

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.

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)

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 14th 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 31st 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 11th 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 11th 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 19th 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
Total DSG 2020/21	158.100	

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 22nd October 2019 and 17th 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 21st 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 £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.

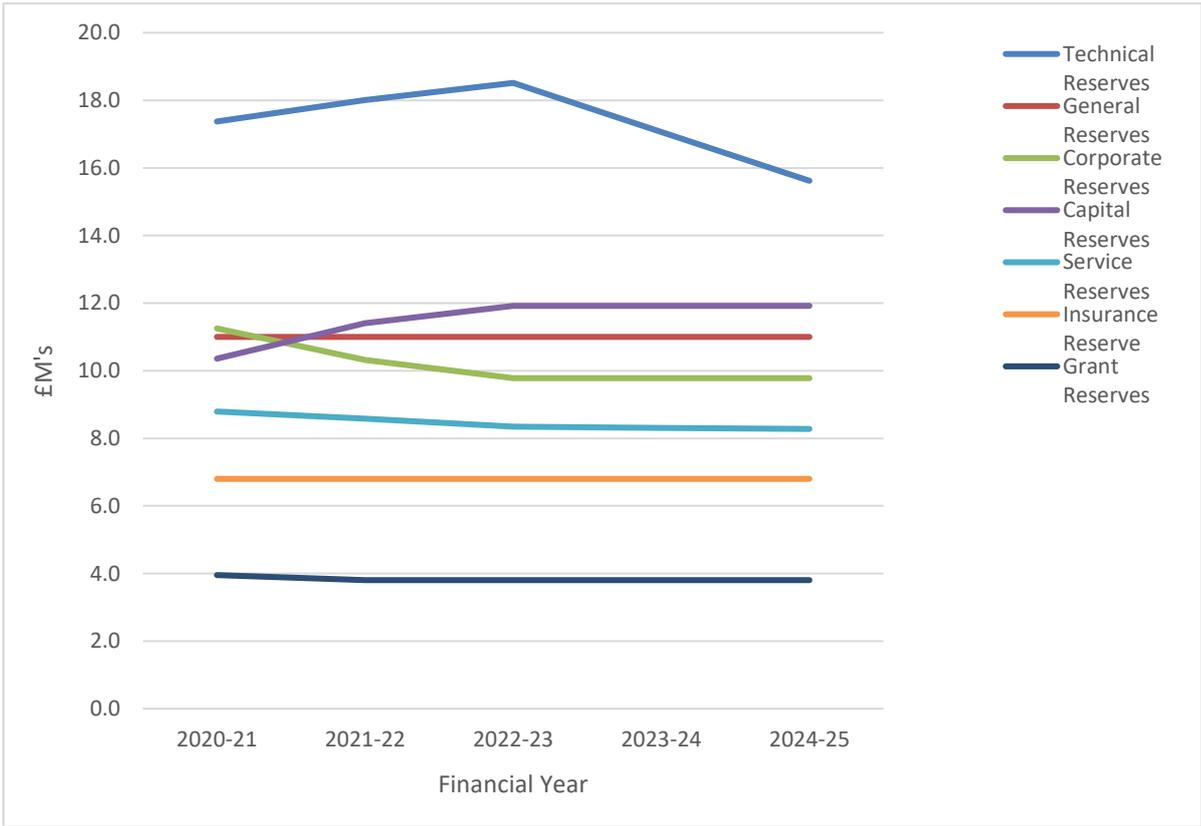
8.2 It is the Council's key financial planning document which informs business and resource planning and shows how spending needs to be balanced with the amount of available funding. It identifies budget gaps in the medium term to enable the Council sufficient time to address them in a considered, measured 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	£23.2M

- 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 (£000)	2021-22 (£000)	2022-23 (£000)	2023-24 (£000)	2024-25 (£000)	5 Year Total (£000)
PJ1	Tree & Shrub Planting/Maintenance	200	200	200	200	200	1,000
	Pride & Joy total	200	200	200	200	200	1,000
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)
	Safe & Well total	5,810	6,915	8,015	9,115	10,215	40,070
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)
	Opportunity & Prosperity total	(75)	(75)	(75)	(75)	(75)	(375)
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
	Connected & Smart total	1,200	1,200	1,200	1,200	1,200	6,000
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)
	Enabling total	(1,780)	(2,040)	(2,270)	(720)	(720)	(7,530)
	Investment and reprioritisation total	5,355	6,200	7,070	9,720	10,820	39,165

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.

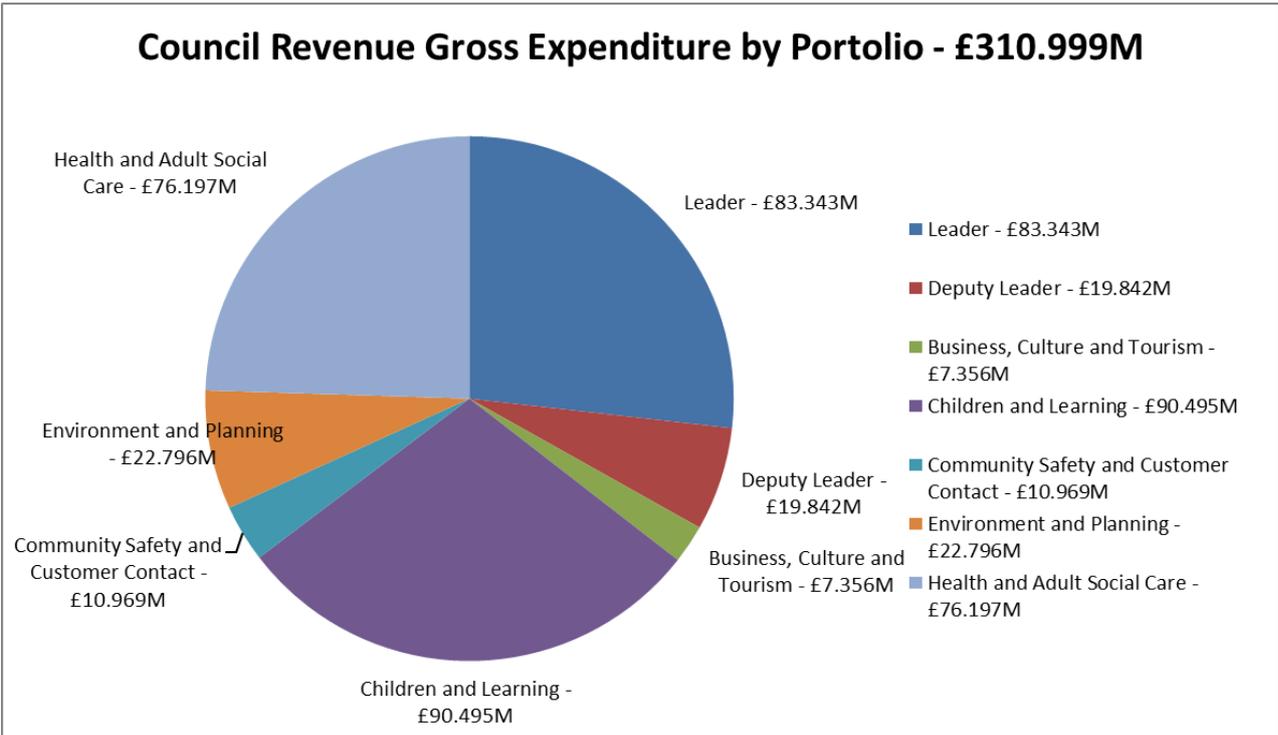
10 General Fund Revenue Budgets 2020/21 – 2024/25

Forecast revenue outturn 2019/20

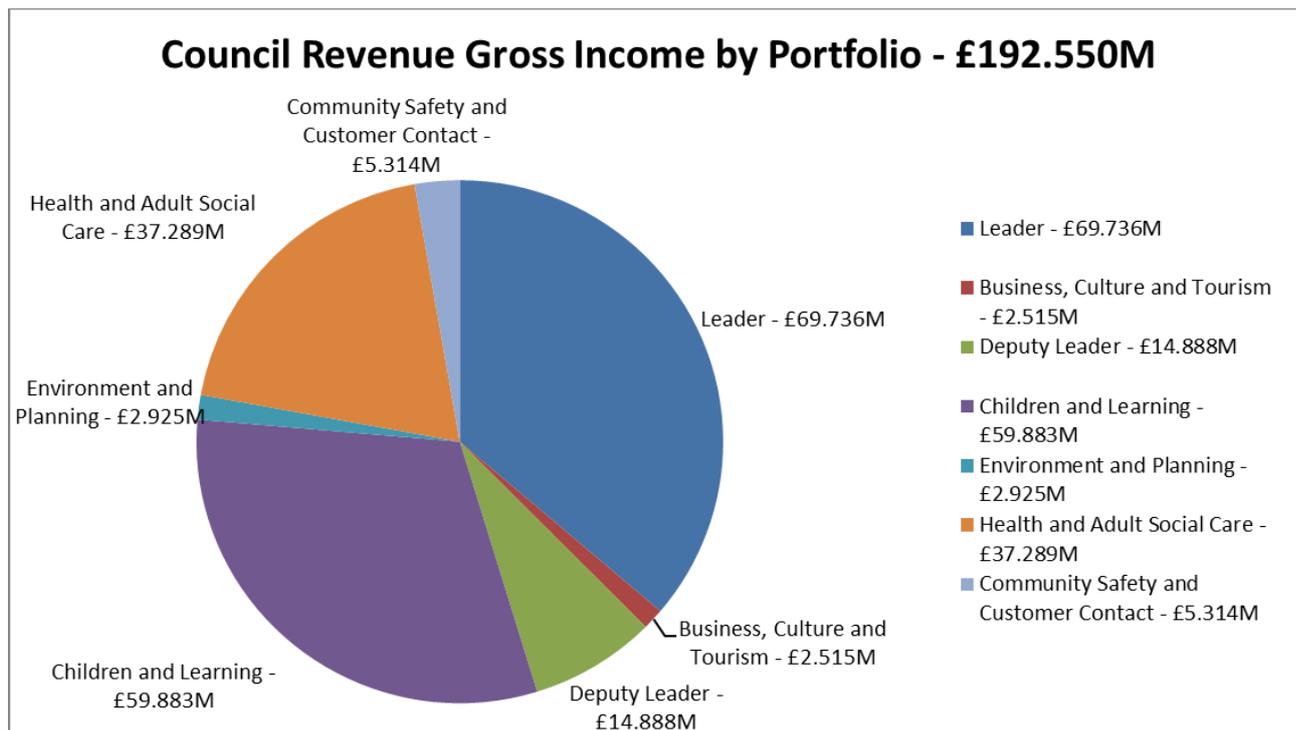
- 10.1 The original General Fund revenue budget for 2019/20 totalled £80.755M (total budget requirement of £125.647M less £44.892M government grants and business rates) and was to be met from available council tax and adult social care precept with no planned use of revenue balances or reserves.
- 10.2 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:



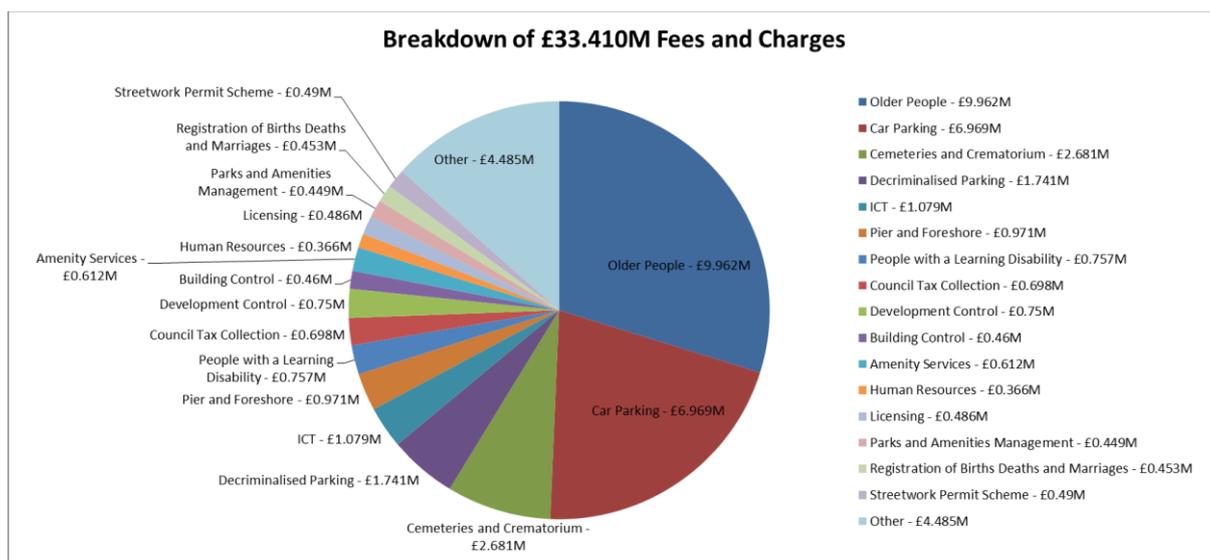
The net revenue expenditure shown by portfolio excludes budgeted charges for the use of assets through depreciation and revenue expenditure funded from capital under statute (where certain capital expenditure takes place that does not deliver a fixed asset), alongside any associated external income. 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 18th 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 £M	2020/21 £M
Net Base Budget		125.073
Net Investment and Reprioritisation		5.355
Revenue Budget	125.647	130.428
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)
To be funded from Council and ASC Precept	80.755	84.347
General Council Tax	75.022	76.966
ASC Precept Income	5.733	7.381
Balanced Budget	0	0

- 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 (£000)	2021-22 (£000)	2022-23 (£000)	3 Year Total (£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
Business Transformation Reserve total	735	685	285	1,705
Complex Needs Provision	150	150	-	300
Public Health Reserve total	150	150	-	300
Local Plan	410	130	-	540
Housing Implementation	150	150	-	300
New Homes Bonus Reserve total	560	280	-	840
Outcome Delivery	250	250	250	750
Outcome Delivery Reserve total	250	250	250	750
School Improvement	200	200	200	600
School Improvement Reserve total	200	200	200	600
Use of Reserves total	1,895	1,565	735	4,195

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.

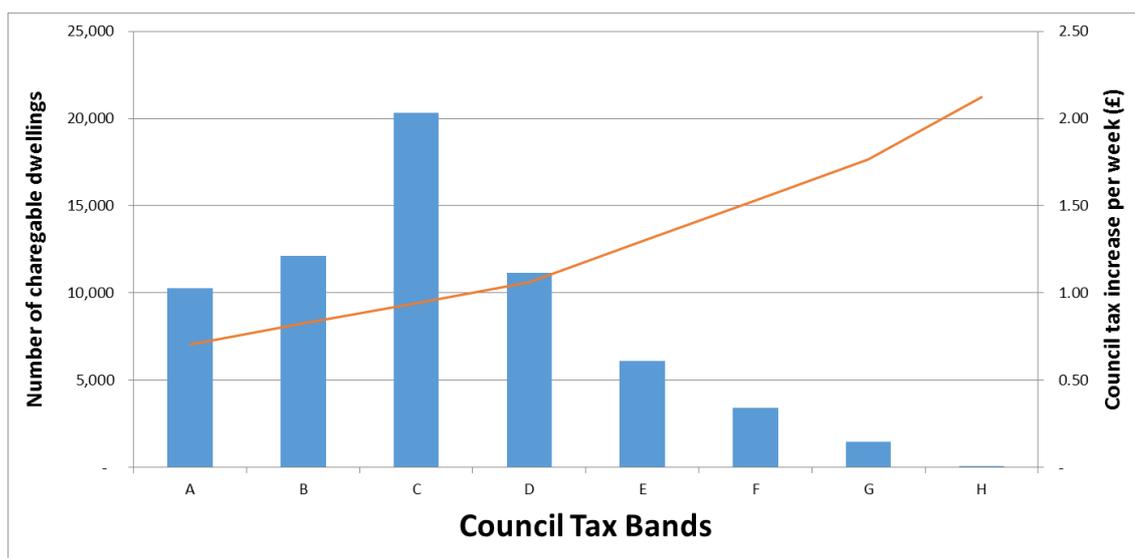
The introduction of a new Care Leavers Council Tax Relief Policy for 2020/21 and the approved increase in the Empty Homes Premium to 200% from April 2020 has also been factored into the tax base calculation.

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 21st 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 6th 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 20th February 2020. The current position for 2020/21 is identified in the following table: -

Levying Body	2019/20 Probable Actual £000	2020/21 Estimate £000	Percentage increase %
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%
Total	638.0	645.0	

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.

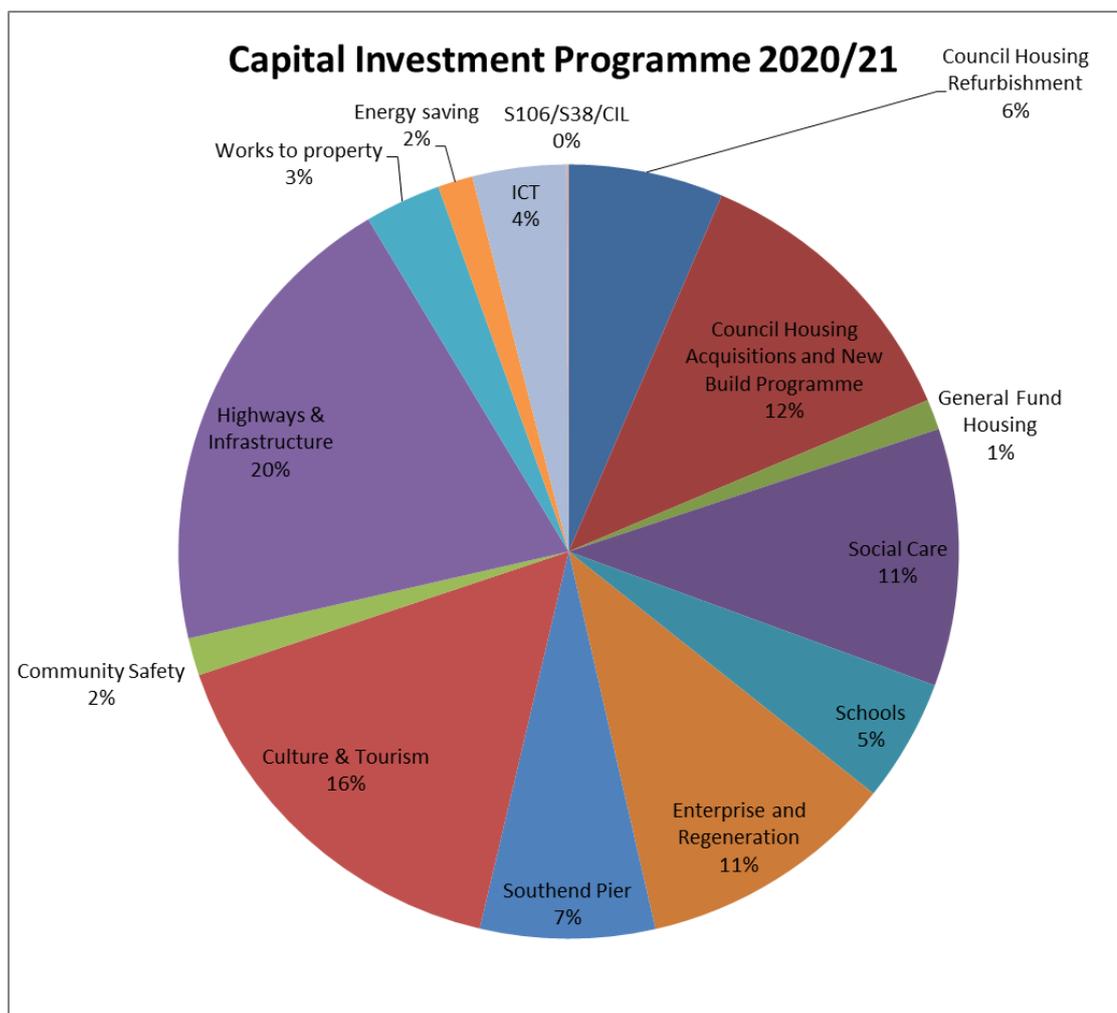
Consultations with staff and Trade Unions will continue throughout the budget process.

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 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total £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
Revised programme	70,957	108,596	48,967	17,998	12,205	17,050	275,773

- 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 £M	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 and future years £M	Total £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/ Revenue Contributions	9.1	5.2	1.2	0	0	15.5
Borrowing – Main Schemes ⁽¹⁾	39.0	14.3	7.1	3.6	3.4	67.4
Borrowing – Invest to Save ⁽¹⁾	12.5	4.4	2.0	2.0	7.1	28.0
Total	108.6	48.9	18.0	12.2	17.1	204.8

Note 1 - this relates to both internal and external borrowing

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

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

- 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 11th March immediately prior to the start of the financial year on 1st 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 16th 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

Appendix 1	Financial Sustainability Strategy 2020 - 2030
Appendix 2	Medium Term Financial Strategy 2020/21 - 2024/25 Annex 1 to Appendix 2 – Medium Term Financial Forecast to 2024/25 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
Appendix 4	Appropriations to and from General Fund Earmarked Reserves
Appendix 5a	General Fund Revenue Budget by Portfolio – Summary
Appendix 5b	General Fund Revenue Budget by Portfolio – Objective
Appendix 5c	General Fund Revenue Budget by Portfolio – Subjective
Appendix 6	Proposed Revenue Investment and Reprioritisation 2020/21 to 2024/25
Appendix 7	Planned use of One-Off Investment from Reserves 2020/21 to 2022/23
Appendix 8	Dedicated Schools Grant Budget 2020/21
Appendix 9	Capital Investment Strategy – 2020/21 to 2024/25 Annex 1 to Appendix 9 – Capital Investment Policy
Appendix 10	Capital Investment Proposal 2020/21 to 2024/25
Appendix 11	Requested Changes to Approved Capital Investment Programme
Appendix 12	Amended Capital Investment Programme 2020/21 to 2024/25 (2019/20 shown for information)
Appendix 13	Minimum Revenue Provision Policy 2020/21
Appendix 14	Prudential Indicators 2020/21 to 2024/25
Appendix 15	Equality Analyses supporting budget proposals