

Southend-on-Sea Borough Council

Report of Executive Director (Finance & Resources)

To

Cabinet

On

16 January 2020

Agenda
Item No.

23

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Control

Corporate Budget Performance – Period 8
Policy and Resources Scrutiny Committee
Cabinet Members: Councillor Ian Gilbert and Councillor Ron Woodley
Part 1 (Public Agenda Item)

1 Purpose of Report

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. The report highlights any major variations from approved spending plans for 2019/20 to enable corrective action to be taken where necessary.

2 Recommendations

That, in respect of the 2019/20 Revenue Budget Performance as set out in Appendix 1 to this report, Cabinet:

- 2.1 Note the forecast outturn and mitigating actions for the General Fund and the Housing Revenue Account as at November 2019;
- 2.2 Approve the planned budget transfers (virements) of £5,651,325 between portfolio services, as set out in section 3.12;

That, in respect of the 2019/20 Capital Budget Performance as set out in Appendix 2 of this report, Cabinet:

- 2.3 Note the expenditure to date and the forecast outturn as at November 2019 and its financing;
- 2.4 Approve the requested changes to the 2019/20 Capital Investment Programme as set out in Section 3 of Appendix 2;

- 2.5 That, in the respect of transfer of an asset as set out in Section 4 of this report: 12A Ceylon Road be appropriated from the General Fund to the Housing Revenue Account.

3 Background and Summary

Revenue – General fund

- 3.1 In February 2019 the Council approved a General Fund revenue budget for 2019/20 of £125.647M. This report provides details of the current projected outturn position for 2019/20 based on information as at the end of November (Period 8). In headline terms the Council is currently forecasting a net overspend of £3.2M for 2019/20, which is around 1% of the gross expenditure budget and an improvement of £0.4M against the £3.6M overspend position reported at the end of September 2019 (Period 6).
- 3.2 The Council is dealing with many of the same financial challenges as most other upper tier Authorities right across the country. 2019/20 has also seen the continuation of similar local spending pressures as the previous financial year. Most Local Authorities are experiencing increasing demand in key services which is placing a strain on available resources. Southend-on-Sea Borough Council have responded to this challenge by making available additional ongoing investment into priority areas. Extra investment has gone into Adults and Children social care services and Highways and Transport but the scale of demand and local circumstances is still creating significant financial pressures for the Authority. The strategic decision to join the Essex Business Rates pool has been beneficial as expected. Together with additional Business Rates income, it is estimated that an extra £2M will be generated this year which has been included in this report to reduce the forecast level of overspend for 2019/20.
- 3.3 The major area of financial pressure is within Children Services with a forecast overspend of £4.8M, this is a £0.5M increase on the position previously reported at the end of September. The £0.5M additional pressure has been driven by a further increase in the number of looked after children in external care placements during October. The current level of demand has stabilised between October and November.
- 3.4 A recent survey has identified that 90% of Councils are experiencing increasing demand and are also overspending in meeting the needs of children and families. The major driver is the significant increase in the number of looked after children, where the Council has experienced a year on year increase for the last 4 years. Due to the high cost of looked after children in externally supplied care placements there is always the risk that the forecast on this provision can move substantially through either increased numbers of children placed in external care or required external placement moves. The service has also seen an increase in the number of families requiring accommodation and classified as families with no recourse to public funds.

- 3.5 This extra demand has also resulted in increased costs for additional expert staff in social care teams. The service continues to plan to manage this increase in placement demand, by building on local in-house foster care capacity and sourcing a local residential care provision. From a staffing perspective the medium to long term strategy is to increase the use of Newly Qualified Social Workers and permanently employed Social Workers, which should result in less reliance on agency staff and the removal of the current range of temporary posts. Further mitigation actions totaling £0.3M have been identified for this financial year, and additional work is being undertaken to try to reduce the forecast overspend further whilst still meeting the needs of children and families.
- 3.6 The Health and Adult Social Care Service is currently forecasting a net overspend of £0.7M, this is a £0.1M increase from the position reported at the end of September. The main pressures continue to relate to services dealing with Learning Disabilities (transport and supported living placements), interim residential placements and increased demand for physical and sensory impairment equipment. The service are currently pursuing a range of mitigation measures and are continuing an in depth review of all expenditure within Adult Social Care.
- 3.7 The Highways and Transport Service are currently forecasting a £2.6M overspend, this is a £0.5M improvement from the position reported at the end of September. Reducing numbers of concessionary fare journeys are resulting in a reduced cost to support the scheme, however there are a range of financial pressures due to reactive works on the highways. These include damaged street lighting columns, tree maintenance works and defects on footways and carriageways. An increase in the aged debt of parking notices will also result in an increased provision to cover bad and doubtful debts, and the income generated from University Square car park continues to be lower than budgeted as has been the case since 2017 after a spate of anti-social behaviour. The income generated from street work permits has been reducing for the last 18 months as have penalties for overrun works. Although the Council is now receiving a reduction in income it also means that works are being undertaken promptly which in turn is keeping the highway network free from unnecessary delays. A comprehensive review of all expenditure and income in this service area is continuing.
- 3.8 The 2019/20 approved budget does also include around £3M contingency that has yet to be allocated. This could potentially be used to help meet some/most of the current forecast level of overspend should the range of management actions and mitigations not succeed in pulling spending back into line within approved allocated budgets. The Council has also deliberately and prudently maintained a sensible level of reserves that could be used as a last resort at the year end.
- 3.9 The Council is continuing to perform strongly in the collection of both Council Tax and Business Rates for the first 8 months of 2019/20. From a Council Tax Base perspective, due to an increase in the number of exemptions and single person discounts, there has been an overall equivalent reduction of 74 properties, since the estimated tax base was set for the year.

- 3.10 Overall the Council remains in a strong and resilient financial position, despite the potential impact of the current range of demand and spending pressures. The Council has retained the ability to cope with unexpected challenges including dealing with the residual forecast net overspend position for 2019/20. Every effort will be made to improve the current forecast position and deliver a balanced budget by the end of the year and the situation will remain closely monitored. 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.
- 3.11 Now the outcome of the General Election held on 12th December 2019 is known, the Council will closely monitor the implications of the next stage of the Brexit process and any potential financial impact on the provision of Council Services.

Revenue – General Fund Budget Transfers (Virements)

- 3.12 All budget transfer (virements) over £50,000 between portfolios or between pay and non-pay budgets are considered and approved by Cabinet. These budget transfers have a net nil impact on the Council's overall budget. The following budget transfers for Cabinet approval this period are:

<u>£</u>	
5,319,245	Re-alignment of the Better Care Fund
140,800	Transfer of the Teenage Pregnancy service from Connexions to Early Help
<u>191,280</u>	Re-alignment of the Dedicated Schools Grant central block
<u>5,651,325</u>	

Revenue – Housing Revenue Account (HRA)

- 3.13 In February 2019 the Council approved a balanced Housing Revenue Account budget for 2019/20. This report details the projected outturn position for this year based on actual activity and financial performance as at the end of November 2019 (Period 8).
- 3.14 The HRA is currently forecasting a net surplus of (£325,000) in 2019/20, (around -1%) of gross operating expenditure. This positive position is predominantly due to increased levels of rental income received due to a lower level of voids within the Housing stock. This demonstrates good housing management practice. It is currently anticipated that this surplus will be transferred to the HRA Capital Investment Reserve at the year end for future planned investment into the housing stock. Potential to use some of the forecast surplus to fund additional revenue contributions to capital is also under consideration.

Capital

- 3.15 Successful and timely delivery of the capital investment programme is a key part of achieving the Southend 2050 ambition and delivering the outcomes. The investment contributes to the five themes in the following way:
- 3.16 Pride and Joy – the key investment areas are: the ongoing refurbishment and enhancement of Southend’s historic pleasure pier and the town’s cultural and tourism offer, including libraries, museums and theatres.
- 3.17 Safe and Well – the key investment areas are: the construction and acquisition of new council homes and the refurbishment of existing ones via the decent homes programme; social care with the building of a new care facility and day centre to provide high quality services for people with high and complex needs.
- 3.18 Active and Involved – the key investment area is the Cart and Wagon Shed for the coastal community team to use as part of their community interest company.
- 3.19 Opportunity and Prosperity – the key investment areas are: the Airport Business Park to deliver benefits for both local businesses and local communities, creating thousands of job opportunities and attracting inward investment; the secondary schools expansion programme has delivered 120 permanent additional secondary school places for September 2018 and a further 80 for September 2019. This expansion is across eight of the twelve Southend secondary schools resulting in an additional 1,250 places for 11-16 year old pupils once completed.
- 3.20 Connected and Smart – the key investment areas are: the investment in the borough’s highways and transport network, including the improvements to the A127 Growth Corridor funded by the Local Growth Fund and investment in the Council’s ICT infrastructure and networks to enable and transform outcome focussed service delivery.
- 3.21 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 and further revised to £83.072M at September Cabinet and further revised to £79.826M at November Cabinet following approved re-profiles and other amendments. £43.046M of this revised budget is identified as strategic schemes such as the Airport Business Park.
- 3.22 About a third of the programme is financed by Government grants and external developer and other contributions and at the end of November two thirds of that funding had been received. The rest of the programme is funded by capital receipts, the use of reserves or by borrowing. Funding schemes by borrowing has a revenue consequence of approximately £70,000 for every £1M borrowed.
- 3.23 This report details the projected outturn position for 2019/20 based on information as at the end of November (Period 8). The report includes details of progress in delivering the 2019/20 capital investment programme and in receiving external funding relating to that year.

3.24 Following June Cabinet, capital challenge meetings were 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. The changes resulting from those meetings were included in the report to September Cabinet. Further capital challenge meetings were held in November and the changes resulting from those meetings have been included in this report.

3.25 The progress of schemes for 2019/20 is detailed in Sections 1 and 2 of Appendix 2 with Section 3 setting out the resulting requests to:

- Carry forward £8.716M of 2019/20 scheme budgets and £5.624M of 2020/21 scheme budgets into future years;
- Bring forward £1.068M of budget from future years into 2019/20;
- Remove scheme budgets totalling £1.381M from 2019/20 and £132,000 from 2020/21 where these are no longer required;
- Action virements of budget between approved schemes;
- Transfer £620,000 to the Subject to Viable Business Case' section from the main Capital Investment Programme;

3.26 As at the end of November the expected capital outturn for 2019/20 is £70.177M.

3.27 The 2019/20 capital budget is part of the wider capital investment programme spanning several years. The table below shows the revised programme if all the above requests are approved:

	2019/20 £(000)	2020/21 £(000)	2021/22 £(000)	2022/23 £(000)	2023/24 £(000)	Total £(000)
At November Cabinet	79,826	97,336	34,452	8,847	7,605	228,066
Amendments	(9,649)	(4,560)	2,005	2,171	2,000	(8,033)
Revised programme	70,177	92,776	36,457	11,018	9,605	220,033

4 Appropriation of Asset

4.1 As part of the Council's continuous review of its assets, an asset currently held in the General Fund has been identified as being used for housing purposes. Therefore it should be accounted for within the HRA, being the landlord account, to be used for general needs housing.

4.2 The General Fund property proposed for appropriation is 12A Ceylon Road and is currently void. Works are being carried out to bring it back to a condition to enable it to be re-let. The property has an existing use value as social housing of £75,900. This appropriation affects the General Fund and HRA Capital Financing Requirements (CFRs), with the General Fund CFR decreasing by £75,900 and the HRA CFR increasing by the same amount. There will be no change to the Council's overall CFR.

4.3 This change in CFR between the two funds will marginally alter the split of revenue interest between them. In addition the HRA will receive the rental income from 12A Ceylon Road once let. It is anticipated that it will be let at affordable rent.

4.4 Consideration will be given to a wider appropriation of assets between the General Fund and the HRA in a future report to Cabinet to ensure assets continue to be accounted for in the most appropriate fund.

5 Other Options

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

6 Reasons for Recommendations

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

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

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

7 Corporate Implications

7.1 Contribution to the Southend 2050 Road Map

The robustness of the Council's budget monitoring processes and the successful management of in-year spending pressures are key determinants in maintaining the Council's reputation for strong financial probity and effective stewardship. This approach also enables the Council to redirect and prioritise resources to ensure the delivery of agreed outcomes for the benefit of local residents, local businesses and visitors to Southend-on-Sea.

7.2 Financial Implications

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

7.3 Legal Implications

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

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

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

7.4 People Implications

None arising from this report

7.5 Property Implications

None arising from this report

7.6 Consultation

None arising from this report

7.7 Equalities and Diversity Implications

None arising from this report

7.8 Risk Assessment

Sound budget monitoring processes underpin the Council’s ability to manage and mitigate the inherent financial risks associated with its budget, primarily caused by the volatility of service demand, market supply and price.

The primary mitigation lies with the expectation on CMT and Directors to continue to take all appropriate action to keep costs down and optimise income. Any adverse variances will require the development of remedial in year savings plans and appropriate spending reductions wherever possible. The ultimate back-stop mitigation would be to draw on reserves to rebalance the budget, but this will only be done at year end and will only be considered should all other in year measures fail.

With the likely scale of demand pressures continuing and uncertainty over the level of future resources, it is important that the Council holds a robust position on reserves and maintains the ability to deal positively with any issues that arise during this and future financial years.

7.9 Value for Money

The approved budget reflects the Council's drive to improve value for money and to deliver significant efficiencies in the way it operates. Monitoring the delivery of services within the budget helps to highlight areas of concern and to assist in the achievement of improved value for money.

7.10 Community Safety Implications

None arising from this report

7.11 Environmental Impact

None arising from this report

8 Background Papers

None

9 Appendices

Appendix 1 Revenue Budget Monitoring Position 2019/20 – November 2019

Appendix 2 Capital Investment Programme Budget Performance 2019/20 – November 2019