capital allowance under regulation 16 of the Local Authorities (Capital Finance And Accounting) (England) Regulations. This equates to the value of investment going back into affordable housing, and as such is equal to the value of the HRA capital programme.

| <b>Proposed Capital Investment Programme 2020/21 to 2024/25</b>    |              |                |                |                |                |                |                          |
|--|--------------|----------------|----------------|----------------|----------------|----------------|--------------------------|
| Scheme   | Project code | 2020/21 Budget | 2021/22 Budget | 2022/23 Budget | 2023/24 Budget | 2024/25 Budget | Total Budget (all years) |
|  |              | £000           | £000           | £000           | £000           | £000           | £000                     |
| <b>Council Housing and New Build Programme</b>                     |              |                |                |                |                |                |                          |
| Bathroom Refurbishment   | C10161       | 119            | 59             | 52             | 96             |                | 326                      |
| Central Heating  | C10162       | 161            | 197            | 161            | 771            |                | 1,290                    |
| Common Areas Improvement   | C10168       | 927            | 864            | 864            | 864            |                | 3,519                    |
| Environmental - H&S works  | C10163       | 981            | 1,080          | 1,080          | 1,080          |                | 4,221                    |
| Kitchen Refurbishments   | C10164       | 1,515          | 1,002          | 875            | 1,107          |                | 4,499                    |
| Rewiring   | C10165       | 53             | 501            | 739            | 411            |                | 1,704                    |
| Roofs  | C10166       | 1,037          | 1,335          | 1,145          | 1,187          |                | 4,704                    |
| Windows and Doors  | C10167       | 1,127          | 862            | 944            | 344            |                | 3,277                    |
| Future Programme (MRA & Decent Homes)                              | C10298       | -              | -              | -              | -              | 6,600          | 6,600                    |
| HRA Disabled Adaptations - Major Adaptations                       | C10015       | 650            | 650            | 650            | 650            |                | 2,600                    |
| HRA Disabled Adaptations - Minor Adaptations                       | C10257       | 50             | 50             | 50             | 50             |                | 200                      |
| Sheltered Housing DDA works  | C10177       | 345            |                |                |                |                | 345                      |
| Housing Construction Scheme - Phase 3                              | C10684       | 3,922          | 654            |                |                |                | 4,576                    |
| Housing Construction Scheme - Phase 4                              | C10684       | 2,406          | 3,782          |                |                |                | 6,188                    |
| Housing Construction Scheme - Modern Methods of Construction (MMC) | C10684       | 1,112          | -              |                |                |                | 1,112                    |
| HRA Affordable Housing Acquisitions Programme                      | C11044       | 5,000          | 3,000          | 1,500          |                |                | 9,500                    |
| Acquisition of tower block leaseholds - Queensway                  | C10614       | 800            | 1,800          |                |                |                | 2,600                    |
| <b>Total Council Housing and New Build Programme</b>               |              | <b>20,205</b>  | <b>15,836</b>  | <b>8,060</b>   | <b>6,560</b>   | <b>6,600</b>   | <b>57,261</b>            |

- 10.2 The HRA will also continue to play its full part in the delivery of the Housing, Homelessness and Rough Sleeping strategy through the appropriate use of its capital and revenue resources. Following the Government's decision to lift the HRA debt capital ceiling, it could be possible to use HRA borrowing to build new affordable homes. Any proposals would be subject to a full commercial business case.
- 10.3 The council is continuing with its plans for the housing development pipeline. Several sites are currently progressing which will form the first phase of the pipeline and the project will soon undertake site feasibility, a due diligence survey and design work to provide more detailed assessments on future sites.
- 10.4 A Regeneration Framework site pipeline will also be produced which will oversee this work. This work is augmented by other approaches to housing supply being progressed, including the use of HRA capital and Right-to-Buy receipts to purchase properties on the open market and bring these into use as affordable housing in the borough. As at the end of December 2019 (Month 9), there had been 18 completed purchases, with a further 9 properties in the pipeline awaiting completion.

- 10.5 The HRA Affordable Housing Acquisitions Programme is 30% financed by retained 'Right to Buy' capital receipts. To ensure all these receipts can be used within the timeframes set by Central Government the total amount of £9,500,000 needs to be spent during the next three financial years with targets in each quarter. The profile has been programmed as £5,000,000 in 2020/21, £3,000,000 in 2021/22 and £1,500,000 in 2022/23. The balance of 70% is financed from the HRA capital investment reserve.
- 10.6 If the Council exceeds any of the quarterly targets that have been programmed, then the excess will count towards the next quarter. As conveyancing timeframes cannot be guaranteed the timing of the proposed investment plan is to exceed the targets rather than to just meet them, in case any of the planned property purchases do not proceed.

## **11 Other Options**

- 11.1 There are other options available to councillors in relation to the proposed rent and other services and facilities increases.
- 11.2 The rent standard policy statement published by Central Government in February 2019, allows the council to apply a lower increase or to freeze, or to reduce the rents if they wish to do so but also limits the increase to CPI at September +1%. Setting a rent increase lower than what is proposed in this report would eventually have a detrimental impact on the viability and sustainability of the HRA.
- 11.3 If the HRA does not recover the full costs of services and facilities provided to tenants and leaseholders, there will be a negative impact in terms of the Council's ability through South Essex Homes to continue to manage, maintain and invest in its housing stock and services. The level of income collected is all invested back into the housing stock and range of tenant services. Any reduction in income will clearly have a detrimental impact on the investment plans in 2020/21 and the future.

## **12 Reasons for Recommendations**

Part of the process of maintaining a balanced budget for the HRA is to undertake an annual rent review and assessment of other service and facilities charges. Full Council will need to approve the HRA budget and any changes to rent and other services prior to the start of the financial year.

## **13 Corporate Implications**

### **13.1 Contribution to the Southend 2050 Road Map**

The recommendations that are contained in this report, provide the resources to maintain and enhance the quality of the Council owned social housing stock. This will contribute directly to the Southend 2050 ambition, and outcome that 'we are well on our way to ensuring that everyone has a home that meets their needs'.

### **13.2 Financial Implications**

As set out in the report

### **13.3 Legal Implications**

The Council is under a duty to maintain a Housing Revenue Account and prevent a debit balance, in accordance with Part VI of the Local Government and Housing Act 1989. Part VI requires the council to prepare proposals relating to the income generated through the collection of rents and other charges, expenditure in respect of repairs, maintenance, supervision and management of Housing Revenue Account property and other prescribed matters. The proposals should be based on the best assumptions and estimates available and should be designed to secure that the Housing Revenue Account for the coming year does not show a debit balance.

The Council has a power to make reasonable charges (rent) for the tenancy or occupation of its dwelling-houses pursuant to section 24 of the Housing Act 1985 and is required to keep under review, the rent it charges. The Council may increase the rent it charges, in accordance with the current tenancy agreement, by giving its tenants a minimum of 28 days prior written notice as permitted by section 102(1)(b) of the Housing Act 1985.

A service charge is an amount payable (directly or indirectly) by a tenant of a dwelling as part of or in addition to the rent. Costs for service charges must be reasonable and reflect the service being provided and must be identified separately to the rent charge. Rent setting is part of good financial planning and important for the forthcoming financial year. The proposals recommended demonstrate that the Council is complying with its statutory duty and government guidance and is in line with the self-financing regime.

### **13.4 People Implications**

None at this stage.

### **13.5 Property Implications**

The recommendations in this report assist in the proper management of the Council's housing stock.

### **13.6 Consultation**

Appropriate notice of proposed increases in rents and charges has been factored into the timetable for implementing the recommendations of this report.

Policy and Resources Scrutiny Committee offered no comments on the draft Housing Revenue Account Rent setting proposals or the proposed Capital Investment Programme for 2020/21 to 2024/25.

### **13.7 Equalities and Diversity Implications**

An equality impact assessment has been carried out in respect of the proposed changes to rent, service and heating charge levels. Notwithstanding these are applied equally and consistently across all groups as appropriate to the accommodation they occupy, there is evidence that those not in receipt of housing benefit may be negatively affected by the change in rent and service charges, and that all groups may be negatively affected by the change in heating charges.

Mitigation across all groups will be through South Essex Homes Tenancy Services working with residents to sustain their tenancies and to provide advice and signposting on money management.

### **13.8 Risk Assessment**

The financial risks associated with these proposals have been considered throughout this report, and in particular have been factored into the development of the self-financing business plan; and will be incorporated into the report on the robustness of the budget and the reserves policy to be presented to Cabinet and Council in February 2020.

### **13.9 Value for Money**

The proposals within this report are consistent with the Council's plans to continue to improve value for money within the services it offers.

### **13.10 Community Safety Implications**

None at this stage.

### **13.11 Environmental Impact**

None at this stage.

## **14 Background Papers**

Equalities Assessment into the impact of the increase in rents, service and heating charges have been carried out.

## **15 Appendices**

Appendix 1 – HRA Budget 2020/21

Appendix 2 – HRA Medium Term Financial Plan 2020/21 to 2024/25

Appendix 3 – HRA Reserves 2020/21 to 2024/25

# HRA Budget 2020/21

## Appendix 1

|   | 2019/20<br>Budget<br>£000 | 2019/20<br>Revised<br>£000 | 2020/21<br>Budget<br>£000 |
|---|---------------------------|----------------------------|---------------------------|
| Employees                                   | 206                       | 206                        | 206                       |
| Premises (excluding repairs)                | 806                       | 795                        | 795                       |
| Repairs                                     | 5,399                     | 5,399                      | 5,657                     |
| Supplies and Services                       | 85                        | 85                         | 96                        |
| Management Fee                              | 5,888                     | 5,888                      | 6,114                     |
| Internal Recharge to Service                | 1,175                     | 1,175                      | 1,249                     |
| Provision for Bad Debts                     | 455                       | 455                        | 455                       |
| Depreciation                                | 6,665                     | 6,706                      | 5,365                     |
| Interest and Debt Management Charges        | 3,483                     | 3,483                      | 3,400                     |
| <b>Total Expenditure</b>                    | <b>24,162</b>             | <b>24,191</b>              | <b>23,335</b>             |
| Fees and Charges                            | (349)                     | (349)                      | (339)                     |
| Dwelling Rents                              | (24,720)                  | (25,045)                   | (25,848)                  |
| Other Rents                                 | (1,497)                   | (1,497)                    | (1,461)                   |
| Other                                       | (27)                      | (20)                       | (20)                      |
| Interest                                    | (430)                     | (350)                      | (430)                     |
| Recharged to Capital                        | (467)                     | (542)                      | (424)                     |
| <b>Total Income</b>                         | <b>(27,490)</b>           | <b>(27,802)</b>            | <b>(28,522)</b>           |
| <b>Net Operating Expenditure/ (Surplus)</b> | <b>(3,328)</b>            | <b>(3,612)</b>             | <b>(5,186)</b>            |
| Revenue Contributions to Capital Outlay     | 2,293                     | 2,293                      | 8,708                     |
| Potential Impact of Queensway               | 0                         | 0                          | 0                         |
| Appropriation to/ (from) Earmarked Reserves | 1,035                     | 1,319                      | (3,522)                   |
| <b>(Surplus) or Deficit in Year</b>         | <b>0</b>                  | <b>0</b>                   | <b>0</b>                  |

# HRA Medium Term Financial Plan 2020/21 to 2024/25

## Appendix 2

|  | 2020/21<br>Budget<br>£000 | 2021/22<br>Forecast<br>£000 | 2022/23<br>Forecast<br>£000 | 2023/24<br>Forecast<br>£000 | 2024/25<br>Forecast<br>£000 |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|

|                                      |       |       |       |       |       |
|--------------------------------------|-------|-------|-------|-------|-------|
| Employees                            | 206   | 206   | 206   | 206   | 206   |
| Premises (excluding repairs)         | 795   | 798   | 801   | 805   | 805   |
| Repairs                              | 5,657 | 5,657 | 5,657 | 5,657 | 5,657 |
| Supplies and Services                | 96    | 96    | 96    | 96    | 96    |
| Management Fee                       | 6,114 | 6,121 | 6,243 | 6,368 | 6,495 |
| Internal Recharge to Service         | 1,249 | 1,273 | 1,299 | 1,325 | 1,351 |
| Provision for Bad Debts              | 455   | 455   | 455   | 455   | 455   |
| Depreciation                         | 5,365 | 5,633 | 5,915 | 6,210 | 6,521 |
| Interest and Debt Management Charges | 3,400 | 3,448 | 3,413 | 3,417 | 3,417 |

|                          |               |               |               |               |               |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total Expenditure</b> | <b>23,335</b> | <b>23,686</b> | <b>24,085</b> | <b>24,538</b> | <b>25,003</b> |
|--------------------------|---------------|---------------|---------------|---------------|---------------|

|                      |          |          |          |          |          |
|----------------------|----------|----------|----------|----------|----------|
| Fees and Charges     | (339)    | (346)    | (353)    | (360)    | (367)    |
| Dwelling Rents       | (25,848) | (26,592) | (27,387) | (28,209) | (29,055) |
| Other Rents          | (1,461)  | (1,467)  | (1,473)  | (1,480)  | (1,524)  |
| Other                | (20)     | (20)     | (20)     | (20)     | (20)     |
| Interest             | (430)    | (525)    | (655)    | (723)    | (720)    |
| Recharged to Capital | (424)    | (437)    | (434)    | (434)    | (434)    |

|                     |                 |                 |                 |                 |                 |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Total Income</b> | <b>(28,522)</b> | <b>(29,387)</b> | <b>(30,322)</b> | <b>(31,225)</b> | <b>(32,120)</b> |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|

|   |                |                |                |                |                |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>Net Operating Expenditure/ (Surplus)</b> | <b>(5,186)</b> | <b>(5,701)</b> | <b>(6,238)</b> | <b>(6,687)</b> | <b>(7,117)</b> |
|---|----------------|----------------|----------------|----------------|----------------|

|   |         |       |       |       |       |
|---|---------|-------|-------|-------|-------|
| Revenue Contributions to Capital Outlay     | 8,708   | 5,205 | 1,050 | 0     | 0     |
| Potential Impact of Queensway               | 0       | 200   | 200   | 200   | 200   |
| Appropriation to/ (from) Earmarked Reserves | (3,522) | 296   | 4,988 | 6,487 | 6,917 |

|                                     |          |          |          |          |          |
|-------------------------------------|----------|----------|----------|----------|----------|
| <b>(Surplus) or Deficit in Year</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |
|-------------------------------------|----------|----------|----------|----------|----------|

## HRA Reserves 2020/21 to 2024/25

## Appendix 3

| 2020/21<br>Budget<br>£000 | 2021/22<br>Forecast<br>£000 | 2022/23<br>Forecast<br>£000 | 2023/24<br>Forecast<br>£000 | 2024/25<br>Forecast<br>£000 |
|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|

### General HRA Balance

|                        |              |              |              |              |              |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| Opening Balance        | 3,502        | 3,502        | 3,502        | 3,502        | 3,502        |
| Used to meet Deficit   | 0            | 0            | 0            | 0            | 0            |
| <b>Closing Balance</b> | <b>3,502</b> | <b>3,502</b> | <b>3,502</b> | <b>3,502</b> | <b>3,502</b> |

### Earmarked Reserves

|   |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
| Opening Balance                             | 23,730        | 20,208        | 18,117        | 21,792        | 27,243        |
| Appropriation to/ (from) Earmarked Reserves | (3,522)       | 296           | 4,988         | 6,487         | 6,917         |
| Transfer to Major Repairs Reserve           | 0             | (2,387)       | (1,313)       | (1,036)       | (875)         |
| <b>Closing Balance</b>                      | <b>20,208</b> | <b>18,117</b> | <b>21,792</b> | <b>27,243</b> | <b>33,285</b> |

|                                |        |        |        |        |        |
|--------------------------------|--------|--------|--------|--------|--------|
| Total HRA Balances at year end | 23,710 | 21,619 | 25,294 | 30,745 | 36,787 |
|--------------------------------|--------|--------|--------|--------|--------|

### Major Repairs Allowance

|                                  |              |              |              |              |              |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Opening Balance                  | 5,061        | 3,806        | 5,226        | 5,894        | 6,580        |
| Depreciation Arising             | 5,365        | 5,633        | 5,915        | 6,210        | 6,521        |
| Used to Fund Capital Expenditure | (6,620)      | (6,600)      | (6,560)      | (6,560)      | (6,600)      |
| Transfer from Earmarked Reserves | 0            | 2,387        | 1,313        | 1,036        | 875          |
| <b>Closing Balance</b>           | <b>3,806</b> | <b>5,226</b> | <b>5,894</b> | <b>6,580</b> | <b>7,376</b> |

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# Southend-on-Sea Borough Council

Report of Executive Director (Finance and Resources)  
to  
**Cabinet**  
on  
**11 February 2020**

Report prepared by: Caroline Fozzard  
Group Manager – Financial Planning and Control

Agenda  
Item No.

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**Treasury Management Policy – 2020/21**  
**Policy and Resources Scrutiny Committee**  
**Cabinet Member: Councillor Ron Woodley**  
***Part 1 (Public Agenda Item)***

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## 1. Purpose of Report

1.1. To consider the following Treasury Management documents before recommending them to Council for approval:

- Treasury Management Policy Statement for 2020/21;
- Treasury Management Strategy for 2020/21;
- Annual Treasury Management Investment Strategy for 2020/21;

## 2. Recommendations

**That the Cabinet recommend to Council that it approve:**

- 2.1. **The Treasury Management Policy Statement (Appendix 1);**
- 2.2. **The Treasury Management Strategy (Appendix 2);**
- 2.3. **The Annual Treasury Management Investment Strategy (Appendix 3);**

## 3. Background

3.1. In compliance with the CIPFA (Chartered Institute of Public Finance and Accountancy) Treasury Management Code of Practice the Council's Treasury Management Policy comprises the following:

- Treasury Management Policy Statement;
- Treasury Management Strategy;
- Annual Treasury Management Investment Strategy

and these are reviewed annually for approval by Council before the start of each financial year.

- 3.2. The purpose of the Treasury Management Policy Statement is to set out the scope of the Treasury Management function, the policy on borrowing, debt restructure, investments, delegation and management of risk. The Treasury Management Policy Statement for 2020/21 is attached as **Appendix 1**.
- 3.3. The purpose of the Treasury Management Strategy is to set out how the budgeted financing costs can be achieved. It covers the prospects for interest rates and the strategy on borrowing and debt restructuring. The Treasury Management Strategy for 2020/21 is attached as **Appendix 2**.
- 3.4. The purpose of the Annual Treasury Management Investment Strategy is to set out the investment objectives and the policies on the use of external fund managers, on the investment of in-house managed funds and on the use of approved counterparties. The Annual Treasury Management Investment Strategy for 2020/21 is attached as **Appendix 3**.
- 3.5. Appendices 1, 2 and 3 together form the Treasury Management Policy and are then used by officers on a daily basis for the effective running of the treasury management function.
- 3.6. In response to the on-going economic, regulatory and financial market conditions, and in consultation with our treasury management advisers, the treasury management policy has been updated for the 2020/21 financial year to reflect updated circumstances. The changes from the revised 2019/20 policy are shown in **Appendix 4**.
- 3.7. The policy and strategy documents are written in order to provide officers and advisers with clear boundaries within which to work but as a result they are written using technical language. Treasury management training has been offered to all councillors to aid understanding of the issues and further courses will be available in the future.

#### **4. Other Options**

- 4.1. There are many options available for the operation of the Treasury Management function, with varying degrees of risk associated with them. The Treasury Management Policy set out in this report aims to effectively control risk to within a prudent level, whilst providing optimum performance consistent with that level of risk.

#### **5. Reasons for Recommendations**

- 5.1. The recommendations are to comply with the CIPFA Treasury Management Code of Practice.

## 6. Corporate Implications

### Contribution to the Southend 2050 Road Map

- 6.1. The Treasury Management Strategy sets out how the financing costs as part of the Medium Term Financial Plan may be achieved. The Treasury Management policy together with the prudential indicators (set out in the Prioritising Resources to Deliver Better Outcomes report elsewhere on this agenda), acknowledge how effective treasury management will provide support towards the achievement of the Council's ambition and desired outcomes.

### Financial Implications

- 6.2. The financial implications of the proposed capital programme are considered in the Prioritising Resources to Deliver Better Outcomes report to Cabinet. Other financial implications are dealt with throughout this report.

### Legal Implications

- 6.3. Compliance with the relevant regulations and codes of practice has been considered throughout this report.

### People Implications

- 6.4. There are no people implications arising from this report.

### Property Implications

- 6.5. There are no property implications arising from this report.

### Consultation

- 6.6. The key treasury management decisions are taken in consultation with our treasury management advisers.

Appendices 1 to 4 were presented to the Audit Committee on 15 January 2020 for scrutiny. Audit Committee sought clarification and reassurance on the following areas, which was duly provided by officers:

- the timing and appropriateness of debt restructuring;
- the delegated authority of the Section 151 Officer to take out loans;
- the consideration to be given to environmental, social and governance factors for investments.

### Equalities and Diversity Implications

- 6.7. There are no equalities issues arising from this report.

### Risk Assessment

- 6.8. The Treasury Management Policy acknowledges that the successful identification, monitoring and management of risk is fundamental to the effectiveness of its activities.

## Value for Money

- 6.9. Treasury Management activities include the pursuit of optimum performance consistent with effective control of the risks associated with those activities.

## Community Safety Implications

- 6.10. There are no community safety implications arising from this report.

## Environmental Impact

- 6.11. There are no environmental impacts arising from this report.

## **7. Background Papers**

- 7.1. None

## **8. Appendices**

Appendix 1 – Treasury Management Policy Statement 2020/21

Appendix 2 – Treasury Management Strategy 2020/21

Appendix 3 – Annual Treasury Management Investment Strategy 2020/21

Appendix 4 – Changes from the revised 2019/20 Treasury Management Policy

## SOUTHEND-ON-SEA BOROUGH COUNCIL

### TREASURY MANAGEMENT POLICY STATEMENT 2020/21

#### 1 Background

- 1.1 The purpose of this statement is to outline the Council's treasury management policy.
- 1.2 The CIPFA Code of Practice on Treasury Management recommends that Local Authorities:
  - Adopt the CIPFA code;
  - Create and maintain both a Treasury Management Policy Statement and suitable Treasury Management practices;
  - Appoint an officer to whom Treasury Management is delegated;
  - Submit reports regularly.
- 1.3 Cabinet approved adoption of the CIPFA code of Practice for Treasury Management at its meeting on 12 February 2002. CIPFA published a major revision to the Code of Practice for Treasury Management on 27 November 2009, the implementation of which was the subject of a report to Audit Committee submitted to its meeting of 13 January 2010. Since then there have been a number of more minor revisions, the latest being in December 2017.
- 1.4 There is a requirement in the revised code that the treasury management policy should be scrutinised in detail by a specialist committee, before being accepted by the authority, and should be monitored regularly.
- 1.5 The treasury management policy is agreed in advance of the year to which it relates. The policy is then monitored regularly and is updated, as appropriate, to reflect changing circumstances and guidance.
- 1.6 The Council has nominated the Audit Committee to be responsible for ensuring effective scrutiny of the treasury management policy, before approval by full Council as part of the approval of the budget.
- 1.7 The Chief Finance Officer (Section 151 Officer under the Local Government Act 1972) is the person responsible for the treasury management function.
- 1.8 The revised code requires that, as a minimum, reporting should include an annual strategy in advance of the year, a mid-year review and an annual report after its close. The reporting and scrutiny of the strategy and policy are dealt with above. Reports on the activities of the treasury management function will be submitted to Cabinet quarterly.

One such report will comprise an annual report for presentation before 31 July of the succeeding year. Another report will be a mid-year review reporting in November of each year.

- 1.9 In the latest version of the CIPFA Code of Practice on Treasury Management the term “investments” now covers all the financial assets of the organisation, as well as other non-financial assets which the organisation holds primarily for financial returns, such as investment in property portfolios. This may therefore include investments which are not managed as part of normal treasury management and are therefore covered by the Capital Investment Policy which forms part of the Capital Investment Strategy.

## **2 Duration of the Policy Statement**

- 2.1 This Treasury Management Policy Statement covers the 2020/21 financial year.

## **3 Scope of the Treasury Management Function**

- 3.1 The Council defines its treasury management activities as:
- the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions;
  - the effective control of the risks associated with those activities;
  - the pursuit of optimum performance consistent with those risks.
- 3.2 The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.
- 3.3 The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
- 3.4 The Council acknowledges that responsibility for the effective management and control of risk lies with the authority.

## **4 Use of a treasury management adviser**

- 4.1 The services of a treasury management adviser, Link Asset Services will be used throughout 2020/21 to assist the Council to develop and enhance the performance of the treasury management function.

- 4.2 The role of this adviser is to provide relevant and timely information and advice on all aspects of treasury management.
- 4.3 The Council recognises that responsibility for treasury management decisions remains with the authority at all times.

## 5 Funding requirements for the capital investment programme

5.1 The following methods of funding have been identified as being available to the Council for use in 2020/21:

- Borrowing;
- Use of capital receipts - from the sale of surplus assets;
- Use of Government Grants – e.g. Local Growth Fund, or grants from the Department for Education;
- Other external contributions – e.g. Section 106 agreements;
- Revenue funding – e.g. transferred from the Revenue Account.

5.2 No additional funding source will be used without the agreement of the Cabinet.

## 6 Limits on external borrowings

6.1 The Council must set an operational boundary and authorised limit for external debt. The operational boundary is how much external debt the Council plans to take up, and reflects the decision on the amount of debt needed for the Capital Investment Programme for the relevant year. The authorised limit is higher than the operational boundary as it allows sufficient headroom to take account of unusual cash movements.

6.2 The table below shows the operational boundary and authorised limits for borrowing for 2019/20 and 2020/21:

|                      | <b>2019/20<br/>Original<br/>£m</b> | <b>2019/20<br/>Revised<br/>£m</b> | <b>2020/21<br/>Original<br/>£m</b> |
|----------------------|------------------------------------|-----------------------------------|------------------------------------|
| Operational boundary | 290                                | 350                               | 375                                |
| Authorised limit     | 300                                | 360                               | 385                                |

In accordance with the Prudential Code these limits exclude outstanding debt relating to services transferred from Essex County Council (ECC) on 1 April 1998.

6.3 When the 2019/20 limits on external borrowing were originally set it was anticipated that £20m of new borrowing would be undertaken in 2018/19 and a further £31m would be undertaken in 2019/20. However, due to the uncertainty around Brexit in the run up to the expected leaving date of 29 March 2019 the PWLB rates reached advantageously low levels and £40m was borrowed in March 2019.

With this borrowing activity there was little headroom to allow further borrowing in 2019/20 should the rates reach new exceptionally low levels, so the limits on external borrowings were revised at the July 2019 meeting of Council to allow the headroom to achieve this. The uncertainty continued and rates continued to be volatile and reached advantageously low levels again in June and August and so £50m has been borrowed in 2019/20 to capture those good rates.

The revised borrowing limits for 2019/20 allowed for this actual borrowing undertaken and a further £20m in case of further unusual rate fluctuations. However, as the cost of borrowing had fallen to record lows and local authorities had been increasing their use of the PWLB, HM Treasury took the decision to increase the margin that applies to new loans from the PWLB by 1% on top of the usual lending terms, with immediate effect from 9<sup>th</sup> October. Given this increase it is now less likely that the further £20m headroom will be required in 2019/20, so the 2020/21 limits reflect this and includes the planned new borrowing.

## **7 Policy on sources and types of long term borrowing**

- 7.1 The Council's long term borrowing (i.e. for more than one year) for 2020/21 will be via any type of loan from the Public Works Loan Board (which is a statutory body whose function is to lend money to local authorities and other prescribed bodies) or from banks, building societies or other financial institutions as appropriate.
- 7.2 In addition, if it is deemed to be economically advantageous the Section 151 Officer, in consultation with our Treasury Management advisers, can issue bonds to raise funds, either in this council's name or collaboratively with other Local Authorities or via the Local Government Association (LGA), and either as a private or public placement.
- 7.3 In addition, if it is deemed to be economically advantageous the Section 151 Officer, in consultation with our Treasury Management advisers, can borrow from other Local Authorities.
- 7.4 In addition, if it is deemed to be economically advantageous the Section 151 Officer, in consultation with our Treasury Management advisers, can borrow for the purposes of financing regeneration and other infrastructure related projects.
- 7.5 The PWLB is usually the most economic source available to the Council for long term borrowing. The Council is eligible for HM Treasury's 'certainty rate' which is a discount of 0.2% on standard rates.
- 7.6 Financing arrangements other than borrowing will be in the form of leases. These will be taken out to finance the purchase or use of assets such as equipment or vehicles.



## **8 Timing of new borrowing**

- 8.1 New borrowing will be undertaken as and when required to finance capital. The Council's Section 151 Officer is authorised to make application for loans during 2020/21 that are deemed appropriate for the long term financing of capital. The amount and timing of these loans will have regard to the Council's cash flow, the PWLB interest rates and the future requirements of the capital investment programme.

## **9 Debt restructuring policy**

- 9.1 Some of the Council's borrowings are at a higher interest rate than the current rate of borrowing. To redeem these loans before their maturity date (i.e. to redeem them early) the Council would be required to pay a premium (this is like paying to redeem a mortgage early except the amount of the penalty depends on the prevailing rate of interest). New loans could then be taken out at the current rate. The savings to be made by paying interest at a lower rate need to be offset by the premiums payable before a decision is made as to whether this would be economically advantageous.
- 9.2 Similarly, some of the Council's borrowings can be at a lower interest rate than the current rate of borrowing. To redeem these loans early the Council would receive a discount (this is the opposite of a premium). New loans could then be taken out at the current rate. The discount receivable would need to be offset by the higher rate of interest paid before a decision is made as to whether this would be economically advantageous.
- 9.3 The Council will undertake debt restructuring as and when appropriate opportunities arise. The main objective of a restructure will be to produce reductions in financing costs as part of an overall budget strategy. The advice of our treasury management advisers would be sought. Members would be notified via the quarterly reporting to Cabinet on treasury management activities.

## **10 Treasury Management Investments**

- 10.1 See the Annual Treasury Management Investment Strategy.

## **11 The approved activities of the Treasury Management operation are as follows:**

- Risk management;
- Cash flow management (daily balance and longer term forecasting);
- Investing surplus funds in approved investments;
- Use of brokers for placing investments;
- Investing surplus funds with external fund managers;
- Long term borrowing to fund the capital investment programme;

- Short term borrowing for cash flow purposes;
- Management of debt (including repayment and rescheduling);
- Capital receipts management;
- Leasing arrangements for the Council (including schools);
- Banking activities;
- Training for members and officers;
- Prevention of money laundering.

## **12 Responsibility for the treasury management function**

- 12.1 Under the constitution the Council's Section 151 officer who is the Chief Finance Officer (currently the Executive Director (Finance and Resources)), must take all steps that are considered appropriate for the administration of the financial affairs of the Council. This includes responsibility for the treasury management function.
- 12.2 The table in Annex 1 shows the treasury management activities and the sub-delegated responsibilities from the Chief Finance Officer to others.
- 12.3 Officers are required to explicitly follow policies and procedures.
- 12.4 The training needs of staff and members with treasury management responsibilities are assessed on a regular basis and training is arranged as necessary.

## **13 Risks**

- 13.1 The overriding principle is that it is more important to balance risks than to maximise returns.

### **Credit and Counterparty risk**

- 13.2 This is the risk that the organisation with which we have invested money becomes insolvent and cannot pay us back our investment. A prime objective of treasury management activities is the security of the principal sums invested and this is placed ahead of the investment return. Accordingly, the Council will ensure that robust due diligence procedures cover all external investment.
- 13.3 Treasury Management investment activities are limited to the instruments, methods and techniques referred to in the Annual Treasury Management Investment Strategy. The use of limits and a combined matrix of investment criteria using credit ratings reflect a prudent attitude towards organisations with whom funds may be deposited. Investment activities will be limited to those who meet the criteria in this matrix when the investment is placed, with the exception of the UK part-nationalised bank and the Council's bank, and then limited by other relevant market information.

- 13.4 The policy in respect of those organisations from which the council may borrow, or with whom it may enter into other financing arrangements is set out in this Treasury Management Policy Statement and in the Annual Treasury Management Investment Strategy.

### **Liquidity risk**

- 13.5 This is the risk that there will be insufficient cash available to make payments as they fall due. The Chief Finance Officer will ensure that cash resources are adequate, though not excessive, and that borrowing arrangements are available at all times to enable the Council to achieve its business objectives.

### **Interest Rate risk**

- 13.6 Interest rates will be reviewed as part of the ongoing monitoring arrangements to ensure that, as far as possible, investments are made so as to maintain the return to the Council, whilst retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.
- 13.7 Regard will be given to the limits imposed by the treasury management policy, particularly the importance of maintaining the security of the monies invested.

### **Partnership risk**

- 13.8 The Council has entered into a Joint Venture with Porters Place Southend-on-Sea LLP and any funding will be mirrored by that of Swan Housing. The partnership risks are mitigated by the agreements drawn up as part of the signing of the contract. There are currently no major partnerships involving private borrowing. Some of the Council's costs are met by 'match funding' where other organisations match the funding that the Council contributes. Where this is the case there may be liquidity risk (see 13.5) if the other organisations do not make their contributions when agreed. Our exposure to this risk will be monitored via the revenue and capital budget monitoring processes.

### **Market risk**

- 13.9 Our long term borrowing is mainly through fixed rate maturity loans, whilst our investments are at both fixed and variable rates. To mitigate the risk as far as possible the Council seeks to find the appropriate balance of investments between short and long term and between variable and fixed rate.

### **Refinancing risk**

- 13.10 Our borrowing arrangements are negotiated, structured and documented, and the maturity profile of these monies are managed, with a view to obtaining offer terms for renewal or refinancing, if

required, which are competitive and as favourable as can reasonably be achieved in the light of market conditions prevailing at the time.

### **Currency risk**

13.11 The Council does not have any foreign currency risk as all investments are in pounds sterling.

### **Inflation risk**

13.12 The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

| <b>Treasury Management Activity</b>  | <b>Delegated to:</b>                             | <b>In their absence, delegated to:</b>                     |
|--|--|--|
| Production of a Treasury Policy each year for approval by the Council prior to the start of the financial year | Group Manager (Financial Planning & Control)     | Finance Manager – Capital/ Treasury Management             |
| Staffing and organisation of the Treasury Management function  | Group Manager (Financial Planning & Control)     | Chief Finance Officer                                      |
| Ensuring that all staff engaged in Treasury Management receive appropriate training                            | Group Manager (Financial Planning & Control)     | Finance Manager – Capital/ Treasury Management             |
| Ensuring that all members with Treasury Management responsibilities receive appropriate training               | Chief Finance Officer                            | Group Manager (Financial Planning & Control)               |
| Advising the Council’s Monitoring Officer when necessary   | Chief Finance Officer                            | Deputy Section 151 Officer                                 |
| Decisions on long term borrowing   | Chief Finance Officer                            | Deputy Section 151 Officer                                 |
| Decisions on the restructuring of the Council’s debt   | Chief Finance Officer                            | Deputy Section 151 Officer                                 |
| Taking out new loans/repayment of loans with the PWLB  | Group Manager (Financial Planning & Control)     | Chief Finance Officer/ Deputy Section 151 Officer          |
| Maintaining adequate and effective cash flow forecasting records to support the decision to lend or borrow     | Designated Accounting Technician/Finance Manager | Any other designated Accounting Technician/Finance Manager |

| <b>Treasury Management Activity</b>  | <b>Delegated to:</b>   | <b>In their absence, delegated to:</b>                                  |
|--|--|---|
| Proposals on placing overnight monies with the Council's bank or in short/long term investments                        | Finance Manager – Capital/ Treasury Management   | Designated Accounting Technician/ Finance Manager                       |
| Approval of short/long term investments  | Chief Finance Officer  | Deputy Section 151 Officer/Group Manager (Financial Planning & Control) |
| Placing money in investments once approval has been obtained   | Finance Manager – Capital/ Treasury Management/ other designated Finance Business Partner/ Senior Finance Business Partner | Group Manager (Financial Planning & Control)                            |
| Contact for correspondence with external fund managers   | Finance Manager – Capital/ Treasury Management   | Other designated Accounting Technician/Finance Business Partner         |
| Decisions on placing with or recalling monies from external fund managers  | Chief Finance Officer  | Deputy Section 151 Officer  |
| Entering into lease agreements   | Chief Finance Officer  | Deputy Section 151 Officer  |
| Key contact with the Council's treasury management advisers  | Group Manager (Financial Planning & Control)   | Finance Manager – Capital/ Treasury Management                          |
| Monitoring of actual against budget for debt charges, interest earnings and debt management expenses                   | Designated Accounting Technician/ Finance Manager  | Any other designated Accounting Technician/Finance Manager              |
| Monitoring of performance; average interest rates earned and paid etc.   | Designated Accounting Technician/Finance Manager   | Any other designated Accounting Technician/Finance Manager              |
| Monthly report to Section 151 officer detailing performance and any non-compliance with the Treasury Management Policy | Finance Manager – Capital/ Treasury Management   | Designated Accounting Technician/Finance Manager                        |



**MEDIUM TERM  
FINANCIAL STRATEGY  
2020/21 to 2024/25**

**February 2020**

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# **1 Introduction**

## **1.1 Background and Context**

Southend-on-Sea Borough Council, along with most Local Authorities across the country, continues to face significant challenges in providing essential services to meet the needs of local residents within the level of resources it has at its disposal. This is exacerbated by a combination of increasing and more complex local demand, inflation and uncertainty over future government funding levels and arrangements.

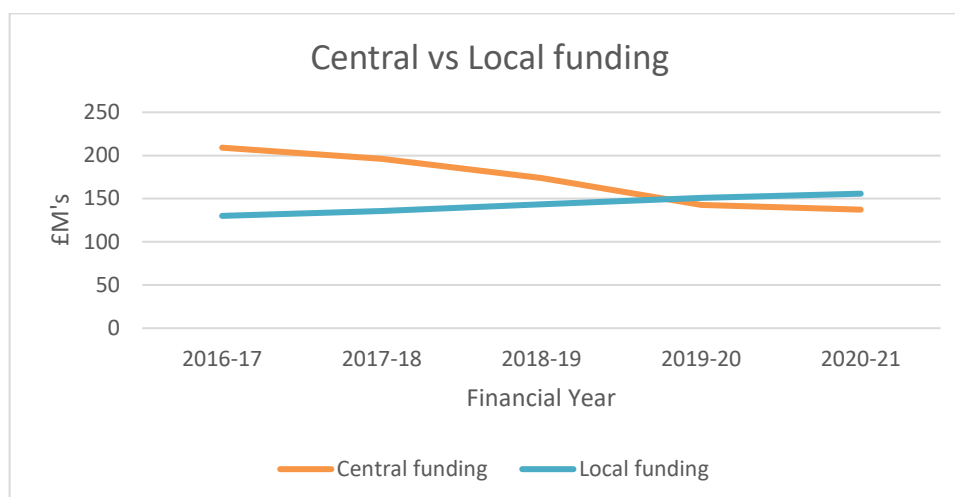
The Council's strategic response to this situation has been to develop a new high-level Financial Sustainability Strategy for 2020 – 2030 and comprehensively update its Medium Term Financial Strategy for 2020/21 – 2024/25 (MTFS). These key documents outline our ambition, approach, desire and commitment to do everything we can to plan effectively for the future and invest in priorities that make a real positive difference to local residents, businesses and visitors. This is predicated on ensuring that the Council remains financially stable and resilient for the future.

The Council is committed to supporting improvements in the health and economic wellbeing of its local residents via its ambitious Southend 2050 priority investment programme. The Council's financial strength will be enhanced by embracing and wherever possible facilitating the Borough's strong economic potential, enabling sustainable growth in local tax bases and by increasing our own income generating and commercial capabilities.

The Council are determined to build on the solid financial foundation that it has worked so hard to create locally. This will enable the Authority to navigate the challenges and impact of a decade of austerity and effectively manage the unprecedented current level of local demand for priority services. By also continuing to demonstrate strong leadership, collaboration and engagement the Council wants to remain proactive, and with the support of its communities, take as much local control over the future destiny of Southend-on-Sea as possible.

Whilst future National Spending Reviews, Fair Funding considerations, Business Rate Retention proposals and reset outcomes are all uncertain, the following illustration demonstrates that the level of funding available for local authority services is increasingly more reliant on locally generated sources rather than non-ringfenced or general grants from central government.

The following graph illustrates the value and change from central to local funding sources from 2016/17 to 2020/21.



Southend-on-Sea is one of six unitary authorities in the East of England, responsible for over 500 services and with a current population of over 182,000. Our turnover is over £435m and our resources are well-managed through our budgetary and financial monitoring framework.

The MTFS has been developed on the understanding of where Southend-on-Sea Borough Council currently is and where it wants to get to. It has clear ambitions that have been set in conjunction with local residents, businesses and partners, a commitment to deliver efficient value for money services, a desire to increasingly target resources towards the delivery of priority outcomes and to remain a financially stable, well run and resilient organisation.

Starting in 2018 the Council has been on a path to review the culture, values and behaviours of the organisation, under the banner of the Transforming Together Programme. Clear values have been established and embedded into our organisation:

- **Inclusive – we put people at the heart of what we do;**
- **Collaborative – we work together;**
- **Honest – we are honest, fair and accountable;**
- **Proud – we are proud to make lives better.**

These are supported and complemented by the following set of agreed and championed behaviours

- **Driving Positive Change;**
- **Demonstrating strong leadership;**
- **Trust and respect;**
- **Acting with integrity and behaving responsibly;**
- **Building relationships to work well together.**

Proposals within the MTFS build on the Council's ability to work with residents and partners to deliver services that meet local needs. The agreed set of core values and behaviours continue to shape our approach to decision making and service delivery.

The Council has been led by a joint political administration since May 2019 and a new professional executive leadership team is now fully in place. Our overall financial strategy arrangements have been shaped and influenced by CIPFA's new Financial Management Code\* which summarised a lot of the good work and appropriate standards that were already evident within the Local Authority. (\*CIPFA - *Financial Management Code, published October 2019. Full compliance with the Code will be mandatory for the 2021/22 financial year*)

The MTFS provides an integrated view of the whole of the Council's finances and business outlook over the next five years. It represents a more detailed plan to implement the first phase of the Council's Financial Sustainability Strategy and shows how the Council intends to align its financial resources to meet our Southend 2050 ambition, five-year roadmap and delivery of our priority outcomes. The MTFS will be refreshed on an annual basis, in recognition that the further any financial strategy in the current environment looks to the future, the more uncertain it becomes.

The MTFS is the Council's key financial planning document which informs business and resource planning. It clearly shows how investment and spending is prioritised and balanced against available resources. It will identify any budget gaps in the medium term to allow the Council time to address them in a considered and planned way.



## 1.2 Southend 2050 Ambition and Road Map

Southend 2050 is the Borough's ambition for the future. It was developed following extensive conversations with those that live, work, visit, do business and study in Southend-on-Sea. These conversations asked people what they thought Southend-on-Sea should be like in 2050 and what steps are needed now, and in the coming years, to help achieve this. The ambition is grounded in the values of Southenders. It is bold and challenging and will need all elements of our community to work together to make it a reality.

The Southend 2050 ambition currently includes twenty-three outcomes which fit into five themes. The five-year roadmap timeline identifies key projects that will help make the ambition a reality.

The ambition is an overarching view of the Council's future direction which aims to articulate the visible changes to the environment and the more fundamental effects on people's lives, essentially capturing how it could feel to live, work or visit Southend in the future.

Our ambition complements the Essex 2050 vision, 'The Future of Essex' developed by Essex wide stakeholders and the emerging South Essex 'proposition', titled 'What sort of place are we making?' This is being developed by South Essex local authorities who are collectively looking to the future.

As it moves towards delivering that ambition the Council will agree five-year roadmap stages. The roadmap will outline the Council's role in achieving the ambition and provides a high-level guide for Councillors, staff, partners and others to align their capacity, capabilities and resources to help to achieve delivery of these priorities. It builds on our existing achievements and outlines what the Council wants to achieve in the coming five years.

There will be five strategic delivery plans, one per theme reflecting the roadmap. These will be supported by delivery plans which reflect our ambition and focus on achieving the desired outcomes in five years' time.

All revenue and capital resources will be allocated with the aim of contributing to the delivery of our overall Southend 2050 ambition and achieve the following desired outcomes.



### **Pride and Joy**

By 2050 - people are proud of where they live – the historic buildings and well-designed new developments, the seafront and the open spaces. The city centre has generated jobs, homes and leisure opportunities, whilst the borough's focal centres all offer something different and distinctive. With its reputation for creativity and culture, as well as the draw of the seaside, Southend-on-Sea is a place that residents and visitors can enjoy in all seasons. Above all we continue to cherish our coastline as a place to come together, be well and enjoy life.



### **Safe and Well**

By 2050 - public services, voluntary groups, strong community networks and smart technology combine to help people live long and healthy lives. Carefully planned homes and new developments have been designed to support mixed communities and personal independence, whilst access to the great outdoors keeps Southenders physically and mentally well. Effective, joined up enforcement ensures that people feel safe when they're out and high quality care is there for people when they need it.



## **Active and Involved**

By 2050 - Southend-on-Sea has grown, but our sense of togetherness has grown with it. That means there's a culture of serving the community, getting involved and making a difference, whether you're a native or a newcomer, young or old. This is a place where people know and support their neighbours, and where we all share responsibility for where we live. Southend in 2050 is a place that we're all building together – and that's what makes it work for everyone.



## **Opportunity and Prosperity**

By 2050 - Southend-on-Sea and its residents benefit from being close to London, but with so many options to build a career or grow a business locally, we're much more than a commuting town. Affordability and accessibility have made Southend-on-Sea popular with start-ups, giving us the edge in developing our tech and creative sectors, whilst helping to keep large, established employers investing in the borough. People here feel valued, nurtured and invested in. This means that they have a love of learning, a sense of curiosity and are ready for school, employment and the bright and varied life opportunities ahead of them.



## **Connected and Smart**

By 2050 - Southend-on-Sea is a leading digital city and an accessible place. It is easy to get to and get around, with easy parking for residents, visitors and businesses. Everyone can get out to enjoy the borough's thriving city centre, its neighbourhoods and its open spaces. Older people can be independent for longer. It is also easy to get further afield with quick journey times into the capital and elsewhere. Our airport has continued to thrive, opening up new business and leisure opportunities overseas – but it has done so in balance with the local environment.

***Southend-on-Sea - it all starts here.***

### **1.3 Implementing the Ambition**

The Council is continuing to develop shared ownership of the Southend 2050 ambition and the first phase of the planned programme of outcomes to 2023. The intention is that, wherever possible, measures to achieve the outcomes are co-designed and co-delivered with residents and partners. This has resulted in the development of more innovative partnership arrangements with stakeholders and shifting our culture so that all council staff have an engagement role in their day to day job.

Asset Based Community Development (ABCD) methodology will support this approach with a view to promoting the sustainable development of our communities. As well as a step change in how the council works with residents and stakeholders, an asset-based approach will revise the Council's approach to leadership, management of assets, funding streams, commissioning and workforce development.

This approach will include more shared posts, shared commissioning and the co-location of services and staff, along with the development of our locality approach. It will promote a more fluid and creative way for citizens to share their ideas on priorities and solutions, while also valuing and strengthening the more formal consultation processes.

To enhance our approach to partnership, community engagement and citizen empowerment the Council are investing into a new community builders' scheme on a test and learn basis. Community builders will be embedded in the heart of the local community and will have preventative conversations with neighbourhoods about what matters to them as well as helping people to build and connect using their personal strengths and with natural support through local assets and relationships. Community builders will be an enabler to support early, preventative action BY citizens to help to deliver on our Southend 2050 outcomes.

### **1.4 Aims and Purpose of the Medium Term Financial Strategy**

The purpose of the Medium Term Financial Strategy (MTFS) is to provide a clear strategic framework and encourage a forward-looking approach to support medium term financial stability and longer-term sustainability. It is central to the delivery of Southend 2050 and associated priority outcomes in an affordable and sustainable way over the next five-year period. It aids robust and methodical planning as it forecasts the Council's financial position, considering known pressures, highlighting major issues affecting the Council's finances, including international, national, regional and local factors.

It helps the Council to respond, in a considered manner, to pressures and changes as a result of many internal and external influences. This is particularly important during a period when the Council still faces unprecedented challenges and uncertainty.

The MTFS recognises the key role that financial resources play in the future delivery of services and in enabling the effective planning, management and delivery of priorities that contribute to the outcomes contained in Southend 2050 and roadmap phases.

The strategy concentrates on the principles that will provide a strong and sustainable direction for the medium term. An overarching MTFS is not only good practice, but is required to provide the strategic financial framework for the authority at a time of considerable pressure and change, be this delivering key priorities and ongoing efficiency gains, closer budget scrutiny, the management of financial pressures, national policy changes or political change.

The MTFS takes a holistic view of all prevalent issues and requirements so that it is realistic and reduces the risk of a significant budget gap occurring late in the budget setting process. It includes revenue and capital expenditure and income for the General Fund and the Housing Revenue Account, reserves, financing of capital, treasury management and partnerships. This is to ensure that the Council sets a comprehensive, affordable and sustainable budget. The new CIPFA Financial Management Code will be compulsory from 2021/22 and having a viable and robust MTFS will be a minimum requirement.

The key overriding aim of the MTFS is therefore: ***To provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council's key strategic outcomes, priorities and sustainable services.***

The parameters set by the five-year planning period of the MTFS are used to inform the development of the budgets for the General Fund, Housing Revenue Account and the capital investment programme for the first year of that planning period. This is to make sure that, in setting the budget, decisions are not taken that could create problems in future years and that the financial consequences of those decisions are sustainable and fully understood.

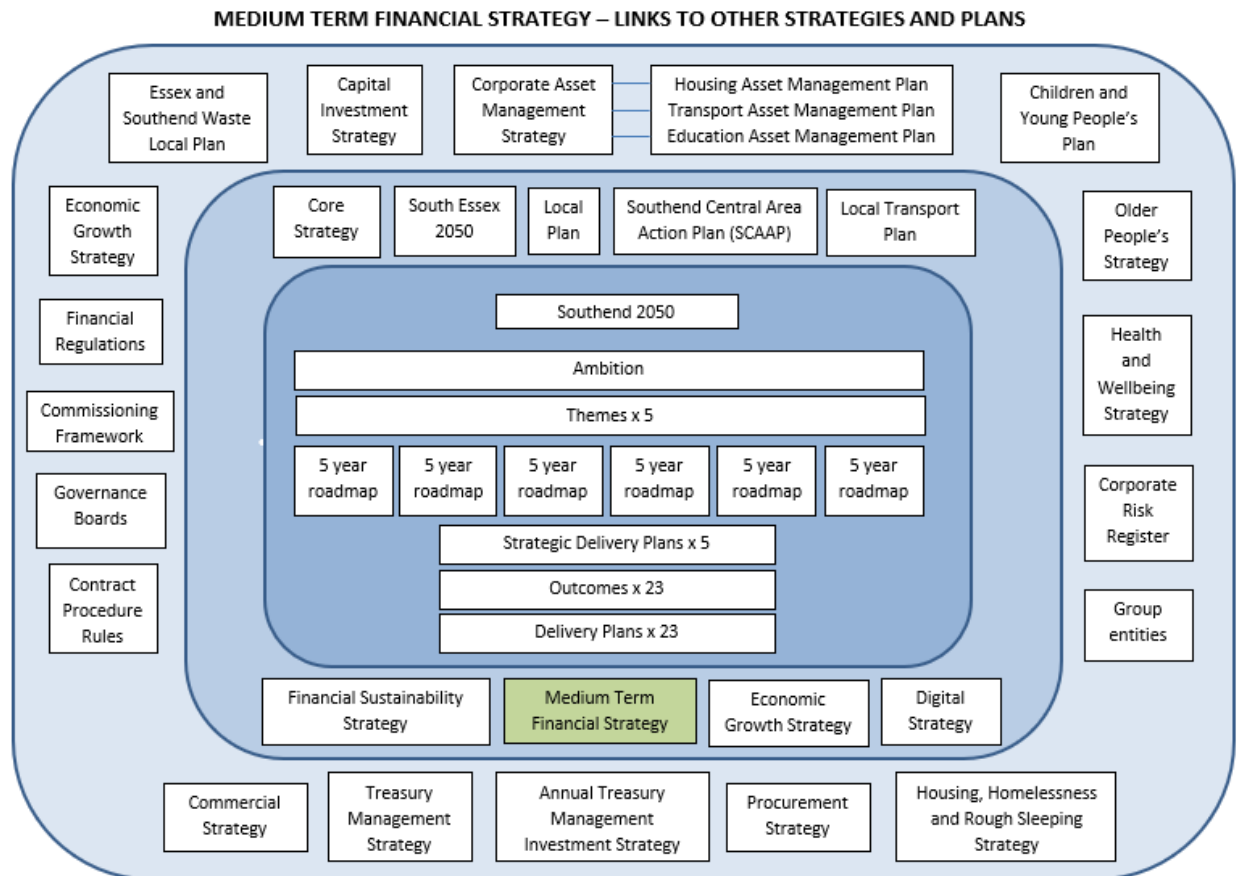
The MTFS is crucial to the setting of a robust budget by considering the likely effect of identified budget pressures and the associated risks materialising. It facilitates the modelling of the impact of different planning assumptions and scenarios on the budget gap to inform decision-making and provides greater confidence that the budget is both affordable and realistic.

The further the MTFS looks into the future, the more uncertainties there are. A spending review was anticipated for 2019 but due to the parliamentary time devoted to Brexit and the resulting political uncertainty a full review was not undertaken. Instead Government spending round figures were issued for 2020/21 only.

The UK left the European Union on 31st January 2020, the impact on Local Government of our departure is currently unknown. The MTF5 must therefore be viewed as provisional thoughts on the potential outcomes based on the best knowledge and intelligence currently available rather than cast iron accurate medium term forecasts.

## 1.5 Strategic context

The MTF5 is closely aligned to several other strategies and plans which impact on the direction of the Council and must reflect and be informed by the drivers and priorities within them. The following diagram shows the links to these other strategies and plans.



## 1.6 Key Assumptions

Local Authority budgeting is by its very nature difficult to forecast with absolute certainty since there are so many variables that need to be considered and assessed. The following table summarises the key assumptions contained within the MTF5. These assumptions have been used to drive all applicable aspects of the financial planning process.



### Summary of Key Assumptions

| Item   | 2020/21   | 2021/22   | 2022/23   | 2023/24   | 2024/25   |
|--|-----------|-----------|-----------|-----------|-----------|
| Council Tax Increase   | 1.99%     | 1.99%     | 1.99%     | 1.99%     | 1.99%     |
| Social Care Precept Increase                                       | 2.00%     | 0.00%     | 0.00%     | 0.00%     | 0.00%     |
| Council Tax Base<br>(No of 'Band D' Equivalentents)                | 58,680.94 | 59,267.75 | 59,860.42 | 60,459.02 | 61,063.61 |
| Revenue Support Grant (RSG)  | £6.049M   | -         | -         | -         | -         |
| Business Rates Retention Scheme                                    | £21.406M  | £33.420M  | £34.088M  | £34.770M  | £34.770M  |
| Business Rates Multiplier  | 1.60%     | 2.00%     | 2.00%     | 2.00%     | 2.00%     |
| Use of Collection Fund Surplus                                     | £2.000M   | £1.500M   | £1.000M   | £1.000M   | £1.000M   |
| Public Health Grant  | £9.525M   | -         | -         | -         | -         |
| Consumer Price Index (CPI)   | 1.70%     | 1.90%     | 2.00%     | 2.00%     | 2.00%     |
| Retail Price Index (RPI)   | 2.80%     | 3.00%     | 3.10%     | 3.10%     | 3.10%     |
| Pay Award  | 2.00%     | 2.00%     | 2.00%     | 2.00%     | 2.00%     |
| Incremental Progression  | 1.00%     | 1.00%     | 1.00%     | 1.00%     | 1.00%     |
| Superannuation Rate  | 22.20%    | 22.20%    | 22.20%    | 23.60%    | 23.60%    |
| National Living Wage (Adult Social<br>Care Providers - Cumulative) | £1.095M   | £2.200M   | £3.300M   | £4.400M   | £5.500M   |
| Waste Disposal Contract<br>(Renewal 2023)                          | (£0.800M) | (£0.800M) | (£0.800M) | -         | -         |
| Social Care Grant*   | £5.600M   | £5.600M   | £5.600M   | £5.600M   | £5.600M   |
| Better Care Fund – SBC*  | £6.299M   | £6.299M   | £6.299M   | £6.299M   | £6.299M   |
| Improved Better Care Fund*   | £6.744M   | £6.744M   | £6.744M   | £6.744M   | £6.744M   |
| Fees & Charges increase yield                                      | 2.00%     | 2.00%     | 2.00%     | 2.00%     | 2.00%     |
| Investment Income (Ave)  | 1.92%     | 1.98%     | 2.08%     | 2.08%     | 2.08%     |
| PWLB Borrowing Rates<br>(Long Term - GF) (Ave)                     | 3.64%     | 3.64%     | 3.60%     | 3.63%     | 3.63%     |
| PWLB Borrowing Rates<br>(Long Term - HRA) (Ave)                    | 4.16%     | 4.19%     | 4.09%     | 4.09%     | 4.09%     |
| PWLB Borrowing Rates<br>(Long Term Consolidated) (Ave)             | 3.96%     | 3.75%     | 3.69%     | 3.70%     | 3.70%     |
| HRA Rent Increases   | 2.70%     | 2.90%     | 3.00%     | 3.00%     | 3.00%     |
| Dedicated Schools Grant (DSG)*                                     | £50.769M  | £50.769M  | £50.769M  | £50.769M  | £50.769M  |

*\*Assumes 2020/21 Allocation will continue at the same level through to 2024/25*

### Council Tax, Social Care Precept and Council Tax Base

The increase in Council Tax is assumed to be 1.99% for each year from 2020/21. It is assumed that the social care precept will increase by 2% in 2020/21 but no increases have been included for future years. It has also been assumed that from 2021/22 the Council Tax base will increase by 1% per year.

## **Revenue Support Grant, Business Rates Retention, Business Rates Multiplier and Collection Fund**

The provisional finance settlement for 2020/21 indicated that the Revenue Support Grant will be the 2019/20 figure, increased in line with the Consumer Price Index (CPI). It is likely that all RSG will be subsumed into 75% Business Rates Retention Scheme from 2021/22. The Business Rates figure for 2020/21 has been calculated by using a combination of the fixed top-up payment the Council receives from Government and a local assessment of the net amount likely to be raised locally that the Council will be able to retain. This local element is assumed to grow by 2.0% from 2020/21.

The planned use of collection fund surpluses has been programmed into the MTFs from 2020/21 – 2024/25. A prudent view has been taken based on Council Tax increases and forecasts of housing completions, changes in discounts awarded and exempt properties, whilst also considering the effect of the current economic climate on collection rates.

From 2021/22 onwards there is huge uncertainty over what the new Government will do in terms of introducing a business rates reset, developing the business rates retention scheme and also the potential to remove the ring fence on Public Health Grant and include it as part of the retention scheme. In the absence of any other information, it is also assumed that the same level of funding will be embedded into the new system. The MTFs will be updated as soon as any more detailed information becomes available.

### **Public Health Grant**

The Public Health Grant was introduced in 2013, when the responsibility for commissioning public health services moved from the NHS to local authorities. The aim was to protect and improve the nation's health and wellbeing while reducing health inequalities, both at a national and local level. This grant has been confirmed as ringfenced until 2020/21. Southend's grant allocation in 2019/20 was £9.212M and this will increase by 3.4% in 2020/21 to £9.525M. Until 2020/21 the grant level had been continually reducing.

The following table outlines the areas that Public Health Grant has been invested in, as well as the grant levels received over the last five years.

| <b>Public Health Themes</b>   | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
|                               | <b>£'000s</b>  | <b>£'000s</b>  | <b>£'000s</b>  | <b>£'000s</b>  | <b>£'000s</b>  |
| Children 0 - 19               | 3,651          | 3,229          | 3,419          | 3,208          | 3,321          |
| Health Protection             | 228            | 212            | 223            | 233            | 433            |
| NHS Health Check              | 184            | 213            | 205            | 200            | 200            |
| Obesity                       | 76             | 185            | 151            | 145            | 145            |
| Other Public Health Services  | 720            | 865            | 808            | 733            | 733            |
| Physical Activity             | 184            | 190            | 136            | 153            | 153            |
| Public Mental Health          | 16             | 51             | 48             | 52             | 52             |
| Sexual Health Services        | 1,710          | 1,688          | 1,563          | 1,449          | 1,449          |
| Smoking Cessation             | 383            | 324            | 305            | 319            | 319            |
| Substance Misuse              | 2,805          | 2,755          | 2,604          | 2,720          | 2,720          |
|                               |                |                |                |                |                |
| <b>Total</b>                  | <b>9,957</b>   | <b>9,712</b>   | <b>9,462</b>   | <b>9,212</b>   | <b>9,525</b>   |
|                               |                |                |                |                |                |
| <b>Grant Level Change</b>     | <b>-</b>       | <b>(245)</b>   | <b>(250)</b>   | <b>(250)</b>   | <b>313</b>     |
|                               |                |                |                |                |                |
| <b>% (Reduction)/Increase</b> | <b>-</b>       | <b>(2.46%)</b> | <b>(2.57%)</b> | <b>(2.64%)</b> | <b>3.40%</b>   |

### **Consumer Price Index (CPI) and Retail Price Index (RPI)**

Estimates of future indices of inflation is shown in the key assumptions table. From an MTFS perspective inflation increase have only been provided for major contractual commitments, utilities and business rates. Services are expected to absorb any other price inflation within existing resources.

### **Pay Award, Incremental Progression and Superannuation Rate**

Provision has been made for a Pay Award increase of 2.0% for each year from 2020/21 to 2024/25. Provision has also been included for the estimated cost of staff progressing through spinal column points of their respective grade.

The financial impact of the latest 2019 triennial actuarial valuation of pensions, has been built into the MTFS. This has been achieved by calculating the Employers Superannuation rate to reflect the right level of contributions required to be paid into the Essex Pension Fund. The next review is scheduled in 2022. Pension Fund calculations are notoriously complex and can be volatile due to the many contributing factors. In 2023/24 an increase in the Superannuation Rate has currently been included as part of a prudent assessment at this early stage of financial planning.

## **National Living Wage**

An uplift will be paid to all our Social Care providers to ensure that they have the appropriate funding to pass on the estimated National Living Wage increase to their Care Workers each year. The cumulative cost is shown in each year in the key assumptions summary table. We are also actively working towards obtaining the Real Living Wage accreditation which will hopefully benefit local working people.

## **Waste Disposal Contract**

This major contract is up for renewal in 2023. The Council continues to benefit from the extension to the Joint Working Agreement with Essex County Council. The MTFS will be updated accordingly to reflect our future waste disposal liabilities. The cost is expected to rise from 2023, so a prudent approach is currently planned.

## **Social Care Grant**

The MTFS assumes that the same level of Social Care Grant notified for 2020/21 (£5.600M) will continue at the same level for 2021/22 – 2024/25.

## **Better Care Fund (BCF) and improved Better Care Fund (iBCF)**

The Better Care Fund (BCF) commenced in 2015 and is a major national investment programme spanning NHS and local government which seeks to ensure closer integration between health and social care services. Our local arrangements are framed within a formal agreement with Southend Clinical Commissioning Group (CCG) for a pooled budget under Section 75 of the National Health Service Act 2006. A new improved Better Care Fund (iBCF) was introduced in 2017/18 and this is paid direct to the Council with a condition that it is pooled into the local BCF plan.

The BCF element for both Southend Borough Council (SBC) and Southend CCG is expected to increase by 3.4% to £6.299M and £7.014M respectively for 2020/21. There is no certainty of the level of funding available through the BCF arrangements beyond 2020/21. Southend-on-Sea iBCF allocation for 2020/21 has been provisionally set at £6.744M for 2020/21. In the absence of any further information available for the future, it is assumed within the MTFS that both funding streams will continue at the same level until 2024/25.

The following table summarises the Council's core BCF and iBCF allocations, the CCG's BCF allocation and the total BCF/ iBCF in the pool for 2017/18 – 2020/21.

| <b>£M's</b>               | <b>BCF</b>    | <b>iBCF</b>  | <b>BCF</b>    | <b>iBCF</b>  | <b>BCF</b>    | <b>iBCF</b>  | <b>BCF</b>    | <b>iBCF</b>  |
|---------------------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|
|                           | <b>17/18</b>  | <b>17/18</b> | <b>18/19</b>  | <b>18/19</b> | <b>19/20</b>  | <b>19/20</b> | <b>20/21</b>  | <b>20/21</b> |
| SBC Allocation            | 5,750         | 3,990        | 5,860         | 5,429        | 6,092         | 6,744        | 6,299         | 6,744        |
| CCG Allocation            | 6,401         | 0            | 6,523         | 0            | 6,783         | 0            | 7,014         | 0            |
| <b>Total BCF and iBCF</b> | <b>12,151</b> | <b>3,990</b> | <b>12,383</b> | <b>5,429</b> | <b>12,875</b> | <b>6,744</b> | <b>13,313</b> | <b>6,744</b> |

### **Fees & Charges increase yield**

It is assumed that the level of income generated will increase by 2% each year from 2020/21 to 2024/25. No changes in tariffs/income are currently included for Car Parking charges.

### **Investment Income (Ave)**

The Council earns income by investing its surplus cash in a mixture of short, medium and long term investments, as set out in the Annual Treasury Management Investment Strategy. The amounts available for investment and the length of time they are available depend on many factors, not least the Council's level of revenue and capital budgets, use of reserves, methods of funding the budget requirement, interest rates, cash flow and the Council's view of risk.

### **PWLB Borrowing Rates (Long Term - GF) (Ave), (Long Term - HRA) (Ave) and (Long Term Consolidated) (Ave)**

The ambitious capital investment programme, although partly funded by grants, other external contributions, capital receipts and revenue funding (such as Housing Revenue Account reserves), requires an increase in borrowing as set out in the Treasury Management and Capital Investment Strategies. The MTFs allows for the provision to repay this borrowing and the increased costs of interest payments required.

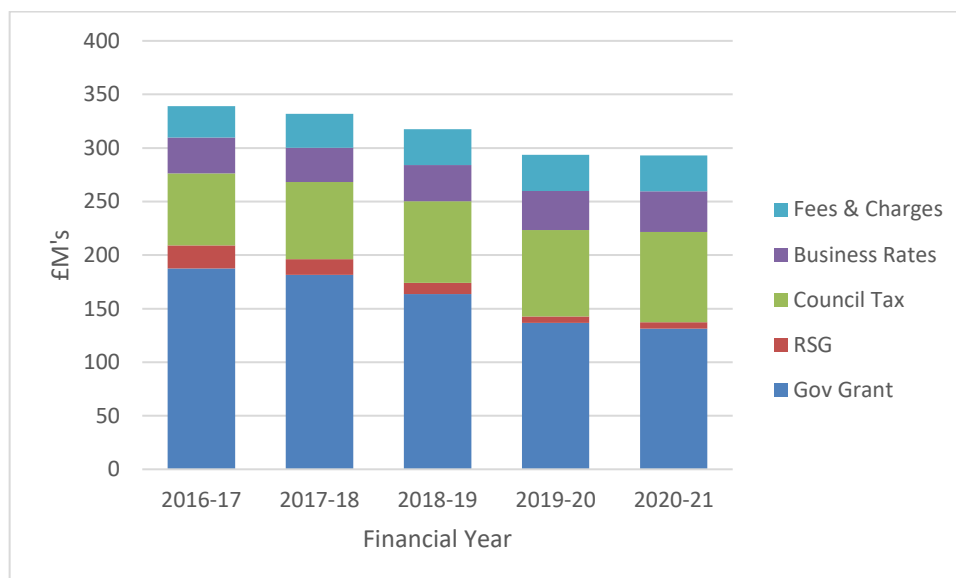
### **Sensitivity analysis**

The following table provides an illustration of the financial impact of changes in assumptions to some of the key income and cost drivers in the budget for 2020/21. The cumulative impact on the potential budget gap would be significant.

| Assumption in MTFP for 2020/21                     | Change in assumption                               | Effect on the budget gap for 2020/21 |
|--|--|--------------------------------------|
| Council Tax increase of 1.99%                      | No Council Tax increase                            | Increase of £1.600M                  |
| 2% pay award                                       | Pay award of 3%                                    | Increase of £0.880M                  |
| Inflation for contractual goods and services at 2% | Inflation for contractual goods and services at 3% | Increase of £0.300M                  |
| Fees and charges increased by 2%                   | Fees and charges not increased                     | Increase of £0.600M                  |

### Historical Funding Analysis of the General Fund Revenue Budget

To highlight the current direction of travel, the following graph illustrates how the budget has been funded over the last five years. This shows an overall reduction year on year (except for 2020/21) and a significant real terms reduction in central government funding streams.



### Housing Revenue Account (HRA) Rent Increases

From 2012/13 the HRA became self-financing and is no longer subject to the HRA subsidy regime. Under self-financing, the HRA funds its expenditure, including its capital expenditure, from its income streams (primarily tenant's rents). Some grant funding may be available to support capital expenditure within the HRA going forward, but there is no assumption of external financing built into forward projections.

In October 2017, the government announced its intention to set a long term rent deal for both local authority landlords and housing associations. This would allow annual rent increases on both social rent and affordable rent properties of up to CPI at September each year plus 1 percentage point from the financial year 2020, for a period of at least five years.

This equates to a 2.70% rent increase in 2020/21 and for financial planning purposes the MTFs assumes tracking of CPI +1% through to 2024/25.

### **Dedicated Schools Grant (DSG)**

The Department for Education (DfE) announced in September 2019 “that the funding for schools and high needs compared to 2019/20, will nationally rise by £2.6billion for 2020/21, £4.8 billion for 2021/22, and £7.1 billion for 2022/23”. Our local Education Board has agreed allocations for 2020/21 within the context of Southend’s share of the increase funding, which is an equivalent total increase of £7.5M to the Dedicated Schools Grant (DSG) for 2020/21. The £50.769M shown in the summary of key assumptions table is Southend Borough Council’s estimated share of the total funding for 2020/21. It is currently impossible to predict changes in the future, so the assumption at this stage is that it will stay at this same level through to 2024/25.

Analysis of the £7.5M, shows that £4.5M is awarded to Individual Schools allocations (Schools block) driven by both an increase for numbers on roll (particularly our Secondary Sector) and National Funding Formulae (NFF) declared per pupil price increases. An additional £3M has been awarded to our high needs block. This is due to the DfE under the NFF for 2020/21 increasing the high needs funding gains increase cap to 17% from 2019/20.

Consideration needs to be given to the fact that with this funding increase the Government in January 2020 are now proposing revised teacher pay scales with an increased minimum starting salary to be phased in and increased over the next 3 years 2020/21 to 2022/23.

The DSG for 2020/21 is now also in its third year of total funding allocations set under a revised NFF. This includes proposed funding levels for individual school allocations. It remains, a government ambition that all individual school allocations will be fixed as per the NFF, however in 2020/21 it remains a local decision as to whether a Local Authority (in consultation with its School Forum/Education Board) choose to adopt.

Given this context, the Council and our Education Board have continued the strategic decision to align individual school allocations to the principle decisions of the NFF, so should the government impose a hard NFF for individual school allocations in future years, our local schools are already aligned to this funding trajectory. The DfE have reported that this is in line with most other local authorities.

Our high needs block funding (also recognised as a national issue), has been under considerable financial pressure which had impacted negatively on DSG reserve balances.

As a result of robust recovery planning by the Council working with our Education Board and further national funding awarded, our local high needs block funding and opening DSG reserves are now in a sustainable funding position moving forward into 2020/21. With Southend-on-Sea now receiving a further £3M to support high needs, it places the DSG in a sustainable mid-term position.

In 2020/21, the DfE also announced (under NFF) a 20% funding (an equivalent £180,000 loss) reduction to the DSG Central Block element. This is funding that has historically been used to support Council expenditure, providing it serves the benefit of an educational purpose. To cover this funding loss in 2020/21, the Education Board have agreed a transfer of £180,000 from the Schools Block allocation (for 1 year only), recognising for 2021/22 and future years a plan now needs to be determined as to how the Council will manage this funding loss moving forward. This challenge could be made harder if a further 20% funding loss is applied in 2021/22. There is strong possibility that the full current funding allocation of £900,000 is at risk of being fully removed from the DSG by 2024/25.

## **1.7 Corporate Assurance and Risk Management**

The Council has identified key risks that may impede the delivery of Southend 2050 ambition, and the desired outcomes for 2023.

The Council's governance framework supports the delivery of the ambition, to ensure that these are:

- Effective, but as simple as possible and easy to understand;
- Joined up and complementary, not conflicting with each other;
- Designed around customers;
- Making best use of technology and digitally enabled where this makes sense;
- Compliant with legislative requirements and ensuring that resources are used efficiently and effectively;
- Driving the desired outcomes.

The Council has identified core principles at the heart of its Risk Management Framework, these include that:

- Risk management is a positive value added activity, focused on achievement and successes, not a negative bureaucracy – by changing the perception and raising awareness officers will have increased confidence when managing operational risks;
- All staff are responsible for risk management and resources that support the framework are there to 'support and challenge' not 'own and do';



- Wider Member involvement in identifying and monitoring the most strategic risks the organisation faces would add value, whilst the roles of the Audit Committee, Scrutiny and Cabinet are critical to the robustness of the overall framework;
- The Southend 2050 ambition and outcomes need to drive the Council's budget and financial management arrangements, performance management of the outcome delivery plans and risk management framework;
- By getting the conversations happening with the right people, at the right time and in the right place, the required thinking can be applied and the processes to capture, document and report risk will be simple and become business as usual;
- The framework ensures joined up Strategic, Operational, Programme and Project Risk Management whilst recognising the differences between them.

The Council's Corporate Risk Register identifies the key risks as:

- Risk that failure to address the financial challenge by effectively managing the growing demand for services and enhancing local income streams will threaten the medium to long term financial sustainability of the Council, leading to a significant adverse impact on Council services;
- Risk that the Council will not have the appropriate staffing resources, with the right skills working in the right places within collaborative teams, resulting, in part, from a failure to effectively embed the arrangements with the new recruitment partner, leading to a lack of workforce capacity resulting in a failure to achieve the Council's ambitions;
- Risk that the impact of, or a failure to take advantage of, the Government's agenda and the lead up to Brexit, may hamper the ability of the Council to achieve key priorities;
- Risk that a failure to implement plans to address rising homelessness and failure to implement the Housing, Homelessness and Rough Sleeping strategy will lead to further street and other homelessness, increased use of temporary accommodation and an inability to meet rising housing demand over the next 20 years;
- Risk that failure to maintain levels of access to regeneration funding opportunities will significantly restrict future infrastructure improvements in the borough;
- Risk that the implementation of Sustainability and Transformation Partnership (STP) proposals and implementation of the Localities Model does not result in effective health and social care outcomes for residents resulting in increased health inequalities, worsening health outcomes and significant cost increases;

- Risk that a failure to ensure the Council has a coherent and comprehensive approach to data protection, including its cyber security arrangements, will result in a data breach or cyber-attack, leading to significant financial and reputational damage to the Council;
- Risk that the actions and expected outcomes from the Children's Services Improvement Plan are not achieved within expected timescales, resulting in a failure to deliver the outcomes anticipated by the Council's roadmap for the children in need of support;
- Risk of contractor failing to meet contractual requirements to effectively manage waste arrangements results in a loss of service quality and additional financial liability for the Council;
- Risk that surface water flooding, breach of sea defences and/or seafront cliff movement, will result in damage to property and infrastructure as well as significant disruption;
- Risk that failure of partners to progress major infrastructure developments (e.g. Seaways, Airport Business Park and Queensway) will result in significant financial and reputational damage to the Council;
- Risk that the failure to meet deadlines and make sufficient progress in producing a Local Plan will lead to Secretary of State intervention, resulting in reputational damage to the Council and the potential imposition of unwanted planning policies;
- Risk that failing to implement changes needed to reduce the Borough's carbon footprint will cause an inadequate contribution to the reduction in carbon emissions required. This will result in significant adverse impact on the Borough, and if the climate adaptation measures being implemented are also inadequate, there will be further implications for the Council in needing to respond to climate events in the Borough.

## **2 Horizon Scanning**

### **2.1 Key Statistical Headlines**

For Southend Borough residents/service users:

- 12% of Southend's males and 28% of females are economically inactive, with average weekly earnings for males £546 and £312 for females;
- 39% of Southend's residents live in areas considered to be in the most deprived 30% in the country, this is 9% higher than the English average;
- 11 of Southend's 17 wards have a higher proportion of children living in poverty than the England average; six of these are amongst the worse 20% of wards in the country;
- Kursaal, the most deprived ward, ranks 136th most deprived area in England (of 32,844 areas);
- Life expectancy is 11.1 years lower for men and 9.7 years lower for women in the most deprived areas of Southend compared to the least deprived areas;
- 0.7% of West Leigh residents indicated they were in very bad health, compared to 1.6% in Kursaal and 1.3% for Southend as a whole;
- Kursaal ward had a borough election turnout of 25%, compared to 42.5% in West Leigh (average overall turnout 31.74%), highlighting lower civic participation in deprived areas;
- Residents living in the East Central locality are significantly less satisfied with their local area (66%) (89% in West and 75% for the borough), feel significantly less safe and cite crime and anti-social behaviour as something they dislike more, than residents elsewhere in the borough;
- Only a minority of residents (23%) agree that they can influence decisions that affect their local area. More than twice this number (59%) disagree.

### **2.2 National, Regional and Local Policy Drivers**

#### **National Factors**

National factors which are likely to impact on the Council's financial position:

- The level of uncertainty in Government funding for future years, with the overall level of government resources for councils dependent on a range of political outcomes, which are very difficult to predict. While the 'end of austerity' has been proclaimed by many politicians, according to the Institute of Fiscal

Studies the government forecast (as of November 2019) that councils' core spending could increase by 4.3% in real terms in 2020-21 compared to 2019-20, would still leave spend per person 20% lower in 2020-21 than in 2009-10.

- The impact of the world economic climate on the national economy. Levels of economic growth are impacted by the prospect of higher trade barriers and the slowdown of growth in key economies such as the Eurozone and China;
- The impact of uncertainties related to Brexit, with investment decisions delayed/mitigated pending future trade arrangements.
- The move from councils retaining 50% to 75% of business rates, from which the Council could potentially gain or lose, depending on final details on how the expansion will be administered.
- With the vast majority of councils funding set to come from council tax and business rates, there may be a need for increases in council tax to keep pace with the level of demand on services, notably from children's and adult services.
- Unmanaged service pressures and increases in demand. Forecasts of future demand for services may be under-estimated
- Levels of future pay awards: Enhanced funding for local authorities could be subsumed by pay awards after a long period of minimal increases.
- General inflation assumptions: Driven by monetary policy and cost factors, such as energy prices, supplier prices with increased demands on councils to deliver government priorities, wages, new trade arrangements.

## **National Funding**

Spending reviews are critically important to local authorities because they determine how much money will be given to Government departments, many of whom may then provide separate funding allocations to local councils.

Spending reviews are co-ordinated and managed by HM Treasury. The dates and length of spending reviews vary. Comprehensive spending reviews (CSRs) tend to be less frequent and aim to take a longer-term view and usually involve a series of zero-based reviews of public spending.

A spending review was anticipated for 2019 but due to the parliamentary time devoted to Brexit and the resulting political uncertainty a full review was not undertaken. Instead Government spending round figures were issued for 2020/21 only. The timing on any future spending review will now be determined by the new Government that was elected on 12 December 2019.

Key one off announcements relevant to Local Government included:

- Proposed 2% Council Tax referendum limit plus 2% Social Care Precept;
- Business Rates Reset and the Fair Funding Review will be deferred until 2021/22;
- 75% Business Rates Pilots will end in March 2020, with no new pilots planned for 2020/21;
- Revenue Support Grant for 2020/21 will be at 2019/20 levels plus CPI;
- New Homes Bonus – legacy payments will be paid but there is no confirmation regarding new payments going forward;
- Social Care – additional £1 billion nationally to be delivered through grant in addition to the funding currently received in 2019/20. The current funding streams of iBCF, Winter Pressures Grant and Social Care Grant will continue for 2020/21;
- The Better Care Fund (BCF) will increase by 3.4% in real terms, as part of the increase to NHS funding, stated to be a national total of £100M;
- Public Health Grant – will see a real terms increase of £100M to be in line with the increase in the Better Care Fund;
- Schools – an additional £700M High Needs for 2020/21 on top of previous levels of agreed funding;
- Homelessness – additional £54M announced nationally for 2020/21

The outcome of the General Election is a Conservative Government with a majority of 80 seats. The Queen's Speech was delivered on 19 December and proposes a total of 29 Bills and various other policies and commitments to outline the legislative programme for the Government. The areas affecting Local Government directly include:

- Social Care - the £1 billion of additional funding for this area is committed for each year of this Parliament and the 2% social care precept for 2020/21 is re-announced;
- Education – schools are to receive an extra £14 billion over three years. Further investment is promised for primary school physical education. From next year councils will be required to deliver the minimum per-pupil funding in their local area as part of the existing Government commitment to deliver this funding directly to schools through a single national formula. The free schools programme will be expanded. The Government has also announced a new National Skills Fund of £3 billion over the course of the Parliament, £1.8 billion over the same period to upgrade Further Education colleges and announced a plan to establish 20 Institutes of Technology across England.

- Housing – a social housing whitepaper which aims to empower tenants and support the continued supply of social homes. Associated targets are for housebuilding of 1 million properties and an end to rough sleeping by the end of the Parliament;
- Business Rates – The importance of business rates to local authority funding is emphasised. The manifesto pledges of a fundamental review and an increase to the retail discount relief (from 33% to 50%) and extension of this to cinemas and music venues. In addition, pub relief and an extension of the local newspaper relief are planned. It is expected that the lost business rates income from these new / higher reliefs announced will be, as per previous changes, offset by increased s31 grant payments and thereby no impact on Local Authorities. The Government restated its commitment to a review of the business rates system and to move to three-yearly revaluations, beginning in 2021. In 2017, the Government adjusted for the impact of revaluation to ensure that authorities' funding positions are unaffected by the changes (subject to the impact of appeals to the new valuations);
- Climate change - a new £640M Nature for Climate fund; £4 billion for flood defences and £9.2 billion for energy efficiency; £800M for carbon capture storage. There is also the intention to support infrastructure for electric vehicles such that there are charging points every 30 miles.

After the Queens Speech, the Ministry of Housing, Communities and Local Government issued the provisional Local Government finance settlement which was in line with the assumptions made throughout the budget planning process. All possible steps will be taken to ensure that the final settlement aligns with local authority budget setting timetables.

### **Regional position**

In Summer 2017 the Leaders and Chief Executives of South Essex – Basildon, Brentwood, Castle Point, Rochford, Southend-on-Sea, Thurrock and Essex County Council – embarked on a process to develop a long-term growth ambition that would underpin strategic spatial, infrastructure and economic priorities across the sub-region. The 'South Essex 2050 Ambition' (SE2050) is now being taken forward through a number of workstreams to develop:

- the spatial strategy, through a Joint Strategic Plan;
- a Local Industrial Strategy;
- a strategic Infrastructure Framework;
- a Place Narrative.

The context for the SE2050 Ambition is to ensure that the local authorities remain in control of South Essex as a place, putting them in a strong position to shape and influence wider plans and strategies, for example, the Thames Estuary 2050 Commission and the London Plan, and Government and other investment priorities.

The local authorities recognised that long term healthy and sustainable growth in South Essex could only be delivered through a strategic solution and that would require some politically and technically challenging decisions as the Ambition is implemented. In January 2018, therefore, the local authorities formed the Association of South Essex Local Authorities (ASELA) to ensure the implementation of the Ambition has strong leadership and is managed on a truly collaborative basis.

The spatial strategy to implement the SE2050 Ambition is being implemented through a new planning 'portfolio' with a Joint Strategic Plan (JSP) currently being prepared to provide the overarching framework. Local plans and other place-shaping tools will be used to deliver this on the ground, using the range of planning tools available in a more flexible and responsive way.

Work on the JSP is underway with a Project Delivery Board in place, reporting through a Member structure to ASELA, and a timetable and scope agreed. A Statement of Common Ground was published in June and has been formally agreed by all partners, alongside an update to each authority's Local Development Scheme.

The current timetable is ambitious, with the full process through to adoption expected to take 2-3 years at the most. The local policies and place-shaping plans will be developed alongside the JSP but will have to fully reflect its overarching strategy. Timing of the planning portfolio will therefore be carefully managed through the Statement of Common Ground and under the steerage of ASELA.

### **Local drivers**

2050 priorities and political administration priorities to support the ambition, roadmap and desired outcomes, while placing greater emphasis or prioritisation on particular areas. Among these are:

- new housing opportunities, including new social and key worker housing;
- measures to improve the private rented sector;
- prioritisation of the green agenda;
- a more integrated approach to transport, including reviewing the current approach to parking;
- enhancing local people's skills and making the council a living wage employer.

Other local drivers include:

- Increasing demand for services with a population projected to increase from 182,000 to 192,200 by 2025, an increasingly aging population due to grow from 19% to 23% by 2030 and a higher birth rate;
- The need for an anticipated 22,000 homes by 2030 and the increasing demand for new school places.
- Commitment to meeting 2050 priorities, including: tackling climate change, community safety, rough sleeping, housing and skills pipelines, public and integrated transport, key regeneration projects (Seaways, Airport Business Park), digital borough, tackling inequalities – notably on education, health and income;
- New priorities of future Council administrations, with local elections due in 2020, 2022, 2023 and 2024;
- The impact of non-achievement of anticipated efficiencies from new ways of working, service re-organisations or poor budget management in places;
- The impact of becoming a National Living Wage employer and seeking to achieve real living wage accreditation;
- The need to achieve more income from fees and charges is not always attainable, with anticipated levels of income subject to a range of factors that vary between services.

### **2.3 Physical-Environmental Factors**

The council owns over 6,000 socially rented properties, which are managed by our arm's-length management organisation, South Essex Homes. Over 1,500 local households are on our housing waiting list.

The council's housing, homelessness and rough sleeping strategy (2018 - 2028) sets out a long-term plan to prioritise the supply of safe, locally affordable homes, support people to live independently in their own homes and avoid homelessness and ensure any instance of homelessness is brief and does not re-occur.

This plan includes meeting the government's target of delivering 11,140 new homes between 2016 and 2026. With the current average annual delivery of all homes (including affordable) standing at 340 homes a year, this is clearly a challenge.

To ensure we can prevent increased levels of homelessness, housing induced poverty and poor or unsuitable housing conditions, we are working with housing associations to ensure a focus on good quality affordable housing and also developing our own social housing. This has already seen the delivery of thirty-three new homes, with a number more in the pipeline. This is complemented by the council's acquisitions programme, with fifteen homes bought from the private market so far.



### **3 The Financial Challenge**

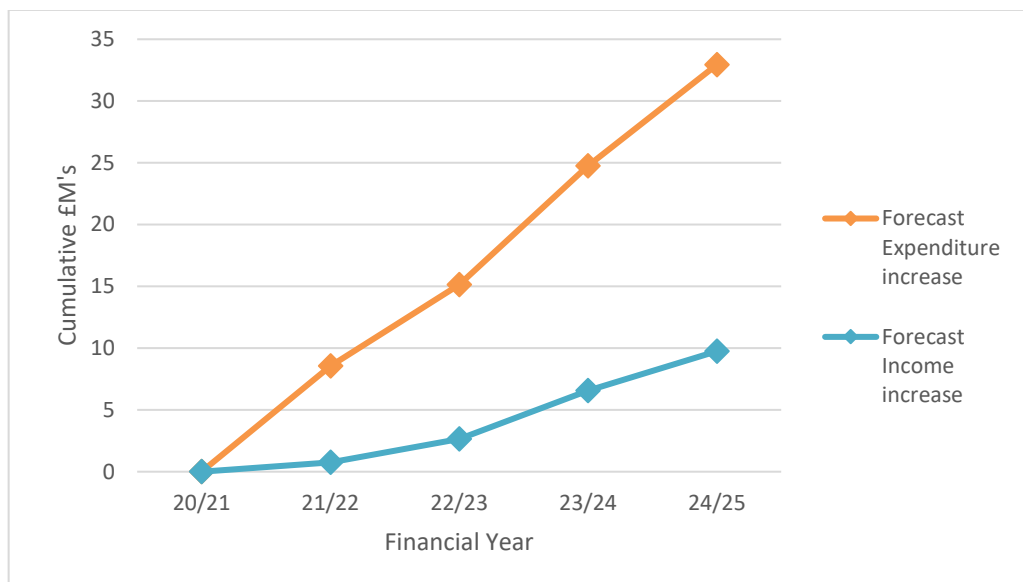
#### **3.1 Forecast Financial Position 2020/21 to 2024/25**

Southend-on-Sea Borough Council is dealing with many of the same financial challenges as most other upper tier Authorities across the country. Most local authorities are experiencing increasing demand for key priority social care services which is placing a strain on available resources. A recent survey has identified that around 90% of Councils are now highlighting increasing demand and are also overspending in meeting the needs of children and families.

The costs associated with maintaining quality in our services and environment for local residents and businesses is very challenging. Around 60% of the Council's net budget is spent on providing support for People based services, such as social care, but the housing growth in the area also brings additional challenges for our other key services such as increased waste collection and disposal and highway maintenance. We are proud to be a tourist destination of choice, welcoming well over 7 million visitors each year but this also has an impact on our infrastructure and environment, which needs to be carefully managed and resourced.

The Council's current forecast financial position is detailed in the following chart for each of the next five years and is based on the best information currently available and the series of assumptions that were outlined in Section 1.6. An updated assessment will be made each year during annual budget setting to reflect any significant changes to our operating environment, identification of new pressures, updated forecasts, policy or Council strategy changes. All known factors have been built into the financial modelling to ascertain the forecast financial position.

The following graph illustrates the funding gap to 2024/25 as reported to Council in February 2020.



Overall the Council remains in a strong and resilient financial position, despite the potential impact of the current range of demand and spending pressures. This is evidenced and supported by CIPFA's Financial Resilience Index 2019 and a range of other factors. When compared to our statistical neighbours, we believe that from a financial resilience perspective we would currently be placed in the top quartile of all upper tier local authorities in the country. We aim to stay there.

### 3.2 CIPFA's New Financial Management Code – Self Assessment

Good financial management is an essential element of good governance and longer-term service planning, which are critical in ensuring that local service provision is sustainable. CIPFA have published (October 2019) a new Financial Management Code (FM Code) which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It essentially sets the standards of financial management for local authorities.

It is based on a series of principles which are supported by specific standards which are considered necessary to provide the strong foundation to:

- Financially manage the short, medium and long-term finances of a local authority
- Manage financial resilience to meet unforeseen demands on services
- Manage unexpected shocks in their financial circumstances

The following graphic summarises the headline 6 core principles of the FM Code and the subsequent 17 minimum standards (A-N) that will come into effect from 1 April 2020 with the first full year of compliance being the 2021/22 financial year.



*(The capital letter references shown are as set out in the Code.)*

During 2020/21 the Council will undertake a comprehensive evidenced based self-assessment against each of the 17 standards contained within the FM Code. This will be shaped by the Code guidance when it is issued (expected April 2020).

An improvement plan will be developed as required ensuring that by the start of the 2021/22 the Council will be fully compliant and at least meet the minimum standard for all 17 components.

### 3.3 Financial Sustainability 2020 - 2030

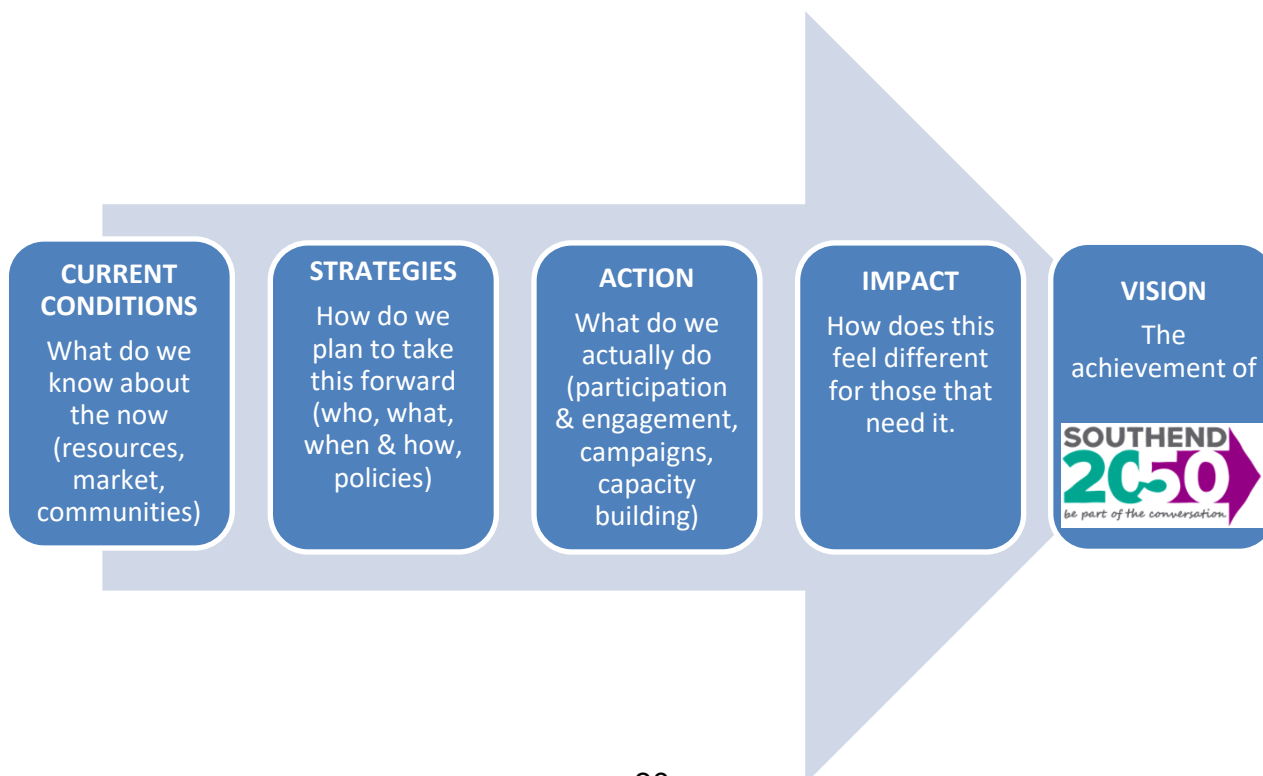
The statutory local authority budget setting process continues to be on an annual basis, but a longer-term perspective is essential to demonstrate financial sustainability. Short-termism runs counter to both sound financial management and sound governance. To highlight the importance of this issue and to provide a clear high-level strategic framework, the Council has developed a new Financial Sustainability Strategy for 2020 – 2030. The MTFs is fully aligned with this strategy and effectively provides a more detailed phased plan of activity and considerations to ensure we maintain long-term financial sustainability.

### 3.4 Commissioning Framework for Delivering Better Outcomes

Commissioning is the process by which we understand the collective approach needed in order to deliver the Southend 2050 outcomes and what we need to do with others to make them happen. In practice, this is not in-sourcing or out-sourcing but clearly '**right-sourcing**'.

Our goal is to drive a robust and balanced framework for commissioning into the fabric of the organisation. Designed alongside the 'creating the conditions' work, our commissioning framework will embed the values and behaviours required in everything we do as an authority through a set of core principles.

Supported by a **theory of change approach** (see illustration below), our commissioning practice will define long, medium and short-term goals and then map backward to identify the necessary preconditions for success.



Continuously driving the delivery of the Southend 2050 Ambition, our approach will be steeped in evidence of the current conditions whilst our strategies, engagement and action planning will remain focused on the achievement of an impact for the communities of Southend.

These principles and what they mean in practice are outlined in our Commissioning Framework, the purpose of which is to ensure that:

- We are consistently commissioning to high standards, making the best use of the tools and resources available
- We utilise best practice, Statutory Guidance and legislation (e.g. The Social Value Act) to best effect in order to achieve our ambition
- We are accountable for ensuring that these principles are embedded in the organisation
- We each recognise and respect the important roles we play in ensuring that these principles are reflected through our commissioning activities
- Our assurance processes for commissioning are robust and agile to best support achievement of our ambitions and outcomes

### **3.5 Value for Money Commitment**

The Council is continually striving to improve all aspects of the organisation in terms of its efficiency, economy and effectiveness. Our goal is also to improve the wellbeing and productivity of all our staff by investing in technology, encouraging innovation, creativity and modern ways of working via our WorkLife initiative.

A programme of major service redesign is already in place to help us meet the evolving needs of our residents, improve their customer experience, whilst also enabling them to be more independent and our communities more self-sufficient and sustainable. This helps to target resources where they are needed most.

We hold memberships to CFO insights and Place Analytics, run by Grant Thornton's Public Services Advisory team and subscribe to LG Futures Financial Intelligence Toolkit. This package of information helps us to learn what other Local Authorities are doing, how we compare with them and assists in providing valuable intelligence, insight and challenge to our range of services. We are also one of the founder members of FutureGov's new impossible ideas programme.

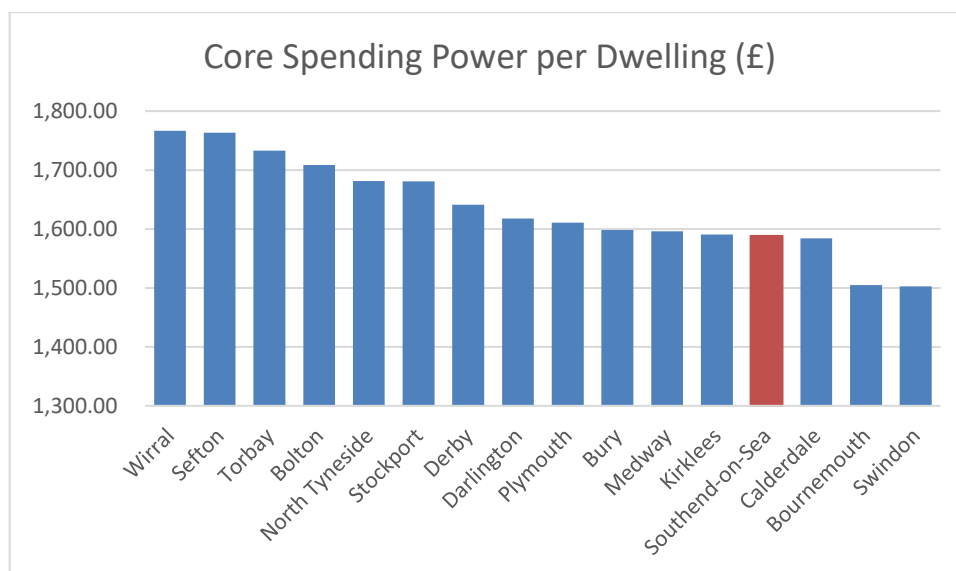
We consider and analyse all relevant available benchmarking information, including demand data, cost drivers, outputs, outcomes and income generation perspectives. This informs our 'Getting to Know Your Business' programme and provides support for all Directors and

Service Managers to help them understand where their service is relatively positioned from both a performance and finance perspective.

These arrangements will be enhanced in 2020/21 to encourage a more commercial and business focussed approach. Our ambition is to strive for the best blended approach of commercial acumen with a strong public sector ethos.

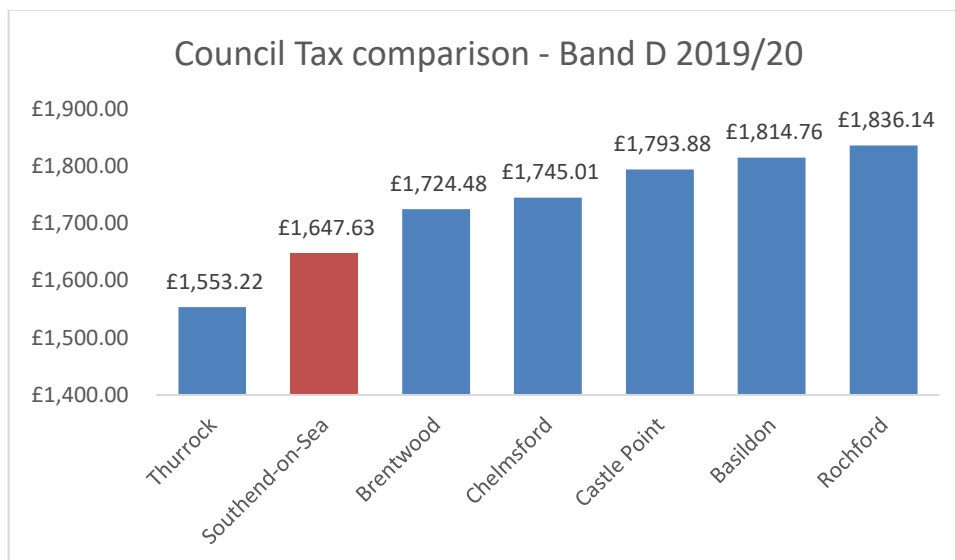
To inform and highlight our relative success in delivering the full range of unitary authority services locally with less resources – the following graph illustrates where we rank based on the spending power per dwelling against our nearest statistical neighbour comparator group.

We have the 13<sup>th</sup> lowest spending power per dwelling – which means that we have less comparable resources available to meet the relative needs of our local residents, when compared with similar local authorities. Taking in isolation this does not mean that Southend-on-Sea provides better value for money services, but it must be an important consideration.



(Source: LG Futures Statistical Neighbour Comparator Group).

Equally from a local perspective we are also determined to minimise the financial burden on the local council taxpayer for Southend-on-Sea where we can. The following chart illustrates the level of council tax (Band D equivalent) charged by Local Authorities from our nearest geographical neighbours in Essex for 2019/20. This is an important factor when considering Southend-on-Sea's commitment to providing value for money services that meet the needs of our local residents. It is also worth noting that over 70% of properties in the Borough are actually in Council Tax bands A to C.



### **3.6 Alternative Delivery Vehicles and Governance Arrangements**

By establishing ourselves as a commissioning council to deliver better outcomes it has also changed the way we work and invest. This new approach is evident by our adoption of a broader ‘best fit’ model of both service and delivery vehicles. We explore and then select the best set of arrangements to deliver our priorities in the most effective and efficient way. Getting the right outcome for the right people at the right price.

We have created a number of companies, joint ventures and trusts that we believe are the right vehicles to deliver our priorities in their particular areas. This organic growth into a group structure has taken place over recent years. The Council currently directly owns 6 companies, participates in 2 joint ventures established as legal entities and is sole trustee to 8 charitable trusts. We are also engaged in several partnerships and associations with other organisations.

To provide a common unified formal governance structure between the Council and its group of companies and its joint ventures, and to ensure proper exercise of its role as trustee, the Council established a Shareholder Board in November 2017. This ensured that not only good proportionate governance is discharged but also that the objectives of Southend 2050 are embedded and aligned within these delivery vehicles.

Each entity has its own internal governance arrangements. The wholly owned companies have governance arrangements in compliance with the Companies Act. The joint ventures essentially follow these same arrangements and the Trusts, although subject to the Charities Acts, are not managed as separate entities but managed as part of the Culture service area and work in compliance with the Council’s own good governance arrangements.

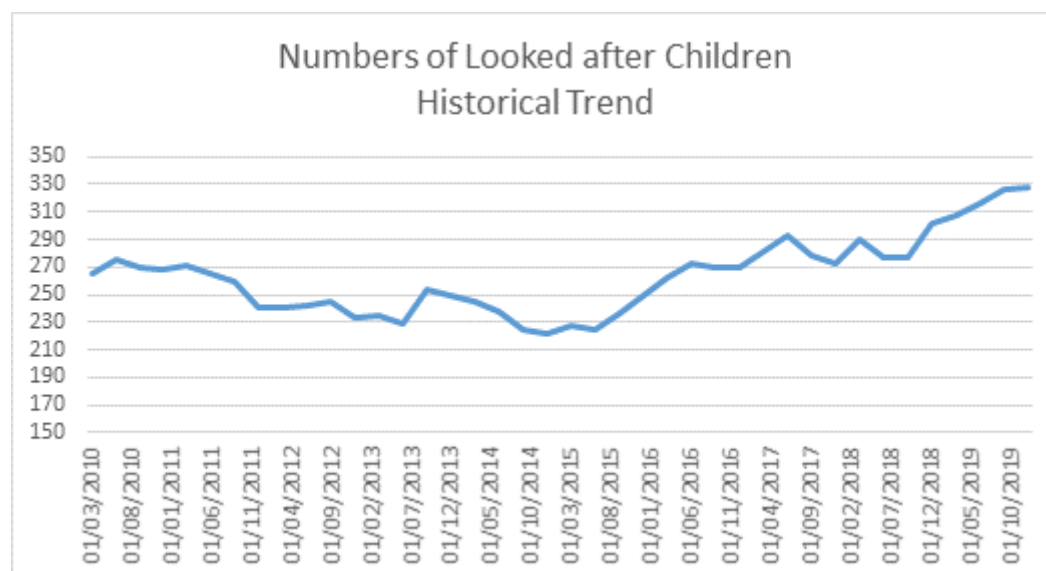
### 3.7 Financial Pressures and Key Service Demand Trajectories

There are several financial pressures faced by the council and these are reported to the Corporate Management Team, Councillors and other stakeholders as part of the budget monitoring reports on a regular basis. A number of these are demand led pressures which are generally replicating the challenges faced by most upper tier local authorities right across the country. It is important that these pressures are identified, key drivers behind demand trends are understood and wherever possible mitigated to ensure sound financial and service resilience in changing times.

#### Social Care – Children

One of the key pressures our Local Authority has been facing over the last five years (which is also a recognised national issue) is the increased demand on our Looked After Children (LAC) placements, combined with higher costs for external care placements. The following graph show our LAC numbers since 2010. The table below illustrates that we have seen a continual year on year increase for the last five years. Obviously if that trend continues – this will continue to add further financial pressure.

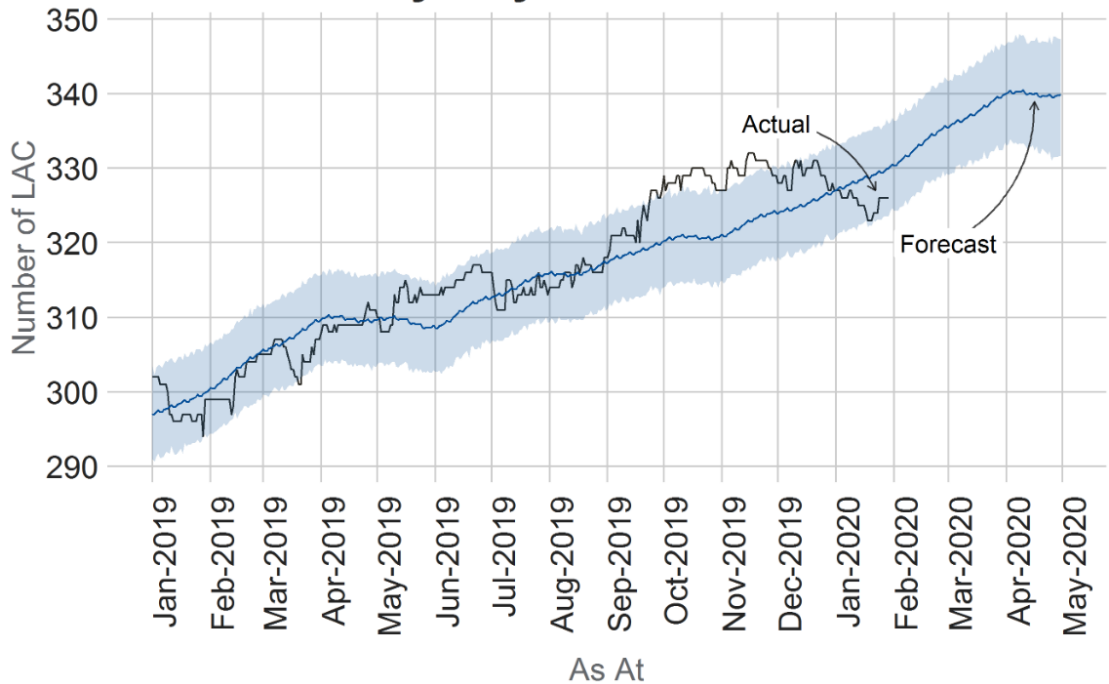
| As at              | 31 <sup>st</sup> March 2016 | 31 <sup>st</sup> March 2017 | 31 <sup>st</sup> March 2018 | 31 <sup>st</sup> March 2019 | 31 <sup>st</sup> October 2019 |
|--------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-------------------------------|
| LAC No's           | 262                         | 282                         | 295                         | 308                         | 330                           |
| % growth each year |                             | 8%                          | 5%                          | 4%                          | 7%                            |





Although not an exact science we have also attempted to use this historical data and appropriate trends to establish a potential future forecast. This is illustrated in the following chart. The Council have created a further £3M contingency in 2020/21, financed by earmarked reserves to provide additional resilience for this major potential additional demand.

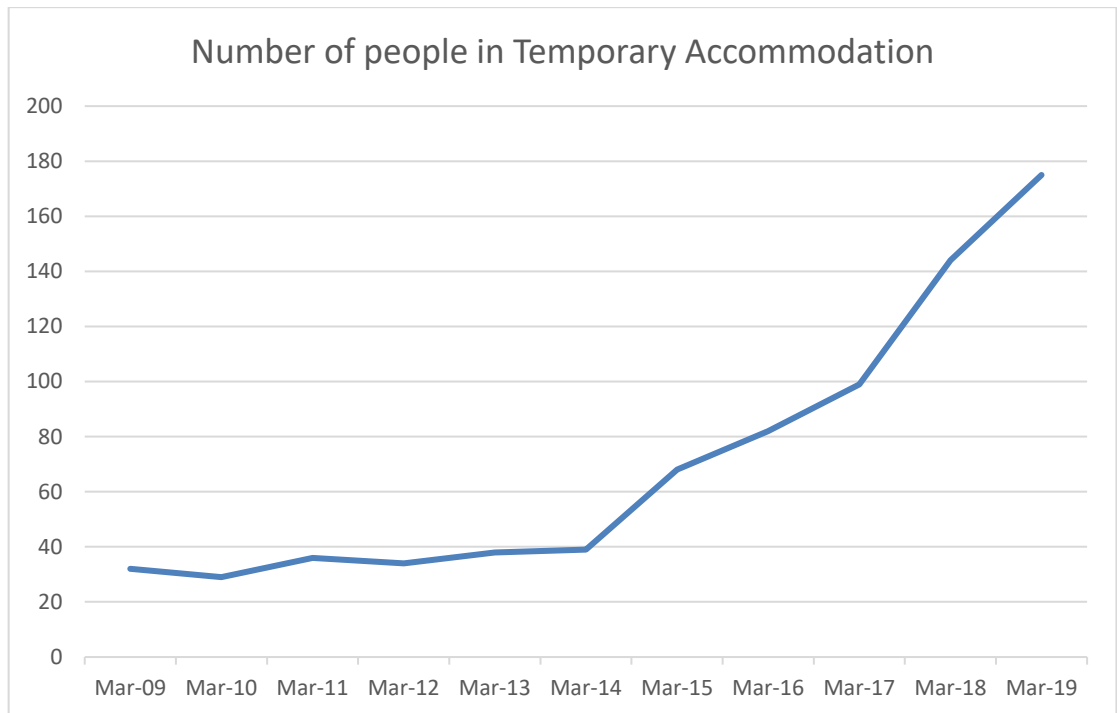
## Number of LAC by Day With Forecast



## Housing and Homelessness

Southend-on-Sea Borough Council did not use any bed and breakfast accommodation until 2017/18 when the Homelessness Reduction Act was implemented. Historically, we used our hostels for temporary accommodation, but demand has continually increased to such an extent that we now must use bed and breakfast accommodation, as well as the council's temporary accommodation, to discharge our duty. The lack of affordable housing in the private sector makes it harder to move households on from temporary accommodation.

The following graph highlights the scale of the challenge and shows the number of households placed in temporary accommodation from 2009 to 2019.

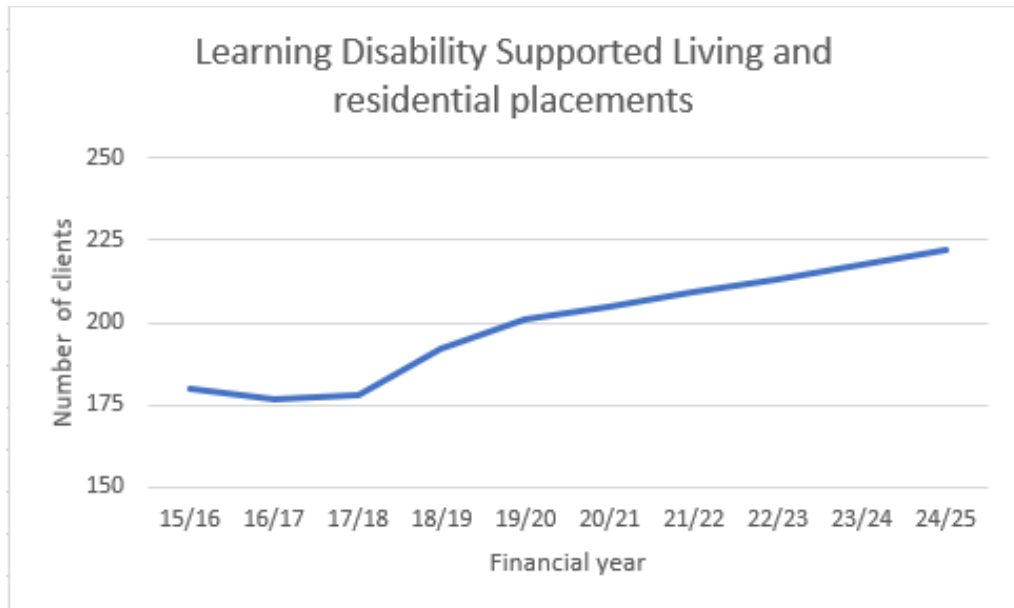


To help with this challenging issue we have been successful in bidding for extra resources from the enhanced homelessness/rough sleepers initiative that was launched by the government in January 2020. We have secured £705,155 for 2020/21.

### **Social Care – Adults with Learning Disabilities**

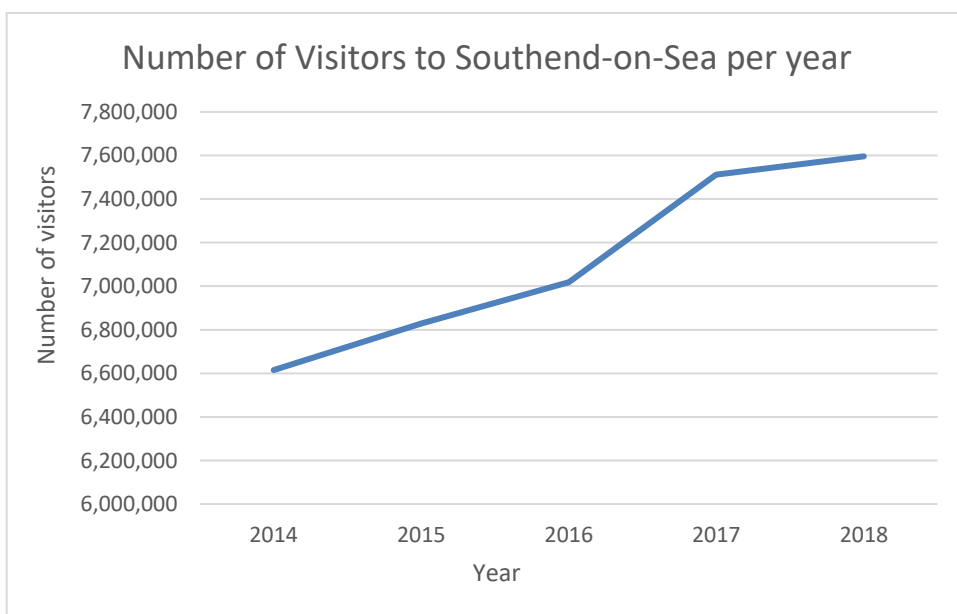
One of the main demand pressures in Adult Social care is the increasing number of Adults with Learning Disabilities. The two main sources for the increases are through transitions from Children’s services or as a result of a breakdown in historical family arrangements where parents or relatives are seeking more help and support, in some cases they are no longer able to look after them. This has resulted in an increase in the number of permanent Supported Living and Residential placements. It is anticipated that this is likely to continue, adding to the existing pressures on Adult Social Care Services.

The following graph illustrates the potential forecast increase in the number of clients with learning disabilities that may require permanent Supported Living and Residential placements.



### Infrastructure and Environment – Visitors

Southend-on-Sea continues to be an attractive tourist destination for both day-trippers and overnight stays, with an increase of 15% in visitor numbers over the past 5 years. Visitors bring with them a great economic benefit to the Borough, but this also has an impact on our infrastructure and environment, which needs to be carefully managed and resourced.



### 3.8 New Investments

The level of resources available for revenue and capital investment are subject to extensive challenge and prioritisation to ensure that investment is designed to have a positive impact and is aligned to deliver Southend 2050 outcomes and first phases of the road map.

For revenue prioritisation of proposed investment, careful assessment was given to current demands and pressures and for existing local priority services and to a range of initiatives that are not only aligned to our 2050 priorities, but would also have a big value for money impact in providing better outcomes for local residents.

For capital prioritisation of proposed investment this is achieved through application of the Capital Investment Strategy 2020/21 – 2024/25. This is a key document which forms part of the authority’s integrated revenue, capital and balance sheet planning. It provides a high-level overview of how capital expenditure; capital financing and treasury management activity contribute to the delivery of desired outcomes. It includes an overview of the governance processes for consideration, prioritisation, and approval of capital investment.

Below is a summary of the investments included within the 2020/21 budget grouped by investment theme.

| Theme                      | Revenue<br>(one year)<br>£'000s | Capital<br>(5 year)<br>£'000s | One-off<br>£'000s | TOTAL<br>£'000s |
|----------------------------|---------------------------------|-------------------------------|-------------------|-----------------|
| Pride and Joy              | 200                             | 5,335                         | 300               | <b>5,835</b>    |
| Safe and Well              | 5,810                           | 17,600                        | 900               | <b>24,310</b>   |
| Active and Involved        | -                               | -                             | 200               | <b>200</b>      |
| Opportunity and Prosperity | (75)                            | 3,200                         | 1,490             | <b>4,615</b>    |
| Connected and Smart        | 1,200                           | 7,810                         | -                 | <b>9,010</b>    |
| Enabling                   | (1,780)                         | 14,945                        | 1,305             | <b>14,470</b>   |
| <b>TOTAL</b>               | <b>5,355</b>                    | <b>48,890</b>                 | <b>4,195</b>      | <b>58,440</b>   |

*(Source: Main Budget Report Appendices 6, 7 and 10)*

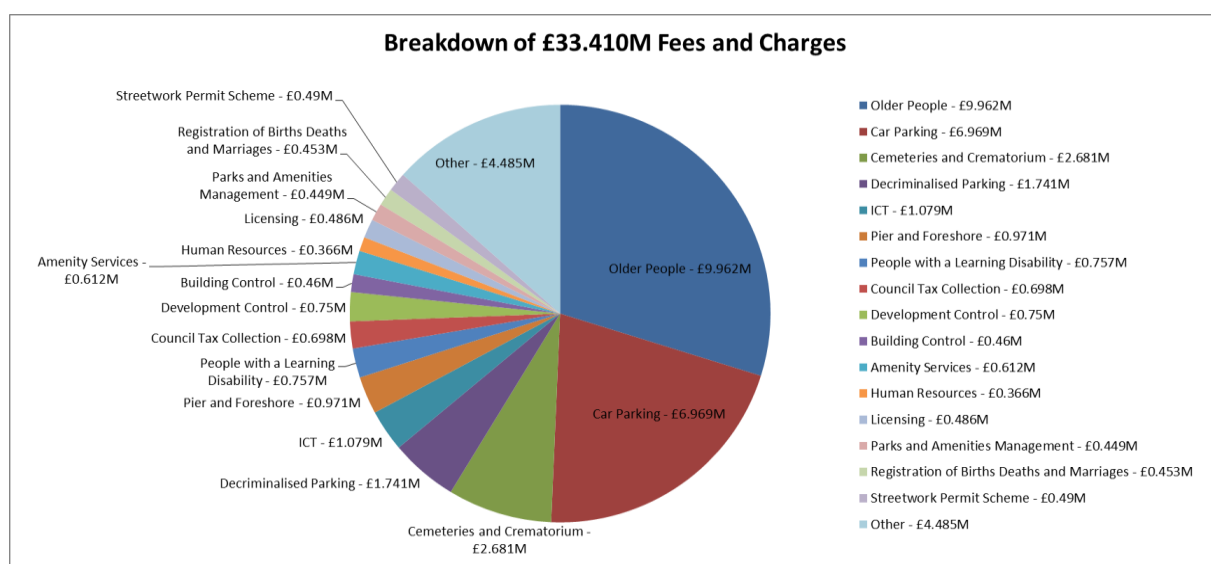
### 3.9 Income Generation and Commercial Opportunities

The Council has recently introduced a new ‘Getting to know Your Business’ work programme that is designed to ensure that all business areas have a comprehensive understanding of service expenditure drivers, potential income streams and commercial opportunities where appropriate. Development of a new Commercialisation Strategy is under consideration and training and awareness sessions which share best practice and highlight commercial success from both within and outside the organisation is already being delivered.

All service leads and managers will be supported to gain a better understanding of the financial performance of their business areas. This will include highlighting what scope there is for reducing subsidy, managing demand, exploring new income and commercial opportunities to ensure the best value for money is delivered for the residents of Southend-on-Sea. The Senior Leadership Network within the authority recognise that they are all custodians of public funds and are striving to improve efficiency, productivity and performance to get the most impact and better outcomes from each £1 that is invested locally.

Service leads will take full ownership and accountability for the fees and charges generated, support and benchmarking intelligence will be provided to give assurance that the charges are appropriate, proportionate and are applied correctly.

Fees and charges are received for a range of services and the following pie chart illustrates the varied scale of where this income is generated in relation to the 2020/21 budget.

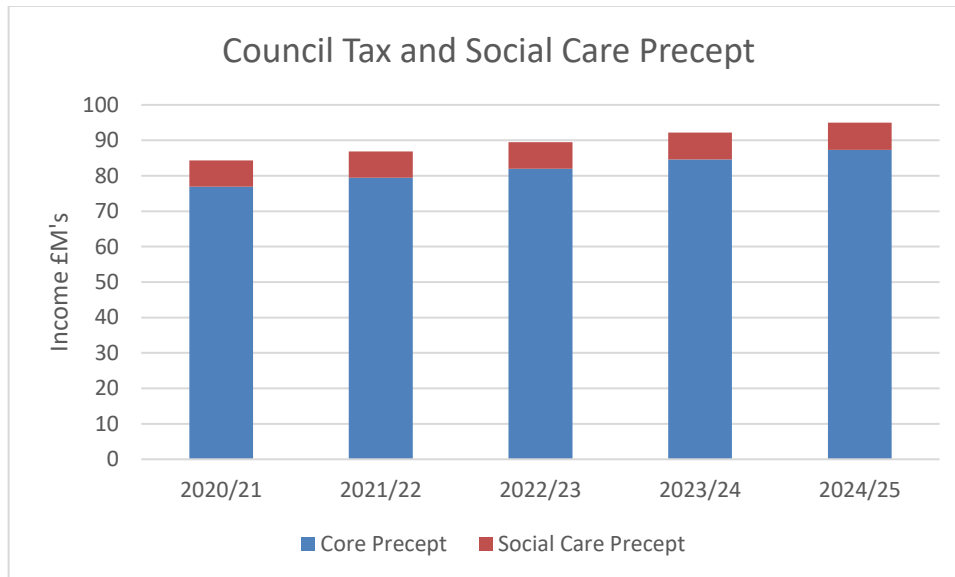


### 3.10 Council Tax

There is a 3.99% increase in Council Tax for 2020/21 (including 2% for adult social care). For planning purposes an increase of 1.99% has been assumed for future years with no increase included for social care. Changes in the number of households affect the tax base for Council Tax purposes, as does the number of Council Tax Support claimants. The Council Tax base for 2020/21 is 58,680.94 (equivalent Band D properties).

The Medium Term Forecast assumes an increase in the Council Tax base of 0.44% in 20/21 with further increases of 1% per year over the

following four-year period. The Council also plans to release phased accumulated Council Tax surpluses over the five-year period. The following graph illustrates the current forecasted level of Council Tax and Social Care Precept until 2024/25.



### 3.11 Housing Revenue Account

The Housing Revenue Account is a ring-fenced account which stands apart from the General Fund, although there are charges between the two funds to reflect Service Level Agreements and corporate support services.

The HRA is the statutory “landlord” account for the authority. The Council is obliged by law to set rents and other charges at a level to avoid a deficit on the HRA balance. The HRA estimates have been prepared alongside South Essex Homes, and incorporate their management fee bid.

There is major investment via the HRA Capital Programme of £57.261M planned over the next five years. This will ensure that we maintain decent homes and improve those that need it. The types of works will include electrical wiring, bathroom installations, new roofs, new kitchens, new windows and door replacements and installation of new more economical and energy efficient boilers.

The Council has concluded a procurement exercise to choose a partner organisation with which to regenerate the Queensway estate. Swan Housing Association has been approved as the preferred bidder. The regeneration ambition will see the existing 441 predominately council owned homes redeveloped into a vibrant, mixed tenure community with enhanced public realm and facilities. This will mean that over time the estate will no longer form part of the HRA.

The MTFFS assumes that this development would be broadly neutral at this stage. On the basis that lost rental income will be largely offset by a reduced need for management and maintenance liabilities. Some basic allowance has been made for a net loss in future years. Further work will be undertaken to understand the exact implications when the redevelopment proposal is finalised and phased, including how any decant process will work. The MTFFS will be updated as soon as a better understanding of the exact timing of any impact is known.

In October 2017, the government announced its intention to set a long term rent deal for both Local authorities and housing associations. This allows rent increases of up to CPI at September each year plus 1 percentage point from 2020/21. This has resulted in a 2.7% rent increase for 2020/21. The MTFFS demonstrates that the HRA is currently financially robust.

### **3.12 Asset Management Plan**

The Corporate Asset Management Strategy (CAMS) sets out the way in which the Council makes decisions on asset related matters and identifies procedures and governance arrangements to monitor and improve the use of its assets to increase efficiency and maximise returns. The plan is reviewed annually alongside the MTFFS and updated as appropriate.

The Plan divides all the Council's assets into five investment blocks. These are:

- Operational assets – The Council's operational buildings;
- Non-operational assets – The Council' investment portfolio;
- Regeneration assets – Assets acquired or held to support regeneration;
- Surplus Assets – Assets which have no sound case for retention;
- Infrastructure required to deliver the Plan, notably ICT.

Some assets sit within specific policy and legislative frameworks or are important by virtue of specific features of Southend. These are housing, highways and transport assets, schools and children centres, car parks, listed buildings and designated areas, and the sea defences and cliffs.

The CAMS brings asset-related decision making (on acquisition and disposal) together with the procedures guiding investment through the Capital Investment Programme.

The CAMS was comprehensively reviewed and updated for the period 2015 – 2025 and was approved at the Cabinet meeting in September 2015 to provide high-level strategic focus to enable flexibility over the plan period and to reinforce the current Vision and Strategic Aims of the CAMS that all the Council's assets are corporately held and managed strategically to:

- Support efficient and effective service delivery;
- Support regeneration and development and enable the Council to achieve its objectives;
- Rationalise, develop and improve the portfolio to underpin the capital investment programme and revenue budget through development, income generation, property acquisition and disposals;
- Actively support co-location and integration with other public-sector partners.

The CAMS also includes a property investment strategy with its own set of governance arrangements to enable investment opportunity decisions to be taken quickly against a pre-agreed set of investment performance criteria such as and including lot size, yield, property type, lease terms and covenant strength. The first acquisition under this was made during 2017/18.

The CAMS also supports the Council's high priority major projects such as Better Queensway, Airport Business Park, Care and Learning Disability re-provision.

Some further updates will be made during 2020/21 as follows:

- Corporate structure and governance changes to reflect the current structure of the Council;
- Updates to reflect the latest 2050 position and direction of travel;
- Methodology for the prioritisation and decision-making process around Council assets (particularly the development pipeline) with associated governance;
- To update the schedule of charges relating to property transactions;
- To monitor the Government's position on Commercial Property Investment;
- To update the Property Metrics section;
- To ensure that the framework is in place to move forward with benefits derived from WorkLife and improved agility to improve collaboration, share costs and generate income;



- To clearly and more appropriately distribute responsibility for particular assets (e.g. footpaths, non-adopted roads, watercourses) to ensure these are managed efficiently in the most appropriate section of the business.

### **3.13 Capital Investment Programme**

Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing fixed asset which is needed to provide services such as housing, schools and highways. Fixed assets are tangible or intangible assets that yield benefits to the Council generally for a period of more than one year, e.g. land, buildings, roads, vehicles. This contrasts with revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services. Capital grants, borrowing and capital receipts can only be spent on capital items and cannot be used to support the revenue budget. However, it should be noted that revenue funding can be used to support capital expenditure.

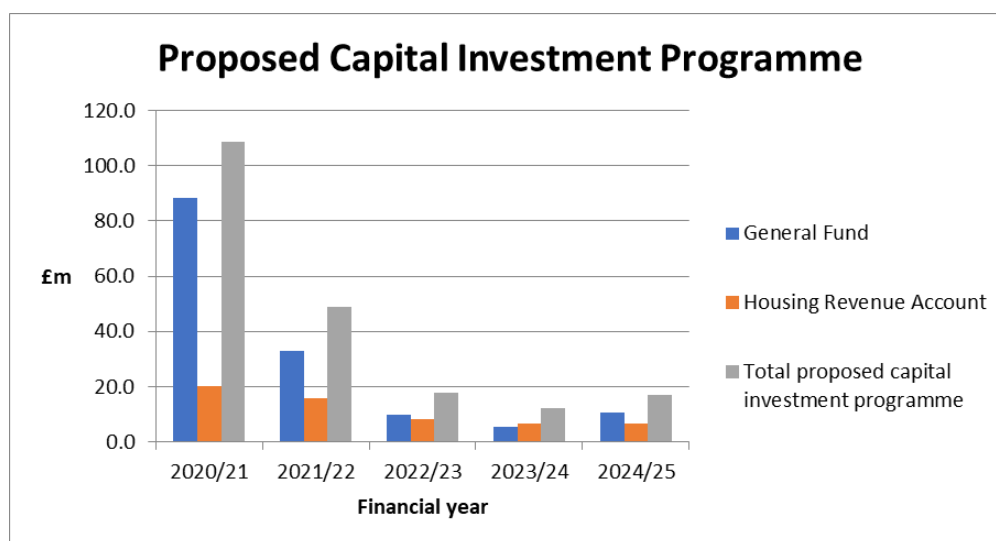
The Capital Investment Strategy covers all capital expenditure and capital investment decisions, not only as an individual local authority but also those entered under group arrangements. It sets out the long-term context in which decisions are made with reference to the life of the projects/assets.

It is a key document and forms part of the authority's integrated revenue, capital and balance sheet planning. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of desired outcomes. It includes an overview of the governance processes for approval and monitoring of capital expenditure and how investment decisions take account of stewardship, value for money, prudence, sustainability and affordability. It also provides an overview of how associated risk is managed and the implications for future financial sustainability.

The capital investment programme is prepared and developed in accordance with the Capital Investment Strategy. In turn, the Capital Investment Strategy has been written in the context of Southend 2050 and the five themes and all capital investment is therefore driven by the aim of contributing to the delivery of the ambition and the desired outcomes.

The resulting new investment into the capital investment programme of the next five years is shown at Section 3.8.

The proposed total capital investment programme over the next five years is illustrated in the following graph:



### 3.14 Treasury Management Strategy

The Treasury Management Strategy is an area of activity which covers the management of the council's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks.

In compliance with the CIPFA Treasury Management Code of Practice the Council's treasury management strategy comprises:

- the Treasury Management Policy Statement;
- the Treasury Management Strategy;
- the Annual Treasury Management Investment Strategy.

The purpose of the Treasury Management Policy Statement is to set out the scope of the Treasury Management function, the policy on borrowing, debt restructure, investments, delegation and management of risk.

The budget includes provision for the financing costs of the Council's Capital Investment Programme, including interest on external borrowings. Offsetting this, the Council will earn interest by temporarily investing its surplus cash, which includes unapplied and set-aside capital receipts. These budgets depend on many factors, not least the Council's level of revenue and capital budgets, use of reserves, methods of funding the budget requirement, interest rates, cash flow and the Council's view of risk.

The purpose of the Treasury Management Strategy is to set out how the budgeted financing costs can be achieved. It covers the prospects for interest rates and the strategy on borrowing and debt restructuring.

The purpose of the Annual Treasury Management Investment Strategy is to set out the investment objectives and the policies on the use of external fund managers, on the investment of in-house managed funds and on the use of approved counterparties.

The Audit Committee have responsibility for the scrutiny of the Treasury Management Strategy. The policy is approved by Council in advance of the year to which it relates. It is then monitored regularly and updated, as appropriate, to reflect changing circumstances and guidance with updates approved by Council as and when required.

It is projected that surplus cash balances will average £114m (of which £49m is the estimated sum of medium term and long term funds managed by external fund managers) during 2020/21 based on information currently available and historical spending patterns.

### **3.15 Minimum Revenue Provision Policy**

The Minimum Revenue Provision (MRP) is an amount to be set aside for the repayment of debt. Each Local Authority has a general duty to charge an amount of MRP to revenue which it considers to be prudent, with responsibility being placed upon the full Council to approve an annual MRP policy statement.

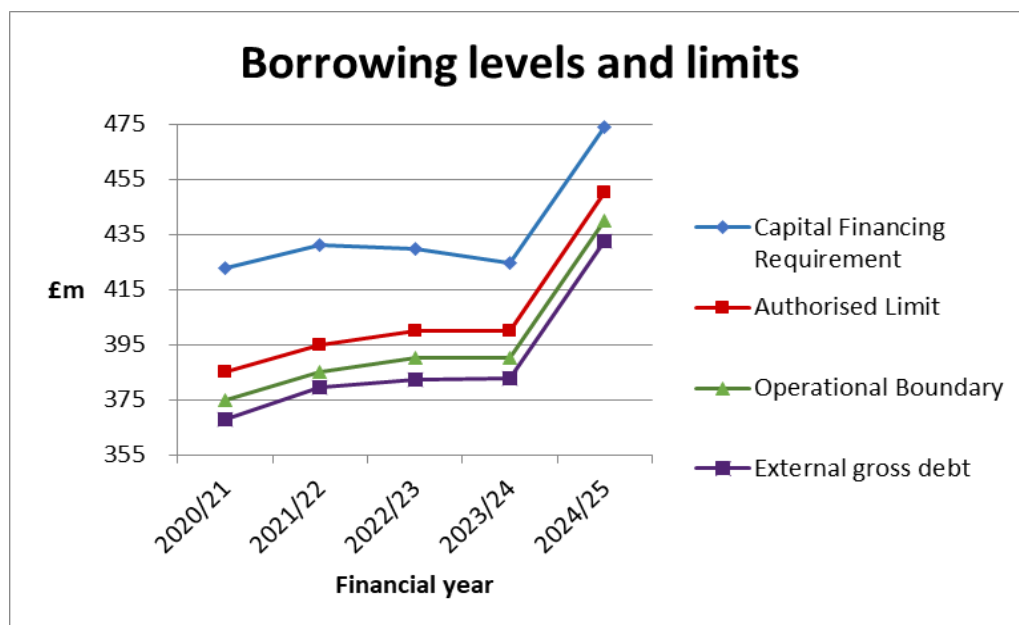
### **3.16 Prudential Indicators**

The Prudential Code is the key element in the system of capital finance that was introduced from 1 April 2004 as set out in the Local Government Act 2003.

Individual authorities are responsible for deciding the level of their affordable borrowing, having regard to the CIPFA code, (which has legislative backing). Prudential limits apply to all borrowing, qualifying credit arrangements (e.g. some forms of lease) and other long term liabilities. The system is designed to encourage authorities that need, and can afford, to borrow for capital investment to do so.

Under the Local Government Act 2003 each authority can determine how much it can borrow within prudential limits (unsupported borrowing). The Government does have powers to limit the aggregate for authorities for national economic reasons, or for an individual authority. The majority of capital expenditure will continue to be directly supported by Government through capital grant or by Council unsupported borrowing.

The following graph shows the Council's level of external gross debt compared to its agreed borrowing limits and the estimated Capital Financing Requirement (the Council's theoretical need to borrow).



The operational boundary is how much gross external debt the Council plans to take up and reflects the decision on the amount of debt needed for the Capital Investment Programme for the relevant year. The authorised limit is higher than the operational boundary as it allows sufficient headroom to take account of unusual cash movements.

The CIPFA Prudential Code for Capital Finance in Local Authorities has been developed to support Local Authorities in taking capital investment decisions and to ensure that these decisions are supported by a framework which ensures prudence, affordability and sustainability.

Another objective of the Code is that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation.

To demonstrate compliance with these objectives each authority is required to produce a set of prudential indicators. These indicators are designed to support and record local decision making and are not for comparison with other authorities. The setting and revising of these indicators must be approved by Cabinet and Council.

In setting or revising its prudential indicators, the local authority is required to have regard to the following matters:

- service objectives (e.g. strategic planning);
- stewardship of assets (e.g. asset management planning);
- value for money (e.g. options appraisal);
- prudence and sustainability (e.g. risks, whole life costing and implications for external debt);
- affordability (e.g. implications for long-term resources including the council tax);
- practicality (e.g. achievability of the forward plan).

### **3.17 General Fund Balance**

In accordance with best practice guidance issued by CIPFA, the minimum level of General Fund balances is reviewed, and assessed on an annual basis. The Executive Director (Finance & Resources) recommends: -

- An absolute minimum level of General Fund reserves of £8M to be maintained throughout the period between 2020/21 to 2024/25
- An optimal level of reserves of £10M over the period to cover the absolute minimum level of reserves, in-year risks, cash flow needs and unforeseen circumstances
- A maximum recommended level of reserves to £12M over the period to provide additional resilience to implement the MTFS

This assessment has been derived by taking a risk-based approach to the overall General Fund Revenue Account, including reviewing income volatility and realism of income targets, interest rate exposure, third party provider risks, potential overspends in demand led areas such as social care and safeguarding for both adults and children and any other potential issues which may need to be taken into consideration.

### **3.18 Reserves Strategy**

As well as maintaining a risk based General Fund Balance the Council also sets aside Earmarked Reserves (for these purposes earmarked reserves excludes school balances) for specific items.

Considering the increasing level of risk and uncertainty identified within the MTFS and the probability of resources being required to support service transformation and delivery, a full review of useable reserves and provisions has been undertaken.

Each year as part of closing the accounts a view is taken on maintaining and strengthening, where necessary, those reserves specifically earmarked to support the highest areas of risk. This results in the rationalisation of reserves and provisions where possible and in some cases additional funding being set aside.

In relation to the adequacy of reserves (excluding General Fund Balance summarised in section 3.16), the Council's Section 151 Officer (Executive Director of Finance and Resources) recommends the following Reserves Strategy. The Strategy will be reviewed annually and adjusted in the light of the prevailing circumstances.

### **Housing Revenue Account**

In relation to the Housing Revenue Account (HRA) in 2020/21 and the medium to long-term:

- a) Given the current status of housing management provision the recommendation is that reserves be maintained at £3.0m.

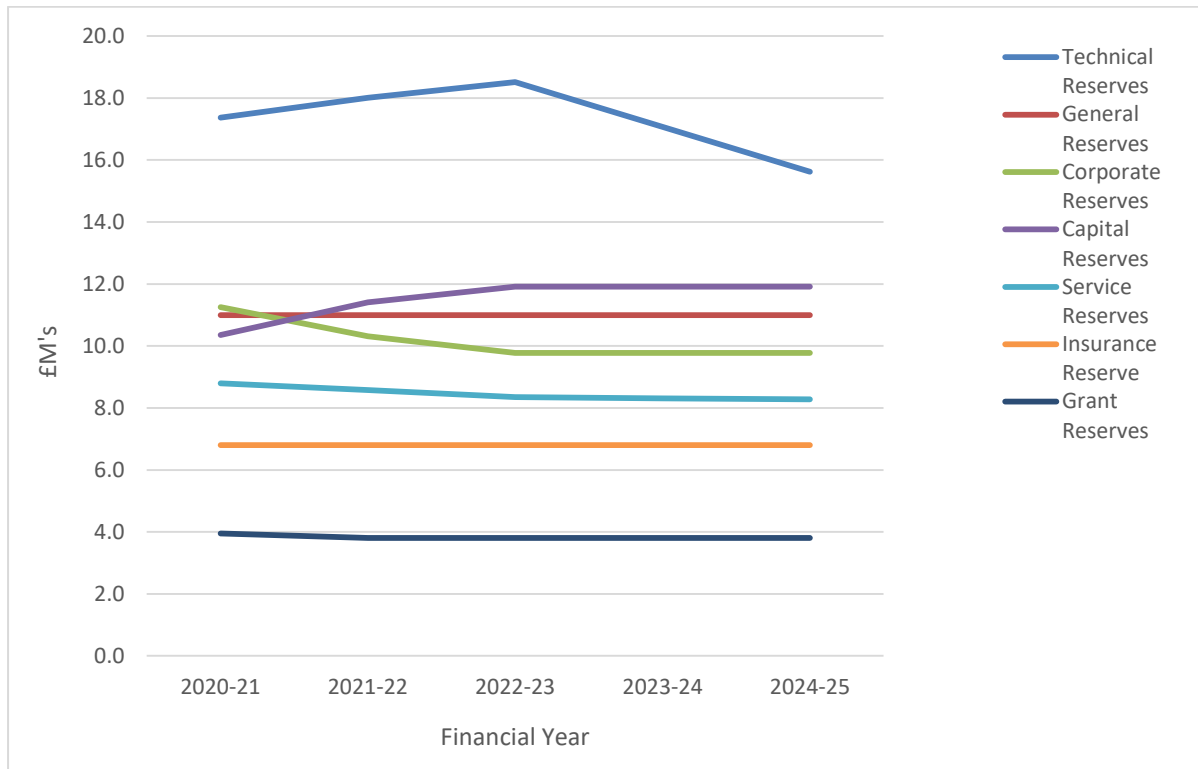
This recommendation is based on and conditional upon

- a) A 2020/21 budget has been agreed with South Essex Homes Ltd. to maintain a balanced HRA, together with the HRA's own MTFs for the period 2020/21 to 2024/25.
- b) Forward projections for the HRA beyond 2020/21 are being remodelled to consider the impact of the Better Queensway regeneration and the updated stock condition survey.

### **Earmarked Reserves**

A table of the earmarked reserves and their balances at 31 March 2019 to 31 March 2025 is shown in Annex 2. The balances at 31 March 2020 to 2025 are indicative, based on the assumptions in this report, and do not represent the probable figures that will be disclosed in future years Statement of Accounts. A summary of the forecast reserve balances to 2024/25 is shown in the table below and illustrated in the following graph. We are forecasting that our total reserves will stay within a range of £67M to £70M over the five year period.

| <b>Earmarked Reserve</b> | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
|                          | £M             | £M             | £M             | £M             | £M             |
| Technical Reserves       | 17.372         | 18.008         | 18.515         | 17.067         | 15.619         |
| General Reserves         | 11.000         | 11.000         | 11.000         | 11.000         | 11.000         |
| Corporate Reserves       | 11.250         | 10.315         | 9.780          | 9.780          | 9.780          |
| Capital Reserves         | 10.357         | 11.407         | 11.918         | 11.918         | 11.918         |
| Service Reserves         | 8.792          | 8.582          | 8.347          | 8.311          | 8.276          |
| Insurance Reserve        | 6.800          | 6.800          | 6.800          | 6.800          | 6.800          |
| Grant Reserves           | 3.953          | 3.803          | 3.803          | 3.803          | 3.803          |
| <b>TOTAL</b>             | <b>69.524</b>  | <b>69.915</b>  | <b>70.163</b>  | <b>68.679</b>  | <b>67.196</b>  |



### 3.18 Outcomes Based Planning and Budgeting

The Council began to introduce a new approach to Outcomes Based Planning and Budgeting in 2019/20 which looked at repurposing resources towards new agreed priorities and outcomes. The Council is determined to do everything it can to plan effectively for the future and invest in priorities that make a real positive difference to local residents, businesses and visitors. The year 2020/21 is clearly an important transitional year in our journey towards becoming a more outcome focussed organisation where our resources are prioritised accordingly.

The Council has targeted its resources to deliver the Southend 2050 programme and roadmap phases. Being a more outcome focussed organisation will enable us to direct our investment, resource and business planning to activity that will achieve our outcomes and change the conversation to what to keep rather than what to cut.

### 3.19 Addressing the Budget Gap

The Council is currently predicting a cumulative budget gap of £23.3M up to the end of 2024/25. In order to address and close the budget gap over this time period we must continue our drive towards financial sustainability for the future. As we work collaboratively with our partners, we may need to increase our 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 our services.

The approach to addressing this gap can be seen within several initiatives already in operation within the organisation including: -

- Business as usual monitoring and budget reviews throughout the year
- The full implementation of outcome-based budgeting
- Link business planning and budgeting to focus on service outcomes
- Effective and creative management of service demand
- A review of major contracts
- Full implementation of a new Commissioning Framework
- Getting to know your Business workstream;
- Income generation and commercial opportunities

The forecast budget gap in the Medium Term Financial Forecast over the next five years is summarised in the table below.

| Year       | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Total         |
|------------|---------|---------|---------|---------|---------|---------------|
| Budget gap | £0M     | £7.8M   | £4.7M   | £5.7M   | £5.0M   | <b>£23.2M</b> |

### 3.20 Budget Monitoring and Forecasting

The corporate budget performance report is a key tool in scrutinising the Council's overall financial performance. It is designed to provide an overview to all relevant stakeholders. It is essential that the Authority actively monitors its budgets throughout the year in order to ensure that the overall financial position is robust and sustainable and that strategic objectives are being achieved.

In setting the annual budget and the MTFS the Council will ensure potential risks are assessed and managed so that their impact is minimised or accounted for either via Contingencies, Balances or Earmarked Reserves as is necessary. In year, the Council will monitor its revenue and capital budgets (including the HRA) on a monthly basis and report to Cabinet on a regular basis.

Whilst the responsibility lies with the Executive Director for Finance & Resources for reporting to Cabinet the financial position, the responsibility and accountability for the financial position and performance of the services lies with the budget holder.

These reports will be prepared for Cabinet at regular intervals throughout the financial year and will provide an opportunity to highlight major variations from the approved spending plans enabling corrective action to be taken where necessary.

All budget holders are responsible for ensuring external income is maximised for their service and for seeking out new opportunities to generate income. If the budget holder cannot resolve issues within their own service area budgets these should be dealt with by Service Directors and the Executive team.



Where pressures are identified appropriate mitigation plans are required to be agreed and implemented in year which look to address these issues and identify ongoing pressures that may need to be addressed as part of setting the budgets over the medium term.

The Council has an established and respected finance business partnering service to support and advise Directors and Service Managers with the financial management requirements of their services.

The focus of the Finance Business partner in supporting services is to:-

- Look at a specific business problem and propose solutions based on research and insight
- Perform and analyse benchmarking against other areas and services to drive business decision making
- Work with business intelligence to understand activity and cost drivers
- Support services to look at the totality of investment against objectives
- Support services to focus on being sustainable
- Support services in developing business cases
- Work to better understand, manipulate and extract better outcomes from contracts – improving deliverables and forward planning procurement exercises
- Perform sensitivity analysis across whole systems to understand links between variables and support to make optimal interventions
- Support with project managing change through greater involvement in strategic decision making

## **4 Conclusion**

This MTFs provides a robust framework for setting the budget for 2020/21 and ensuring the Council remains financially sustainable over the medium term. The current forecast position is challenging but achievable.

The Council has seen a sustained reduction in general grant funding over the past decade whilst also experiencing increasing demand for a range of priority local services that it provides. The uncertainty of future Spending Reviews, Fair Funding considerations and a move towards 75% Business Rates retention may well present additional future financial challenges.

Positively the Council's has a clear 2050 ambition, strong collegiate leadership, residents and communities are engaged, resources are prioritised towards achieving better local outcomes and the organisation has set a robust, resilient and sustainable budget.

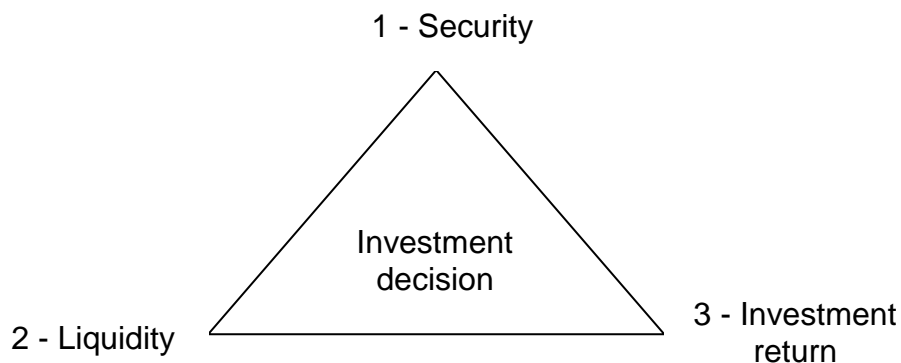
Southend-on-Sea Borough Council is in a strong position to influence, shape and redesign services both locally and regionally to make a real positive difference to the lives of Southenders.

**SOUTHEND-ON-SEA BOROUGH COUNCIL****ANNUAL TREASURY MANAGEMENT INVESTMENT STRATEGY 2020/21****1 Scope of this strategy**

- 1.1 This investment strategy covers Treasury Management investments only. (Capital investments including service and commercial investments and loans are covered in the Capital Investment Policy which is Annex 1 to the Capital Investment Strategy.)

**2 Treasury Management Investment Objectives**

- 2.1 To secure the principal sums invested
- 2.2 To maintain liquidity (i.e. adequate cash resources)
- 2.3 To optimise the income generated by surplus cash in a way that is consistent with a prudent level of risk
- 2.4 Security and liquidity are placed ahead of the investment return. This is shown in the diagram below:



- 2.5 Subject to the above objectives being satisfactorily met, consideration will be given to environmental, social and governance (ESG) factors for the funds and financial institutions being invested in. This is an area that is relatively new but is becoming more main-stream with more funds and financial institutions reporting on their ESG policies. It should be noted that high relevance to ESG-related considerations does not necessarily correlate to high credit quality.

**3 Policy on use of external fund managers**

- 3.1 The Council currently has monies placed with five external fund managers to use their knowledge and experience to invest on our behalf the medium

and long term funds that are, under normal circumstances, not required for day to day cash flow purposes. These funds are summarised below:

| Type of fund          | Fund manager                              | Estimated average balance in 2020/21 (£m) |
|-----------------------|---|---|
| Property Fund         | Lothbury Investment Management Limited    | 13.6                                      |
| Property Fund         | Patrizia Property Investment Managers LLP | 14.8                                      |
| Short Dated Bond Fund | AXA Investment Managers UK Limited        | 7.7                                       |
| Short Dated Bond Fund | Royal London Asset Management             | 7.7                                       |
| Enhanced Cash Fund    | Payden & Rygel Global Limited             | 5.1                                       |
| <b>Total</b>          |   | <b>48.9</b>                               |

- 3.2 Withdrawals may be made during 2020/21 so that a proportion of the council's debt can be repaid or the monies invested as part of the in-house managed funds. Conversely, monies may be placed with the existing and/or a new fund manager during 2020/21 to take full advantage of the knowledge and experience of fund managers in making investment decisions. As to whether monies are deposited or withdrawn, the reason and timing of the decision will have regard to the council's cash flow, relevant interest rates and advice from our treasury management advisers.
- 3.3 In consultation with our treasury management advisers and if appropriate the Section 151 officer will appoint one or more new fund managers in 2020/21 to enable investment of monies.
- 3.4 During 2020/21, if appropriate, the Section 151 officer will approve the placing of monies in Property Funds and will approve the direct investment in property. Any resulting updates to the capital investment programme would be submitted to Cabinet for approval.
- 3.5 During 2020/21, if appropriate, the Section 151 officer will approve the placing of monies in Short Dated Bond Funds or Enhanced Cash Funds.

#### **4 Policy on investment of in-house managed funds**

- 4.1 The remaining funds will be managed in-house with the investment period and amounts being determined by the daily cash flow requirements of the Council. Cash flow forecasts will be produced in order to inform in-house investment decisions.
- 4.2 This authority has accepted the risk of placing funds with financial institutions, rather than solely with the UK government Debt Management Office. However, the risk is minimised by this Annual Treasury

Management Investment Strategy, which restricts the types of investment, the counterparties used and the limits for these counterparties.

- 4.3 Government guidance recommends that specified and non-specified investments are identified in the Investment Strategies of local authorities. Specified investments have relatively high security and liquidity, with high credit quality and a maturity of no more than a year. Non-specified investments are investments that do not fall into this category. The types of investment in this strategy and whether they are specified or non-specified are set out in Annex A.
- 4.4 During 2020/21 the Section 151 officer will, if appropriate, approve the placing of monies in deposit accounts, fixed term deposits or certificates of sterling cash deposits up to five years, subject to the proposed banks and building societies satisfying the investment criteria in a combined matrix of credit ratings, and having regard to other market information available at the time.
- 4.5 During 2020/21 the Section 151 officer will, if appropriate, approve the placing of monies in Money Market Funds, term repurchase arrangements, Treasury bills, with other Local Authorities or the Debt Management Office. The regulations regarding Money Market Funds have changed and all references to Money Market Funds now relate to Low Volatility Net Asset Value (NAV) funds, Constant NAV funds and Variable NAV funds.
- 4.6 During 2020/21 the Section 151 officer will, if appropriate, approve the investment of monies into Joint Ventures or Development Companies (either partly or wholly owned by the Council) focused on regeneration and other infrastructure related projects, subject to the necessary due diligence being satisfactorily completed and in consultation with our treasury management advisers. The provision of loan facilities to such organisations would count as capital investment and any resulting updates to the capital investment programme would be submitted to Cabinet for approval.
- 4.7 Where credit ratings are used to assess credit risk, they will be checked when an investment is taken out to ensure that investment satisfies the criteria in this Treasury Management Investment Strategy. Our treasury management advisers provide alerts when credit ratings are changed by the three main rating agencies. If the credit ratings of an institution or investment no longer satisfy the criteria the monies will be withdrawn as soon as possible. This would depend on the maturity date or notice period.
- 4.8 During 2020/21 the Section 151 officer will, if appropriate, approve the short term borrowing of monies from other Local Authorities or the PWLB in order to manage the cash flow and maintain liquidity.
- 4.9 Fixed term deposits may be made directly with the banks and building societies or through the use of a broker. Monies will be placed with other Local Authorities through the use of a broker. Investments in Certificates of Deposit and Treasury bills will be made through the use of a custodian account. The Council acknowledges that it retains responsibility for all investment decisions made whether they are made on its behalf or not.

- 4.10 When investing in-house managed funds, the following are considered; the type of investment, the individual counterparty, the amount that can be invested, the method of placement of monies. These are summarised in Annex A.
- 4.11 The services of our treasury management adviser, Link Asset Services will be used throughout 2020/21 to provide advice as well as credit rating and other market information regarding counterparties and types of investment. However, the Council recognises that responsibility for investment decisions remains with the authority at all times.

## **5 Investment Criteria for Funds Managed In-house**

- 5.1 All financial institutions considered for investment will be assessed for credit worthiness against a combined matrix of pre determined criteria using available credit ratings. Credit ratings are assessments by professional organisations of an entity's ability to punctually service and repay debt obligations. Credit ratings are used by investors as indications of the likelihood of getting their money back in accordance with the terms on which they invested.
- 5.2 The credit rating components used in the matrices comprise:
- Short term ratings;
  - Long term ratings.

Ratings provided by all three credit rating agencies will be consulted and a counterparty will be considered for investment if it meets the ratings criteria of at least one of the agencies.

- 5.3 The short term rating covers obligations which have an original maturity not exceeding one year. The short-term rating places greater emphasis on the liquidity necessary to meet financial commitments. All three credit rating agencies provide short term ratings. The ratings are expressed from F1+ (highest credit rating) through to D (highest default risk) for Fitch, from A-1+ (highest credit rating) through to D (highest default risk) for Standard and Poors, and from P-1 (highest credit rating) through to NP (highest default risk) for Moody's.
- 5.4 The long term ratings generally cover periods in excess of one year. Due to the larger time horizon over which the rating is determined, the emphasis shifts to the assessment of the ongoing stability of the institution's prospective financial condition. All three credit rating agencies provide long term ratings. The ratings are expressed from AAA (highest credit rating) through to D (highest default risk) for Fitch and Standard and Poors and from AAA (highest credit rating) through to C (highest default risk) for Moody's.
- 5.5 In order to balance the objective of securing the maximum level of return on investments with a prudent level of risk a matrix of criteria will be adopted as a starting point to determine the acceptability of a potential investment.

5.6 These matrices are set out below:

If the short and long term ratings meet the following criteria from a minimum of one of the ratings agencies:

**For Lending of up to 6 months to Banks and Building societies:**

|                           |       |     |        |
|---------------------------|-------|-----|--------|
|                           | Fitch | S&P | Moodys |
| Short term rating minimum | F1    | A-1 | P-1    |
| Long term rating minimum  | A-    | A-  | A3     |

**For Lending of up to 12 months to Banks and Building societies:**

|                           |       |     |        |
|---------------------------|-------|-----|--------|
|                           | Fitch | S&P | Moodys |
| Short term rating minimum | F1    | A-1 | P-1    |
| Long term rating minimum  | A     | A   | A2     |

**For Lending of up to 3 years to Banks and Building societies:**

|                           |       |     |        |
|---------------------------|-------|-----|--------|
|                           | Fitch | S&P | Moodys |
| Short term rating minimum | F1    | A-1 | P-1    |
| Long term rating minimum  | AA-   | AA- | Aa3    |

**For Lending of up to 5 years to Banks and Building societies:**

|                           |       |      |        |
|---------------------------|-------|------|--------|
|                           | Fitch | S&P  | Moodys |
| Short term rating minimum | F1+   | A-1+ | P-1    |
| Long term rating minimum  | AA+   | AA+  | Aa1    |

5.7 An example of the use of this credit ratings matrix as at 31 January 2020 is shown below (the long and short term ratings are Fitch, then Standard and Poors, then Moodys).

| <b>Financial Institution</b> | <b>Long Term Rating</b> | <b>Short Term Rating</b> | <b>Maximum length of investment</b> |
|------------------------------|-------------------------|--------------------------|-------------------------------------|
| The Bank of New York Mellon  | AA<br>AA-<br>Aa1        | F1+<br>A-1+<br>P-1       | 5 years                             |
| Royal Bank of Canada         | AA<br>AA-<br>Aa2        | F1+<br>A-1+<br>P-1       | 3 years                             |
| Standard Chartered Bank      | A+<br>A<br>A1           | F1<br>A-1<br>P-1         | 12 months                           |

5.8 The Council's treasury management advisers, Link Asset Services, will continually review the appropriateness of our investment criteria and

continue to develop a best practise counterparty list. The latest advice has now been incorporated in this Strategy, which is set out below.

5.9 The individual ratings for some banks and building societies are low which means that they do not meet the criteria in our credit ratings matrix. However, this does not take account of part nationalised banks (currently The Royal Bank of Scotland Plc and National Westminster Bank Plc). These banks can be included in the counterparty list if they continue to be part nationalised or they meet the criteria of our credit ratings matrix in paragraph 5.6. An example of the institutions meeting the criteria for the UK will therefore include:

- Bank of Scotland Plc (RFB)
- Lloyds Bank Plc (RFB)
- The Royal Bank of Scotland Plc (RFB)
- National Westminster Bank Plc (RFB)
- Barclays Bank Plc (NRFB)
- HSBC Bank Plc (NRFB)
- Nationwide Building Society
- Santander UK Plc

5.10 The largest UK banks were required, by UK law, to separate core retail banking services from their investment and international banking activities by 1<sup>st</sup> January 2019. This is known as “ring-fencing” and is a regulatory initiative created in response to the global financial crisis to improve the resilience and resolvability of banks. The initials RFB and NRFB in paragraph 5.9 refer to whether the bank is the Ring-fenced Bank or the Non Ring-fenced Bank. Each part of the bank has an individual credit rating and for any potential investment the counterparty would be considered against the criteria in this strategy in the normal way.

5.11 Counterparties that are manually added back to the list will have a maximum length of investment of two years. Amendments to the counterparty list can happen at any point in time.

5.12 In addition, for practical purposes the Council's bank will form part of the counterparty list, whether or not it meets the criteria in our credit ratings matrix.

5.13 Regard will be given to forward looking rating warnings from the three main credit rating agencies (i.e. rating watches and outlooks) provided by our treasury management advisers.

5.14 The current advice from DCLG and CIPFA is not to rely solely on the credit rating agencies and the Council recognises that ratings should not be the sole determinant of the quality of an institution. So regard will also be given to market information such as the financial press, and officers will engage with their advisers to maintain a monitor on market pricing (such as share and ‘credit default swap’ prices) and other such information pertaining to the banking sector. Where available credit information, other than credit ratings has been used, this will be documented when the investment decision is made.



- 5.15 Consideration will also be given to Link Asset Services' rating methodology approach, where counterparties are put into bands of risk. These reflect the differences in credit quality of suggested duration and counterparties are assigned a risk number/colour.
- 5.16 The achievement of an appropriate balance between short-term and longer-term deposits will be driven by the credit quality of counterparties, the council's cash flow requirements, and the need to achieve optimum performance from our investments consistent with effective management of risk.

## 6 Investment Limits for Funds Managed In-house

- 6.1 The ratings agencies produce a credit rating for each country, called a sovereign rating. The ratings are expressed from AAA (highest) to D (lowest). The following limits have been set for an investment with a bank or building society whose parent company is registered in a country with a sovereign rating from Fitch and Standard and Poors (S&P) of AAA or AA+ or a sovereign rating from Moody's of Aaa or Aa1. Sovereign ratings provided by all three credit rating agencies will be consulted and the lowest rating will be taken.

| <b>Country Sovereign Rating</b> | <b>Limit *<br/>All except UK<br/>(£ million)</b> |
|---------------------------------|--|
| AAA/Aaa                         | 20   |
| AA+/Aa1                         | 5  |
| Lower than AA+/Aa1              | 0  |

\* These limits relate to the principal sums invested and do not include any accrued interest on that principal.

- 6.2 These limits will also apply to supranationals (international organisations whereby member states transcend national boundaries or interests to share in the decision-making and vote on issues pertaining to the wider grouping). An example of a supranational is the European Investment Bank.
- 6.3 Fitch and S&P have set the UK's sovereign rating at AA and Moodys have set it at Aa2. Therefore, to ensure the continued use of UK institutions that fall within our investment criteria, the country sovereign rating limits exclude the UK. The limit will therefore remain at £20 million for all counterparties where the parent company is registered in the UK.
- 6.4 Where the parent company of a bank is not registered in a country with a sovereign rating from Fitch and S&P of AAA or AA+ or a sovereign rating from Moody's of Aaa or Aa1 but that bank's UK operations are ring-fenced to the UK (as is the case for Santander UK), if these banks are included in the counterparty list they will have a counterparty limit of £20 million.
- 6.5 £20 million is 18% of the authority's estimated amount of investments for 2020/21 of £114m. £5m is 4% of the total estimated investments. These are upper limits and would only be fully used in exceptional circumstances

as, under normal circumstances, diversification is sought to reduce counterparty risk. These limits are deemed appropriate by our Treasury Management advisers.

6.6 To minimise counterparty risk, the limit on any investment with a bank or building society (with the exception of the Council's bank which is currently Barclays Bank) will be determined in the following way:

- consider the country in which the parent company of the bank or building society is registered
- use the sovereign rating of that country to apply the limits above
- consider the cumulative balance of funds already held in various investment products with that bank or building society
- consider the cumulative balance of funds already held in various investment products for any related group of financial institutions
- determine the remaining amount that can be placed with that bank or building society

For example, the limit on an investment with Lloyds Bank Plc would be determined in the following way:

| <b>Steps to determine limit:</b><br><i>(for illustrative purposes only and not an indication of actual investments)</i> | <b>Remaining limit available at each stage:</b> |
|---|---|
| Lloyds Bank Plc is part of the Lloyds Banking Group which is registered in the UK                                       | £20 million                                     |
| £4 million already placed in an instant access account with Lloyds Bank Plc   | £16 million                                     |
| £5 million already placed in a fixed term deposit with Lloyds Bank Plc  | £11 million                                     |
| £6 million already placed in a notice account with Bank of Scotland Plc (part of the Lloyds Banking Group)              | £5 million                                      |
| Therefore the maximum investment would be £5 million  |   |

6.7 The Council's bank is the exception to these investment limits however, and under normal circumstances our intention would be to comply with a counterparty limit of £30 million, to enable the efficient and effective management of the Council's cash flow.

6.8 The limit on deposits in Money Market Funds will be £20 million with any one AAAm/AAAf rated (or equivalent) liquidity fund. These work in the same way as a deposit account but the money in the overall fund is invested in a number of counterparties, therefore spreading the counterparty risk.

6.9 There are products being developed that are similar to, but not the same as Money Market Funds, such as 'term repurchase arrangements'. The risk associated with these funds is somewhere between a fixed term

deposit and a Money Market Fund. The Section 151 officer will approve the placing of monies in these types of fund up to a maximum of £20 million per fund, if deemed appropriate and in consultation with our treasury management advisers.

- 6.10 Given the prevailing financial market conditions, financial institutions will inevitably devise various investment products to offer enhanced returns. The Council's Section 151 Officer will consider these in consultation with our treasury management advisers and will approve the placing of monies in such investment products with appropriate limits, only after the options and their associated risks have been fully analysed by the treasury management team and our treasury management advisers.
- 6.11 To maximise flexibility, there is no limit on deposits with the UK Government (e.g. Debt Management Office, HM Treasury bills). These deposits will have a maximum duration of 6 months.
- 6.12 The limit on deposits with other Local Authorities will be £40 million which is 35% of the authority's estimated amount of investments for 2020/21 of £114m. These deposits will have a maximum duration of 5 years. This is an upper limit and would only be fully used in exceptional circumstances. The limit is higher than the limit for other counterparties such as banks and other financial institutions due to the lower counterparty risk associated with Local Authorities. These limits are deemed appropriate by our Treasury Management advisers.

## **7 Fund Managers investment criteria**

- 7.1 Investments undertaken by external fund managers on behalf of the Council can only be placed in certain types of investment as permitted under the Local Government Act. The types of investment, counterparties and limits used by each fund manager are set out in their Investment Management Agreement.
- 7.2 The Council's Section 151 Officer is authorised to amend these Investment Management Agreements as appropriate to reflect the needs of the Council, after fully considering the options and their associated risk and in consultation with the Council's treasury management advisers. Subject to the relevant due diligence being undertaken, the Investment Management Agreements could include investment in asset classes such as gilts, corporate bonds, property or equities, or investment in a multi asset fund.
- 7.3 The limit on deposits in Property Funds will be £25 million with any one fund that passes the selection process.
- 7.4 The limit on deposits in Short Dated Bond Funds will be £20 million with any one fund that passes the selection process.
- 7.5 The limit on deposits in Enhanced Cash Funds will be £20 million with any one fund that passes the selection process.

- 7.6 The performance and associated risk will be assessed on an on-going basis through half yearly strategy meetings with each fund manager and the Council's treasury management advisers. Any appropriate action would be identified and taken in consultation with those advisers.

## **8 Markets in Financial Instruments Directive (MiFID II)**

- 8.1 MiFID is the framework of European Union legislation for investment intermediaries that provide services to clients around financial instruments such as shares, bonds, units in collective investment schemes and derivatives and the organised trading in such financial instruments.
- 8.2 This was revised by MiFID II to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. It recognises that investors have different levels of knowledge, skill and expertise. The application of specific regulatory obligations under MiFID depends on a client's 'regulatory' category.
- 8.3 Local Authorities are categorised as retail clients by default but may 'opt up' to become elective professional clients if certain criteria are satisfied. This Council satisfies the criteria to become an elective professional client and has 'opted up' where appropriate to ensure that it can continue to be eligible to invest in the current range of counterparties and investment products, as some are not available to retail clients.
- 8.4 MiFID II does not cover simple term deposits as it is only focussed on regulated products. This includes our investments in Money Market Funds, enhanced cash funds, short dated bond funds and property funds. The Council is classed as an elective professional client for all its relevant counterparties except for certain Money Market Funds where the fund has confirmed there is no requirement to 'opt up' as the products can continue to be used as a retail client. The Council's designation under MIFID II will be regularly reviewed to ensure it remains appropriate.

| Type of Treasury Management Investment | Individual Counterparty  | Limit   | Method of placement   | Specified/non-specified  |
|--|--|---|---|--|
| Deposit accounts                       | Bank or building society that meets the criteria of our combined matrix of credit ratings, or one of the part nationalised banks | Per bank or building society, based on country sovereign rating | Directly or through a broker                                    | Specified (if 1 year or less), Non-specified (if more than 1 year) |
| Fixed term deposits                    |  |   | Directly or through a broker                                    |  |
| Certificates of sterling cash deposits |  |   | Custodian account   |  |
| Money Market Funds                     | AAAm/AAAf rated* (or equivalent) liquidity fund  | Per fund  | Directly or via an on-line site for managing money market funds | Specified  |
| Property Funds                         | Via selection process  | Per fund  | Directly or through a broker                                    | Non-specified (more than 1 year)                                   |
| Short Dated Bond Funds                 | Via selection process  | Per fund  | Directly  | Non-specified (more than 1 year)                                   |
| Enhanced Cash Funds                    | Via selection process  | Per fund  | Directly  | Non-specified (more than 1 year)                                   |
| Term repurchase arrangements           | AAAf/S1 rated#   | Per fund  | Directly  | Specified (if 1 year or less), Non-specified (if more than 1 year) |
| Other Local Authorities                | Depends on which Local Authorities want to borrow money at that time   | For total invested with other Local Authorities                 | Through a broker  | Specified (if 1 year or less), Non-specified (if more than 1 year) |
| Debt Management Office                 | UK Government  | For total invested with UK Government                           | Directly  | Specified  |
| Treasury Bills                         |  |   | Custodian account   |  |

\* A fund with a principal stability rating of 'AAAm/AAAf' (or equivalent) has an extremely strong capacity to maintain stability and to limit exposure to losses of the principal sums invested due to credit, market and/or liquidity risks.

# A fund with a credit quality rating of 'AAAf' has a portfolio holding that provides extremely strong protection against losses from credit defaults. A fund with a volatility rating of S1 possesses low sensitivity to changing market conditions.

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## SOUTHEND-ON-SEA BOROUGH COUNCIL

## CHANGES FROM THE 2019/20 TREASURY MANAGEMENT POLICY

| Appendix | Paragraph         | Change   | Reason for the change                          |
|----------|-------------------|--|--|
| 1        | Paragraph removed | This referred to access to the 'project rate', a concessionary rate to support specified strategic local capital investment projects which was a discount of 0.4% on standard rates. This rate is no longer available. | To take out information no longer relevant.    |
| 1        | 13.8              | A sentence has been added to this paragraph relating to the Joint Venture with Porters Place Southend-on-Sea LLP.  | To reflect updated circumstances.              |
| 3        | 2.5               | Paragraph added regarding Environmental, Social and Governance considerations.   | To reflect updated circumstances.              |
| 3        | 4.6               | The wording of the paragraph has been amended to be explicit about investment in Joint Ventures to reflect the arrangements for Better Queensway and any other Joint Ventures.   | To reflect updated circumstances.              |
| 3        | 7.3               | Increase in the limit on deposits in Property Funds from £20 million to £25 million with any one fund that passes the selection process.   | To provide greater flexibility of the strategy |

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# Southend-on-Sea Borough Council

Report of Executive Director (Finance & Resources)

To

Cabinet

On

11 February 2020

Report prepared by:

Pete Bates, Interim Head of Corporate Finance

Caroline Fozzard, Group Manager for Financial Planning and Control

Agenda  
Item No.

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## Prioritising Resources to Deliver Better Outcomes – 2020/21 to 2024/25

### All Scrutiny Committees

Cabinet Members: Councillor Ian Gilbert and Councillor Ron Woodley

### Part 1 (Public Agenda Item)

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## 1 Purpose of Report

- 1.1 To illustrate over the medium term how the available revenue and capital resources are prioritised to respond to increasing demand for key local services and deliver better outcomes for local residents aligned to our Southend 2050 ambition.
- 1.2 To outline a new approach towards securing long term financial sustainability and more effective medium term business and financial planning.
- 1.3 To propose a fully funded integrated set of revenue budget initiatives and capital investment priorities for agreement and then submission to Council for approval.

## 2 Recommendations

The proposed overall investment package contained in this integrated revenue and capital resources report was launched for consultation with relevant stakeholders on 9th January 2020.

The following series of recommendations will ensure that a compliant, balanced and sustainable budget is agreed that invests in key priorities to deliver better outcomes for residents of Southend-on-Sea.

**That Cabinet recommend to Council that it:**

- 2.1 Approve the Financial Sustainability Strategy (Appendix 1);**
- 2.2 Approve the Medium Term Financial Strategy (Appendix 2) and the resulting Medium Term Financial Forecast and Earmarked Reserves Balances up to 2024/25 (Annexes 1 and 2 to Appendix 2);**
- 2.3 Consider and acknowledge the Section 151 Officer's report on the robustness of the proposed budget, the adequacy of the Council's reserves and the Reserves Strategy (Appendix 3);**
- 2.4 Approve the appropriation of the sums to earmarked reserves totalling £3.370 million (Appendix 4);**
- 2.5 Approve the appropriation of the sums from earmarked reserves totalling £11.892 million (Appendix 4);**
- 2.6 Approve a General Fund Budget Requirement for 2020/21 of £130.428M and Council Tax Requirement of £84.347M (Appendix 5a) and any required commencement of consultation, statutory or otherwise;**
- 2.7 Approve a Council Tax increase of 3.99% for the Southend-on-Sea element of the Council Tax for 2020/21, being 1.99% for general use and 2% for Adult Social care (Section 10.10);**
- 2.8 Note that the 2020/21 revenue budget has been prepared on the basis of using £2 million from the Collection Fund to allow for smoothing of the budget gap across the lifetime of the Medium Term Financial Strategy to 2024/25 (Section 10.9);**
- 2.9 Note the position of the Council's preceptors is to be determined:**
  - Essex Police – proposed Council Tax increase of 2.94%;**
  - Essex Fire & Rescue Services – proposed Council Tax increase of 1.99%;**
  - Leigh-on-Sea Town Council – approved precept increase of 6.04%;**
- 2.10 Approve that no Special Expenses be charged other than Leigh-on-Sea Town Council precept for 2020/21;**
- 2.11 Approve the proposed General Fund revenue budget investment and reprioritisation of £5.355M (Appendix 6);**
- 2.12 Approve the additional one-off investment items, as set out in section 10.8 and included within the appropriations (Appendix 7);**
- 2.13 Approve the Dedicated Schools Grant budget and its relevant distribution as recommended by the Education Board (Appendix 8);**

- 2.14 **Consider and approve the Capital Investment Strategy for 2020/21 to 2024/25 (Appendix 9) and the Capital Investment Policy (Annex 1 to Appendix 9);**
- 2.15 **Consider and approve the proposed:**
- (i) **new schemes and additions to the Capital Investment Programme for the period 2020/21 to 2024/25 totalling £28.4M for the General Fund and £18.7M for the Housing Revenue Account (Appendix 10);**
  - (ii) **schemes subject to viable business cases for the period 2020/21 to 22/23 (Appendix 10);**
- 2.16 **Consider and approve the proposed changes to the current Capital Investment Programme (Appendix 11);**
- 2.17 **Approve the proposed Capital Investment Programme for 2020/21 to 2024/25 (Appendix 12) and note the changes to the approved programme will result in a proposed Capital Investment Programme of £204.8M for 2020/21 to 2024/25 (Appendix 12) of which £51.3M is supported by external funding (Section 11.11);**
- 2.18 **Approve the Minimum Revenue Provision (MRP) Policy for 2020/21 (Appendix 13) and the prudential indicators (Appendix 14);**
- 2.19 **Approve the operational boundary and authorised limits for borrowing for 2020/21 are set at £375M and £385M respectively (Appendix 14).**

### **3 Background**

- 3.1 The financial landscape and operating environment for public services generally and for local government in particular remains challenging and uncertain. Local Authorities have been provided with an initial indicative financial settlement for 2020/21 only. No information is currently available for future years. Part of our strategic response to this challenge is to develop a new Financial Sustainability Strategy to outline, at a high level, our ambition, approach, desire and commitment to ensure that Southend-on-Sea Borough Council remains financially stable and resilient for the future.
- 3.2 This approach is important to assess, understand and take responsibility for our financial future. It will also enable us to be proactive in the delivery of our agreed Southend 2050 ambition, key priorities and to provide the best possible value for money services to our local residents, businesses and visitors. Our financial sustainability will be enhanced by embracing the Borough's economic potential, growing our local tax base and by increasing our income generating and commercial capabilities.
- 3.3 The updated Medium Term Financial Strategy 2020/21 – 2024/25 provides an integrated view of the whole of the Council's finances and priority investment plans over the medium term. This report outlines how scarce revenue and capital resources are prioritised and deployed to respond to increasing demand for key local services and to deliver better outcomes for local residents aligned to our Southend 2050 ambition, phased priorities and commitments.

## 4 Southend 2050 Ambition

4.1 Building on the extensive engagement and consultation exercise undertaken with residents and key local stakeholders during 2018, this report highlights how this shared and jointly owned ambition for Southend-on-Sea has heavily influenced the investment priorities for 2020/21 – 2024/25. The creation of a new long term borough ambition has also resulted in the introduction of a revised approach to the Council’s business planning framework which is clearly driven by 5 Strategic themes. Each theme is supported by its own individual plan containing 4-5 focussed outcomes for delivery by 2023 (23 outcomes in total). The 5 themes are summarised in the graphic below:



4.2 To reflect these longer term aspirations and to support delivery of the first phase of activities to achieve better outcomes for local residents, the Council for 2020/21 is proposing to develop a more longer term view of the use of its resources and financial planning arrangements.

4.3 This approach will enhance the profiling of investment and support effective prioritisation of activities. It will also enable improved consideration of major regeneration plans that span more than one financial year from both a revenue and capital perspective. This new set of arrangements was the key driver behind integrating both revenue and capital investment plans into this single report, when historically they have always been separated with less emphasis on the medium term.

4.4 Local Government still faces huge challenges in terms of uncertainty over future funding levels and continuing increases in demand and local expectations – Southend-on-Sea is no exception but the Council is determined to do everything it can to plan effectively for the future and invest in priorities that make a real positive difference to local residents, businesses and visitors. The year 2020/21 is clearly an important transitional year in our journey towards becoming a more outcome focussed organisation where our resources are prioritised accordingly.

4.5 The overall proposed budget package contained in this report has been developed to target scarce resources to the agreed priorities under Southend 2050 and key delivery phases, whilst also responding positively to major local demand pressures in core service provision.

## 5 National funding situation

5.1 Spending reviews are critically important to local authorities because they determine how much money will be given to Government departments, many of whom may then provide separate funding allocations to local councils.

5.2 Spending reviews are co-ordinated and managed by HM Treasury. The dates and length of spending reviews vary. Comprehensive spending reviews (CSRs) tend to be less frequent and aim to take a longer term view and usually involve a series of zero-based reviews of public spending.

5.3 A spending review was anticipated for 2019 but due to the parliamentary time devoted to Brexit and the resulting political uncertainty a full review was not undertaken. Instead Government spending round figures were issued for 2020/21 only. The timing on any future spending review will now be determined by the new Government that was elected on 12th December 2019.

5.4 Key one off announcements relevant to Local Government are summarised below:

- Proposed 2% Council Tax referendum limit plus 2% Social Care Precept;
- Business Rates Reset and the Fair Funding Review will be deferred until 2021/22;
- 75% Business Rates Pilots will end in March 2020, with no new pilots planned for 2020/21;
- Revenue Support Grant for 2020/21 will be at 2019/20 levels plus CPI;
- New Homes Bonus – legacy payments will be paid but there is no confirmation regarding new payments going forward;
- Social Care – additional £1 billion nationally to be delivered through grant in addition to the funding currently received in 2019/20. The current funding streams of iBCF, Winter Pressures Grant and Social Care Grant will continue for 2020/21;
- The Better Care Fund (BCF) will increase by 3.4% in real terms, as part of the increase to NHS funding, stated to be a national total of £100M;
- Public Health Grant – will see a real terms increase of £100M to be in line with the increase in the Better Care Fund;
- Schools – an additional £700M High Needs for 2020/21 on top of previous levels of agreed funding;
- Homelessness – additional £54M announced nationally for 2020/21.

5.5 The outcome of the General Election is a Conservative Government with a majority of 80 seats. The Queen's Speech was delivered on 19th December and proposes a total of 29 Bills and various other policies and commitments to outline the legislative programme for the Government. The areas affecting Local Government directly include:

- Social Care - the £1 billion of additional funding for this area is committed for each year of this Parliament and the 2% social care precept for 2020/21 is re-announced;

- Education – schools are to receive an extra £14 billion over three years. Further investment is promised for primary school physical education. From next year councils will be required to deliver the minimum per-pupil funding in their local area as part of the existing Government commitment to deliver this funding directly to schools through a single national formula. The free schools programme will be expanded. The Government has also announced a new National Skills Fund of £3 billion over the course of the Parliament, £1.8 billion over the same period to upgrade Further Education colleges and announced a plan to establish 20 Institutes of Technology across England.
- Housing – a social housing whitepaper which aims to empower tenants and support the continued supply of social homes. Associated targets are for housebuilding of 1 million properties and an end to rough sleeping by the end of the Parliament;
- Business Rates – The importance of business rates to local authority funding is emphasised. The manifesto pledges of a fundamental review and an increase to the retail discount relief (from 33% to 50%) and extension of this to cinemas and music venues. In addition, pub relief and an extension of the local newspaper relief are planned. It is expected that the lost business rates income from these new / higher reliefs announced will be, as per previous changes, offset by increased s31 grant payments and thereby no impact on Local Authorities. The Government restated its commitment to a review of the business rates system and to move to three-yearly revaluations, beginning in 2021. In 2017, the Government adjusted for the impact of revaluation to ensure that authorities' funding positions are unaffected by the changes (subject to the impact of appeals to the new valuations);
- Climate change - a new £640M Nature for Climate fund; £4 billion for flood defences and £9.2 billion for energy efficiency; £800M for carbon capture storage. There is also the intention to support infrastructure for electric vehicles such that there are charging points every 30 miles.

5.6 After the Queens Speech, the Ministry of Housing, Communities and Local Government issued the provisional Local Government finance settlement which was in line with the assumptions made throughout the budget planning process. All possible steps are being taken to ensure that the final settlement aligns with local authority budget setting timetables. The latest indications are that the Final Local Government Finance Settlement for 2020/21 will be announced before the Parliamentary recess on 14<sup>th</sup> February 2020. A verbal update will be provided at the Cabinet meeting.

## **6 Local funding impact**

6.1 The key announcements set out in sections 5.4 and 5.5 indicate the following provisional allocations for Southend-on-Sea Borough Council:

- Social Care – additional £3.4M in 2020/21 to be delivered through specific grant in addition to the funding currently received in 2019/20, so for 2020/21 the total grant will be £5.6M;

- The current funding streams of £6.744M iBCF, £0.824M Winter Pressures Grant via the BCF pool and £1.517M Disabled Facilities Grant will also continue for 2020/21;
- The Better Care Fund will increase by £0.207M, so for 2020/21 the Fund for the Council's element will be £6.299M, Southend Clinical Commissioning Group will be £7.014M;
- Public Health Grant will increase by £0.313M, so for 2020/21 the Grant will be £9.525M;
- Homelessness/Rough Sleepers Initiative funding increase locally of £0.191M, so for 2020/21 our funding level will be £0.705M.

## **Dedicated School Grant Budget and Schools Revenue funding**

### **Key 2020/21 Dedicated Schools Grant DfE Headline Announcements**

- 6.2 The Dedicated School Grant (DSG) budget consists of delegated funding to schools, early years providers and providers of pupil's with special educational needs and alternative provision. It is the main source of revenue funding for these settings. There is also an element of this funding that is used to support Southend Borough Council's educational related services.
- 6.3 The Department for Education (DfE) announced in September 2019, the following key headlines in relation to Individual School Funding for 2020/21 (schools block); The minimum per pupil levels will be set at £3,750 for primary schools and £5,000 for secondary schools. The funding floor will be set at 1.84% on a per pupil funding basis, and all schools attracting their core National Funding Formula (NFF) allocations will benefit by an increase of 4% to those core factors.
- 6.4 In relation to Early Years funding, on the 31<sup>st</sup> October 2019 the DfE announced all local authorities will receive an additional 8p per hour in 2020/21 to help fund childcare places.
- 6.5 In relation to high needs block funding allocations, the funding floor (within the NFF) will be set at an 8% uplift with a maximum gains cap of 17%. As Southend's own allocation under the NFF has been below an uncapped formula this has now meant our local High Needs block for 2020/21 will receive an additional indicative allocation of £3M applying the 17% uplift (of a national gain of £753M).
- 6.6 In relation to central block funding on the 11<sup>th</sup> October 2019, the DfE stated in 2020/21 there will be a 20% reduction to the element of funding that some authorities receive for historic commitments, which is in line with the previous DfE intentions as part of the NFF to start to unwind this funding element, although no actual amount of funding loss was confirmed until the 11<sup>th</sup> October 2019. For Southend's own allocation this is an equivalent £0.181M funding loss (of a national funding loss of £43.5M).

## Dedicated Schools Grant 2020/21 Funding Allocation

- 6.7 The current total DSG for 2020/21 is £158.1M (latest allocation for 2019/20 is £150.5M). In practice, although the Education Board and Local Authority remain responsible for allocating the entirety of DSG, the final actual DSG awarded to the local authority will exclude funding for Academies, High Need place funding for both colleges and further education providers, and free special schools, as this is paid directly to them from the Education and Skills Funding Agency. The final estimated allocation expected to be awarded to the local authority is £50.8M, after considering these estimated deductions of £107.3M.
- 6.8 The 2020/21 DSG allocation sees an additional funding increase of £7.6M, or equivalent 5% growth from 2019/20. £4.3M of this funding increase is attributable to the Schools block which will provide additional school places (particularly our Secondary Sector with an additional 289 places) and increased funding per pupil announcements as referenced in section 6.3. £3M of this funding increase is attributable to high needs as referenced in section 6.5.
- 6.9 The DfE announced on 19<sup>th</sup> December 2019 the final funding details for 2020/21 which are summarised as below (and note there are 4 blocks of funding allocations within the DSG):

| Block                          | Amount £M's    | Detail  |
|--------------------------------|----------------|---|
| Schools Block                  | 123.600        | Allowing for 15,068 primary pupils and 11,188 secondary pupils plus growth and premises factors   |
| Early Years Block              | 10.366         | This funding allows for 15 hour universal entitlement and additional 15 hour extended entitlement for 3-4 year olds and 15 hour entitlement for 2 year olds                       |
| High Needs Block               | 22.560         | Includes special school and further education place funding, for ages 2 up to 25. Alternative provision funding, hospital education funding, and support for wider SEND services. |
| Central Schools Services Block | 1.574          | Includes Education Support Grant and Council support functions  |
| <b>Total DSG 2020/21</b>       | <b>158.100</b> |   |



## **DSG Education Board Decisions**

- 6.10 Although the total quantum of DSG is now calculated by a national formula that indicates the amount of funding received, it currently remains a local decision as to how each block of funding is allocated. The Education Board (covering School Forum matters) met on both the 22<sup>nd</sup> October 2019 and 17<sup>th</sup> December 2019 to determine and agree the principle decisions for the allocation of the 2020/21 Individual School block allocations. The final Individual School blocks allocation following the agreement of those principle funding decisions were noted and shared with the Education Board on the 21<sup>st</sup> January 2020 (**Appendix 8**). The Board confirmed it wishes for mainstream school allocations to continue with the implementation of the NFF locally, although for 2020/21 the Board has also helpfully agreed for one year in 2020/21 only, to cover the £0.181M funding loss to central block historic commitments via a transfer from the schools block.

### **Pupil Premium**

- 6.11 In addition to funding from the DSG, schools will receive Pupil Premium grant, which will provide amounts of £1,345 / £955 of funding per primary / secondary pupil who have been registered for free school meals in any of the past 6 years. Based on initial estimates the total Pupil Premium will provide an additional indicative £8.0M for schools in Southend-on-Sea (both Maintained and Academy schools).

### **Schools Capital Funding**

- 6.12 In March 2019 the Government confirmed the Education Maintenance Capital allocations and Devolved Formula Capital (DFC) for 2019/20. They also confirmed the Basic Need Allocation for 2019/20 and 2020/21 along with a notification that 22% and 14.3% respectively of this grant would be paid in March 2019 to assist authorities with cash flow.

The grant funding was confirmed as follows:

- £3.82M of basic need funding to provide school places to be paid in 2019/20 and £10.35M for 2020/21 of which £2.32M of this was paid at the end of 2018/19.
  - £0.546M of Maintenance Capital for 2019/20 to support the needs of the schools we maintain and for the Sure Start children's centres;
  - £0.1M of Devolved Formula Capital for schools for 2019/20;
- 6.13 All these allocations are capital grants.
- 6.14 The Government is currently finalising the 2020/21 spending review and future year grants should be confirmed in February 2020 once this is completed.
- 6.15 The Basic Need Grant awarded to Local Authorities includes expansion at academies. The Government also expects all Local Authorities to fund capital

works for any new academy arising from a Basic Need requirement unless the new school is funded directly from Central Government.

- 6.16 Government funding is not ring fenced and Southend, like many other authorities, will be spending more on Basic Need than the awarded grant.
- 6.17 Once the 2020/21 maintenance grant has been published officers will produce a draft condition programme. It is hoped, as in previous years, future years indicative amounts will also be included to allow a multi-year programme to be set that will allow schools to plan ahead.
- 6.18 The income received from Central Government for maintenance only covers maintained schools and will continue to reduce in relation to the increase in the number of academies. Academies can bid into a central pot directly to the Department for Education for capital funding.
- 6.19 Although the maintenance grant will decrease as more schools convert to academy status, the schools condition programme will continue to address high priority condition items at schools and children's centres as far as funds allow, which if not done could result in a closure. The replacement of boilers, curtain walling and rewiring continues to dominate the investment programme.

### Highways and Transportation Capital Funding

- 6.20 The expenditure will be delivered by fully un-ringfenced capital grants.
- 6.21 The settlement is as follows:

|  | 2020/21<br>£M |
|--|---------------|
| Integrated Transport                             | 1.401         |
| 'Needs Based' Highways Capital Maintenance Block | 1.121         |

- 6.22 The allocations for the Highways Capital Maintenance and the Integrated Transport Block (ITB) for 2020/21 are indicative (although unlikely to change) and are awaiting final confirmation from the Department for Transport (DfT).
- 6.23 Pothole funding of £250M was announced in the Budget 2015. This funding is allocated by formula shared by Local Highways Authorities between 2016/17 and 2020/21 based on the road length for which each authority is responsible. The allocated sum to Southend Borough Council is £65,000 per year until 2020/21.
- 6.24 To allow the full delivery of the 2020/21 Local Transport Plan (LTP) programme, the full spend is proposed to be met 100% by capital grant.
- Typical schemes are presented in the context of four 'Actions' as set out in the Local Transport Plan (LTP3) Implementation Plan 2015/16 to 2020/21.
  - The prioritisation process is set out in diagram 1 of the Implementation Plan. In addition, maintenance schemes will be progressed using the latest information from the Gaist Asset Management work.

- As in previous years, there is flexibility to allocate funding between the two blocks and the LTP actions.

6.25 Where already announced the capital grant allocations are included in the funding table in paragraph 11.11. The breakdown of Highways and Infrastructure schemes and their funding for 2020/21 are shown in **Appendix 12**.

## 7 Financial Sustainability Strategy

7.1 This is a new high level long term strategy that frames the financial future and intentions for the Council. It will help set the context for the Medium Term Financial Strategy, guide our approach to maximising resources, prioritising investment and the effective targeting of resources to deliver the ambitions and outcomes contained within the Southend 2050 programme and Roadmap phases.

7.2 Its primary purpose is to outline our approach, desire and commitment to achieving financial sustainability by embracing the area's economic potential, growing our local tax base and increasing sustainable income capabilities.

7.3 The new Financial Sustainability Strategy is attached as **Appendix 1**.

## 8 Medium Term Financial Strategy (MTFS) 2020/21 – 2024/25

8.1 This provides an integrated view of the whole of the Council's finances and outlook over the next five years. It shows how the Council intends to align its financial resources to the Southend 2050 ambition, five-year roadmap and desired outcomes.

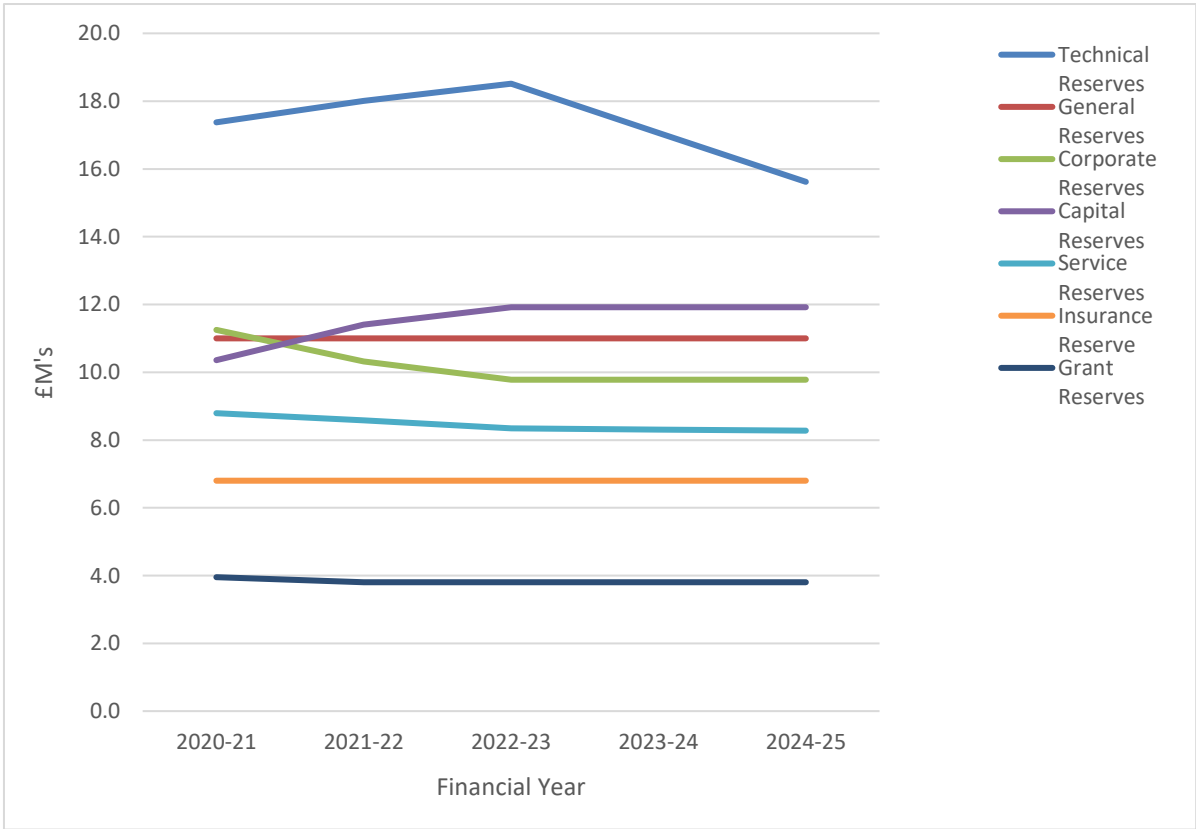
8.2 It is the Council's key financial planning document which informs business and resource planning and shows how spending needs to be balanced with the amount of available funding. It identifies budget gaps in the medium term to enable the Council sufficient time to address them in a considered, measured and planned way. It provides a comprehensive assessment of our General Fund Revenue Account, Capital Investment Programme and Housing Revenue Account, together with associated controls, policies and indicators.

8.3 The MTFS is attached as **Appendix 2**. The key assumptions used in developing this strategy for 2020/21 to 2024/25 are set out in section 1.6 of the strategy.

8.4 The Medium Term Financial Forecast for the years 2020/21 to 2024/25 is shown in **Annex 1 to Appendix 2**. A summary table showing the forecast budget gap for the next five years is shown below.

| Year       | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Total         |
|------------|---------|---------|---------|---------|---------|---------------|
| Budget gap | £0M     | £7.8M   | £4.7M   | £5.7M   | £5.0M   | <b>£23.2M</b> |

- 8.5 The financial challenge, identification of cost pressures and the action being taken to mitigate those pressures where possible are set out in section 3 of the strategy. This section also outlines our plan to ensure compliance with CIPFA’s new compulsory Financial Management Code, our commissioning intentions, our value for money commitment and our approach to income generation and commercial opportunities.
- 8.6 The Section 151 Officer’s Statement on the Adequacy of Balances and the Robustness of the Budget is attached as **Appendix 3**. This includes the recommended Reserves Strategy which is based on an internal financial risk assessment to determine the requisite level of reserves.
- 8.7 The proposed Earmarked Reserves balances (2019/20 – 2024/25) is shown in **Annex 2 to Appendix 2** and it illustrates not only the appropriations to and from Earmarked Reserves but also the transfers between them. There are several re-classifications proposed for 2020/21 including £3M to be set aside as a safety net in recognition of the continuing challenge of Children’s Social Care. A summary of the forecast reserve balances from 2020/21 to 2024/25 is illustrated in the following graph. We are forecasting that our total reserves will stay within a range of £67M to £70M over this five year period, highlighting our financial strength and resilience.



- 8.8 The level of resources available for revenue and capital investment were subject to extensive challenge and prioritisation to ensure that investment is designed to have a positive impact and is aligned to deliver the Southend 2050 outcomes and first phases of the roadmap.
- 8.9 For revenue prioritisation of proposed investment, careful assessment was given to current demands and pressures for existing local priority services and to a range of initiatives that are not only aligned to our 2050 priorities, but would also have a big value for money impact in providing better outcomes for local residents.
- 8.10 Capital prioritisation of proposed investment is achieved through application of the Capital Investment Strategy. This is a key document which forms part of the authority's integrated revenue, capital and balance sheet planning. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of desired outcomes. It includes an overview of the governance processes for consideration, prioritisation and approval of capital investment. The Capital Investment Strategy for 2020/21 to 2024/25 is attached as **Appendix 9**.

## **9 Prioritising Resources to Deliver Better Outcomes**

- 9.1 Successful and timely delivery of the revenue budget and capital investment programme are a key part of achieving the Southend 2050 ambition and delivering the outcomes and roadmap to 2023.
- 9.2 The following table provides a summary of the range of new revenue investment proposals that form part of this overall budget package. The details of each proposal for 2020/21 is shown at **Appendix 6**. As part of our new longer term planning approach the following table also provides an assessment of each proposal over the medium term. A lot of the proposed initiatives are planned to be a permanent increase in the revenue base budget of the Council and therefore the same level of investment is shown in each of the next five years.
- 9.3 The table also contains proposals that do change or are only proposed for a finite length of time. This new approach is under development but will be crucial to help with more effective longer term financial planning. Nearly £40M net extra revenue investment is proposed over the next five years for this range of initiatives.

|      | Investment and reprioritisation              | 2020-21<br>(£000) | 2021-22<br>(£000) | 2022-23<br>(£000) | 2023-24<br>(£000) | 2024-25<br>(£000) | 5 Year Total<br>(£000) |
|------|--|-------------------|-------------------|-------------------|-------------------|-------------------|------------------------|
| PJ1  | Tree & Shrub Planting/Maintenance            | 200               | 200               | 200               | 200               | 200               | 1,000                  |
|      | <b>Pride &amp; Joy total</b>                 | <b>200</b>        | <b>200</b>        | <b>200</b>        | <b>200</b>        | <b>200</b>        | <b>1,000</b>           |
| SW1  | External Care Provision                      | 2,375             | 2,375             | 2,375             | 2,375             | 2,375             | 11,875                 |
| SW2  | In-House Foster Carers                       | 400               | 400               | 400               | 400               | 400               | 2,000                  |
| SW3  | Newly Qualified Social Workers               | 210               | 210               | 210               | 210               | 210               | 1,050                  |
| SW4  | Field Work Services                          | 115               | 115               | 115               | 115               | 115               | 575                    |
| SW5  | Vulnerable Children                          | 100               | 100               | 100               | 100               | 100               | 500                    |
| SW6  | Children's Social Care Legal Costs           | 200               | 200               | 200               | 200               | 200               | 1,000                  |
| SW7  | Living Wage for Adult Service Providers      | 1,095             | 2,200             | 3,300             | 4,400             | 5,500             | 16,495                 |
| SW8  | Children to Adults Transition                | 350               | 350               | 350               | 350               | 350               | 1,750                  |
| SW9  | Older People Demographics                    | 480               | 480               | 480               | 480               | 480               | 2,400                  |
| SW10 | Equipment Services                           | 250               | 250               | 250               | 250               | 250               | 1,250                  |
| SW11 | Green City Aspirations                       | 120               | 120               | 120               | 120               | 120               | 600                    |
| SW12 | Public Health Act Funeral Arrangements       | 25                | 25                | 25                | 25                | 25                | 125                    |
| SW13 | Liquid Logic Support Team                    | 155               | 155               | 155               | 155               | 155               | 775                    |
| SW14 | Complex Needs Provision                      | 35                | 35                | 35                | 35                | 35                | 175                    |
| SW15 | Southend Care                                | (100)             | (100)             | (100)             | (100)             | (100)             | (500)                  |
|      | <b>Safe &amp; Well total</b>                 | <b>5,810</b>      | <b>6,915</b>      | <b>8,015</b>      | <b>9,115</b>      | <b>10,215</b>     | <b>40,070</b>          |
| OP1  | Library Review                               | 100               | 100               | 100               | 100               | 100               | 500                    |
| OP2  | Income Generation - Statutory Fee            | (75)              | (75)              | (75)              | (75)              | (75)              | (375)                  |
| OP3  | Asset Management Income                      | (100)             | (100)             | (100)             | (100)             | (100)             | (500)                  |
|      | <b>Opportunity &amp; Prosperity total</b>    | <b>(75)</b>       | <b>(75)</b>       | <b>(75)</b>       | <b>(75)</b>       | <b>(75)</b>       | <b>(375)</b>           |
| CS1  | Potholes                                     | 500               | 500               | 500               | 500               | 500               | 2,500                  |
| CS2  | Town Centre Parking                          | 50                | 50                | 50                | 50                | 50                | 250                    |
| CS3  | Signal Maintenance                           | 50                | 50                | 50                | 50                | 50                | 250                    |
| CS4  | Streetworks Income                           | 500               | 500               | 500               | 500               | 500               | 2,500                  |
| CS5  | Rechargeable Works                           | 100               | 100               | 100               | 100               | 100               | 500                    |
|      | <b>Connected &amp; Smart total</b>           | <b>1,200</b>      | <b>1,200</b>      | <b>1,200</b>      | <b>1,200</b>      | <b>1,200</b>      | <b>6,000</b>           |
| E1   | ICT Transformation                           | 200               | 200               | 200               | 200               | 200               | 1,000                  |
| E2   | Workforce Development                        | 100               | 100               | 100               | 100               | 100               | 500                    |
| E3   | Waste Disposal                               | (800)             | (800)             | (800)             | -                 | -                 | (2,400)                |
| E4   | Release of Pension Fund Provision            | (750)             | (750)             | (750)             | -                 | -                 | (2,250)                |
| E5   | Productivity and Efficiency Gains            | (250)             | (250)             | (250)             | (250)             | (250)             | (1,250)                |
| E6   | Facilities Management                        | 120               | 120               | 120               | 120               | 120               | 600                    |
| E7   | Investment Income                            | (400)             | (660)             | (890)             | (890)             | (890)             | (3,730)                |
|      | <b>Enabling total</b>                        | <b>(1,780)</b>    | <b>(2,040)</b>    | <b>(2,270)</b>    | <b>(720)</b>      | <b>(720)</b>      | <b>(7,530)</b>         |
|      | <b>Investment and reprioritisation total</b> | <b>5,355</b>      | <b>6,200</b>      | <b>7,070</b>      | <b>9,720</b>      | <b>10,820</b>     | <b>39,165</b>          |

9.4 In addition to these new investment proposals, the Council is also actively involved in several projects aimed at reducing the impact of climate change. The Council has been very successful in utilising investment to leverage external grant funding via competitive bidding processes to be able to undertake projects on a larger scale which in turn will have a greater benefit to the local environment.

These climate change initiatives support our aspirations to achieve net-zero emissions by 2030 in line with the Climate Emergency Declaration. A number of these projects are currently underway, and others are in the process of having business cases completed to highlight the benefits of the projects and the funding this will bring into the Council to support programme delivery.

Projects are split into 5 key themes:

- Energy Management, Generation and Efficiency plus Waste
- Greening and Nature Based Solutions
- Air Quality
- Transport Solutions
- Adaptation to Climate Change

The projects are a mixture of fully funded programmes and schemes which require match funding. This match funding primarily is in the form of staff time or previously approved capital schemes which are contributing towards our Green City ambition.

Current schemes include Plasticity (over €1 million) to work on delivering a new approach to plastic waste which will help us drive up recycling rates over the next 4 years with resident and business engagement, Nature Smart Cities (over €850,000) to help local authorities understand how they can build a business case to approve urban greening projects which will reduce flood risk and provide relief from heat stress, Cool Towns (over €700,000) which will test and validate a number of measures which are designed to reduce heat stress in the Borough and 2imprezs (over €500,000) which has provided a number of energy saving measures in school buildings.

## **Capital investment**

- 9.5 The proposed capital investment programme for 2020/21 to 2024/25 represents a significant investment of nearly £205M on the part of the Council in the Southend area with further schemes that could be added subject to viable business cases being approved. The projected investment in 2020/21 alone amounts to over £108M. Key areas of continued investment across the six-year period including 2019/20 are as follows:

### **Pride and Joy**

#### **Southend Pier**

- 9.6 Capital investment in this area contributes to the desired outcome that the variety and quality of our outstanding cultural and leisure offer has increased, and we have become the first choice English coastal destination for visitors.
- 9.7 Major capital investment in the pier of £16.622M is included in the current programme. New capital investment of £5.335M for the pier is to deliver a continuing planned approach to addressing the condition works and bearing refurbishment identified within the condition survey. This will reduce the requirement for urgent and/or reactive condition works.

### **Safe and Well**

#### **Housing**

- 9.8 Capital investment in this area contributes to the desired outcome that we are well on our way to ensuring that everyone has a home that meets their needs. In line with the regeneration framework and development pipeline, sites for housing, wider regeneration and a range of other land uses are being analysed for their development potential and how they can most beneficially fit into a comprehensive development pipeline. The next stage which includes the high-level feasibility work is being undertaken on an initial batch of sites. The findings of this work will enable a more detailed assessment of the number of units which could be delivered across the pipeline and the most appropriate delivery vehicle for achieving this.

- 9.9 A number of sites within the pipeline are currently underway and a major capital investment of £14.453M is included in this programme to deliver the agreed phases of the affordable housing development programme to provide much needed housing for those on the Homeseeker's Register. A building programme of private, locally affordable housing, for rent and sale is a roadmap goal for 2020.
- 9.10 New capital investment of £9.5M has been included over the next three years to extend the affordable housing acquisitions programme. New capital investment of £6.6M has also been included for 2024/25 to continue the programme of works to maintain the housing stock to decency levels and to invest in environmental health and safety and disabled adaptations works. Subject to designated 2019/20 works being completed the 5,900 houses, flats and bungalows will all be deemed to be at decency levels by March 2020. From 2020/21 there will be newly arising need, so these levels need to be maintained to sustain an environment that keeps residents safe and well and there is a £30.1M multi-year programme to do this over the next five years.

### **Social Care**

- 9.11 Capital investment in this area contributes to the desired outcome that we are all effective at protecting and improving the quality of life for the most vulnerable in our community.
- 9.12 A major investment of £13.1M included in this capital programme is the re-development of the Delaware and Priory Residential Care homes and the Viking Day Centre. The new development is due to welcome its first residents in early 2021 and will include the building of a new 60-bedroom care facility and a day centre providing high quality services for people with high and complex needs, including dementia, and incorporating specialist services for people with disabilities. The new centre will be flexible, enabling people to remain as independent as possible offering a wide range of activities to meet individual needs and interests as well as providing personal care, therapeutic and health interventions.

### **Climate change**

- 9.13 Capital investment in this area contributes to the desired outcome that we act as a 'Green City' with outstanding examples of energy efficient and carbon neutral buildings, green open spaces, streets, transport and recycling.
- 9.14 Capital investment of £2.2M is included in this programme for energy saving initiatives in line with the declared climate change emergency. Projects include energy efficiency, air quality measurement, solar panels and electric charging points for taxis. Air quality being further improved, particularly around key road junctions is a roadmap goal for 2022.



- 9.15 As a direct response to the effects of climate change capital investment of £6.8M is included in this programme for coastal defence, flood prevention, improving resilience to flooding from extreme weather events and tree planting. As part of the tree planting policy an additional 1,000 trees are being planting between the 2019/20 and 2021/22 planting seasons. These will have the benefit of absorbing CO2, filtering urban pollution and fine particulates, cooling the air and increasing biodiversity by providing habitat, food and protection for plants and animals.

### **Opportunity and Prosperity**

#### **Enterprise and Regeneration**

- 9.16 Capital investment in this area contributes to the desired outcome that key regeneration schemes, such as the Better Queensway and the Airport Business Park are underway and bring prosperity and job opportunities to the borough.
- 9.17 A major investment of £26.335M included in this capital investment programme is for the Airport Business Park, 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. Works are progressing well with the relocation of the rugby club completed and the phase one utilities nearing completion. Phase two works are on schedule with completion due in May 2020.
- 9.18 £15M is included in this capital investment programme for the Council's share of the initial funding of the Porter's Place Southend-on-Sea LLP to deliver the Better Queensway regeneration project.
- 9.19 New capital investment of £1.02M included in this programme is 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 Housing Association to deliver the Better Queensway regeneration project. The start of the Better Queensway regeneration and housing scheme is a roadmap goal for 2020.

#### **Housing**

- 9.20 Capital investment in this area contributes to the desired outcome that key regeneration schemes bring prosperity and job opportunities to the borough.
- 9.21 New capital investment of £2.6M has been included to buy leasehold properties as they become available to facilitate the delivery of the Better Queensway regeneration project. All purchases will be fully reimbursed by this Joint Venture. The start of the Better Queensway regeneration and housing scheme is a roadmap goal for 2020.

## **Schools**

- 9.22 Capital investment in this area contributes to the desired outcome that our children are school and life ready and our workforce is skilled and job ready.
- 9.23 The schools capital investment programme for 2019/20 onwards totals £18.220M. The programme from 2020/21 onwards will continue to be dominated by the need to provide more school places to cope with the current high pupil numbers, as the demand moves from the primary sector to the secondary schools. New investment of £2.6M has been included in the proposed programme for this. Raising aspiration and educational attainment in deprived areas is a roadmap goal for 2020 and all schools will be good or outstanding is a roadmap goal for 2021.
- 9.24 Thus far expansion projects have been completed at The Eastwood Academy, Shoeburyness High School and Cecil Jones Academy. There are also ongoing projects at St Bernards High School, St Thomas More High School and Belfairs Academy to ensure sufficient accommodation for the extra pupils they started to admit from September 2018. This additional funding will allow the phase two completion of works at Chase High School so they can admit an extra 30 pupils in September 2020 followed by a second increase of 30 in September 2021. Once completed the whole expansion programme will have added 1,250 places across years seven to eleven by September 2024, giving both sufficient places and a small level of surplus as required by the Department for Education that gives parents some choice over which school they wish their children to attend.

## **Culture and Tourism**

- 9.25 Capital investment in this area contributes to the desired outcome that key regeneration schemes are underway and bringing prosperity and job opportunities to the borough.
- 9.26 A major capital investment of £18.480M included in this programme is for Forum II, the second phase development of the Forum in partnership with South Essex College. This is due for opening in September 2021 and will deliver education, cultural and business space so as to increase the opportunity to engage with digital, cultural and creative industries.

## **Connected and Smart**

### **Highways and Infrastructure**

- 9.27 Capital investment in this area contributes to the desired outcome that it is easier for residents, visitors and people who work here to get in and around the borough.
- 9.28 Capital investment of £12.4M is included in this programme for the A127 growth corridor funded from the Local Growth Fund monies from Government and £6.8M included for highway maintenance and transport schemes funded Local Transport Plan monies from Government. Completion of the A127 Bell Junction improvement is a roadmap goal for 2021.

- 9.29 New capital investment of £0.5M included in this programme is to resurface and re-line car parks which have been surveyed and deemed to require work for the next two years. These include Alexandra Street, Clarence Road, Hamlet Court Road, Warrior Square and Fairheads Green. Investing in parking infrastructure will reduce the risk of loss of income from parking charges by ensuring that car parks are attractive and well used facilities which are fit for purpose. This is an important component in implementing our Car Parking Strategy across the Borough.
- 9.30 New capital investment of £1M is for highways infrastructure to reduce long term structural maintenance and improve public safety. This is in addition to the budget of £2M already in the approved capital investment programme in 2020/21.
- 9.31 New capital investment of £0.65M is to install junction protection for the prevention of obstructive and indiscriminate parking from road junctions to improve sightlines for drivers and pedestrians and help improve the safety of all road users, whilst also aiding accessibility for all but particularly those with mobility impairments.
- 9.32 New capital investment of £0.6M is for the removal of the existing anti-skid zebra crossing surfacing and replacement using high friction road surface which has a greater life expectancy and provides an enhanced surface for drivers to brake under emergency conditions at hazardous locations.

### **Enabling**

#### **Culture and Tourism**

- 9.33 New capital investment of £3.75M included in this programme is to continue the property refurbishment programme. This will enable a proactive approach to ensure investment is made in the fabric and services within buildings before they get to a stage that capital works become urgent or have a detrimental impact on service users' use of the building or leads to urgent repairs and maintenance works which are usually more costly long term.

#### **ICT**

- 9.34 New capital investment of £8.165M included in this programme for ICT is to strengthen and enhance cyber security, to modernise and upgrade the hardware, applications and other infrastructure to improve efficiency, resilience and reliability. This is to ensure the ICT is fit for purpose to meet the Council's requirements as it continues its digital journey to a connected and smart borough.

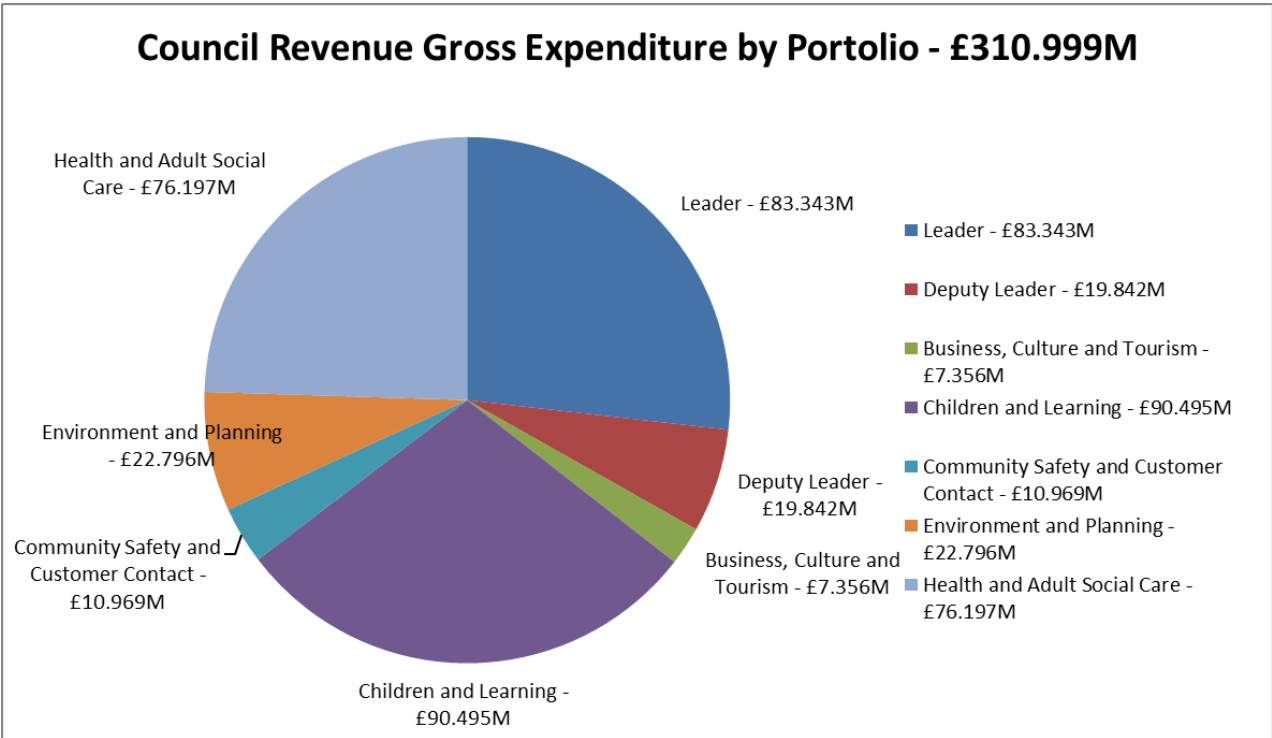
**10 General Fund Revenue Budgets 2020/21 – 2024/25**

**Forecast revenue outturn 2019/20**

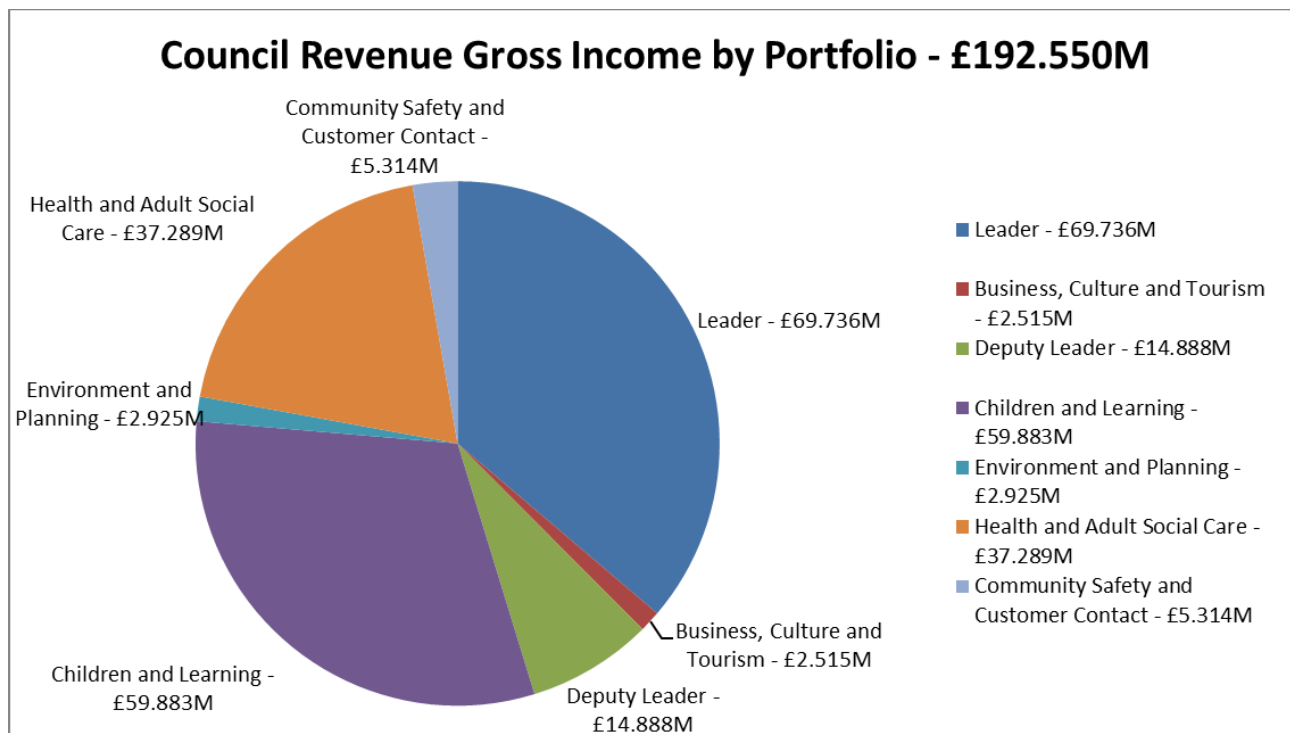
- 10.1 The original General Fund revenue budget for 2019/20 totalled £80.755M (total budget requirement of £125.647M less £44.892M government grants and business rates) and was to be met from available council tax and adult social care precept with no planned use of revenue balances or reserves.
- 10.2 Councillors have been supplied with regular financial monitoring information throughout the year. The latest forecast outturn for 2019/20 was summarised in the Corporate Budget Performance Report – Period 8, which was presented to Cabinet in January 2020. In keeping with the majority of upper tier local authorities Southend-on-Sea have been experiencing significant increases in demand and associated costs for key services in Children’s and Adults. There has also been increased local pressures in Highways and Transport services.
- 10.3 The latest financial forecast for 2019/20 indicates a projected £3.2M overspend. A range of mitigation plans are in place to try and improve this position. The situation will be closely monitored for the remainder of the financial year. The anticipated overspend will be met by a combination of using contingency and reserves if required. The actual year-end final position for 2019/20 will be considered as part of the outturn report, which will be presented to Cabinet in June 2020.

**General Fund Revenue Budget 2020/21**

- 10.4 The proposed revenue gross expenditure for 2020/21 by Portfolio and including all the proposed initiatives summarised in section 9.3 is shown in the pie chart below. The detail summarised by Portfolio and analysed both objectively and subjectively is attached as **Appendix 5b and 5c**.



10.5 The proposed gross revenue income for 2020/21 by Portfolio and is shown below:



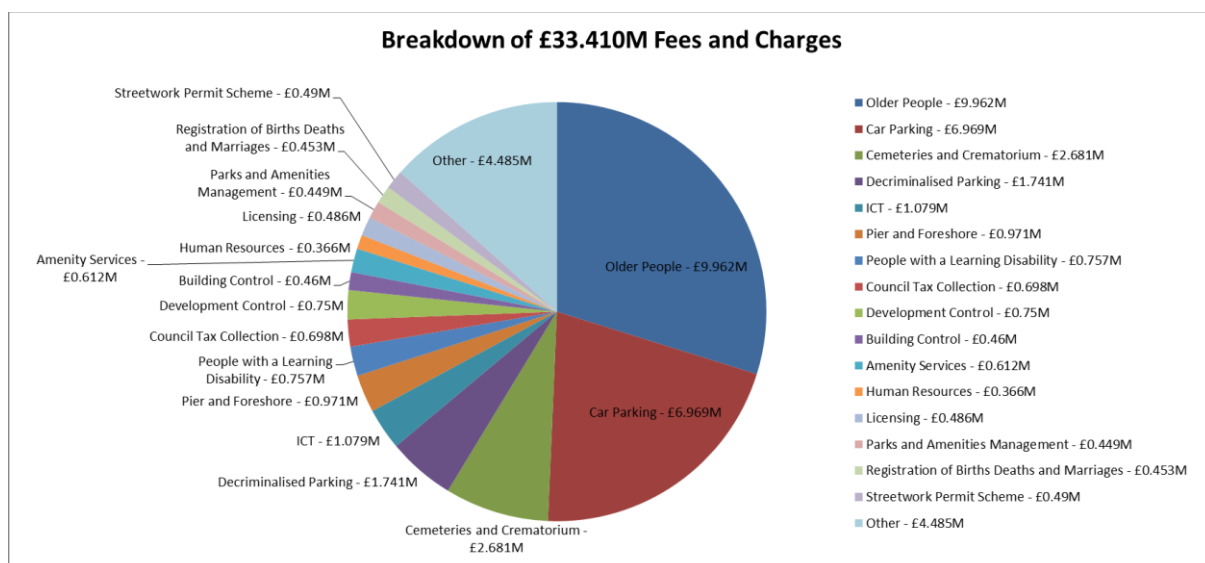
The net revenue expenditure shown by portfolio excludes budgeted charges for the use of assets through depreciation and revenue expenditure funded from capital under statute (where certain capital expenditure takes place that does not deliver a fixed asset), alongside any associated external income. This net budget of £21.008M is attributable to the service areas but is not controllable by them and is required by statute to be reversed out again before it has any impact on the council tax requirement.

### Fees and Charges

10.6 Cabinet at its meeting on 18<sup>th</sup> September 2018 approved the introduction of a fees and charges policy to cover all fees and charges reviews except car parking charges. This approved policy enabled Chief Officers to set fees and charges annually where the expected yield for a service or category is in line with the budget parameters as set out in the Medium Term Financial Strategy, For 2020/21 the guideline yield has been set at 2% and therefore charges for 2020/21 will be set by Chief Officers within this guideline.

10.7 This proposed overall balanced budget package assumes no increase in parking charges for 2020/21. A car parking scoping exercise previously reported to Cabinet is currently under development and a further update will be brought forward when the assessment has been completed.

The proposed breakdown of fees and charges for 2020/21 by service is shown below:



## Overall General Fund Budget

The overall proposed balanced General Fund Revenue Budget package for 2020/21 is summarised in the following table.

|  | 2019/20<br>£M  | 2020/21<br>£M  |
|--|----------------|----------------|
| <b>Net Base Budget</b>                           |                | 125.073        |
| Net Investment and Reprioritisation              |                | 5.355          |
| <b>Revenue Budget</b>                            | <b>125.647</b> | <b>130.428</b> |
| Less Available Funding                           |                |                |
| Revenue Support Grant                            | (5.925)        | (6.049)        |
| Business Rates                                   | (24.130)       | (25.481)       |
| Business Rates Top-Up Grant                      | (12.337)       | (12.551)       |
| Council Tax Surplus                              | (2.500)        | (2.000)        |
| <b>To be funded from Council and ASC Precept</b> | <b>80.755</b>  | <b>84.347</b>  |
| General Council Tax                              | 75.022         | 76.966         |
| ASC Precept Income                               | 5.733          | 7.381          |
| <b>Balanced Budget</b>                           | <b>0</b>       | <b>0</b>       |

- 10.8 As part of these budget proposals, there are also some ‘one-off’ investment items that are proposed to be funded from earmarked reserves. These items build on the package of initiatives that were approved for 2019/20 – 2021/22 at Budget Council in February 2019. The previous approved amounts were £1.330M (for 2020/21) and £0.765M (for 2021/22), giving a total of £2.095M.

This budget is proposing a further £0.565M in 2020/21, £0.8M in 2021/22 and £0.735M in 2022/23. Total additional proposed investment of £2.1M and a combined investment package (including previously approved) of £4.195M, over the next three financial years. All items are detailed in **Appendix 7** and are summarised in the following table:

| Use of Reserves                              | 2020-21<br>(£000) | 2021-22<br>(£000) | 2022-23<br>(£000) | 3 Year Total<br>(£000) |
|--|-------------------|-------------------|-------------------|------------------------|
| Service Design                               | 185               | 185               | 185               | 555                    |
| Community Safety / Environment Crime         | 150               | 150               | -                 | 300                    |
| Summer and Winter Planning                   | 100               | 100               | 100               | 300                    |
| Community Builders / Capacity Building Fund  | 100               | 100               | -                 | 200                    |
| Economic Development                         | 100               | 100               | -                 | 200                    |
| Workforce Development                        | 100               | 50                | -                 | 150                    |
| <b>Business Transformation Reserve total</b> | <b>735</b>        | <b>685</b>        | <b>285</b>        | <b>1,705</b>           |
| Complex Needs Provision                      | 150               | 150               | -                 | 300                    |
| <b>Public Health Reserve total</b>           | <b>150</b>        | <b>150</b>        | <b>-</b>          | <b>300</b>             |
| Local Plan                                   | 410               | 130               | -                 | 540                    |
| Housing Implementation                       | 150               | 150               | -                 | 300                    |
| <b>New Homes Bonus Reserve total</b>         | <b>560</b>        | <b>280</b>        | <b>-</b>          | <b>840</b>             |
| Outcome Delivery                             | 250               | 250               | 250               | 750                    |
| <b>Outcome Delivery Reserve total</b>        | <b>250</b>        | <b>250</b>        | <b>250</b>        | <b>750</b>             |
| School Improvement                           | 200               | 200               | 200               | 600                    |
| <b>School Improvement Reserve total</b>      | <b>200</b>        | <b>200</b>        | <b>200</b>        | <b>600</b>             |
| <b>Use of Reserves total</b>                 | <b>1,895</b>      | <b>1,565</b>      | <b>735</b>        | <b>4,195</b>           |

### Council Tax 2020/21 and estimated collection fund balance 2019/20

- 10.9 The Council must formally determine the Council Tax Base (the number of Band D equivalent properties) for 2020/21 and any estimated Collection Fund balance as at the end of 2019/20. The Council Tax base for 2020/21 was approved by Cabinet at its January meeting at **58,680.94** (equivalent Band D properties) including Leigh-on-Sea Town Council.

The tax base for Leigh-on-Sea Town Council has been calculated for 2020/21 as **8,845.24** Band D equivalents.

The Council Tax base for Southend-on-Sea has been determined by starting with the base for 2019/20, adding new properties that have come onto the list and assessing the on-going impact of agreed discounts and exemptions.

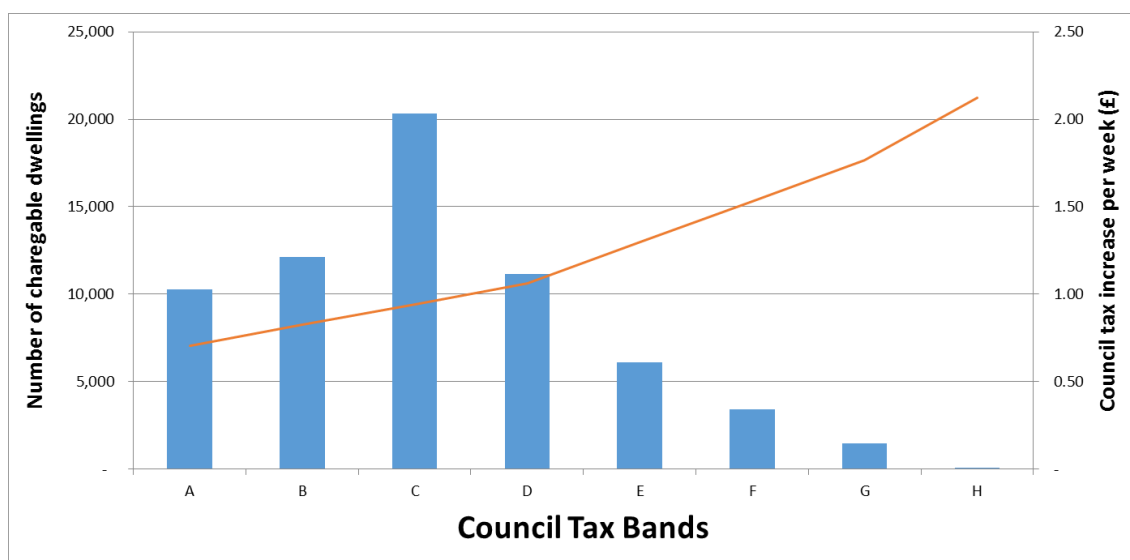
The introduction of a new Care Leavers Council Tax Relief Policy for 2020/21 and the approved increase in the Empty Homes Premium to 200% from April 2020 has also been factored into the tax base calculation.

The estimated balance on the Collection Fund in respect of Council Tax as at the end of 2019/20 has been reviewed and £2M of the projected surplus will be used to allow for smoothing of the budget gap across the lifetime of the Medium Term Financial Strategy to 2024/25.

## Council Tax

- 10.10 Overall, the proposed budget assumes a total increase in the Council Tax of 3.99% (that being 1.99% for general use and 2% for the Adult Social Care precept). This would result in a Band D value of £1,437.39 per annum (the Band D level for 2019/20 is £1,382.22). This equates to an annual increase of £55.17 and a weekly increase of £1.06. The following table and bar chart provide an indicative illustration of the impact of the proposed council tax increase for 2020/21 across the range of properties in Southend-on-Sea. Over 70% of properties in the Borough are in Council Tax bands A to C.

| Council Tax Band               | A      | B      | C      | D      | E     | F     | G     | H     |
|--------------------------------|--------|--------|--------|--------|-------|-------|-------|-------|
| Number of chargeable dwellings | 16,242 | 15,625 | 23,978 | 12,541 | 6,591 | 3,613 | 1,559 | 94    |
| 19/20 Council Tax per week (£) | 17.72  | 20.67  | 23.63  | 26.58  | 32.49 | 38.40 | 44.30 | 53.16 |
| Increase per week (£)          | 0.71   | 0.83   | 0.94   | 1.06   | 1.30  | 1.53  | 1.77  | 2.12  |
| 20/21 Council Tax per week (£) | 18.43  | 21.51  | 24.57  | 27.64  | 33.78 | 39.93 | 46.07 | 55.28 |



This proposed budget assumes a Council Tax increase of 1.99% for general use on the Southend-on-Sea element of total Council Tax. In addition, the proposed budget for 2020/21 also assumes an Adult Social Care precept increase at a level of 2.0% of the main Council Tax level. The ability to apply this precept was introduced by the Government as part of the 2016/17 Local Government finance settlement. It was introduced to recognise the increasing local demand and demographic expenditure pressures within Adult Social Care for upper tier authorities across the UK.

The total Council Tax payable by local taxpayers consists of Southend-on-Sea Borough Council element, the Adult Social Care element and the precepts for Essex Fire & Rescue Services Authority and Essex Police Authority. Where applicable it also includes Leigh-on-Sea Town Council precept.



## Precepts

- 10.11 Leigh-on-Sea Town Council has confirmed its precept for 2020/21 at £447,392 (2019/20 = £421,625). Based on their council tax base of 8,845.24, the Town Council element of the total Council Tax bill will increase from £47.70 to £50.58 at Band D, equivalent to an increase of 6.04% from 2019/20. This only applies to the area covered by the Town Council. The final decision was made at a meeting of the Town Council on 21<sup>st</sup> January 2020.
- 10.12 Essex Fire & Rescue Services and Essex Police through the Police, Fire and Crime Commissioner has by law to set both precepts no later than 1 March 2020 (after consideration by the Essex Police, Fire and Crime Panel).
- 10.13 Due to the delay in the funding announcements the precept position will be considered for approval at the Essex Police, Fire and Crime Panel on 6<sup>th</sup> February 2020. The proposed precept position is set out below and the final agreed position will be provided as a verbal update:
- Essex Police: Band D Council Tax £198.63 (2019/20 = £192.96), which is an increase of 2.94%;
  - Essex Fire and Rescue Services: Band D Council Tax £73.89 (2019/20 = £72.45), which is an increase of 1.99%.

## Levies

- 10.14 The Council is required to pay relevant levying bodies, who have all now indicated their levy position for 2020/21. The final levies will be reported on in the Council Tax report for Council on 20<sup>th</sup> February 2020. The current position for 2020/21 is identified in the following table: -

| <b>Levying Body</b>   | <b>2019/20 Probable Actual £000</b> | <b>2020/21 Estimate £000</b> | <b>Percentage increase %</b> |
|---|-------------------------------------|------------------------------|------------------------------|
| Kent and Essex Inshore Fisheries and Conservation Authority (Provisional) | 21.5                                | 21.9                         | 1.8%                         |
| Flood Defence – Environment Agency (Provisional)                          | 200.5                               | 206.5                        | 3%                           |
| Coroners Court (Provisional)  | 416.0                               | 416.6                        | 0%                           |
| <b>Total</b>  | <b>638.0</b>                        | <b>645.0</b>                 |                              |

The Kent and Essex Inshore Fisheries and Conservation Authority levy have proposed an increase of 1.8% due to the need to renew marine assets. This is the first increase in this levy since 2014/15. The Flood defence levy is provisional and is based on the increase agreed at the Anglian Eastern Regional Flood and Coastal Committee. The Coroners Court levy is also provisional.

## Reserves Strategy and Section 151 Officer's Statement

- 10.15 The Reserves Strategy is set out in the Section 151 Officer's Statement on the Adequacy of Balances attached at **Appendix 3**. Within the boundaries of this strategy the presentation of the budget reflects proposed net appropriations from earmarked reserves totalling £8.522M for which separate approval is sought. Full details are shown in **Appendix 4**.

### Staffing Implications

- 10.16 The investment proposals outlined in **Appendix 6** will result in an increase to the staffing establishment of 11 full time equivalent posts. There are no reductions proposed and therefore no compulsory redundancies are required as part of the budget package for 2020/21.

The Council's workforce planning process will continue to provide oversight on all proposed staffing changes and will manage vacant posts (permanent and temporary) to ensure that any staff identified at risk from possible staffing restructures can be redeployed.

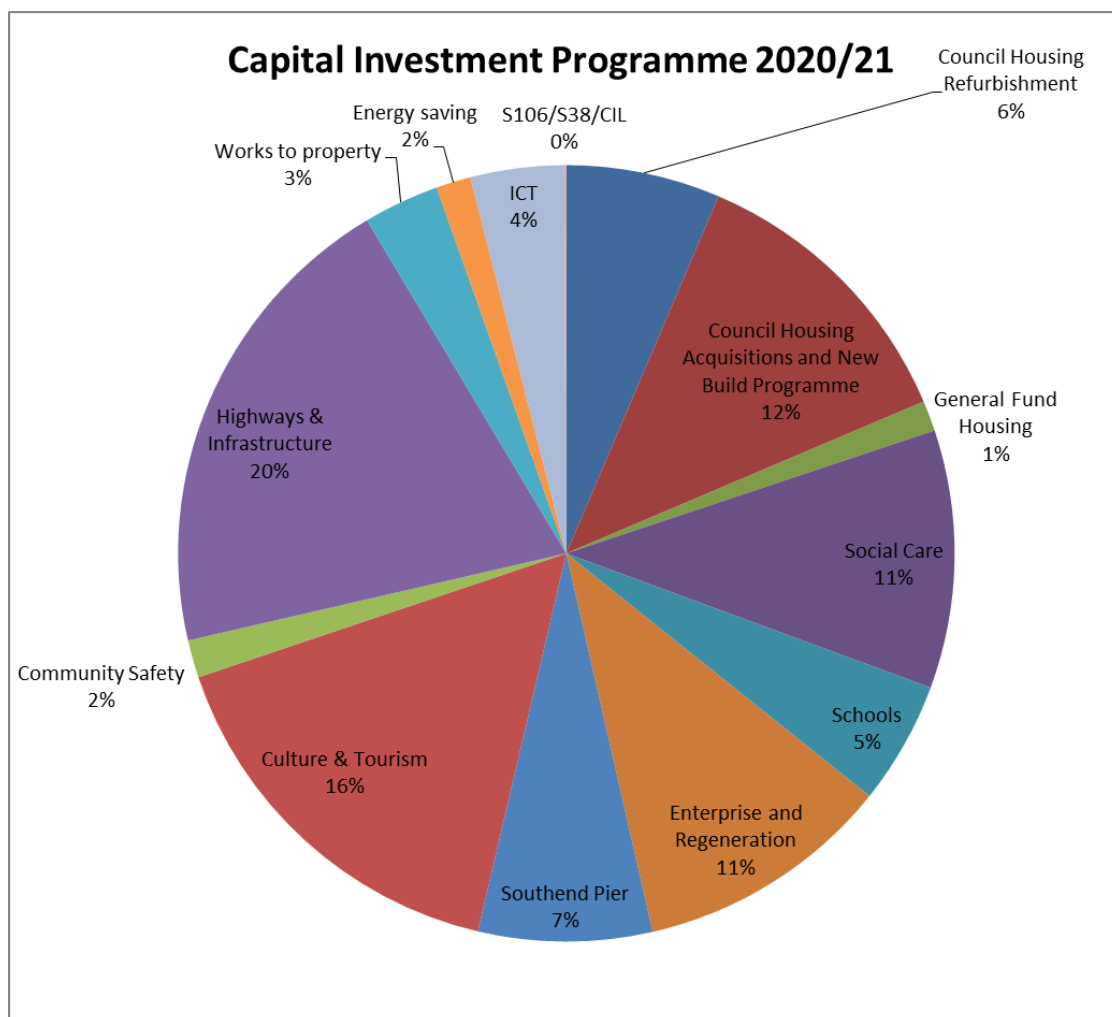
Consultations with staff and Trade Unions will continue throughout the budget process.

## 11 Capital Investment Programme

- 11.1 Each year the Council agrees a Capital Investment Strategy that sets out the framework for controlling and monitoring the Capital Investment Programme. The Capital Investment Strategy is a key document for the Council. It sets out the processes and policies relating to capital expenditure and investment.
- 11.2 The capital investment programme is prepared and developed in accordance with the Council's Capital Investment Strategy, which is attached as **Appendix 9** to this report. In turn, the Capital Investment Strategy has been written in the context of Southend 2050 and the five themes and all capital investment is therefore driven by the aim of contributing to the delivery of the ambition and the desired outcomes.
- 11.3 In February 2019 the Council agreed a capital investment programme budget for 2019/20 of £74.361M. This budget was revised at June Cabinet to £90.073M, further revised to £83.072M at September Cabinet and further revised to £79.826M at November Cabinet. This was a result of approved re-profiles and other amendments following robust monitoring and capital challenge meetings held with the Deputy Leader to ensure that budgets are better aligned to the predicted spend across the years of the programme and to the delivery of the desired outcomes.
- 11.4 Further capital challenge meetings have been held since November Cabinet and the changes resulting from those meetings have been included in this report. This report also includes any other budget amendments identified since November Cabinet. The proposed additions to the capital investment programme for 2020/21 to 2024/25 of £28.4M for the General Fund and £18.7M for the Housing Revenue Account are set out in **Appendix 10**, with the details

of each scheme and its funding explained. These proposals have been prepared in line with the prioritisation process set out in the capital investment strategy and consideration has been given to proportionality, prudence, affordability and sustainability.

- 11.5 As a result of the strategy around prioritisation of schemes there are some new schemes and additions that are being proposed which are subject to viable business cases being produced and approved under current governance processes, before they can be brought into the capital investment programme. These schemes are set out in **Appendix 10**.
- 11.6 **Appendix 11** summarises the requests for budget re-profiles, virements between schemes, deletions from the programme where budgets are no longer needed, additions to the programme where new external funding has been received and proposed new schemes and additions to the capital investment programme.
- 11.7 The proposed capital investment programme for 2020/21 by investment area is shown below:



\*S106/S38/CIL percentage has been rounded from 0.09%

- 11.8 The 2020/21 capital budget is part of the wider capital investment programme spanning several years. The following table shows the revised programme if all the requests in **Appendix 11** are approved:

|                          | 2019/20<br>£000 | 2020/21<br>£000 | 2021/22<br>£000 | 2022/23<br>£000 | 2023/24<br>£000 | 2024/25<br>£000 | Total<br>£000  |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|
| At November Cabinet      | 79,826          | 97,336          | 34,452          | 8,847           | 7,605           | 0               | 228,066        |
| Amendments               | (8,869)         | 11,260          | 14,515          | 9,151           | 4,600           | 17,050          | 47,707         |
| <b>Revised programme</b> | <b>70,957</b>   | <b>108,596</b>  | <b>48,967</b>   | <b>17,998</b>   | <b>12,205</b>   | <b>17,050</b>   | <b>275,773</b> |

- 11.9 The proposed amended Capital Investment Programme for 2019/20 to 2024/25 is detailed in **Appendix 12**.

### Funding of the Capital Investment Programme

- 11.10 The proposed Capital Investment Programme presented in this report is currently fully funded and has been prepared based on the level of borrowing the Council can support, notified capital grants, prudent assumptions over the level of other grants and the timing and valuation of capital receipts (from the sale of existing surplus Council assets) that will be realised.
- 11.11 The proposed estimated funding for the programme (excluding schemes subject to viable business case approval) is as follows:

| Type of funding:                                | 2020/21<br>£M | 2021/22<br>£M | 2022/23<br>£M | 2023/24<br>£M | 2024/25<br>and future<br>years<br>£M | Total<br>£M  |
|---|---------------|---------------|---------------|---------------|--------------------------------------|--------------|
| External funding – capital grant                | 26.7          | 12.9          | 0.7           | 0             | 0                                    | 40.3         |
| External funding – third party contributions    | 7.7           | 3.3           | 0             | 0             | 0                                    | 11.0         |
| Capital Receipts                                | 7.0           | 2.2           | 0.4           | 0             | 0                                    | 9.6          |
| Major Repairs Reserve (Housing Revenue Account) | 6.6           | 6.6           | 6.6           | 6.6           | 6.6                                  | 33.0         |
| Earmarked reserves/<br>Revenue Contributions    | 9.1           | 5.2           | 1.2           | 0             | 0                                    | 15.5         |
| Borrowing – Main Schemes <sup>(1)</sup>         | 39.0          | 14.3          | 7.1           | 3.6           | 3.4                                  | 67.4         |
| Borrowing – Invest to Save <sup>(1)</sup>       | 12.5          | 4.4           | 2.0           | 2.0           | 7.1                                  | 28.0         |
| <b>Total</b>                                    | <b>108.6</b>  | <b>48.9</b>   | <b>18.0</b>   | <b>12.2</b>   | <b>17.1</b>                          | <b>204.8</b> |

Note 1 - this relates to both internal and external borrowing

The estimated amounts of internal and external borrowing are shown in the table below:

| <b>Borrowing to fund capital schemes</b> | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25 and future years</b> | <b>Total</b> |
|--|----------------|----------------|----------------|----------------|---------------------------------|--------------|
|  | <b>£M</b>      | <b>£M</b>      | <b>£M</b>      | <b>£M</b>      | <b>£M</b>                       | <b>£M</b>    |
| Internal borrowing                       | 6.5            | 3.7            | 6.1            | 4.6            | 10.5                            | <b>31.4</b>  |
| External borrowing                       | 45.0           | 15.0           | 3.0            | 1.0            | 0                               | <b>64.0</b>  |
| <b>Total borrowing</b>                   | <b>51.5</b>    | <b>18.7</b>    | <b>9.1</b>     | <b>5.6</b>     | <b>10.5</b>                     | <b>95.4</b>  |

- 11.12 The Corporate Asset Management Strategy records a clear preference for the retention of freeholds but does recognise that in some circumstances, a disposal is the most appropriate course of action. The capital receipts target of £1M p.a. is retained but is not a key driver for the sale of property. Capital receipts will reduce the need for borrowing to support the Capital Investment Programme if they can be generated.
- 11.13 Individual authorities are responsible for deciding the level of their affordable borrowing. The Government does have powers to limit the aggregate for authorities for national economic reasons, or for an individual authority. Funding schemes by borrowing has a revenue consequence of approximately £70k for every £1M borrowed or if £10M is borrowed this would equate to an increase in Council Tax of approximately 0.8%. The full impact of borrowing costs associated with the funding of the proposed programme has been included in the Council's current financial planning for 2020/21 to 2024/25.
- 11.14 The Minimum Revenue Provision (MRP) is an amount to be set aside for the repayment of debt. Each Local Authority has a general duty to charge an amount of MRP to revenue which it considers to be prudent, with responsibility being placed upon the Full Council to approve an annual MRP policy statement. The MRP policy statement for 2020/21 is attached as **Appendix 13**.
- 11.15 The Treasury Management Strategy covers the management of the council's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks.
- 11.16 The budget includes provision for the financing costs of the Council's Capital Investment Programme, including interest on external borrowings. Offsetting this, the Council will earn interest by temporarily investing its surplus cash, which includes unapplied and set-aside capital receipts. These budgets depend on many factors, not least the Council's level of revenue and capital budgets, use of reserves, methods of funding the budget requirement, interest rates, cash flow and the Council's view of risk.
- 11.17 Audit Committee have responsibility for the scrutiny of the Treasury Management Strategy, and it is the subject of a separate report elsewhere on this agenda, proceeding to Council for approval in advance of the forthcoming year.

- 11.18 The CIPFA Prudential Code for Capital Finance in Local Authorities has been developed to support Local Authorities in taking capital investment decisions and to ensure that these decisions are supported by a framework which ensures prudence, affordability and sustainability. To demonstrate compliance with these objectives each authority is required to produce a set of prudential indicators. These prudential indicators for capital and treasury management are attached as **Appendix 14**.
- 11.19 It is the Chief Finance Officer's view that this capital investment programme is prudent, affordable and sustainable and the risks associated with it are manageable.

## **12 Other Options**

- 12.1 The Local Government Act requires billing authorities to complete and approve their budgets and set a council tax before 11<sup>th</sup> March immediately prior to the start of the financial year on 1<sup>st</sup> April.

## **13 Reasons for Recommendations**

- 13.1 The recommendations in this report are to comply with statutory requirements and relevant Local Authority codes of practice and to ensure the budgets align to and enable the delivery of the Councils ambition and desired outcomes or to enhance the Council's infrastructure.

## **14 Corporate Implications**

- 14.1 Contribution to the Southend 2050 Road Map

The delivery of a revenue budget and the capital investment programme in line with the recommendations in this report will contribute to the delivery of the Southend 2050 ambition and achievement of the desired outcomes and five-year roadmap.

- 14.2 **Financial Implications**

As set out in this report.

- 14.3 **Legal Implications**

As set out in this report.

- 14.4 **People Implications**

As set out in paragraph 10.16.

- 14.5 **Property Implications**

The Capital Investment Strategy and Corporate Asset Management Strategy (CAMS) may affect the Council's property holdings, assets and liabilities. The Strategy and CAMS will reflect the implications of the agreed Capital Investment Programme and any impact on the level of required borrowing.

The CAMS now also includes a Commercial Property Investment Strategy setting out the Council's clear intention to proceed to make commercial property investments on the basis of specialist independent advice and where there is a good, sustainable return to be made both in terms of on-going revenue and long term capital appreciation.

## 14.6 Consultation

Consultation has taken place with the Chief Executive, Executive Directors and their Directors as part of the budget preparation process who are fully committed to working within the budget proposed. Members are being consulted through Cabinet, Scrutiny and Council.

Consultation with staff and unions will continue throughout the process. Briefings for local businesses and the voluntary sector have been undertaken to give them an opportunity to find out more about what is in the planned draft budget from the Leader, Deputy Leader and Executive Director (Finance & Resources).

Staff have been kept abreast of progress and opportunities for contributions through communications by the Chief Executive and Executive Director (Finance & Resources) and through media briefings.

Several of the investment proposals included within this budget proposal have been included as a result of feedback from our partners and stakeholders as a result of collaborative working to deliver our Southend 2050 outcomes.

The draft budget approved at Cabinet on 16<sup>th</sup> January 2020 has been presented to all three Scrutiny Committees and the Business and Voluntary Sector Consultation meeting. The feedback from each of these scrutiny bodies is as follows:

- Place Scrutiny Committee offered no comments on the draft revenue budget proposals, the Capital Investment Programme 2020/21 to 2024/25 or the proposed new schemes and additions contained therein, in respect of their areas of responsibility;
- People Scrutiny Committee offered no specific comments on the draft revenue budget proposals, the Capital Investment Programme 2020/21 to 2024/25 or the proposed new schemes and additions contained therein, in respect of their areas of responsibility. There was a general discussion around health indices and inequalities, range of life expectancies for men and women and what action we can take to close the gap. Consideration was also given to the headlines generated from the latest indices of multiple deprivation at individual ward level;
- Policy and Resources Scrutiny Committee offered no comments on the draft revenue budget proposals, the Capital Investment Programme 2020/21 to 2024/25 or the proposed new schemes and additions contained therein, in respect of their areas of responsibility;

- The Business and Voluntary Sector consultation generated several questions and general comments on the draft revenue budget proposals and Capital Investment Programme 2020/21 to 2024/25. These included:
  - consideration of Cliffs Pavilion in relation to the Southend 2023 roadmap;
  - strategy and ideas of how to turn the Town Centre into more of a night-time economy;
  - what support is available for local businesses?
  - what is the Council doing about rough sleeping?
  - what is the new community builders/capacity building fund?
  - what support and advice is available for residents for benefits and council tax?
  - what are the key local statistics for adult social care and children's social care?

Home Care issues were also considered. Full responses were provided at the engagement session with no further follow-up requested.

#### 14.7 **Equalities and Diversity Implications**

Assessments have been carried out for all proposed revenue investment and reprioritisation proposals in the 2020/21 budget and for all capital investment proposals where appropriate. This is summarised in **Appendix 15**.

#### 14.8 **Risk Assessment**

The budget proposals will be subject to the Executive Directors and Directors review of risk and robustness. These have informed the Chief Finance Officer's Section 25 of the 2003 Local Government Act statement on the robustness of estimates and adequacy of reserves as part of this report in **Appendix 3**.

All capital projects are delivered using best practice project management tools as appropriate. This requires a full risk assessment and management review to be carried out. The programme includes an appropriate sum within each project to cover build risk and claims.

#### 14.9 **Value for Money**

The proposals set out in the report reflect the Council's drive to improve value for money and to deliver significant efficiencies in the way it operates.

All projects are required to follow and adhere to procurement guidance issued by the Council. They must also comply with all procedure rules for entering into and managing contracts with suppliers.

#### 14.10 **Community Safety Implications**

Assessments have been carried out for all revenue and capital investment proposals where appropriate.



## 14.11 Environmental Impact

Assessments have been carried out for all revenue and capital investment proposals where appropriate.

## 15 Background Papers

The Local Government Finance Settlement 2020/21, MHCLG  
Budget working papers held by the Finance and Resources section  
Southend 2050 Ambition / Five Year Roadmap  
Southend 2050 – Strategic Delivery Plans

## 16 Appendices

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| Appendix 1  | Financial Sustainability Strategy 2020 - 2030  |
| Appendix 2  | Medium Term Financial Strategy 2020/21 - 2024/25<br>Annex 1 to Appendix 2 – Medium Term Financial Forecast to 2024/25<br>Annex 2 to Appendix 2 – Earmarked Reserves to 2024/25 |
| Appendix 3  | Section 151 Officer’s Statement on the Adequacy of Balances and the Robustness of the Budget   |
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| Appendix 5a | General Fund Revenue Budget by Portfolio – Summary   |
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| Appendix 14 | Prudential Indicators 2020/21 to 2024/25   |
| Appendix 15 | Equality Analyses supporting budget proposals  |

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*Southend 2050: it all starts here – where we are known for our creativity, our cheek, our just-get-on-with-it independence and our welcoming sense of community. And so, whilst the growth of London and its transport network has made the capital feel closer than ever, we cherish our estuary identity – a seafront that still entertains and a coastline, from Shoebury garrison to the fishing village of Old Leigh, which always inspires. We believe it's our contrasts that give us our strength and ensures that Southend has a vibrant character of its own.*

*Our shared ambition for Southend 2050 is grounded in the values of Southenders. It is bold, challenging but achievable. It will, however, need all elements of our community to work together to make it a reality. We will also need our neighbouring boroughs, and central Government to play their part.*

## Introduction

This Strategy focusses on the future sustainability of Southend-on-Sea Borough Council, and the things we need to do to ensure we remain financially resilient:

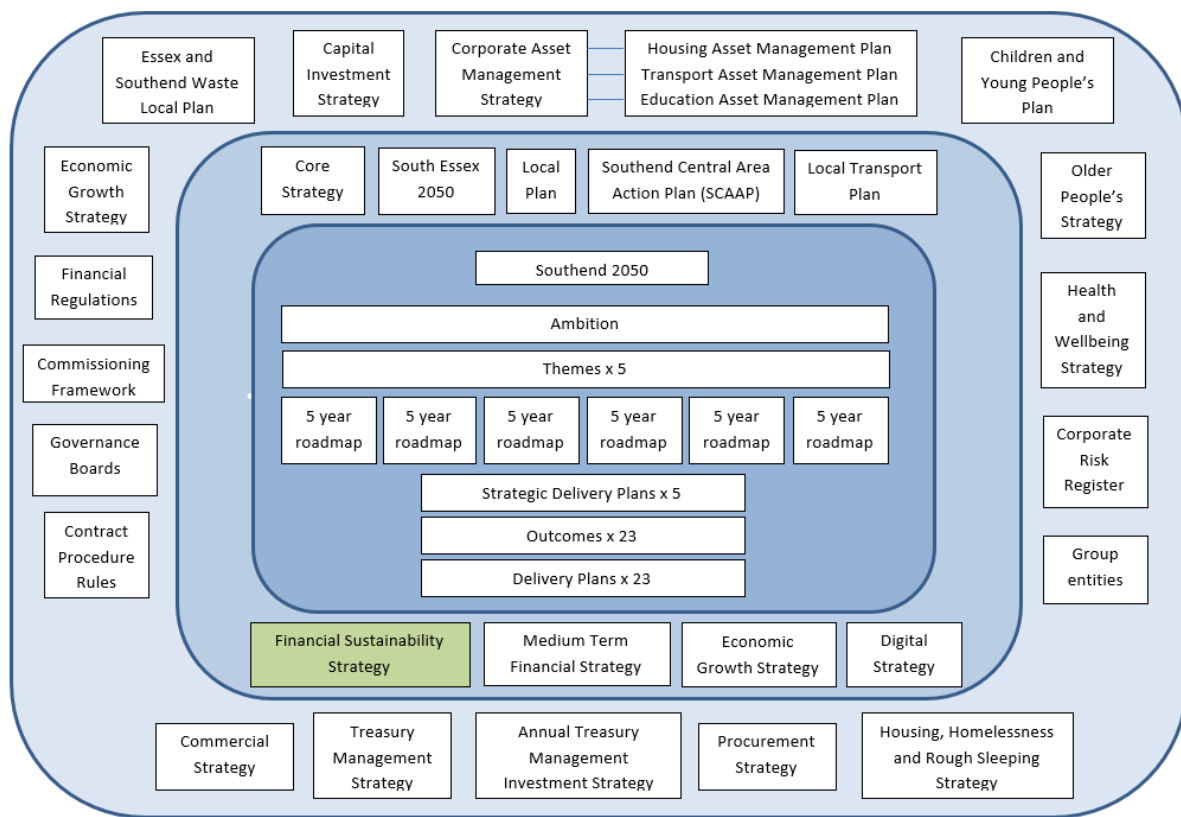
- Setting out our strategic priorities for financing which in turn will allow us to achieve our desired outcomes;
- Framing the financial future, commitment and intentions for the Council;
- Setting the overall context for the rolling **Medium Term Financial Strategy** and the effective targeting of resources to deliver the ambitions and outcomes contained within the Southend 2050 programme and roadmap phases;
- Clearly outlining our approach, desire and commitment to achieving financial sustainability by embracing Southend's economic potential, growing our local tax base and increasing our income generating capabilities;
- Designed to enable all staff and councillors within the Organisation, together with our stakeholders to understand the story of where we are now, where we would like to be and how we will get there. The aim is for this approach to help maximise understanding, ownership and engagement within the local area.

The financial sustainability strategy is aligned with the Council's other key plans and strategies, notably the Local Plan, Economic Development Strategy, Housing Strategy and the Medium Term Financial Strategy. The Council will only achieve financial sustainability through funding and supporting economic and housing growth and maintaining a clear focus on our key outcomes and activities whilst simultaneously ensuring efficient and effective delivery.

This Strategy considers a range of factors including the current financial position and performance of the Council, a review of our local economy, proposed local government reform and external analysis relating to wider national, economic and political developments.

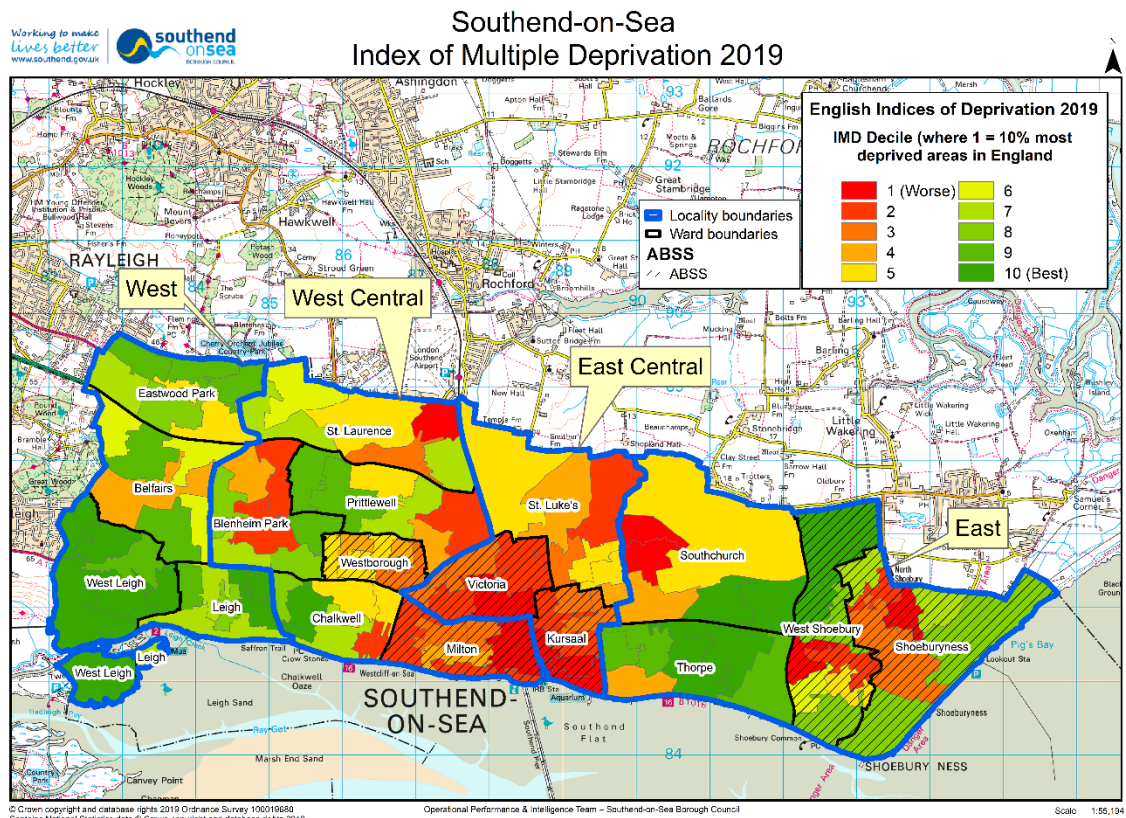
Despite future financial uncertainties within the Local Government Sector, the Council is committed to the achievement of long term financial sustainability by embracing the area’s economic potential, sustaining our local tax base and being commercial and business-like in the way we operate. This will enable us to become more self-sufficient and generate the resources necessary to maintain and invest in public services that meet the needs of our local residents.

This Strategy sits centrally and is aligned to several internal and external future planning influencers and is informed by the drivers and priorities within them.



For our longer-term planning, we will need a clear understanding of service delivery objectives and priorities, ensuring the right balance of skills and sufficient capacity within our organisation to focus on prioritising resources to achieve our ambitions. This will enable us to direct our investment, resources and business planning towards activity that will achieve our outcomes, changing the conversation to “where to prioritise” rather than “what to cut”.

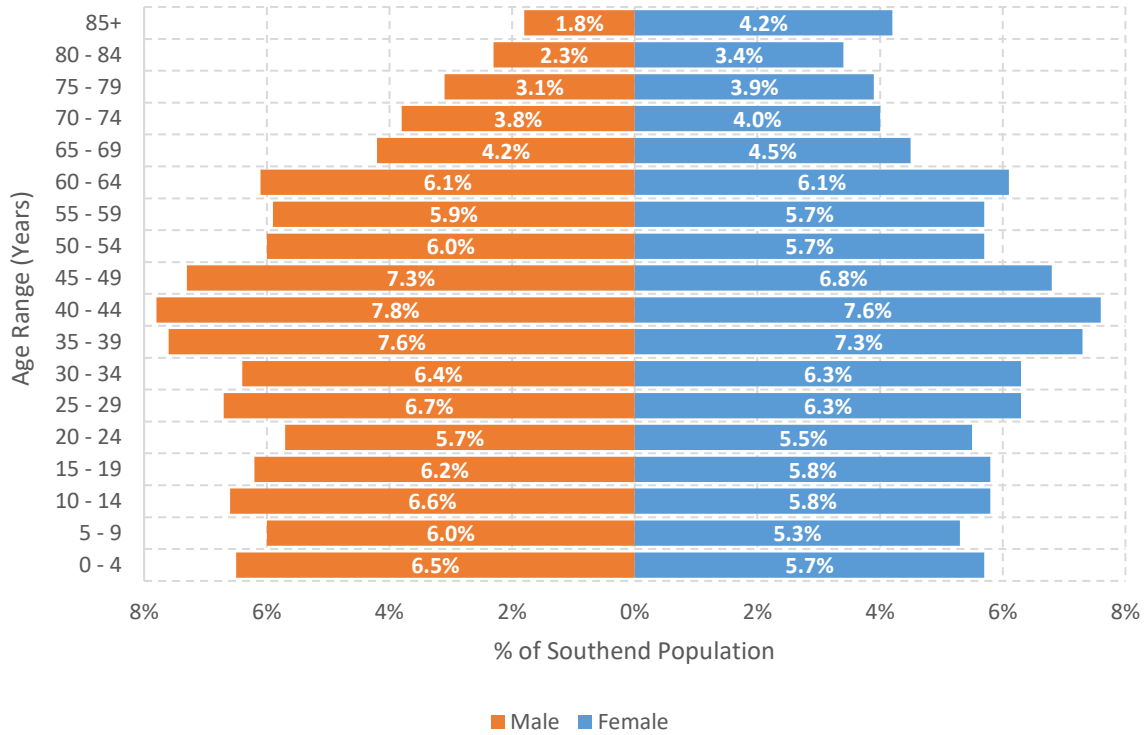
The following map illustrates the differing levels of indices of deprivation across the Borough. This helps to inform more effective targeting of resources and services based on need. Currently life expectancy is 11.1 years lower for men and 9.7 years lower for women in the most deprived areas of Southend compared to the least deprived areas.



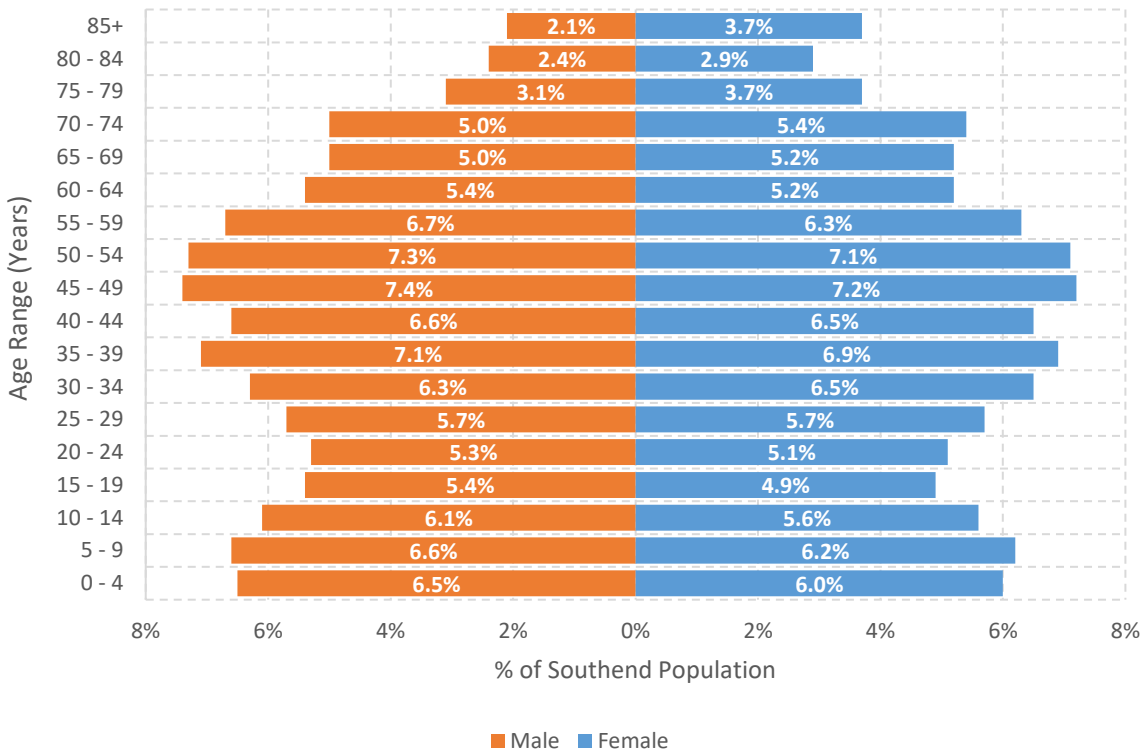
By 2050 Southend-on-Sea is predicted to expect a 25% increase in population, with all age bands increasing at different rates. Between the years of 2018–2050 the number of residents at each life stage will change; most significantly, the percentage of our residents who are of working age (16-64) could proportionally reduce, whilst the population aged over 65 is forecast to increase significantly.

The following graphs illustrate that between 2008 and 2018 the proportion of people aged between 15-44 has reduced whilst people aged 65+ has increased. We are determined to try and help all people live well and for longer, so this trend is likely to continue. The changes in demographics reinforces the need to prioritise and target resources effectively to deliver better outcomes and invest in activities that have the most positive local impact. It also provides an insight into the changing nature and likely demand patterns of residents in Southend and the importance of ensuring that the Council is and remains financially sustainable.

### Age range proportions in Southend 2008



### Age range proportions in Southend 2018



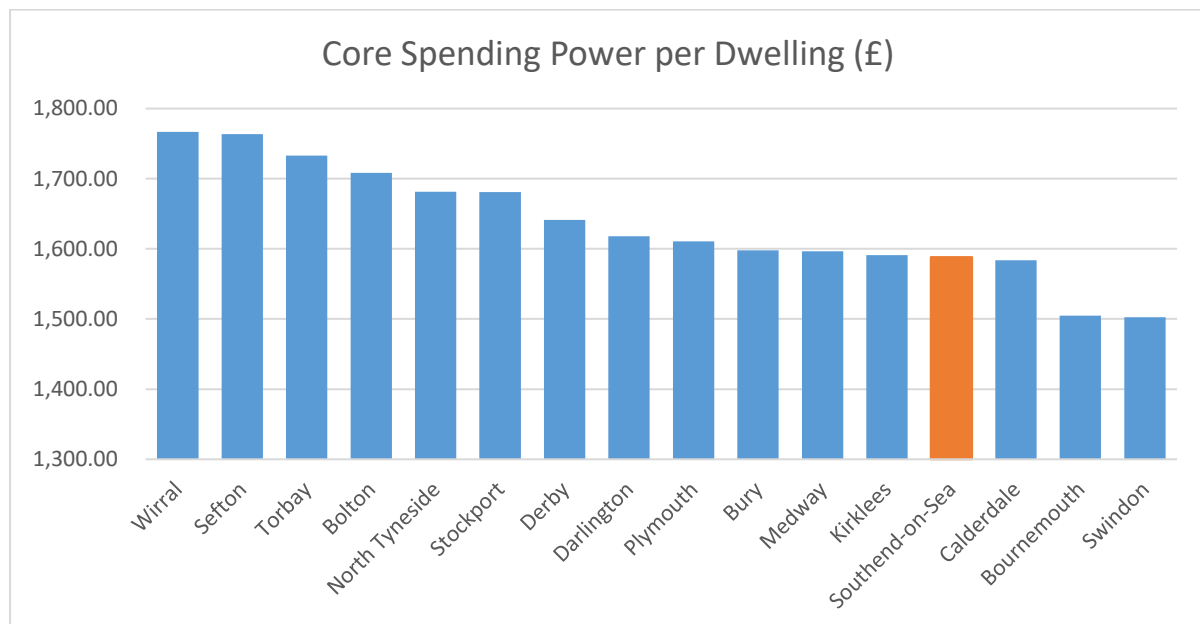


As an organisation we are investing in transformative and innovative service re-design so that we can deliver our 2050 outcome pledges effectively and efficiently.

We are also actively working towards obtaining the Real Living Wage accreditation which will hopefully benefit local people.

We recognise that it is essential to work in collaboration with our residents, businesses and our partners to create the right conditions for future investment and expansion to ensure that our ambition is achieved.

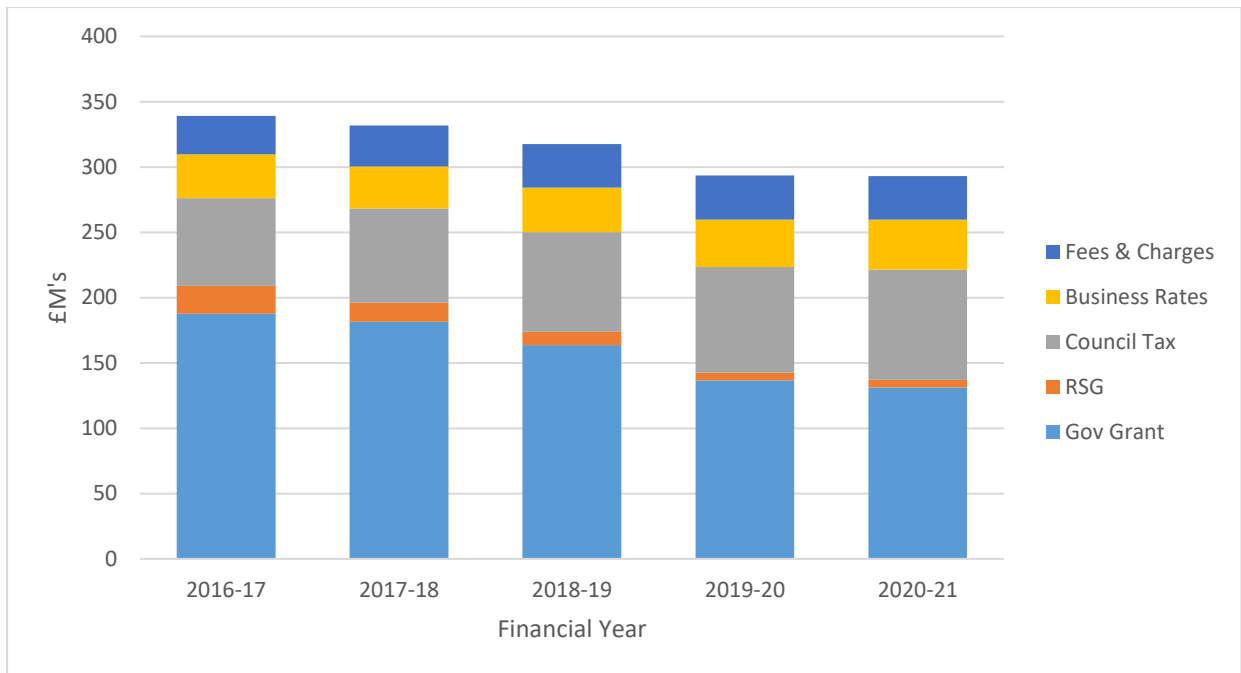
Like all Local Authorities, Southend-on-Sea Borough Council has seen a decline in the amount of funding it receives from central government grant. Compared to our statistical neighbours for 2018/19, our Spending Power per dwelling was ranked 13<sup>th</sup> out of 16.



Despite the inherent unfairness presented by our reduced level of Core Spending Power capability, we believe that from a financial resilience perspective we would currently be placed in the top quartile of all upper tier local authorities in the country. This is based on many factors including evidence presented by CIPFA's Resilience Toolkit, which was launched in December 2019.

**We aim to stay there.**

The following graph shows how our previous budgets have been funded and the changing nature and value of the source of this. There is a clear shift from central to more local funding streams.



## Southend 2050

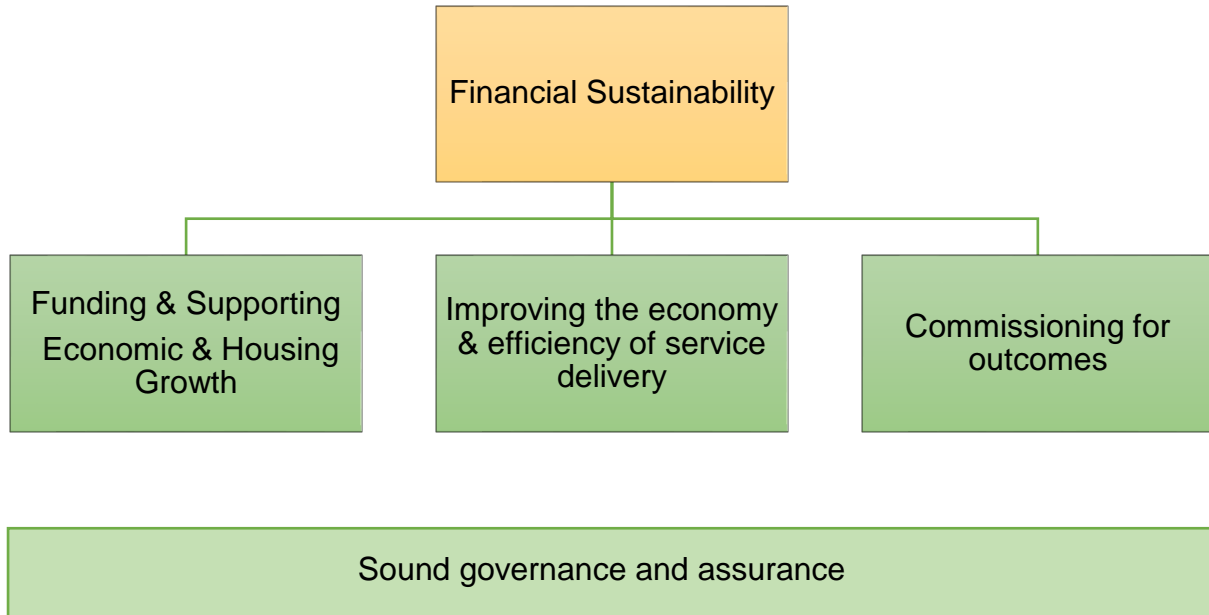
Southend-on-Sea Borough Council has a clear 2050 ambition, a collective vision for the future of our borough and a strong sense of purpose.

The ambition is grounded in the values of Southenders under the five themes set out below. Each theme also has a set of outcomes to be achieved by 2023.



The Southend 2050 ambition includes twenty-three outcomes which fit into five themes. The five-year roadmap timeline identifies key projects that will help make the ambition a reality.

The strategy will drive long term emphasis of delivering financial sustainability in order to achieve the Southend 2050 ambition, with a focus on:



**We can achieve this by:**

- Embracing Southend’s economic potential and create great conditions for businesses;
- Enabling others to do more for themselves through asset-based community development – people taking personal responsibility and enable them to live fulfilling lives;
- Proactively using reserves to better effect whilst maintaining adequate levels to deal with risks and exploit opportunities;
- Being more commercial and business focussed;
- Taking an outcome-based investment approach;
- Making the most of opportunities for improvement through capital projects and maximising external grant funding;
- Being clear and decisive about our appetite for risk;
- Taking a measured strategic and planned approach to resourcing;
- Applying customer-led ‘Design Thinking’ methodology to our services;
- Being an organisation that is well run, creative and financially aware;
- Creating the right conditions for the private sector to invest locally.

## **Outcome Based Investment**

Being an outcome focussed organisation will enable us to direct our investment, resource and business planning to activity that will achieve our outcomes, change the conversation to what to keep rather than what to cut. As a borough we have clearly articulated desired outcomes which describe the impact and the 'so what' of what we want to achieve.

## **Commercial Opportunities and Income Generation**

Having a commercial mind-set is about being more business-like, whilst retaining a strong public service ethos:

- delivering the best fit to ensure both a financial and social return;
- seeking to grow our income base and make efficiency savings in a variety of ways;
- commission goods and services efficiently to deliver better more cost-effective outcomes;
- explore and create optional traded services for residents and businesses that are competitive and provide value for money.

The introduction of a commercial approach will identify and present opportunities for the Council, with due consideration of the risks. The key test around risk appetite – under normal circumstances security of investment is paramount, yield/return a secondary key consideration.

We need to consider and understand all commercial drivers that have a direct revenue benefit, but also wider economic/social benefit felt locally. Examples include business rate generation, quality jobs, spending power, social value, holistic cost/investment understanding etc.

We are looking beyond the traditional sources of income generation for opportunities to boost revenue income through fees and charges and selling services where appropriate. Considering 'make or buy' service models to get hybrid best-fit mechanisms for delivery is essential. Importantly we will always look to secure social as well as financial returns where appropriate.

## **So how do we get there?**

In order to accomplish our aim to achieve financial sustainability, it is important to recognise the challenges that face local government and how they will impact on us.

More financial independence will give us the ability to shape our own future and meet local needs. The Council will be required to move towards enabling others to do more for themselves, rather than being a universal and direct provider of services. Locally, the Council has seen sustained reductions in its core central government funding and over the same period experienced increased and more complex demand across a range of services. This is likely to continue for the foreseeable future.

### **UK Economic Growth**

UK economic growth at a macro level remains sluggish just as it has since the 2008 financial crisis and subsequent recession. This sluggishness is projected to continue. Latest forecasts estimate that UK GDP growth of 1.3% in 2018 will decrease to 1.2% in 2019 and remain subdued over the next 3-5 years.

Economists see this slow growth as being driven by three key factors: weaker private consumption, only modest growth in real wages and households looking to maintain savings. The downward pressure is compounded by constrained business investment and uncertainty around future trade contributions. Ongoing negotiations and uncertainty around the UK's withdrawal from the European Union make future growth even more difficult to predict than usual.

How this macro picture plays out at the local level will have profound implications for the financial resilience and sustainability of local authority finances. For some places – where businesses and employment are in sectors experiencing stronger growth – the local economy will be protected somewhat from changes at the macro level. For others, however, the strength of the local economy will be directly tied to the events playing out nationally. So, if growth continues to slow, businesses may fail or leave the UK and employment opportunities will decrease, increasing pressure on local services. This scenario will also result in reduced income (particularly in terms of business rates) and increased expenditure on demand-led services and on wider economic development services.

## **Local context for Southend-on-Sea**

We have succeeded in developing a shared vision for Southend. We undertook extensive engagement within and outside the Council, instilling boldness, creativity and strong, place-based leadership. We have an invaluable framework against which to set shorter-term priorities and make investment decisions. The vision also establishes a set of short- and longer-term outcomes against which to measure and communicate progress, as well as providing a roadmap for the place, bringing partners and budgets together. Culturally, it also provides energy and excitement in Southend, enabling the Council, community and partners to feel more positive about the important role they have to play. It helps shift the mind-set from one of managing decline to one of place shaping. Given the challenges ahead, the importance of culture and behaviours within our authority is going to be critical.

### **The headline challenges for Southend include:**

- Financial sustainability - end of Revenue Support Grant
- Increasing demand for services
- Aging population & rising birth rate
- Future of social care – resourcing and location?
- Delivering sustainable, inclusive place-based growth and housing
- Developing our skills pipeline
- Involving community
- Political uncertainty, nationally and locally
- Harnessing digital/new technologies
- Community Safety - County lines and knife crime

## **Employment**

Southend is a vibrant town, employing approximately 66,200 employees working in over 6,600 businesses. There is a recognised strong entrepreneurial culture in the area and most businesses within Southend are small, with 85.5% of companies employing 10 people or fewer.

## **Tourism**

With over 7 million day visitors each year and over 250,000 longer stay visitors, Southend has significant potential to secure further growth as a major tourism destination. Tourism gives the town its identity centred on its iconic Pier.

## **Planning Policy**

Effectively applying national planning policy locally has a key role to play in minimising vulnerability and providing resilience to the impacts of climate change, including coastal damage, flood risk, drought, water supply and changes to biodiversity and our local landscape. It will be essential that appropriate planning policies are put in place in the new local plan to meet these challenges.

## **Knowing our business**

As an organisation we are more effective, understand our key drivers and are investing to make a difference. This insight and challenge is driven by service and outcome leads, looking at how and where we spend our money currently, how this drives (or not) our outcomes; and what investment/disinvestment options this might give the Council as we move to longer term outcome based financial planning.

## **Transforming Together**

Our new transformation programme underpins the whole approach to organisational design. The Council is putting in place the conditions that our staff have identified as being necessary to make us 'match fit' for the future. These conditions form an overarching change programme for the organisation:

- Clear vision and delivery strategy;
- Digital enablement to support the vision;
- Trusted, empowered and engaged workforce;
- Appetite to invest in people, outcomes and to accept risk;
- Closer collaboration with staff, members, citizens and partners;
- Simple and effective governance;
- Open mind-set that will drive forward transformation and change.

These conditions collectively describe the culture we need to develop and nurture to take our organisation to the next stage in its journey.

This will mean a very different approach to planning and designing our services in the future – one based around outcomes for people, not around the services themselves.

## Capital Investment

Successful and timely delivery of our capital investment programme is a key part in achieving the Southend 2050 ambition and delivering the priority outcomes.

The Council has major investment ambitions designed to significantly benefit the people of Southend. There will inevitably be a gap between the scale of our ambition and the level of available resources. This will limit the number and value of viable schemes that are affordable and deliverable. Capital expenditure and investment decisions must take account of the implications for the future financial sustainability of the Council.

Future sustainability will be achieved through:

- A long term view of capital expenditure plans, where long term is defined by the financing strategy of and risks faced with reference to the life of the project/assets;
- Provision for the repayment of debt over the life of the underlying debt as set out in the Minimum Revenue Provision policy;
- An overview of asset management planning including maintenance requirements and planned disposals;
- The Capital Investment Strategy provides a high level overview of how investment decisions take account of stewardship, value for money, prudence, sustainability and affordability;
- Capital investment proposals follow a project approval process with the decision making and governance process proportionate to the scale and impact of the project;
- The Council has a significant Capital Investment programme of approximately £205m over the next five years\*;
- The programme is financed as far as possible from external funding or from the Council's own resources (receipts from the sale of assets or reserves);
- Capital projects that cannot be financed from any other source can be funded by borrowing with an associated cost of approximately £70,000 per year for every £1million borrowed.

\* This includes: the development of the Airport Business Park, investment to facilitate the delivery of the Better Queensway regeneration project, the re-development of the Delaware and Priory Residential Care homes and the second phase development of the Forum.



## Smarter Commissioning & Maximise Social Value

Commissioning is the process by which we understand the collective approach needed in order to deliver the Southend 2050 outcomes and what we need to do with others to make them happen. In practice, this is not in-sourcing or out-sourcing but clearly **'right-sourcing'**.

Our goal is to drive a robust and balanced framework for commissioning into the fabric of the organisation. Designed alongside the 'creating the conditions' work, our new commissioning framework will embed the values and behaviours required in everything we do as an authority through a set of agreed core principles.

The Council's social value policy will maximise the wider community benefits of the Council's commissioning activity. It also sets the direction for engagement with businesses in Southend to increase the level of local spend, build in skills and employment opportunities and support small / medium enterprises and voluntary / community organisations.



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**MEDIUM TERM  
FINANCIAL STRATEGY  
2020/21 to 2024/25**

**February 2020**

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- Annex 1 Medium Term Financial Forecast to 2024/25  
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# **1 Introduction**

## **1.1 Background and Context**

Southend-on-Sea Borough Council, along with most Local Authorities across the country, continues to face significant challenges in providing essential services to meet the needs of local residents within the level of resources it has at its disposal. This is exacerbated by a combination of increasing and more complex local demand, inflation and uncertainty over future government funding levels and arrangements.

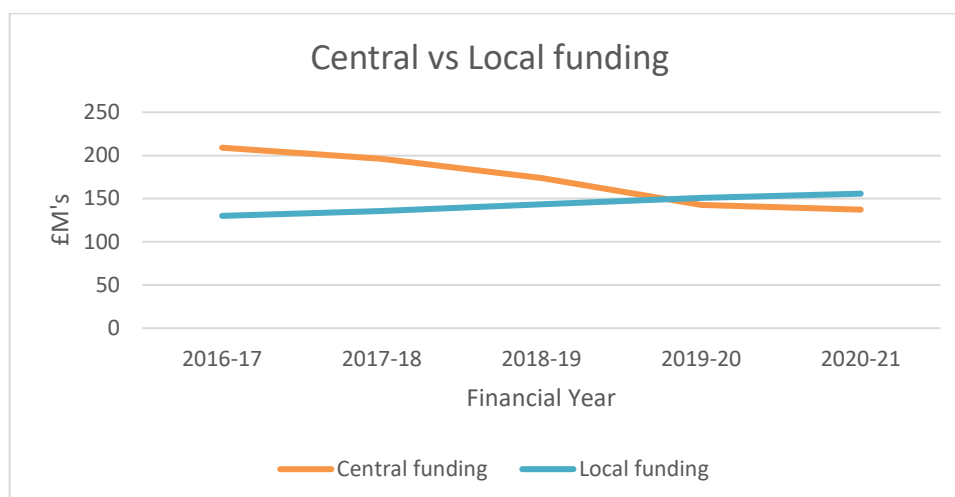
The Council's strategic response to this situation has been to develop a new high-level Financial Sustainability Strategy for 2020 – 2030 and comprehensively update its Medium Term Financial Strategy for 2020/21 – 2024/25 (MTFS). These key documents outline our ambition, approach, desire and commitment to do everything we can to plan effectively for the future and invest in priorities that make a real positive difference to local residents, businesses and visitors. This is predicated on ensuring that the Council remains financially stable and resilient for the future.

The Council is committed to supporting improvements in the health and economic wellbeing of its local residents via its ambitious Southend 2050 priority investment programme. The Council's financial strength will be enhanced by embracing and wherever possible facilitating the Borough's strong economic potential, enabling sustainable growth in local tax bases and by increasing our own income generating and commercial capabilities.

The Council are determined to build on the solid financial foundation that it has worked so hard to create locally. This will enable the Authority to navigate the challenges and impact of a decade of austerity and effectively manage the unprecedented current level of local demand for priority services. By also continuing to demonstrate strong leadership, collaboration and engagement the Council wants to remain proactive, and with the support of its communities, take as much local control over the future destiny of Southend-on-Sea as possible.

Whilst future National Spending Reviews, Fair Funding considerations, Business Rate Retention proposals and reset outcomes are all uncertain, the following illustration demonstrates that the level of funding available for local authority services is increasingly more reliant on locally generated sources rather than non-ringfenced or general grants from central government.

The following graph illustrates the value and change from central to local funding sources from 2016/17 to 2020/21.



Southend-on-Sea is one of six unitary authorities in the East of England, responsible for over 500 services and with a current population of over 182,000. Our turnover is over £435m and our resources are well-managed through our budgetary and financial monitoring framework.

The MTFS has been developed on the understanding of where Southend-on-Sea Borough Council currently is and where it wants to get to. It has clear ambitions that have been set in conjunction with local residents, businesses and partners, a commitment to deliver efficient value for money services, a desire to increasingly target resources towards the delivery of priority outcomes and to remain a financially stable, well run and resilient organisation.

Starting in 2018 the Council has been on a path to review the culture, values and behaviours of the organisation, under the banner of the Transforming Together Programme. Clear values have been established and embedded into our organisation:

- **Inclusive – we put people at the heart of what we do;**
- **Collaborative – we work together;**
- **Honest – we are honest, fair and accountable;**
- **Proud – we are proud to make lives better.**

These are supported and complemented by the following set of agreed and championed behaviours

- **Driving Positive Change;**
- **Demonstrating strong leadership;**
- **Trust and respect;**
- **Acting with integrity and behaving responsibly;**
- **Building relationships to work well together.**

Proposals within the MTFS build on the Council's ability to work with residents and partners to deliver services that meet local needs. The agreed set of core values and behaviours continue to shape our approach to decision making and service delivery.

The Council has been led by a joint political administration since May 2019 and a new professional executive leadership team is now fully in place. Our overall financial strategy arrangements have been shaped and influenced by CIPFA's new Financial Management Code\* which summarised a lot of the good work and appropriate standards that were already evident within the Local Authority. (*\*CIPFA - Financial Management Code, published October 2019. Full compliance with the Code will be mandatory for the 2021/22 financial year*)

The MTFS provides an integrated view of the whole of the Council's finances and business outlook over the next five years. It represents a more detailed plan to implement the first phase of the Council's Financial Sustainability Strategy and shows how the Council intends to align its financial resources to meet our Southend 2050 ambition, five-year roadmap and delivery of our priority outcomes. The MTFS will be refreshed on an annual basis, in recognition that the further any financial strategy in the current environment looks to the future, the more uncertain it becomes.

The MTFS is the Council's key financial planning document which informs business and resource planning. It clearly shows how investment and spending is prioritised and balanced against available resources. It will identify any budget gaps in the medium term to allow the Council time to address them in a considered and planned way.



## 1.2 Southend 2050 Ambition and Road Map

Southend 2050 is the Borough's ambition for the future. It was developed following extensive conversations with those that live, work, visit, do business and study in Southend-on-Sea. These conversations asked people what they thought Southend-on-Sea should be like in 2050 and what steps are needed now, and in the coming years, to help achieve this. The ambition is grounded in the values of Southenders. It is bold and challenging and will need all elements of our community to work together to make it a reality.

The Southend 2050 ambition currently includes twenty-three outcomes which fit into five themes. The five-year roadmap timeline identifies key projects that will help make the ambition a reality.

The ambition is an overarching view of the Council's future direction which aims to articulate the visible changes to the environment and the more fundamental effects on people's lives, essentially capturing how it could feel to live, work or visit Southend in the future.

Our ambition complements the Essex 2050 vision, 'The Future of Essex' developed by Essex wide stakeholders and the emerging South Essex 'proposition', titled 'What sort of place are we making?' This is being developed by South Essex local authorities who are collectively looking to the future.

As it moves towards delivering that ambition the Council will agree five-year roadmap stages. The roadmap will outline the Council's role in achieving the ambition and provides a high-level guide for Councillors, staff, partners and others to align their capacity, capabilities and resources to help to achieve delivery of these priorities. It builds on our existing achievements and outlines what the Council wants to achieve in the coming five years.

There will be five strategic delivery plans, one per theme reflecting the roadmap. These will be supported by delivery plans which reflect our ambition and focus on achieving the desired outcomes in five years' time.

All revenue and capital resources will be allocated with the aim of contributing to the delivery of our overall Southend 2050 ambition and achieve the following desired outcomes.



### **Pride and Joy**

By 2050 - people are proud of where they live – the historic buildings and well-designed new developments, the seafront and the open spaces. The city centre has generated jobs, homes and leisure opportunities, whilst the borough's focal centres all offer something different and distinctive. With its reputation for creativity and culture, as well as the draw of the seaside, Southend-on-Sea is a place that residents and visitors can enjoy in all seasons. Above all we continue to cherish our coastline as a place to come together, be well and enjoy life.



### **Safe and Well**

By 2050 - public services, voluntary groups, strong community networks and smart technology combine to help people live long and healthy lives. Carefully planned homes and new developments have been designed to support mixed communities and personal independence, whilst access to the great outdoors keeps Southenders physically and mentally well. Effective, joined up enforcement ensures that people feel safe when they're out and high quality care is there for people when they need it.





## **Active and Involved**

By 2050 - Southend-on-Sea has grown, but our sense of togetherness has grown with it. That means there's a culture of serving the community, getting involved and making a difference, whether you're a native or a newcomer, young or old. This is a place where people know and support their neighbours, and where we all share responsibility for where we live. Southend in 2050 is a place that we're all building together – and that's what makes it work for everyone.



## **Opportunity and Prosperity**

By 2050 - Southend-on-Sea and its residents benefit from being close to London, but with so many options to build a career or grow a business locally, we're much more than a commuting town. Affordability and accessibility have made Southend-on-Sea popular with start-ups, giving us the edge in developing our tech and creative sectors, whilst helping to keep large, established employers investing in the borough. People here feel valued, nurtured and invested in. This means that they have a love of learning, a sense of curiosity and are ready for school, employment and the bright and varied life opportunities ahead of them.



## **Connected and Smart**

By 2050 - Southend-on-Sea is a leading digital city and an accessible place. It is easy to get to and get around, with easy parking for residents, visitors and businesses. Everyone can get out to enjoy the borough's thriving city centre, its neighbourhoods and its open spaces. Older people can be independent for longer. It is also easy to get further afield with quick journey times into the capital and elsewhere. Our airport has continued to thrive, opening up new business and leisure opportunities overseas – but it has done so in balance with the local environment.

***Southend-on-Sea - it all starts here.***

### **1.3 Implementing the Ambition**

The Council is continuing to develop shared ownership of the Southend 2050 ambition and the first phase of the planned programme of outcomes to 2023. The intention is that, wherever possible, measures to achieve the outcomes are co-designed and co-delivered with residents and partners. This has resulted in the development of more innovative partnership arrangements with stakeholders and shifting our culture so that all council staff have an engagement role in their day to day job.

Asset Based Community Development (ABCD) methodology will support this approach with a view to promoting the sustainable development of our communities. As well as a step change in how the council works with residents and stakeholders, an asset-based approach will revise the Council's approach to leadership, management of assets, funding streams, commissioning and workforce development.

This approach will include more shared posts, shared commissioning and the co-location of services and staff, along with the development of our locality approach. It will promote a more fluid and creative way for citizens to share their ideas on priorities and solutions, while also valuing and strengthening the more formal consultation processes.

To enhance our approach to partnership, community engagement and citizen empowerment the Council are investing into a new community builders' scheme on a test and learn basis. Community builders will be embedded in the heart of the local community and will have preventative conversations with neighbourhoods about what matters to them as well as helping people to build and connect using their personal strengths and with natural support through local assets and relationships. Community builders will be an enabler to support early, preventative action BY citizens to help to deliver on our Southend 2050 outcomes.

### **1.4 Aims and Purpose of the Medium Term Financial Strategy**

The purpose of the Medium Term Financial Strategy (MTFS) is to provide a clear strategic framework and encourage a forward-looking approach to support medium term financial stability and longer-term sustainability. It is central to the delivery of Southend 2050 and associated priority outcomes in an affordable and sustainable way over the next five-year period. It aids robust and methodical planning as it forecasts the Council's financial position, considering known pressures, highlighting major issues affecting the Council's finances, including international, national, regional and local factors.

It helps the Council to respond, in a considered manner, to pressures and changes as a result of many internal and external influences. This is particularly important during a period when the Council still faces unprecedented challenges and uncertainty.

The MTFS recognises the key role that financial resources play in the future delivery of services and in enabling the effective planning, management and delivery of priorities that contribute to the outcomes contained in Southend 2050 and roadmap phases.

The strategy concentrates on the principles that will provide a strong and sustainable direction for the medium term. An overarching MTFS is not only good practice, but is required to provide the strategic financial framework for the authority at a time of considerable pressure and change, be this delivering key priorities and ongoing efficiency gains, closer budget scrutiny, the management of financial pressures, national policy changes or political change.

The MTFS takes a holistic view of all prevalent issues and requirements so that it is realistic and reduces the risk of a significant budget gap occurring late in the budget setting process. It includes revenue and capital expenditure and income for the General Fund and the Housing Revenue Account, reserves, financing of capital, treasury management and partnerships. This is to ensure that the Council sets a comprehensive, affordable and sustainable budget. The new CIPFA Financial Management Code will be compulsory from 2021/22 and having a viable and robust MTFS will be a minimum requirement.

The key overriding aim of the MTFS is therefore: ***To provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council's key strategic outcomes, priorities and sustainable services.***

The parameters set by the five-year planning period of the MTFS are used to inform the development of the budgets for the General Fund, Housing Revenue Account and the capital investment programme for the first year of that planning period. This is to make sure that, in setting the budget, decisions are not taken that could create problems in future years and that the financial consequences of those decisions are sustainable and fully understood.

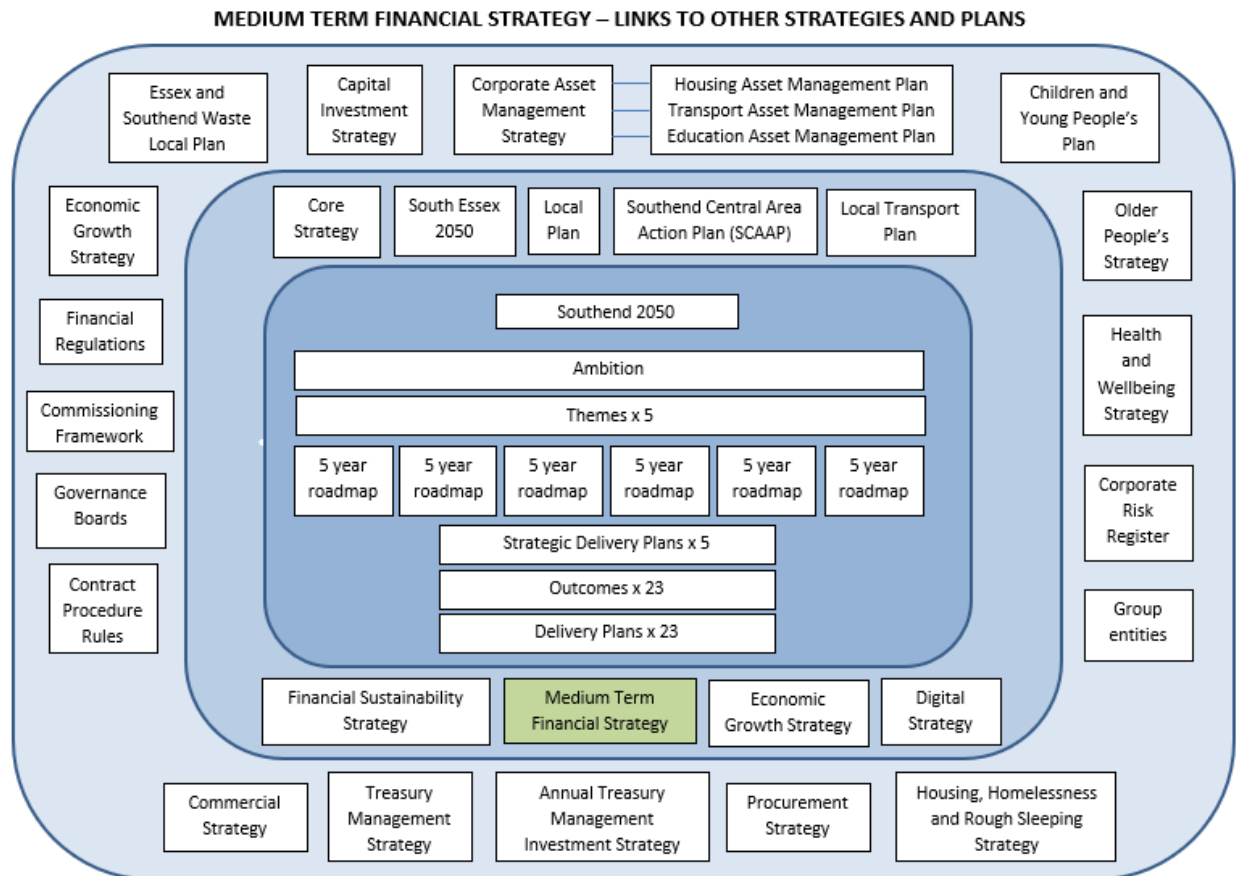
The MTFS is crucial to the setting of a robust budget by considering the likely effect of identified budget pressures and the associated risks materialising. It facilitates the modelling of the impact of different planning assumptions and scenarios on the budget gap to inform decision-making and provides greater confidence that the budget is both affordable and realistic.

The further the MTFS looks into the future, the more uncertainties there are. A spending review was anticipated for 2019 but due to the parliamentary time devoted to Brexit and the resulting political uncertainty a full review was not undertaken. Instead Government spending round figures were issued for 2020/21 only.

The UK left the European Union on 31st January 2020, the impact on Local Government of our departure is currently unknown. The MTF5 must therefore be viewed as provisional thoughts on the potential outcomes based on the best knowledge and intelligence currently available rather than cast iron accurate medium term forecasts.

## 1.5 Strategic context

The MTF5 is closely aligned to several other strategies and plans which impact on the direction of the Council and must reflect and be informed by the drivers and priorities within them. The following diagram shows the links to these other strategies and plans.



## 1.6 Key Assumptions

Local Authority budgeting is by its very nature difficult to forecast with absolute certainty since there are so many variables that need to be considered and assessed. The following table summarises the key assumptions contained within the MTF5. These assumptions have been used to drive all applicable aspects of the financial planning process.

### Summary of Key Assumptions

| Item   | 2020/21   | 2021/22   | 2022/23   | 2023/24   | 2024/25   |
|--|-----------|-----------|-----------|-----------|-----------|
| Council Tax Increase   | 1.99%     | 1.99%     | 1.99%     | 1.99%     | 1.99%     |
| Social Care Precept Increase                                       | 2.00%     | 0.00%     | 0.00%     | 0.00%     | 0.00%     |
| Council Tax Base<br>(No of 'Band D' Equivalentents)                | 58,680.94 | 59,267.75 | 59,860.42 | 60,459.02 | 61,063.61 |
| Revenue Support Grant (RSG)  | £6.049M   | -         | -         | -         | -         |
| Business Rates Retention Scheme                                    | £21.406M  | £33.420M  | £34.088M  | £34.770M  | £34.770M  |
| Business Rates Multiplier  | 1.60%     | 2.00%     | 2.00%     | 2.00%     | 2.00%     |
| Use of Collection Fund Surplus                                     | £2.000M   | £1.500M   | £1.000M   | £1.000M   | £1.000M   |
| Public Health Grant  | £9.525M   | -         | -         | -         | -         |
| Consumer Price Index (CPI)   | 1.70%     | 1.90%     | 2.00%     | 2.00%     | 2.00%     |
| Retail Price Index (RPI)   | 2.80%     | 3.00%     | 3.10%     | 3.10%     | 3.10%     |
| Pay Award  | 2.00%     | 2.00%     | 2.00%     | 2.00%     | 2.00%     |
| Incremental Progression  | 1.00%     | 1.00%     | 1.00%     | 1.00%     | 1.00%     |
| Superannuation Rate  | 22.20%    | 22.20%    | 22.20%    | 23.60%    | 23.60%    |
| National Living Wage (Adult Social<br>Care Providers - Cumulative) | £1.095M   | £2.200M   | £3.300M   | £4.400M   | £5.500M   |
| Waste Disposal Contract<br>(Renewal 2023)                          | (£0.800M) | (£0.800M) | (£0.800M) | -         | -         |
| Social Care Grant*   | £5.600M   | £5.600M   | £5.600M   | £5.600M   | £5.600M   |
| Better Care Fund – SBC*  | £6.299M   | £6.299M   | £6.299M   | £6.299M   | £6.299M   |
| Improved Better Care Fund*   | £6.744M   | £6.744M   | £6.744M   | £6.744M   | £6.744M   |
| Fees & Charges increase yield                                      | 2.00%     | 2.00%     | 2.00%     | 2.00%     | 2.00%     |
| Investment Income (Ave)  | 1.92%     | 1.98%     | 2.08%     | 2.08%     | 2.08%     |
| PWLB Borrowing Rates<br>(Long Term - GF) (Ave)                     | 3.64%     | 3.64%     | 3.60%     | 3.63%     | 3.63%     |
| PWLB Borrowing Rates<br>(Long Term - HRA) (Ave)                    | 4.16%     | 4.19%     | 4.09%     | 4.09%     | 4.09%     |
| PWLB Borrowing Rates<br>(Long Term Consolidated) (Ave)             | 3.96%     | 3.75%     | 3.69%     | 3.70%     | 3.70%     |
| HRA Rent Increases   | 2.70%     | 2.90%     | 3.00%     | 3.00%     | 3.00%     |
| Dedicated Schools Grant (DSG)*                                     | £50.769M  | £50.769M  | £50.769M  | £50.769M  | £50.769M  |

*\*Assumes 2020/21 Allocation will continue at the same level through to 2024/25*

### Council Tax, Social Care Precept and Council Tax Base

The increase in Council Tax is assumed to be 1.99% for each year from 2020/21. It is assumed that the social care precept will increase by 2% in 2020/21 but no increases have been included for future years. It has also been assumed that from 2021/22 the Council Tax base will increase by 1% per year.

## **Revenue Support Grant, Business Rates Retention, Business Rates Multiplier and Collection Fund**

The provisional finance settlement for 2020/21 indicated that the Revenue Support Grant will be the 2019/20 figure, increased in line with the Consumer Price Index (CPI). It is likely that all RSG will be subsumed into 75% Business Rates Retention Scheme from 2021/22. The Business Rates figure for 2020/21 has been calculated by using a combination of the fixed top-up payment the Council receives from Government and a local assessment of the net amount likely to be raised locally that the Council will be able to retain. This local element is assumed to grow by 2.0% from 2020/21.

The planned use of collection fund surpluses has been programmed into the MTFs from 2020/21 – 2024/25. A prudent view has been taken based on Council Tax increases and forecasts of housing completions, changes in discounts awarded and exempt properties, whilst also considering the effect of the current economic climate on collection rates.

From 2021/22 onwards there is huge uncertainty over what the new Government will do in terms of introducing a business rates reset, developing the business rates retention scheme and also the potential to remove the ring fence on Public Health Grant and include it as part of the retention scheme. In the absence of any other information, it is also assumed that the same level of funding will be embedded into the new system. The MTFs will be updated as soon as any more detailed information becomes available.

### **Public Health Grant**

The Public Health Grant was introduced in 2013, when the responsibility for commissioning public health services moved from the NHS to local authorities. The aim was to protect and improve the nation's health and wellbeing while reducing health inequalities, both at a national and local level. This grant has been confirmed as ringfenced until 2020/21. Southend's grant allocation in 2019/20 was £9.212M and this will increase by 3.4% in 2020/21 to £9.525M. Until 2020/21 the grant level had been continually reducing.

The following table outlines the areas that Public Health Grant has been invested in, as well as the grant levels received over the last five years.

| <b>Public Health Themes</b>   | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>2019/20</b> | <b>2020/21</b> |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
|                               | <b>£'000s</b>  | <b>£'000s</b>  | <b>£'000s</b>  | <b>£'000s</b>  | <b>£'000s</b>  |
| Children 0 - 19               | 3,651          | 3,229          | 3,419          | 3,208          | 3,321          |
| Health Protection             | 228            | 212            | 223            | 233            | 433            |
| NHS Health Check              | 184            | 213            | 205            | 200            | 200            |
| Obesity                       | 76             | 185            | 151            | 145            | 145            |
| Other Public Health Services  | 720            | 865            | 808            | 733            | 733            |
| Physical Activity             | 184            | 190            | 136            | 153            | 153            |
| Public Mental Health          | 16             | 51             | 48             | 52             | 52             |
| Sexual Health Services        | 1,710          | 1,688          | 1,563          | 1,449          | 1,449          |
| Smoking Cessation             | 383            | 324            | 305            | 319            | 319            |
| Substance Misuse              | 2,805          | 2,755          | 2,604          | 2,720          | 2,720          |
|                               |                |                |                |                |                |
| <b>Total</b>                  | <b>9,957</b>   | <b>9,712</b>   | <b>9,462</b>   | <b>9,212</b>   | <b>9,525</b>   |
|                               |                |                |                |                |                |
| <b>Grant Level Change</b>     | <b>-</b>       | <b>(245)</b>   | <b>(250)</b>   | <b>(250)</b>   | <b>313</b>     |
|                               |                |                |                |                |                |
| <b>% (Reduction)/Increase</b> | <b>-</b>       | <b>(2.46%)</b> | <b>(2.57%)</b> | <b>(2.64%)</b> | <b>3.40%</b>   |

### **Consumer Price Index (CPI) and Retail Price Index (RPI)**

Estimates of future indices of inflation is shown in the key assumptions table. From an MTFS perspective inflation increase have only been provided for major contractual commitments, utilities and business rates. Services are expected to absorb any other price inflation within existing resources.

### **Pay Award, Incremental Progression and Superannuation Rate**

Provision has been made for a Pay Award increase of 2.0% for each year from 2020/21 to 2024/25. Provision has also been included for the estimated cost of staff progressing through spinal column points of their respective grade.

The financial impact of the latest 2019 triennial actuarial valuation of pensions, has been built into the MTFS. This has been achieved by calculating the Employers Superannuation rate to reflect the right level of contributions required to be paid into the Essex Pension Fund. The next review is scheduled in 2022. Pension Fund calculations are notoriously complex and can be volatile due to the many contributing factors. In 2023/24 an increase in the Superannuation Rate has currently been included as part of a prudent assessment at this early stage of financial planning.

## **National Living Wage**

An uplift will be paid to all our Social Care providers to ensure that they have the appropriate funding to pass on the estimated National Living Wage increase to their Care Workers each year. The cumulative cost is shown in each year in the key assumptions summary table. We are also actively working towards obtaining the Real Living Wage accreditation which will hopefully benefit local working people.

## **Waste Disposal Contract**

This major contract is up for renewal in 2023. The Council continues to benefit from the extension to the Joint Working Agreement with Essex County Council. The MTFS will be updated accordingly to reflect our future waste disposal liabilities. The cost is expected to rise from 2023, so a prudent approach is currently planned.

## **Social Care Grant**

The MTFS assumes that the same level of Social Care Grant notified for 2020/21 (£5.600M) will continue at the same level for 2021/22 – 2024/25.

## **Better Care Fund (BCF) and improved Better Care Fund (iBCF)**

The Better Care Fund (BCF) commenced in 2015 and is a major national investment programme spanning NHS and local government which seeks to ensure closer integration between health and social care services. Our local arrangements are framed within a formal agreement with Southend Clinical Commissioning Group (CCG) for a pooled budget under Section 75 of the National Health Service Act 2006. A new improved Better Care Fund (iBCF) was introduced in 2017/18 and this is paid direct to the Council with a condition that it is pooled into the local BCF plan.

The BCF element for both Southend Borough Council (SBC) and Southend CCG is expected to increase by 3.4% to £6.299M and £7.014M respectively for 2020/21. There is no certainty of the level of funding available through the BCF arrangements beyond 2020/21. Southend-on-Sea iBCF allocation for 2020/21 has been provisionally set at £6.744M for 2020/21. In the absence of any further information available for the future, it is assumed within the MTFS that both funding streams will continue at the same level until 2024/25.



The following table summarises the Council's core BCF and iBCF allocations, the CCG's BCF allocation and the total BCF/ iBCF in the pool for 2017/18 – 2020/21.

| <b>£M's</b>               | <b>BCF</b>    | <b>iBCF</b>  | <b>BCF</b>    | <b>iBCF</b>  | <b>BCF</b>    | <b>iBCF</b>  | <b>BCF</b>    | <b>iBCF</b>  |
|---------------------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|
|                           | <b>17/18</b>  | <b>17/18</b> | <b>18/19</b>  | <b>18/19</b> | <b>19/20</b>  | <b>19/20</b> | <b>20/21</b>  | <b>20/21</b> |
| SBC Allocation            | 5,750         | 3,990        | 5,860         | 5,429        | 6,092         | 6,744        | 6,299         | 6,744        |
| CCG Allocation            | 6,401         | 0            | 6,523         | 0            | 6,783         | 0            | 7,014         | 0            |
| <b>Total BCF and iBCF</b> | <b>12,151</b> | <b>3,990</b> | <b>12,383</b> | <b>5,429</b> | <b>12,875</b> | <b>6,744</b> | <b>13,313</b> | <b>6,744</b> |

### **Fees & Charges increase yield**

It is assumed that the level of income generated will increase by 2% each year from 2020/21 to 2024/25. No changes in tariffs/income are currently included for Car Parking charges.

### **Investment Income (Ave)**

The Council earns income by investing its surplus cash in a mixture of short, medium and long term investments, as set out in the Annual Treasury Management Investment Strategy. The amounts available for investment and the length of time they are available depend on many factors, not least the Council's level of revenue and capital budgets, use of reserves, methods of funding the budget requirement, interest rates, cash flow and the Council's view of risk.

### **PWLB Borrowing Rates (Long Term - GF) (Ave), (Long Term - HRA) (Ave) and (Long Term Consolidated) (Ave)**

The ambitious capital investment programme, although partly funded by grants, other external contributions, capital receipts and revenue funding (such as Housing Revenue Account reserves), requires an increase in borrowing as set out in the Treasury Management and Capital Investment Strategies. The MTFs allows for the provision to repay this borrowing and the increased costs of interest payments required.

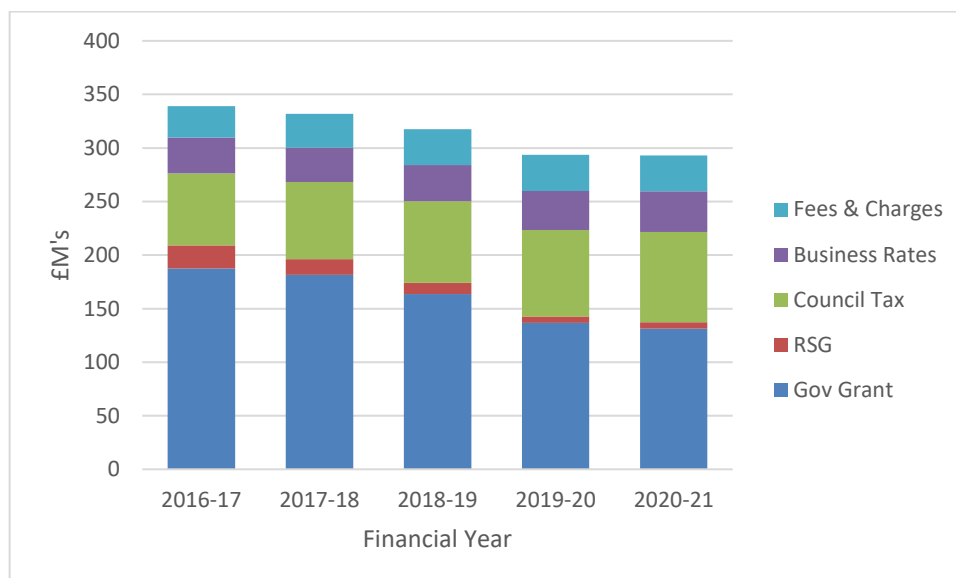
### **Sensitivity analysis**

The following table provides an illustration of the financial impact of changes in assumptions to some of the key income and cost drivers in the budget for 2020/21. The cumulative impact on the potential budget gap would be significant.

| Assumption in MTFP for 2020/21                     | Change in assumption                               | Effect on the budget gap for 2020/21 |
|--|--|--------------------------------------|
| Council Tax increase of 1.99%                      | No Council Tax increase                            | Increase of £1.600M                  |
| 2% pay award                                       | Pay award of 3%                                    | Increase of £0.880M                  |
| Inflation for contractual goods and services at 2% | Inflation for contractual goods and services at 3% | Increase of £0.300M                  |
| Fees and charges increased by 2%                   | Fees and charges not increased                     | Increase of £0.600M                  |

### Historical Funding Analysis of the General Fund Revenue Budget

To highlight the current direction of travel, the following graph illustrates how the budget has been funded over the last five years. This shows an overall reduction year on year (except for 2020/21) and a significant real terms reduction in central government funding streams.



### Housing Revenue Account (HRA) Rent Increases

From 2012/13 the HRA became self-financing and is no longer subject to the HRA subsidy regime. Under self-financing, the HRA funds its expenditure, including its capital expenditure, from its income streams (primarily tenant's rents). Some grant funding may be available to support capital expenditure within the HRA going forward, but there is no assumption of external financing built into forward projections.

In October 2017, the government announced its intention to set a long term rent deal for both local authority landlords and housing associations. This would allow annual rent increases on both social rent and affordable rent properties of up to CPI at September each year plus 1 percentage point from the financial year 2020, for a period of at least five years.

This equates to a 2.70% rent increase in 2020/21 and for financial planning purposes the MTFs assumes tracking of CPI +1% through to 2024/25.

### **Dedicated Schools Grant (DSG)**

The Department for Education (DfE) announced in September 2019 “that the funding for schools and high needs compared to 2019/20, will nationally rise by £2.6billion for 2020/21, £4.8 billion for 2021/22, and £7.1 billion for 2022/23”. Our local Education Board has agreed allocations for 2020/21 within the context of Southend’s share of the increase funding, which is an equivalent total increase of £7.5M to the Dedicated Schools Grant (DSG) for 2020/21. The £50.769M shown in the summary of key assumptions table is Southend Borough Council’s estimated share of the total funding for 2020/21. It is currently impossible to predict changes in the future, so the assumption at this stage is that it will stay at this same level through to 2024/25.

Analysis of the £7.5M, shows that £4.5M is awarded to Individual Schools allocations (Schools block) driven by both an increase for numbers on roll (particularly our Secondary Sector) and National Funding Formulae (NFF) declared per pupil price increases. An additional £3M has been awarded to our high needs block. This is due to the DfE under the NFF for 2020/21 increasing the high needs funding gains increase cap to 17% from 2019/20.

Consideration needs to be given to the fact that with this funding increase the Government in January 2020 are now proposing revised teacher pay scales with an increased minimum starting salary to be phased in and increased over the next 3 years 2020/21 to 2022/23.

The DSG for 2020/21 is now also in its third year of total funding allocations set under a revised NFF. This includes proposed funding levels for individual school allocations. It remains, a government ambition that all individual school allocations will be fixed as per the NFF, however in 2020/21 it remains a local decision as to whether a Local Authority (in consultation with its School Forum/Education Board) choose to adopt.

Given this context, the Council and our Education Board have continued the strategic decision to align individual school allocations to the principle decisions of the NFF, so should the government impose a hard NFF for individual school allocations in future years, our local schools are already aligned to this funding trajectory. The DfE have reported that this is in line with most other local authorities.

Our high needs block funding (also recognised as a national issue), has been under considerable financial pressure which had impacted negatively on DSG reserve balances.

As a result of robust recovery planning by the Council working with our Education Board and further national funding awarded, our local high needs block funding and opening DSG reserves are now in a sustainable funding position moving forward into 2020/21. With Southend-on-Sea now receiving a further £3M to support high needs, it places the DSG in a sustainable mid-term position.

In 2020/21, the DfE also announced (under NFF) a 20% funding (an equivalent £180,000 loss) reduction to the DSG Central Block element. This is funding that has historically been used to support Council expenditure, providing it serves the benefit of an educational purpose. To cover this funding loss in 2020/21, the Education Board have agreed a transfer of £180,000 from the Schools Block allocation (for 1 year only), recognising for 2021/22 and future years a plan now needs to be determined as to how the Council will manage this funding loss moving forward. This challenge could be made harder if a further 20% funding loss is applied in 2021/22. There is strong possibility that the full current funding allocation of £900,000 is at risk of being fully removed from the DSG by 2024/25.

## **1.7 Corporate Assurance and Risk Management**

The Council has identified key risks that may impede the delivery of Southend 2050 ambition, and the desired outcomes for 2023.

The Council's governance framework supports the delivery of the ambition, to ensure that these are:

- Effective, but as simple as possible and easy to understand;
- Joined up and complementary, not conflicting with each other;
- Designed around customers;
- Making best use of technology and digitally enabled where this makes sense;
- Compliant with legislative requirements and ensuring that resources are used efficiently and effectively;
- Driving the desired outcomes.

The Council has identified core principles at the heart of its Risk Management Framework, these include that:

- Risk management is a positive value added activity, focused on achievement and successes, not a negative bureaucracy – by changing the perception and raising awareness officers will have increased confidence when managing operational risks;
- All staff are responsible for risk management and resources that support the framework are there to 'support and challenge' not 'own and do';

- Wider Member involvement in identifying and monitoring the most strategic risks the organisation faces would add value, whilst the roles of the Audit Committee, Scrutiny and Cabinet are critical to the robustness of the overall framework;
- The Southend 2050 ambition and outcomes need to drive the Council's budget and financial management arrangements, performance management of the outcome delivery plans and risk management framework;
- By getting the conversations happening with the right people, at the right time and in the right place, the required thinking can be applied and the processes to capture, document and report risk will be simple and become business as usual;
- The framework ensures joined up Strategic, Operational, Programme and Project Risk Management whilst recognising the differences between them.

The Council's Corporate Risk Register identifies the key risks as:

- Risk that failure to address the financial challenge by effectively managing the growing demand for services and enhancing local income streams will threaten the medium to long term financial sustainability of the Council, leading to a significant adverse impact on Council services;
- Risk that the Council will not have the appropriate staffing resources, with the right skills working in the right places within collaborative teams, resulting, in part, from a failure to effectively embed the arrangements with the new recruitment partner, leading to a lack of workforce capacity resulting in a failure to achieve the Council's ambitions;
- Risk that the impact of, or a failure to take advantage of, the Government's agenda and the lead up to Brexit, may hamper the ability of the Council to achieve key priorities;
- Risk that a failure to implement plans to address rising homelessness and failure to implement the Housing, Homelessness and Rough Sleeping strategy will lead to further street and other homelessness, increased use of temporary accommodation and an inability to meet rising housing demand over the next 20 years;
- Risk that failure to maintain levels of access to regeneration funding opportunities will significantly restrict future infrastructure improvements in the borough;
- Risk that the implementation of Sustainability and Transformation Partnership (STP) proposals and implementation of the Localities Model does not result in effective health and social care outcomes for residents resulting in increased health inequalities, worsening health outcomes and significant cost increases;

- Risk that a failure to ensure the Council has a coherent and comprehensive approach to data protection, including its cyber security arrangements, will result in a data breach or cyber-attack, leading to significant financial and reputational damage to the Council;
- Risk that the actions and expected outcomes from the Children's Services Improvement Plan are not achieved within expected timescales, resulting in a failure to deliver the outcomes anticipated by the Council's roadmap for the children in need of support;
- Risk of contractor failing to meet contractual requirements to effectively manage waste arrangements results in a loss of service quality and additional financial liability for the Council;
- Risk that surface water flooding, breach of sea defences and/or seafront cliff movement, will result in damage to property and infrastructure as well as significant disruption;
- Risk that failure of partners to progress major infrastructure developments (e.g. Seaways, Airport Business Park and Queensway) will result in significant financial and reputational damage to the Council;
- Risk that the failure to meet deadlines and make sufficient progress in producing a Local Plan will lead to Secretary of State intervention, resulting in reputational damage to the Council and the potential imposition of unwanted planning policies;
- Risk that failing to implement changes needed to reduce the Borough's carbon footprint will cause an inadequate contribution to the reduction in carbon emissions required. This will result in significant adverse impact on the Borough, and if the climate adaptation measures being implemented are also inadequate, there will be further implications for the Council in needing to respond to climate events in the Borough.

## **2 Horizon Scanning**

### **2.1 Key Statistical Headlines**

For Southend Borough residents/service users:

- 12% of Southend's males and 28% of females are economically inactive, with average weekly earnings for males £546 and £312 for females;
- 39% of Southend's residents live in areas considered to be in the most deprived 30% in the country, this is 9% higher than the English average;
- 11 of Southend's 17 wards have a higher proportion of children living in poverty than the England average; six of these are amongst the worse 20% of wards in the country;
- Kursaal, the most deprived ward, ranks 136th most deprived area in England (of 32,844 areas);
- Life expectancy is 11.1 years lower for men and 9.7 years lower for women in the most deprived areas of Southend compared to the least deprived areas;
- 0.7% of West Leigh residents indicated they were in very bad health, compared to 1.6% in Kursaal and 1.3% for Southend as a whole;
- Kursaal ward had a borough election turnout of 25%, compared to 42.5% in West Leigh (average overall turnout 31.74%), highlighting lower civic participation in deprived areas;
- Residents living in the East Central locality are significantly less satisfied with their local area (66%) (89% in West and 75% for the borough), feel significantly less safe and cite crime and anti-social behaviour as something they dislike more, than residents elsewhere in the borough;
- Only a minority of residents (23%) agree that they can influence decisions that affect their local area. More than twice this number (59%) disagree.

### **2.2 National, Regional and Local Policy Drivers**

#### **National Factors**

National factors which are likely to impact on the Council's financial position:

- The level of uncertainty in Government funding for future years, with the overall level of government resources for councils dependent on a range of political outcomes, which are very difficult to predict. While the 'end of austerity' has been proclaimed by many politicians, according to the Institute of Fiscal

Studies the government forecast (as of November 2019) that councils' core spending could increase by 4.3% in real terms in 2020-21 compared to 2019-20, would still leave spend per person 20% lower in 2020-21 than in 2009-10.

- The impact of the world economic climate on the national economy. Levels of economic growth are impacted by the prospect of higher trade barriers and the slowdown of growth in key economies such as the Eurozone and China;
- The impact of uncertainties related to Brexit, with investment decisions delayed/mitigated pending future trade arrangements.
- The move from councils retaining 50% to 75% of business rates, from which the Council could potentially gain or lose, depending on final details on how the expansion will be administered.
- With the vast majority of councils funding set to come from council tax and business rates, there may be a need for increases in council tax to keep pace with the level of demand on services, notably from children's and adult services.
- Unmanaged service pressures and increases in demand. Forecasts of future demand for services may be under-estimated
- Levels of future pay awards: Enhanced funding for local authorities could be subsumed by pay awards after a long period of minimal increases.
- General inflation assumptions: Driven by monetary policy and cost factors, such as energy prices, supplier prices with increased demands on councils to deliver government priorities, wages, new trade arrangements.

## **National Funding**

Spending reviews are critically important to local authorities because they determine how much money will be given to Government departments, many of whom may then provide separate funding allocations to local councils.

Spending reviews are co-ordinated and managed by HM Treasury. The dates and length of spending reviews vary. Comprehensive spending reviews (CSRs) tend to be less frequent and aim to take a longer-term view and usually involve a series of zero-based reviews of public spending.

A spending review was anticipated for 2019 but due to the parliamentary time devoted to Brexit and the resulting political uncertainty a full review was not undertaken. Instead Government spending round figures were issued for 2020/21 only. The timing on any future spending review will now be determined by the new Government that was elected on 12 December 2019.



Key one off announcements relevant to Local Government included:

- Proposed 2% Council Tax referendum limit plus 2% Social Care Precept;
- Business Rates Reset and the Fair Funding Review will be deferred until 2021/22;
- 75% Business Rates Pilots will end in March 2020, with no new pilots planned for 2020/21;
- Revenue Support Grant for 2020/21 will be at 2019/20 levels plus CPI;
- New Homes Bonus – legacy payments will be paid but there is no confirmation regarding new payments going forward;
- Social Care – additional £1 billion nationally to be delivered through grant in addition to the funding currently received in 2019/20. The current funding streams of iBCF, Winter Pressures Grant and Social Care Grant will continue for 2020/21;
- The Better Care Fund (BCF) will increase by 3.4% in real terms, as part of the increase to NHS funding, stated to be a national total of £100M;
- Public Health Grant – will see a real terms increase of £100M to be in line with the increase in the Better Care Fund;
- Schools – an additional £700M High Needs for 2020/21 on top of previous levels of agreed funding;
- Homelessness – additional £54M announced nationally for 2020/21

The outcome of the General Election is a Conservative Government with a majority of 80 seats. The Queen's Speech was delivered on 19 December and proposes a total of 29 Bills and various other policies and commitments to outline the legislative programme for the Government. The areas affecting Local Government directly include:

- Social Care - the £1 billion of additional funding for this area is committed for each year of this Parliament and the 2% social care precept for 2020/21 is re-announced;
- Education – schools are to receive an extra £14 billion over three years. Further investment is promised for primary school physical education. From next year councils will be required to deliver the minimum per-pupil funding in their local area as part of the existing Government commitment to deliver this funding directly to schools through a single national formula. The free schools programme will be expanded. The Government has also announced a new National Skills Fund of £3 billion over the course of the Parliament, £1.8 billion over the same period to upgrade Further Education colleges and announced a plan to establish 20 Institutes of Technology across England.

- Housing – a social housing whitepaper which aims to empower tenants and support the continued supply of social homes. Associated targets are for housebuilding of 1 million properties and an end to rough sleeping by the end of the Parliament;
- Business Rates – The importance of business rates to local authority funding is emphasised. The manifesto pledges of a fundamental review and an increase to the retail discount relief (from 33% to 50%) and extension of this to cinemas and music venues. In addition, pub relief and an extension of the local newspaper relief are planned. It is expected that the lost business rates income from these new / higher reliefs announced will be, as per previous changes, offset by increased s31 grant payments and thereby no impact on Local Authorities. The Government restated its commitment to a review of the business rates system and to move to three-yearly revaluations, beginning in 2021. In 2017, the Government adjusted for the impact of revaluation to ensure that authorities' funding positions are unaffected by the changes (subject to the impact of appeals to the new valuations);
- Climate change - a new £640M Nature for Climate fund; £4 billion for flood defences and £9.2 billion for energy efficiency; £800M for carbon capture storage. There is also the intention to support infrastructure for electric vehicles such that there are charging points every 30 miles.

After the Queens Speech, the Ministry of Housing, Communities and Local Government issued the provisional Local Government finance settlement which was in line with the assumptions made throughout the budget planning process. All possible steps will be taken to ensure that the final settlement aligns with local authority budget setting timetables.

### **Regional position**

In Summer 2017 the Leaders and Chief Executives of South Essex – Basildon, Brentwood, Castle Point, Rochford, Southend-on-Sea, Thurrock and Essex County Council – embarked on a process to develop a long-term growth ambition that would underpin strategic spatial, infrastructure and economic priorities across the sub-region. The 'South Essex 2050 Ambition' (SE2050) is now being taken forward through a number of workstreams to develop:

- the spatial strategy, through a Joint Strategic Plan;
- a Local Industrial Strategy;
- a strategic Infrastructure Framework;
- a Place Narrative.

The context for the SE2050 Ambition is to ensure that the local authorities remain in control of South Essex as a place, putting them in a strong position to shape and influence wider plans and strategies, for example, the Thames Estuary 2050 Commission and the London Plan, and Government and other investment priorities.

The local authorities recognised that long term healthy and sustainable growth in South Essex could only be delivered through a strategic solution and that would require some politically and technically challenging decisions as the Ambition is implemented. In January 2018, therefore, the local authorities formed the Association of South Essex Local Authorities (ASELA) to ensure the implementation of the Ambition has strong leadership and is managed on a truly collaborative basis.

The spatial strategy to implement the SE2050 Ambition is being implemented through a new planning 'portfolio' with a Joint Strategic Plan (JSP) currently being prepared to provide the overarching framework. Local plans and other place-shaping tools will be used to deliver this on the ground, using the range of planning tools available in a more flexible and responsive way.

Work on the JSP is underway with a Project Delivery Board in place, reporting through a Member structure to ASELA, and a timetable and scope agreed. A Statement of Common Ground was published in June and has been formally agreed by all partners, alongside an update to each authority's Local Development Scheme.

The current timetable is ambitious, with the full process through to adoption expected to take 2-3 years at the most. The local policies and place-shaping plans will be developed alongside the JSP but will have to fully reflect its overarching strategy. Timing of the planning portfolio will therefore be carefully managed through the Statement of Common Ground and under the steerage of ASELA.

### **Local drivers**

2050 priorities and political administration priorities to support the ambition, roadmap and desired outcomes, while placing greater emphasis or prioritisation on particular areas. Among these are:

- new housing opportunities, including new social and key worker housing;
- measures to improve the private rented sector;
- prioritisation of the green agenda;
- a more integrated approach to transport, including reviewing the current approach to parking;
- enhancing local people's skills and making the council a living wage employer.

Other local drivers include:

- Increasing demand for services with a population projected to increase from 182,000 to 192,200 by 2025, an increasingly aging population due to grow from 19% to 23% by 2030 and a higher birth rate;
- The need for an anticipated 22,000 homes by 2030 and the increasing demand for new school places.
- Commitment to meeting 2050 priorities, including: tackling climate change, community safety, rough sleeping, housing and skills pipelines, public and integrated transport, key regeneration projects (Seaways, Airport Business Park), digital borough, tackling inequalities – notably on education, health and income;
- New priorities of future Council administrations, with local elections due in 2020, 2022, 2023 and 2024;
- The impact of non-achievement of anticipated efficiencies from new ways of working, service re-organisations or poor budget management in places;
- The impact of becoming a National Living Wage employer and seeking to achieve real living wage accreditation;
- The need to achieve more income from fees and charges is not always attainable, with anticipated levels of income subject to a range of factors that vary between services.

### **2.3 Physical-Environmental Factors**

The council owns over 6,000 socially rented properties, which are managed by our arm's-length management organisation, South Essex Homes. Over 1,500 local households are on our housing waiting list.

The council's housing, homelessness and rough sleeping strategy (2018 - 2028) sets out a long-term plan to prioritise the supply of safe, locally affordable homes, support people to live independently in their own homes and avoid homelessness and ensure any instance of homelessness is brief and does not re-occur.

This plan includes meeting the government's target of delivering 11,140 new homes between 2016 and 2026. With the current average annual delivery of all homes (including affordable) standing at 340 homes a year, this is clearly a challenge.

To ensure we can prevent increased levels of homelessness, housing induced poverty and poor or unsuitable housing conditions, we are working with housing associations to ensure a focus on good quality affordable housing and also developing our own social housing. This has already seen the delivery of thirty-three new homes, with a number more in the pipeline. This is complemented by the council's acquisitions programme, with fifteen homes bought from the private market so far.

### **3 The Financial Challenge**

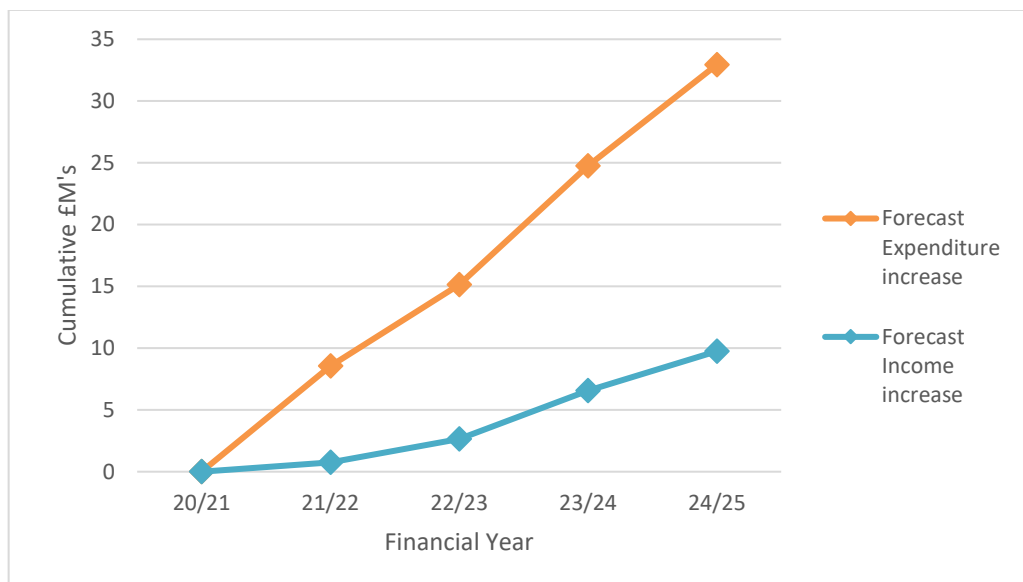
#### **3.1 Forecast Financial Position 2020/21 to 2024/25**

Southend-on-Sea Borough Council is dealing with many of the same financial challenges as most other upper tier Authorities across the country. Most local authorities are experiencing increasing demand for key priority social care services which is placing a strain on available resources. A recent survey has identified that around 90% of Councils are now highlighting increasing demand and are also overspending in meeting the needs of children and families.

The costs associated with maintaining quality in our services and environment for local residents and businesses is very challenging. Around 60% of the Council's net budget is spent on providing support for People based services, such as social care, but the housing growth in the area also brings additional challenges for our other key services such as increased waste collection and disposal and highway maintenance. We are proud to be a tourist destination of choice, welcoming well over 7 million visitors each year but this also has an impact on our infrastructure and environment, which needs to be carefully managed and resourced.

The Council's current forecast financial position is detailed in the following chart for each of the next five years and is based on the best information currently available and the series of assumptions that were outlined in Section 1.6. An updated assessment will be made each year during annual budget setting to reflect any significant changes to our operating environment, identification of new pressures, updated forecasts, policy or Council strategy changes. All known factors have been built into the financial modelling to ascertain the forecast financial position.

The following graph illustrates the funding gap to 2024/25 as reported to Council in February 2020.



Overall the Council remains in a strong and resilient financial position, despite the potential impact of the current range of demand and spending pressures. This is evidenced and supported by CIPFA's Financial Resilience Index 2019 and a range of other factors. When compared to our statistical neighbours, we believe that from a financial resilience perspective we would currently be placed in the top quartile of all upper tier local authorities in the country. We aim to stay there.

### 3.2 CIPFA's New Financial Management Code – Self Assessment

Good financial management is an essential element of good governance and longer-term service planning, which are critical in ensuring that local service provision is sustainable. CIPFA have published (October 2019) a new Financial Management Code (FM Code) which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It essentially sets the standards of financial management for local authorities.

It is based on a series of principles which are supported by specific standards which are considered necessary to provide the strong foundation to:

- Financially manage the short, medium and long-term finances of a local authority
- Manage financial resilience to meet unforeseen demands on services
- Manage unexpected shocks in their financial circumstances

The following graphic summarises the headline 6 core principles of the FM Code and the subsequent 17 minimum standards (A-N) that will come into effect from 1 April 2020 with the first full year of compliance being the 2021/22 financial year.



*(The capital letter references shown are as set out in the Code.)*

During 2020/21 the Council will undertake a comprehensive evidenced based self-assessment against each of the 17 standards contained within the FM Code. This will be shaped by the Code guidance when it is issued (expected April 2020).

An improvement plan will be developed as required ensuring that by the start of the 2021/22 the Council will be fully compliant and at least meet the minimum standard for all 17 components.

### 3.3 Financial Sustainability 2020 - 2030

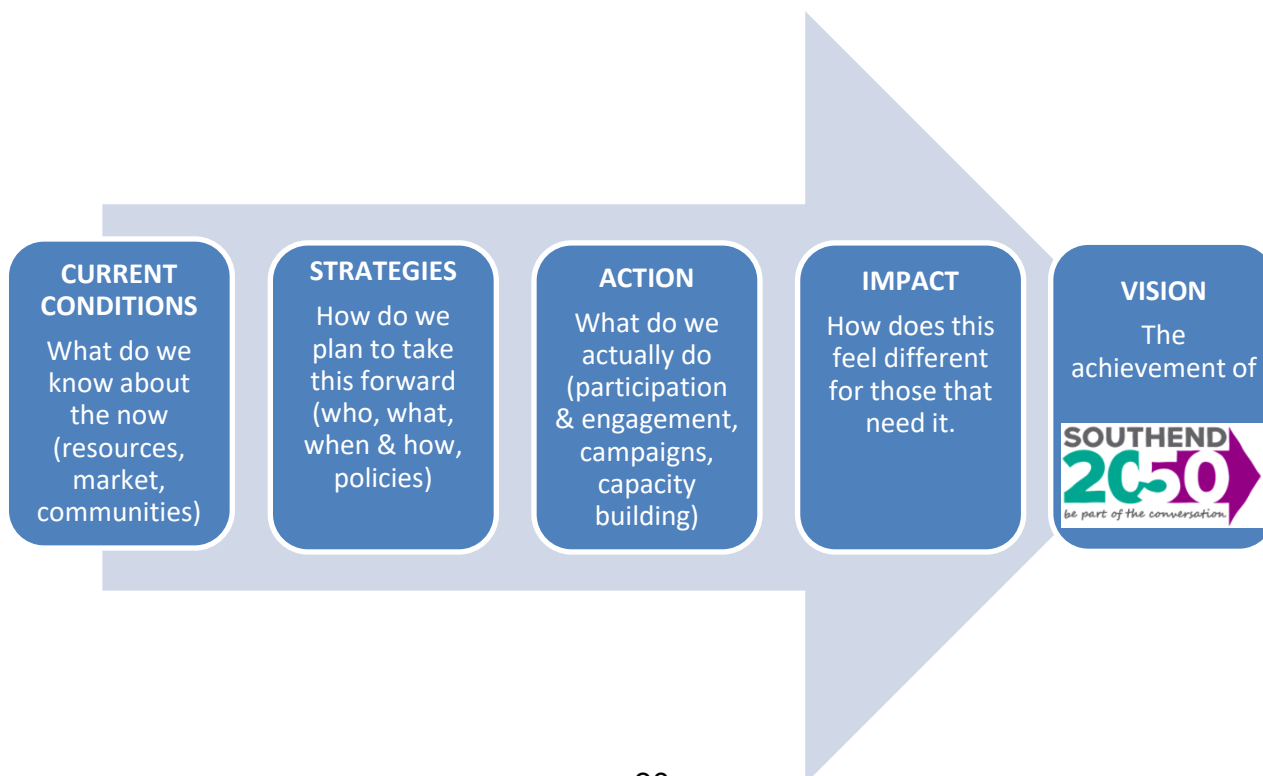
The statutory local authority budget setting process continues to be on an annual basis, but a longer-term perspective is essential to demonstrate financial sustainability. Short-termism runs counter to both sound financial management and sound governance. To highlight the importance of this issue and to provide a clear high-level strategic framework, the Council has developed a new Financial Sustainability Strategy for 2020 – 2030. The MTFs is fully aligned with this strategy and effectively provides a more detailed phased plan of activity and considerations to ensure we maintain long-term financial sustainability.

### 3.4 Commissioning Framework for Delivering Better Outcomes

Commissioning is the process by which we understand the collective approach needed in order to deliver the Southend 2050 outcomes and what we need to do with others to make them happen. In practice, this is not in-sourcing or out-sourcing but clearly '**right-sourcing**'.

Our goal is to drive a robust and balanced framework for commissioning into the fabric of the organisation. Designed alongside the 'creating the conditions' work, our commissioning framework will embed the values and behaviours required in everything we do as an authority through a set of core principles.

Supported by a **theory of change approach** (see illustration below), our commissioning practice will define long, medium and short-term goals and then map backward to identify the necessary preconditions for success.





Continuously driving the delivery of the Southend 2050 Ambition, our approach will be steeped in evidence of the current conditions whilst our strategies, engagement and action planning will remain focused on the achievement of an impact for the communities of Southend.

These principles and what they mean in practice are outlined in our Commissioning Framework, the purpose of which is to ensure that:

- We are consistently commissioning to high standards, making the best use of the tools and resources available
- We utilise best practice, Statutory Guidance and legislation (e.g. The Social Value Act) to best effect in order to achieve our ambition
- We are accountable for ensuring that these principles are embedded in the organisation
- We each recognise and respect the important roles we play in ensuring that these principles are reflected through our commissioning activities
- Our assurance processes for commissioning are robust and agile to best support achievement of our ambitions and outcomes

### **3.5 Value for Money Commitment**

The Council is continually striving to improve all aspects of the organisation in terms of its efficiency, economy and effectiveness. Our goal is also to improve the wellbeing and productivity of all our staff by investing in technology, encouraging innovation, creativity and modern ways of working via our WorkLife initiative.

A programme of major service redesign is already in place to help us meet the evolving needs of our residents, improve their customer experience, whilst also enabling them to be more independent and our communities more self-sufficient and sustainable. This helps to target resources where they are needed most.

We hold memberships to CFO insights and Place Analytics, run by Grant Thornton's Public Services Advisory team and subscribe to LG Futures Financial Intelligence Toolkit. This package of information helps us to learn what other Local Authorities are doing, how we compare with them and assists in providing valuable intelligence, insight and challenge to our range of services. We are also one of the founder members of FutureGov's new impossible ideas programme.

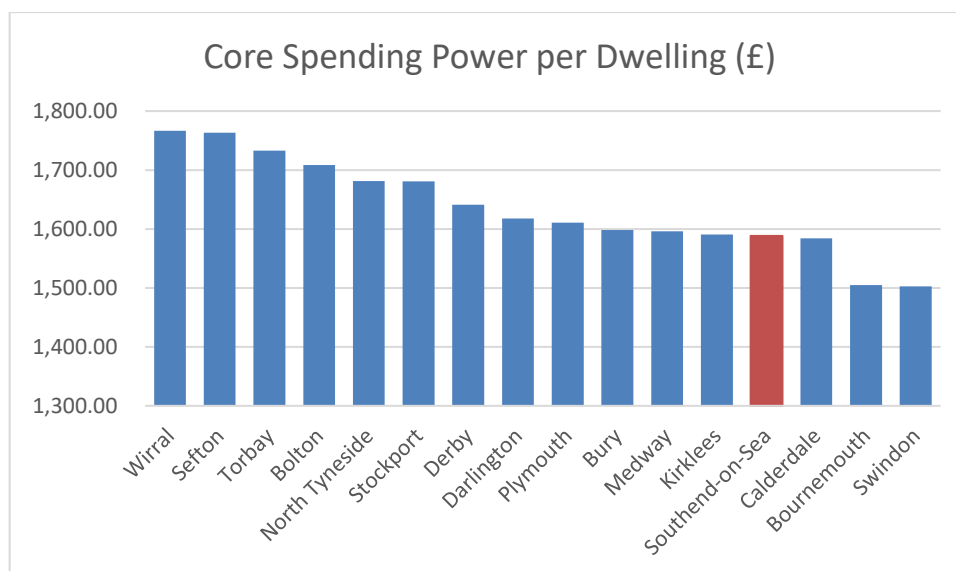
We consider and analyse all relevant available benchmarking information, including demand data, cost drivers, outputs, outcomes and income generation perspectives. This informs our 'Getting to Know Your Business' programme and provides support for all Directors and

Service Managers to help them understand where their service is relatively positioned from both a performance and finance perspective.

These arrangements will be enhanced in 2020/21 to encourage a more commercial and business focussed approach. Our ambition is to strive for the best blended approach of commercial acumen with a strong public sector ethos.

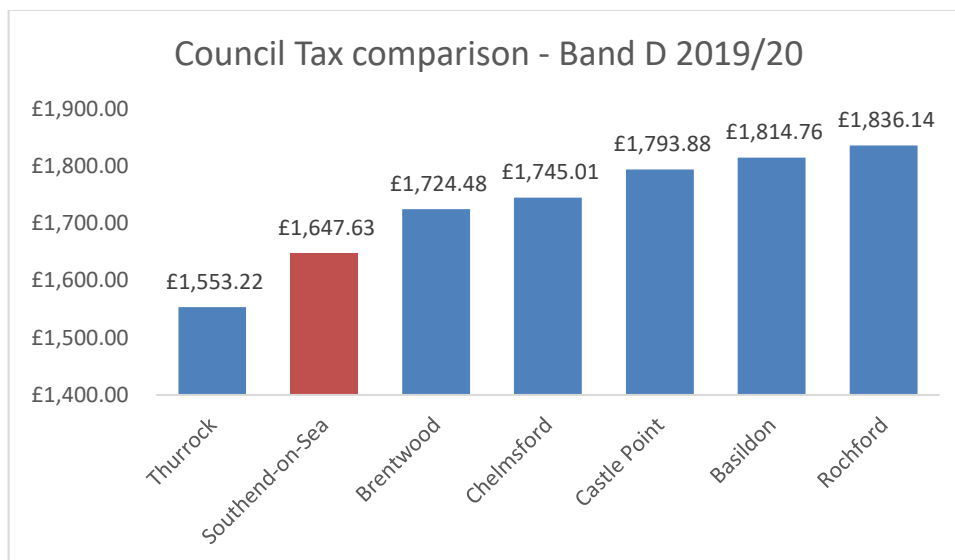
To inform and highlight our relative success in delivering the full range of unitary authority services locally with less resources – the following graph illustrates where we rank based on the spending power per dwelling against our nearest statistical neighbour comparator group.

We have the 13<sup>th</sup> lowest spending power per dwelling – which means that we have less comparable resources available to meet the relative needs of our local residents, when compared with similar local authorities. Taking in isolation this does not mean that Southend-on-Sea provides better value for money services, but it must be an important consideration.



**(Source: LG Futures Statistical Neighbour Comparator Group).**

Equally from a local perspective we are also determined to minimise the financial burden on the local council taxpayer for Southend-on-Sea where we can. The following chart illustrates the level of council tax (Band D equivalent) charged by Local Authorities from our nearest geographical neighbours in Essex for 2019/20. This is an important factor when considering Southend-on-Sea's commitment to providing value for money services that meet the needs of our local residents. It is also worth noting that over 70% of properties in the Borough are actually in Council Tax bands A to C.



### **3.6 Alternative Delivery Vehicles and Governance Arrangements**

By establishing ourselves as a commissioning council to deliver better outcomes it has also changed the way we work and invest. This new approach is evident by our adoption of a broader ‘best fit’ model of both service and delivery vehicles. We explore and then select the best set of arrangements to deliver our priorities in the most effective and efficient way. Getting the right outcome for the right people at the right price.

We have created a number of companies, joint ventures and trusts that we believe are the right vehicles to deliver our priorities in their particular areas. This organic growth into a group structure has taken place over recent years. The Council currently directly owns 6 companies, participates in 2 joint ventures established as legal entities and is sole trustee to 8 charitable trusts. We are also engaged in several partnerships and associations with other organisations.

To provide a common unified formal governance structure between the Council and its group of companies and its joint ventures, and to ensure proper exercise of its role as trustee, the Council established a Shareholder Board in November 2017. This ensured that not only good proportionate governance is discharged but also that the objectives of Southend 2050 are embedded and aligned within these delivery vehicles.

Each entity has its own internal governance arrangements. The wholly owned companies have governance arrangements in compliance with the Companies Act. The joint ventures essentially follow these same arrangements and the Trusts, although subject to the Charities Acts, are not managed as separate entities but managed as part of the Culture service area and work in compliance with the Council’s own good governance arrangements.

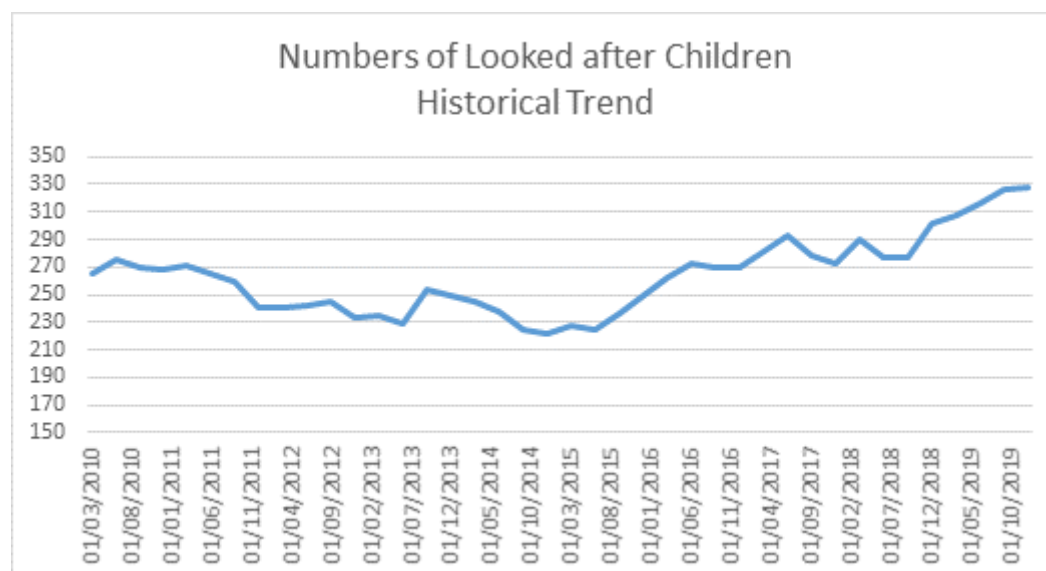
### 3.7 Financial Pressures and Key Service Demand Trajectories

There are several financial pressures faced by the council and these are reported to the Corporate Management Team, Councillors and other stakeholders as part of the budget monitoring reports on a regular basis. A number of these are demand led pressures which are generally replicating the challenges faced by most upper tier local authorities right across the country. It is important that these pressures are identified, key drivers behind demand trends are understood and wherever possible mitigated to ensure sound financial and service resilience in changing times.

#### Social Care – Children

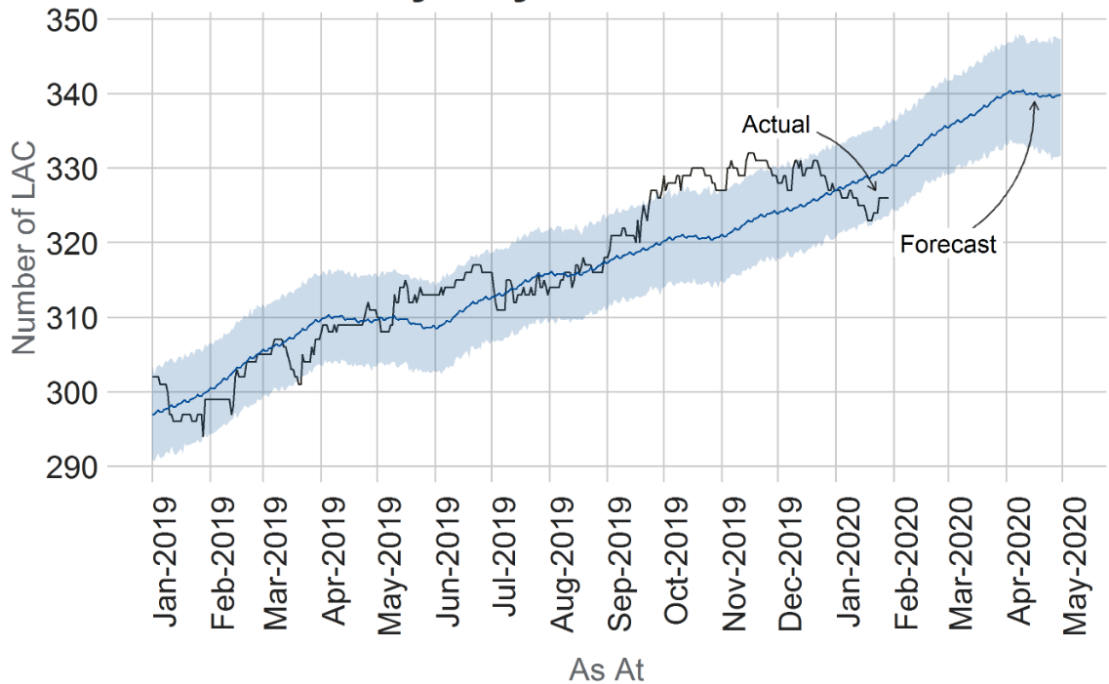
One of the key pressures our Local Authority has been facing over the last five years (which is also a recognised national issue) is the increased demand on our Looked After Children (LAC) placements, combined with higher costs for external care placements. The following graph show our LAC numbers since 2010. The table below illustrates that we have seen a continual year on year increase for the last five years. Obviously if that trend continues – this will continue to add further financial pressure.

| As at              | 31 <sup>st</sup> March 2016 | 31 <sup>st</sup> March 2017 | 31 <sup>st</sup> March 2018 | 31 <sup>st</sup> March 2019 | 31 <sup>st</sup> October 2019 |
|--------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-------------------------------|
| LAC No's           | 262                         | 282                         | 295                         | 308                         | 330                           |
| % growth each year |                             | 8%                          | 5%                          | 4%                          | 7%                            |



Although not an exact science we have also attempted to use this historical data and appropriate trends to establish a potential future forecast. This is illustrated in the following chart. The Council have created a further £3M contingency in 2020/21, financed by earmarked reserves to provide additional resilience for this major potential additional demand.

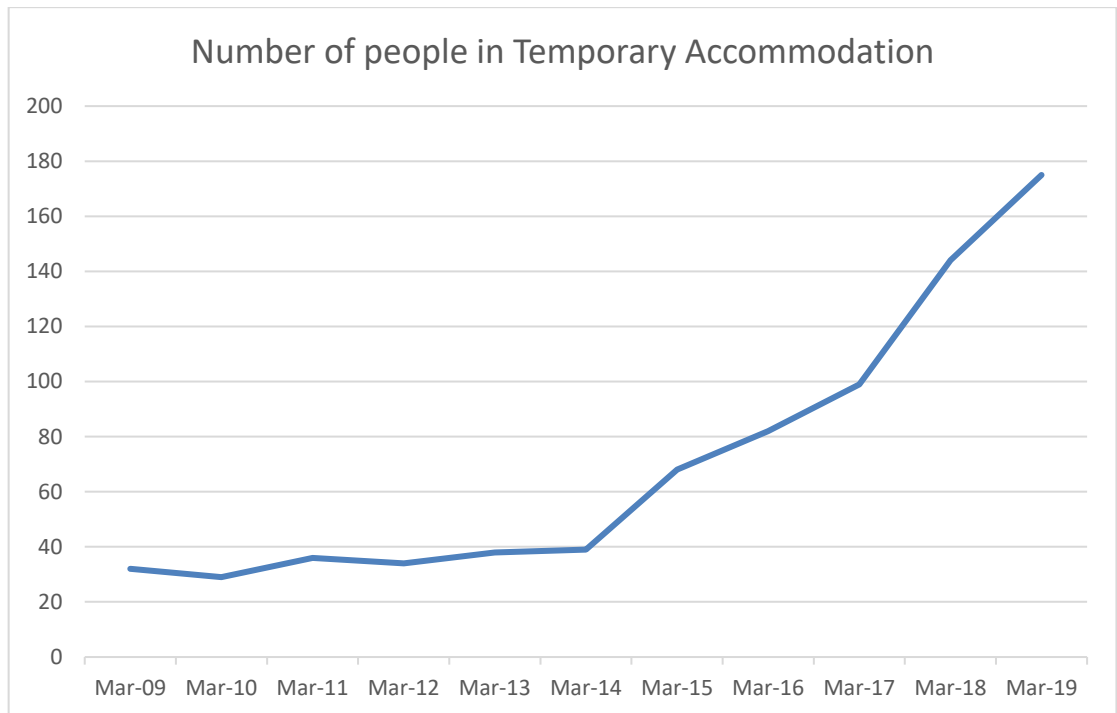
### Number of LAC by Day With Forecast



### Housing and Homelessness

Southend-on-Sea Borough Council did not use any bed and breakfast accommodation until 2017/18 when the Homelessness Reduction Act was implemented. Historically, we used our hostels for temporary accommodation, but demand has continually increased to such an extent that we now must use bed and breakfast accommodation, as well as the council's temporary accommodation, to discharge our duty. The lack of affordable housing in the private sector makes it harder to move households on from temporary accommodation.

The following graph highlights the scale of the challenge and shows the number of households placed in temporary accommodation from 2009 to 2019.

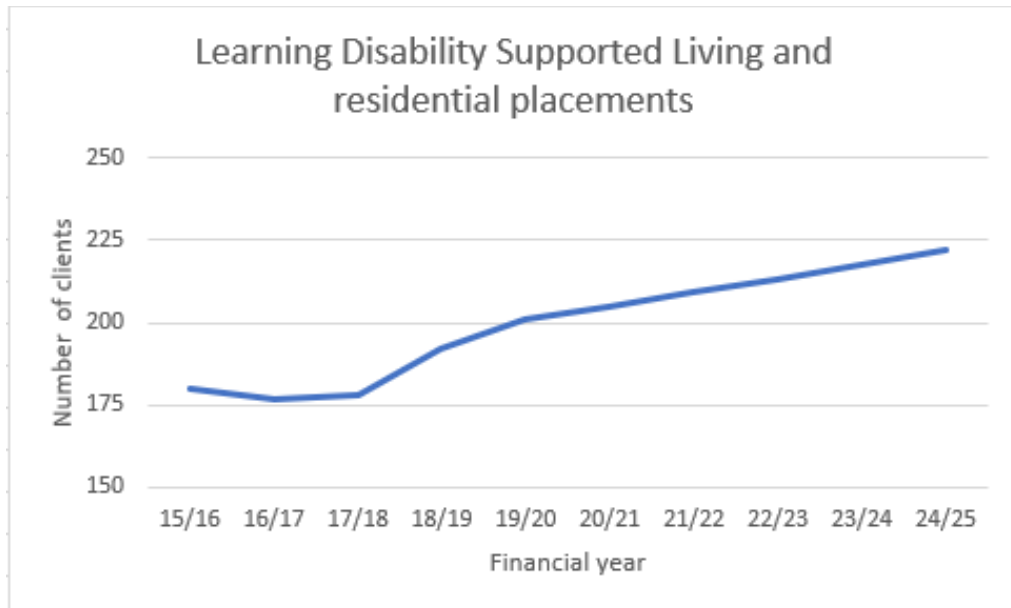


To help with this challenging issue we have been successful in bidding for extra resources from the enhanced homelessness/rough sleepers initiative that was launched by the government in January 2020. We have secured £705,155 for 2020/21.

### **Social Care – Adults with Learning Disabilities**

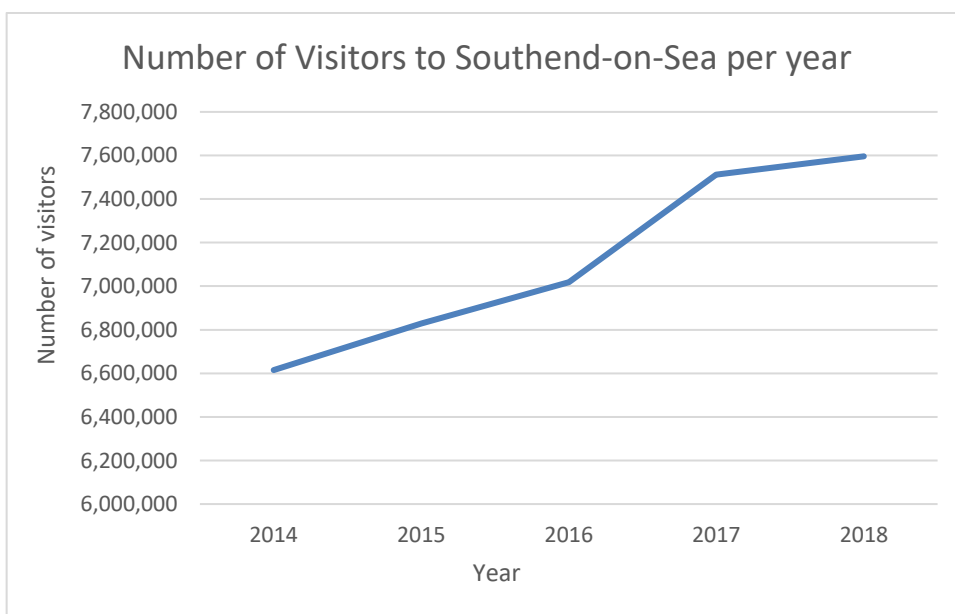
One of the main demand pressures in Adult Social care is the increasing number of Adults with Learning Disabilities. The two main sources for the increases are through transitions from Children’s services or as a result of a breakdown in historical family arrangements where parents or relatives are seeking more help and support, in some cases they are no longer able to look after them. This has resulted in an increase in the number of permanent Supported Living and Residential placements. It is anticipated that this is likely to continue, adding to the existing pressures on Adult Social Care Services.

The following graph illustrates the potential forecast increase in the number of clients with learning disabilities that may require permanent Supported Living and Residential placements.



### Infrastructure and Environment – Visitors

Southend-on-Sea continues to be an attractive tourist destination for both day-trippers and overnight stays, with an increase of 15% in visitor numbers over the past 5 years. Visitors bring with them a great economic benefit to the Borough, but this also has an impact on our infrastructure and environment, which needs to be carefully managed and resourced.



### 3.8 New Investments

The level of resources available for revenue and capital investment are subject to extensive challenge and prioritisation to ensure that investment is designed to have a positive impact and is aligned to deliver Southend 2050 outcomes and first phases of the road map.

For revenue prioritisation of proposed investment, careful assessment was given to current demands and pressures and for existing local priority services and to a range of initiatives that are not only aligned to our 2050 priorities, but would also have a big value for money impact in providing better outcomes for local residents.

For capital prioritisation of proposed investment this is achieved through application of the Capital Investment Strategy 2020/21 – 2024/25. This is a key document which forms part of the authority’s integrated revenue, capital and balance sheet planning. It provides a high-level overview of how capital expenditure; capital financing and treasury management activity contribute to the delivery of desired outcomes. It includes an overview of the governance processes for consideration, prioritisation, and approval of capital investment.

Below is a summary of the investments included within the 2020/21 budget grouped by investment theme.

| Theme                      | Revenue<br>(one year)<br>£'000s | Capital<br>(5 year)<br>£'000s | One-off<br>£'000s | TOTAL<br>£'000s |
|----------------------------|---------------------------------|-------------------------------|-------------------|-----------------|
| Pride and Joy              | 200                             | 5,335                         | 300               | <b>5,835</b>    |
| Safe and Well              | 5,810                           | 17,600                        | 900               | <b>24,310</b>   |
| Active and Involved        | -                               | -                             | 200               | <b>200</b>      |
| Opportunity and Prosperity | (75)                            | 3,200                         | 1,490             | <b>4,615</b>    |
| Connected and Smart        | 1,200                           | 7,810                         | -                 | <b>9,010</b>    |
| Enabling                   | (1,780)                         | 14,945                        | 1,305             | <b>14,470</b>   |
| <b>TOTAL</b>               | <b>5,355</b>                    | <b>48,890</b>                 | <b>4,195</b>      | <b>58,440</b>   |

*(Source: Main Budget Report Appendices 6, 7 and 10)*

### 3.9 Income Generation and Commercial Opportunities

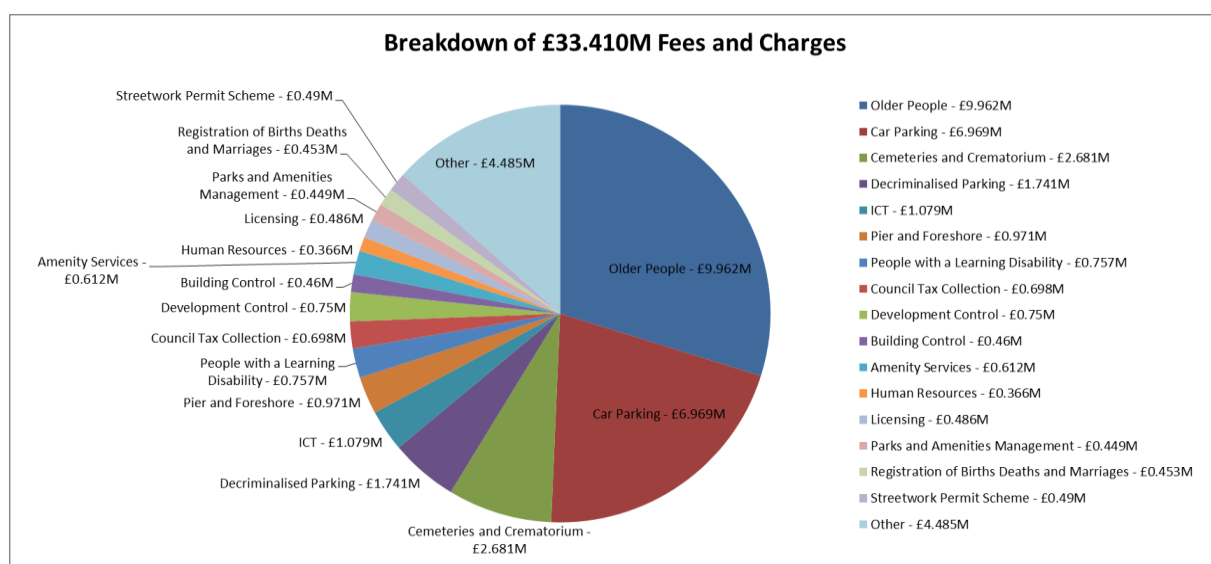
The Council has recently introduced a new ‘Getting to know Your Business’ work programme that is designed to ensure that all business areas have a comprehensive understanding of service expenditure drivers, potential income streams and commercial opportunities where appropriate. Development of a new Commercialisation Strategy is under consideration and training and awareness sessions which share best practice and highlight commercial success from both within and outside the organisation is already being delivered.



All service leads and managers will be supported to gain a better understanding of the financial performance of their business areas. This will include highlighting what scope there is for reducing subsidy, managing demand, exploring new income and commercial opportunities to ensure the best value for money is delivered for the residents of Southend-on-Sea. The Senior Leadership Network within the authority recognise that they are all custodians of public funds and are striving to improve efficiency, productivity and performance to get the most impact and better outcomes from each £1 that is invested locally.

Service leads will take full ownership and accountability for the fees and charges generated, support and benchmarking intelligence will be provided to give assurance that the charges are appropriate, proportionate and are applied correctly.

Fees and charges are received for a range of services and the following pie chart illustrates the varied scale of where this income is generated in relation to the 2020/21 budget.

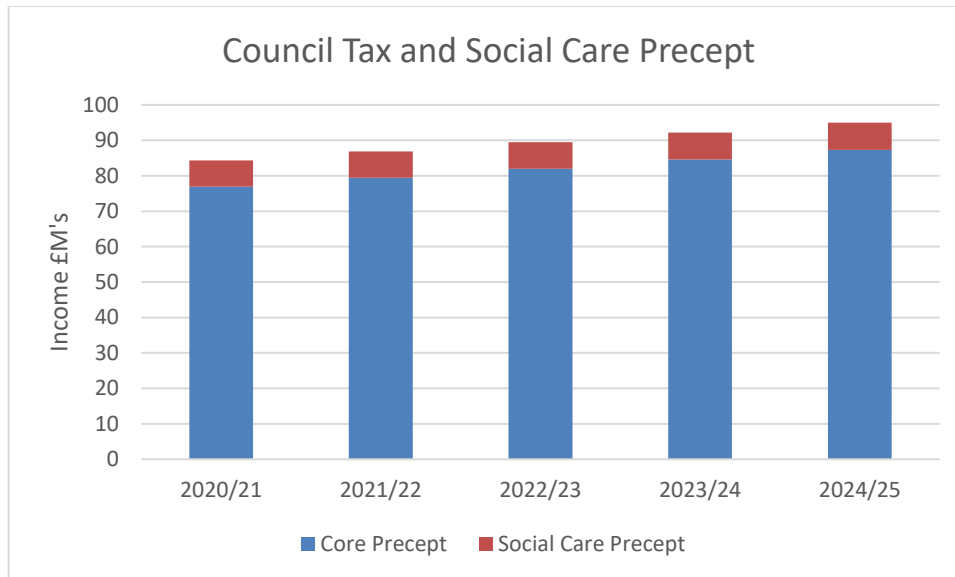


### 3.10 Council Tax

There is a 3.99% increase in Council Tax for 2020/21 (including 2% for adult social care). For planning purposes an increase of 1.99% has been assumed for future years with no increase included for social care. Changes in the number of households affect the tax base for Council Tax purposes, as does the number of Council Tax Support claimants. The Council Tax base for 2020/21 is 58,680.94 (equivalent Band D properties).

The Medium Term Forecast assumes an increase in the Council Tax base of 0.44% in 20/21 with further increases of 1% per year over the

following four-year period. The Council also plans to release phased accumulated Council Tax surpluses over the five-year period. The following graph illustrates the current forecasted level of Council Tax and Social Care Precept until 2024/25.



### 3.11 Housing Revenue Account

The Housing Revenue Account is a ring-fenced account which stands apart from the General Fund, although there are charges between the two funds to reflect Service Level Agreements and corporate support services.

The HRA is the statutory “landlord” account for the authority. The Council is obliged by law to set rents and other charges at a level to avoid a deficit on the HRA balance. The HRA estimates have been prepared alongside South Essex Homes, and incorporate their management fee bid.

There is major investment via the HRA Capital Programme of £57.261M planned over the next five years. This will ensure that we maintain decent homes and improve those that need it. The types of works will include electrical wiring, bathroom installations, new roofs, new kitchens, new windows and door replacements and installation of new more economical and energy efficient boilers.

The Council has concluded a procurement exercise to choose a partner organisation with which to regenerate the Queensway estate. Swan Housing Association has been approved as the preferred bidder. The regeneration ambition will see the existing 441 predominately council owned homes redeveloped into a vibrant, mixed tenure community with enhanced public realm and facilities. This will mean that over time the estate will no longer form part of the HRA.

The MTFFS assumes that this development would be broadly neutral at this stage. On the basis that lost rental income will be largely offset by a reduced need for management and maintenance liabilities. Some basic allowance has been made for a net loss in future years. Further work will be undertaken to understand the exact implications when the redevelopment proposal is finalised and phased, including how any decant process will work. The MTFFS will be updated as soon as a better understanding of the exact timing of any impact is known.

In October 2017, the government announced its intention to set a long term rent deal for both Local authorities and housing associations. This allows rent increases of up to CPI at September each year plus 1 percentage point from 2020/21. This has resulted in a 2.7% rent increase for 2020/21. The MTFFS demonstrates that the HRA is currently financially robust.

### **3.12 Asset Management Plan**

The Corporate Asset Management Strategy (CAMS) sets out the way in which the Council makes decisions on asset related matters and identifies procedures and governance arrangements to monitor and improve the use of its assets to increase efficiency and maximise returns. The plan is reviewed annually alongside the MTFFS and updated as appropriate.

The Plan divides all the Council's assets into five investment blocks. These are:

- Operational assets – The Council's operational buildings;
- Non-operational assets – The Council' investment portfolio;
- Regeneration assets – Assets acquired or held to support regeneration;
- Surplus Assets – Assets which have no sound case for retention;
- Infrastructure required to deliver the Plan, notably ICT.

Some assets sit within specific policy and legislative frameworks or are important by virtue of specific features of Southend. These are housing, highways and transport assets, schools and children centres, car parks, listed buildings and designated areas, and the sea defences and cliffs.

The CAMS brings asset-related decision making (on acquisition and disposal) together with the procedures guiding investment through the Capital Investment Programme.

The CAMS was comprehensively reviewed and updated for the period 2015 – 2025 and was approved at the Cabinet meeting in September 2015 to provide high-level strategic focus to enable flexibility over the plan period and to reinforce the current Vision and Strategic Aims of the CAMS that all the Council's assets are corporately held and managed strategically to:

- Support efficient and effective service delivery;
- Support regeneration and development and enable the Council to achieve its objectives;
- Rationalise, develop and improve the portfolio to underpin the capital investment programme and revenue budget through development, income generation, property acquisition and disposals;
- Actively support co-location and integration with other public-sector partners.

The CAMS also includes a property investment strategy with its own set of governance arrangements to enable investment opportunity decisions to be taken quickly against a pre-agreed set of investment performance criteria such as and including lot size, yield, property type, lease terms and covenant strength. The first acquisition under this was made during 2017/18.

The CAMS also supports the Council's high priority major projects such as Better Queensway, Airport Business Park, Care and Learning Disability re-provision.

Some further updates will be made during 2020/21 as follows:

- Corporate structure and governance changes to reflect the current structure of the Council;
- Updates to reflect the latest 2050 position and direction of travel;
- Methodology for the prioritisation and decision-making process around Council assets (particularly the development pipeline) with associated governance;
- To update the schedule of charges relating to property transactions;
- To monitor the Government's position on Commercial Property Investment;
- To update the Property Metrics section;
- To ensure that the framework is in place to move forward with benefits derived from WorkLife and improved agility to improve collaboration, share costs and generate income;

- To clearly and more appropriately distribute responsibility for particular assets (e.g. footpaths, non-adopted roads, watercourses) to ensure these are managed efficiently in the most appropriate section of the business.

### **3.13 Capital Investment Programme**

Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing fixed asset which is needed to provide services such as housing, schools and highways. Fixed assets are tangible or intangible assets that yield benefits to the Council generally for a period of more than one year, e.g. land, buildings, roads, vehicles. This contrasts with revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services. Capital grants, borrowing and capital receipts can only be spent on capital items and cannot be used to support the revenue budget. However, it should be noted that revenue funding can be used to support capital expenditure.

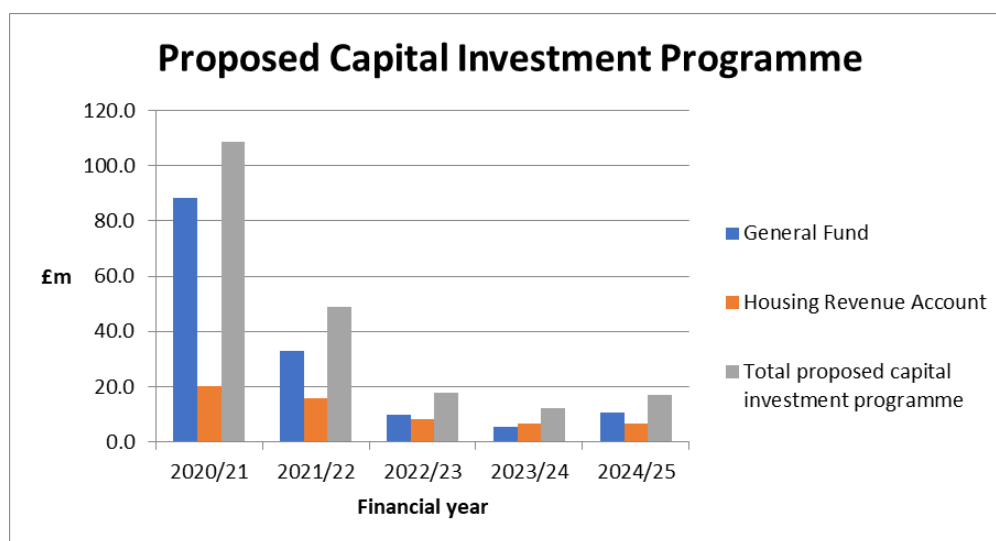
The Capital Investment Strategy covers all capital expenditure and capital investment decisions, not only as an individual local authority but also those entered under group arrangements. It sets out the long-term context in which decisions are made with reference to the life of the projects/assets.

It is a key document and forms part of the authority's integrated revenue, capital and balance sheet planning. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of desired outcomes. It includes an overview of the governance processes for approval and monitoring of capital expenditure and how investment decisions take account of stewardship, value for money, prudence, sustainability and affordability. It also provides an overview of how associated risk is managed and the implications for future financial sustainability.

The capital investment programme is prepared and developed in accordance with the Capital Investment Strategy. In turn, the Capital Investment Strategy has been written in the context of Southend 2050 and the five themes and all capital investment is therefore driven by the aim of contributing to the delivery of the ambition and the desired outcomes.

The resulting new investment into the capital investment programme of the next five years is shown at Section 3.8.

The proposed total capital investment programme over the next five years is illustrated in the following graph:



### 3.14 Treasury Management Strategy

The Treasury Management Strategy is an area of activity which covers the management of the council's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks.

In compliance with the CIPFA Treasury Management Code of Practice the Council's treasury management strategy comprises:

- the Treasury Management Policy Statement;
- the Treasury Management Strategy;
- the Annual Treasury Management Investment Strategy.

The purpose of the Treasury Management Policy Statement is to set out the scope of the Treasury Management function, the policy on borrowing, debt restructure, investments, delegation and management of risk.

The budget includes provision for the financing costs of the Council's Capital Investment Programme, including interest on external borrowings. Offsetting this, the Council will earn interest by temporarily investing its surplus cash, which includes unapplied and set-aside capital receipts. These budgets depend on many factors, not least the Council's level of revenue and capital budgets, use of reserves, methods of funding the budget requirement, interest rates, cash flow and the Council's view of risk.

The purpose of the Treasury Management Strategy is to set out how the budgeted financing costs can be achieved. It covers the prospects for interest rates and the strategy on borrowing and debt restructuring.

The purpose of the Annual Treasury Management Investment Strategy is to set out the investment objectives and the policies on the use of external fund managers, on the investment of in-house managed funds and on the use of approved counterparties.

The Audit Committee have responsibility for the scrutiny of the Treasury Management Strategy. The policy is approved by Council in advance of the year to which it relates. It is then monitored regularly and updated, as appropriate, to reflect changing circumstances and guidance with updates approved by Council as and when required.

It is projected that surplus cash balances will average £114m (of which £49m is the estimated sum of medium term and long term funds managed by external fund managers) during 2020/21 based on information currently available and historical spending patterns.

### **3.15 Minimum Revenue Provision Policy**

The Minimum Revenue Provision (MRP) is an amount to be set aside for the repayment of debt. Each Local Authority has a general duty to charge an amount of MRP to revenue which it considers to be prudent, with responsibility being placed upon the full Council to approve an annual MRP policy statement.

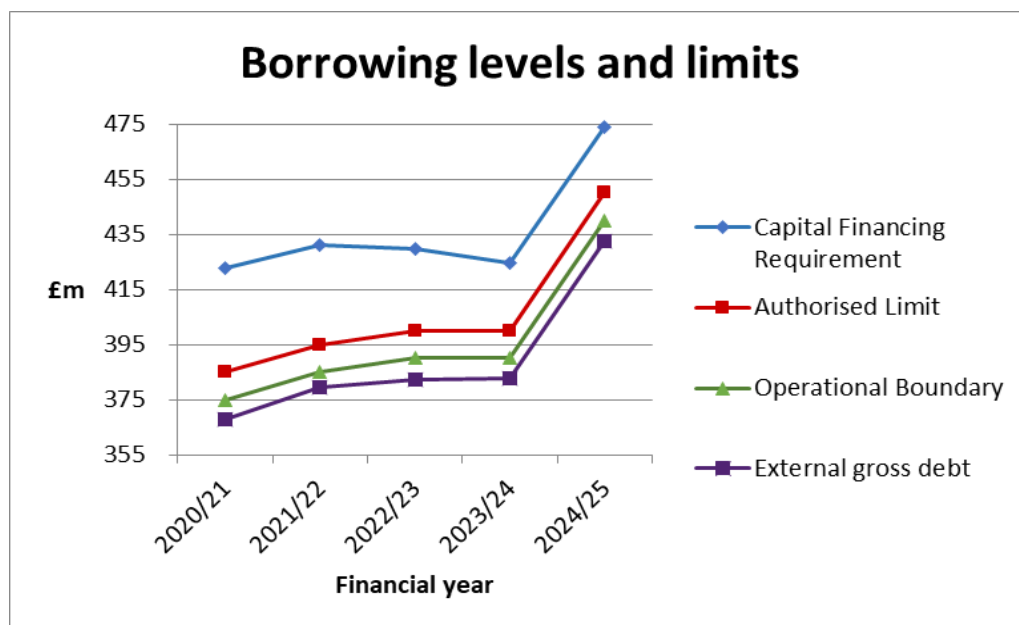
### **3.16 Prudential Indicators**

The Prudential Code is the key element in the system of capital finance that was introduced from 1 April 2004 as set out in the Local Government Act 2003.

Individual authorities are responsible for deciding the level of their affordable borrowing, having regard to the CIPFA code, (which has legislative backing). Prudential limits apply to all borrowing, qualifying credit arrangements (e.g. some forms of lease) and other long term liabilities. The system is designed to encourage authorities that need, and can afford, to borrow for capital investment to do so.

Under the Local Government Act 2003 each authority can determine how much it can borrow within prudential limits (unsupported borrowing). The Government does have powers to limit the aggregate for authorities for national economic reasons, or for an individual authority. The majority of capital expenditure will continue to be directly supported by Government through capital grant or by Council unsupported borrowing.

The following graph shows the Council's level of external gross debt compared to its agreed borrowing limits and the estimated Capital Financing Requirement (the Council's theoretical need to borrow).



The operational boundary is how much gross external debt the Council plans to take up and reflects the decision on the amount of debt needed for the Capital Investment Programme for the relevant year. The authorised limit is higher than the operational boundary as it allows sufficient headroom to take account of unusual cash movements.

The CIPFA Prudential Code for Capital Finance in Local Authorities has been developed to support Local Authorities in taking capital investment decisions and to ensure that these decisions are supported by a framework which ensures prudence, affordability and sustainability.

Another objective of the Code is that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation.

To demonstrate compliance with these objectives each authority is required to produce a set of prudential indicators. These indicators are designed to support and record local decision making and are not for comparison with other authorities. The setting and revising of these indicators must be approved by Cabinet and Council.



In setting or revising its prudential indicators, the local authority is required to have regard to the following matters:

- service objectives (e.g. strategic planning);
- stewardship of assets (e.g. asset management planning);
- value for money (e.g. options appraisal);
- prudence and sustainability (e.g. risks, whole life costing and implications for external debt);
- affordability (e.g. implications for long-term resources including the council tax);
- practicality (e.g. achievability of the forward plan).

### **3.17 General Fund Balance**

In accordance with best practice guidance issued by CIPFA, the minimum level of General Fund balances is reviewed, and assessed on an annual basis. The Executive Director (Finance & Resources) recommends: -

- An absolute minimum level of General Fund reserves of £8M to be maintained throughout the period between 2020/21 to 2024/25
- An optimal level of reserves of £10M over the period to cover the absolute minimum level of reserves, in-year risks, cash flow needs and unforeseen circumstances
- A maximum recommended level of reserves to £12M over the period to provide additional resilience to implement the MTFS

This assessment has been derived by taking a risk-based approach to the overall General Fund Revenue Account, including reviewing income volatility and realism of income targets, interest rate exposure, third party provider risks, potential overspends in demand led areas such as social care and safeguarding for both adults and children and any other potential issues which may need to be taken into consideration.

### **3.18 Reserves Strategy**

As well as maintaining a risk based General Fund Balance the Council also sets aside Earmarked Reserves (for these purposes earmarked reserves excludes school balances) for specific items.

Considering the increasing level of risk and uncertainty identified within the MTFS and the probability of resources being required to support service transformation and delivery, a full review of useable reserves and provisions has been undertaken.

Each year as part of closing the accounts a view is taken on maintaining and strengthening, where necessary, those reserves specifically earmarked to support the highest areas of risk. This results in the rationalisation of reserves and provisions where possible and in some cases additional funding being set aside.

In relation to the adequacy of reserves (excluding General Fund Balance summarised in section 3.16), the Council's Section 151 Officer (Executive Director of Finance and Resources) recommends the following Reserves Strategy. The Strategy will be reviewed annually and adjusted in the light of the prevailing circumstances.

### Housing Revenue Account

In relation to the Housing Revenue Account (HRA) in 2020/21 and the medium to long-term:

- a) Given the current status of housing management provision the recommendation is that reserves be maintained at £3.0m.

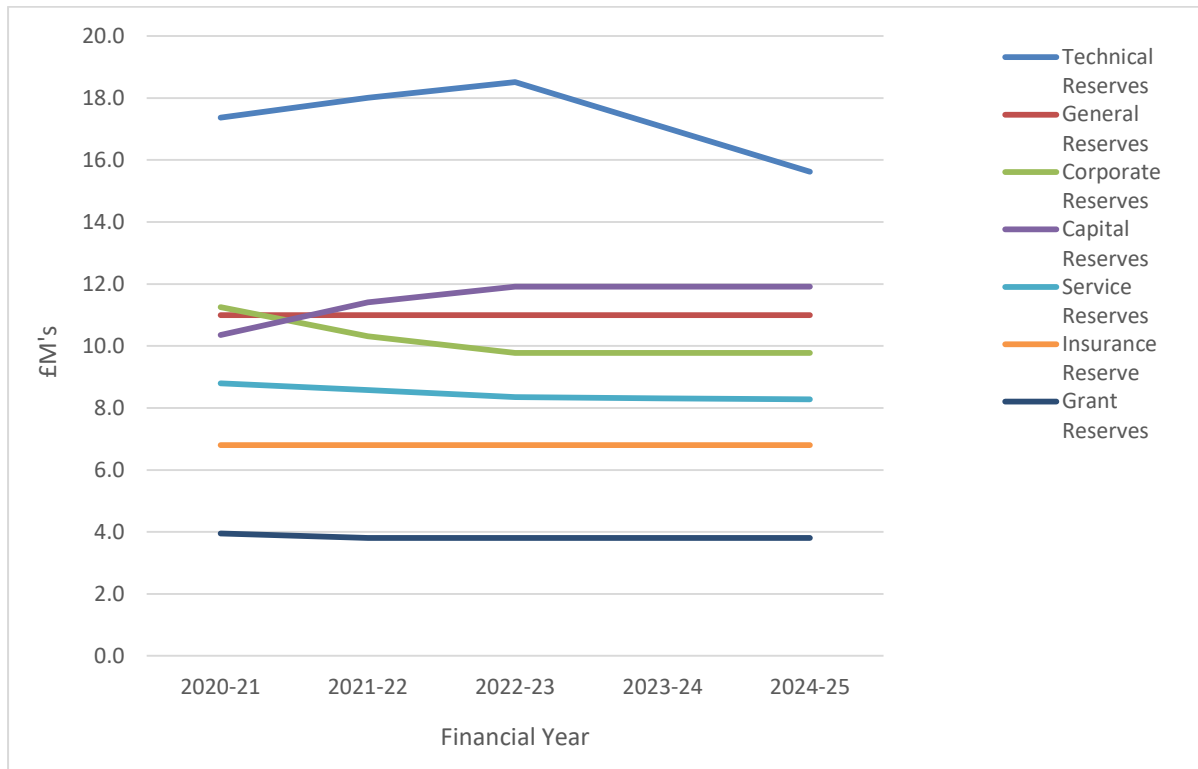
This recommendation is based on and conditional upon

- a) A 2020/21 budget has been agreed with South Essex Homes Ltd. to maintain a balanced HRA, together with the HRA's own MTFs for the period 2020/21 to 2024/25.
- b) Forward projections for the HRA beyond 2020/21 are being remodelled to consider the impact of the Better Queensway regeneration and the updated stock condition survey.

### Earmarked Reserves

A table of the earmarked reserves and their balances at 31 March 2019 to 31 March 2025 is shown in Annex 2. The balances at 31 March 2020 to 2025 are indicative, based on the assumptions in this report, and do not represent the probable figures that will be disclosed in future years Statement of Accounts. A summary of the forecast reserve balances to 2024/25 is shown in the table below and illustrated in the following graph. We are forecasting that our total reserves will stay within a range of £67M to £70M over the five year period.

| <b>Earmarked Reserve</b> | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
|                          | £M             | £M             | £M             | £M             | £M             |
| Technical Reserves       | 17.372         | 18.008         | 18.515         | 17.067         | 15.619         |
| General Reserves         | 11.000         | 11.000         | 11.000         | 11.000         | 11.000         |
| Corporate Reserves       | 11.250         | 10.315         | 9.780          | 9.780          | 9.780          |
| Capital Reserves         | 10.357         | 11.407         | 11.918         | 11.918         | 11.918         |
| Service Reserves         | 8.792          | 8.582          | 8.347          | 8.311          | 8.276          |
| Insurance Reserve        | 6.800          | 6.800          | 6.800          | 6.800          | 6.800          |
| Grant Reserves           | 3.953          | 3.803          | 3.803          | 3.803          | 3.803          |
| <b>TOTAL</b>             | <b>69.524</b>  | <b>69.915</b>  | <b>70.163</b>  | <b>68.679</b>  | <b>67.196</b>  |



### 3.18 Outcomes Based Planning and Budgeting

The Council began to introduce a new approach to Outcomes Based Planning and Budgeting in 2019/20 which looked at repurposing resources towards new agreed priorities and outcomes. The Council is determined to do everything it can to plan effectively for the future and invest in priorities that make a real positive difference to local residents, businesses and visitors. The year 2020/21 is clearly an important transitional year in our journey towards becoming a more outcome focussed organisation where our resources are prioritised accordingly.

The Council has targeted its resources to deliver the Southend 2050 programme and roadmap phases. Being a more outcome focussed organisation will enable us to direct our investment, resource and business planning to activity that will achieve our outcomes and change the conversation to what to keep rather than what to cut.

### 3.19 Addressing the Budget Gap

The Council is currently predicting a cumulative budget gap of £23.3M up to the end of 2024/25. In order to address and close the budget gap over this time period we must continue our drive towards financial sustainability for the future. As we work collaboratively with our partners, we may need to increase our 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 our services.

The approach to addressing this gap can be seen within several initiatives already in operation within the organisation including: -

- Business as usual monitoring and budget reviews throughout the year
- The full implementation of outcome-based budgeting
- Link business planning and budgeting to focus on service outcomes
- Effective and creative management of service demand
- A review of major contracts
- Full implementation of a new Commissioning Framework
- Getting to know your Business workstream;
- Income generation and commercial opportunities

The forecast budget gap in the Medium Term Financial Forecast over the next five years is summarised in the table below.

| Year       | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Total         |
|------------|---------|---------|---------|---------|---------|---------------|
| Budget gap | £0M     | £7.8M   | £4.7M   | £5.7M   | £5.0M   | <b>£23.2M</b> |

### 3.20 Budget Monitoring and Forecasting

The corporate budget performance report is a key tool in scrutinising the Council's overall financial performance. It is designed to provide an overview to all relevant stakeholders. It is essential that the Authority actively monitors its budgets throughout the year in order to ensure that the overall financial position is robust and sustainable and that strategic objectives are being achieved.

In setting the annual budget and the MTFS the Council will ensure potential risks are assessed and managed so that their impact is minimised or accounted for either via Contingencies, Balances or Earmarked Reserves as is necessary. In year, the Council will monitor its revenue and capital budgets (including the HRA) on a monthly basis and report to Cabinet on a regular basis.

Whilst the responsibility lies with the Executive Director for Finance & Resources for reporting to Cabinet the financial position, the responsibility and accountability for the financial position and performance of the services lies with the budget holder.

These reports will be prepared for Cabinet at regular intervals throughout the financial year and will provide an opportunity to highlight major variations from the approved spending plans enabling corrective action to be taken where necessary.

All budget holders are responsible for ensuring external income is maximised for their service and for seeking out new opportunities to generate income. If the budget holder cannot resolve issues within their own service area budgets these should be dealt with by Service Directors and the Executive team.

Where pressures are identified appropriate mitigation plans are required to be agreed and implemented in year which look to address these issues and identify ongoing pressures that may need to be addressed as part of setting the budgets over the medium term.

The Council has an established and respected finance business partnering service to support and advise Directors and Service Managers with the financial management requirements of their services.

The focus of the Finance Business partner in supporting services is to:-

- Look at a specific business problem and propose solutions based on research and insight
- Perform and analyse benchmarking against other areas and services to drive business decision making
- Work with business intelligence to understand activity and cost drivers
- Support services to look at the totality of investment against objectives
- Support services to focus on being sustainable
- Support services in developing business cases
- Work to better understand, manipulate and extract better outcomes from contracts – improving deliverables and forward planning procurement exercises
- Perform sensitivity analysis across whole systems to understand links between variables and support to make optimal interventions
- Support with project managing change through greater involvement in strategic decision making

## **4 Conclusion**

This MTF5 provides a robust framework for setting the budget for 2020/21 and ensuring the Council remains financially sustainable over the medium term. The current forecast position is challenging but achievable.

The Council has seen a sustained reduction in general grant funding over the past decade whilst also experiencing increasing demand for a range of priority local services that it provides. The uncertainty of future Spending Reviews, Fair Funding considerations and a move towards 75% Business Rates retention may well present additional future financial challenges.

Positively the Council's has a clear 2050 ambition, strong collegiate leadership, residents and communities are engaged, resources are prioritised towards achieving better local outcomes and the organisation has set a robust, resilient and sustainable budget.

Southend-on-Sea Borough Council is in a strong position to influence, shape and redesign services both locally and regionally to make a real positive difference to the lives of Southenders.

SOUTHEND-on-SEA BOROUGH COUNCIL

Annex 1 to Appendix 2

Medium Term Financial Forecast  
2020/21 to 2024/25

|   | 2020/21<br>£000 | 2021/22<br>£000   | 2022/23<br>£000 | 2023/24<br>£000 | 2024/25<br>£000 |
|---|-----------------|-------------------|-----------------|-----------------|-----------------|
| <b>Base Budget</b>  |                 |                   |                 |                 |                 |
| From prior year (which assumes the gap is closed from the prior year)                                   | 125,647         | 130,428           | 141,988         | 145,180         | 148,964         |
| LESS  |                 |                   |                 |                 |                 |
| Appropriations to/from Reserves in prior year   | (1,538)         | 8,522             | (323)           | (438)           | 1,484           |
| Revenue Contributions to Capital  | (5,376)         | (363)             | (10)            | (117)           | 0               |
| Less other one-off expenditure/savings  | 1,604           | (7,245)           | 360             | 1,515           | 0               |
| <b>Adjusted Base Budget</b>   | 120,337         | 131,342           | 142,015         | 146,140         | 150,448         |
| Appropriations to / (from) reserves   | (8,522)         | 323               | 438             | (1,484)         | (1,483)         |
| Revenue Contributions to Capital (funded from Earmarked Reserves)                                       | 363             | 10                | 117             | 0               | 0               |
| Other one-off/time limited expenditure bids   | 4,245           | (360)             | (1,515)         | 0               | 0               |
| Inflation and other increases   | 4,271           | 3,750             | 3,750           | 3,750           | 3,750           |
| Corporate Cost Pressures  | 8,388           | 2,104             | 1,313           | 2,002           | 1,395           |
| Directorate Savings/Pressures   |                 |                   |                 |                 |                 |
| On-going Corporate and Directorate investment allowance   | 6,160           | 3,050             | 3,050           | 3,850           | 3,050           |
| Budget reductions identified and agreed   | (2,075)         | 0                 | 0               | 0               | 0               |
|   | 4,085           | 3,050             | 3,050           | 3,850           | 3,050           |
| <b>Better Care Fund</b>   |                 |                   |                 |                 |                 |
| Funding to Support Social Care and benefit Health   | (13,043)        | (13,043)          | (13,043)        | (13,043)        | (13,043)        |
| Expenditure relating to the BCF and IBCF  | 13,043          | 0                 | 13,043          | 0               | 13,043          |
|   | 0               | 0                 | 0               | 0               | 0               |
| <b>Public Health</b>  |                 |                   |                 |                 |                 |
| Projected Grant Income  | (9,525)         | ringfence removed | 0               | 0               | 0               |
| Projected Expenditure   | 9,525           | 0                 | 0               | 0               | 0               |
|   | 0               | 0                 | 0               | 0               | 0               |
| <b>Housing Revenue Account</b>  |                 |                   |                 |                 |                 |
| Projected Expenditure   | 32,044          | 29,091            | 25,334          | 24,738          | 25,203          |
| Projected Income  | (28,522)        | (29,387)          | (30,322)        | (31,225)        | (32,120)        |
| Contributions to/(from) HRA Earmarked Reserves  | (3,522)         | 0                 | 4,988           | 6,487           | 6,917           |
|   | 0               | 296               | 0               | 0               | 0               |
| <b>Dedicated Schools Grant</b>  |                 |                   |                 |                 |                 |
| Projected Grant Income  | (50,769)        | (50,769)          | (50,769)        | (50,769)        | (50,769)        |
| Projected Expenditure   | 50,769          | 50,769            | 50,769          | 50,769          | 50,769          |
| Pupil Premium received from Government (indicative)   | (1,892)         | (1,892)           | (1,892)         | (1,892)         | (1,892)         |
| Pupil Premium expenditure   | 1,892           | 0                 | 1,892           | 0               | 1,892           |
|   | 0               | 0                 | 0               | 0               | 0               |
| <b>Projected General Fund Net Expenditure</b>   | 133,167         | 140,219           | 149,168         | 154,258         | 157,160         |
| <b>Changes in General Grants</b>  | (2,739)         | 9,555             | 712             | 409             | 0               |
| <b>Budget Requirement</b>   | 130,428         | 149,774           | 149,880         | 154,667         | 157,160         |
| <b>Funded by:</b>   |                 |                   |                 |                 |                 |
| Council tax increase (1.99% in 20/21, 1.99% onwards) (taxbase +0.5% 2021/22 and +1.0% p.a future years) | (76,966)        | (79,427)          | (81,972)        | (84,587)        | (87,285)        |
| Social Care Precept (2.0% in 20/21, 0% onwards)   | (7,381)         | (7,455)           | (7,530)         | (7,605)         | (7,681)         |
| Business Rates  | (38,032)        | (53,606)          | (54,678)        | (55,772)        | (56,192)        |
| Revenue Support Grant   | (6,049)         | 0                 | 0               | 0               | 0               |
| Collection Fund Surplus   | (2,000)         | (1,500)           | (1,000)         | (1,000)         | (1,000)         |
| <b>Total funding</b>  | (130,428)       | (141,988)         | (145,180)       | (148,964)       | (152,158)       |
| <b>Funding Gap</b>  | 0               | 7,786             | 4,700           | 5,703           | 5,002           |
| <b>Funding Gap (Cumulative)</b>   | 0               | 7,786             | 12,486          | 18,189          | 23,191          |
| <b>Core Precept</b>   | 76,966          | 79,427            | 81,972          | 84,587          | 87,285          |
| <b>Social Care Precept</b>  | 7,381           | 7,455             | 7,530           | 7,605           | 7,681           |
| <b>Band D Council Tax</b>   |                 |                   |                 |                 |                 |
| Council Tax for a Band D Property   | 1,437.39        | 1,465.93          | 1,495.17        | 1,524.87        | 1,555.20        |
| % Increase in Council Tax   | 3.99%           | 1.99%             | 1.99%           | 1.99%           | 1.99%           |
| <b>Council Tax Base</b>   |                 |                   |                 |                 |                 |
| Council Tax Base  | 58,681          | 59,268            | 59,860          | 60,459          | 61,064          |
| Increase in Taxbase on prior year   | 0.44%           | 1.00%             | 1.00%           | 1.00%           | 1.00%           |

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Use of Earmarked Reserves

| Earmarked Reserves                            | Probable Outturn<br>2019/20 |                          |                   | Budget<br>2020/21      |                          |                   | Forecast<br>2021/22    |                          |                   | Forecast<br>2022/23    |                          |                   | Forecast<br>2023/24    |                          |                   | Forecast<br>2024/25    |                          |                   |                |          |               |               |                |          |               |
|---|-----------------------------|--------------------------|-------------------|------------------------|--------------------------|-------------------|------------------------|--------------------------|-------------------|------------------------|--------------------------|-------------------|------------------------|--------------------------|-------------------|------------------------|--------------------------|-------------------|----------------|----------|---------------|---------------|----------------|----------|---------------|
|   | To<br>Reserves<br>£000      | From<br>Reserves<br>£000 | Transfers<br>£000 | To<br>Reserves<br>£000 | From<br>Reserves<br>£000 | Transfers<br>£000 | To<br>Reserves<br>£000 | From<br>Reserves<br>£000 | Transfers<br>£000 | To<br>Reserves<br>£000 | From<br>Reserves<br>£000 | Transfers<br>£000 | To<br>Reserves<br>£000 | From<br>Reserves<br>£000 | Transfers<br>£000 | To<br>Reserves<br>£000 | From<br>Reserves<br>£000 | Transfers<br>£000 |                |          |               |               |                |          |               |
| <b>Capital Reserves</b>                       |                             |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                |          |               |               |                |          |               |
| Capital Reserve                               | 7,957                       |                          | (5,574)           |                        | 2,383                    | (363)             | 1,500                  |                          | 3,520             | (10)                   |                          | 3,510             | (117)                  |                          | 3,393             |                        |                          |                   | 3,393          |          |               |               | 3,393          |          |               |
| New Homes Bonus Reserve                       | 4,130                       | 2,031                    | (835)             |                        | 5,326                    | (560)             | 1,370                  |                          | 6,136             | (280)                  | 1,340                    | 7,196             | 628                    |                          | 7,824             |                        |                          |                   | 7,824          |          |               |               | 7,824          |          |               |
| Business World ERP Reserve                    | 316                         |                          |                   |                        | 316                      |                   | 385                    |                          | 701               |                        |                          | 701               |                        |                          | 701               |                        |                          |                   | 701            |          |               |               | 701            |          |               |
| Queensway Reserve                             | 235                         |                          |                   |                        | 235                      |                   | (235)                  |                          | -                 |                        |                          | -                 |                        |                          | -                 |                        |                          |                   | -              |          |               |               | -              |          |               |
| <b>Corporate Reserves</b>                     |                             |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                |          |               |               |                |          |               |
| Business Transformation Reserve               | 5,133                       |                          | (3,014)           |                        | 2,119                    | (735)             | 3,750                  |                          | 5,134             | (685)                  |                          | 4,449             | (285)                  |                          | 4,164             |                        |                          |                   | 4,164          |          |               |               | 4,164          |          |               |
| Outcome Delivery Reserve                      | 0                           |                          |                   |                        | -                        | (250)             | 750                    |                          | 500               | (250)                  |                          | 250               | (250)                  |                          | -                 |                        |                          |                   | -              |          |               |               | -              |          |               |
| Business Rates Retention reserve              | 4,283                       |                          |                   |                        | 4,283                    |                   | (2,283)                |                          | 2,000             |                        |                          | 2,000             |                        |                          | 2,000             |                        |                          |                   | 2,000          |          |               |               | 2,000          |          |               |
| Interest Equalisation Reserve                 | 4,211                       |                          | (500)             |                        | 3,711                    | (945)             |                        |                          | 2,766             |                        |                          | 2,766             |                        |                          | 2,766             |                        |                          |                   | 2,766          |          |               |               | 2,766          |          |               |
| MRP Equalisation Reserve                      | 12,625                      | 3,665                    |                   |                        | 16,290                   | (918)             |                        |                          | 15,372            | (1,364)                |                          | 14,008            | (1,493)                |                          | 12,515            | (1,448)                |                          |                   | 11,067         | (1,448)  |               |               | 9,619          |          |               |
| Pensions Reserve                              | 5,831                       | 3,733                    |                   |                        | 9,564                    | (4,350)           | (5,214)                |                          | 2,000             | 2,000                  |                          | 4,000             | 2,000                  |                          | 6,000             |                        |                          |                   | 6,000          |          |               |               | 6,000          |          |               |
| Rents Equalisation                            | 850                         |                          |                   |                        | 850                      |                   |                        |                          | 850               |                        |                          | 850               |                        |                          | 850               |                        |                          |                   | 850            |          |               |               | 850            |          |               |
| <b>Insurance</b>                              |                             |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                |          |               |               |                |          |               |
| Insurance Reserve                             | 6,800                       |                          |                   |                        | 6,800                    |                   |                        |                          | 6,800             |                        |                          | 6,800             |                        |                          | 6,800             |                        |                          |                   | 6,800          |          |               |               | 6,800          |          |               |
| <b>Service Reserves</b>                       |                             |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                |          |               |               |                |          |               |
| Building Control Reserve                      | 116                         |                          |                   |                        | 116                      |                   | (116)                  |                          | -                 |                        |                          | -                 |                        |                          | -                 |                        |                          |                   | -              |          |               |               | -              |          |               |
| Cemeteries Reserve                            | 39                          |                          |                   |                        | 39                       |                   | (39)                   |                          | -                 |                        |                          | -                 |                        |                          | -                 |                        |                          |                   | -              |          |               |               | -              |          |               |
| Elections Reserve                             | 304                         |                          | (36)              |                        | 268                      | (36)              |                        |                          | 232               | 107                    |                          | 339               | (35)                   |                          | 304               | (36)                   |                          |                   | 268            | (35)     |               |               | 233            |          |               |
| Local Land Charges Reserve                    | 64                          |                          |                   |                        | 64                       |                   |                        |                          | 64                |                        |                          | 64                |                        |                          | 64                |                        |                          |                   | 64             |          |               |               | 64             |          |               |
| Schools Improvement                           | 225                         |                          | (200)             |                        | 25                       | (200)             | 575                    |                          | 400               | (200)                  |                          | 200               | (200)                  |                          | -                 |                        |                          | -                 |                |          |               | -             |                | -        |               |
| Adult Social Care Reserve                     | 2,428                       |                          |                   |                        | 2,428                    |                   | (928)                  |                          | 1,500             |                        |                          | 1,500             |                        |                          | 1,500             |                        |                          |                   | 1,500          |          |               |               | 1,500          |          |               |
| Childrens Social Care Reserve                 | 2,000                       |                          | (2,000)           |                        | -                        | (3,000)           | 3,000                  |                          | -                 |                        |                          | -                 |                        |                          | -                 |                        |                          |                   | -              |          |               |               | -              |          |               |
| Social Fund                                   | 817                         |                          | (350)             |                        | 467                      | (350)             |                        |                          | 117               | (117)                  |                          | -                 |                        |                          | -                 |                        |                          | -                 |                |          |               | -             |                | -        |               |
| Specific Corporate Projects                   | 730                         |                          |                   |                        | 730                      |                   | (730)                  |                          | -                 |                        |                          | -                 |                        |                          | -                 |                        |                          | -                 |                |          |               | -             |                | -        |               |
| Supporting People Reserve                     | 552                         |                          | (100)             |                        | 452                      |                   |                        |                          | 452               |                        |                          | 452               |                        |                          | 452               |                        |                          |                   | 452            |          |               |               | 452            |          |               |
| Voluntary Organisations Reserve               | 125                         |                          |                   |                        | 125                      |                   | (125)                  |                          | -                 |                        |                          | -                 |                        |                          | -                 |                        |                          | -                 |                |          |               | -             |                | -        |               |
| Waste Management Reserve                      | 4,923                       |                          | (1)               |                        | 4,922                    |                   |                        |                          | 4,922             |                        |                          | 4,922             |                        |                          | 4,922             |                        |                          |                   | 4,922          |          |               |               | 4,922          |          |               |
| Welfare Reform Reserve                        | 1,590                       |                          | (300)             |                        | 1,290                    |                   | (290)                  |                          | 1,000             |                        |                          | 1,000             |                        |                          | 1,000             |                        |                          |                   | 1,000          |          |               |               | 1,000          |          |               |
| Street Lighting Reserve                       | 105                         |                          |                   |                        | 105                      |                   |                        |                          | 105               |                        |                          | 105               |                        |                          | 105               |                        |                          |                   | 105            |          |               |               | 105            |          |               |
| <b>Grants</b>                                 |                             |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                |          |               |               |                |          |               |
| Dedicated Schools Grant                       | 215                         | 800                      |                   |                        | 1,015                    |                   |                        |                          | 1,015             |                        |                          | 1,015             |                        |                          | 1,015             |                        |                          |                   | 1,015          |          |               |               | 1,015          |          |               |
| Area Child Protection                         | 26                          |                          |                   |                        | 26                       |                   |                        |                          | 26                |                        |                          | 26                |                        |                          | 26                |                        |                          |                   | 26             |          |               |               | 26             |          |               |
| General Grants Carried Forward                | 2,485                       |                          | (753)             |                        | 1,732                    |                   |                        |                          | 1,732             |                        |                          | 1,732             |                        |                          | 1,732             |                        |                          |                   | 1,732          |          |               |               | 1,732          |          |               |
| Public Health Grant - Public Health           | 1,368                       |                          | (133)             |                        | 1,235                    | (150)             |                        |                          | 1,085             | (150)                  |                          | 935               |                        |                          | 935               |                        |                          |                   | 935            |          |               |               | 935            |          |               |
| Public Health Grant - DAAT                    | 130                         |                          |                   |                        | 130                      | (35)              |                        |                          | 95                |                        |                          | 95                |                        |                          | 95                |                        |                          |                   | 95             |          |               |               | 95             |          |               |
| <b>Monies held in Trust</b>                   |                             |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                        |                          |                   |                |          |               |               |                |          |               |
| Comp- 3 Children When Reach 18                | 3                           |                          |                   |                        | 3                        |                   |                        |                          | 3                 |                        |                          | 3                 |                        |                          | 3                 |                        |                          |                   | 3              |          |               |               | 3              |          |               |
| Emily Briggs Trust                            | 17                          |                          |                   |                        | 17                       |                   |                        |                          | 17                |                        |                          | 17                |                        |                          | 17                |                        |                          |                   | 17             |          |               |               | 17             |          |               |
| S. Thorpe Smith Bequest                       | 33                          |                          |                   |                        | 33                       |                   |                        |                          | 33                |                        |                          | 33                |                        |                          | 33                |                        |                          |                   | 33             |          |               |               | 33             |          |               |
| <b>Total General Fund Ear Marked Reserves</b> | <b>70,666</b>               | <b>10,229</b>            | <b>(13,796)</b>   | <b>-</b>               | <b>67,099</b>            | <b>3,370</b>      | <b>(11,892)</b>        | <b>-</b>                 | <b>58,577</b>     | <b>3,447</b>           | <b>(3,056)</b>           | <b>-</b>          | <b>58,968</b>          | <b>2,628</b>             | <b>(2,380)</b>    | <b>-</b>               | <b>59,216</b>            | <b>-</b>          | <b>(1,484)</b> | <b>-</b> | <b>57,732</b> | <b>-</b>      | <b>(1,483)</b> | <b>-</b> | <b>56,249</b> |
| HRA Capital Investment Reserve                | 25,106                      | 3,552                    | (5,508)           |                        | 23,150                   | 5,126             | (8,708)                |                          | 19,568            | 5,641                  | (5,405)                  | (2,387)           | 17,417                 | 6,178                    | (1,250)           | (1,313)                | 21,032                   | 6,627             | (200)          | (1,036)  | 26,423        | 7,057         | (200)          | (875)    | 32,405        |
| HRA Major Repairs Reserve                     | 6,763                       | 6,706                    | (8,408)           |                        | 5,061                    | 5,365             | (6,620)                |                          | 3,806             | 5,633                  | (6,600)                  | 2,387             | 5,226                  | 5,915                    | (6,560)           | 1,313                  | 5,894                    | 6,210             | (6,560)        | 1,036    | 6,580         | 6,521         | (6,600)        | 875      | 7,376         |
| HRA Repairs Contract Pension Reserve          | 520                         | 60                       |                   |                        | 580                      | 60                |                        |                          | 640               | 60                     |                          | 700               | 60                     |                          |                   | 760                    | 60                       |                   |                |          | 820           | 60            |                |          | 880           |
| <b>Total HRA Reserves</b>                     | <b>32,389</b>               | <b>10,318</b>            | <b>(13,916)</b>   | <b>-</b>               | <b>28,791</b>            | <b>10,551</b>     | <b>(15,328)</b>        | <b>-</b>                 | <b>24,014</b>     | <b>11,334</b>          | <b>(12,005)</b>          | <b>-</b>          | <b>23,343</b>          | <b>12,153</b>            | <b>(7,810)</b>    | <b>-</b>               | <b>27,686</b>            | <b>12,897</b>     | <b>(6,760)</b> | <b>-</b> | <b>33,823</b> | <b>13,638</b> | <b>(6,800)</b> | <b>-</b> | <b>40,661</b> |
| <b>TOTAL EARMARKED RESERVES</b>               | <b>103,055</b>              | <b>20,547</b>            | <b>(27,712)</b>   | <b>-</b>               | <b>95,890</b>            | <b>13,921</b>     | <b>(27,220)</b>        | <b>-</b>                 | <b>82,591</b>     | <b>14,781</b>          | <b>(15,061)</b>          | <b>-</b>          | <b>82,311</b>          | <b>14,781</b>            | <b>(10,190)</b>   | <b>-</b>               | <b>86,902</b>            | <b>12,897</b>     | <b>(8,244)</b> | <b>-</b> | <b>91,555</b> | <b>13,638</b> | <b>(8,283)</b> | <b>-</b> | <b>96,910</b> |

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COUNCIL BUDGET 2020/21 TO 2024/25SECTION 151 OFFICER'S STATEMENT ON ADEQUACY OF BALANCES  
AND THE ROBUSTNESS OF THE BUDGET**1. Introduction**

1.1. The Chief Financial Officer is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under section 25 of the 2003 Local Government Act which states the following:

- a) Where an authority to which section 32 or 43 of the Local Government Finance Act 1992 (billing or major precepting authority) or section 85 of the Greater London Authority Act 1999 (c.29) (Great London Authority) applies is making calculations in accordance with that section, the Chief Finance Officer of the authority must report to it on the following matters:
- The robustness of the estimates made for the purposes of the calculations, and
  - The adequacy of the proposed financial reserves.
- b) An authority to which a report under this section is made shall have regard to the report when making decisions about the calculations in connection with which it is made.

This includes reporting and taking into account:

- The key assumptions in the proposed budget and to give a view on the robustness of those assumptions.
- The key risk areas in the budget and to assess the adequacy of the Council's reserves when reviewing the potential financial impact of these risk areas on the finances of the Council. This should be accompanied by a Reserves Strategy.

1.2. CIPFA published a new Financial Management Code in October 2019. One of the 17 standards included in the new Code is '***the budget report includes a statement by the chief financial officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves***'. CIPFA considers that the implementation date of April 2020, should indicate the commencement of a shadow year. The first full year of compliance with the new FM Code will be 2021/22.

- 1.3. This statement must be considered and approved by full Council as part of the budget approval and Council Tax setting process.
- 1.4. This document concentrates on the General Fund budget, the Housing Revenue Account and Capital Investment Programme, but in addition it also considers key medium-term issues faced by the Council.

## **2. Assurance Statement of the Council's Section 151 Officer**

2.1. The following are the summary assurances and recommendations of the Council's Section 151 Officer (currently the Executive Director of Finance and Resources). They must be read in conjunction with the supporting statement in this Appendix, which together make up the Section 151 Officer's statutory duty to report under Section 25 of the Local Government Act 2003.

2.1.1. In relation to the 2020/21 General Fund Revenue budget I have examined the budget proposals and I believe that, whilst the spending and service delivery proposals are challenging, they are nevertheless achievable given the political and management desire to implement the changes. Good management and the sound monitoring of performance and budgets will be essential. I am satisfied that sufficient management processes exist within the Council to deliver this budget and to identify and deal with any problems which may arise unexpectedly during the year.

2.1.2. The key process risks in making the above statement are the level of resources within the Council dedicated to providing financial support services and advice to managers, which will need the finance teams to be focused on key risk budgets.

2.1.3. My recommendations are also conditional upon:

- a) The Council approving the new Financial Sustainability Strategy for 2020 – 2030;
- b) The Council approving the updated Medium Term Financial Strategy for 2020/21 to 2024/25
- c) A recognition in the medium-term planning approach that the level of reserves and corporate risk assessment need to be regularly reviewed in the light of changing circumstances and that it may not be possible to match the two at any single point in time. The Council needs to show a commitment to maintain reserves at a level which provides adequate cover for most identified risks during the planning period. This approach is pragmatic and shows a clear commitment to prudent contingency planning.

- d) It must be noted, however, that the recommended levels of reserves could still leave the Council exposed to the very exceptional risks identified in this review and, if all those risks crystallised at the same time, then the total level of reserves could be inadequate;
- e) Cabinet Members, Chief Executive, Executive Directors and managers not exceeding their cash limits for 2020/21 (and future years covered by the Medium Term Financial Strategy);
- f) Taking every opportunity to meet the Reserves Strategy as a first call on windfall underspends;
- g) Not considering further calls on reserves other than for those risks that have been identified, those that could not have been reasonably foreseen and that cannot be dealt with through management or policy actions. The exception to this is where the Reserves Strategy (reviewed annually) is met. Even in those circumstances, it is not prudent to finance ongoing spending from one-off reserves. Any excess reserves should be targeted towards business transformation (including redundancies and invest to save initiatives), key services particularly Childrens and Adults, contributions to support capital outlay, Local Government funding changes and the impacts of significant changes in national policy.
- h) Where there is a draw-down on reserves, which causes the approved Reserves Strategy to be off target, that this is replenished as part of a revised Medium Term Financial Strategy;
- i) That the Council has arrangements and resources in place to consider value for money in preparation for future years' budgets.

2.1.4. In relation to the adequacy of reserves, I recommend the following Reserves Strategy based on an approach to evidence the requisite level of reserves by internal financial risk assessment. The Reserves Strategy will need to be reviewed annually and adjusted in the light of the prevailing circumstances.

- a) An absolute minimum level of unallocated General Fund reserves of £8 million is maintained throughout the period between 2020/21 to 2024/25;
- b) An optimal level of unallocated General Fund reserves of £10 million over the period 2020/21 to 2024/25 to cover the absolute minimum level of reserves, in-year risks, cash flow needs and unforeseen circumstances;
- c) A maximum recommended level of unallocated General Fund reserves of £12 million for the period 2020/21 to 2024/25 to provide additional resilience to implement the Medium Term Financial Strategy;

- d) A Reserves Strategy to remain within the recommended level of reserves over the relevant period of 2020/21 to 2024/25.

2.1.5. The estimated level of unallocated General Fund reserves at 31 March 2020, based on current projections is £11 million depending on the final outturn position. Therefore:

- a) The absolute minimum level of reserves of £8 million is currently being achieved;
- b) The optimal level of reserves of £10 million criteria is being achieved for 2019/20, if departments spend against budget as currently projected;
- c) The maximum level of reserves of £12 million is not being exceeded;
- d) Reserves should remain within the recommended range of reserves during 2020/21. This is subject to the cash limited budget for 2020/21 being met.

2.1.6. These recommendations are made based on:

- a) The risks identified by the Chief Executive and Executive Directors reviews of their budgets;
- b) My own enquiries during the development of the current budget proposals;
- c) The resilience and sustainability required to deliver the Medium Term Financial Strategy;
- d) One-off unallocated reserves not being used to fund new on-going commitments;
- e) That the reserves in 2020/21 and the foreseeable future are used only if risks materialise and cannot be contained by management or policy actions.
- f) That where reserves are drawn down, the level of reserves is maintained in line with the latest Medium Term Financial Strategy.

2.1.7. There are also serious exceptional risks which, if they crystallise, could significantly impact the Council's reserves and leave its financial standing seriously in question. These include:

- a) The potential for cliff slips, pier remediation works and any other unforeseen Council owned infrastructure issues;
- b) Waste Management (Disposal) – This is to be kept under review pending a new contract in 2023;
- c) The current Waste Collection and Street Cleansing contract, which has been renegotiated now includes a requirement for an earlier re-tendering of this service in 2023;

- d) The financial implications from the Care Act, other welfare reform changes and other associated Housing legislation;
- e) The increasing cost and demand pressures for adult and children social care;
- f) The risk surrounding the non-delivery of savings and exceeding investment proposals within the budget package for 2020/21;
- g) The financial uncertainty for the public sector arising from the prevailing and continuing national and local conditions;
- h) The risk of further significant reductions in income and Government grant funding, particularly in relation to:
  - Growth and decline in the Council's Tax base and Business Rates base;
  - Business Rates appeals from the 2017 revaluation;
  - Academies funding;
  - The Local Council Tax Support Scheme with reduction in subsidy funding and no protection for caseload increases;
  - Further changes to the way in which Local Government is financed by Government particularly with any changes to the Business Rates Retention Scheme;
  - Future Government changes in policy and funding for Local Government, particularly the unknown impact of the next Spending Round and fair funding review;
  - The need to address the Country's ongoing Public Sector Borrowing Requirement (PSBR) and the structural financial deficit.
  - The economic impact of the withdrawal of the UK from the European Union;
- i) Insurance Claims;
- j) Any impact on Council services and Budget in 2020/21 and later years arising from the intended withdrawal from the European Union on 31/1/20.

2.1.8. In relation to the Housing Revenue Account (HRA) in 2020/21 and the medium to long term:

- a) Given the current status of housing management provision the recommendation is that general reserves be maintained at the target figure of £3m;
- b) A 2020/21 budget has been agreed with South Essex Homes Ltd. to maintain a balanced HRA;

- c) Forward projections for the HRA beyond 2020/21 are being remodelled. In addition, this is linked to the HRA's own Medium Term Financial Strategy for the period 2020/21 to 2024/25.

The current position demonstrates that it is possible to:

- Maintain a balanced HRA throughout that period;
- Meet current level of capital investment; and
- Repayment of required debt

2.1.9. In relation to the General Fund and HRA Capital Investment Programme 2019/20 to 2024/25 (including commitments from previous years and new starts):

- a) The HRA Capital Programme will need to be contained within the total programme cost;
- b) The General Fund Capital Budget is substantial but is based on the best information available in terms of project costs. What is less certain is the actual phasing of expenditure;
- c) The key strategic schemes identified in the Capital Investment Programme will be closely monitored in-year;
- d) That the funding identified for the approved Capital Investment Programme is delivered and is prudent, affordable and sustainable.

2.1.10. In relation to the medium to long term Capital Investment Programme:

- a) The delivery of the agreed Capital Strategy and Asset Management Plan is a critical priority to enable the matching of resources to needs and priorities.

## 2.2. **Assurance**

Given all these factors, I, as the Council's Section 151 Officer, consider the estimates for 2020/21 to be sufficiently robust and recommend for approval by the Council. I am also able to advise the Council that the level of General Fund Reserves is adequate and to recommend a Reserves Strategy which is achievable for 2020/21 – 2024/25.



**3. Supporting Statement****3.1. Processes**

3.1.1. Budget estimates are exactly that – estimates of spending and income made at a point in time and which will change as circumstances change. This statement about the robustness of estimates cannot give a 100% guarantee about the budget but gives Members reasonable assurance that the budget has been based on the best information and assumptions available at the time.

3.1.2. In order to meet the requirement on the robustness of estimates several key processes have been put in place, including:

- a) The issuing of clear guidance to Services on preparing budgets;
- b) The development of a Council wide risk assessment;
- c) The use of extensive budget monitoring and its escalation process to identify risks;
- d) The Council's S151 Officer providing advice throughout the process of budget preparation and budget monitoring;
- e) The Chief Executive and Executive Directors review of their budgets and appropriate sensitivity analysis;
- f) A review of all budget proposals and implications by CMT from April 2019 to February 2020;
- g) A review of budget proposals and implications by Cabinet Members from June 2019 to February 2020;
- h) Enquiries made directly by the Section 151 Officer and Finance Officers

3.1.3. Notwithstanding these arrangements, which are designed to rigorously test the budget throughout its various stages of development, considerable reliance is placed on the Chief Executive, Executive Directors and Directors having proper arrangements in place to identify issues, project costs, service demands, income levels, to consider value for money and efficiency, and to implement changes in their service plans. These arrangements are supported by appropriately qualified financial staff.

3.1.4. A summary of the key budget assumptions considered by Services and financial staff in terms of assessing the robustness of their budgets are shown below;

- a) The treatment of inflation and interest rates.
- b) The treatment of demand led pressures.
- c) The treatment of efficiency savings/productivity gains.

- d) The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments.
- e) The availability of other funds to deal with major contingencies.
- f) The Service's track record in budget and financial management.
- g) The Service's capacity to manage in-year budget pressures.

3.1.5. The full key budget assumptions and comments by the Chief Executive and Executive Directors have been used in constructing all budget proposals.

3.1.6. Corporate and service processes are under continuous review and improvement. Over the last few years there has been a sustained emphasis on a robust scheme of budget monitoring with an improved reporting format to Cabinet and Members in 2019/20. Additionally, the regular review and monitoring of the annual budget savings that was introduced by the current Executive Director of Finance & Resources will continue in 2020/21.

3.1.7. There are also clear plans in place for the continuous improvement and development of the ERP system (Business World) covering both Financial and HR systems. This will strengthen the authority's capacity and ability to monitor more effectively the overall budget. Continual improvement in these processes will also assist in the prevention or at least the earlier identification of issues to be dealt with in the budget and Medium Term Financial Strategy and allow for any in-year rebalancing to be undertaken as soon as possible if required. Nevertheless, in preparing a comprehensive budget for such a complex Organisation, unforeseen issues will undoubtedly still arise throughout the year and in the future.

## **3.2. Robustness of Estimates - General Fund Revenue Budget**

3.2.1. The 2020/21 budget and Southend 2050 ambition, themes and five-year roadmap continues the need and our commitment to target our financial resources to delivering better outcomes and effectively manage risks. In addition to improving efficiency, there are clearly choices for the Council in this respect:

- a) To increase financial resources to meet demand and reduce risk;  
or
- b) To reduce (where possible) service levels and standards, frequency of service delivery, and eligibility for services.

3.2.2. As part of developing the budget, Members of the administration have considered these options and the outcome of these deliberations are reflected in the proposed budget package.

3.2.3. Most notably the Council has had to address major cost increases and pressures as well as corporate priorities including:

- a) Employee costs;
- b) Demographic and cost pressures for Adult and Children Social Care;
- c) The cost of prudential borrowing within the capital programme;
- d) Shortfalls in income and grant income;
- e) Inflation;

3.2.4. The factors and risks considered in developing the proposed budget and recommendations on reserves are contained in each of the Executive Directors proposals surrounding their Service budget.

3.2.5. These assumptions will require the forecasts for future years to be reviewed early in each financial year leading to more detailed budgets during the autumn of each financial year.

### 3.3. **New Financial Sustainability Strategy**

3.3.1. The Council has developed a new high-level long-term strategy that is designed to frame its financial future and intentions. This strategy will help set the context for the Medium Term Financial Strategy, guide the Council's approach to maximising resources, prioritising investment and the effective targeting of resources to deliver the ambitions and outcomes contained within the Southend 2050 programme and roadmap phases.

3.3.2. Its primary purpose is to outline the Council's approach, desire and commitment to achieving financial sustainability by embracing the area's economic potential, growing our local tax base and increase sustainable income capabilities.

### 3.4. **Medium Term Financial Strategy**

3.4.1. The Council needs to deliver its Medium Term Financial Strategy reflecting the continuing impact of the proposed budget and only planned growth in relation to issues that are unavoidable. Within the current uncertain financial climate, it is very likely that service improvement and reasonable Council Tax increases, without key service reductions, will only be achieved through improving efficiency, clear prioritisation and adopting a new more commercial approach to income generation.

### 3.5. Adequacy of Reserves – General Fund Revenue Budget

- 3.5.1. Under the Local Government 2003 Act the Secretary of State has powers to set a minimum level of reserves. The most likely use of this power is where an authority is running down its reserves against the advice of their S151 Officer.
- 3.5.2. Determining the appropriate levels of reserves is not a precise science or a formula e.g. a simple percentage of the Council's budget. It is the Council's safety net for risks, unforeseen or other circumstances. The reserves must last the lifetime of the Council unless contributions are made from future years' revenue budgets. The minimum level of balances cannot be judged merely against the current risks facing the council as these can and will change over time.
- 3.5.3. Determining the appropriate levels of reserves is a professional judgement based on local circumstances including the overall budget size, risks, robustness of budget preparation, major initiatives being undertaken, budget assumptions, other earmarked reserves and provisions, and the Council's track record in budget management. It is also a professional judgement on the external factors that influence the Council's current and future funding position.
- 3.5.4. The consequences of not keeping a minimum prudent level of reserves can be serious. In the event of a major problem or a series of events, the Council would run the serious risk of a deficit or of being forced to cut spending during the year in a damaging and arbitrary way.
- 3.5.5. The recommendation on the prudent level of reserves has been based on the robustness of estimate information and the Corporate Risk Register. In addition, the other strategic operational and financial risks considered when recommending the minimum level of unallocated General Fund reserves include:
- a) There is always some degree of uncertainty over whether the full effects of any economy measures and/or service reductions will be achieved. The Executive Directors have been requested to be prudent in their assumptions and that those assumptions, particularly about demand led budgets, will hold true in changing circumstances.
  - b) The Bellwin Scheme Emergency Financial Assistance to Local Authorities provides assistance in the event of an emergency. The Local Authority can claim assistance with the cost of dealing with an emergency over and above a threshold set by the Government.
  - c) The risk of major litigation, both current and in the future.
  - d) Risks in the inter-relationship between the NHS and Social Service authorities coupled with the responsibilities of Public Health.

- e) The Local Council Tax Support Scheme with less Government funding and increases in caseload at the Council's own risk
- f) Issues arising from the final Housing Benefit Subsidy Claim.
- g) The localisation of Business Rates including the impact of businesses declining in the borough boundaries.
- h) New and impending legislation.
- i) Unplanned volume increases in major demand led budgets, particularly in adult and children's services, learning disabilities, physical and sensory impairment, and housing benefits.
- j) The need to retain a general contingency to provide for some measure of unforeseen circumstances which may arise. This part of the reserves is not provided for directly but indirectly on the assumption that the financial risks identified will not all crystallise.
- k) The need to retain reserves for general day-to-day cash flow needs. This is minimal given the level of cash the Council holds at any given time.

3.5.6. Further exceptional risks identified may have a potential and serious call on reserves. The Council is advised to be cautious about these risks and commit to restoring any drawn down reserves in line with the Medium Term Financial Strategy.

3.5.7. In these circumstances, I will require the Council, Cabinet, Chief Executive, Executive Directors and Directors:

- a) To remain within their service budget for 2020/21 and within agreed medium term financial strategy parameters for future years (2021/22 to 2024/25) with a strict adherence to recovering overspends within future years' financial plan targets;
- b) Repayment to reserves in line with the Medium Term Financial Strategy should these risks materialise;
- c) Direct any windfall revenue savings/underspends to reserves should the General Fund Revenue Reserves Strategy require it.

### 3.6. **Estimated Earmarked General Fund Revenue Reserves**

3.6.1. I have reviewed the Council's General Fund earmarked revenue reserves which are estimated to amount to circa. £67.1 million at 1 April 2020. This is compiled of key specific reserves of Insurance at £6.8 million, Welfare Reform and Social Fund at £1.8 million, Adult and Children's Social Care at £2.4 million, Interest Equalisation at £3.7 million, Rents Equalisation at £0.9 million, MRP Equalisation at £16.3 million, Waste Management at £4.9 million, Business Transformation at £2.1 million, New Homes Bonus at £5.3 million, Business Rates Retention at £4.3 million, Capital at £2.4 million, Pensions at £9.6 million and Grants at £4.1 million. The remainder is made up of other smaller funds held for specific purposes.

**3.7. Estimated Earmarked Housing Revenue Account Revenue Reserves**

3.7.1. I have reviewed the Council's Housing Revenue Account earmarked revenue reserves which are estimated to amount to £28.8 million at 1 April 2020. This is compiled mainly of a Capital Investment reserve of £23.2 million and Major Repairs reserve of £5.1 million.

**3.8. Schools' Balances**

3.8.1. Schools' balances, while consolidated into the Council's overall accounts, are a matter for Governing Bodies. Nevertheless, under the Council's Scheme for Financing Schools the Council has a duty to scrutinise whether any school holds surplus balances. In Section 4.1 of the Council's Scheme is "The right to carry forward surplus balances" identifies that Schools may carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year.

3.8.2. Any revisions to the Council's Scheme for Financing Schools in respect of balances will be amended in line with the requirements of the Secretary of State for Education with minor amendments agreed by the Schools' Forum.

3.8.3. I am satisfied that the arrangements in place are adequate.

**3.9. Capital Investment Programme – 2020/21 to 2024/25****The Capital Budget**

3.9.1. Projects, included in the capital investment programme, were prepared by Directors and managers in line with financial regulations and guidance. All projects were agreed by the relevant member of CMT and Cabinet Member and are fully funded for their estimated cost.

3.9.2. Projects have been costed at outturn prices with many subject to tender after inclusion in the programme. This may lead to variance in the final costs.

3.9.3. Services are required to work within the given cash envelope so any under or over provision must be found within these limits.

**Capital Investment Programme Risks**

3.9.4. The risk of the Council being unable to fund variations in the programme is minimal mainly due to phasing of projects. The Council can freeze parts of the programme throughout the year to ensure spend is within the agreed financial envelope, although this may have service implications.

3.9.5. A further key risk to the capital investment programme is the ability of the Council to fully deliver it within the agreed timescales.

3.9.6. In relation to the General Fund and HRA Capital Investment Programme specifically for 2020/21 (including commitments from previous years and new starts):

- a) The HRA Capital Investment Programme will need to be contained within total programme cost by delaying or stopping specified schemes.
- b) The General Fund Capital Budget is substantial but is based on the best information available in terms of project costs. What is less certain is the phasing of expenditure.
- c) The strategic schemes identified in the Capital Investment Programme will be closely monitored in-year.
- d) That the funding identified for the approved Capital Investment Programme is delivered and is prudent, affordable and sustainable.

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**Appropriations to and from General Fund Earmarked Reserves**

**Appropriations for 2019/20**

Within the forecast outturn figure, there are a number of proposals for appropriations to and from earmarked reserves. The final value of these appropriations will be assessed at year-end and reported as part of the closedown reporting programme.

**Appropriations to Reserves**

**1. £2,031,000 to the New Homes Bonus Reserve**

The Council currently continues to receive New Homes Bonus Grant. Given the uncertainty over the level of this grant in the future, it is proposed that any monies are continued to be used to support one-off projects.

**2. £3,665,000 to the MRP Equalisation Reserve**

Following the review of the Council's MRP policy, the amount of MRP that the Council needs to set aside in 2019/20 has dropped significantly below budget. Rather than take this saving to general reserves, it is proposed that it be transferred to the MRP equalisation reserve to fund future increases in MRP without impacting base line services.

**3. £3,733,000 to the Pensions Reserve**

The Pensions Reserve was used in 2017/18 and 2018/19 to fund the pension deficit payment. This appropriation completes the final (3<sup>rd</sup> year) instalment of replenishing the Reserve as part of the last triennial Pensions review in 2017.

**4. £800,000 to the Dedicated Schools Grant Reserve**

Planned contribution to this Reserve which is primarily attributable to High Needs underspend in 2019/20. Other contributory elements include the Department of Education Early Years funding adjustment for 2018/19 (received in 2019/20) and the approved underspend on the centrally retained growth fund.

**Total Appropriations to Reserves**

**£10,229,000**

**Appropriations to and from General Fund Earmarked Reserves**

**Appropriations from Reserves**

**5. £3,014,000 from the Business Transformation Reserve**

To fund a number of one-off investments identified as part of the approved 2019/20 budget.

**6. £5,574,000 from the Capital Reserve**

This is to fund a number of approved capital projects in 2019/20.

**7. £36,000 from the Elections Reserve**

In line with the purpose that this reserve was set up, £36,000 will be released in 2019/20 in support of the costs of the Borough elections in May 2019.

**8. £500,000 from the Interest Equalisation Reserve**

To compensate for an in year change to regulation regarding income recognition.

**9. £200,000 from the Schools Improvement Reserve**

To fund approved and planned investment into Schools Improvement

**10. £835,000 from the New Homes Bonus Reserve**

To fund the work required to progress the development of an approved Local Plan.

**11. £100,000 from the Supporting People Reserve**

To fund additional demand created within approved supported housing contracts in 2019/20.

**12. £300,000 from the Welfare Reform Reserve**

To fund on-going approved work around welfare reform and housing benefit subsidy arrangements for 2019/20.

**13. £2,000,000 from the Children's Social Care Reserve**

To fund additional investment into Children's Social Care and support in-year service demand pressures for 2019/20.

**14. £350,000 from the Social Fund Reserve**

To continue to fund the approved on-going work of the Essential Living Fund Team in 2019/20.

**Appropriations to and from General Fund Earmarked Reserves**

**15. £1,000 from the Waste Reserve**

This is to equalise the impact of the saving being delivered over the life of the new waste collection contract.

**16. £753,000 from the General Grants Reserve**

In accordance with proper accounting practice, grants received in 2018/19, but not used, were carried forward into 2019/20 via the use of earmarked reserves. This appropriation represents the release of some of those funds to support the approved and eligible grant related expenditure.

**17. £133,000 from the Public Health Reserve**

In accordance with proper accounting practice, public health grant received in 2018/19, but not used, was carried forward into 2019/20 via the use of earmarked reserves. This appropriation represents the release of some of those funds to support the approved and eligible public health expenditure.

**Total Appropriations from Reserves**

**£13,796,000**

**Appropriations to and from General Fund Earmarked Reserves**

**Appropriations for 2020/21**

The proposed appropriations to and from earmarked reserves included within the 2020/21 budget are:

**Appropriations to Reserves**

**1. £1,370,000 to the New Homes Bonus Reserve**

The Council currently continues to receive New Homes Bonus Grant. Given the uncertainty over the level of this grant in the future, it is proposed that any monies are continued to be used to support one-off projects.

**2. £2,000,000 to the Pensions Reserve**

This appropriation provides some flexibility by beginning to rebuild the Pensions Reserve in order to ensure that the Council has sufficient provision to cope with future pension fund evaluations.

**Total Appropriations to Reserves**

**£3,370,000**

**Appropriations to and from General Fund Earmarked Reserves**

**Appropriations from Reserves**

**1. £735,000 from the Business Transformation Reserve**

To fund several one-off investments proposed as part of 2020/21 budget package.

**2. £3,000,000 from the Childrens Social Care Reserve**

In recognition of the continuing demand pressure in the Childrens Social Care Service, this will fund the creation of a specific contingency for 2020/21. It will only be used at the discretion of the Corporate Management Team.

**3. £363,000 from the Capital Reserve**

To fund several capital projects proposed as part of the 2020/21 budget package.

**4. £200,000 from the Schools Improvement Reserve**

To fund proposed investment into Schools Improvement for 2020/21.

**5. £560,000 from the New Homes Bonus Reserve**

To fund several proposed one-off investments during 2020/21.

**6. £350,000 from the Social Fund Reserve**

To fund the proposed on-going work of the Essential Living Fund Team in 2020/21.

**7. £36,000 from the Elections Reserve**

In line with the purpose that this reserve was set up, £36,000 will be released in 2020/21 in support of the costs of staging the Borough elections in May 2020.

**8. £250,000 from the Outcome Delivery Reserve**

This is to fund proposed interventions in 2020/21 which will provide better improve outcomes in line with our 2050 ambitions.

**9. £945,000 from the Interest Equalisation Reserve**

This is to smooth the impact in 2020/21 of the increases in the interest budgets as a result of the financing of the capital investment programme.

**10. £918,000 from the MRP Equalisation Reserve**

This is to smooth the impact in 2020/21 of the increases in MRP that the Council needs to set aside as a result of the proposed capital investment programme.

**Appropriations to and from General Fund Earmarked Reserves**

**11. £4,350,000 from the Pensions Reserve**

This is to fund the prepayment of pension deficit contributions and thereby securing savings over the three year actuarial review period.

**12. £150,000 from the Public Health Grant – Public Health Reserve**

This is to fund proposed additional investment for the operation of a new complex needs facility. This investment will be drawn down once the purchase of a suitable property is secured to expand the service and provision in 2020/21.

**13. £35,000 from the Public Health Grant – DAAT Reserve**

This is to fund proposed additional hours and capacity to enhance the current operating model at the local complex needs facility in 2020/21.

**Total Appropriations from Reserves**

**£11,892,000**

Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

|   | <b>Original<br/>Estimate<br/>2019/20</b> | <b>Probable<br/>Outturn<br/>2019/20</b> | <b>Original<br/>Estimate<br/>2020/21</b> |
|---|--|---|--|
|   | <b>£000</b>                              | <b>£000</b>                             | <b>£000</b>                              |
| <b>Portfolios</b>                           |  |   |  |
| Leader                                      | 12,659                                   | 13,464                                  | 13,607                                   |
| Deputy Leader                               | 2,852                                    | 5,820                                   | 4,954                                    |
| Business, Culture and Tourism               | 4,639                                    | 5,027                                   | 4,841                                    |
| Children and Learning                       | 27,048                                   | 33,996                                  | 30,612                                   |
| Community Safety and Customer Contact       | 5,261                                    | 5,060                                   | 5,655                                    |
| Environment and Planning                    | 20,090                                   | 19,558                                  | 19,871                                   |
| Health and Adult Social Care                | 36,603                                   | 38,010                                  | 38,908                                   |
| <b>Portfolio Net Expenditure</b>            | <b>109,152</b>                           | <b>120,935</b>                          | <b>118,448</b>                           |
| Levies                                      | 643                                      | 613                                     | 645                                      |
| Contingency                                 | 5,110                                    | 3,097                                   | 3,217                                    |
| Childrens Social Care Contingency           | 0  | 0                                       | 3,000                                    |
| Pensions Triennial Review                   | (3,733)                                  | (3,733)                                 | 2,350                                    |
| Financing Costs                             | 11,545                                   | 11,760                                  | 17,534                                   |
| <b>Total Net Expenditure</b>                | <b>122,717</b>                           | <b>132,672</b>                          | <b>145,194</b>                           |
| Contribution to / (from) earmarked reserves | 1,413                                    | (3,567)                                 | (8,522)                                  |
| Revenue Contribution to Capital             | 5,376                                    | 5,637                                   | 363                                      |
| Non Service Specific Grants                 | (3,859)                                  | (3,859)                                 | (6,607)                                  |
| <b>Total Budget Requirement</b>             | <b>125,647</b>                           | <b>130,883</b>                          | <b>130,428</b>                           |
| <b>Met from:</b>                            |  |   |  |
| Revenue Support Grant                       | (5,925)                                  | (5,925)                                 | (6,049)                                  |
| Retained Business Rates                     | (24,130)                                 | (26,130)                                | (25,481)                                 |
| Business Rates Top Up Grant                 | (12,337)                                 | (12,266)                                | (12,551)                                 |
| Collection Fund Surplus                     | (2,500)                                  | (2,500)                                 | (2,000)                                  |
| <b>Council Tax Requirement</b>              | <b>80,755</b>                            | <b>84,062</b>                           | <b>84,347</b>                            |
| Council Tax                                 | (75,022)                                 | (75,022)                                | (76,966)                                 |
| Adult Social Care Precept                   | (5,733)                                  | (5,733)                                 | (7,381)                                  |
|   | <b>(80,755)</b>                          | <b>(80,755)</b>                         | <b>(84,347)</b>                          |

The probable outturn is as reported to Cabinet on 16th January 2020 Item 23 "Corporate Budget Performance - Period 8." The anticipated overspend on the 2019/20 General Fund budget will be met by a combination of using contingency and reserves if required.

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Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Objective Summary: All Portfolios     | 2019/20           |                  |                            |                   |                  |                            | 2020/21           |                  |                            |
|---------------------------------------|-------------------|------------------|----------------------------|-------------------|------------------|----------------------------|-------------------|------------------|----------------------------|
|                                       | Original          |                  |                            | Probable Outturn  |                  |                            | Budget            |                  |                            |
|                                       | Gross Expenditure | Total Income     | Net Expenditure / (Income) | Gross Expenditure | Total Income     | Net Expenditure / (Income) | Gross Expenditure | Total Income     | Net Expenditure / (Income) |
| Leader                                | 91,516            | (78,857)         | 12,659                     | 92,508            | (79,044)         | 13,464                     | 83,343            | (69,736)         | 13,607                     |
| Deputy Leader                         | 19,433            | (16,581)         | 2,852                      | 21,533            | (15,713)         | 5,820                      | 19,842            | (14,888)         | 4,954                      |
| Business, Culture and Tourism         | 10,131            | (5,492)          | 4,639                      | 10,283            | (5,256)          | 5,027                      | 7,356             | (2,515)          | 4,841                      |
| Children and Learning                 | 83,436            | (56,388)         | 27,048                     | 89,922            | (55,926)         | 33,996                     | 90,495            | (59,883)         | 30,612                     |
| Community Safety and Customer Contact | 10,399            | (5,138)          | 5,261                      | 10,031            | (4,971)          | 5,060                      | 10,969            | (5,314)          | 5,655                      |
| Environment and Planning              | 22,429            | (2,339)          | 20,090                     | 22,390            | (2,832)          | 19,558                     | 22,796            | (2,925)          | 19,871                     |
| Health and Adult Social Care          | 73,183            | (36,580)         | 36,603                     | 75,230            | (37,220)         | 38,010                     | 76,197            | (37,289)         | 38,908                     |
| <b>Grand Total</b>                    | <b>310,527</b>    | <b>(201,375)</b> | <b>109,152</b>             | <b>321,897</b>    | <b>(200,962)</b> | <b>120,935</b>             | <b>310,999</b>    | <b>(192,550)</b> | <b>118,449</b>             |

NB: Due to rounding, numbers presented throughout these tables may not add up precisely to the totals indicated.

Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Objective Summary                     | 2019/20           |                 |                            |                   |                 |                            | 2020/21           |                 |                            |
|---------------------------------------|-------------------|-----------------|----------------------------|-------------------|-----------------|----------------------------|-------------------|-----------------|----------------------------|
|                                       | Original          |                 |                            | Probable Outturn  |                 |                            | Budget            |                 |                            |
|                                       | Gross Expenditure | Total Income    | Net Expenditure / (Income) | Gross Expenditure | Total Income    | Net Expenditure / (Income) | Gross Expenditure | Total Income    | Net Expenditure / (Income) |
| <b>Leader</b>                         |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| <b>Housing</b>                        |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| Housing Needs and Homelessness        | 1,521             | (1,313)         | 208                        | 1,780             | (1,476)         | 304                        | 1,710             | (1,483)         | 227                        |
| Private Sector Housing                | 605               | (120)           | 485                        | 585               | (226)           | 359                        | 718               | (178)           | 540                        |
| Strategy and Planning for Housing     | 409               | (125)           | 284                        | 509               | (125)           | 384                        | 537               | (128)           | 409                        |
| Supporting People                     | 2,245             | 0               | 2,245                      | 2,245             | 0               | 2,245                      | 2,245             | 0               | 2,245                      |
| <b>Legal and Democratic Services</b>  |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| Democratic Services Support           | 385               | 0               | 385                        | 385               | 0               | 385                        | 389               | 0               | 389                        |
| Elections and Electoral Registration  | 358               | 0               | 358                        | 358               | 0               | 358                        | 359               | 0               | 359                        |
| Legal Services                        | 1,409             | (251)           | 1,158                      | 1,644             | (251)           | 1,393                      | 1,435             | (256)           | 1,179                      |
| Local Land Charges                    | 202               | (297)           | (95)                       | 202               | (297)           | (95)                       | 201               | (297)           | (96)                       |
| Mayoralty                             | 175               | 0               | 175                        | 176               | 0               | 176                        | 183               | 0               | 183                        |
| Member Support                        | 715               | 0               | 715                        | 715               | 0               | 715                        | 715               | 0               | 715                        |
| <b>Other Services</b>                 |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| Corporate Subscriptions               | 250               | 0               | 250                        | 250               | 0               | 250                        | 100               | 0               | 100                        |
| Emergency Planning                    | 206               | 0               | 206                        | 233               | 0               | 233                        | 227               | 0               | 227                        |
| Human Resources                       | 1,978             | (517)           | 1,461                      | 2,138             | (517)           | 1,621                      | 2,177             | (555)           | 1,622                      |
| Strategic Service Support             | 599               | 0               | 599                        | 667               | (18)            | 649                        | 670               | (19)            | 651                        |
| Strategy and Performance              | 1,817             | (115)           | 1,702                      | 1,897             | (41)            | 1,856                      | 1,900             | (41)            | 1,859                      |
| <b>Revenues and Benefits</b>          |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| Council Tax Collection                | 984               | (684)           | 300                        | 984               | (684)           | 300                        | 992               | (698)           | 294                        |
| Housing Benefit Administration        | 1,664             | (925)           | 739                        | 1,690             | (925)           | 765                        | 1,675             | (925)           | 750                        |
| Non Domestic Rates Collection         | 207               | (308)           | (101)                      | 207               | (283)           | (76)                       | 209               | (309)           | (100)                      |
| Rent Benefit Payments                 | 73,902            | (74,005)        | (103)                      | 73,902            | (74,005)        | (103)                      | 64,546            | (64,649)        | (103)                      |
| <b>Strategic Planning and Policy</b>  |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| Corporate and Non-Distributable Costs | 1,886             | (196)           | 1,690                      | 1,944             | (196)           | 1,748                      | 2,356             | (200)           | 2,156                      |
| <b>Leader Total</b>                   | <b>91,516</b>     | <b>(78,857)</b> | <b>12,659</b>              | <b>92,508</b>     | <b>(79,044)</b> | <b>13,464</b>              | <b>83,343</b>     | <b>(69,736)</b> | <b>13,607</b>              |

NB: Due to rounding, numbers presented throughout these tables may not add up precisely to the totals indicated.

Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Objective Summary                      | 2019/20           |                 |                            |                   |                 |                            | 2020/21           |                 |                            |
|--|-------------------|-----------------|----------------------------|-------------------|-----------------|----------------------------|-------------------|-----------------|----------------------------|
|  | Original          |                 |                            | Probable Outturn  |                 |                            | Budget            |                 |                            |
|  | Gross Expenditure | Total Income    | Net Expenditure / (Income) | Gross Expenditure | Total Income    | Net Expenditure / (Income) | Gross Expenditure | Total Income    | Net Expenditure / (Income) |
| <b>Deputy Leader</b>                   |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| <b>Asset and Facilities Management</b> |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| Asset Management                       | 459               | (17)            | 442                        | 459               | (17)            | 442                        | 496               | (17)            | 479                        |
| Buildings Management                   | 1,868             | (113)           | 1,755                      | 2,033             | (113)           | 1,920                      | 2,039             | (113)           | 1,926                      |
| Community Centres and Club 60          | 17                | (1)             | 16                         | 17                | (1)             | 16                         | 17                | (1)             | 16                         |
| Corporate and Industrial Estates       | 93                | (3,567)         | (3,474)                    | 93                | (3,567)         | (3,474)                    | 97                | (3,667)         | (3,570)                    |
| Property Management and Maintenance    | 460               | (114)           | 346                        | 485               | (114)           | 371                        | 482               | (116)           | 366                        |
| Tickfield Training Centre              | 362               | (160)           | 202                        | 362               | (160)           | 202                        | 400               | (164)           | 236                        |
| <b>Financial Services</b>              |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| Accountancy                            | 2,261             | (308)           | 1,953                      | 2,219             | (288)           | 1,931                      | 2,345             | (271)           | 2,074                      |
| Accounts Payable                       | 129               | (4)             | 125                        | 129               | (4)             | 125                        | 135               | (4)             | 131                        |
| Accounts Receivable                    | 200               | (82)            | 118                        | 200               | (82)            | 118                        | 211               | (84)            | 127                        |
| Corporate Fraud                        | 229               | (52)            | 177                        | 229               | (52)            | 177                        | 237               | (53)            | 184                        |
| Corporate Procurement                  | 700               | 0               | 700                        | 786               | 0               | 786                        | 964               | 0               | 964                        |
| Insurance                              | 173               | (249)           | (76)                       | 173               | (249)           | (76)                       | 178               | (249)           | (71)                       |
| Internal Audit                         | 739               | (207)           | 532                        | 556               | (189)           | 367                        | 700               | (192)           | 508                        |
| <b>Highways and Transport</b>          |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| Bridges and Structural Engineering     | 51                | 0               | 51                         | 26                | 0               | 26                         | 51                | 0               | 51                         |
| Car Parking Management                 | 1,261             | (6,993)         | (5,732)                    | 1,729             | (6,868)         | (5,139)                    | 1,388             | (6,970)         | (5,582)                    |
| Concessionary Fares                    | 3,390             | 0               | 3,390                      | 3,037             | 0               | 3,037                      | 3,390             | 0               | 3,390                      |
| Decriminalised Parking                 | 1,178             | (1,707)         | (529)                      | 1,442             | (1,597)         | (155)                      | 1,141             | (1,741)         | (600)                      |
| Dial A Ride Service                    | 97                | (20)            | 77                         | 102               | (20)            | 82                         | 72                | (20)            | 52                         |
| Highways Maintenance                   | 2,712             | (283)           | 2,429                      | 3,857             | (173)           | 3,684                      | 3,536             | (189)           | 3,347                      |
| Passenger Transport                    | 142               | (67)            | 75                         | 257               | (82)            | 175                        | 142               | (68)            | 74                         |
| Road Safety and School Crossing        | 214               | 0               | 214                        | 128               | 0               | 128                        | 165               | 0               | 165                        |
| Traffic and Parking Management         | 155               | (6)             | 149                        | 360               | (16)            | 344                        | 171               | (6)             | 165                        |
| Transport Management                   | 168               | 0               | 168                        | 168               | 0               | 168                        | 224               | 0               | 224                        |
| Transport Planning                     | 1,828             | (2,287)         | (459)                      | 2,086             | (1,777)         | 309                        | 727               | (612)           | 115                        |
| Vehicle Fleet                          | 549               | (344)           | 205                        | 602               | (344)           | 258                        | 534               | (351)           | 183                        |
| <b>Deputy Leader Total</b>             | <b>19,433</b>     | <b>(16,581)</b> | <b>2,852</b>               | <b>21,533</b>     | <b>(15,713)</b> | <b>5,820</b>               | <b>19,842</b>     | <b>(14,888)</b> | <b>4,954</b>               |

NB: Due to rounding, numbers presented throughout these tables may not add up precisely to the totals indicated.

Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Objective Summary                            | 2019/20           |                |                            |                   |                |                            | 2020/21           |                |                            |
|--|-------------------|----------------|----------------------------|-------------------|----------------|----------------------------|-------------------|----------------|----------------------------|
|  | Original          |                |                            | Probable Outturn  |                |                            | Budget            |                |                            |
|  | Gross Expenditure | Total Income   | Net Expenditure / (Income) | Gross Expenditure | Total Income   | Net Expenditure / (Income) | Gross Expenditure | Total Income   | Net Expenditure / (Income) |
| <b>Business, Culture and Tourism</b>         |                   |                |                            |                   |                |                            |                   |                |                            |
| <b>Culture</b>                               |                   |                |                            |                   |                |                            |                   |                |                            |
| Arts Development                             | 500               | (264)          | <b>236</b>                 | 553               | (264)          | <b>289</b>                 | 613               | (264)          | <b>349</b>                 |
| Culture Management                           | 156               | (37)           | <b>119</b>                 | 156               | (37)           | <b>119</b>                 | 11                | (7)            | <b>4</b>                   |
| Library Service                              | 2,968             | (410)          | <b>2,558</b>               | 3,029             | (358)          | <b>2,671</b>               | 2,989             | (392)          | <b>2,597</b>               |
| Museums and Art Gallery                      | 871               | (93)           | <b>778</b>                 | 871               | (93)           | <b>778</b>                 | 889               | (95)           | <b>794</b>                 |
| Southend Theatres                            | 52                | (25)           | <b>27</b>                  | 52                | (25)           | <b>27</b>                  | 52                | (25)           | <b>27</b>                  |
| Sport and Leisure Facilities                 | 96                | (304)          | <b>(208)</b>               | 96                | (304)          | <b>(208)</b>               | 124               | (308)          | <b>(184)</b>               |
| Sports Development                           | 55                | 0              | <b>55</b>                  | 55                | 0              | <b>55</b>                  | 55                | 0              | <b>55</b>                  |
| <b>Economic Development and Regeneration</b> |                   |                |                            |                   |                |                            |                   |                |                            |
| Economic Development                         | 3,730             | (3,291)        | <b>439</b>                 | 3,673             | (2,949)        | <b>724</b>                 | 651               | (335)          | <b>316</b>                 |
| Town Centre                                  | 182               | (60)           | <b>122</b>                 | 166               | (60)           | <b>106</b>                 | 193               | (61)           | <b>132</b>                 |
| <b>Tourism</b>                               |                   |                |                            |                   |                |                            |                   |                |                            |
| Resorts Services Pier and Foreshore          | 1,458             | (991)          | <b>467</b>                 | 1,468             | (1,149)        | <b>319</b>                 | 1,426             | (1,011)        | <b>415</b>                 |
| Tourism                                      | 64                | (17)           | <b>47</b>                  | 164               | (17)           | <b>147</b>                 | 354               | (17)           | <b>337</b>                 |
| <b>Business, Culture and Tourism Total</b>   | <b>10,131</b>     | <b>(5,492)</b> | <b>4,639</b>               | <b>10,283</b>     | <b>(5,256)</b> | <b>5,027</b>               | <b>7,356</b>      | <b>(2,515)</b> | <b>4,841</b>               |

NB: Due to rounding, numbers presented throughout these tables may not add up precisely to the totals indicated.

Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Objective Summary                                  | 2019/20           |                 |                            |                   |                 |                            | 2020/21           |                 |                            |
|--|-------------------|-----------------|----------------------------|-------------------|-----------------|----------------------------|-------------------|-----------------|----------------------------|
|  | Original          |                 |                            | Probable Outturn  |                 |                            | Budget            |                 |                            |
|  | Gross Expenditure | Total Income    | Net Expenditure / (Income) | Gross Expenditure | Total Income    | Net Expenditure / (Income) | Gross Expenditure | Total Income    | Net Expenditure / (Income) |
| <b>Children and Learning</b>                       |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| <b>Childrens Social Care</b>                       |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| Children Fieldwork Services                        | 5,480             | (5)             | <b>5,475</b>               | 6,883             | (5)             | <b>6,878</b>               | 6,087             | (5)             | <b>6,082</b>               |
| Children with Disabilities                         | 1,179             | (178)           | <b>1,001</b>               | 1,354             | (173)           | <b>1,181</b>               | 1,250             | (178)           | <b>1,072</b>               |
| Childrens Specialist Support and Commissioning     | 2,784             | (171)           | <b>2,613</b>               | 2,823             | (201)           | <b>2,622</b>               | 2,832             | (184)           | <b>2,648</b>               |
| Inhouse Fostering and Adoption                     | 5,089             | (166)           | <b>4,923</b>               | 5,305             | (295)           | <b>5,010</b>               | 5,618             | (211)           | <b>5,407</b>               |
| Leaving Care Placements and Resources              | 1,903             | (656)           | <b>1,247</b>               | 2,830             | (1,187)         | <b>1,643</b>               | 2,291             | (1,023)         | <b>1,268</b>               |
| Private Voluntary Independent Provider Placements  | 4,175             | (120)           | <b>4,055</b>               | 8,978             | (165)           | <b>8,813</b>               | 6,550             | (120)           | <b>6,430</b>               |
| <b>Education and Schools</b>                       |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| Early Years Development and Child Care Partnership | 11,494            | (10,057)        | <b>1,437</b>               | 11,763            | (10,280)        | <b>1,483</b>               | 11,833            | (10,471)        | <b>1,362</b>               |
| High Needs Educational Funding                     | 12,402            | (11,344)        | <b>1,058</b>               | 13,419            | (12,277)        | <b>1,142</b>               | 13,446            | (12,259)        | <b>1,187</b>               |
| School Support and Education Transport             | 6,918             | (4,526)         | <b>2,392</b>               | 5,590             | (3,381)         | <b>2,209</b>               | 8,652             | (6,328)         | <b>2,324</b>               |
| Southend Adult Community College                   | 3,263             | (3,186)         | <b>77</b>                  | 2,277             | (2,200)         | <b>77</b>                  | 2,277             | (2,200)         | <b>77</b>                  |
| <b>Maintained Schools Delegated</b>                |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| Maintained Schools Delegated Budgets               | 21,656            | (21,656)        | <b>0</b>                   | 21,656            | (21,656)        | <b>0</b>                   | 22,569            | (22,569)        | <b>0</b>                   |
| Pupil Premium                                      | 2,500             | (2,500)         | <b>0</b>                   | 2,500             | (2,500)         | <b>0</b>                   | 2,500             | (2,500)         | <b>0</b>                   |
| <b>Youth and Family Support</b>                    |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| Early Help and Family Support                      | 2,080             | (1,203)         | <b>877</b>                 | 2,184             | (1,118)         | <b>1,066</b>               | 2,018             | (1,258)         | <b>760</b>                 |
| Youth Offending Service                            | 1,993             | (574)           | <b>1,419</b>               | 1,887             | (465)           | <b>1,422</b>               | 2,035             | (532)           | <b>1,503</b>               |
| Youth Service                                      | 520               | (46)            | <b>474</b>                 | 473               | (23)            | <b>450</b>                 | 538               | (46)            | <b>492</b>                 |
| <b>Children and Learning Total</b>                 | <b>83,436</b>     | <b>(56,388)</b> | <b>27,048</b>              | <b>89,922</b>     | <b>(55,926)</b> | <b>33,996</b>              | <b>90,495</b>     | <b>(59,883)</b> | <b>30,612</b>              |

NB: Due to rounding, numbers presented throughout these tables may not add up precisely to the totals indicated.

Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Objective Summary                                  | 2019/20           |                |                            |                   |                |                            | 2020/21           |                |                            |
|--|-------------------|----------------|----------------------------|-------------------|----------------|----------------------------|-------------------|----------------|----------------------------|
|  | Original          |                |                            | Probable Outturn  |                |                            | Budget            |                |                            |
|  | Gross Expenditure | Total Income   | Net Expenditure / (Income) | Gross Expenditure | Total Income   | Net Expenditure / (Income) | Gross Expenditure | Total Income   | Net Expenditure / (Income) |
| <b>Community Safety and Customer Contact</b>       |                   |                |                            |                   |                |                            |                   |                |                            |
| <b>Cemeteries and Crematorium</b>                  |                   |                |                            |                   |                |                            |                   |                |                            |
| Cemeteries and Crematorium                         | 1,027             | (2,640)        | <b>(1,613)</b>             | 1,125             | (2,515)        | <b>(1,390)</b>             | 1,078             | (2,692)        | <b>(1,614)</b>             |
| <b>Community Safety</b>                            |                   |                |                            |                   |                |                            |                   |                |                            |
| Closed Circuit Television                          | 509               | (34)           | <b>475</b>                 | 494               | (34)           | <b>460</b>                 | 534               | (35)           | <b>499</b>                 |
| Community Safety                                   | 607               | (32)           | <b>575</b>                 | 622               | (32)           | <b>590</b>                 | 700               | (32)           | <b>668</b>                 |
| <b>Customer Services</b>                           |                   |                |                            |                   |                |                            |                   |                |                            |
| Customer Services Centre                           | 2,192             | (303)          | <b>1,889</b>               | 2,038             | (303)          | <b>1,735</b>               | 2,313             | (309)          | <b>2,004</b>               |
| Registration of Births Deaths and Marriages        | 351               | (387)          | <b>(36)</b>                | 339               | (437)          | <b>(98)</b>                | 366               | (470)          | <b>(104)</b>               |
| <b>ICT</b>   |                   |                |                            |                   |                |                            |                   |                |                            |
| Information Communications and Technology          | 4,340             | (1,238)        | <b>3,102</b>               | 4,038             | (1,310)        | <b>2,728</b>               | 4,532             | (1,261)        | <b>3,271</b>               |
| <b>Regulatory Services</b>                         |                   |                |                            |                   |                |                            |                   |                |                            |
| Regulatory Business                                | 29                | (14)           | <b>15</b>                  | 47                | (14)           | <b>33</b>                  | 29                | (15)           | <b>14</b>                  |
| Regulatory Licensing                               | 118               | (478)          | <b>(360)</b>               | 124               | (314)          | <b>(190)</b>               | 118               | (488)          | <b>(370)</b>               |
| Regulatory Management                              | 1,165             | 0              | <b>1,165</b>               | 1,102             | 0              | <b>1,102</b>               | 1,228             | 0              | <b>1,228</b>               |
| Regulatory Protection                              | 63                | (13)           | <b>50</b>                  | 103               | (13)           | <b>90</b>                  | 72                | (14)           | <b>58</b>                  |
| <b>Community Safety and Customer Contact Total</b> | <b>10,399</b>     | <b>(5,138)</b> | <b>5,261</b>               | <b>10,031</b>     | <b>(4,971)</b> | <b>5,060</b>               | <b>10,969</b>     | <b>(5,314)</b> | <b>5,655</b>               |

NB: Due to rounding, numbers presented throughout these tables may not add up precisely to the totals indicated.

Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Objective Summary                               | 2019/20           |                |                            |                   |                |                            | 2020/21           |                |                            |
|---|-------------------|----------------|----------------------------|-------------------|----------------|----------------------------|-------------------|----------------|----------------------------|
|   | Original          |                |                            | Probable Outturn  |                |                            | Budget            |                |                            |
|   | Gross Expenditure | Total Income   | Net Expenditure / (Income) | Gross Expenditure | Total Income   | Net Expenditure / (Income) | Gross Expenditure | Total Income   | Net Expenditure / (Income) |
| <b>Environment and Planning</b>                 |                   |                |                            |                   |                |                            |                   |                |                            |
| <b>Energy</b>                                   |                   |                |                            |                   |                |                            |                   |                |                            |
| Climate Change                                  | 55                | (163)          | <b>(108)</b>               | 67                | (144)          | <b>(77)</b>                | 476               | (394)          | <b>82</b>                  |
| <b>Flooding</b>                                 |                   |                |                            |                   |                |                            |                   |                |                            |
| Flood and Sea Defence                           | 414               | (13)           | <b>401</b>                 | 314               | (13)           | <b>301</b>                 | 414               | (13)           | <b>401</b>                 |
| <b>Parks and Open Spaces</b>                    |                   |                |                            |                   |                |                            |                   |                |                            |
| Amenity Services Organisation                   | 3,931             | (600)          | <b>3,331</b>               | 3,986             | (600)          | <b>3,386</b>               | 4,058             | (612)          | <b>3,446</b>               |
| Parks and Amenities Management                  | 1,492             | (446)          | <b>1,046</b>               | 1,523             | (546)          | <b>977</b>                 | 1,517             | (455)          | <b>1,062</b>               |
| <b>Planning</b>                                 |                   |                |                            |                   |                |                            |                   |                |                            |
| Building Control                                | 457               | (451)          | <b>6</b>                   | 499               | (483)          | <b>16</b>                  | 449               | (460)          | <b>(11)</b>                |
| Development Control                             | 923               | (656)          | <b>267</b>                 | 1,113             | (806)          | <b>307</b>                 | 1,038             | (750)          | <b>288</b>                 |
| Regional and Local Town Plan                    | 735               | 0              | <b>735</b>                 | 726               | 0              | <b>726</b>                 | 830               | 0              | <b>830</b>                 |
| <b>Waste and Street Scene</b>                   |                   |                |                            |                   |                |                            |                   |                |                            |
| Enterprise Tourism and Environment Central Pool | 1,505             | 0              | <b>1,505</b>               | 1,470             | 0              | <b>1,470</b>               | 1,519             | 0              | <b>1,519</b>               |
| Environmental Care                              | 228               | (4)            | <b>224</b>                 | 225               | (4)            | <b>221</b>                 | 228               | (4)            | <b>224</b>                 |
| Household Recycling                             | 489               | (7)            | <b>482</b>                 | 498               | (7)            | <b>491</b>                 | 498               | (7)            | <b>491</b>                 |
| Public Conveniences                             | 498               | 0              | <b>498</b>                 | 504               | 0              | <b>504</b>                 | 504               | 0              | <b>504</b>                 |
| Street Cleansing                                | 1,392             | 0              | <b>1,392</b>               | 1,518             | 0              | <b>1,518</b>               | 1,418             | 0              | <b>1,418</b>               |
| Waste Collection                                | 4,993             | 0              | <b>4,993</b>               | 5,039             | 0              | <b>5,039</b>               | 5,088             | 0              | <b>5,088</b>               |
| Waste Disposal                                  | 5,037             | 0              | <b>5,037</b>               | 4,527             | 0              | <b>4,527</b>               | 4,469             | 0              | <b>4,469</b>               |
| Waste Management                                | 281               | 0              | <b>281</b>                 | 382               | (230)          | <b>152</b>                 | 289               | (230)          | <b>59</b>                  |
| <b>Environment and Planning Total</b>           | <b>22,429</b>     | <b>(2,339)</b> | <b>20,090</b>              | <b>22,390</b>     | <b>(2,832)</b> | <b>19,558</b>              | <b>22,796</b>     | <b>(2,925)</b> | <b>19,871</b>              |

NB: Due to rounding, numbers presented throughout these tables may not add up precisely to the totals indicated.

Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Objective Summary                            | 2019/20           |                 |                            |                   |                 |                            | 2020/21           |                 |                            |
|--|-------------------|-----------------|----------------------------|-------------------|-----------------|----------------------------|-------------------|-----------------|----------------------------|
|  | Original          |                 |                            | Probable Outturn  |                 |                            | Budget            |                 |                            |
|  | Gross Expenditure | Total Income    | Net Expenditure / (Income) | Gross Expenditure | Total Income    | Net Expenditure / (Income) | Gross Expenditure | Total Income    | Net Expenditure / (Income) |
| <b>Health and Adult Social Care</b>          |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| <b>Adult Social Care</b>                     |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| Adult Support Services and Management        | 498               | 0               | <b>498</b>                 | 464               | 0               | <b>464</b>                 | 509               | 0               | <b>509</b>                 |
| Business Support Team                        | 1,744             | (180)           | <b>1,564</b>               | 1,870             | (152)           | <b>1,718</b>               | 1,881             | (154)           | <b>1,727</b>               |
| Healthwatch Regulation                       | 123               | (69)            | <b>54</b>                  | 119               | (69)            | <b>50</b>                  | 123               | (69)            | <b>54</b>                  |
| Older People                                 | 28,768            | (18,182)        | <b>10,586</b>              | 29,712            | (20,652)        | <b>9,060</b>               | 30,009            | (20,745)        | <b>9,264</b>               |
| Other Community Services                     | 5,720             | (5,017)         | <b>703</b>                 | 4,504             | (2,181)         | <b>2,323</b>               | 4,577             | (2,708)         | <b>1,869</b>               |
| People with a Learning Disability            | 14,499            | (1,874)         | <b>12,625</b>              | 15,683            | (2,649)         | <b>13,034</b>              | 15,550            | (1,890)         | <b>13,660</b>              |
| People with a Physical or Sensory Impairment | 5,192             | (1,254)         | <b>3,938</b>               | 5,302             | (1,294)         | <b>4,008</b>               | 5,588             | (1,306)         | <b>4,282</b>               |
| People with Mental Health Needs              | 4,456             | (396)           | <b>4,060</b>               | 4,860             | (582)           | <b>4,278</b>               | 4,629             | (395)           | <b>4,234</b>               |
| Strategy, Development and Commissioning      | 2,785             | (786)           | <b>1,999</b>               | 3,256             | (940)           | <b>2,316</b>               | 3,459             | (958)           | <b>2,501</b>               |
| <b>Health</b>                                |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| Drug and Alcohol Action Team                 | 2,282             | (2,187)         | <b>95</b>                  | 2,282             | (2,187)         | <b>95</b>                  | 2,469             | (2,187)         | <b>282</b>                 |
| Public Health                                | 6,145             | (6,369)         | <b>(224)</b>               | 6,203             | (6,249)         | <b>(46)</b>                | 6,426             | (6,612)         | <b>(186)</b>               |
| Young Persons Drug and Alcohol Team          | 272               | (265)           | <b>7</b>                   | 272               | (265)           | <b>7</b>                   | 277               | (265)           | <b>12</b>                  |
| <b>Voluntary and Community Services</b>      |                   |                 |                            |                   |                 |                            |                   |                 |                            |
| Support to Voluntary Sector                  | 701               | 0               | <b>701</b>                 | 703               | 0               | <b>703</b>                 | 701               | 0               | <b>701</b>                 |
| <b>Health and Adult Social Care Total</b>    | <b>73,183</b>     | <b>(36,580)</b> | <b>36,603</b>              | <b>75,230</b>     | <b>(37,220)</b> | <b>38,010</b>              | <b>76,197</b>     | <b>(37,289)</b> | <b>38,908</b>              |

NB: Due to rounding, numbers presented throughout these tables may not add up precisely to the totals indicated.



Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Subjective Summary: All Portfolios   | 2019/20           |                              | 2020/21          |
|--------------------------------------|-------------------|------------------------------|------------------|
|                                      | Original<br>£000s | Probable<br>Outturn<br>£000s | Budget<br>£000s  |
| <b>Expenditure</b>                   |                   |                              |                  |
| Employees                            | 71,239            | 75,165                       | 75,767           |
| Premises                             | 5,645             | 6,487                        | 6,168            |
| Transport                            | 2,123             | 2,691                        | 3,273            |
| Supplies & Services                  | 39,538            | 41,237                       | 37,809           |
| Third Party Payments                 | 91,348            | 95,699                       | 95,335           |
| Transfer Payments                    | 100,434           | 100,418                      | 92,447           |
| Special Items                        | 200               | 200                          | 200              |
| <b>Expenditure Total</b>             | <b>310,527</b>    | <b>321,897</b>               | <b>310,999</b>   |
| <b>Income</b>                        |                   |                              |                  |
| Government Grants                    | (136,700)         | (136,243)                    | (131,217)        |
| Other Grants & Reimbursements        | (25,079)          | (25,610)                     | (21,938)         |
| Fees & Charges                       | (33,812)          | (33,229)                     | (33,410)         |
| Rents                                | (3,782)           | (3,800)                      | (3,930)          |
| Sales                                | (225)             | (345)                        | (290)            |
| Recharges to Housing Revenue Account | (1,176)           | (1,176)                      | (1,197)          |
| Other Internal Charges               | (601)             | (561)                        | (567)            |
| <b>Income Total</b>                  | <b>(201,375)</b>  | <b>(200,962)</b>             | <b>(192,550)</b> |
|                                      |                   |                              |                  |
| <b>Grand Total</b>                   | <b>109,152</b>    | <b>120,935</b>               | <b>118,449</b>   |

Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Subjective Summary                   | 2019/20           |                              | 2020/21         |
|--------------------------------------|-------------------|------------------------------|-----------------|
|                                      | Original<br>£000s | Probable<br>Outturn<br>£000s | Budget<br>£000s |
| <b>Leader</b>                        |                   |                              |                 |
| <b>Expenditure</b>                   |                   |                              |                 |
| Employees                            | 10,972            | 11,265                       | 11,854          |
| Premises                             | 143               | 127                          | 125             |
| Transport                            | 50                | 56                           | 48              |
| Supplies & Services                  | 6,247             | 6,980                        | 6,413           |
| Third Party Payments                 | 716               | 691                          | 701             |
| Transfer Payments                    | 73,189            | 73,189                       | 64,002          |
| Special Items                        | 200               | 200                          | 200             |
| <b>Expenditure Total</b>             | <b>91,516</b>     | <b>92,508</b>                | <b>83,343</b>   |
| <b>Income</b>                        |                   |                              |                 |
| Government Grants                    | (71,259)          | (71,523)                     | (63,399)        |
| Other Grants & Reimbursements        | (4,752)           | (4,769)                      | (3,679)         |
| Fees & Charges                       | (1,900)           | (1,887)                      | (1,779)         |
| Rents                                | (75)              | (75)                         | (75)            |
| Recharges to Housing Revenue Account | (790)             | (790)                        | (804)           |
| Other Internal Charges               | (80)              | 0                            | 0               |
| <b>Income Total</b>                  | <b>(78,857)</b>   | <b>(79,044)</b>              | <b>(69,736)</b> |
| <b>Leader Total</b>                  | <b>12,659</b>     | <b>13,464</b>                | <b>13,607</b>   |

Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Subjective Summary                   | 2019/20           |                              | 2020/21         |
|--------------------------------------|-------------------|------------------------------|-----------------|
|                                      | Original<br>£000s | Probable<br>Outturn<br>£000s | Budget<br>£000s |
| <b>Deputy Leader</b>                 |                   |                              |                 |
| <b>Expenditure</b>                   |                   |                              |                 |
| Employees                            | 8,110             | 8,221                        | 7,901           |
| Premises                             | 2,918             | 3,619                        | 3,366           |
| Transport                            | 407               | 434                          | 390             |
| Supplies & Services                  | 1,443             | 1,868                        | 1,462           |
| Third Party Payments                 | 6,555             | 7,392                        | 6,724           |
| <b>Expenditure Total</b>             | <b>19,433</b>     | <b>21,533</b>                | <b>19,842</b>   |
| <b>Income</b>                        |                   |                              |                 |
| Government Grants                    | (1,227)           | (1,227)                      | (2)             |
| Other Grants & Reimbursements        | (40)              | (40)                         | (69)            |
| Fees & Charges                       | (11,019)          | (10,151)                     | (10,410)        |
| Rents                                | (3,568)           | (3,568)                      | (3,668)         |
| Recharges to Housing Revenue Account | (259)             | (259)                        | (264)           |
| Other Internal Charges               | (469)             | (469)                        | (475)           |
| <b>Income Total</b>                  | <b>(16,581)</b>   | <b>(15,713)</b>              | <b>(14,888)</b> |
| <b>Deputy Leader Total</b>           | <b>2,852</b>      | <b>5,820</b>                 | <b>4,954</b>    |

Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Subjective Summary                         | 2019/20           |                              | 2020/21         |
|--|-------------------|------------------------------|-----------------|
|  | Original<br>£000s | Probable<br>Outturn<br>£000s | Budget<br>£000s |
| <b>Business, Culture and Tourism</b>       |                   |                              |                 |
| <b>Expenditure</b>                         |                   |                              |                 |
| Employees                                  | 4,757             | 4,846                        | 4,471           |
| Premises                                   | 1,225             | 1,242                        | 1,302           |
| Transport                                  | 71                | 71                           | 70              |
| Supplies & Services                        | 3,605             | 3,725                        | 1,084           |
| Third Party Payments                       | 473               | 398                          | 428             |
| <b>Expenditure Total</b>                   | <b>10,131</b>     | <b>10,283</b>                | <b>7,356</b>    |
| <b>Income</b>                              |                   |                              |                 |
| Government Grants                          | (60)              | (60)                         | (60)            |
| Other Grants & Reimbursements              | (3,712)           | (3,369)                      | (756)           |
| Sales                                      | (165)             | (195)                        | (140)           |
| Fees & Charges                             | (1,503)           | (1,561)                      | (1,506)         |
| Rents                                      | (52)              | (70)                         | (52)            |
| <b>Income Total</b>                        | <b>(5,492)</b>    | <b>(5,256)</b>               | <b>(2,515)</b>  |
| <b>Business, Culture and Tourism Total</b> | <b>4,639</b>      | <b>5,027</b>                 | <b>4,841</b>    |

Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Subjective Summary                 | 2019/20           |                              | 2020/21         |
|------------------------------------|-------------------|------------------------------|-----------------|
|                                    | Original<br>£000s | Probable<br>Outturn<br>£000s | Budget<br>£000s |
| <b>Children and Learning</b>       |                   |                              |                 |
| <b>Expenditure</b>                 |                   |                              |                 |
| Employees                          | 16,777            | 18,189                       | 17,576          |
| Premises                           | 313               | 294                          | 301             |
| Transport                          | 625               | 1,066                        | 1,808           |
| Supplies & Services                | 20,179            | 19,744                       | 19,903          |
| Third Party Payments               | 18,196            | 23,300                       | 22,463          |
| Transfer Payments                  | 27,345            | 27,329                       | 28,445          |
| <b>Expenditure Total</b>           | <b>83,436</b>     | <b>89,922</b>                | <b>90,495</b>   |
| <b>Income</b>                      |                   |                              |                 |
| Government Grants                  | (54,508)          | (53,944)                     | (57,903)        |
| Other Grants & Reimbursements      | (785)             | (956)                        | (863)           |
| Sales                              | (49)              | (121)                        | (144)           |
| Fees & Charges                     | (988)             | (808)                        | (875)           |
| Rents                              | (58)              | (58)                         | (58)            |
| Other Internal Charges             | 0                 | (40)                         | (40)            |
| <b>Income Total</b>                | <b>(56,388)</b>   | <b>(55,926)</b>              | <b>(59,883)</b> |
| <b>Children and Learning Total</b> | <b>27,048</b>     | <b>33,996</b>                | <b>30,612</b>   |

Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Subjective Summary                                 | 2019/20           |                              | 2020/21         |
|--|-------------------|------------------------------|-----------------|
|  | Original<br>£000s | Probable<br>Outturn<br>£000s | Budget<br>£000s |
| <b>Community Safety and Customer Contact</b>       |                   |                              |                 |
| <b>Expenditure</b>                                 |                   |                              |                 |
| Employees  | 7,950             | 7,471                        | 8,306           |
| Premises   | 284               | 307                          | 305             |
| Transport  | 46                | 49                           | 44              |
| Supplies & Services                                | 2,030             | 2,084                        | 2,231           |
| Third Party Payments                               | 88                | 119                          | 84              |
| <b>Expenditure Total</b>                           | <b>10,399</b>     | <b>10,031</b>                | <b>10,969</b>   |
| <b>Income</b>                                      |                   |                              |                 |
| Other Grants & Reimbursements                      | (32)              | (32)                         | (35)            |
| Sales  | (7)               | (25)                         | (6)             |
| Fees & Charges                                     | (4,906)           | (4,721)                      | (5,076)         |
| Rents  | (15)              | (15)                         | (15)            |
| Recharges to Housing Revenue Account               | (127)             | (127)                        | (130)           |
| Other Internal Charges                             | (52)              | (52)                         | (52)            |
| <b>Income Total</b>                                | <b>(5,138)</b>    | <b>(4,971)</b>               | <b>(5,314)</b>  |
| <b>Community Safety and Customer Contact Total</b> | <b>5,261</b>      | <b>5,060</b>                 | <b>5,655</b>    |

Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Subjective Summary                    | 2019/20           |                              | 2020/21         |
|---------------------------------------|-------------------|------------------------------|-----------------|
|                                       | Original<br>£000s | Probable<br>Outturn<br>£000s | Budget<br>£000s |
| <b>Environment and Planning</b>       |                   |                              |                 |
| <b>Expenditure</b>                    |                   |                              |                 |
| Employees                             | 7,163             | 7,383                        | 7,885           |
| Premises                              | 498               | 588                          | 498             |
| Transport                             | 461               | 455                          | 461             |
| Supplies & Services                   | 1,387             | 1,460                        | 1,462           |
| Third Party Payments                  | 12,920            | 12,504                       | 12,490          |
| <b>Expenditure Total</b>              | <b>22,429</b>     | <b>22,390</b>                | <b>22,796</b>   |
| <b>Income</b>                         |                   |                              |                 |
| Government Grants                     | (13)              | (13)                         | (13)            |
| Other Grants & Reimbursements         | 0                 | (230)                        | (546)           |
| Sales                                 | (4)               | (4)                          | 0               |
| Fees & Charges                        | (2,309)           | (2,572)                      | (2,353)         |
| Rents                                 | (13)              | (13)                         | (14)            |
| <b>Income Total</b>                   | <b>(2,339)</b>    | <b>(2,832)</b>               | <b>(2,925)</b>  |
| <b>Environment and Planning Total</b> | <b>20,090</b>     | <b>19,558</b>                | <b>19,871</b>   |

Southend on Sea Borough Council  
General Fund Year Ending 31 March 2021

| Subjective Summary                        | 2019/20           |                              | 2020/21         |
|---|-------------------|------------------------------|-----------------|
|   | Original<br>£000s | Probable<br>Outturn<br>£000s | Budget<br>£000s |
| <b>Health and Adult Social Care</b>       |                   |                              |                 |
| <b>Expenditure</b>                        |                   |                              |                 |
| Employees                                 | 15,509            | 17,790                       | 17,775          |
| Premises                                  | 265               | 309                          | 271             |
| Transport                                 | 463               | 560                          | 453             |
| Supplies & Services                       | 4,647             | 5,376                        | 5,254           |
| Third Party Payments                      | 52,400            | 51,295                       | 52,444          |
| Transfer Payments                         | (100)             | (100)                        | 0               |
| <b>Expenditure Total</b>                  | <b>73,183</b>     | <b>75,230</b>                | <b>76,197</b>   |
| <b>Income</b>                             |                   |                              |                 |
| Government Grants                         | (9,633)           | (9,477)                      | (9,840)         |
| Other Grants & Reimbursements             | (15,759)          | (16,214)                     | (15,990)        |
| Fees & Charges                            | (11,187)          | (11,529)                     | (11,411)        |
| Rents                                     | 0                 | 0                            | (48)            |
| <b>Income Total</b>                       | <b>(36,580)</b>   | <b>(37,220)</b>              | <b>(37,289)</b> |
| <b>Health and Adult Social Care Total</b> | <b>36,603</b>     | <b>38,010</b>                | <b>38,908</b>   |






**PROPOSED REVENUE INVESTMENT AND REPRIORITISATION FOR 2020/21****1. Summary of Proposed Investment**


| Theme                      | Proposed Investment (£) |
|----------------------------|-------------------------|
| Pride and Joy              | 200,000                 |
| Safe and Well              | 5,810,000               |
| Opportunity and Prosperity | (75,000)                |
| Connected and Smart        | 1,200,000               |
| Enabling                   | (1,780,000)             |
| <b>Total *</b>             | <b>5,355,000</b>        |

\* £575,000 will be funded by the prioritised iBCF Allocation for 2020/21 and £35,000 will be funded from Public Health Grant.






**2. Proposed Investment by Theme**

| Theme   |              | Total (£)      | Proposed Initiatives   |
|---|--------------|----------------|--|
|   | PJ1          | 200,000        | <b>Tree &amp; Shrub Planting/Maintenance</b><br>As a result of works identified under the inspection programme there is a need to enhance the resources required for the maintenance of our current tree and shrub provision. New strategic planting of 1,000 trees and 2,500 shrubs across the Borough will also require further maintenance costs, as agreed at Cabinet in September 2019. This investment will support and enhance our green infrastructure.  |
| <b>Pride and Joy</b>  | <b>Total</b> | <b>200,000</b> |  |
|  | SW1          | 2,375,000      | <b>External Care Provision</b><br>In order to meet the needs of vulnerable children the Council is currently having to place more reliance on external care provision. Due to current market conditions the costs of this provision is continually increasing. The current number of ongoing external care placements as at November 2019 is 87 (at a current average cost per child of £2,150 per week across both residential and external foster care) compared to 54 children at the end of March 2019. This investment recognises that this request does not cover the whole budget pressure currently faced in this area. The long term strategy remains, to place children in care, within the Council's own local in house foster provision or a local children's care home whenever possible. |
|  | SW2          | 400,000        | <b>In house foster carers</b><br>Children thrive best in our local in-house foster care provision. Increasing capacity will place less reliance on more costly private external care provision. This investment request is to support a full years funding for 16 additional in-house foster carers. At an average of £25,000 per annum per placement in-house compared to a £50,000 average per annum external foster care placement.   |








**PROPOSED REVENUE INVESTMENT AND REPRIORITISATION FOR 2020/21**

|   |     |           |  |
|---|-----|-----------|--|
|    | SW3 | 210,000   | <p><b>Newly Qualified Social Workers</b><br/>         We have been very effective in recruiting Newly Qualified Social Workers in order to keep Children's Social Care caseloads at reasonable levels. This reduces reliance on the use of agency staff and associated recruitment fees. This investment request, is therefore seeking to increase the Newly Qualified Social Care workforce academy to 10 fully funded posts (currently 5 in 2019/20). This will contribute towards developing a permanent and sustainable workforce.</p>   |
|    | SW4 | 115,000   | <p><b>Field work services</b><br/>         Due to the increase in caseloads Children's Social Care teams within field work services are consistently fully staffed whether through permanently employed staff or via agency cover. It is making it impossible for the current budgeted vacancy factor to be achieved and this investment request seeks to remove it, recognising that the Council supports a fully funded Children Social Care workforce establishment at all times.</p>   |
|   | SW5 | 100,000   | <p><b>Vulnerable Children</b><br/>         Children's Social Care teams are also experiencing an increase in the need to support vulnerable families who require temporary accommodation support. These families are assessed in accordance with national and council policy, that if asylum seeking families have no access to central government funds, any child protection issues still remain the responsibility of the local authorities where that family is seeking accommodation. This investment request is therefore seeking an increase in the budget to support these families.</p> |
|  | SW6 | 200,000   | <p><b>Children's Social Care legal costs</b><br/>         The current staffing resource in the Legal team is insufficient to keep pace with the escalating number of childcare cases. This means that it has been necessary to commission additional external legal support to manage the increasing demand.</p>   |
|  | SW7 | 1,095,000 | <p><b>Living Wage for Adult Service Providers</b><br/>         This request is for additional investment to cover the forthcoming increase of the national living wage in April 2020. The increase in wage costs for care providers will have an impact on the amount we pay for care.</p>   |
|  | SW8 | 350,000   | <p><b>Children to Adults transition</b><br/>         This funding is for the transition costs of supporting individuals with a learning disability who will reach the age of 18 and meet the eligibility criteria for adult social care interventions. The support will consider the person's skills and ambitions, and contribute to positive outcomes in their future lives.</p>   |







**PROPOSED REVENUE INVESTMENT AND REPRIORITISATION FOR 2020/21**

|   |      |         |  |
|---|------|---------|--|
|    | SW9  | 480,000 | <p><b>Older People demographics</b><br/>           This will help us to meet the care needs of our growing older population. It will fund our Southend residents who either remain in their own homes with a domiciliary care package or direct payment. Those with more complex needs and who cannot be cared for in their own homes will be placed in suitable residential care.</p>   |
|    | SW10 | 250,000 | <p><b>Equipment Services</b><br/>           Most people want to remain in their home rather than move to a different setting. Some specific equipment is required to support those people with more complex needs to continue to remain in their own homes. This has created a pressure on the Equipment Service budget. Allowing people to be cared for in their own homes wherever possible reduces their social isolation and increases their quality of life. The equipment provided includes zimmer frames, commodes, reclining chairs and beds. This approach also aligns with Care Act requirements, to ensure consideration of an individual's wellbeing and prevent, reduce or delay the need for more costly interventions.</p>  |
|   | SW11 | 120,000 | <p><b>Green City Aspirations</b><br/>           To help realise our green city ambitions, specialist planning expertise is required, particularly around air quality requirements. It is a legal requirement for the Council to have an Air Quality Action Plan and this strengthens the links to both Public Health and Highways to ensure that preventative measures are in place to improve our local air quality. This proposal will provide the investment needed for the permanent continuation of an Air Quality Specialist and Planning Support Officer. These roles will enable reviews of all planning applications for health considerations to assess any potential issues ranging from noise complaints to contaminated land. This work will also reduce the probability of future enforcement.</p> |
|  | SW12 | 25,000  | <p><b>Public Health Act Funeral Arrangements</b><br/>           There were 59 Public Health Act funerals in 2018/19 at an average cost of £1,000. All Public Health Act funerals from April 2019 are the responsibility of the Council, this request will bring the budget up to a more realistic level to undertake this statutory duty.</p>  |
|  | SW13 | 155,000 | <p><b>Liquid Logic Support Team</b><br/>           To support the development and administration of the new system but also to maximise the potential benefits of the new capabilities and secure greater value for money. Improving the functionality of the system will lead to the release of further efficiencies from improved productivity and better outcomes for clients from within both Adults and Children's Services.</p>  |

**PROPOSED REVENUE INVESTMENT AND REPRIORITISATION FOR 2020/21**





|   |              |                  |  |
|---|--------------|------------------|--|
|    | SW14         | 35,000           | <p><b>Complex Needs Provision</b></p> <p>This would provide circa 32 hours extra per week – which would enhance the current operating model at the facility, minimise complaints from neighbours and ensure the safety of staff members who are dealing with some very challenging clients. Currently funded by Public Health grant. Acquiring an additional suitable property is also being pursued via the capital investment programme to expand and extend local provision. Funding for running this new facility will initially come from the use of ‘one-off’ investment from reserves while potential other opportunities are explored.</p> |
|    | SW15         | (£100,000)       | <p><b>Southend Care</b></p> <p>Saving on the existing block contract through the Company’s efficient service delivery model as former Council staff who TUPE’d over to the Care Company are replaced through natural turnover by staff appointed on Southend Care’s own terms and conditions. This saving has previously been declared as part of the contribution towards the financing costs of the Priory New build facility.</p>   |
| <b>Safe and Well</b>  | <b>Total</b> | <b>5,810,000</b> |  |
|   | OP1          | 100,000          | <p><b>Library Review</b></p> <p>It was identified from the libraries peer review that there was a need to provide investment to address a number of items. Additional staffing costs at peak times to keep libraries open, a revision in the level of income targets and a recognition of an increase in cleaning costs. This change will adjust the budget accordingly to an appropriate level.</p>   |
|  | OP2          | (75,000)         | <p><b>Income Generation – Registration Service</b></p> <p>The statutory fee for birth, death and marriage certificates has increased from £4 to £11. The number of certificates issued will be closely monitored to assess the reasonableness of this increased income target but this change will result in additional income.</p>  |
|  | OP3          | (100,000)        | <p><b>Asset Management Income</b></p> <p>Additional rent and lease income will be achieved due to the planned annual reviews for a range of tenants in Council owned properties and assets. There will also be additional rent from Friars Nursery and new properties at Brunel Road.</p>  |
| <b>Opportunity and Prosperity</b>   | <b>Total</b> | <b>(75,000)</b>  |  |
|  | CS1          | 500,000          | <p><b>Potholes</b></p> <p>This investment will fund appropriate reactive works to be undertaken alongside planned capital maintenance works which over time will improve the overall quality of the highway and footway for all road and footpath users.</p>   |
|  | CS2          | 50,000           | <p><b>Town Centre Parking</b></p> <p>This will enable the current reinstatement of one hour car parking in the following Town Centre car parks to continue; Alexandra Street, Clarence Road, Essex Street, University Square and Warrior Square.</p>   |

**PROPOSED REVENUE INVESTMENT AND REPRIORITISATION FOR 2020/21**

|   |              |                  |   |
|---|--------------|------------------|---|
|    | CS3          | 50,000           | <p><b>Signal Maintenance</b></p> <p>An increase in the use of Variable Message Signage has resulted in an increased maintenance requirement for these useful assets. There has also been an increase in the damage caused to traffic signals and junction boxes which have to be repaired. If there is sufficient evidence then these costs can be reclaimed through insurance companies.</p>   |
|    | CS4          | 500,000          | <p><b>Streetworks Income</b></p> <p>Positively there has been a significant decrease in the number of instances of extended closures of the highway and substandard reinstatement works. This has resulted in a significant reduction in the level of income that can reasonably be expected in the future from issuing penalty notices to utility companies.</p>   |
|    | CS5          | 100,000          | <p><b>Rechargeable Works</b></p> <p>When necessary works are undertaken as a result of damage caused to street furniture, with appropriate evidence these costs can be recharged to the liable party. The income target in this area has historically been overstated and this adjustment will ensure that the income budget is set at a more realistic level.</p>  |
| <b>Connected and Smart</b>  | <b>Total</b> | <b>1,200,000</b> |   |
|  | E1           | 200,000          | <p><b>ICT Transformation</b></p> <p>Additional investment required to support the development of a new modern staffing structure designed to enable transformation and delivery. Principles of the new structure are based upon ICT being outcome aligned, business enabling with a clear strategy and technical architecture to develop best in class skills and capabilities.</p>   |
|  | E2           | 100,000          | <p><b>Workforce Development</b></p> <p>Delivery of innovative solutions to roll out self-serve management capabilities and Learning &amp; Development processes. This will allow for a continuing focus on the training and development of all staff across the organisation.</p>   |
|  | E3           | (800,000)        | <p><b>Waste Disposal</b></p> <p>There continues to be a benefit due to the Basildon Mechanical and Biological Treatment (MBT) plant remaining in a commissioning phase which charges a lower gate fee to accept residual waste and a further benefit due to the extension to the waste Joint Working Agreement with Essex CC which provides a share of the Waste Infrastructure Grant. This budget can therefore be temporarily adjusted to reflect the current situation until the outcome of the waste collection / disposal contract. The Medium Term Financial Forecast will be updated accordingly to reflect our future waste disposal liabilities if costs are expected to increase in the future.</p> |



**PROPOSED REVENUE INVESTMENT AND REPRIORITISATION FOR 2020/21**

|   |              |                    |   |
|---|--------------|--------------------|---|
|    | E4           | (750,000)          | <b>Release of Pension Fund Provision</b><br>The Council had prudently set aside this amount in its MTFS following the Pension Fund Valuation in 2016. The triennial review for 2019 has just been undertaken and the valuation of Southend's share of assets and liabilities has improved, from a funding level in 2016 of 91.4% to a funding level in 2019 of 103.5%. Pension Fund calculations by the independent actuaries are notoriously complex and can be volatile due to the many contributing factors. The situation will be carefully monitored and another formal review will be undertaken by the Essex Pension Fund in 2022. This provision can now be released and a further assessment will be made in good time for financial planning for 2023/24. |
|    | E5           | (250,000)          | <b>Productivity and Efficiency Gains</b><br>All services are expected to continually improve their efficiency and productivity so each budget area will need to make a proportionate contribution towards this improvement target to ensure budgets are reduced accordingly.  |
|    | E6           | 120,000            | <b>Facilities Management</b><br>As a result of additional cleaning work undertaken as part of our corporate social responsibility, and additional security requirements in the civic centre, there is a need to increase this budget to the required level.   |
|  | E7           | (400,000)          | <b>Investment Income</b><br>This level of increased returns is anticipated from our overall portfolio of short, medium and long term investments.   |
| <b>Enabling</b>   | <b>Total</b> | <b>(1,780,000)</b> |   |
|   |              | <b>5,355,000</b>   | <b>TOTAL INVESTMENTS AND REPRIORITISATIONS</b>  |

**PLANNED USE OF ONE-OFF INVESTMENT FROM RESERVES**  
**2020/21 – 2022/23**


**1. Summary of Planned Use of One-Off Investment from Reserves**

| <b>Proposed Reserve Use</b> | <b>Total (£)</b> |
|-----------------------------|------------------|
| Business Transformation     | 1,705,000        |
| Public Health               | 300,000          |
| New Homes Bonus             | 840,000          |
| Outcome Delivery            | 750,000          |
| School Improvement          | 600,000          |
| <b>Total</b>                | <b>4,195,000</b> |




| <b>Investment by theme</b> | <b>Total (£)</b> |
|----------------------------|------------------|
| Pride and Joy              | 300,000          |
| Safe and Well              | 900,000          |
| Active and Involved        | 200,000          |
| Opportunity and Prosperity | 1,490,000        |
| Enabling                   | 1,305,000        |
| <b>Total</b>               | <b>4,195,000</b> |

|                     | <b>2020/21 (£)</b> | <b>2021/22 (£)</b> | <b>2022/23 (£)</b> | <b>Total (£)</b> |
|---------------------|--------------------|--------------------|--------------------|------------------|
| Investment per year | 1,895,000          | 1,565,000          | 735,000            | 4,195,000        |

**2. Planned Use of One-Off Investment by Reserve**






| <b>Theme</b>  | <b>Item</b>   | <b>2020/21</b> | <b>2021/22<br/>Indicative</b> | <b>2022/23<br/>Indicative</b> | <b>TOTAL</b> | <b>Proposed<br/>Reserve Use</b> |
|---|---|----------------|-------------------------------|-------------------------------|--------------|---------------------------------|
|  | <b>Service Design – Extended</b><br>A continuation of the Service Redesign team, that will work with council teams and local residents/customers to look at and redesign Council services in order to improve them, maximise investment where possible and eradicate duplication across the organisation. | 185,000        | 185,000                       | 185,000                       | 555,000      | Business Transformation         |

**PLANNED USE OF ONE-OFF INVESTMENT FROM RESERVES**  
**2020/21 – 2022/23**



|  |  |         |         |         |         |                         |
|--|--|---------|---------|---------|---------|-------------------------|
|   | <p><b>Community Safety/ Environment Crime - NEW</b><br/> Resources to allow for the scoping and commencement of delivery of a more joined up approach to better anti-social behaviour and environmental crime enforcement.</p>   | 150,000 | 150,000 | 0       | 300,000 | Business Transformation |
|   | <p><b>Summer and Winter Planning – Increased and Extended</b><br/> To ensure the recruitment of appropriate staffing and other related resourcing for the Borough’s busy summer period and to support various winter events in the town centre and seafront area.</p>  | 100,000 | 100,000 | 100,000 | 300,000 | Business Transformation |
|  | <p><b>Community Builders/ Capacity Building Fund - NEW</b><br/> Introduction of a Community builders scheme on a test and learn basis, working in collaboration with SAVS. Community Builders will be embedded in the heart of the local community and will have preventative conversations with residents in neighbourhoods about what matters to them as well as helping people to build and connect using their personal strengths and with finding natural support through local assets and relationships. They will draw on resources that people already have around them and connect neighbours with each other through shared passions, breaking down social isolation. Community builders will be an enabler to support early, preventative action BY citizens to deliver on the Southend 2050 outcomes. A small sparks fund held in the community sector (SAVS) will be available for the builders to access to match fund small community projects.</p> | 100,000 | 100,000 | 0       | 200,000 | Business Transformation |



**PLANNED USE OF ONE-OFF INVESTMENT FROM RESERVES**  
**2020/21 – 2022/23**

|   |   |                |                |                |                  |                         |
|---|---|----------------|----------------|----------------|------------------|-------------------------|
|    | <b>Economic Development – No change</b><br>To enable continued research and staff support for the promotion of the town.  | 100,000        | 100,000        | 0              | 200,000          | Business Transformation |
|    | <b>Workforce Development – Increased and Extended</b><br>Temporary increased capacity required to deliver innovative solutions to roll out capabilities for staff to self-serve. Enhance Learning & Development processes as well as increased e-learning development right across the organisation.                  | 100,000        | 50,000         | 0              | 150,000          | Business Transformation |
| <b>TOTAL Business Transformation</b>  |   | <b>735,000</b> | <b>685,000</b> | <b>285,000</b> | <b>1,705,000</b> |                         |
|    | <b>Complex Needs Provision - NEW</b><br>The intention is to purchase an additional suitable property to expand our provision. This request is for the estimated cost of expert staffing to provide support to residents and also outreach to other rough sleepers in the Borough, together with appropriate security. | 150,000        | 150,000        | 0              | 300,000          | Public Health           |
| <b>TOTAL Public Health</b>  |   | <b>150,000</b> | <b>150,000</b> | <b>0</b>       | <b>300,000</b>   |                         |
|   | <b>Local Plan – No change</b><br>Continued resource is required to support the development of the Southend new Local Plan and contribution to the South Essex Joint Strategic Plan (JSP).   | 410,000        | 130,000        | 0              | 540,000          | New Homes Bonus         |
|  | <b>Housing Implementation – No change</b><br>Continued resource is vital to progress the implementation of the Housing, Homelessness and Rough Sleeping Strategy, a key council priority.   | 150,000        | 150,000        | 0              | 300,000          | New Homes Bonus         |
| <b>TOTAL New Homes Bonus</b>  |   | <b>560,000</b> | <b>280,000</b> | <b>0</b>       | <b>840,000</b>   |                         |

**PLANNED USE OF ONE-OFF INVESTMENT FROM RESERVES**  
**2020/21 – 2022/23**

|   |   |                  |                  |                |                  |                    |
|---|---|------------------|------------------|----------------|------------------|--------------------|
|  | <p><b>Outcome Delivery - NEW</b><br/>           Investment to implement and embed a range of new approaches, tools and techniques that will enable the Council to continue transforming the way it works. In addition this investment will facilitate the testing and development of new concepts and ideas to enhance the impact of the agreed outcomes and delivery of the roadmap to 2023.</p> | 250,000          | 250,000          | 250,000        | 750,000          | Outcome Delivery   |
| <b>TOTAL Outcome Delivery</b>   |   | <b>250,000</b>   | <b>250,000</b>   | <b>250,000</b> | <b>750,000</b>   |                    |
|  | <p><b>School Improvement – Extended</b><br/>           To continue school improvement support including support for pupils to attain Grammar School entrance.</p>   | 200,000          | 200,000          | 200,000        | 600,000          | School Improvement |
| <b>TOTAL School Improvement</b>   |   | <b>200,000</b>   | <b>200,000</b>   | <b>200,000</b> | <b>600,000</b>   |                    |
| <b>GRAND TOTAL</b>  |   | <b>1,895,000</b> | <b>1,565,000</b> | <b>735,000</b> | <b>4,195,000</b> |                    |

# Southend-on-Sea Borough Council

Appendix  
No.

Executive Director of Finance and Resources  
Executive Director of Children and Public Health  
to

## Education Board

on

21<sup>st</sup> January 2020

(Following the 2020/21 funding principles agreed at the Education Board on the 22<sup>nd</sup> October 2019 and 17<sup>th</sup> December 2019)

8

Report prepared by:

Paul Grout

Senior Finance Business Partner

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### Dedicated Schools Grant budget 2020/21

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#### 1 Purpose of Report

To present the 2020/21 Dedicated Schools Grant (DSG) budget including the DSG Individual School budgets for 2020/21.

#### 2 Recommendation

- 2.1 That the proposed 2020/21 Dedicated Schools Grant Budget, be noted, and this has been set as agreed in accordance with the approved funding principles of both the last 17<sup>th</sup> December 2019 and 22<sup>nd</sup> October 2019 DSG Education Board finance papers.

#### 3 Background

- 3.1 This paper sets out the proposed Dedicated Schools Grant Budget for the financial year 2020/21 which is also to be set by the Council as part of the annual budget cycle finalized in February 2020.
- 3.2 This paper also follows both previous and detailed DSG Education Board (EB) funding papers considering the 2020/21 budget, as presented, and approved for EB recommendation in both the October 2019 and December 2019 board meetings. The principle funding decisions approved at both of those previous boards are made clear for reference within each section of this paper.
- 3.3 This paper now also follows the Department for Education (DfE) DSG 2020/21 funding block announcements made on 19<sup>th</sup> December 2019, and release of the 2020/21 DfE Authority Proforma Tool (APT) on the 17<sup>th</sup> December 2019.
- 3.4 The DfE release of the 2020/21 APT, therefore enables the Education Board to also formally set the final distribution of the 2020/21 school block funds to Individual Schools, using the updated numbers on roll for each School as per

the latest DfE October 2019 school census data, and in line with the previous funding agreements of the last two Education Board meetings. The APT will be submitted back to the DfE by the Local Authority.

3.5 This paper also displays the final 2019/20 DSG funding allocations for de-delegated funds, growth fund, central schools block, early years block (remains DfE provisional) and high needs block (High needs in totality only and remains DfE provisional).

3.6 And as agreed, at the March 2019 EB Board Meeting, and the December 2019 Board meeting, this paper present's the provisional growth fund rates for 2020/21, as well as an updated and now final growth funding rates for 2019/20.

#### **4 Dedicated Schools Grant Allocations 2020/21 (Set by the DfE)**

4.1 The Department for Education (DfE) has set out the following funding blocks for Southend's Dedicated Schools Grant for 2020/21;

|                                 |                   |
|---------------------------------|-------------------|
| Schools Block                   | £123.600 M        |
| Early Years Block (provisional) | £10.366 M         |
| High Need Block (provisional)   | £22.560 M         |
| Central Block                   | £1.574 M          |
| <b>Total</b>                    | <b>£158.100 M</b> |

Appendix 2 – “DSG budget 2020/21”, provides the allocation including movement from the latest 2019/20 budget.

4.2 Although the Education Board and Local Authority remain responsible for allocating the entirety of DSG, the final actual DSG amount awarded to the Local Authority will exclude funding for Academies, High Need place funding for both colleges and further education providers, and free special schools (referred to as recoupment), as these excluded amounts are paid directly to those settings by the Education and Skills Funding Agency. Therefore the final estimated allocation expected to be awarded to the Local Authority is £50.8M, after considering these estimated recoupment deductions of £107.3M which are also listed separately for each funding block in Appendix 2.

4.3 Within the Schools Block funding allocation:

4.3.1 The primary pupil led funding element has been set at £61.215M based on a total unit of funding of £4,062.70 per primary pupil (£3,958.23 in 19/20) for 15,068 number of pupils.

4.3.2 The secondary pupil led funding has been set at £60.200M based on a total unit of funding of £5,380.73 per secondary pupil (£5,254.47 in 19/20) for 11,188 number of pupils

4.3.3 The premises factor funding is allocated at £1.122M and the funding for growth is allocated at £1.063M.

4.4 The DfE Early Years funding rates applied to the DSG allocation for 2020/21 have been set at £4.48 per hour for 3 & 4 year olds and £5.32 per hour for 2 year olds. The total early years block allocation remains provisional for 2020/21 as the allocations will be adjusted for take up of provision by the DfE in July

2020 and a final adjustment in July 2021 (based on the January 2020 and January 2021 early years census data).

- 4.5 The high needs block is still provisional until the final funding allocation is expected to be announced in July 2020, where by the DfE will be updating the final funding allocation in recognition that the authority meets all the high need place funding costs in their home area regardless of the pupil's own home authority residence (excluding free special schools). And this is known in the DfE high need funding terminology context as the "high need import and export funding adjustment". Therefore the home authority will be compensated in relation to high need place funding where that authority supports more pupils (than the previous year) who live outside of the home resident authority area than pupils they have been required to place in another local authority area, or on the contrary, a reduction in the local funding adjustment will be applied if the opposite event occurs.
- 4.6 The Central Block allocation has been set with an amount of £0.850M for ongoing responsibilities funded at a rate of £32.39 per pupil for 26,256 pupils and funding for historic commitments is now set at £0.724M.

## **5 Schools Block – Individual School Block (ISB) allocations - £122.350M**

- 5.1 As illustrated for each School in "Appendix 1 - 2020/21 final Individual school budget allocations". The DfE release of the December APT enables the Local Authority to formally set the distribution of the 2020/21 school block funds to individual schools, using the updated numbers on roll (NOR) for each School as per the latest DfE October 2019 school census data, and in line with the previous funding agreements approved at the Education Board at both the 17<sup>th</sup> December 2019 and 22<sup>nd</sup> October 2019 meetings to distribute agreed funding amounts per pupil for each school.
- 5.2 Therefore the funding per pupil (as illustrated in Appendix 1) for individual school allocations have been set on the following agreed principles:
- 5.2.1 The minimum per pupil 2020/21 funding levels have been set in line with the National Funding Formulae (NFF) at £3,750 for primary schools and £5,000 for secondary schools (which is based on the nationally defined pupil led funding factors including lump sum).
- 5.2.2 Within the funding formulae itself, the core pupil led NFF factors have been set and applied in line with the NFF for 2020/21, and therefore a 4% uplift applied to those core factors from 2019/20.
- 5.2.3 And for those schools who pupil led amounts are already funded above the NFF minimum funding rates per pupil for 2020/21 or the 4% uplift applied to the core NFF factors, have received the same Minimum Funding Guarantee (MFG) % funding uplift of 1.72%, which has therefore also incorporated the 1 year agreement to continue the Central Block 2020/21 historic commitment funding allocation at the same funded level for 2019/20 via a School Block funding transfer, which then covers the DfE applied 20% Central Block historic commitment funding allocation loss of £181,000.

- 5.3 Premises factor funding – Again, as shown and required in Appendix 1 all funding allocations have separately been updated for 2020/21 business rate charges and previous DfE approved exceptional funding items.

**Other key points for noting in the NFF funding formulae and APT:**

- 5.4 Basic entitlement rates per pupil have been set as per the NFF rates, at;

|             |           |
|-------------|-----------|
| Primary     | £2,876.09 |
| Key Stage 3 | £4,032.18 |
| Key Stage 4 | £4,577.10 |

- 5.5 This Primary to Secondary funding ratio is now set at 1:1.33.

- 5.6 The numbers of pupil on roll in and registered in the APT (as per the October 2019 census compared to the October 2018 census) has increased by a net total of 282 (growth of 289 pupils in secondary and 7 less in primary), to now 26,260 pupils in total (Primary 15,070 and Secondary 11,190), compared to 25,978 (Primary 15,077 and Secondary 10,901).

- 5.7 The total Individual School block allocation for the 2020/21 funding formula is an increase in the totality of Individual School block allocations of £4.257M from the 2019/20 allocation, which is due to both an increase in the NOR and funding factors referred to in 5.2 above.

**6 Schools Block – Centrally retained de-delegated lines - £5,594 (applicable to maintained schools only)**

- 6.1 The de-delegated per pupil funded amounts have been set as agreed in the EB December 2019 paper, at £1.00 per pupil for staff costs covering public duties returning an annual de-delegated sum of £5,594.

**7 Schools Block – Centrally retained growth fund - £1.063M**

- 7.1 The DSG 2020/21 growth fund amount has been set in accordance with the principles agreed in the EB December 2019 paper, where by the 2020/21 DSG amount awarded for growth will be held centrally and distributed to schools who have been required by the Local Authority to increase their number of intake classes. And it remains minded, that as agreed in the March 2019 EB paper growth, to ensure funding allocations are sensibly managed and distributed, that growth funding is managed on a long term basis allowing any one year to either over or under spend but provided the total application of the growth fund remains affordable within the life cycle of the planned growth.

- 7.2 The EB December 2019 paper, also included a further agreement that if affordable to the long term growth model, that as well as formally setting the growth funding rates from September 2020 in this paper a back dated increase from the September 2019 rate can now also be applied.

- 7.3 Therefore Appendix 3 displays an updated growth fund model (which was first shared at the March 2019 EB), and it is welcome to confirm a considerable funding increase can now be applied to the rates first set from September 2019

(with a revised September 2019 rate of £2,892 per primary pupil and £3,430 per secondary pupil). And a further 4% uplift applied to the revised rates from September 2020 (which therefore awards rates from September 2020 of £3,008 per primary pupil and £3,567 per secondary pupil), and this increase is in line with the core funding % increase awarded through the NFF pupil led funding factors in the Schools Block.

- 7.4 The considerable funding increase has been driven, by both, as first shared in the December 2019 paper, 2 less September 2019 intake classes than previously expected, but also a revised increase to the predicted measure of middle super output area growth (MSOA) applied to the model for future years. And as reminder, MSOA\* net positive growth only is the DfE defined volume measure factor for determining the funding allocation.

MSOA\* - is defined by the office for national statistic, as a small enough geographical area to detect pockets of growth, based on school post codes grouped within a particular area.

- 7.5 And as first shared in the March 2019 EB paper, MSOA growth is a difficult measure to predict and therefore highlighted why it was important that the model is, and continues to be, refreshed on an annual basis. And it is also now clear, with this being the 2<sup>nd</sup> year of the total growth funding allocations determined by the DfE on this new NFF funding basis. That Southend's MSOA net positive growth will now be higher than first predicted in the March 2019 EB paper (and has been updated as so), as positive MSOA growth is driven not only by new intake classes, but also any further throughput pupil growth within a school, for example, if the number of current year 11 pupils are less than the current number of year 7 pupils (which can occur regardless of any new approved intake class).
- 7.6 And as previously agreed, the Growth Fund model will continue to be updated on an annual basis, shared in this annual January paper, declaring rates for the following academic year (within the minimum tolerances rate levels as set in the March 2019 EB paper, used only, if required to remain affordable to the allocation), and with the additional step of a backed dated funding increase only, if affordable, to the rates declared at the start of the current academic funded year.

## **8 Early Years Block (Provisional) - £10.478M in total**

- 8.1 As expected, the DfE have provisionally set the 2020/21 Early Years block on the same and latest and expected number of Part Time Equivalent PTE\* children forecast to access the 2019/20 DSG early years funded provision. The final budgets allocations have also been set, as agreed in accordance with the December 2019 DSG EB paper and hourly funding rates awarded.

PTE\* as DfE defined, assumes all children access the full 15hrs per week support over 38 weeks in the year.

- 8.2 Therefore, for the DfE DSG 2 year old funding allocation the PTE\* has been set at 488 children at an hourly rate of £5.32. And note, as set in the December 2019 DSG EB paper the core rate Southend passes over to providers for 2020/21 will be £5.28 per hour (awarding the DfE full increase of £0.08 per hour from 2019/20), allowing for a small and continued retained discretionary pot for

2 year old support of £11,136 (The hourly rate of which was originally agreed as set in the October 2016 Education Board Early years NFF paper at £0.04p per hour of the 2 year old PTE allocation).

- 8.3 For the DfE DSG universal 3 and 4 year old entitlement funding allocation the PTE\* has been set at 2,693 children, at an hourly rate of £4.48. And note, as set in the December 2019 EB paper the core 2020/21 rate Southend passes over to all providers will be £4.32 (awarding the DfE full increase of £0.08 per hour from 2019/20) which therefore also allows for the DfE statutory requirement and retention of £0.16 per hour, to continue to fund supplementary provider eligible deprivation funding at £0.44 per hour (at an expected 20% take up of total PTE\* attached to eligibility for Early Years Pupil Premium), and a continued centrally retained fund for the Special Educational Needs Inclusion fund and additional early years provider training set at a total of £140,000, which is based on a continued hourly rate of £0.07 per hour of the 3&4 year old PTE allocation.
- 8.4 The DfE DSG 3 and 4 year old extended entitlement funding allocation for eligible working parents PTE\* has been set at 714 children, at an hourly rate of £4.48. And note, as set in the December 2019 EB paper the core 2020/21 that will be passed over to providers will be £4.32 per hour, as this has to statutorily mirror, as set by the DfE, the Universal 3&4 year old provider entitlement rate including any additional provider supplement funding.
- 8.5 The 2020/21 3&4 year old funding provider funding rates set continues to ensure a passport funding rate through from the DfE to providers of 98%, which is also 3% above the minimum statutory requirement of 95%. Recognising the continued importance of ensuring a high level of passport funding rate through to providers to assist with both quality and sustainability of 3 & 4 year old early years child care provision in Southend.
- 8.6 The DfE have also set the 2020/21 allocations for both the Disability Access Fund (DAF) expecting 94 Southend children to be eligible at a funded rate of £615 per child with a total fund of £57,910, and a £127,486 Early years pupil premium annual fund expected to target 422 children on a PTE\*, funded at £0.53p per hour.
- 8.7 The original 2020/21 early years budget has now also been set with the agreed EB December 2019 decision to apply additional one off investment (funded from the available one off resources in the Early Years DSG reserve) to further support and expand service delivery as shared in that Early Years investment request paper. Therefore an additional one off £112,000 has been allocated to the central 2020/21 DSG budget allocation (equivalent 1 years funding of the 2 year total £224,000 agreed investment amount).

## **9 High Needs Block (Provisional) - £22.561M**

- 9.1 As first shared in the October 2019 EB DSG report, including an explanation of. The 2020/21 High Needs block under NFF has seen much needed and confirmed growth in funding from the DfE of £3M compared to the latest 2019/20 budget allocation.



9.2 And, as previously agreed with the EB (and annual cycle of DSG funding papers), the detailed funding allocation of the 2020/21 high need funding to service lines will be presented at the June 2020 Education Board. This then also continues to allow sensible time to plan the detailed allocation of the 2020/21 funding ahead of the start of the September 2020 academic year.

## 10 Central Block - £1.755M

10.1 The central block budgets have been set in accordance with agreement of the December 2019 DSG EB paper. And therefore also includes the agreed 1 year £181,000 funding transfer from the Schools Block to support the Central Block historic commitment as referenced in 5.2.3.

10.2 The historic commitment funding element is therefore maintained at £904,888 (the same funded level as 2019/20).

10.3 The 2020/21 ongoing responsibilities funding element of Central Block has seen a net slight increase of £7,576. Returning a total fund of £850,416. This increase is due to the increase in the school pupil head count from 2019/20, whereby a proportion of the central block funding ongoing responsibilities funding is determined by any changes in head count.

10.4 The final 2020/21 amounts are therefore confirmed as;

|  | <b>Amount</b>     |
|--|-------------------|
| <b>From Central Schools Services Block</b> |                   |
| Combined budgets / historic commitments    | £904,888          |
| Copyright Licences*                        | £134,934          |
| Schools Admissions                         | £267,980          |
| Servicing of Schools Forum                 | £18,700           |
| Retained Duties*                           | £428,802          |
|  | <b>£1,755,304</b> |

Copyright Licences\* - annual copyright licence charge set by DfE.

Retained Duties\* - Former Education Services Grant - ongoing funding to support LA Statutory duties – for Child and Educational Leadership, Planning and Budget planning, monitoring, Education Welfare and Asset Management

## 11 DSG current anticipated reserve levels as at 31<sup>st</sup> March 2019

| <b>Block</b>                                | <b>Schools<br/>– ISB</b> | <b>Schools<br/>-<br/>growth</b> | <b>Schools –<br/>de-<br/>delegated</b> | <b>Early<br/>Years</b> | <b>High<br/>Needs</b> | <b>Central</b> | <b>Total</b> |
|---|--------------------------|---------------------------------|--|------------------------|-----------------------|----------------|--------------|
|   | £'000                    | £'000                           | £'000                                  | £'000                  | £'000                 | £'000          | £'000        |
| <b>Reserves<br/>surplus /<br/>(deficit)</b> |                          |                                 |  |                        |                       |                |              |
| 1 April 2019                                |                          |                                 |  |                        |                       |                |              |
| B'fwd                                       | 0                        | (69)                            | 0                                      | 594                    | (348)                 | 39             | 216          |
| 18/19 Early years<br>funding adj.           | 0                        | 0                               | 0                                      | 130                    | 0                     | 0              | 130          |
| 2019/20<br>forecast                         |                          |                                 |  |                        |                       |                |              |
| Variance                                    | 0                        | 50                              | 9                                      | 0                      | 499                   | 0              | 558          |
| Transferred in<br>year                      | 0                        | 0                               | 0                                      | 0                      | 0                     | 0              | 0            |
| <b>31 March 2020</b>                        | <b>0</b>                 | <b>19</b>                       | <b>9</b>                               | <b>724</b>             | <b>151</b>            | <b>39</b>      | <b>903</b>   |

11.1 The only change to the anticipated reserve levels from what was presented in the last December 2019 paper, is the updated allocation for schools growth in 2019/20 where further available funding has been distributed (as referenced in 7.3).

## 12 Conclusion

12.1 The overall position set out for 2020/21 is a balanced DSG budget, with a current expected adequate level of DSG funding reserves carried forward into 2020/21.

12.2 It is again (as shared in the December 2019 EB paper), after consideration of the historic funding pressures on high needs, with particular praise to the work and decisions in recent years of the Local Authority, Education Board, Resource Sub Group, task and finish groups, special schools, schools, early years providers working constructively and collectively that have restored the DSG balances to a current and sustainable financial footing.

## 13 Appendices (Note - available on request)

Appendix 1 – DSG Final Individual Schools Budget allocations 2020/21

Appendix 2 – DSG Budget 2020/21

Appendix 3 – DSG Growth fund rates from Sept-20 and updated from Sept-19



# Southend-on-Sea Borough Council

# **Capital Investment Strategy**

**2020/21 – 2024/25**

**February 2020**

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Annex 1 – Capital Investment Policy

## **SOUTHEND-ON-SEA BOROUGH COUNCIL**

### **CAPITAL INVESTMENT STRATEGY**

#### **1 Purpose**

The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a capital investment strategy to demonstrate that capital expenditure and investment decisions are taken in line with desired outcomes and take account of stewardship, value for money, prudence, sustainability and affordability.

The Capital Investment Strategy is a key document for the Council and forms part of the authority's integrated revenue, capital and balance sheet planning. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of desired outcomes. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It includes an overview of the governance processes for approval and monitoring of capital expenditure.

#### **2 Scope**

This Capital Investment Strategy includes all capital expenditure and capital investment decisions, not only as an individual local authority but also those entered into under group arrangements. It sets out the long term context in which decisions are made with reference to the life of the projects/assets.

#### **3 Capital Expenditure**

Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing fixed asset. Fixed assets are tangible or intangible assets that yield benefits to the Council generally for a period of more than one year, e.g. land, buildings, roads, vehicles. This is in contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services.

The capital investment programme is the authority's plan of capital works for future years. Included are the projects such as the purchase of land and buildings, the construction of new buildings, design fees and the acquisition of vehicles and major items of equipment. Also included could be service and commercial investments.

#### **4 Capital vs. Treasury Management Investments**

Treasury Management investment activity covers those investments which arise from the organisation's cash flows and debt management activity, and ultimately represent balances which need to be invested until the cash is required for use in the course of business.

For Treasury Management investments the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Treasury Management Policy and the Annual Treasury Management Investment Strategy.

The CIPFA Treasury Management Code recognises that organisations may make investments for policy reasons outside of normal treasury management activity. These may include service and commercial investments. The management of associated risk for these investments is set out in the Capital Investment Policy attached as Annex 1 to this strategy.

#### **5 Links to other corporate strategies and plans**

To support the Council's desired outcomes a number of key strategies have been agreed, for example the Core Strategy, Digital Strategy and the Housing, Homelessness and Rough Sleeping Strategy. To support the delivery of these key strategies a number of other interrelated strategies and plans are in place, such as the Sustainability Strategy, Medium Term Financial Strategy, Capital Investment Strategy, Corporate Asset Management Strategy (and related asset management plans), Treasury Management Strategy and Annual Treasury Management Investment Strategy.

The operation of all these strategies and plans is underpinned by the Council's constitution, in particular the Contract Procedure Rules and the Financial Regulations.

A diagram in the Medium Term Financial Strategy shows how this Capital Investment Strategy links to the other corporate strategies and plans. This is all in the context of the activities of the Council's group portfolio, the South Essex 2050 plan and the wider national context.

Capital resources should be directed to those programmes and projects that optimise the achievement of these outcomes. The following processes are designed to ensure this happens.

## **6 Resources available to finance capital**

The first step is to ascertain the total resources available to finance the capital investment programme. This is based on the level of borrowing the Council can support, notified capital grants, prudent assumptions over the level of other grants and the timing and valuation of capital receipts that will be realised. More information by each source of capital funding is set out below:

### **6.1 External Funding**

This can be in the form of grants and contributions from outside bodies including central government. Services must seek to maximise external funding wherever possible to support capital schemes. However, if services bid for external funding for schemes and say at tender or during construction or procurement, costs exceed the available funding, then services must fund any shortfall from their existing resources (either revenue or capital).

In respect of match funding bids then the relevant service must fully identify the necessary match funding resources from within existing budgets. If this is not possible then the appropriate service must raise this for consideration with the members of the Corporate Management Team and the relevant Cabinet Member prior to submitting any bid for funding.

### **6.2 Capital Receipts**

A capital receipt is an amount of money exceeding £10,000 which is received from the sale of an asset. They cannot be spent on revenue items. The Director of Property and Commercial will review all the Council's property annually against the aims and objectives of the Corporate Asset Management Strategy. The general policy is that any capital receipts are then pooled and used to finance future capital expenditure and investment according to priorities, although they may be used to repay outstanding debt on assets financed from loans, as permitted by the regulations.

### **6.3 Revenue Funding**

Revenue resources may be used to fund capital expenditure. This may be via earmarked reserves such as the capital reserve which is an internal fund set up to finance capital expenditure as an alternative to external borrowing. The Chief Finance Officer will take an overview and decide the most appropriate way of using such revenue resources, taking into account the strategy regarding the levels of general and earmarked reserves.



## **6.4 Prudential/Unsupported Borrowing**

Capital projects that cannot be funded from any other source can be funded from borrowing. Local Authorities can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code. This borrowing may also be referred to as Prudential Borrowing.

The Council's Minimum Revenue Provision Policy sets out a prudent approach to the amount set aside for the repayment of debt. The borrowing costs are not supported by the Government so the Council needs to ensure it can afford the interest and repayment costs from existing revenue budgets or must see this as a key priority for the budget process and be factored into the medium term financial strategy accordingly.

The Chief Finance Officer will make an assessment of the overall prudence, affordability and sustainability of the total borrowing requested. The impact of this borrowing will be reported in the Treasury Management Strategy alongside the Prudential Indicators required by CIPFA's Prudential Code for Capital Finance.

Should the requested borrowing levels be unaffordable or not prudent, then the schemes will be prioritised against the available funding from borrowing as determined by the assumptions factored into the Medium Term Financial Forecast.

Members approve the overall borrowing levels at the budget meeting in February each year as part of the Treasury Management Report. The taking of loans then becomes an operational decision for the Chief Finance Officer who will decide on the basis of the level of reserves and money market position whether borrowing should be met internally (from the running down cash balances) or whether to enter into external borrowing.

Whether capital projects are funded from grant, contributions, capital allocations or borrowing, the revenue costs must be able to be met from existing revenue budgets or identified (and underwritten) savings or income streams.

## **7 Prioritisation of capital investment**

Capital investment is key to the delivery of the Council's ambition and desired outcomes and can be a means to contribute to the achievement of revenue sustainability and local or regional growth ambition. However, there will inevitably be a gap between the capital investment programme ambition and the available resources, which are finite and there is a limit on the number and value of schemes that are affordable and deliverable.

Therefore capital investment proposals will need to be prioritised to ensure that resources are being directed into projects that will achieve our ambition and improve outcomes for local people. These priorities may include the following:

Achievement of the Council's strategic outcomes for Southend 2050:

- Homes which meet local needs;
- Key regeneration projects;
- Supporting growth in key sectors;
- Town centre vitality;
- Leisure and cultural projects;
- Transport and accessibility;
- Green city projects;
- Schools and skills;
- Health and active lifestyles;
- Social care;
- Land acquisition and commercial investment;
- Financial self-sufficiency.

Enabling works:

- Maintenance of the essential infrastructure of the organisation;
- Essential Health and Safety works;
- Rolling programmes essential to the day to day operation of the Council;
- Service redesign and transformation – investment in technology;

Political priorities:

- 2050 roadmap;
- CMT/Cabinet priorities;

## **8 Building a pipeline of projects**

### **8.1 Identifying the need for Capital Expenditure/Investment**

The need for capital investment may be identified through one or more of the following processes.

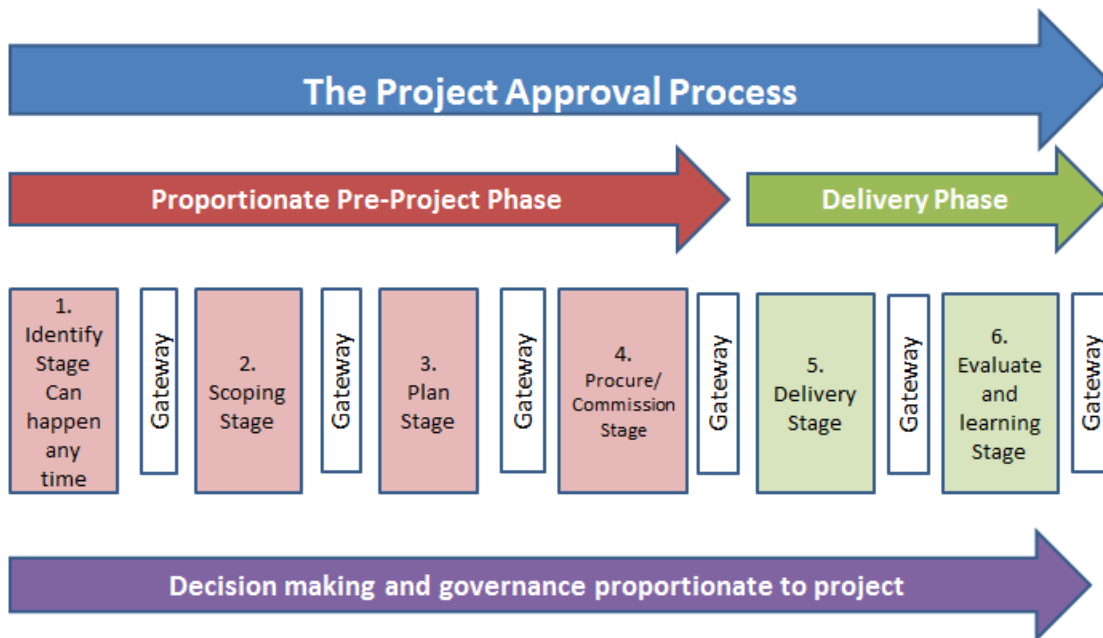
- Service areas prepare plans for the delivery and improvement of their services which align with or enable the 2050 outcomes;
- The Corporate Asset Management Strategy and the Education and Schools Asset Management Plans highlight deficiencies in the condition,

suitability and sufficiency of the Council’s existing building stock and identify future areas of need;

- The Housing Asset Management Plan highlights deficiencies in the condition, suitability and sufficiency of the Council’s existing housing stock and identifies future areas of need;
- The Transport Asset Management Plan is the Council’s primary transport asset planning tool to ensure the highway infrastructure and public realm is managed sustainably and in a way that underpins the wider corporate outcomes;
- Reviews and external Inspections may also identify areas that need capital investment;
- The need to respond to Government initiatives and new laws and regulations;
- The need to generate a revenue income to contribute to the delivery of desired outcomes.

## 8.2 The Project Approval Process

The agreed process should include gateway review stages when the proposal can be reviewed and a decision made whether to proceed to the next stage. The decision making and governance process should be proportionate to the scale and impact of the project being put forward for approval. The following diagram shows the project approval process used for capital investment proposals:



The project approval process divides the project's lifecycle into six stages. The first four involve gathering the business case information that gives the Council confidence that the project should be implemented. The final stages cover project implementation and post-project evaluation. A potential 'Decision Gateway' separates each stage.

This incremental approach provides regular opportunities for the Council to review progress and check that projects are still on track. It also avoids unnecessary resource being spent developing potential projects beyond the point at which a decision could be made that they are unlikely to be viable (potentially because needs or priorities have changed or available solutions are unlikely to offer value for money). Feasibility studies will be used where appropriate.

Whilst all projects consider the same basic questions as they pass through each stage, the level of information that must be gathered, and the number of formal approvals required for a project to progress, will vary significantly depending on the scale of the project.

### **8.3 Proportionality**

Projects will be categorised as major, mid or minor, depending on the assessment of the following criteria to determine the scale and impact of the proposal:

- Level of contribution to the 2050 outcomes;
- Impact on the organisation to deliver the project;
- Potential impact of project failure on the Council's reputation;
- Statutory or regulatory context;
- The scope of stakeholders or partnerships involved;
- Contract complexity;
- Project costs;
- The timescales involved;

This categorisation will determine the level of detail needed to progress through the gateway stages.

### **8.4 Developing the business case**

The business case would be developed incrementally with the amount of detail dependent on the scale and impact of the project and with more detail added as the business case matures through the gateway stages. Each business case covers five areas:

- Strategic case – demonstrating the fit with investment priorities;

- Economic case – demonstrating that the project provides value for money;
- Financial case – demonstrating that the project is prudent, affordable and sustainable (including the revenue implications);
- Commercial case – demonstrating that the project is commercially viable;
- Management case – demonstrating that the project will be delivered effectively;

For the financial case due consideration should be given to:

**Prudence:**

- Recognition of the ability to prioritise and refocus following transformation work;
- Recognition of the capacity in the organisation to deliver such a programme;
- Recognition of the knowledge and skills available and whether these are commensurate with the appetite for risk;
- The approach to commercial activities including ensuring effective due diligence, expert advice and scrutiny, defining the risk appetite and considerations of proportionality in respect of overall resources;
- The approach to treasury management and the management of risk as set out in the Treasury Management Strategy.

**Affordability:**

- Revenue impact of the proposals on the Medium Term Financial Strategy;
- The borrowing position of the Council, projections of external debt and the use of internal borrowing to support capital expenditure;
- The authorised limit and operational boundary for the following year;
- Whether schemes are profiled to the appropriate financial year.

**Sustainability:**

- Recognition of the objective of the Sustainability Strategy;
- A long-term view of capital expenditure plans, where long term is defined by the financing strategy of and risks faced with reference to the life of the project/assets;
- Provision for the repayment of debt over the life of the underlying debt as set out in the Minimum Revenue Provision policy;
- An overview of asset management planning including maintenance requirements and planned disposals.

All project proposals are submitted using the agreed template that captures the information necessary to have a structured approach that provides:

- Proper definition to projects, making sure it is clear what will be delivered, by when, and with what resource and that appropriate approvals have been given;
- Clear roles and responsibilities, and clear delegation of responsibility;
- Controls to provide early warnings of deviation from the plan, as well as risks and issues, and a way of managing them;
- Good communication channels, making sure management and stakeholders are involved at the right time in the right way;
- Regular reviews of the project to make sure it is still viable, worthwhile and deliverable;
- A common language across the Council and a process that is repeatable;

Whilst this approach will not guarantee that every project will be successfully delivered, having a consistent approach to managing projects will mean that:

- All projects are prioritised using a consistent and coherent set of standards and based on a sound business case;
- Projects are more likely to contribute to Southend 2050 priorities and service improvement;
- Projects are more likely to be delivered on time and within budget;

The template includes for each project or scheme:

- Strategic objectives;
- Critical success factors;
- Options or approaches considered;
- Expected benefits;
- Timescales and plan;
- Programme structure;
- Stakeholder/Partnerships;
- Financial business case;
- Risks/Dependencies/Assumptions/Constraints;
- Impact;

## **8.5 Risk Management**

Risk is the threat that an event or action will adversely affect the Council's ability to achieve its desired outcomes and to execute its strategies successfully.

Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the organisation caused by undesired events and of ensuring that staff understand and appreciate the element of risk in all their activities.

The aim is to reduce the frequency of adverse risk events occurring (where possible), minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties. The corporate risk register sets out the key risks to the successful delivery of the Council's corporate aims and priorities and outlines the key controls and actions to mitigate and reduce risks, or maximise opportunities.

To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored.

It is important to identify the appetite for risk by each scheme and for the capital investment programme as a whole, especially when investing in capital assets held primarily for financial returns. Under the CIPFA Prudential Code these are defined as investments and so the key principle applies of control of risk and optimising returns consistent with the level of risk.

**Risk appetite:**

The Council accepts there will be a certain amount of risk inherent in delivering the desired outcomes of the 2050 Ambition. The Council seeks to keep the risk of capital projects to a low level whilst making the most of opportunities for improvement. Where greater risks are identified as necessary to achieve desired outcomes, the Council seeks to mitigate or manage those risks to a tolerable level. All key risks identified as part of the capital planning process are considered for inclusion in the corporate risk register.

The Chief Finance Officer will report explicitly on the deliverability, affordability and risk associated with the Capital Investment Strategy. Where appropriate he will have access to specialised advice to enable them to reach their conclusions.

## **9 Governance processes**

The governance structure of the Council has the Corporate Management Team that takes a high level strategic and group view on the capital investment programme.

Before any project can enter the procurement or delivery phase approval must be obtained from full Council to include it in the capital investment programme. This can be achieved by taking proposals through the Cabinet and Scrutiny process, either as part of the annual budget round or throughout the year so that schemes enter the programme at the required time.

### **9.1 Approval via the annual budget round**

Corporate Management Team will consider any proposals from a corporate priority perspective. As part of the budget process Executive Briefing (EB) meetings enable Cabinet Members to be briefed and understand the expected outcomes and the budget consequences, both revenue and capital, of completing the scheme. Where appropriate schemes will be reported to Members based on the schemes being subject to external funding or viable business case approval.

The Chief Finance Officer will consider the proportionality of the proposals as a whole in respect of overall resources and longer term sustainability and risk. The Chief Finance Officer will also take an overall view on the prudence, affordability and sustainability of the overall borrowing level if all proposals are accepted.

The Cabinet receive the capital investment programme in draft in January each year which is then subject to scrutiny via all the relevant scrutiny committees. Then the Cabinet receive the updated capital investment programme in February each year and in turn make their recommendations to full Council.

### **9.2 Approval throughout the year**

New schemes can be added throughout the year as appropriate, for urgent or service critical schemes or when gateway stages are successfully completed. Project proposals are submitted to the Investment Board, one of the five Governance Boards established as part of the organisations condition of simple and effective governance. Investment Board takes a strategic view of capital investment in line with the Southend 2050 ambition and acts as the advisory body to CMT and Cabinet for all capital investment projects.

Using the proportionate approach outlined earlier, the Investment Board will consider all business cases for project proposals. The Board will either:

- reject the proposal and give the reasons for this;
- recommend that the proposal is delayed to ensure business alignment;
- refer the proposal to another Governance Board for further consideration;
- ask for further clarification and assurances;



- agree that a feasibility study would be the most appropriate way forward;
- agree that the project can proceed to the next Gateway stage;
- agree whether bids for new capital grants/funding can be submitted;
- make recommendations to Cabinet for approval of the project or feasibility study in line with financial regulations.

Once the Council has approved the capital investment programme, then expenditure can be committed against the approved schemes subject to the normal contract procedure rules and the terms and conditions of funding.

## **10 Monitoring the progress of delivery**

It is important that the progress of the delivery of the capital investment programme can be properly monitored. This is approached in several ways:

### **10.1 Investment Board**

The Board will challenge the existing capital investment programme as part of the redirection and re-prioritisation of resources. This will be particularly important where capital projects are not delivering to time and/or budget and where appropriate the Board will seek project evaluation updates or commission post completion reviews.

### **10.2 Capital Challenge meetings**

At appropriate times throughout the year capital challenge meetings will be undertaken, led by the Cabinet member with responsibility for the capital investment programme. The aim of these challenge meetings is to ascertain whether: any projects:

- Any projects are not aligned to the delivery of the Southend 2050 outcomes and can be removed from the programme;
- Any projects or reduction in funding of a project that can be withdrawn from the programme;
- Any project budgets need to be re-profiled to better align them to the predicted spend across the years of the programme;
- Any projects currently funded by borrowing that can be alternatively financed;

- The actual physical progress of each scheme (e.g. out to tender, site assembly, on site, etc.) and whether the current year's budget will be spent.

### **10.3 Capital budget performance reports**

Capital expenditure and its financings are monitored monthly, with the expenditure to date identified and projected to year end to forecast the outturn position based on project managers' realistic expectation.

The capital budget performance is reported to Cabinet four times a year (via CMT and EB) with a commentary on scheme progress. One of these reports is to inform members of the capital investment programme outturn. These reports include recommendations to approve the requested changes to the programme such as proposed re-profiles of scheme budgets across financial years, new schemes, deletions, virements of budget between schemes or additions where new external funding has been received. These changes are either as a result of recommendations from Investment Board, the outcome of capital challenge meetings, the year end closure procedures or identified in the normal course of the monthly budget performance monitoring.

A summary of the capital budget performance is also reported to CMT for the months when it does not go to Cabinet.

## **11 Multi-Year Schemes**

Payments for capital schemes often occur over many years, depending on the size and complexity of the project. Therefore, estimated payment patterns are calculated for each project so that the expected capital expenditure per year is known. This is called a cash flow projection or budget profiling.

The length of the planning period should be defined by the financing strategy and the risks faced with reference to the life of the project/assets. For example some schemes may span two or three years (e.g. building an extension to a school) whereas others may be over much longer timeframes (e.g. the 30 year business plan for the HRA decent homes programme).

The approval of a rolling multi-year capital investment programme assists the Council in a number of ways. It assists service managers, allowing them to develop longer term capital plans for service delivery.

It allows greater flexibility in planning workloads and more certainty for preparation work for future schemes. It will also allow greater integration of the

revenue budget and capital investment programme. It also matches the time requirement for scheme planning and implementation since capital schemes can have a considerable initial development phase.

## **12 Other Considerations**

The Council has a Procurement team that ensures that value for money is provided and to see where efficiency savings can be achieved. This also covers capital procurement. It is essential that all capital procurement activities comply with prevailing regulations and best practice and with the Councils policies and regulations such as Contract Procedural Rules and Financial Regulations.

The main aim is to hold 'value for money' as a key goal in all procurement activity to optimise the combination of cost and quality.

Capital Schemes must also comply with legislation, such as the Disability Discrimination Act, the General Data Protection Regulations (GDPR), building regulations etc.

February 2020

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## SOUTHEND-ON-SEA BOROUGH COUNCIL

### CAPITAL INVESTMENT POLICY

#### **1 Scope of this policy**

- 1.1 This investment policy covers capital investments, including service and commercial investments and loans. (Treasury Management investments are covered by the Annual Treasury Management Investment Strategy, which forms part of the Treasury Management Strategy.)

#### **2 Investment Objectives**

- 2.1 The underlying objectives for these investments will be:

- Security – protecting the capital sum invested from loss;
- Liquidity – ensuring the funds invested are available for expenditure when needed;
- Yield – consideration of the yield obtainable consistent with proper levels of security and liquidity.

- 2.2 Due to the nature of the assets or for valid service reasons, such investments do not always give priority to security and liquidity over yield. In these cases, such a decision will be explicit, with the additional risks set out and the impact on financial sustainability identified and reported.

#### **3 Policy regarding capital investments**

- 3.1 Capital investment will only be undertaken if it contributes to the delivery of Southend 2050 and the Council's ambition, strategic delivery plans and desired outcomes.
- 3.2 Before capital investments can be entered into they must be included as part of the approved capital investment programme, either directly or via a pooled budget (e.g. commercial property).
- 3.3 The Council's risk appetite and approach to risk management for capital projects is set out in the risk management section of the Capital Investment Strategy.
- 3.4 The Chief Finance Officer will ensure that the Council has the appropriate legal powers to undertake such investments. Annex A sets out each type of investment, the primary purpose and the legal powers to be used.

- 3.5 The Chief Finance Officer will ensure the proportionality of all investments so that the Council does not undertake a level of investing which exposes it to an excessive level of risk compared to its financial resources.

#### **4 Service investments**

- 4.1 These will be investments held clearly and explicitly in the course of the provision and for the purposes of operational services, including regeneration.

#### **5 Commercial investments**

- 5.1 These will be investments entered into as part the Council's wider strategy, for example economic development and growth. These may include investments arising as part of business structure, such as shares and loans in subsidiaries or other outsourcing structures such as IT providers or building services providers.
- 5.2 These may be investments that include an aim of making a financial surplus for the Council, but this may or may not be the primary purpose of the investment.
- 5.3 Commercial investments may also include fixed assets which are held primarily for financial benefit, such as investment properties.
- 5.4 The Council's Commercial Property Investment Strategy (including the purpose of the Investment Portfolio) is set out in the Corporate Asset Management Strategy. Appendix 3 of that strategy sets out the Investment Property Selection Criteria.
- 5.5 The Chief Finance Officer will assess the extent to which the Council's balanced budget and Council Tax setting is dependent on returns from commercial investments.

#### **6 Loans**

- 6.1 These may be loans to local enterprises, local charities or third sector bodies, wholly owned companies and joint ventures. They may not all be seen as prudent if adopting a narrow definition of prioritising security and liquidity but would be entered into as part the Council's wider strategy, for example economic development and growth.
- 6.2 Such loans will only be entered into if the Chief Finance Officer is satisfied that the financial exposure to these types of loans is proportionate and that the expected credit losses have been appropriately assessed in accordance with International Financial Reporting Standard (IFRS) 9 Financial Instruments.
- 6.3 Any overdue payments would be recovered using the credit control arrangements set out in the Council's Debt Management Strategy.

6.4 The total level of loans will be formally agreed as part of the process for inclusion in the capital investment programme.

## **7 Financing of Investments**

7.1 As capital investments the above will be financed by any of the sources in the funding strategy section of the Capital Investment Strategy.

7.2 Where the secondary purpose of commercial property investments and loans is to generate an income stream the Chief Finance Officer may choose to finance these capital investments by borrowing. Where this is the case the Chief Finance Officer will set out the rationale for doing so and how the risks of the investment are to be managed (e.g. risk of not achieving the desired returns or the risk of the borrowing costs increasing) and that all the appropriate due diligence has been undertaken.

## **8 Due Diligence**

8.1 For all capital investments, the appropriate level of due diligence will be undertaken with the extent and depth reflecting the level of additional risk being considered.

8.2 Due diligence process and procedures may include:

- effective scrutiny of proposed investments by the relevant committee;
- identification of the risk to both the capital sums invested and the returns;
- understanding the extent and nature of any external underwriting of those risks;
- the potential impact on the financial sustainability of the Council if those risks come to fruition;
- identification of the assets being held for security against debt and any prior charges on those assets;
- where necessary independent and expert advice will be sought.

8.3 The Chief Finance Officer will ensure that Members are adequately informed and understand the risk exposures being taken on.

## **9 Governance and Scrutiny of Capital Investments**

9.1 The approach to capital investment is set out in the Corporate Asset Management Strategy and includes Members and Chief Officers at key stages.

- 9.2 Significant or strategic capital investments will be overseen by the Corporate Management Team (CMT) and the appropriate Governance boards and managed by project boards and teams appropriate to the scale of the investment.
- 9.3 The Investment Board (and CMT where appropriate) will agree which projects should proceed to Cabinet for decisions and scrutiny and on to full Council for approval as part of the capital investment programme.
- 9.4 For Commercial Property Investment an overall budget will be put forward for approval as part of the capital investment programme and individual properties can then be acquired within that budget envelope. Decisions will need to be made commercially and often quickly and efficiently and will be taken by the Chief Finance Officer in accordance with their delegated authority set out in the Council's Constitution. These decisions will be included as part of the next scheduled capital reporting to Cabinet.



| Type of investment              | Primary purpose  | Secondary purpose   | Legal power to undertake investment |
|---------------------------------|--|---|-------------------------------------|
| Service investments             | Contribute to the delivery of Southend 2050 and the Council's ambition, strategic delivery plans and desired outcomes. | Provision of operational services, including regeneration | Notes 1 and 2                       |
| Commercial property investments |  | To generate an income stream                              | Notes 1, 2 and 5                    |
| Commercial investments          |  | To support wider strategy                                 | Notes 1, 2 and 3                    |
| Loans                           |  | To generate an income stream                              | Notes 1, 2 and 4                    |
| Loans                           |  | To support wider strategy                                 | Notes 1, 2 and 4                    |

Note 1 – Capital expenditure defined in S16 of Local Government Act 2003.

Note 2 – Power to borrow – S1 of Local Government Act 2003.

Note 3 - The Local Authorities (Capital Finance and Accounting (England) Regulations 2003 – section 25(1)(d) – the acquisition of share capital or loan capital in any body corporate

Note 4 – The Local Authorities (Capital Finance and Accounting (England) Regulations 2003 – section 25(1)(b) – the giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the authority, be capital expenditure.

Note 5 – The Council can build and manage an investment portfolio under the general power of competence set out in Section 1 of the Localism Act 2011. In accordance with this Act, the Council has the legal powers to purchase assets inside or outside the borough (or the UK) and manage them for investment and commercial gain.

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**CAPITAL INVESTMENT PROPOSALS**  
**2020/21 to 2024/25**

**1. Summary of Proposed Investment**

| Theme                                | Proposed Investment (£) | Proposed investment subject to viable business cases (£) | Total (£)         |
|--------------------------------------|-------------------------|--|-------------------|
| Pride and Joy                        | 5,335,000               | -  | <b>5,335,000</b>  |
| Safe and Well                        | 17,600,000              | -  | <b>17,600,000</b> |
| Connected and Smart                  | 3,200,000               | -  | <b>3,200,000</b>  |
| Opportunity and Prosperity           | 7,810,000               | -  | <b>7,810,000</b>  |
| Enabling                             | 13,165,000              | 1,780,000  | <b>14,945,000</b> |
| <b>Total</b>                         | <b>47,110,000</b>       | <b>1,780,000</b>   | <b>48,890,000</b> |
| <i>General Fund:</i>                 | <i>28,410,000</i>       | <i>1,780,000</i>   | <i>30,190,000</i> |
| <i>Housing Revenue Account (HRA)</i> | <i>18,700,000</i>       | -  | <i>18,700,000</i> |




|                               | <u>2020/21</u><br>(£'000) | <u>2021/22</u><br>(£'000) | <u>2022/23</u><br>(£'000) | <u>2023/24</u><br>(£'000) | <u>2024/25</u><br>(£'000) | <u>5 Year Total</u><br>(£'000) |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|--------------------------------|
| Proposed investment each year | 17,600                    | 12,510                    | 6,980                     | 2,600                     | 9,200                     | 48,890                         |
| Financed by:                  |                           |                           |                           |                           |                           |                                |
| Borrowing                     | 12,160                    | 6,910                     | 4,280                     | 2,600                     | 2,600                     | 28,550                         |
| External funding              | 440                       | 2,600                     | 1,200                     |                           |                           | 4,240                          |
| HRA reserves                  | 5,000                     | 3,000                     | 1,500                     |                           | 6,600                     | 16,100                         |
| <b>Total</b>                  | <b>17,600</b>             | <b>12,510</b>             | <b>6,980</b>              | <b>2,600</b>              | <b>9,200</b>              | <b>48,890</b>                  |

**2. Proposed Investment by Southend 2050 Theme**





| Theme   |                   | Total (£)                                 | Proposed Initiatives  |
|---|-------------------|---|---|
|  | C1                | 5,335,000                                 | <p><b>Southend Pier – Condition Works</b><br/>(20/21 - £335,000, 21/22 to 24/25 - £1,250,000 p.a.)</p> <p>This investment is to deliver the ongoing planned approach to addressing the condition works and bearing refurbishment identified within the condition survey. This proactive approach reduces the requirement for urgent and/or reactive condition works and ensures the integrity of this landmark structure that helps drive millions of visitors to Southend-on-Sea each year.</p> <p>This investment is in addition to the £2,078,000 budget already in the approved capital investment programme.</p> |
|   | <i>Additional</i> | <i>Funded by:<br/>Corporate borrowing</i> |   |
|   |                   |   | <p>The variety and quality of our outstanding cultural and leisure offer has increased and we have become the first choice English coastal destination for visitors</p>   |
| <b>Pride and Joy</b>  | <b>Total</b>      | <b>5,335,000</b>                          |   |

**CAPITAL INVESTMENT PROPOSALS**







**2020/21 to 2024/25**

|  |                                    |  |   |
|--|------------------------------------|--|---|
|           | <p>C2</p> <p><i>Additional</i></p> | <p>9,500,000</p> <p><i>Funded by:<br/>30% Right to Buy Receipts<br/>and 70% Reserves</i></p> | <p><b>HRA Affordable Housing Acquisitions Programme</b><br/>(20/21 - £5,000,000, 21/22 - £3,000,000, 22/23 - £1,500,000)</p> <p>Housing is a clear priority of this council and through purchasing suitable private homes for council use, the acquisitions programme is already helping to ensure that everyone has a home that meets their needs, including those with complex needs.</p> <p>It is 30% financed by retained Right to Buy capital receipts. To ensure all these receipts can be used within the timeframes set by central Government the above amount needs to be spent during the next three financial years with targets in each quarter. The balance of 70% is financed from the HRA capital investment reserve.</p> <p>If the Council exceeds any of the quarterly targets the excess will count towards the next quarter. As conveyancing time frames cannot be guaranteed the timing of these budgets plan to exceed the targets rather than to just meet them, in case any of the planned property purchases do not proceed.</p> <p>This investment is in addition to the £6,656,000 budget already in the approved capital investment programme.</p> |
| <p>We are well on our way to ensuring that everyone has a home that meets their needs.</p> |                                    |  |   |
|         | <p>C3</p> <p><i>Additional</i></p> | <p>6,600,000</p> <p><i>Funded by:<br/>Reserves</i></p>                                       | <p><b>HRA Future Investment Programme</b><br/>(24/25 - £6,600,000)</p> <p>The investment relates to</p> <ul style="list-style-type: none"> <li>• continuing of the Decent Homes programme to bring the housing stock to decency levels;</li> <li>• common area improvements;</li> <li>• environmental health &amp; safety works;</li> <li>• disabled adaptations works;</li> </ul> <p>These works are wholly funded through the HRA, from the Major Repairs Reserve. This investment is in addition to the £34,748,000 budget already in the approved capital investment programme.</p>   |
| <p>We are well on our way to ensuring that everyone has a home that meets their needs.</p> |                                    |  |   |
|         | <p>C4</p> <p><i>New</i></p>        | <p>650,000</p> <p><i>Funded by:<br/>Corporate borrowing</i></p>                              | <p><b>Junction Protection</b><br/>(20/21 and 21/22 - £325,000 p.a.)</p> <p>Ensuring road safety for pedestrians and road users is vital and this investment is to install road junction protection at approximately 75 locations to help prevent obstructive and indiscriminate parking. This will help to improve sightlines for drivers and pedestrians and help improve the safety of all road users, whilst also aiding accessibility for all but particularly those with mobility impairments.</p>   |
| <p>People in all parts of the borough feel safe and secure at all times</p>                |                                    |  |   |

**CAPITAL INVESTMENT PROPOSALS**  
**2020/21 to 2024/25**





|  |                                 |  |  |  |
|--|---------------------------------|--|--|--|
|  <p>People in all parts of the borough feel safe and secure at all times</p>                              | <p>C5<br/><i>New</i></p>        | <p>600,000<br/><i>Funded by: Corporate borrowing</i></p>   | <p><b>Zebra Crossing Surfacing Replacement</b><br/><i>(20/21 to 22/23 - £200,000 p.a.)</i></p> <p>Ensuring road safety for pedestrians and road users is vital and this investment is for the removal of existing anti-skid surfacing and replacement with a high friction road surface at 66 sites across the Borough, almost a quarter of the sites currently in need of re-instatement. The new surface has a greater life expectancy and provides an enhanced surface for drivers to brake under emergency conditions at hazardous locations. A formal audit will be undertaken and work will be prioritised at crossing points on main traffic routes and close to primary and secondary schools over a three year replacement programme.</p> |  |
|  <p>We act as a green city with outstanding examples of energy efficient streets.</p>                     | <p>C6<br/><i>Additional</i></p> | <p>250,000<br/><i>Funded by: Corporate borrowing</i></p>   | <p><b>Street Lighting</b><br/><i>(21/22 to 22/23 - £125,000 p.a.)</i></p> <p>This investment is to extend the programme of street lighting infill for a further two years to deliver approximately another 100 new lighting columns.</p> <p>This investment is in addition to the £252,000 budget already in the approved capital investment programme.</p>  |  |
| <p><b>Safe and Well</b></p>  |                                 | <p><b>Total</b></p>  | <p><b>17,600,000</b></p>   |  |
|  <p>It is easier for residents, visitors and people who work here to get in and around the borough.</p> | <p>C7<br/><i>New</i></p>        | <p>500,000<br/><i>Funded by: Corporate borrowing</i></p>   | <p><b>Car Park Resurfacing</b><br/><i>(20/21 to 21/22 - £250,000 p.a.)</i></p> <p>This investment is to resurface and re-line car parks which have been surveyed and deemed to require work over the next two years. These include Alexandra Street, Clarence Road, Hamlet Court, Warrior Square and Fairheads Green.</p> <p>Investing in parking infrastructure and ensuring car parks are attractive and well looked after, will ensure better use and reduce the risk of loss of income from parking. This is an important component in implementing our Car Parking Strategy across the Borough.</p>   |  |
|  <p>It is easier for residents, visitors and people who work here to get in and around the borough.</p> | <p>C8<br/><i>Additional</i></p> | <p>1,000,000<br/><i>Funded by: Corporate borrowing</i></p> | <p><b>Carriageways and Footways Improvements</b><br/><i>(20/21 - £1,000,000)</i></p> <p>Improving local roads and pavements is a priority for local people and for this council. This investment is to improve the highways infrastructure, reduce long term structural maintenance and improve public safety. This is in addition to the budget of £2million already in the approved capital investment programme in 20/21.</p>   |  |

**CAPITAL INVESTMENT PROPOSALS**  
**2020/21 to 2024/25**

|   |                          |  |   |
|---|--------------------------|--|---|
|   |                          | Roadmap 2020:<br>   | The total £3m programme of works includes 43 of the highest priority roads and footways that need repair, across a range of wards. This is the start of more major investment across future years that will be needed to enable all the highest priority roads and footways to be brought up to standard across the borough.  |
| <br><br>It is easier for residents, visitors and people who work here to get in and around the borough.        | C9<br><i>Additional</i>  | 450,000<br><i>Funded by: Corporate borrowing</i><br><br>Roadmap 2020:<br> | <b>Improve Footway Condition around Highway Trees</b><br><i>(20/21 to 22/23 - £150,000 p.a.)</i><br><br>This investment is to improve the condition of footways around existing highway trees and ensure effective remedial works after the removal of highway trees. This will contribute to revenue savings for highways works. This level of investment should enable improvements at approximately 400 tree sites per year.<br><br>This investment is in addition to the £218,000 budget already in the approved capital investment programme.  |
| <br><br>Southend is a leading digital city with world class infrastructure that enables the whole population. | C10<br><i>New</i>        | 1,250,000<br><i>Funded by: Corporate borrowing</i>   | <b>ICT – Connected and Smart</b><br><i>(20/21 - £350,000, 21/22 to 22/23 - £450,000 p.a.)</i><br><br>This investment is to provide a cohesive, centralised ICT response, benefitting a number of key activities that contribute to the 2050 ambition for Connected and Smart. It includes considerations such as smart parking, connected and smart care homes and data warehousing and analytics. This investment will provision a centralised 'Internet of Things' platform capable of supporting the 2050 ambition.  |
| <b>Connected and Smart</b>  | <b>Total</b>             | <b>3,200,000</b>   |   |
| <br>Roadmap 2020:<br>     | C11<br><i>Additional</i> | 2,600,000<br><i>Funded by: External funding</i>  | <b>Schools – Improvement and Provision of Secondary School Places</b><br><i>(20/21 - £2,000,000, 21/22 - £600,000)</i><br><br>This investment is to continue the ongoing investment to ensure that every secondary aged pupil who lives in Southend can access a school place if they request one. By ensuring that there are sufficient places in local schools, within good quality buildings, pupils will gain better education outcomes, thus increasing aspirations and opportunities to continue into higher and further education and then into employment.<br><br>Expansions projects so far have been completed at The Eastwood Academy, Shoeburyness High School and Cecil Jones Academy. There are also ongoing projects at St Bernard's High School, St Thomas More High School and Belfairs Academy to ensure sufficient |





**CAPITAL INVESTMENT PROPOSALS**

**2020/21 to 2024/25**

|  |                                     |  |   |
|--|-------------------------------------|--|---|
|  |                                     |  | <p>accommodation for the extra pupils they started to admit from September 2018.</p> <p>This additional funding will allow completion of phase 2 works at Chase High School so they can admit an extra 30 pupils in September 2020 followed by a second increase of 30 in September 2021. Once completed the whole expansion programme will have added 1,250 places across years seven to eleven by September 2024. The programme will have provided sufficient places and a small level of surplus as required by the Department for Education that gives families and children some choice.</p> <p>This is funded from Government Grant (subject to final Government capital funding announcements) with corporate borrowing used until the funding is received. This investment is in addition to the £10,962,000 budget already in the approved capital investment programme.</p> |
|  <p>Our children are school and life ready and our workforce is skilled and job ready</p>  | <p>C12</p> <p><i>Additional</i></p> | <p>1,290,000</p> <p><i>Funded by:</i><br/><i>External funding</i></p> <p>Roadmap 2020:</p>  | <p><b>Schools – Condition Works</b><br/><i>(20/21 - £290,000, 21/22 to 22/23 - £500,000 p.a.)</i></p> <p>This investment is for condition works at Children Centres and emergency works at schools. These are mainly larger, urgent projects to be agreed between the Council’s property team and head teachers.</p> <p>This is funded from Government Grant (subject to final Government capital funding announcements).</p> <p>This investment is in addition to the £65,000 budget already in the approved capital investment programme.</p>   |
|  <p>Our children are school and life ready and our workforce is skilled and job ready</p> | <p>C13</p> <p><i>Additional</i></p> | <p>300,000</p> <p><i>Funded by:</i><br/><i>External funding</i></p>  | <p><b>Schools – Devolved Formula Capital</b><br/><i>(20/21 to 22/23 - £100,000 p.a.)</i></p> <p>This investment will be funded by Government grant and devolved directly to maintained schools to fund capital projects under their direction and control. It is an estimate at this stage for the next three years.</p> <p>This is funded from Government Grant (subject to final Government capital funding announcements).</p> <p>This investment is in addition to the £100,000 budget already in the approved capital investment programme.</p>  |
|   | <p>C14</p> <p><i>Additional</i></p> | <p>1,020,000</p> <p><i>Funded by:</i><br/><i>£50,000 external funding, rest</i></p>  | <p><b>Better Queensway – Programme Management</b><br/><i>(20/21 - £540,000, 21/22 - £480,000)</i></p> <p>Better Queensway is the largest housing and regeneration project the council has undertaken since the 1960’s and this investment is vital to ensure the Council is able to support, hold accountable and work in</p>   |








**CAPITAL INVESTMENT PROPOSALS**  
**2020/21 to 2024/25**


|   |                                     |  |   |
|---|-------------------------------------|--|---|
| <p>Key regeneration schemes, such as Queensway are underway and bringing prosperity and job opportunities to the borough.</p>   |                                     | <p><i>Corporate borrowing</i></p> <p>Roadmap 2020:</p>  | <p>partnership with Porter’s Place Southend-on-Sea LLP and Swan Housing Association to deliver this project that will transform central Southend.</p> <p>Whilst this includes the costs of the Project Management Office, meeting the necessarily tight deadlines to keep the project to programme will require the ability to backfill on occasion.</p> <p>The external advisory team have also proved vital with their specialist knowledge and experience and so retaining their capacity, albeit on a diminishing basis, will provide the Partnership Board with the necessary support in managing the relationship with the LLP and in delivering the activities the Council is committed to.</p> <p>This investment is in addition to the £541,000 budget already in the approved capital investment programme.</p> |
|  <p>Roadmap 2020:</p>  | <p>C15</p> <p><i>Additional</i></p> | <p>2,600,000</p> <p><i>Funded by: Corporate borrowing, to be reimbursed by the LLP</i></p>   | <p><b>Better Queensway – Acquisition of Leasehold Properties</b><br/><i>(20/21 - £800,000, 21/22 - £1,800,000)</i></p> <p>This investment is to buy leasehold properties as they become available to facilitate the delivery of the Better Queensway regeneration project. The Council will finance the purchases initially and Porter’s Place Southend-on-Sea LLP will reimburse the purchase cost and the associated financing costs.</p> <p>This investment is in addition to the £284,000 budget already in the approved capital investment programme.</p>  |
| <p><b>Opportunity and Prosperity</b></p>  | <p><b>Total</b></p>                 | <p><b>7,810,000</b></p>  |   |
|    | <p>C16</p> <p><i>Additional</i></p> | <p>2,400,000</p> <p><i>Funded by: Corporate borrowing</i></p>  | <p><b>Priority Works</b><br/><i>(21/22 to 24/25 - £600,000 p.a.)</i></p> <p>This investment is to ensure a £600,000 annual budget in this area is available to deal with any urgent or priority works to Council owned properties that may arise during the year.</p> <p>This investment is in addition to the £630,000 budget already in the approved capital investment programme.</p>  |



**CAPITAL INVESTMENT PROPOSALS**  
**2020/21 to 2024/25**



|   |                                     |   |  |
|---|-------------------------------------|---|--|
|    | <p>C17</p> <p><i>Additional</i></p> | <p>3,750,000</p> <p><i>Funded by:<br/>Corporate<br/>borrowing</i></p> | <p><b>Property Refurbishment Programme</b><br/>(20/21 to 24/25 - £750,000 p.a.)</p> <p>This investment is to enable the Council's Property and Estate Management service to take a proactive approach to maintaining the buildings for which it is responsible. This will ensure investment is made in the fabric and services within building before they get to a stage that capital works become urgent or have a detrimental impact on service users' use of the building or leads to urgent repairs and maintenance works which are usually more costs long term.</p> <p>This investment is in addition to the £676,000 budget already in the approved capital investment programme .</p> |
|    | <p>C18</p> <p><i>New</i></p>        | <p>3,095,000</p> <p><i>Funded by:<br/>Corporate<br/>borrowing</i></p> | <p><b>ICT – Stabilise and Run</b><br/>(20/21 - £785,000, 21/22 - £1,255,000, 22/23 - £1,055,000)</p> <p>This investment is to provide licensing compliance, third party infrastructure support and better resilience through improved/new hardware. It is also for the provision of a cost effective, fit for purpose, disaster recovery service designed to meet the Council's future requirements as it embarks on its digital journey.</p>  |
|  | <p>C19</p> <p><i>New</i></p>        | <p>1,050,000</p> <p><i>Funded by:<br/>Corporate<br/>borrowing</i></p> | <p><b>ICT – Cybersecurity</b><br/>(20/21 - £450,000, 21/22 to 22/23 - £300,000 p.a.)</p> <p>Cybersecurity presents a real risk to large organisations and this investment is to strengthen and enhance ICT security to mitigate key risks identified in a recent security assessment and bring cyber security up to industry standard. It will also enable improved real time alerting and monitoring leading to pro-active interventions that will minimise system outages.</p>   |
|  | <p>C20</p> <p><i>New</i></p>        | <p>2,110,000</p> <p><i>Funded by:<br/>Corporate<br/>borrowing</i></p> | <p><b>ICT – Business Enablement</b><br/>(20/21 - £1,735,000, 21/22 - £375,000)</p> <p>Much of the council's ICT equipment is coming to the end of its useful life and needs replacing through a phased programme. This investment is to fully modernise the council's 'laptop estate' (including in public buildings such as libraries) over the next two years, fully deploy Windows 10 and improve productivity by building a Cloud platform to manage the ICT estate.</p>   |
|  | <p>C21</p> <p><i>New</i></p>        | <p>660,000</p> <p><i>Funded by:<br/>Corporate<br/>borrowing</i></p>   | <p><b>ICT – Business Services</b><br/>(20/21 - £660,000)</p> <p>This investment is for a new and enhanced applications migration platform for improved resilience and reliability. It also includes ICT business services relating to the parking contract renewal, a replacement for Symology and an uplift to the Schools Toolset.</p>   |

**CAPITAL INVESTMENT PROPOSALS**  
**2020/21 to 2024/25**






|   |                   |   |   |
|---|-------------------|---|---|
|  | C22               | 100,000                                   | <b>Kiosks in Libraries</b><br>(20/21 - £100,000)<br><br>The current kiosks are approaching the end of their useful life with an operating system that is now obsolete and no longer supported. The current kiosks also only allow library users to pay fines by cash but not by card. If new kiosks are not installed, customers will not be able to self-serve the borrowing and returning of books. This investment is in addition to the £40,000 budget already in the approved capital investment programme and this investment is the extra budget needed to deliver the scheme. |
|   | <i>Additional</i> | <i>Funded by:<br/>Corporate borrowing</i> |   |
| <b>Enabling</b>   | <b>Total</b>      | <b>13,165,000</b>                         |   |
|   |                   | <b>47,110,000</b>                         | <b>TOTAL CAPITAL INVESTMENT PROPOSALS</b>   |

### 3. Proposed Investment Subject to Viable Business Cases

Viable business cases will need to be produced and approved before these schemes can progress and be brought into the capital investment programme.

| Theme   |                   | Total (£)                                 | Proposed Initiatives   |
|---|-------------------|---|--|
|  | C23               | 1,780,000                                 | <b>Crematorium Refurbishment</b><br>(20/21 - £1,780,000)<br><br>This proposed investment is to fully refurbish the current facilities to ensure the Council can continue to provide high quality crematorium services to local people. The works proposed include: replacement of the three existing cremators and the plant associated with them; rebuilding the chimney; structural and roof works; reconfiguration and upgrade of some front of house areas; reconfiguration of the back of house areas to accommodate new equipment and facilitate better working; resurfacing the parking area.<br><br>The total investment will be £2,400,000 but there is currently £620,000 in the current programme that will be contributed to this overall cost and also allow the relevant feasibility and design works to commence. |
|   | <i>Additional</i> | <i>Funded by:<br/>Corporate borrowing</i> |  |
|  | C24               |   | <b>East Beach Car Park Refurbishment</b><br><br>This proposed investment is to upgrade the car park surface with tarmac, mark out parking spaces and to provide lighting to encourage users of Shoeburyness railway station to park there. The project will include provision of a new pathway from the station to the car park with appropriate lighting.   |
|   |                   |   |  |

**CAPITAL INVESTMENT PROPOSALS**  
**2020/21 to 2024/25**

|  |            |  |  |
|--|------------|--|--|
|  <p>People in all parts of the borough feel safe and secure at all times</p>  | <p>C25</p> | <p>Roadmap 2019:</p>    | <p><b>Town Centre and Seafront Security Works</b></p> <p>A specification for a new High Street automated bollards system is being progressed. The implementation is due to be included with the Sunrise project work, which is due to start in early 2020. Budget estimates will follow in early 2020 once the final specification for this work has been agreed.</p> <p>For the seafront and other security measures there is a review to agree priority locations and develop specification for measures to be implemented. A programme and estimated budget will be proposed by early 2020.</p> |
|  <p>We are all effective at protecting and improving the quality of life for the most vulnerable in our community</p> |            |  | <p><b>Shoebury Health Centre</b></p> <p>Discussions have been taking place with the CCG and in early 2020 pre workshop engagement sessions are planned with key partners in advance of the discovery period in January, which will long list options.</p> <p>During 20/21 further work will take place to consider viability assessments, to short list options and to agree a preferred option, for which an outline business case would be drawn up. In 21/22 the full business case would be then be compiled and considered with development anticipated in 23/24.</p>                         |
|  <p>It is easier for residents, visitors and people who work here to get in and around the borough.</p>             |            | <p>Roadmap 2019:</p>  | <p><b>Car Park Provision</b></p> <p>A feasibility study has been commissioned and will report back on options by mid-March. This will look at multi-storey car park options at Tylers Avenue and two other possible sites in Leigh-on-Sea and include costs (construction and ongoing revenue), timescales and environmental factors such as air quality and traffic implications.</p>   |
|  |            | <p><b>1,780,000</b></p>  | <p><b>TOTAL SCHEMES SUBJECT TO VIABLE BUSINESS CASES (plus investment yet to be costed)</b></p>  |

**CAPITAL INVESTMENT PROPOSALS**  
**2020/21 to 2024/25**

The annual profile of this total investment would be as follows;

**Main programme:**

| <b>Year</b>    | <b>Pride and Joy<br/>£000</b> | <b>Safe and Well<br/>£000</b> | <b>Connected and Smart<br/>£000</b> | <b>Opportunity<br/>and<br/>Prosperity<br/>£000</b> | <b>Enabling<br/>£000</b> | <b>Total<br/>£000</b> |
|----------------|-------------------------------|-------------------------------|-------------------------------------|--|--------------------------|-----------------------|
| <b>2020/21</b> | 335                           | 5,525                         | 1,750                               | 3,730  | 4,480                    | <b>15,820</b>         |
| <b>2021/22</b> | 1,250                         | 3,650                         | 850                                 | 3,480  | 3,280                    | <b>12,510</b>         |
| <b>2022/23</b> | 1,250                         | 1,825                         | 600                                 | 600  | 2,705                    | <b>6,980</b>          |
| <b>2023/24</b> | 1,250                         | -                             | -                                   | -  | 1,350                    | <b>2,600</b>          |
| <b>2024/25</b> | 1,250                         | 6,600                         | -                                   | -  | 1,350                    | <b>9,200</b>          |
| <b>TOTAL</b>   | <b>5,335</b>                  | <b>17,600</b>                 | <b>3,200</b>                        | <b>7,810</b>                                       | <b>13,165</b>            | <b>47,110</b>         |

**Subject to viable business cases:**

| <b>Year</b>    | <b>Pride and Joy<br/>£000</b> | <b>Safe and Well<br/>£000</b> | <b>Connected and Smart<br/>£000</b> | <b>Opportunity<br/>and<br/>Prosperity<br/>£000</b> | <b>Enabling<br/>£000</b> | <b>Total<br/>£000</b> |
|----------------|-------------------------------|-------------------------------|-------------------------------------|--|--------------------------|-----------------------|
| <b>2020/21</b> | -                             | -                             | -                                   | -  | 1,780                    | <b>1,780</b>          |
| <b>2021/22</b> | -                             | -                             | -                                   | -  | -                        | -                     |
| <b>2022/23</b> | -                             | -                             | -                                   | -  | -                        | -                     |
| <b>2023/24</b> | -                             | -                             | -                                   | -  | -                        | -                     |
| <b>2024/25</b> | -                             | -                             | -                                   | -  | -                        | -                     |
| <b>TOTAL</b>   | -                             | -                             | -                                   | -  | <b>1,780</b>             | <b>1,780</b>          |

**CAPITAL INVESTMENT PROPOSALS**  
**2020/21 to 2024/25**

The funding by total cost of scheme would be as follows;

| No. | Scheme name                                  | Capital                     |   |                                    |   |  |              | Revenue per annum              |  |  |            |
|-----|--|-----------------------------|---|------------------------------------|---|--|--------------|--------------------------------|--|--|------------|
|     |  | General Fund Borrowing £000 | General Fund Borrowing where financing costs to be met from savings/ income generation £000 | General Fund External Funding £000 | General Fund Existing Funding <sup>(1)</sup> £000 | Housing Revenue Account Self-Funded £000 | Total £000   | Corporate Financing Costs £000 | Additional Budget for Service Costs £000 | Service Savings / Income Generation £000 | Total £000 |
| C1  | Southend Pier - Condition Works              | 5,335                       | 0   | 0                                  | 0   | 0  | 5,335        | 373                            | 0  | 0  | 373        |
|     | <b>Pride and Joy Total</b>                   | <b>5,335</b>                | <b>0</b>  | <b>0</b>                           | <b>0</b>  | <b>0</b>                                 | <b>5,335</b> | <b>373</b>                     | <b>0</b>                                 | <b>0</b>                                 | <b>373</b> |
| C2  | HRA Affordable Housing Acquisition Programme | 0                           | 0   | 0                                  | 9,500   | 0  | 9,500        | 0                              | 0  | 0  | 0          |
| C3  | HRA Future Investment Programme              | 0                           | 0   | 0                                  | 0   | 6,600                                    | 6,600        | 0                              | 0  | 0  | 0          |
| C4  | Junction Protection                          | 650                         | 0   | 0                                  | 0   | 0  | 650          | 46                             | 0  | 0  | 46         |
| C5  | Zebra Crossing Surfacing Replacement         | 600                         | 0   | 0                                  | 0   | 0  | 600          | 42                             | 0  | 0  | 42         |
| C6  | Street Lighting                              | 250                         |   |                                    |   |  | 250          | 18                             | 0  | 0  | 18         |

**CAPITAL INVESTMENT PROPOSALS**  
**2020/21 to 2024/25**

| No. | Scheme name  | Capital                        |  |                                       |  |   |               | Revenue per annum                 |   |   |               |
|-----|--|--------------------------------|--|---------------------------------------|--|---|---------------|-----------------------------------|---|---|---------------|
|     |  | General Fund Borrowing<br>£000 | General Fund Borrowing where financing costs to be met from savings/ income generation<br>£000 | General Fund External Funding<br>£000 | General Fund Existing Funding <sup>(1)</sup><br>£000 | Housing Revenue Account Self-Funded<br>£000 | Total<br>£000 | Corporate Financing Costs<br>£000 | Additional Budget for Service Costs<br>£000 | Service Savings / Income Generation<br>£000 | Total<br>£000 |
|     | <b>Safe and Well Total</b>                                     | <b>1,500</b>                   | <b>0</b>   | <b>0</b>                              | <b>9,500</b>   | <b>6,600</b>                                | <b>17,600</b> | <b>105</b>                        | <b>0</b>                                    | <b>0</b>                                    | <b>105</b>    |
| C7  | Car Park Resurfacing   | 500                            | 0  | 0                                     | 0  | 0   | 500           | 35                                | 0   | 0   | 35            |
| C8  | Carriageways and Footways Improvements                         | 1,000                          | 0  | 0                                     | 0  | 0   | 1,000         | 70                                | 0   | 0   | 70            |
| C9  | Improve Footway Condition Around Highway Trees                 | 450                            | 0  | 0                                     | 0  | 0   | 450           | 32                                | 0   | 0   | 32            |
| C10 | ICT - Connected and Smart                                      | 1,250                          | 0  | 0                                     | 0  | 0   | 1,250         | 88                                | 0   | 0   | 88            |
|     | <b>Connected and Smart Total</b>                               | <b>3,200</b>                   | <b>0</b>   | <b>0</b>                              | <b>0</b>   | <b>0</b>                                    | <b>3,200</b>  | <b>224</b>                        | <b>0</b>                                    | <b>0</b>                                    | <b>224</b>    |
| C11 | Schools - Improvement and Provision of Secondary School Places | 0                              | 0  | 2,600                                 | 0  | 0   | 2,600         | 0                                 | 0   | 0   | 0             |
| C12 | Schools - Condition Works                                      | 0                              | 0  | 1,290                                 | 0  | 0   | 1,290         | 0                                 | 0   | 0   | 0             |

**CAPITAL INVESTMENT PROPOSALS**  
**2020/21 to 2024/25**

| No. | Scheme name  | Capital                        |  |                                       |  |   |               | Revenue per annum                 |   |   |               |
|-----|--|--------------------------------|--|---------------------------------------|--|---|---------------|-----------------------------------|---|---|---------------|
|     |  | General Fund Borrowing<br>£000 | General Fund Borrowing where financing costs to be met from savings/ income generation<br>£000 | General Fund External Funding<br>£000 | General Fund Existing Funding <sup>(1)</sup><br>£000 | Housing Revenue Account Self-Funded<br>£000 | Total<br>£000 | Corporate Financing Costs<br>£000 | Additional Budget for Service Costs<br>£000 | Service Savings / Income Generation<br>£000 | Total<br>£000 |
| C13 | Schools - Devolved Formula Capital                     | 0                              | 0  | 300                                   | 0  | 0   | 300           | 0                                 | 0   | 0   | 0             |
| C14 | Better Queensway – Programme Management                | 970                            | 0  | 50                                    | 0  | 0   | 1,020         | 71                                | 5   | 0   | 76            |
| C15 | Better Queensway - Acquisition of Leasehold Properties | 0                              | 2,600  | 0                                     | 0  | 0   | 2,600         | 182                               | 0   | (182)                                       | 0             |
|     | <b>Opportunity and Prosperity Total</b>                | <b>970</b>                     | <b>2,600</b>   | <b>4,240</b>                          | <b>0</b>   | <b>0</b>                                    | <b>7,810</b>  | <b>250</b>                        | <b>5</b>                                    | <b>(182)</b>                                | <b>73</b>     |
| C16 | Priority Works   | 2,400                          | 0  | 0                                     | 0  | 0   | 2,400         | 168                               | 0   | 0   | 168           |
| C17 | Property Refurbishment Programme                       | 3,750                          | 0  | 0                                     | 0  | 0   | 3,750         | 263                               | 0   | 0   | 263           |
| C18 | ICT - Stabilise and Run                                | 3,095                          | 0  | 0                                     | 0  | 0   | 3,095         | 217                               | 0   | 0   | 217           |
| C19 | ICT- Cybersecurity                                     | 1,050                          | 0  | 0                                     | 0  | 0   | 1,050         | 74                                | 0   | 0   | 74            |
| C20 | ICT - Business   | 2,110                          | 0  | 0                                     | 0  | 0   | 2,110         | 148                               | 0   | 0   | 148           |

**CAPITAL INVESTMENT PROPOSALS**  
**2020/21 to 2024/25**

| No. | Scheme name             | Capital                        |  |                                       |  |   |               | Revenue per annum                 |   |   |               |
|-----|-------------------------|--------------------------------|--|---------------------------------------|--|---|---------------|-----------------------------------|---|---|---------------|
|     |                         | General Fund Borrowing<br>£000 | General Fund Borrowing where financing costs to be met from savings/ income generation<br>£000 | General Fund External Funding<br>£000 | General Fund Existing Funding <sup>(1)</sup><br>£000 | Housing Revenue Account Self-Funded<br>£000 | Total<br>£000 | Corporate Financing Costs<br>£000 | Additional Budget for Service Costs<br>£000 | Service Savings / Income Generation<br>£000 | Total<br>£000 |
|     | Enablement              |                                |  |                                       |  |   |               |                                   |   |   |               |
| C21 | ICT - Business Services | 660                            | 0  | 0                                     | 0  | 0   | 660           | 46                                | 0   | 0   | 46            |
| C22 | Kiosks in Libraries     | 100                            | 0  | 0                                     | 0  | 0   | 100           | 7                                 | 0   | 0   | 7             |
|     | <b>Enabling Total</b>   | <b>13,165</b>                  | <b>0</b>   | <b>0</b>                              | <b>0</b>   | <b>0</b>                                    | <b>13,165</b> | <b>922</b>                        | <b>0</b>                                    | <b>0</b>                                    | <b>922</b>    |
|     | <b>Overall Total</b>    | <b>24,170</b>                  | <b>2,600</b>   | <b>4,240</b>                          | <b>9,500</b>   | <b>6,600</b>                                | <b>47,110</b> | <b>1,874</b>                      | <b>5</b>                                    | <b>(182)</b>                                | <b>1,697</b>  |

Note 1- Capital receipts or revenue contributions to capital including from earmarked reserves

Note 2 – Unless shown as additional budget for service costs above, the running costs of these schemes will be met from existing budgets



**CAPITAL INVESTMENT PROPOSALS**  
**2020/21 to 2024/25**

| No. | Schemes Subject to Viable Business Cases:             | Capital                     |  |                                    |   |  |              | Revenue per annum              |  |  |            |
|-----|---|-----------------------------|--|------------------------------------|---|--|--------------|--------------------------------|--|--|------------|
|     |   | General Fund Borrowing £000 | General Fund Borrowing where financing costs to be met from savings/income generation £000 | General Fund External Funding £000 | General Fund Existing Funding <sup>(1)</sup> £000 | Housing Revenue Account Self-Funded £000 | Total £000   | Corporate Financing Costs £000 | Additional Budget for Service Costs £000 | Service Savings / Income Generation £000 | Total £000 |
| C23 | Crematorium Refurbishment                             | 1,780                       | 0  | 0                                  | 0   | 0  | 1,780        | 125                            | 0  | 0  | 125        |
|     | <b>Schemes Subject to Viable Business Cases Total</b> | <b>2,080</b>                | <b>0</b>   | <b>0</b>                           | <b>0</b>  | <b>0</b>                                 | <b>1,780</b> | <b>125</b>                     | <b>0</b>                                 | <b>0</b>                                 | <b>125</b> |

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**SUMMARY OF CHANGES TO THE CAPITAL INVESTMENT PROGRAMME**

**Appendix 11**

**Carry Forwards to Future Years**

| Scheme  | 2019/20<br>Budget<br>£000 | 2020/21<br>Budget<br>£000 | 2021/22<br>Budget<br>£000 | 2022/23<br>Budget<br>£000 | 2023/24<br>Budget<br>£000 | 2024/25 and<br>future years<br>Budget<br>£000 | Total Budget<br>(all years)<br>£000 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---|-------------------------------------|
| Common Areas Improvement  | (200)                     | 200                       |                           |                           |                           |   | 0                                   |
| Children's Residential Care Provision                                       | (685)                     | 685                       |                           |                           |                           |   | 0                                   |
| Community Capacity  | (125)                     | 125                       |                           |                           |                           |   | 0                                   |
| Delaware and Priory New Build   | (2,700)                   | 2,500                     | 200                       |                           |                           |   | 0                                   |
| AHDC Short Breaks for Disabled Children                                     | (64)                      | 64                        |                           |                           |                           |   | 0                                   |
| Mental Health Funding Stream  | (36)                      | 36                        |                           |                           |                           |   | 0                                   |
| Transforming Care Housing   | (162)                     | 162                       |                           |                           |                           |   | 0                                   |
| Fairways Primary Roof   | (15)                      | 15                        |                           |                           |                           |   | 0                                   |
| Fairways Primary Pipe Works   | (26)                      | 26                        |                           |                           |                           |   | 0                                   |
| Southend Pier - Pier Pavilion Platform Design                               | (127)                     | 127                       |                           |                           |                           |   | 0                                   |
| Better Queensway  | (500)                     | (12,600)                  | 2,000                     | 2,000                     | 2,000                     | 7,100   | 0                                   |
| Allotments Water Supply Upgrade   | (113)                     | 57                        | 56                        |                           |                           |   | 0                                   |
| Playground Gates  | (123)                     | 123                       |                           |                           |                           |   | 0                                   |
| Sidmouth Park - Replacement of Play Equipment                               | (50)                      | 50                        |                           |                           |                           |   | 0                                   |
| Shoebury Common Regeneration  | (236)                     | 236                       |                           |                           |                           |   | 0                                   |
| Southend Cliffs - Reaplacement of Handrails                                 | (16)                      | 16                        |                           |                           |                           |   | 0                                   |
| Kiosks in Libraries   | (40)                      | 40                        |                           |                           |                           |   | 0                                   |
| Library Review  | (179)                     | 179                       |                           |                           |                           |   | 0                                   |
| Palace Theatre - Power Supply Equipment                                     | (25)                      | 25                        |                           |                           |                           |   | 0                                   |
| Improved Car Park Signage and Guidance Systems                              | (215)                     | 215                       |                           |                           |                           |   | 0                                   |
| Traffic Signs Upgrade   | (100)                     | 100                       |                           |                           |                           |   | 0                                   |
| LTP (Integrated Transport block) - Better Networks                          | (50)                      | 50                        |                           |                           |                           |   | 0                                   |
| LTP (Integrated Transport block) - Better Sustainable Transport             | (335)                     | 335                       |                           |                           |                           |   | 0                                   |
| LTP (Integrated Transport block) - Traffic Control Systems                  | (200)                     | 200                       |                           |                           |                           |   | 0                                   |
| Local Growth Fund - A127 Growth Corridor                                    | (300)                     | 300                       |                           |                           |                           |   | 0                                   |
| Parking Strategy  | (50)                      | 50                        |                           |                           |                           |   | 0                                   |
| Southend Transport Model  | (266)                     | 56                        | 105                       | 105                       |                           |   | 0                                   |
| Improving Resilience of the Borough to Flooding from Extreme Weather Events | (35)                      | 35                        |                           |                           |                           |   | 0                                   |
| CCTV Equipment Renewal  | (660)                     | (106)                     | 700                       | 66                        |                           |   | 0                                   |
| Belfairs Park Restaurant/Golf Club Preventative Works                       | (55)                      | 55                        |                           |                           |                           |   | 0                                   |
| Civic Centre Boilers  | (259)                     | 259                       |                           |                           |                           |   | 0                                   |
| ICT Children's & Adult Social Care Development of Liquid Logic              | (200)                     | 200                       |                           |                           |                           |   | 0                                   |
| Energy Efficiency Projects  | (78)                      | 78                        |                           |                           |                           |   | 0                                   |
| Solar PV Projects   | (438)                     | 438                       |                           |                           |                           |   | 0                                   |
| S106 Avenue Works   | (15)                      | 15                        |                           |                           |                           |   | 0                                   |
| S106 Sunlight Ldry  | (3)                       | 3                         |                           |                           |                           |   | 0                                   |
| S278 Bellway Homes  |                           | (8)                       | 8                         |                           |                           |   | 0                                   |
| Futures Demolition  | (35)                      | 35                        |                           |                           |                           |   | 0                                   |
| <b>Total Carry Forwards</b>   | <b>(8,716)</b>            | <b>(5,624)</b>            | <b>3,069</b>              | <b>2,171</b>              | <b>2,000</b>              | <b>7,100</b>                                  | <b>0</b>                            |

**SUMMARY OF CHANGES TO THE CAPITAL INVESTMENT PROGRAMME**

Appendix 11

**Accelerated Deliveries**

| Scheme  | 2019/20<br>Budget<br>£000 | 2020/21<br>Budget<br>£000 | 2021/22<br>Budget<br>£000 | 2022/23<br>Budget<br>£000 | 2023/24<br>Budget<br>£000 | 2024/25 and<br>future years<br>Budget<br>£000 | Total Budget<br>(all years)<br>£000 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---|-------------------------------------|
| School Improvement and Provision of School Places | 900                       | (900)                     |                           |                           |                           |   | 0                                   |
| Cliffs Pavilion – Chiller                         | 25                        | (25)                      |                           |                           |                           |   | 0                                   |
| Flood Prevention Works                            | 110                       |                           | (110)                     |                           |                           |   | 0                                   |
| Carriageways and Footways Improvements            |                           | 1,000                     | (1,000)                   |                           |                           |   | 0                                   |
| Real Time Air Quality Measurement - Feasibility   | 2                         | (2)                       |                           |                           |                           |   | 0                                   |
| S38 Bellway Homes                                 | 25                        | (71)                      | 46                        |                           |                           |   | 0                                   |
| S38 Fossetts (const&maint fee)                    | 6                         | (6)                       |                           |                           |                           |   | 0                                   |
| <b>Total Accelerated Deliveries</b>               | <b>1,068</b>              | <b>(4)</b>                | <b>(1,064)</b>            | <b>0</b>                  | <b>0</b>                  | <b>0</b>                                      | <b>0</b>                            |

**Schemes Removed from Programme**

| Scheme  | 2019/20<br>Budget<br>£000 | 2020/21<br>Budget<br>£000 | 2021/22<br>Budget<br>£000 | 2022/23<br>Budget<br>£000 | 2023/24<br>Budget<br>£000 | 2024/25 and<br>future years<br>Budget<br>£000 | Total Budget<br>(all years)<br>£000 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---|-------------------------------------|
| Southchurch Park Tow Path                       | (4)                       |                           |                           |                           |                           |   | (4)                                 |
| Make Southend Sparkle                           | (18)                      |                           |                           |                           |                           |   | (18)                                |
| Shoeburymess Leisure Centre Building Management | (18)                      |                           |                           |                           |                           |   | (18)                                |
| Palace Theatres Asbestos Safety Curtain         | (2)                       |                           |                           |                           |                           |   | (2)                                 |
| Commerical Property Investment                  | (9)                       |                           |                           |                           |                           |   | (9)                                 |
| Herbert Grove Security                          | (4)                       |                           |                           |                           |                           |   | (4)                                 |
| Relocation of START                             | (17)                      |                           |                           |                           |                           |   | (17)                                |
| ICT Central Government IT Security Compliance   | (139)                     |                           |                           |                           |                           |   | (139)                               |
| ICT Health and Social Care GovRoam              | (20)                      |                           |                           |                           |                           |   | (20)                                |
| Mobile Device End Point Protection Replacement  | (1)                       |                           |                           |                           |                           |   | (1)                                 |
| Northgate Revenues and Benefits Application     | (15)                      |                           |                           |                           |                           |   | (15)                                |
| 'Internet of Things' - Smart City Delivery      | (82)                      | (132)                     |                           |                           |                           |   | (214)                               |
| S106 Albany Court                               | (9)                       |                           |                           |                           |                           |   | (9)                                 |
| S106 Texsol Kenway                              | (2)                       |                           |                           |                           |                           |   | (2)                                 |
| S106 St Hildas - affordable housing             | (11)                      |                           |                           |                           |                           |   | (11)                                |
| S106 3 Acacia Drive - affordable housing        | (177)                     |                           |                           |                           |                           |   | (177)                               |
| S106 Essex House - affordable housing           | (320)                     |                           |                           |                           |                           |   | (320)                               |
| S106 32-36 Valkyrie Rd - affordable housing     | (218)                     |                           |                           |                           |                           |   | (218)                               |
| S106 845-849 London Rd – affordable housing     | (143)                     |                           |                           |                           |                           |   | (143)                               |
| S106 3-5 High Street - affordable housing       | (172)                     |                           |                           |                           |                           |   | (172)                               |
| <b>Total Schemes Removed from Programme</b>     | <b>(1,381)</b>            | <b>(132)</b>              | <b>0</b>                  | <b>0</b>                  | <b>0</b>                  | <b>0</b>                                      | <b>(1,513)</b>                      |



**SUMMARY OF CHANGES TO THE CAPITAL INVESTMENT PROGRAMME**

Appendix 11

**Proposed New Investment**

| Scheme   | 2019/20<br>Budget<br>£000 | 2020/21<br>Budget<br>£000 | 2021/22<br>Budget<br>£000 | 2022/23<br>Budget<br>£000 | 2023/24<br>Budget<br>£000 | 2024/25 and<br>future years<br>Budget<br>£000 | Total Budget<br>(all years)<br>£000 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---|-------------------------------------|
| Southend Pier - Condition Works                                |                           | 335                       | 1,250                     | 1,250                     | 1,250                     | 1,250   | 5,335                               |
| HRA Affordable Housing Acquisitions Programme                  |                           | 5,000                     | 3,000                     | 1,500                     |                           |   | 9,500                               |
| HRA Future Investment Programme                                |                           |                           |                           |                           |                           | 6,600   | 6,600                               |
| Junction Protection  |                           | 325                       | 325                       |                           |                           |   | 650                                 |
| Zebra Crossing Surfacing Replacement                           |                           | 200                       | 200                       | 200                       |                           |   | 600                                 |
| Street Lighting  |                           |                           | 125                       | 125                       |                           |   | 250                                 |
| Car Park Resurfacing   |                           | 250                       | 250                       |                           |                           |   | 500                                 |
| Carriageways and Footways Improvements                         |                           | 1,000                     |                           |                           |                           |   | 1,000                               |
| Improve Footway Condition Around Trees                         |                           | 150                       | 150                       | 150                       |                           |   | 450                                 |
| ICT - Connected and Smart                                      |                           | 350                       | 450                       | 450                       |                           |   | 1,250                               |
| Schools - Improvement and Provision of Secondary School Places |                           | 2,000                     | 600                       |                           |                           |   | 2,600                               |
| Schools - Condition Works                                      |                           | 290                       | 500                       | 500                       |                           |   | 1,290                               |
| Schools - Devolved Formula Capital                             |                           | 100                       | 100                       | 100                       |                           |   | 300                                 |
| Better Queensway - Programme Management                        |                           | 540                       | 480                       |                           |                           |   | 1,020                               |
| Better Queensway - Acquisition of Leasehold Properties         |                           | 800                       | 1,800                     |                           |                           |   | 2,600                               |
| Priority Works   |                           |                           | 600                       | 600                       | 600                       | 600   | 2,400                               |
| Property Refurbishment Programme                               |                           | 750                       | 750                       | 750                       | 750                       | 750   | 3,750                               |
| ICT - Stabilise and Run  |                           | 785                       | 1,255                     | 1,055                     |                           |   | 3,095                               |
| ICT - Cybersecurity  |                           | 450                       | 300                       | 300                       |                           |   | 1,050                               |
| ICT - Business Enablement                                      |                           | 1,735                     | 375                       |                           |                           |   | 2,110                               |
| ICT - Business Services  |                           |                           | 660                       |                           |                           |   | 660                                 |
| Kiosks in Libraries  |                           | 100                       |                           |                           |                           |   | 100                                 |
| <b>Total Proposed New Investment</b>                           | <b>0</b>                  | <b>15,820</b>             | <b>12,510</b>             | <b>6,980</b>              | <b>2,600</b>              | <b>9,200</b>                                  | <b>47,110</b>                       |

**Proposed New Investment Subject to Viable Business Cases**

| Scheme  | 2019/20<br>Budget<br>£000 | 2020/21<br>Budget<br>£000 | 2021/22<br>Budget<br>£000 | 2022/23<br>Budget<br>£000 | 2023/24<br>Budget<br>£000 | 2024/25 and<br>future years<br>Budget<br>£000 | Total Budget<br>(all years)<br>£000 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---|-------------------------------------|
| Crematorium Refurbishment   |                           | 1,780                     |                           |                           |                           |   | 1,780                               |
| East Beach Car Park Refurbishment                                     |                           |                           |                           |                           |                           |   |                                     |
| Town Centre and Seafront Security Works                               |                           |                           |                           |                           |                           |   |                                     |
| <b>Total Proposed New Investment Subject to Viable Business Cases</b> | <b>0</b>                  | <b>1,780</b>              | <b>0</b>                  | <b>0</b>                  | <b>0</b>                  | <b>0</b>                                      | <b>1,780</b>                        |

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**Proposed Capital Investment Programme 2019/20 to 2024/25 and future years -  
Summary by Area of Investment**

| <b>Scheme</b>                             | <b>2019/20<br/>Budget<br/>£000</b> | <b>2020/21<br/>Budget<br/>£000</b> | <b>2021/22<br/>Budget<br/>£000</b> | <b>2022/23<br/>Budget<br/>£000</b> | <b>2023/24<br/>Budget<br/>£000</b> | <b>2024/25 and<br/>future years<br/>Budget<br/>£000</b> | <b>Total Budget<br/>(all years)<br/>£000</b> |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---|--|
| General Fund Housing                      | 2,458                              | 1,375                              | 577                                | -                                  | -                                  | -   | <b>4,410</b>                                 |
| Council Housing and New Build Programme   | 18,420                             | 20,205                             | 15,836                             | 8,060                              | 6,560                              | 6,600   | <b>75,681</b>                                |
| Social Care                               | 2,568                              | 11,672                             | 200                                | -                                  | -                                  | -   | <b>14,440</b>                                |
| Schools                                   | 10,856                             | 5,564                              | 1,200                              | 600                                | -                                  | -   | <b>18,220</b>                                |
| Enterprise and Regeneration               | 12,921                             | 11,601                             | 7,524                              | 2,000                              | 2,000                              | 7,100   | <b>43,146</b>                                |
| Southend Pier                             | 3,198                              | 7,859                              | 7,150                              | 1,250                              | 1,250                              | 1,250   | <b>21,957</b>                                |
| Culture and Tourism                       | 3,998                              | 17,559                             | 5,788                              | 1,500                              | 1,500                              | 1,500   | <b>31,845</b>                                |
| Community Safety                          | 220                                | 1,700                              | 800                                | 66                                 | -                                  | -   | <b>2,786</b>                                 |
| Highways and Infrastructure               | 12,193                             | 21,738                             | 6,160                              | 2,000                              | 295                                | -   | <b>42,386</b>                                |
| Works to Property                         | 933                                | 3,434                              | 750                                | 600                                | 600                                | 600   | <b>6,917</b>                                 |
| Energy Saving                             | 149                                | 1,568                              | 377                                | 117                                | -                                  | -   | <b>2,211</b>                                 |
| ICT                                       | 2,512                              | 4,220                              | 2,380                              | 1,805                              | -                                  | -   | <b>10,917</b>                                |
| S106/S38/CIL                              | 531                                | 101                                | 225                                | -                                  | -                                  | -   | <b>857</b>                                   |
| <b>TOTAL CAPITAL INVESTMENT PROGRAMME</b> | <b>70,957</b>                      | <b>108,596</b>                     | <b>48,967</b>                      | <b>17,998</b>                      | <b>12,205</b>                      | <b>17,050</b>   | <b>275,773</b>                               |

**Total budget for 2020/21 to 2024/25:**

**204,816**

**Proposed Capital Investment Programme 2019/20 to 2024/25 and future years**

**Appendix 12**

| Scheme   | 2019/20<br>Budget<br>£000 | 2020/21<br>Budget<br>£000 | 2021/22<br>Budget<br>£000 | 2022/23<br>Budget<br>£000 | 2023/24<br>Budget<br>£000 | 2024/25 and<br>future years<br>Budget<br>£000 | Total Budget<br>(all years)<br>£000 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---|-------------------------------------|
| <b>General Fund Housing</b>  |                           |                           |                           |                           |                           |   |                                     |
| Disabled Facilities Grant  | 1,028                     | 900                       | 577                       |                           |                           |   | 2,505                               |
| Private Sector Housing Strategy                                    | 1,095                     | 475                       |                           |                           |                           |   | 1,570                               |
| 12a Ceylon Road Refurbishment Works                                | 35                        |                           |                           |                           |                           |   | 35                                  |
| Housing and Development Pipeline Feasibility - GF                  | 300                       |                           |                           |                           |                           |   | 300                                 |
| <b>Total General Fund Housing</b>                                  | <b>2,458</b>              | <b>1,375</b>              | <b>577</b>                | <b>-</b>                  | <b>-</b>                  | <b>-</b>                                      | <b>4,410</b>                        |
| <b>Council Housing and New Build Programme</b>                     |                           |                           |                           |                           |                           |   |                                     |
| Bathroom Refurbishment   | 140                       | 119                       | 59                        | 52                        | 96                        |   | 466                                 |
| Central Heating  | 1,218                     | 161                       | 197                       | 161                       | 771                       |   | 2,508                               |
| Common Areas Improvement   | 3,403                     | 927                       | 864                       | 864                       | 864                       |   | 6,922                               |
| Environmental - H&S works  | 992                       | 981                       | 1,080                     | 1,080                     | 1,080                     |   | 5,213                               |
| Kitchen Refurbishments   | 222                       | 1,515                     | 1,002                     | 875                       | 1,107                     |   | 4,721                               |
| Rewiring   | 470                       | 53                        | 501                       | 739                       | 411                       |   | 2,174                               |
| Roofs  | 488                       | 1,037                     | 1,335                     | 1,145                     | 1,187                     |   | 5,192                               |
| Windows and Doors  | 362                       | 1,127                     | 862                       | 944                       | 344                       |   | 3,639                               |
| Future Programme (MRA & Decent Homes)                              | -                         | -                         |                           |                           |                           | 6,600   | 6,600                               |
| HRA Disabled Adaptations - Major Adaptations                       | 963                       | 650                       | 650                       | 650                       | 650                       |   | 3,563                               |
| HRA Disabled Adaptations - Minor Adaptations                       | 150                       | 50                        | 50                        | 50                        | 50                        |   | 350                                 |
| Sheltered Housing DDA works  | -                         | 345                       |                           |                           |                           |   | 345                                 |
| Energy Efficiency Measures   | 150                       |                           |                           |                           |                           |   | 150                                 |
| Housing Construction Scheme - Phase 2                              | 578                       |                           |                           |                           |                           |   | 578                                 |
| Housing Construction Scheme - Phase 3                              | 327                       | 3,922                     | 654                       |                           |                           |   | 4,903                               |
| Housing Construction Scheme - Phase 4                              |                           | 2,406                     | 3,782                     |                           |                           |   | 6,188                               |
| Housing Construction Scheme - Modern Methods of Construction (MMC) | 222                       | 1,112                     | -                         |                           |                           |   | 1,334                               |
| Housing Construction Scheme - Phase 5/6 feasibility (S106)         | 50                        |                           |                           |                           |                           |   | 50                                  |
| Housing Construction Scheme - Land Assembly Fund (S106)            | 1,400                     |                           |                           |                           |                           |   | 1,400                               |
| HRA Affordable Housing Acquisitions Programme                      | 6,656                     | 5,000                     | 3,000                     | 1,500                     |                           |   | 16,156                              |
| Housing and Development Pipeline Feasibility - HRA                 | 345                       |                           |                           |                           |                           |   | 345                                 |
| Acquisition of tower block leaseholds - Queensway                  | 284                       | 800                       | 1,800                     |                           |                           |   | 2,884                               |
| <b>Total Council Housing and New Build Programme</b>               | <b>18,420</b>             | <b>20,205</b>             | <b>15,836</b>             | <b>8,060</b>              | <b>6,560</b>              | <b>6,600</b>                                  | <b>75,681</b>                       |
| <b>Social Care</b>   |                           |                           |                           |                           |                           |   |                                     |
| Community Capacity   | 125                       | 125                       |                           |                           |                           |   | 250                                 |
| Dementia Friendly Environments                                     | 8                         |                           |                           |                           |                           |   | 8                                   |
| Children's Residential Care Provision                              | 15                        | 685                       |                           |                           |                           |   | 700                                 |
| SEND Module and Integration with Liquid Logic                      | 120                       |                           |                           |                           |                           |   | 120                                 |
| AHDC Short Breaks for Disabled Children                            | -                         | 64                        |                           |                           |                           |   | 64                                  |
| Mental Health Funding Stream                                       | -                         | 36                        |                           |                           |                           |   | 36                                  |
| Transforming Care Housing  | -                         | 162                       |                           |                           |                           |   | 162                                 |
| Delaware and Priory New Build                                      | 2,300                     | 10,600                    | 200                       |                           |                           |   | 13,100                              |
| <b>Total Social Care</b>   | <b>2,568</b>              | <b>11,672</b>             | <b>200</b>                | <b>-</b>                  | <b>-</b>                  | <b>-</b>                                      | <b>14,440</b>                       |

| Scheme  | 2019/20<br>Budget<br>£000 | 2020/21<br>Budget<br>£000 | 2021/22<br>Budget<br>£000 | 2022/23<br>Budget<br>£000 | 2023/24<br>Budget<br>£000 | 2024/25 and<br>future years<br>Budget<br>£000 | Total Budget<br>(all years)<br>£000 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---|-------------------------------------|
| <b>Schools</b>  |                           |                           |                           |                           |                           |   |                                     |
| Adult Community College rainwater goods                                     | 12                        |                           |                           |                           |                           |   | 12                                  |
| Chalkwell Hall Infants replace relocatables (SBC 50%)                       | -                         | 109                       |                           |                           |                           |   | 109                                 |
| Chalkwell Hall Infants Energy Project                                       | -                         | 300                       |                           |                           |                           |   | 300                                 |
| Chalkwell Hall Juniors roofs  | 65                        |                           |                           |                           |                           |   | 65                                  |
| Eastwood Primary roof   | 100                       |                           |                           |                           |                           |   | 100                                 |
| Fairways Primary roof   | -                         | 15                        |                           |                           |                           |   | 15                                  |
| Fairways Primary curtain walling  | -                         | 100                       |                           |                           |                           |   | 100                                 |
| Fairways Primary Pipeworks  | 29                        | 26                        |                           |                           |                           |   | 55                                  |
| Fairways Primary Trees  | 10                        |                           |                           |                           |                           |   | 10                                  |
| Future condition projects   | 65                        | 290                       | 500                       | 500                       |                           |   | 1,355                               |
| Milton Hall Fire Alarm replacement (H&S)                                    | 40                        |                           |                           |                           |                           |   | 40                                  |
| West Leigh Infant Boiler  | 140                       |                           |                           |                           |                           |   | 140                                 |
| Devolved Formula Capital  | 100                       | 100                       | 100                       | 100                       |                           |   | 400                                 |
| Expansion of 2 yr old Childcare Places                                      | 5                         |                           |                           |                           |                           |   | 5                                   |
| Prince Avenue Extended Nursery Provision                                    | 780                       |                           |                           |                           |                           |   | 780                                 |
| School Improvement and Provision of School Places                           | 9,200                     | 3,762                     | 600                       |                           |                           |   | 13,562                              |
| Special Provision Capital Fund  | 310                       | 862                       |                           |                           |                           |   | 1,172                               |
| <b>Total Schools</b>  | <b>10,856</b>             | <b>5,564</b>              | <b>1,200</b>              | <b>600</b>                | <b>-</b>                  | <b>-</b>                                      | <b>18,220</b>                       |
| <b>Enterprise and Regeneration</b>  |                           |                           |                           |                           |                           |   |                                     |
| Airport Business Park (including Local Growth Fund)                         | 11,380                    | 8,711                     | 5,044                     |                           |                           |   | 25,135                              |
| Airport Business Park - Acquisition   |                           | 1,200                     |                           |                           |                           |   | 1,200                               |
| Better Queensway - Programme Management                                     | 541                       | 540                       | 480                       |                           |                           |   | 1,561                               |
| Better Queensway - Loan to Joint Venture                                    | 1,000                     | 900                       | 2,000                     | 2,000                     | 2,000                     | 7,100   | 15,000                              |
| Housing Infrastructure Feasibility  | -                         | 250                       |                           |                           |                           |   | 250                                 |
| <b>Total Enterprise and Regeneration</b>                                    | <b>12,921</b>             | <b>11,601</b>             | <b>7,524</b>              | <b>2,000</b>              | <b>2,000</b>              | <b>7,100</b>                                  | <b>43,146</b>                       |
| <b>Southend Pier</b>  |                           |                           |                           |                           |                           |   |                                     |
| Southend Pier - Bearing Refurbishment (Phase One)                           | 572                       |                           |                           |                           |                           |   | 572                                 |
| Southend Pier - Condition Works Engineers                                   | 1,163                     | 1,250                     | 1,250                     | 1,250                     | 1,250                     | 1,250   | 7,413                               |
| Southend Pier - Condition Works Surveyors                                   | 439                       |                           |                           |                           |                           |   | 439                                 |
| Southend Pier - Pier Entrance Enhancement                                   | 400                       |                           |                           |                           |                           |   | 400                                 |
| Southend Pier - Pier Pavilion Platform Detailed Design (Gateway Review One) | 24                        | 127                       |                           |                           |                           |   | 151                                 |
| Southend Pier - Prince George Extension (Phase Two)                         | 150                       | 1,000                     | 1,158                     |                           |                           |   | 2,308                               |
| Southend Pier - Replacement of Pier Trains                                  | 250                       | 3,000                     |                           |                           |                           |   | 3,250                               |
| Southend Pier - Timber Outer Pier Head                                      | 200                       | 2,482                     | 4,742                     |                           |                           |   | 7,424                               |
| <b>Total Southend Pier</b>  | <b>3,198</b>              | <b>7,859</b>              | <b>7,150</b>              | <b>1,250</b>              | <b>1,250</b>              | <b>1,250</b>                                  | <b>21,957</b>                       |

| Scheme  | 2019/20<br>Budget<br>£000 | 2020/21<br>Budget<br>£000 | 2021/22<br>Budget<br>£000 | 2022/23<br>Budget<br>£000 | 2023/24<br>Budget<br>£000 | 2024/25 and<br>future years<br>Budget<br>£000 | Total Budget<br>(all years)<br>£000 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---|-------------------------------------|
| <b>Culture and Tourism</b>                                    |                           |                           |                           |                           |                           |   |                                     |
| Southchurch Park Bowls Pavillion                              | -                         | 20                        |                           |                           |                           |   | 20                                  |
| Southend Cliffs - Replacement of Handrails                    | -                         | 16                        |                           |                           |                           |   | 16                                  |
| Southend Leisure and Tennis Centre Boiler                     | 23                        |                           |                           |                           |                           |   | 23                                  |
| Wheeled Sports Facility Central Southend Area                 | 245                       |                           |                           |                           |                           |   | 245                                 |
| Allotments Water Supply Upgrade                               | 30                        | 57                        | 56                        |                           |                           |   | 143                                 |
| Chalkwell Park and Priory Park Tennis Courts                  | 37                        |                           |                           |                           |                           |   | 37                                  |
| Chalkwell Park Water Main Replacement                         | 41                        |                           |                           |                           |                           |   | 41                                  |
| Parks Feasibility and Options Appraisals                      | 24                        |                           |                           |                           |                           |   | 24                                  |
| Playground Gates  | -                         | 123                       |                           |                           |                           |   | 123                                 |
| Replacement and Upgrade of Parks Furniture                    | 80                        | 30                        |                           |                           |                           |   | 110                                 |
| Shoebury Common Regeneration                                  | 34                        | 236                       |                           |                           |                           |   | 270                                 |
| Sidmouth Park - Replacement of Play Equipment                 | 47                        | 50                        |                           |                           |                           |   | 97                                  |
| Southend Tree Policy Review - additional trees                | 75                        | 56                        | 57                        |                           |                           |   | 188                                 |
| Forum II  | 1,030                     | 13,500                    | 3,950                     |                           |                           |   | 18,480                              |
| Kiosks in Libraries   | -                         | 140                       |                           |                           |                           |   | 140                                 |
| Leigh Library Gardens Messroom Refurbishment                  | 63                        |                           |                           |                           |                           |   | 63                                  |
| Library Review  | -                         | 179                       |                           |                           |                           |   | 179                                 |
| Cliffs Pavilion – Auditorium Air Handling Unit                | -                         | 115                       |                           |                           |                           |   | 115                                 |
| Cliffs Pavilion – Boiler Flues                                | 124                       | -                         |                           |                           |                           |   | 124                                 |
| Cliffs Pavilion – Chiller                                     | 25                        | 150                       |                           |                           |                           |   | 175                                 |
| Cliffs Pavilion - External Refurbishment works                | -                         | -                         | 215                       |                           |                           |   | 215                                 |
| Cliffs Pavilion - Power Supply Equipment                      | 30                        | 140                       |                           |                           |                           |   | 170                                 |
| Joint Theatres and Leisure Centres – Asbestos                 | -                         | 115                       |                           |                           |                           |   | 115                                 |
| Palace Theatre - Air Handling Units                           | 69                        |                           |                           |                           |                           |   | 69                                  |
| Palace Theatre - Power Supply Equipment                       | 5                         | 165                       |                           |                           |                           |   | 170                                 |
| Palace Theatre - Replacement of Asbestos Stage Safety Curtain | 2                         |                           |                           |                           |                           |   | 2                                   |
| Central Museum Works  | 50                        | 197                       |                           |                           |                           |   | 247                                 |
| Inflatable Planetarium  | 35                        |                           |                           |                           |                           |   | 35                                  |
| Prittlevell Prince Storage                                    | 52                        |                           |                           |                           |                           |   | 52                                  |
| Cart and Wagon Shed   | 200                       | 650                       |                           |                           |                           |   | 850                                 |
| Energy Improvements in Culture Property Assets                | 110                       |                           |                           |                           |                           |   | 110                                 |
| Fire Improvement Works  | 734                       | 750                       | 750                       | 750                       | 750                       | 750   | 4,484                               |
| "Make Southend Sparkle" Initiative                            | 1                         | 10                        | 10                        |                           |                           |   | 21                                  |
| Property Refurbishment Programme                              | 676                       | 750                       | 750                       | 750                       | 750                       | 750   | 4,426                               |
| Pump Priming Budget   | 93                        | 110                       |                           |                           |                           |   | 203                                 |
| Queen Victoria statue - security fence                        | 24                        |                           |                           |                           |                           |   | 24                                  |
| Resorts Services Signage                                      | 39                        |                           |                           |                           |                           |   | 39                                  |
| <b>Total Culture and Tourism</b>                              | <b>3,998</b>              | <b>17,559</b>             | <b>5,788</b>              | <b>1,500</b>              | <b>1,500</b>              | <b>1,500</b>                                  | <b>31,845</b>                       |

| Scheme  | 2019/20<br>Budget<br>£000 | 2020/21<br>Budget<br>£000 | 2021/22<br>Budget<br>£000 | 2022/23<br>Budget<br>£000 | 2023/24<br>Budget<br>£000 | 2024/25 and<br>future years<br>Budget<br>£000 | Total Budget<br>(all years)<br>£000 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---|-------------------------------------|
| <b>Community Safety</b>   |                           |                           |                           |                           |                           |   |                                     |
| CCTV Equipment Renewal  | 40                        | 1,400                     | 800                       | 66                        |                           |   | 2,306                               |
| Security Measures   | 180                       | 300                       |                           |                           |                           |   | 480                                 |
| <b>Total Community Safety</b>   | <b>220</b>                | <b>1,700</b>              | <b>800</b>                | <b>66</b>                 | <b>-</b>                  | <b>-</b>                                      | <b>2,786</b>                        |
| <b>Highways and Infrastructure</b>  |                           |                           |                           |                           |                           |   |                                     |
| <u>Cliff Stabilisation schemes:</u>   |                           |                           |                           |                           |                           |   |                                     |
| - Cliff Slip Investigation Works  | 220                       |                           |                           |                           |                           |   | 220                                 |
| - Manor Road Cliff Stabilisation  | 324                       |                           |                           |                           |                           |   | 324                                 |
| <u>Flood Prevention and Resilience schemes:</u>                               |                           |                           |                           |                           |                           |   |                                     |
| - Coastal Defence (Shoebury Common Sea Defence Scheme)                        | 242                       | 100                       | 3,695                     |                           |                           |   | 4,037                               |
| - Improving Resilience of the Borough to Flooding from Extreme Weather Events | 175                       | 35                        |                           |                           |                           |   | 210                                 |
| - Flood Prevention Works  | 110                       | -                         | 1,015                     | 1,125                     |                           |   | 2,250                               |
| - Southend Highway Flood Reduction and Resilience Improvement Scheme          | 161                       |                           |                           |                           |                           |   | 161                                 |
| <u>Carriageways and Footways schemes:</u>                                     |                           |                           |                           |                           |                           |   |                                     |
| - Carriageways and Footways Improvements                                      | 1,766                     | 3,000                     | -                         |                           |                           |   | 4,766                               |
| - Highways Maintenance - Potholes   | 135                       | 65                        |                           |                           |                           |   | 200                                 |
| - Junction Protection   |                           | 325                       | 325                       |                           |                           |   | 650                                 |
| - Zebra Crossing Surfacing Replacement  |                           | 200                       | 200                       | 200                       |                           |   | 600                                 |
| - Improve Footway Condition Around Highway Trees                              | 218                       | 150                       | 150                       | 150                       |                           |   | 668                                 |
| - Cinder Path   | 65                        |                           |                           |                           |                           |   | 65                                  |
| <u>Highways Infrastructure schemes:</u>                                       |                           |                           |                           |                           |                           |   |                                     |
| - Street Lighting Infills   | 127                       | 125                       | 125                       | 125                       |                           |   | 502                                 |
| - Town Centre Redevelopment Improvements - Highways (NPIF)                    | 1,492                     |                           |                           |                           |                           |   | 1,492                               |
| - Traffic Signs Upgrade   | -                         | 200                       | 100                       | 100                       | 100                       |   | 500                                 |
| <u>Parking schemes:</u>   |                           |                           |                           |                           |                           |   |                                     |
| - Car Park Improvements   | 100                       | 100                       | 100                       | 100                       | 100                       |   | 500                                 |
| - Car Park Resurfacing  |                           | 250                       | 250                       |                           |                           |   | 500                                 |
| - Improved Car Park Signage and Guidance Systems                              | 17                        | 215                       |                           |                           |                           |   | 232                                 |
| - Coach Parking   | 29                        |                           |                           |                           |                           |   | 29                                  |
| - Parking Strategy  | 149                       | 50                        |                           |                           |                           |   | 199                                 |
| <u>Local Transport Plan schemes:</u>  |                           |                           |                           |                           |                           |   |                                     |
| - LTP (Integrated Transport block) - Bridge Strengthening                     | 780                       | 300                       |                           |                           |                           |   | 1,080                               |
| - LTP (Integrated Transport block) - Better Sustainable Transport             | 486                       | 735                       |                           |                           |                           |   | 1,221                               |
| - LTP (Integrated Transport block) - Better Networks                          | 551                       | 450                       |                           |                           |                           |   | 1,001                               |
| - LTP (Integrated Transport block) - Traffic Management Schemes               | 397                       | 400                       |                           |                           |                           |   | 797                                 |
| - LTP (Integrated Transport block) - Traffic Control Systems                  | 203                       | 401                       |                           |                           |                           |   | 604                                 |
| - LTP - Maintenance   | 1,144                     | 671                       |                           |                           |                           |   | 1,815                               |
| - LTP - Maintenance - Street Lighting   | 150                       | 150                       |                           |                           |                           |   | 300                                 |
| <u>Local Growth Fund schemes:</u>   |                           |                           |                           |                           |                           |   |                                     |
| - A127 Growth Corridor (Bell Junction and A127 Essential Maintenance Works)   | 2,437                     | 9,969                     |                           |                           |                           |   | 12,406                              |
| - Extension of London Road Public Realm Improvement to Victoria Circus        | 500                       | 3,466                     |                           |                           |                           |   | 3,966                               |
| <u>Other Transport schemes:</u>   |                           |                           |                           |                           |                           |   |                                     |
| - HCA Progress Road   | 15                        |                           |                           |                           |                           |   | 15                                  |
| - Southend Transport Model  | 200                       | 381                       | 200                       | 200                       | 95                        |   | 1,076                               |
| <b>Total Highways and Infrastructure</b>                                      | <b>12,193</b>             | <b>21,738</b>             | <b>6,160</b>              | <b>2,000</b>              | <b>295</b>                | <b>-</b>                                      | <b>42,386</b>                       |

| Scheme  | 2019/20<br>Budget<br>£000 | 2020/21<br>Budget<br>£000 | 2021/22<br>Budget<br>£000 | 2022/23<br>Budget<br>£000 | 2023/24<br>Budget<br>£000 | 2024/25 and<br>future years<br>Budget<br>£000 | Total Budget<br>(all years)<br>£000 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---|-------------------------------------|
| <b>Works to Property</b>                              |                           |                           |                           |                           |                           |   |                                     |
| 62 Avenue Road - demolition                           | -                         | 49                        |                           |                           |                           |   | 49                                  |
| Belfairs Park Restaurant/Golf Club Preventative Works | -                         | 102                       |                           |                           |                           |   | 102                                 |
| Civic Campus - Efficient Use of Space                 | 200                       | 232                       | 150                       |                           |                           |   | 582                                 |
| Clearance and Fencing - Land off Sutton Road          | 5                         |                           |                           |                           |                           |   | 5                                   |
| Darlows Green former WCs demolition                   | 3                         |                           |                           |                           |                           |   | 3                                   |
| Demolition of Public WCs at Pitmans Close             | 7                         |                           |                           |                           |                           |   | 7                                   |
| Elm Road Sports Ground Remedial Works                 | 60                        |                           |                           |                           |                           |   | 60                                  |
| Futures Demolition                                    | 35                        | 485                       |                           |                           |                           |   | 520                                 |
| New Beach Huts Phase 2                                | 3                         |                           |                           |                           |                           |   | 3                                   |
| Pier Arches External Landlord Works                   | 72                        |                           |                           |                           |                           |   | 72                                  |
| Relocation of START                                   | 20                        |                           |                           |                           |                           |   | 20                                  |
| SACC Access Control System                            | 24                        |                           |                           |                           |                           |   | 24                                  |
| SACC Reception Area Security Works                    | 15                        |                           |                           |                           |                           |   | 15                                  |
| Seaways - HCA Condition Funding                       | 170                       |                           |                           |                           |                           |   | 170                                 |
| SMAC Eastern Esplanade Slipway                        | -                         | 27                        |                           |                           |                           |   | 27                                  |
| Cemetery - Ride on Mower                              |                           | 30                        |                           |                           |                           |   | 30                                  |
| Cemetery and Crematorium Road and Path Resurfacing    | 10                        | 100                       |                           |                           |                           |   | 110                                 |
| Crematorium - Urgent Structural Repairs to Chimney    | 60                        |                           |                           |                           |                           |   | 60                                  |
| Essential Crematorium/Cemetery Equipment              | 8                         |                           |                           |                           |                           |   | 8                                   |
| Pergola Walk Memorial Scheme                          | 7                         |                           |                           |                           |                           |   | 7                                   |
| Replacement Boiler at Southend Crematorium            | 1                         |                           |                           |                           |                           |   | 1                                   |
| Replacement of Essential Crematorium Infrastructure   | 23                        |                           |                           |                           |                           |   | 23                                  |
| Civic Centre Boilers                                  | 30                        | 1,259                     |                           |                           |                           |   | 1,289                               |
| Public Toilet Provision                               | 40                        | 660                       |                           |                           |                           |   | 700                                 |
| Priority Works  | 140                       | 490                       | 600                       | 600                       | 600                       | 600   | 3,030                               |
| <b>Total Works to Property</b>                        | <b>933</b>                | <b>3,434</b>              | <b>750</b>                | <b>600</b>                | <b>600</b>                | <b>600</b>                                    | <b>6,917</b>                        |
| <b>Energy Saving</b>                                  |                           |                           |                           |                           |                           |   |                                     |
| Civic Centre CHP/Lifts Feasibility                    | 3                         |                           |                           |                           |                           |   | 3                                   |
| Energy Efficiency Projects                            | 12                        | 328                       | 277                       | 117                       |                           |   | 734                                 |
| Leigh Energy Appraisal                                | 28                        |                           |                           |                           |                           |   | 28                                  |
| Real Time Air Quality Measurement - Feasibility       | 14                        | 56                        |                           |                           |                           |   | 70                                  |
| Solar PV Projects                                     | 2                         | 938                       |                           |                           |                           |   | 940                                 |
| Schools and Council Buildings Solar PV                | -                         | 246                       | 100                       |                           |                           |   | 346                                 |
| ULEV Taxi Infrastructure Scheme                       | 90                        |                           |                           |                           |                           |   | 90                                  |
| <b>Total Energy Saving</b>                            | <b>149</b>                | <b>1,568</b>              | <b>377</b>                | <b>117</b>                | <b>-</b>                  | <b>-</b>                                      | <b>2,211</b>                        |

**Proposed Capital Investment Programme 2019/20 to 2024/25 and future years**

**Appendix 12**

| Scheme  | 2019/20<br>Budget<br>£000 | 2020/21<br>Budget<br>£000 | 2021/22<br>Budget<br>£000 | 2022/23<br>Budget<br>£000 | 2023/24<br>Budget<br>£000 | 2024/25 and<br>future years<br>Budget<br>£000 | Total Budget<br>(all years)<br>£000 |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---|-------------------------------------|
| <b>ICT</b>  |                           |                           |                           |                           |                           |   |                                     |
| Channel Shift   | 153                       |                           |                           |                           |                           |   | 153                                 |
| Data Centre   | 404                       |                           |                           |                           |                           |   | 404                                 |
| Disaster Recovery Relocation  | 55                        |                           |                           |                           |                           |   | 55                                  |
| Employee Engagement Portal (Intranet)   | 20                        |                           |                           |                           |                           |   | 20                                  |
| Extending WiFi in Council Premises  | 70                        |                           |                           |                           |                           |   | 70                                  |
| HR Recruitment Contract Implementation  | 233                       |                           |                           |                           |                           |   | 233                                 |
| N3 Connectivity in Civic Building   | 40                        |                           |                           |                           |                           |   | 40                                  |
| ICT - Business Enablement   |                           | 1,735                     | 375                       |                           |                           |   | 2,110                               |
| ICT - Business Services   |                           | 660                       |                           |                           |                           |   | 660                                 |
| ICT - Connected and Smart   |                           | 350                       | 450                       | 450                       |                           |   | 1,250                               |
| ICT - Cybersecurity   |                           | 450                       | 300                       | 300                       |                           |   | 1,050                               |
| ICT - Stabilise and Run   |                           | 785                       | 1,255                     | 1,055                     |                           |   | 3,095                               |
| ICT - Core Application and Database Migration   | 67                        |                           |                           |                           |                           |   | 67                                  |
| ICT - Childrens and Adults Social Care - Development of the Liquid Logic Case Management System | 143                       | 200                       |                           |                           |                           |   | 343                                 |
| ICT – Cyber Security/Public Services Network  | 55                        | 40                        |                           |                           |                           |   | 95                                  |
| ICT Enterprise Agreement  | 306                       |                           |                           |                           |                           |   | 306                                 |
| ICT - Phones Migration and Re-Tender  | 23                        |                           |                           |                           |                           |   | 23                                  |
| ICT Rolling Replacement Programme   | 330                       |                           |                           |                           |                           |   | 330                                 |
| Photon (Internet upgrade)   | 28                        |                           |                           |                           |                           |   | 28                                  |
| Replacement and Enhancement to Cash Receipting System   | 54                        |                           |                           |                           |                           |   | 54                                  |
| Ship Directory IDOX Software  | 45                        |                           |                           |                           |                           |   | 45                                  |
| Software Licencing  | 468                       |                           |                           |                           |                           |   | 468                                 |
| IoT Smart City Delivery   | 18                        | -                         |                           |                           |                           |   | 18                                  |
| <b>Total ICT</b>  | <b>2,512</b>              | <b>4,220</b>              | <b>2,380</b>              | <b>1,805</b>              | <b>-</b>                  | <b>-</b>                                      | <b>10,917</b>                       |
| <b>S106/S38/CIL</b>   |                           |                           |                           |                           |                           |   |                                     |
| S106 3-5 High Street 1501496AMDT - affordable housing   | 24                        |                           |                           |                           |                           |   | 24                                  |
| S106 23/04/2015 Hinguar and Saxon - public art contribution                                     | 18                        |                           |                           |                           |                           |   | 18                                  |
| S106 Ajax Works 0300130ful - landscaping maintenance  | 6                         |                           |                           |                           |                           |   | 6                                   |
| S106 Avenue Works 1401968AMDT - Public Art  | -                         | 15                        |                           |                           |                           |   | 15                                  |
| S106 Former Balmoral 1400914FULM – public art contribution                                      | 1                         |                           |                           |                           |                           |   | 1                                   |
| S106 Bellway Prittlebrook 1400943FULM - Local play facilities                                   | 15                        |                           |                           |                           |                           |   | 15                                  |
| S106 Former College 1000225FUL - Tree Replacement   | 11                        |                           |                           |                           |                           |   | 11                                  |
| S106 Garrison 0000777 Depost - CCTV   | 1                         |                           |                           |                           |                           |   | 1                                   |
| S106 Garrison 0000777 Deposit - information boards  | 2                         |                           |                           |                           |                           |   | 2                                   |
| S106 Garrison 0000777 Deposit - Junior Play Area maintenance                                    | 10                        |                           |                           |                           |                           |   | 10                                  |
| S106 Garrison 0000777 Deposit - Toddler Play Area maintenance                                   | 6                         |                           |                           |                           |                           |   | 6                                   |
| S106 Garrison Park Store  | 1                         |                           |                           |                           |                           |   | 1                                   |
| S106 Lifstan Way 0000273 Out - Open Space Maintenance   | 79                        |                           |                           |                           |                           |   | 79                                  |
| S106 North Shoebury Road 0301504out - Shoebury Park Enhancement                                 | 35                        |                           |                           |                           |                           |   | 35                                  |
| S106 North Shoebury Road 0301504out - Shoebury Park Maintenance                                 | 43                        | 35                        | 171                       |                           |                           |   | 249                                 |
| S106 Sunlight Ldry 1400411FULM - Public Art   | 2                         | 3                         |                           |                           |                           |   | 5                                   |
| S106 22-23 The Leas 0700820FULM - bus service contribution                                      | 43                        |                           |                           |                           |                           |   | 43                                  |
| S106 Essex House 1500521FULM - bus stop improvement   | 3                         |                           |                           |                           |                           |   | 3                                   |
| S106 Former College 1500803BC4M - parking survey contribution                                   | 10                        |                           |                           |                           |                           |   | 10                                  |
| S106 Avenue Works 1401968AMDT - cycleway improvement  | -                         | 1                         |                           |                           |                           |   | 1                                   |
| S106 Bellway Prittlebrook 1400943FULM - TRO Contribution  | 4                         |                           |                           |                           |                           |   | 4                                   |
| S106 High Works Shoe Garrison   | 2                         |                           |                           |                           |                           |   | 2                                   |

**Proposed Capital Investment Programme 2019/20 to 2024/25 and future years**

**Appendix 12**

| Scheme   | 2019/20<br>Budget<br>£000 | 2020/21<br>Budget<br>£000 | 2021/22<br>Budget<br>£000 | 2022/23<br>Budget<br>£000 | 2023/24<br>Budget<br>£000 | 2024/25 and<br>future years<br>Budget<br>£000 | Total Budget<br>(all years)<br>£000 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---|-------------------------------------|
| S106 Hinguar 1401672BC4M - highway contribution                        | 5                         |                           |                           |                           |                           |   | 5                                   |
| S106 North Road and Salisbury Ave 1200056 - Highway Works Contribution | 2                         |                           |                           |                           |                           |   | 2                                   |
| S106 Sunlight Ldry 1400411FULM - Highway Works                         | 2                         |                           |                           |                           |                           |   | 2                                   |
| S106 Texsol Kenway 1500468FULM – public realm contribution             | 14                        |                           |                           |                           |                           |   | 14                                  |
| S106 Seec 0200500ful - Highway Works                                   | 104                       |                           |                           |                           |                           |   | 104                                 |
| S106 Univ H-Way0401561ful  | 5                         |                           |                           |                           |                           |   | 5                                   |
| S38/S278 Airport 0901960 Fulm  | 15                        | 47                        |                           |                           |                           |   | 62                                  |
| S38 Bellway Homes 14/00943/fulm  | 30                        | -                         | 46                        |                           |                           |   | 76                                  |
| S38 Old Hinguar School   | 4                         |                           |                           |                           |                           |   | 4                                   |
| S78 Bellway Homes 14/00943/fulm  | 2                         | -                         | 8                         |                           |                           |   | 10                                  |
| S38 Fossetts Farm Bridleway  | 6                         | -                         |                           |                           |                           |   | 6                                   |
| S38 Inspection Magazine Rd   | 5                         |                           |                           |                           |                           |   | 5                                   |
| CIL Ward NA – Milton – Milton Park improvements                        | 2                         |                           |                           |                           |                           |   | 2                                   |
| CIL Ward NA – Milton – Park Street replacement bollards                | 3                         |                           |                           |                           |                           |   | 3                                   |
| CIL Ward NA – Eastwood Park – Tree planting                            | 2                         |                           |                           |                           |                           |   | 2                                   |
| CIL Ward NA – Kursaal – Sign for Christchurch Park                     | 1                         |                           |                           |                           |                           |   | 1                                   |
| CIL Ward NA – Prittlewell – Operation Legibility (road sign cleaning)  | 1                         |                           |                           |                           |                           |   | 1                                   |
| CIL Ward NA – Southchurch – Southchurch Speedwatch                     | 1                         |                           |                           |                           |                           |   | 1                                   |
| CIL Ward NA – St Lukes – Community facilities enhancements             | 2                         |                           |                           |                           |                           |   | 2                                   |
| CIL Ward NA – Thorpe – Street furniture improvement                    | 8                         |                           |                           |                           |                           |   | 8                                   |
| CIL Ward NA – Westborough – Signposting                                | 1                         |                           |                           |                           |                           |   | 1                                   |
| <b>Total S106/S38/CIL</b>  | <b>531</b>                | <b>101</b>                | <b>225</b>                | <b>-</b>                  | <b>-</b>                  | <b>-</b>                                      | <b>857</b>                          |
| <b>TOTAL PROPOSED CAPITAL INVESTMENT PROGRAMME</b>                     | <b>70,957</b>             | <b>108,596</b>            | <b>48,967</b>             | <b>17,998</b>             | <b>12,205</b>             | <b>17,050</b>                                 | <b>275,773</b>                      |

**Total budget for 2020/21 to 2024/25: 204,816**



**Proposed Capital Investment Programme 2019/20 to 2024/25 and future years - Schemes subject to viable business cases**

| <b>General Fund Schemes Subject to Viable Business Cases</b>                              | <b>2019/20<br/>Budget<br/>£000</b> | <b>2020/21<br/>Budget<br/>£000</b> | <b>2021/22<br/>Budget<br/>£000</b> | <b>2022/23<br/>Budget<br/>£000</b> | <b>2023/24<br/>Budget<br/>£000</b> | <b>2024/25 and<br/>future years<br/>Budget<br/>£000</b> | <b>Total Budget<br/>(all years)<br/>£000</b> |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---|--|
| Redevelopment of Civic Area   | -                                  | -                                  | 2,000                              | 8,742                              |                                    |   | 10,742                                       |
| Crematorium Refurbishment   |                                    | 2,400                              |                                    |                                    |                                    |   | 2,400  |
| East Beach Café Project   | -                                  | 32                                 |                                    |                                    |                                    |   | 32   |
| Cliffs Pavilion - External Refurbishment Works  | 100                                | 900                                |                                    |                                    |                                    |   | 1,000  |
| Southend Pier - Pavilion Platform Technical Design (Gateway Review Two) and Construction  | -                                  | 500                                | 7,000                              | 3,000                              |                                    |   | 10,500                                       |
| <b>SCHEMES SUBJECT TO VIABLE BUSINESS CASES</b>   | <b>100</b>                         | <b>3,832</b>                       | <b>9,000</b>                       | <b>11,742</b>                      | <b>-</b>                           | <b>-</b>  | <b>24,674</b>                                |
| Commercial Property Investment  |                                    |                                    |                                    |                                    |                                    |   | <b>22,278</b>                                |
| Shoebury Health Centre  |                                    |                                    |                                    |                                    |                                    |   | -  |
| East Beach Car Park Refurbishment   |                                    |                                    |                                    |                                    |                                    |   | -  |
| Town Centre and Seafront Security Works   |                                    |                                    |                                    |                                    |                                    |   | -  |
| Car Park Provision  |                                    |                                    |                                    |                                    |                                    |   | -  |
| <b>TOTAL SCHEMES SUBJECT TO VIABLE BUSINESS CASES (plus investment yet to be costed):</b> |                                    |                                    |                                    |                                    |                                    |   | <b>46,952</b>                                |

**Proposed Capital Investment Programme 2018/19 to 2024/25 and future years - Summary by Strategic and Other Schemes**

**Appendix 12**

| <b>Scheme</b>   | <b>2019/20<br/>Budget<br/>£000</b> | <b>2020/21<br/>Budget<br/>£000</b> | <b>2021/22<br/>Budget<br/>£000</b> | <b>2022/23<br/>Budget<br/>£000</b> | <b>2023/24<br/>Budget<br/>£000</b> | <b>2024/25 and<br/>future years<br/>Budget<br/>£000</b> | <b>Total Budget<br/>(all years)<br/>£000</b> |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|---|--|
| <b>Strategic schemes</b>  |                                    |                                    |                                    |                                    |                                    |   |  |
| Airport Business Park (including Local Growth Fund)   | 11,380                             | 8,711                              | 5,044                              |                                    |                                    |   | 25,135                                       |
| Airport Business Park - Acquisition   |                                    | 1,200                              |                                    |                                    |                                    |   | 1,200  |
| Better Queensway - Programme Management   | 541                                | 540                                | 480                                |                                    |                                    |   | 1,561  |
| Better Queensway - Loan to Joint Venture  | 1,000                              | 900                                | 2,000                              | 2,000                              | 2,000                              | 7,100   | 15,000                                       |
| Forum II  | 1,030                              | 13,500                             | 3,950                              |                                    |                                    |   | 18,480                                       |
| Delaware and Priory New Build   | 2,300                              | 10,600                             | 200                                |                                    |                                    |   | 13,100                                       |
| School Improvement and Provision of School Places   | 9,200                              | 3,762                              | 600                                |                                    |                                    |   | 13,562                                       |
| Southend Pier schemes   | 3,198                              | 7,859                              | 7,150                              | 1,250                              | 1,250                              | 1,250   | 21,957                                       |
| Civic Campus - Efficient Use of Space   | 200                                | 232                                | 150                                |                                    |                                    |   | 582  |
| Local Growth Fund - A127 Growth Corridor (Bell Junction and A127 Essential Maintenance Works) | 2,437                              | 9,969                              |                                    |                                    |                                    |   | 12,406                                       |
| HRA Affordable Housing Acquisitions Programme   | 6,656                              | 5,000                              | 3,000                              | 1,500                              |                                    |   | 16,156                                       |
| Construction of New Housing on HRA Land   | 2,577                              | 7,440                              | 4,436                              |                                    |                                    |   | 14,453                                       |
| Acquisition of tower block leaseholds - Queensway   | 284                                | 800                                | 1,800                              |                                    |                                    |   | 2,884  |
| <b>Total Strategic</b>  | <b>40,803</b>                      | <b>70,513</b>                      | <b>28,810</b>                      | <b>4,750</b>                       | <b>3,250</b>                       | <b>8,350</b>  | <b>156,476</b>                               |
| <b>Other schemes</b>  |                                    |                                    |                                    |                                    |                                    |   |  |
| <b>Other Capital Investment schemes</b>   | <b>30,154</b>                      | <b>38,083</b>                      | <b>20,157</b>                      | <b>13,248</b>                      | <b>8,955</b>                       | <b>8,700</b>  | <b>119,297</b>                               |
| <b>TOTAL CAPITAL INVESTMENT PROGRAMME</b>   | <b>70,957</b>                      | <b>108,596</b>                     | <b>48,967</b>                      | <b>17,998</b>                      | <b>12,205</b>                      | <b>17,050</b>   | <b>275,773</b>                               |

## Highways and Infrastructure schemes 2020/21

## Appendix 12

| Scheme  | Scheme Details   | LTP /<br>Maintenance<br>Grant<br>£000 | Local<br>Growth<br>Fund<br>£000 | Capital -<br>SBC<br>£000 | Combined<br>Totals<br>£000 |
|---|--|---------------------------------------|---------------------------------|--------------------------|----------------------------|
| <b>LTP3 - Better Sustainable Transport and Mobility Management [ACTION A]</b> |  |                                       |                                 |                          |                            |
| Electric charging points  | To install additional points at locations to be agreed.  | 100                                   |                                 |                          | 100                        |
| Bus stop infrastructure upgrades  | Bus Stop infrastructure improvements.  | 50                                    |                                 |                          | 50                         |
| Cycle Parking   | New cycle stands at various location   | 20                                    |                                 |                          | 20                         |
| Cycleway Upgrades   | Upgrade the Cycleway network at various locations to be agreed - part of SEAT funding bid  | 100                                   |                                 |                          | 100                        |
| Fairfax Drive/Prittlewell Chase design works                                  | Design works for junction and looking at the bus stop infrastructure.  | 20                                    |                                 |                          | 20                         |
| NPIF - TRIPS  | Contributions (as part of successful bid) to improving access to town centre, Travel Centre and rail stations through highway modifications. See 'Other Transport Schemes' below for further funding | 445                                   |                                 |                          | 445                        |
| <b>Total LTP3 Better Sustainable Transport and Mobility Management</b>        |  | <b>735</b>                            | <b>-</b>                        | <b>-</b>                 | <b>735</b>                 |
| <b>LTP3 - Traffic Management Schemes [ACTION B]</b>                           |  |                                       |                                 |                          |                            |
| Minor Schemes and TROs  | Part of the Capital programme of traffic, road safety and parking work schemes for 2020/21   | 200                                   |                                 |                          | 200                        |
| Accident Remedial Schemes and Road Safety                                     | Part of the Capital programme of traffic, road safety and parking work schemes for 2020/21   | 200                                   |                                 |                          | 200                        |
| <b>Total LTP3 Traffic Management Schemes</b>                                  |  | <b>400</b>                            | <b>-</b>                        | <b>-</b>                 | <b>400</b>                 |
| <b>LPT3 - Better Networks [ACTION B]</b>                                      |  |                                       |                                 |                          |                            |
| Traffic signals operational efficiency improvements                           | Controller Changes various sites across Borough  | 120                                   |                                 |                          | 120                        |
| Bus Stop Clearway Markings  | Renew bus stop clearway markings to keep the traffic flowing   | 50                                    |                                 |                          | 50                         |
| Belton Way East   | Belton Way East repair to retaining structure to support the highway and links to Leigh Railway Station  | 230                                   |                                 |                          | 230                        |
| Improved Pedestrian signage   | Wayfinding signage for Leigh and Leigh Old Town  | 50                                    |                                 |                          | 50                         |
| <b>Total LTP3 Better Networks</b>   |  | <b>450</b>                            | <b>-</b>                        | <b>-</b>                 | <b>450</b>                 |

## Highways and Infrastructure schemes 2020/21

## Appendix 12

| Scheme  | Scheme Details  | LTP /<br>Maintenance<br>Grant<br>£000 | Local<br>Growth<br>Fund<br>£000 | Capital -<br>SBC<br>£000 | Combined<br>Totals<br>£000 |
|---|---|---------------------------------------|---------------------------------|--------------------------|----------------------------|
| <b>LTP3 Better Operation of Traffic control, Information and communication Systems [ACTION D]</b> |   |                                       |                                 |                          |                            |
| AVL/RTPI systems  | New & Upgrades to bus real time information signage.  | 150                                   |                                 |                          | 150                        |
| Advance Bus at signals  | Work to start having advance bus at traffic signals   | 50                                    |                                 |                          | 50                         |
| Bus Stop Flag / Information   | Review and supply new bus stop flags/information  | 95                                    |                                 |                          | 95                         |
| Travel Centre review  | Review Travel Centre operations   | 100                                   |                                 |                          | 100                        |
| Traveline   | Contribution to bus data system, providing data to support public transport information system. | 6                                     |                                 |                          | 6                          |
| <b>Total LTP3 Better Operation of Traffic Control, Information and Communication Systems</b>      |   | <b>401</b>                            | <b>-</b>                        | <b>-</b>                 | <b>401</b>                 |
| <b>LTP3 Footway Maintenance</b>   |   |                                       |                                 |                          |                            |
| Footway Maintenance   | Various locations to be agreed  | 141                                   |                                 |                          | 141                        |
| <b>Total LTP3 Footway Maintenance</b>   |   | <b>141</b>                            | <b>-</b>                        | <b>-</b>                 | <b>141</b>                 |
| <b>LTP Carriageway Maintenance</b>  |   |                                       |                                 |                          |                            |
| Highways Maintenance  | Carriageway resurfacing at locations to be agreed   | 530                                   |                                 |                          | 530                        |
| <b>Total LTP Carriageway Maintenance</b>  |   | <b>530</b>                            | <b>-</b>                        | <b>-</b>                 | <b>530</b>                 |
| <b>DfT Local Maintenance - Pothole Fund</b>   |   |                                       |                                 |                          |                            |
| Pothole Repairs   | Various locations   | 65                                    |                                 |                          | 65                         |
| <b>Total DfT Local Maintenance Pothole Fund</b>   |   | <b>65</b>                             | <b>-</b>                        | <b>-</b>                 | <b>65</b>                  |
| <b>Street Lighting Maintenance Programme</b>  |   |                                       |                                 |                          |                            |
| Street Lighting   | Continuation of Street light upgrades.  | 150                                   |                                 |                          | 150                        |
| Infills   | Continuation of infill programme  |                                       |                                 | 125                      | 125                        |
| <b>Total Street Lighting Maintenance Programme</b>  |   | <b>150</b>                            | <b>-</b>                        | <b>125</b>               | <b>275</b>                 |

## Highways and Infrastructure schemes 2020/21

## Appendix 12

| Scheme  | Scheme Details                                    | LTP /<br>Maintenance<br>Grant | Local<br>Growth<br>Fund | Capital -<br>SBC | Combined<br>Totals |
|---|---|-------------------------------|-------------------------|------------------|--------------------|
|   |   | £000                          | £000                    | £000             | £000               |
| <b>LTP Bridges</b>                                |   |                               |                         |                  |                    |
| Bridges Maintenance                               | Various locations                                 | 300                           |                         |                  | 300                |
| <b>Total LTP Bridges</b>                          |   | <b>300</b>                    | <b>-</b>                | <b>-</b>         | <b>300</b>         |
| <b>Highway and Footway Improvements</b>           |   |                               |                         |                  |                    |
| Highways & Footways                               | Various sites to be agreed                        |                               |                         | 3,000            | 3,000              |
| Traffic Signs Upgrade                             | Upgrade of signs at various locations             |                               |                         | 200              | 200                |
| Zebra Crossings                                   | Surfacing Replacement                             |                               |                         | 200              | 200                |
| Junction Protection                               | Protection of Junctions for improved sight lines  |                               |                         | 325              | 325                |
| Improve Footway Condition                         | Improve Pedestrian Safety around Highway Trees    |                               |                         | 150              | 150                |
| <b>Total Highways and Footways Improvements</b>   |   | <b>-</b>                      | <b>-</b>                | <b>3,875</b>     | <b>3,875</b>       |
| <b>Flood Defence</b>                              |   |                               |                         |                  |                    |
| Coastal Defence                                   | Development of Strategy                           |                               |                         | 100              | 100                |
| <b>Total Flood Defence</b>                        |   | <b>-</b>                      | <b>-</b>                | <b>100</b>       | <b>100</b>         |
| <b>Cliff Stabilisation</b>                        |   |                               |                         |                  |                    |
| Improving Resilience to network                   | Reduce effect of extreme rainfall                 |                               |                         | 35               | 35                 |
| <b>Total Cliff Stabilisation</b>                  |   | <b>-</b>                      | <b>-</b>                | <b>35</b>        | <b>35</b>          |
| <b>Car Park Infrastructure improvements</b>       |   |                               |                         |                  |                    |
| Car Parks   | Car Park infrastructure improvements to be agreed |                               |                         | 100              | 100                |
| Car Park resurfacing                              | Resurfacing programme                             |                               |                         | 250              | 250                |
| <b>Total Car Park Infrastructure Improvements</b> |   | <b>-</b>                      | <b>-</b>                | <b>350</b>       | <b>350</b>         |

## Highways and Infrastructure schemes 2020/21

## Appendix 12

| Scheme  | Scheme Details  | LTP /<br>Maintenance<br>Grant<br>£000 | Local<br>Growth<br>Fund<br>£000 | Capital -<br>SBC<br>£000 | Combined<br>Totals<br>£000 |
|---|---|---------------------------------------|---------------------------------|--------------------------|----------------------------|
| <b>Other Transport Schemes</b>  |   |                                       |                                 |                          |                            |
| Southend Transport Model  | Continuing the Southend Multi Model Work  |                                       |                                 | 381                      | 381                        |
| A127 Growth Corridor  | A127 Major Schemes Bell/Kent Elms/Maintenance   |                                       | 9,400                           | 569                      | 9,969                      |
| Car Park Strategy   | New Car Park Strategy on-going work   |                                       |                                 | 50                       | 50                         |
| Improve VMS system  | Develop and Improve VMS car park signage and new signage especially for other seafront car parks. |                                       |                                 | 215                      | 215                        |
| SCAAP/LGF/NPIF  | Development and start of implementing scheme  |                                       | 3,466                           |                          | 3,466                      |
| <b>Total Other Transport Schemes</b>                                  |   | -                                     | <b>12,866</b>                   | <b>1,215</b>             | <b>14,081</b>              |
| <b>Total Highways and Infrastructure Capital Investment Programme</b> |   | <b>3,172</b>                          | <b>12,866</b>                   | <b>5,700</b>             | <b>21,738</b>              |

**SOUTHEND-ON-SEA BOROUGH COUNCIL**  
**MINIUMUM REVENUE PROVISION POLICY 2020/21**

**1 Background**

- 1.1 The Minimum Revenue Provision (MRP) is an amount to be set aside for the repayment of debt. The Council has a general duty to make an MRP charge to revenue which it considers to be prudent. Full Council has the responsibility to approve an annual MRP policy statement.
- 1.2 The MRP Guidance sets out that such policies may be amended at any time, as long as the Council maintains a prudent approach whilst ensuring any changes are sustainable with regard to the revenue budget. The MRP policy adopted should ensure that revenue provision is made over a period broadly similar to which the asset provides a service.
- 1.3 A policy statement regarding a financial year should be approved before the start that financial year. However, the policy can be revised during the year by the full Council.
- 1.4 Under the regulations capital receipts may be used to repay the principal of any amount borrowed.
- 1.5 The Department of Communities and Local Government guidance on MRP specifies that MRP would not have to be charged until the asset came into service and would begin in the financial year following the one in which the asset became operational.

**2 Duration of the Policy Statement**

- 2.1 This Minimum Revenue Provision Statement covers the 2020/21 financial year.

**3 Minimum Revenue Provision Policy**

- 3.1 For capital expenditure financed by historic supported borrowing:

The amount of MRP chargeable will be calculated on a straight line basis at 2%.

- 3.2 For capital expenditure financed by prudential (unsupported) borrowing from the Public Works Loan Board or from internal borrowing:

The amount of MRP chargeable will be calculated using the annuity method.

The period over which it will be charged will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure.

The annuity rate which will be applied will be the PWLB rate that most reasonably relates to that financial year.

- 3.3 For capital expenditure financed by prudential (unsupported) borrowing from other financial institutions:

The amount of MRP chargeable will be the amount specified in the repayment schedule of each loan.

- 3.4 No MRP will be applied to:

- 3.4.1 Capital expenditure financed by unsupported borrowing that has been taken out in the short term to bridge the timing difference between anticipated and actual capital receipts.

It is anticipated that capital receipts will be received to repay this borrowing. Therefore no MRP charge is required as there is already a prudent provision for repayment.

- 3.4.2 Capital expenditure financed by borrowing due to a transfer of assets between the GF and HRA where due to the nature of the transfer it is anticipated that capital receipts will be received to repay this borrowing. Therefore no MRP charge is required as there is already a prudent provision for repayment.

- 3.4.3 Capital expenditure financed by unsupported borrowing that has been taken out in the short term to bridge the timing difference between the expenditure being incurred and the budgeted revenue contribution to capital outlay being applied.

It is anticipated that revenue contributions will be received to repay this borrowing. Therefore no MRP charge is required as there is already a prudent provision for repayment.

- 3.4.4 Capital expenditure financed by unsupported borrowing that has been taken out in the short term to bridge the timing gap while grant conditions are being met and therefore the grant being applied to capital expenditure under International Financial Reporting Standards (IFRS).

It is anticipated that the grant conditions will be met therefore no MRP charge is required as there is already a prudent provision for repayment.



- 3.5 The amount of MRP chargeable relating to finance leases will be such that the combined impact of the finance charge and MRP is equal to the estimated rentals payable for the year.
- 3.6 If capital receipts are utilised to repay debt in year, the value of MRP chargeable will be reduced by the value of the receipts utilised.
- 3.7 MRP will only be charged in the year following the asset becoming operational.

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## **SOUTHEND-ON-SEA BOROUGH COUNCIL PRUDENTIAL INDICATORS 2020/2021**

### **1 Introduction**

- 1.1 The Prudential Code is the key element in the system of capital finance that was introduced from 1 April 2004 as set out in the Local Government Act 2003.
- 1.2 Individual authorities are responsible for deciding the level of their affordable borrowing, having regard to the CIPFA code, (which has legislative backing). Prudential limits apply to all borrowing, qualifying credit arrangements (e.g. some forms of lease) and other long term liabilities. The system is designed to encourage authorities that need, and can afford, to borrow for capital investment to do so.

### **2 CIPFA Prudential Code for Capital Finance in Local Authorities**

- 2.1 The Code has been developed to support Local Authorities in taking capital investment decisions and to ensure that these decisions are supported by a framework which ensures prudence, affordability and sustainability. The Code was updated in December 2017 and requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources.
- 2.2 Another objective of the Code is that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation. The rationale behind these concepts is set out in the code.
- 2.3 To demonstrate compliance with these objectives of prudence, affordability and sustainability each local authority is required to produce a set of prudential indicators. These indicators are designed to support and record local decision making and are not for comparison with other authorities. The setting and revising of these indicators must be approved by Cabinet and Council.
- 2.4 In setting or revising its prudential indicators, the local authority is required to have regard to the following matters:
  - service objectives (e.g. strategic planning);
  - stewardship of assets (e.g. asset management planning);
  - value for money (e.g. options appraisal);
  - prudence and sustainability (e.g. risks, whole life costing and implications for external debt);
  - affordability (e.g. implications for long-term resources including the council tax);
  - practicality (e.g. achievability of the forward plan).

### 3 Prudential Indicators for Prudence

#### 3.1 *Estimates of Capital Expenditure to be Incurred*

3.1.1 This is an estimate of the total amount of investment planned over the period. Not all investment necessarily has an effect on the Council Tax. Schemes funded by grant, third party contributions or by capital receipts mean that the effect on the Council Tax is greatly reduced.

|                         | <b>Estimate<br/>2020/21<br/>£000</b> | <b>Estimate<br/>2021/22<br/>£000</b> | <b>Estimate<br/>2022/23<br/>£000</b> | <b>Estimate<br/>2023/24<br/>£000</b> | <b>Estimate<br/>2024/25<br/>£000</b> |
|-------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| General Fund            | 88,391                               | 33,131                               | 9,938                                | 5,645                                | 10,450                               |
| Housing Revenue Account | 20,205                               | 15,836                               | 8,060                                | 6,560                                | 6,600                                |
| <b>Total</b>            | <b>108,596</b>                       | <b>48,967</b>                        | <b>17,998</b>                        | <b>12,205</b>                        | <b>17,050</b>                        |

#### 3.2 *Estimate of the Capital Financing Requirement*

3.2.1 Each year, the Council finances the capital programme by a number of means, one of which is borrowing. The capital financing requirement represents the cumulative amount of borrowing that has been incurred to pay for the Council's capital assets, less amounts that have been set aside for the repayment of debt over the years (i.e. Minimum Revenue Provision and Reserved Capital Receipts).

3.2.2 The estimates for the capital financing requirement are:

|   | <b>Estimate<br/>31<sup>st</sup><br/>March<br/>2021<br/>£000</b> | <b>Estimate<br/>31<sup>st</sup><br/>March<br/>2022<br/>£000</b> | <b>Estimate<br/>31<sup>st</sup><br/>March<br/>2023<br/>£000</b> | <b>Estimate<br/>31<sup>st</sup><br/>March<br/>2024<br/>£000</b> | <b>Estimate<br/>31<sup>st</sup><br/>March<br/>2025<br/>£000</b> |
|---|---|---|---|---|---|
| General Fund                                | 323,762   | 332,418   | 331,009   | 325,782   | 325,036   |
| Housing Revenue Account                     | 98,816  | 98,816  | 98,816  | 98,816  | 98,816  |
| Better Queensway senior lender (indicative) | 0   | 0   | 0   | 0   | 50,000  |
| <b>Total</b>                                | <b>422,578</b>  | <b>431,234</b>  | <b>429,825</b>  | <b>424,598</b>  | <b>473,852</b>  |

3.2.3 The Council is only allowed to borrow long term to support its capital programme. It is not allowed to borrow long term to support its revenue budget.

#### 3.3 *Operational Boundary and Authorised Limit 2020/21 to 2024/25*

3.3.1 The Council must set an operational boundary and authorised limit for its total gross external debt, separately identifying borrowing from other long-term liabilities. The operational boundary is how much gross external debt the Council

plans to take up, and reflects the decision on the amount of debt needed for the Capital Investment Programme for the relevant year. The authorised limit is higher than the operational boundary as it allows sufficient headroom to take account of unusual cash movements. If at any time during the year, it is likely that this limit will be breached it will be reported to members as soon as possible and the Leader advised immediately.

| <b>Operational boundary</b>                       | <b>Estimate 2020/21<br/>£000</b> | <b>Estimate 2021/22<br/>£000</b> | <b>Estimate 2022/23<br/>£000</b> | <b>Estimate 2023/24<br/>£000</b> | <b>Estimate 2024/25<br/>£000</b> |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Borrowing   | 370,950                          | 381,150                          | 386,250                          | 386,450                          | 386,650                          |
| Liabilities outstanding under credit arrangements | 4,050                            | 3,850                            | 3,750                            | 3,550                            | 3,350                            |
| Better Queensway – senior lender (indicative)     | 0                                | 0                                | 0                                | 0                                | 50,000                           |
| <b>Total</b>                                      | <b>375,000</b>                   | <b>385,000</b>                   | <b>390,000</b>                   | <b>390,000</b>                   | <b>440,000</b>                   |

| <b>Authorised Limit</b>                           | <b>Estimate 2020/21<br/>£000</b> | <b>Estimate 2021/22<br/>£000</b> | <b>Estimate 2022/23<br/>£000</b> | <b>Estimate 2023/24<br/>£000</b> | <b>Estimate 2024/25<br/>£000</b> |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Borrowing   | 380,950                          | 391,150                          | 396,250                          | 396,450                          | 396,650                          |
| Liabilities outstanding under credit arrangements | 4,050                            | 3,850                            | 3,750                            | 3,550                            | 3,350                            |
| Better Queensway – senior lender (indicative)     | 0                                | 0                                | 0                                | 0                                | 50,000                           |
| <b>Total</b>                                      | <b>385,000</b>                   | <b>395,000</b>                   | <b>400,000</b>                   | <b>400,000</b>                   | <b>450,000</b>                   |

### 3.4 *Gross Debt and the Capital Financing Requirement*

3.4.1 Gross external debt is long term external debt (e.g. PWLB loans taken out), short term borrowing from other Local Authorities and credit arrangements relating to finance leases. The estimates for the external debt are:

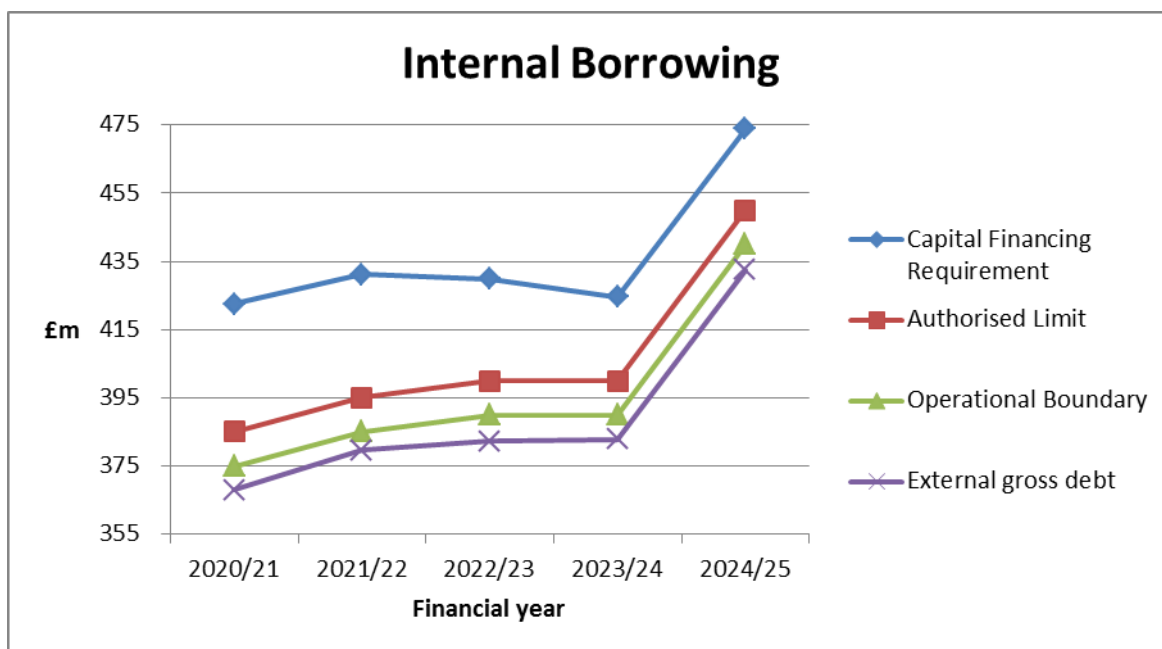
|                     | <b>Estimate 31<sup>st</sup><br/>March<br/>2021<br/>£000</b> | <b>Estimate 31<sup>st</sup><br/>March<br/>2022<br/>£000</b> | <b>Estimate 31<sup>st</sup><br/>March<br/>2023<br/>£000</b> | <b>Estimate 31<sup>st</sup><br/>March<br/>2024<br/>£000</b> | <b>Estimate 31<sup>st</sup><br/>March<br/>2025<br/>£000</b> |
|---------------------|---|---|---|---|---|
| External gross debt | 367,909   | 379,567   | 382,301   | 382,913   | 432,507   |

3.4.2 Under the Prudential Code, gross external borrowing must not, except in the short term, exceed the total of the capital financing requirement for the previous year, plus any additional amounts for the current year and the next two financial years. This means that gross external borrowing cannot exceed £429.825m at 31 March 2021, £424.598m at 31 March 2022 and £473.852m at 31 March 2023.

## 4 Prudential Indicators for Affordability

### 4.1 Internal Borrowing/Interest Rate Risk

4.1.1 The graph below shows the estimated Capital Financing Requirement, Authorised Limit, Operational Boundary and levels of external borrowing over the next five years.



4.1.2 The gap between the Capital Financing Requirement and the levels of external debt illustrates the level of internal borrowing. This reflects the Council's exposure to interest rate movements equivalent to the interest lost on investment income. Also, when the borrowing is taken out the rate will be dependent on the prevailing economic and market conditions at the time. This is a risk if PWLB rates rise significantly. For every 1 basis point (0.01%) increase in rates the interest paid on borrowing £10m for 50 years rises by £50,000 over the life of the loan. A 1% increase in rates on a £10m loan would increase the cost to £5m over the life of the loan.

4.1.3 The gap between the Capital Financing Requirement and the Operational Boundary/Authorised Limit highlights the potential scope and flexibility to borrow further, if the cash flow and treasury management position allows.

### 4.2 Estimates of the Proportion of Financing Costs to Net Revenue Stream

4.2.1 This indicator records estimated capital financing costs as a percentage of the net revenue stream.

4.2.2 Capital financing costs are the revenue cost of financing the debt (the interest payments and the amount set aside annually to repay debt) less interest earned on investments. This is an important indicator because it shows how much of the Council's revenue resources are 'tied up' in fixed capital financing costs. Setting and reviewing this, means that the Council can ensure that its capital financing

costs do not become too large a part of the revenue budget, compared to the cost of running services.

|                         | <b>Estimate<br/>2020/21<br/>%</b> | <b>Estimate<br/>2021/22<br/>%</b> | <b>Estimate<br/>2022/23<br/>%</b> | <b>Estimate<br/>2023/24<br/>%</b> | <b>Estimate<br/>2024/25<br/>%</b> |
|-------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| General Fund            | 13.06                             | 13.10                             | 13.12                             | 12.98                             | 12.88                             |
| Housing Revenue Account | 28.25                             | 28.33                             | 28.09                             | 28.23                             | 28.42                             |

## 5 Prudential Indicators for Treasury Management

### 5.1 *Maturity Structure of Borrowing during 2020/21*

5.1.1 The table below shows the limits within which the Council delegates its length of borrowing decisions to the Strategic Director (Finance and Resources)/Section 151 Officer in 2019/20.

|                                | <b>Upper<br/>limit<br/>%</b> | <b>Lower<br/>limit<br/>%</b> | <b>Estimated<br/>outstanding debt<br/>maturity at<br/>31<sup>st</sup> March 2021<br/>%</b> |
|--------------------------------|------------------------------|------------------------------|--|
| Under 12 months                | 20                           | 0                            | 0  |
| 12 months and within 24 months | 30                           | 0                            | 1  |
| 24 months and within 5 years   | 40                           | 0                            | 2  |
| 5 years and within 10 years    | 60                           | 5                            | 16   |
| 10 years and within 20 years   | 100                          | 15                           | 29   |
| 20 years and within 30 years   | 100                          | 0                            | 18   |
| 30 years and above             | 80                           | 20                           | 34   |

5.1.2 The percentages in each category for the upper and lower limits do not add up to 100% as they do not represent an actual allocation.

5.1.3 The actual maturities of new borrowing will be decided taking account of the maturities of existing loans and the interest rates for the various maturity periods available at the time.

### 5.2 *Total Principal Sums Invested for Periods over 365 Days*

5.2.1 A large part of the Council's investments are managed by external fund managers. However, a working cash balance is also managed internally within the Council. Part of this cash balance is utilised to smooth out the day to day movements on the cash flow. It is not therefore the intention that this part of the balance would be invested for more than 365 days. The rest of the cash balance is invested to achieve the optimum returns consistent with the effective control of risk.

5.2.2 This indicator sets a prudential limit for principal sums invested for periods over 365 days. The following limits are for principal sums invested in-house:

|  | <b>Estimate<br/>2020/21<br/>£m</b> | <b>Estimate<br/>2021/22<br/>£m</b> | <b>Estimate<br/>2022/23<br/>%</b> | <b>Estimate<br/>2023/24<br/>%</b> | <b>Estimate<br/>2024/25<br/>£m</b> |
|--|------------------------------------|------------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
| Limits on the total principal sum invested to final maturities beyond the period end | 25                                 | 25                                 | 25                                | 25                                | 25                                 |



## Appendix 15: Summary of Equality Analyses supporting budget proposals 2020-21

Outlined below is a summary Equality Analyses (EA) which supports specific budget proposals for 2020/21 which may have a direct equalities impact for groups with ‘protected characteristics’ and has been endorsed by the Council’s Corporate Management Team. Findings highlight where an equality analysis (EA) will be undertaken to accompany consideration, and implementation, of the proposals. Any service restructures that impact on staff are required to be subject to an EA.

1. [Revenue proposals](#)
2. [Reserves proposals](#)
3. [Capital proposals](#)

| Theme no. | 1. Revenue proposal                          | Equality analysis   |
|-----------|--|---|
| PJ1       | Tree & Shrub Planting/Maintenance – £200,000 | Additional trees and shrubs can play a part in mitigating the impact of air pollution and enhancing mental health. Children, older people and those with chronic lung or heart conditions are considered more vulnerable to the effects of air pollution. People living in more deprived areas may also be more susceptible to air pollution, where the cumulative impact of impaired health of other factors, such as diet and higher smoking rates, create disproportionate health impacts between, and within, communities. Others at a higher risk, such as those working in polluted places or commuting to work through heavily congested urban areas may also benefit. |
| SW1       | External Care Provision – £2,375,000         | Additional support reflects the growing pressures of increased numbers of looked after children (LAC) and the impact of increased provision costs. Placing LAC locally remains a high priority, so that children are closer to their own family, school, community, care and other local services that generally lead to better outcomes for these children.  |
| SW2       | In house foster carers – £400,000            | Measure supports moves to maximise the use of in-house foster carers, who can often provide a better experience, for looked after children than via independent foster care agencies (IFAs), through better local knowledge, the receipt of more specific training, greater likelihood of children remaining closer to their communities and at the same school.  |

|             |   |  |
|-------------|---|--|
| <b>SW3</b>  | <b>Newly Qualified Social Carers – £210,000</b>             | Reduction in use of agency staff should provide a better service for children, as a result of greater stability and consistency in relation to services provided and the potential to develop council staff in line with desired outcomes.   |
| <b>SW4</b>  | <b>Field work services – £115,000</b>                       | As for SW3   |
| <b>SW5</b>  | <b>Vulnerable Children – £100,000</b>                       | Resource is to support often vulnerable children who may, for example, be unaccompanied, have refugee status, are part of 'failed' asylum seeker households or have limited or discretionary leave to remain and who councils are required to support.   |
| <b>SW6</b>  | <b>Children's Social Care legal costs – £200,000</b>        | None specific – though greater capacity in the Council's legal service should mean cases being dealt with more efficiently, mitigating the impact of the legal process on vulnerable children and families.  |
| <b>SW7</b>  | <b>Living Wage for Adult Service Providers – £1,095,000</b> | The funding will support care providers required to pay the national living wage, helping to support a low paid workforce who are disproportionately made up of women and ethnic minorities. This will also help in providing a more stable workforce and, therefore, a better service for those in care, many of whom are elderly or have a disability.           |
| <b>SW8</b>  | <b>Children to Adults transition – £350,000</b>             | This will provide additional funding for young people as they reach adulthood, generally with learning disabilities and occasionally with mental health issues.  |
| <b>SW9</b>  | <b>Older People demographics – £480,000</b>                 | Additional funding to support the increasing number of older people living longer and often with a range of conditions and in need of care. The resources will enable people in this group to maintain more independent lives, or where necessary, have suitable support in residential care.  |
| <b>SW10</b> | <b>Equipment Services – £250,000</b>                        | Will meet the need for more appropriate equipment to support the growing numbers of older people, and some younger people with more complex needs, to live independently in their own homes.   |
| <b>SW11</b> | <b>Green City Aspirations – £120,000</b>                    | Enhances the Council's capacity to tackle air quality, where pollution has an adverse impact on children, older people and those with chronic lung or heart conditions in particular.  |
| <b>SW12</b> | <b>Public Health Act Funeral Arrangements – £25,000</b>     | Councils are required to organise funerals where no suitable arrangements have been made, often where people have died alone, in poverty or without relatives. The majority of the funerals are generally for men and for the over 65s. The service will continue to be sensitive to the varied funeral requirements of different religious and faith communities. |

|             |   |  |
|-------------|---|--|
| <b>SW13</b> | <b>Liquid Logic Support Team - £155,000</b>                 | None specific  |
| <b>SW14</b> | <b>Complex Needs Provision – £35,000</b>                    | Will support moves to revise service provision to a small group, of mainly men, with complex and challenging needs, often related to mental health, alcohol and/or drug use. A revised model could enhance the quality of service, provide better working conditions for staff and mitigate the impact of the facility on the neighbouring area – which has relatively high levels of anti-social behaviour. |
| <b>SW15</b> | <b>Southend Care – (£100,000)</b>                           | Saving on the Southend Care contract as former SBC staff leave and new staff are recruited on Southend Care conditions. Impacts, on average, 12% of the workforce a year.  |
| <b>OP1</b>  | <b>Library Review – £100,000</b>                            | Will help to enhance service provision and provide a basis for more flexible use of space at libraries for communities and at places communities identify with, across the library service.  |
| <b>OP2</b>  | <b>Income Generation – Registration Service – (£75,000)</b> | Reflects a statutory increase in the fee for birth, death and marriage certificates - from £4 to £11 and will impact on all customers requesting the certificates. Children in care of the Council are not subject to a charge.  |
| <b>OP3</b>  | <b>Asset Management Income – (£100,000)</b>                 | None specific  |
| <b>CS1</b>  | <b>Potholes – £500,000</b>                                  | Will help all those using the roads, including cyclists and those on a lower income who may be disproportionately impacted by damage to vehicles.  |
| <b>CS2</b>  | <b>Town Centre Parking – £50,000</b>                        | Enables continuation of 1 hour parking option that will help those on a lower income wanting to park in the town centre.   |
| <b>CS3</b>  | <b>Signal Maintenance – £50,000</b>                         | Will help increase safety and understanding of the traffic situation in different parts of the borough, for those (mainly some elderly) who do not have or use technology for travel news. Traffic signals at crossings are important safety measures for the visually impaired, those with disabilities and parents with children.  |
| <b>CS4</b>  | <b>Streetworks Income – £500,000</b>                        | None   |
| <b>CS5</b>  | <b>Rechargeable Works – £100,000</b>                        | None   |
| <b>E1</b>   | <b>ICT Transformation – £200,000</b>                        | Will support the Council's moves to enabling more flexible/agile working (work-life) helping staff who may have a need for more flexible arrangements, such as managing a disability or childcare.   |
| <b>E2</b>   | <b>Workforce Development – £100,000</b>                     | Will enable more staff to access good quality training and development at times and places convenient to them.   |
| <b>E3</b>   | <b>Waste Disposal – (£800,000)</b>                          | None   |

|           |   |               |
|-----------|---|---------------|
| <b>E4</b> | <b>Release of Pension Fund Provision – (£750,000)</b> | None          |
| <b>E5</b> | <b>Productivity and Efficiency Gains – (£250,000)</b> | None specific |
| <b>E6</b> | <b>Facilities Management – £120,000</b>               | None specific |
| <b>E7</b> | <b>Investment Income – (£400,000)</b>                 | None          |

| Theme no. | 2. Reserves proposals   | Analysis findings  |
|-----------|---|--|
|           | <b>Service Design</b><br>20/21 £185,000, 21/22 £185,000, 22/23 £185,000                       | Will support the Council's work in enabling services to have a better understanding of, and be more responsive to, the varying needs of users and potential users  |
|           | <b>Community Safety/ Environment Crime</b><br>20/21 £150,000, 21/22 £150,000, 22/23 £0        | Measures will help enhance community safety and reduce levels of 'enviro crime' in the borough, the impact of which can be more significant on the vulnerable and those in less affluent areas.  |
|           | <b>Summer and Winter Planning</b><br>20/21 £100,000, 21/22 £100,000, 22/23 £100,000           | Funding will support enhanced community safety and moves to provide a more accessible tourism and culture offer and summer and winter events. Also, supports work to prepare for extreme weather conditions in summer and winter, which disproportionately impact on those with health conditions that makes them more vulnerable to very high and low temperatures, such as the elderly and very young.     |
|           | <b>Community Builders/ Capacity Building Fund</b><br>20/21 £100,000, 21/22 £100,000, 22/23 £0 | The approach will enable engagement of local communities and service users to better shape future service provision and potentially take responsibility for particular assets and services. Will also enable closer working between voluntary, faith, social enterprise, charitable and not for profit organisations that can provide a more joined up and inclusive approach.                               |
|           | <b>Economic Development</b><br>20/21 £100,000, 21/22 £100,000, 22/23 £0                       | None   |
|           | <b>Workforce Development</b><br>20/21 £100,000, 21/22 £50,000, 22/23 £0                       | Will enable more staff to undertake quality training and development at times and locations of convenience to them.  |
|           | <b>Complex Needs Provision</b><br>20/21 £150,000, 21/22 £150,000, 22/23 £0                    | Will support moves to revise service provision to a small group, of mainly men, with complex and challenging needs, often related to mental health, alcohol and/or drug use. A revised model could enhance the quality of service, provide better working conditions for staff and mitigate the impact of the facility on the neighbouring area – which has relatively high levels of anti-social behaviour. |
|           | <b>Local Plan</b><br>20/21 £410,000, 21/22 £130,000, 22/23 £0                                 | The Plan aims to ensure the sustainable development of the borough for the next decade and beyond. The promotion of balanced and inclusive communities that benefit all is integral to achieving this, working closely with  |

|  |   |   |
|--|---|---|
|  |   | Southend's communities and neighbouring areas.  |
|  | <b>Housing Implementation</b><br>20/21 £150,000, 21/22 £150,000, 22/23 £0   | To support those who are experiencing homelessness, at risk of homelessness or rough sleeping, including vulnerable people with complex and challenging needs. The profile of rough sleepers tends to be overwhelmingly male and over the age of 25. The most common demographic groups of those approaching the council for homeless prevention or relief support are: 25-34 year olds, single mothers, single males and those with a history of mental health issues and those with physical ill health and disability. |
|  | <b>Outcome Delivery</b><br>20/21 £250,000, 21/22 £250,000, 22/23 £250,000   | Supports the Council's programme to focus on achieving better outcomes for residents and service users.   |
|  | <b>School Improvement</b><br>20/21 £200,000, 21/22 £200,000, 22/23 £200,000 | Funding will support the Council's work in narrowing the achievement gap and raising the aspirations for pupils from more disadvantaged backgrounds as well as supporting more local pupils going to the borough's Grammar Schools.   |

| Theme no. | 3. Capital proposals  | Analysis findings  |
|-----------|---|--|
| C1        | <b>Southend Pier – Condition Works – £5,335,000</b><br>20/21 – £335,000, 21/22 to 24/25 – £1,250,000 p.a.                       | None specific  |
| C2        | <b>HRA Affordable Housing Acquisitions Programme – £9,500,000</b><br>20/21 – £5,000,000, 21/22 – £3,000,000, 22/23 – £1,500,000 | Will support the acquisitions programme, agreed as part of the Council's housing, homelessness and rough sleeping strategy to help Southend residents in housing need. The most common demographic groups of those approaching the council for homeless prevention or relief support are: 25-34 year olds, single mothers, single males and those with a history of mental health issues and those with physical ill health and disability.          |
| C3        | <b>HRA Future Investment Programme – £6,600,000</b><br>24/25 – £6,600,000   | Investment in the Council's social housing stock to ensure homes are of a good standard will help tenants across the borough. A high proportion of residents are in receipt of some proportion of Housing Benefit (over 50%) or are on relatively low incomes and are not in a position to do significant improvements themselves. Works will help residents with a disability as communal areas, safety work and adaptations to homes are upgraded. |
| C4        | <b>Junction Protection – £650,000</b><br>20/21 – £325,000, 21/22 – £325,000   | Will help enhance safety for drivers and pedestrians, aiding, in particular, people with visual impairments, people with a disability, children and parents with younger children.   |
| C5        | <b>Zebra Crossing Surfacing Replacement – £600,000</b><br>20/21 to 22/23 – £200,000 p.a.  | Will enhance safety at zebra crossings aiding, in particular, the visually impaired, people with a disability, children and parents with younger children.   |
| C6        | <b>Street Lighting - £250,000</b><br>21/22 to 22/23 - £125,000 p.a.   | Improved lighting enhances the feeling of community safety, particularly in relation to the elderly, women, the more vulnerable and those in central and eastern wards, while generating savings from energy use and maintenance and reducing CO2 emissions.   |
| C7        | <b>Car Park Resurfacing – £500,000</b><br>20/21 to 21/22 – £250,000 p.a.  | Works will provide improved access and surfaces for those on foot who have mobility issues.  |
| C8        | <b>Carriageways and Footways Improvements – £1,000,000</b><br>20/21 – £1,000,000  | Works should provide improved footways and visibility of surface changes, resulting in less trips and falls, which are disproportionately experienced by the elderly and those with disabilities.  |

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| <b>C9</b>  | <b>Improve Footway Condition Around Highway Trees – £450,000</b><br>20/21 to 22/23 – £150,000 p.a.                         | Works should provide improved footways around trees, resulting in less trips and falls, which disproportionately impact the elderly, those with limited sight and those with disabilities.   |
| <b>C10</b> | <b>ICT – Connected and Smart – £1,250,000</b><br>20/21 – £350,000, 21/22 to 22/23 – £450,000 p.a.)                         | None specific but will support a range of key projects to drive the achievement of the Council's desired outcomes benefiting all residents, including many with high needs.  |
| <b>C11</b> | <b>Schools – Improvement and Provision of Secondary School Places – £2,600,000</b><br>20/21 – £2,000,000, 21/22 – £600,000 | The investment will provide sufficient school spaces, prevent over-crowding and an enhanced school experience which is likely to benefit pupils from more deprived backgrounds in particular. It will also provide parents with more choice on which school their children attend.   |
| <b>C12</b> | <b>Schools – Condition Works – £1,290,000</b><br>20/21 – £290,000, 21/22 to 22/23 – £500,000 p.a.                          | Maintaining good standards of school buildings is important to enhancing the school experience for all pupils. Investment will also maintain the standard of infrastructure of children centres, which make a key contribution to enabling families become more resilient, and give a better start in life, particularly for children from more deprived backgrounds.  |
| <b>C13</b> | <b>Schools – Devolved Formula Capital – £300,000</b><br>20/21 to 22/23 – £100,000 p.a.                                     | As for C11 and C12   |
| <b>C14</b> | <b>Better Queensway – Programme Management – £1,020,000</b><br>20/21 – £540,000, 21/22 – £480,000                          | Will support the programme to transform the northern end of Southend town centre, with a new mixed tenure development of more, better quality housing, and outdoor space along with improved connectivity. Most residents are under 40, around 10% have a disability and two thirds are in receipt of benefit. Existing residents will have the opportunity to return/remain in the area and to benefit from an improved quality of life through improved accommodation, public realm, access and provision. |
| <b>C15</b> | <b>Better Queensway – Acquisition of Leasehold Properties – £2,600,000</b><br>20/21 – £800,000, 21/22 – £1,800,000         | Will support the Better Queensway programme in providing, in particular, suitable alternatives to existing residents while building works are taking place.  |
| <b>C16</b> | <b>Priority Works – £2,400,000</b><br>21/22 to 24/25 – £600,000 p.a.   | None specific  |
| <b>C17</b> | <b>Property Refurbishment Programme – £3,750,000</b><br>20/21 to 24/25 – £750,000 p.a.                                     | Will assist in modernising council buildings, including ensuring they are accessible and usable by customers, staff and visitors, including those with disabilities.   |



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| <b>C18</b> | <b>ICT – Stabilise and Run – £3,095,000</b><br><b>20/21 – £785,000, 21/22 – £1,255,000, 22/23 – £1,055,000</b> | None specific   |
| <b>C19</b> | <b>ICT – Cybersecurity – £1,050,000</b><br><b>20/21 – £450,000, 21/22 to 22/23 – £300,000 p.a.</b>             | None specific   |
| <b>C20</b> | <b>ICT – Business Enablement – £2,110,000</b><br><b>20/21 – £1,735,000, 21/22 – £375,000</b>                   | Will support the Council's moves to enabling more flexible/agile working (Work-life) helping staff who may have a need for more flexible arrangements, such as managing a disability, a health condition or childcare.  |
| <b>C21</b> | <b>ICT – Business Services – £660,000</b><br><b>20/21 – £660,000</b>   | None specific   |
| <b>C22</b> | <b>Kiosks in Libraries – £100,000</b><br><b>20/21 – £100,000</b>   | No significant impact, other than that by modernising the self-serve kiosks, users can make payments by card as well as by cash, giving more options for customers.   |
| <b>C23</b> | <b>Crematorium refurbishment – 20/21: £1,780,000 (subject to viable business case)</b>                         | None specific   |
| <b>C24</b> | <b>East Beach Car Park Refurbishment (subject to viable business case)</b>                                     | Works will provide improved access and surfaces for those on foot who have mobility issues and improved lighting will benefit those with visual impairment.   |
| <b>C25</b> | <b>Town Centre and Seafront Security Works (subject to viable business case)</b>                               | Improved security should enhance a feeling of community safety in the town centre and seafront, with particular impact on those who may be more fearful of crime and anti-social behaviour – including the elderly and more vulnerable.   |
|            | <b>Shoeburyness Health Centre (subject to viable business case)</b>  | <p>None specific at this stage but if the project is realised, a new facility could provide enhanced health and care services via the NHS, council and voluntary sector. Any development will be co-designed with the community to ensure that the needs of residents in the East locality are met. In particular, the development will address the needs of an area where the population has higher than (Southend) average bad or very bad health generally.</p> <p>This includes higher than average levels of mental health illness, increased likelihood of developing a long-term illness and a higher prevalence of unhealthy life styles. Children are more likely to experience an acute illness and an unhealthy weight as well as experience emotional/behavioural problems.</p> |

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|  |   | A full equality analysis will be undertaken as part of the business case.                         |
|  | <b>Car Park provision – Tylers Avenue and two other possible site locations</b> | None specific – equality analysis to be undertaken as part of the decision making considerations. |