

# Southend-on-Sea Borough Council

Report of Executive Director (Finance and Resources)

To

Council

On

25 February 2021

Report prepared by: Joe Chesterton  
Executive Director (Finance and Resources)

Agenda  
Item No.

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**Prioritising Resources to Deliver Better Outcomes 2021/22 to 2025/26**

**Cabinet Members: Councillor Ian Gilbert and Councillor Ron Woodley**

***Part 1 (Public Agenda Item)***

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## **1. Purpose of Report**

- 1.1 To request Council to approve the setting of a revenue budget and Council Tax level for 2021/22 and a Capital Investment Programme for 2020/21 to 2025/26 including the associated Prudential Indicators and Treasury Management arrangements.
- 1.2 To request Council to approve the setting of the Housing Revenue Account (HRA), recommended rent levels and associated service charges for 2021/22.
- 1.3 For Council to consider the comprehensive reports that were presented to Cabinet on 14 January 2021 and 16 February 2021 which set out the issues affecting the Council's budgetary position for 2021/22 and provided an assessment over the medium term to 2025/26. This included the details of the provisional Local Government Finance Settlement, which has since been confirmed as final, with no substantive changes for Southend-on-Sea Borough Council.
- 1.4 For Council to consider the recommendations agreed by Cabinet at its meeting on 16 February 2021. To approve a revenue budget (including the HRA), a Council Tax level, five-year financial projections including budget investments, savings and income generation proposals for 2021/22, an outline future Budget Transformation Programme for 2022/23 to 2025/26, a Capital Investment Programme and range of Prudential Indicators.
- 1.5 To seek approval from Council to the formal Council Tax setting resolutions contained within this report.
- 1.6 To request Council to consider and formally agree all these matters.

## **2. Recommendations**

**That the Council considers the information contained in this report and the related reports to Cabinet on 14 January 2021 and 16 February 2021 to agree:**

### **2.1 A 2021/22 revenue budget (Appendices 1 and 2 (i) to (iv)) and**

- a Council Tax increase of 3.99% for the Southend-on-Sea element of the Council Tax for 2021/22, being 1.99% for general use and 2.0% for Adult Social Care;**
- the use of £2.5 million from Reserves in 2021/22 to support the balancing of the budget and note the planned replenishment of the Reserves is included in the Medium Term Financial Strategy and reflected in the future budget gap at a rate of £0.625 million per year for each of the next four years to 2025/26;**
- the use of £1.5 million of the collection fund surplus for the 2021/22 budget;**
- to note no increase in the Council Tax level for the precepting authority the Essex Fire & Rescue Services;**
- to note the increase in the Council Tax level of 4.98% for the precepting authority the Essex Police;**
- to note no increase in the Council Tax level for Leigh-on-Sea Town Council.**

### **2.2 The final levy position for 2021/22;**

### **2.3 A Capital Investment Programme for 2020/21 to 2025/26 (Appendices 3 (i) and (ii));**

### **2.4 The recommendations from Cabinet 16 February 2021 for the HRA and associated rent levels, service charges, Treasury Management, and Prudential Indicators;**

### **2.5 The Statutory Budget Determinations and amount of Council Tax for Southend-on-Sea Borough Council (Appendix 4);**

### **2.6 The Council's five-year financial forecast (Appendix 5) and associated Medium Term Financial Strategy;**

### **2.7 The direction of travel for 2022/23 and beyond and noting the need for the organisation to continue to move to a longer term and outcome based budgeting approach (Section 8).**

### 3. Background Information

3.1 The financial year 2020/21 has clearly been dominated by the impact of COVID-19. In this context the various fiscal and operational challenges, budget development plans, business uncertainty and associated matters of Southend-on-Sea Borough Council have been considered at the Cabinet meetings of 14 January 2021 and 16 February 2021.

3.2 The overall package of budget proposals was launched for consultation with local residents, businesses and relevant stakeholders on 7 January 2021. The relevant reports were also presented and considered at the Council's various Scrutiny Committees from 1 February to 4 February 2021 and discussed at the Business and Voluntary Sector consultation meeting on 14 January 2021, as outlined below:

- *Prioritising Resources to Deliver Better Outcomes 2021/22 to 2025/26*
- *Housing Revenue Account Budget and Rent Levels 2021/22*
- *Treasury Management Policy 2021/22 (Treasury Management scrutinised at Audit Committee 13 January 2021 and not Scrutiny Committees)*

3.3 Based on initial feedback, some changes to the original package of budget proposals presented on 14 January were included in the Cabinet report on 16 February. At this meeting further refinement to the proposals around car parking tariffs and zoning were discussed and agreed. All these changes were made as a direct result of the Cabinet listening to the feedback that was received from the budget consultation exercise and the final overall budget package proposed has been assessed as robust and deliverable, despite the current challenging and unprecedented operating environment.

3.4 The final changes resulting from the consultation that were discussed and agreed by Cabinet on 16 February and to be recommended as part of the overall revenue budget package to Council for approval at this meeting are summarised below: -

- The proposal to introduce 6pm to 10pm charging and enforcement on the Seafront to be **withdrawn** but enforcement will still continue for illegal parking e.g. on double yellow lines etc.
- The proposed charge of £24 for up to 14 hours to be **amended to £18** and this is now **for 7 to 10 hours** given the intention is now **not to introduce charging from 6pm to 10pm.**
- The proposals for Zone 1A on street parking. This currently goes up to 4 hours and then moves to 14 hours. It is now recommended to change this in line with off street car parks so therefore introducing a **standardised 5 hour and 6 hour charge and then the 7 to 10 hour charge.**

- Responding directly to central local sea front business feedback the recommendation is to now **equalise the charging zones for Western Esplanade and Thorpe Bay Esplanade** (Warwick Rd to Maplin Way - seafront) **by incorporating Thorpe Bay Esplanade into Zone 1A;**
- That the **50% hotel and guesthouse discount scheme remains**, which will benefit tourists who stay overnight in local hotels and guesthouses. This will mean for those guests, of hotels and guesthouses who sign up to the scheme, a **parking charge in a Zone 1A hotel area of £9 per day and in a Zone 1B hotel area of £6 per day.**

3.5 The Cabinet recommends to Council that it: -

Approves the proposals for the Revenue Budget and Council Tax Level as set out at Appendices 1 & 2 and approves the Capital Investment Programme as set out at Appendix 3. Other recommendations requesting approval include the HRA Budget and associated rent levels and service charges for 2021/22, Treasury Management arrangements and Prudential Indicators. Details of all these items and relevant recommendations are all contained in the suite of Cabinet reports presented on 16 February 2021.

3.6 The Council must set its revenue budget and Council Tax by 11 March of the preceding year. If, for whatever reason, the Council cannot agree a budget and Council Tax level on 25 February 2021, Members should be aware that it is unlikely that the Council Tax bills could be sent out on time for the 1 April instalment date (considering the necessary notice period and the time required to print the bills and the accompanying leaflet). Such a delay will increase costs significantly by circa £100k - £200k and will need to be built into the budget. It is also highly likely that this will also translate into a higher level of un-collectable debt and increased debt collection costs which will have a significant negative impact on a range of local Council Tax performance indicators.

3.7 In setting its budget, the Council is required to approve a full Council Tax resolution which includes the Adult Social Care, Police, Fire and parish precepts, including any recommendations for special expenses. The Statutory budget determination to set the amount of Council Tax for Southend-on-Sea Borough Council for all valuation bands from A to H is shown in Appendix 4.

#### **4. Corporate Issues**

4.1 The Chief Financial Officer is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under section 25 of the Local Government Act 2003 and a key requirement of CIPFA's new Financial Management Code.

4.2 The assessment of the Council's reserves was addressed within the S151 Officer Statement to Cabinet on 16 February 2021 (Appendix 2 of the Prioritising Resources to Deliver Better Outcomes 2021/22 to 2025/26 report.) In addition, further detail was also contained in the updated Medium Term Financial Strategy 2021/22 – 2025/26, which was presented at Appendix 1 within the same report.

- 4.3 For 2021/22, the overall level of contingency within the proposed budget is circa £3.2 million, which has been set at the same level as 2020/21.
- 4.4 The position on Council Tax capping was amended by the introduction of the Localism Act in December 2011. The provisions in the Localism Act 2011 abolished Whitehall capping in England and instead provides local residents with a power to approve or veto excessive council tax rises. The new provisions require the Secretary of State to propose principles defining an excessive increase in council tax for any financial year. The main principle to be determined relates to the increase in Band D council tax (subject to certain adjustments) from one year to the next.
- 4.5 A Council Tax referendum will only be required to be held in relation to an authority's council tax increase in 2021/22 if the amount set by the authority exceeds the council tax excessiveness principles applying to that year. For 2021/22 the position is as follows:
- The Secretary of State has set the council tax principles for 2021/22 as part of the Local Government Finance settlement. These are that local authorities with responsibility for Adult Social Care will be required to seek the approval of their local electorate in a referendum if, compared with 2020/21, they set a council tax increase that equals or exceeds 5.0% (comprising 3% for expenditure on adult social care and 2% for other expenditure).
  - In recognition that local authorities might not want to take up the Adult Social Care precept flexibility in full in 2021/22, some or all of this can be deferred for use in 2022/23, irrespective of other referendum principles that may apply in 2022/23.
- 4.6 In agreeing a proposed increase of 3.99% for the Southend-on-Sea element of the Council Tax for 2021/22, being 1.99% for general use and 2.0% for the Adult Social Care precept, the Council is in line with the requirements from the Secretary of State and therefore no referendum is triggered. The remaining 1.0% increase in Adult Social Care precept will be deferred to the 2022/23 financial year.
- 4.7 Therefore, in my view as the Council's Chief Financial Officer, I can confirm that the budget for 2021/22, as reported in the suite of Cabinet reports in January and February 2021 and considering the issues highlighted in this report, is challenging to deliver in the current circumstances but is also sufficiently robust to be recommended for approval by the Council. I am also able to advise the Council that the level of Reserves is adequate and to recommend a Reserves Strategy which is achievable in 2021/22 and over the medium term in line with the factors set out in my S151 Officer Statement.

## **5. Council Tax and Collection Fund 2021/22**

- 4.8 The Council Tax Base for 2021/22 was approved by Cabinet on 14 January 2021 at 58,630.49 (equivalent Band D properties).
- 4.9 The estimated accumulated surplus on the Collection Fund at the end of 2020/21 is sufficient to allow £1.5 million to be attributed to the Council and which has been used in calculating the Council Tax, as statutorily required.
- 4.10 The proposed budget assumes a Council Tax increase of 1.99% for general use on the Southend-on-Sea element of the total Council Tax. In addition, no referendum limit will be breached by approving this level of increase for 2021/22.
- 4.11 Council may wish to bear in mind that a 1% change in Southend-on-Sea Borough Council's element of the Council Tax is £14.37 per annum for a Band D property. This equates to an amount of circa £0.840 million in the revenue budget for each 1% change.
- 4.12 The proposed Council Tax increase of 1.99% will mean a Band D level of £1,340.19 per annum on the Southend-on-Sea element of the Council Tax. This equates to an annual increase of £28.59 and a weekly increase of 55p. The Statutory Budget Determinations and amount of Council Tax for Southend-on-Sea Borough Council is shown in Appendix 4.
- 4.13 The total Council Tax payable by taxpayers consists of Southend-on-Sea Borough Council precept, the Adult Social Care precept and the precepts for Essex Fire & Rescue Services and Essex Police. Where applicable it also includes Leigh-on-Sea Town Council precept.

### **Precepts**

- 4.14 Leigh-on-Sea Town Council has declared its precept for 2021/22 at £443,217 (2020/21 = £447,392). Based on their council tax base of 8,762.69, there will be no increase in the Town Council element of the total Council Tax bill of £50.58 at Band D. This only applies to the area covered by the Town Council.
- 4.15 For Essex Police an increase in its Council Tax has been approved by the Police, Fire & Crime Commissioner. This represents a Council Tax of £208.53 (2020/21 = £198.63) per Band D property, which equates to an increase on the respective 2020/21 level of 4.98%.
- 4.16 For Essex Fire & Rescue Services the Police, Fire and Crime Commissioner has approved no increase in its Council Tax. This represents a Council Tax of £73.89 (2020/21 = £73.89) per Band D property.
- 4.17 This budget also includes the Adult Social Care Precept at an increase of 2.0% over the previous year. The proposed level equates to an annual increase of £28.74 (from £125.79 to £154.53) equivalent to a weekly increase of 55p at the Band D Council Tax level.

## Levies

- 4.18 The Council is required to pay relevant levying bodies, who have all now provided their required levy for 2021/22 and the position for 2021/22 compared to 2020/21 is identified in the table below. The final approved levy also includes anticipated year-end adjustments for 2020/21 and 2021/22:

Levy Body	2020/21 Probable Actual £'000	2021/22 Estimate £'000	Percentage Increase %
Kent & Essex Inshore Fisheries & Conservation Authority	21.9	21.9	0%
Flood Defence – Environment Agency	204.7	209.4	2.3%
Coroners Court	401.7	413.7	3%
<b>Total</b>	<b>628.3</b>	<b>645.0</b>	

The 2021/22 budget proposed at Cabinet on 16 February 2021 included a total sum for levies of £645,000. The final approved levies and year-end adjustments for 2021/22 total £645,000. Therefore, no amendment is required to the levies budget for 2021/22. However, if there are any final adjustments to the above levies for 2021/22 this will be funded through contingency.

### Special Items (Sections 34 & 35 of the Local Government Finance Act 1992)

- 4.19 Parish and Town Councils can precept on the Authority for services provided in the Parish or Town Council area. The Local Government Finance Act 1992 requires these precepts to be deemed a special item. In the Council's geographical area, the only parished area is Leigh-on-Sea.
- 4.20 The cost of Southend-on-Sea's services are spread uniformly over the Authority's area. However, in some parishes, the Town Council may provide services which in other parts of the Authority are provided by the Council. Under Section 35 (2) (d) of the 1992 Act, the cost of these services is regarded as special expenses unless the Council has resolved otherwise. Special expenses are deemed to be included as part of the special items for Council Tax setting purposes.
- 4.21 The costs of special expenses are deducted from the council's total expenditure when setting the basic Council Tax and are charged as an additional amount to the areas receiving the benefit of these specific services.
- 4.22 At its meeting on 16 February 2021, the Cabinet considered the special expenses to apply in 2021/22 and recommended that there were no special expenses in addition to the Leigh-on-Sea Town Council's precept.
- 4.23 The proposed Band D Council Tax excluding and including Leigh-on-Sea Town Council is set out at Appendix 1.

## **6. Capital Investment Programme**

- 4.24 The Cabinet also considered proposals for the Capital Investment Programme for 2020/21 to 2025/26 and referred the proposals set out at Appendix 3 (i) and (ii) to this report.
- 4.25 The Cabinet also agreed to refer the approval of the Capital Investment Strategy and Prudential Indicators.
- 4.26 The full impact of the borrowing costs required to fund the proposed programme have been included in the Council's current financial planning for 2020/21 to 2025/26. The 2021/22 revenue budget incorporates the required borrowing costs as part of the budget requirement for 2021/22. In summary, it is my view, as the Council's Chief Financial Officer, that the 2020/21 to 2025/26 Capital Investment Programme is prudent, affordable and sustainable.
- 4.27 To demonstrate compliance with these objectives a set of prudential indicators, as required by statute, is also recommended for approval.

## **7. Medium Term Financial Strategy (MTFS)**

- 4.28 Given the unprecedented and constantly changing events in 2020/21 the development of the Medium Term Financial Strategy has been challenging, particularly with the decision by the UK Government to only announce a single year financial settlement for 2021/22. A three-year Comprehensive Spending Review is now expected for the Autumn of 2021.
- 4.29 To try to illustrate some medium-term financial planning parameters, an updated Financial Strategy 2021/22 – 2025/26 has been developed using the best information and the most likely set of scenarios/assumptions that are currently available. The updated and full MTFS for the period 2021/22 to 2025/26 was included within the Prioritising Resources to Deliver Better Outcomes 2021/22 to 2025/26 report to Cabinet on 16 February 2021 at Appendix 1.
- 4.30 Any final cosmetic and background changes not impacting on the overall strategy and recommendations in the MTFS will be undertaken by the Executive Director (Finance & Resources) before final publication. This strategy will be kept under regular review and a formal annual refresh will be presented to the Cabinet as part of the Council Tax setting proposals for 2022/23.
- 4.31 This strategy 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.
- 4.32 It is good practice to update the rolling MTFS as part of setting the Council budget and Council Tax to ensure our financial planning is fully aligned and integrated.

- 4.33 The MTFs currently shows a projected further budget gap for the Council of £20.7 million for the following four financial years. This is set out in detail in Appendix 5 and in summary as follows:

2022/23	£7.3 Million
2023/24	£5.2 Million
2024/25	£3.5 Million
2025/26	£4.7 Million
<b>Total</b>	<b>£20.7 Million</b>

- 4.34 The estimated calculation of the future gap of £20.7 million needs to be considered with a degree of caution. Although all relevant information that the Council is currently aware of has been factored into this assessment, attempting to predict the future in the current set of unprecedented circumstances is incredibly difficult. There remains huge uncertainty over what the UK Government may do in response to the impact of COVID-19 on the country's public finances. We will continue to monitor developments and update our forecasts as more clarity over national policy choices becomes available.

## 8. 2022/23 and Beyond

- 8.1 COVID-19 has fundamentally changed the financial landscape and operating environment for public services. Local Authorities were issued with an initial indicative financial settlement for 2021/22 only. No information is currently available for future years. Although our new 10-year Financial Sustainability Strategy was only developed and approved in February 2020, we are now proposing to review it again in the Autumn of 2021, after the next Comprehensive Spending Review. This will enable us to reassess, 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.
- 8.2 It will also be important to reassess, understand and take responsibility for determining our financial future. We must continue to be proactive in the delivery of our agreed Southend 2050 ambition, key priorities, evaluation of the local economic recovery progress 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 bases and by increasing our income generating and commercial capabilities.
- 8.3 The announcement of a single year financial settlement for Local Government is perhaps understandable, given the huge fiscal challenges that COVID-19 has brought to the UK. From a local business and financial planning perspective though, this short-term arrangement creates real uncertainty for the Council and fails to provide any clarity for the future.

- 8.4 In an uncertain world the Medium Term Financial Strategy attempts to outline how scarce revenue and capital resources are prioritised and then deployed to respond to increasing demand for key local services and to deliver better value for money outcomes for local residents over the medium term. The future financial sustainability and resilience of the Council is also a key fundamental guiding principle.
- 8.5 This report predominantly addresses, as we are required to do, a detailed budget for 2021/22 but it is also appropriate to identify the areas the Council should continue to explore in order to meet the budget constraints of future years and also tailor the services it provides and review its role within national policy and local circumstances. The impact of COVID-19 continues to have far reaching consequences and as we start addressing the recovery from the pandemic, the Council's 2050 Ambition and the South Essex vision for 2050 we need to be mindful of how we align and prioritise our resources to achieve the best value for money outcomes for our local residents.
- 8.6 To prepare for recovery from the pandemic and recognising the potential size of the financial and operational challenge that lies ahead, for the first time in Southend-on-Sea's history this report also outlines a high-level future Budget Transformation Programme for 2022/23 – 2025/26. This is to be scoped and developed further over the coming months to support the Council's future financial sustainability ambition and to prepare for what will undoubtedly be a very challenging Comprehensive Spending Review in 2021 for the Local Government Sector.
- 8.7 Traditionally, and particularly over recent years, the nature of Council activity has seen an increase in the level of directly delivered services for the local populace and for local businesses and visitors. Many services have been delivered on a universal basis and free or at limited cost, but this may need to be reviewed as greater pressure is being placed upon the services provided by the Council and the way in which these arrangements are delivered.
- 8.8 The Council may need to increase focus on the delivery of its services in a more targeted way, concentrating on delivering services to those residents who most need the Council's support. The Council may also need to review and change its approach to tailoring the delivery of its many statutory services. To underpin these new arrangements the Council will continue to reposition its role as one to work alongside the community, its residents and businesses, to try to improve the many contributing factors that affect people's lives.
- 8.9 The Council will continue to have a positive commitment of working, and delivering services, in partnership with other agencies, the voluntary and commercial sectors, and the community itself. As part of this approach the Council will encourage the sustenance of community services in collaboration with local communities, encouraging community capacity to operate effectively in appropriate circumstances.

- 8.10 The Council will also seek to address critical issues such as equality, disadvantage, lack of attainment and poverty by working with communities themselves, seeking enhanced training support and opportunity. It will foster and promote the local economy and thereby enhancing local opportunities for aspiration, attainment, increasing household income and personal achievement.
- 8.11 When the previously announced Government funding reforms are fully implemented, we will soon be in a position where our funding to maintain and improve our council services will come from only three main sources:
- Business Rates
  - Council Tax
  - Other forms of income we can generate e.g. Fees & Charges, commercial activity, traded services, etc

Post COVID-19 we will continue the trajectory towards an era of financial self-sustainability for Local Authorities and that longer term a clear focus on outcome based budgeting will be the key. This essentially will mean the prioritisation and reallocation to our outcomes of all our resources both Capital and Revenue alongside our people and our physical assets.

- 8.12 The Council will therefore seek to ensure that the Council Tax and Business rates bases are strengthened and post COVID-19 income collection levels are at least maintained. In addition, the Council will explore innovative income generation opportunities that will increase the Council's range of revenue sources to assist with meeting the need to be financially self-sustainable and to support the delivery of our outcomes. As part of this commitment there is the continued intention to look at greater commercial opportunities for services of the Council.
- 8.13 Given the financial challenge we have and will continue to face for a number of years, a longer term and outcome based budgeting approach will be needed to ensure that there is effective prioritisation and reallocation of our complete resource base.

## **9. Corporate Implications and Conclusion**

- 9.1 The corporate implications of the proposed Council Budget have been set out in the relevant reports to the Cabinet meetings of 14 January 2021 and 16 February 2021.
- 9.2 In reaching decisions on budget proposals and Council Tax, Members will need to bear in mind all the detailed advice provided by officers both in reports to the Cabinet and information supplied directly. Careful consideration must be made for the impact of decisions both in the coming year and subsequent years.

9.3 Members should also note that in approving the Council budget and setting the Council tax level that all the information, advice and recommendations contained in the full suite of reports presented to Cabinet on 14 January 2021 and 16 February 2021 represent part of the decision-making process. All that detailed report information needs to be fully considered and recognised alongside this Council report.

## 10. Background Papers

10.1 All background papers are listed in the reports detailed at paragraph 3.2 in this report.

10.2 In addition, Background Papers include:

- (i) Minutes of the Cabinet meeting 14 January 2021;
- (ii) Minutes of the Cabinet meeting 16 February 2021;
- (iii) Minutes of the various Scrutiny Committees from 1 February to 4 February 2021 and feedback from the Business Sector and Voluntary Sector consultation meeting on 14 January 2021.

## 11. Appendices

Appendix 1	Revenue Budget and Council Tax 2021/22
Appendix 2 (i)	General Fund Budget Investment 2021/22
Appendix 2 (ii)	General Fund Budget Savings and Income Generation 2021/22 to 2025/26
Appendix 2 (iii)	General Fund Budget Transformation Programme 2022/23 to 2025/26
Appendix 2 (iv)	New or Amended Fees and Charges 2021/22
Appendix 3 (i)	Capital Investment Programme 2020/21 to 2025/26
Appendix 3 (ii)	Proposed Capital Investment 2021/22 to 2025/26
Appendix 4	Council Tax Resolution 2021/22
Appendix 5	Medium Term Financial Forecast 2021/22 to 2025/26