

**Southend-on-Sea Borough Council**

**Report of Executive Directors (Finance & Resources and Transformation)**

to

**Cabinet**

on

**15 June 2021**

**Agenda  
Item No.**

**5**

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**Delivery of Southend 2050 Outcomes and Priorities: Annual Report and Provisional Resources Outturn 2020/21  
All Scrutiny Committees  
Cabinet Members: Councillor Ian Gilbert  
A Part 1 Public Agenda Item**

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**1 Purpose of Report**

- 1.1 To present Cabinet with the Annual Report for 2020/21, highlighting the achievements, successes, and challenges towards delivery of our Southend 2050 Ambition through the Southend 2050 themes.
- 1.2 To update Cabinet with the provisional revenue outturn for 2020/21, and therefore the indicative level of revenue balances going into 2021/22.
- 1.3 To advise Cabinet of the implications of the revenue outturn for 2020/21 and the potential impact on the 2021/22 budget and future Medium Term Financial Strategy.
- 1.4 To inform Cabinet of the capital investment programme outturn for 2020/21 and to seek approval for the relevant budget carry forwards and accelerated delivery requests.
- 1.5 To seek approval for in year amendments for the current approved capital investment programme for 2021/22 to 2025/26.
- 1.6 To seek approval to carry forward Community Infrastructure Levy (CIL) Main Fund receipts from 2020/21 and previous financial years and to delegate authority to agree how the Ward Neighbourhood Allocations are to be spent.

## **2 Recommendations**

**That Cabinet:**

- 2.1 Note the achievements, successes and challenges brought to life within the Annual Report 2020/21 (Section 4 and Appendix 1).**
- 2.2 Note the provisional 2020/21 revenue outturn position for both the General Fund (Section 5) and Housing Revenue Account (HRA) (Section 6) and delegate the agreement of any final adjustments and the transfer of the actual final General Fund outturn position to the Business Transformation Reserve (Section 5.4) following the completion and audit of the Statement of Accounts to the Executive Director (Finance and Resources).**
- 2.3 Consider and approve the appropriation of revenue funds to and (from) earmarked reserves, as set out in Section 5.17 to 5.23 (General Fund) and Section 6.7 (HRA).**
- 2.4 Note the potential revenue impact of the 2020/21 outturn on the 2021/22 General Fund budget and Medium Term Financial Strategy (Section 5.24 – 5.38).**
- 2.5 Note that the expenditure on the capital investment programme for 2020/21 totalled £66.085m against a revised budget of £71.936m (Sections 7.4 and 7.7).**
- 2.6 Approve the relevant budget carry forwards and accelerated delivery requests totalling a net £6.160m moving into 2021/22 and future years, as set out in Appendix 2.**
- 2.7 Approve the virements, reprofiles, additions, deletions, transfers and new external funding for schemes, as detailed in Appendix 2 and note that this will result in an amended Capital Investment Programme deliverable by the Council of £151.529m for the period 2021/22 to 2025/26, as detailed in Appendix 3.**
- 2.8 Note the requested changes as detailed in Appendix 2 will result in an amended Capital Investment Programme deliverable by South Essex Homes Limited and Porters Place Southend-on-Sea LLP of £64.509m, as detailed in Appendix 3.**
- 2.9 Note the content of the Infrastructure Funding Statement 2020/21 (included in Appendix 4) and agree to carry forward Main Fund receipts from reported year 2020/21 and previous reported years until the CIL Governance Framework and spending plans are reviewed later this year.**
- 2.10 Delegate authority to the Deputy Chief Executive and Executive Director for Growth and Housing (in consultation with Ward Members and the Cabinet Member for Environment, Culture, Tourism and Planning) to agree how the Ward Neighbourhood Allocations received up until 31 March 2021 (excluding allocation to Leigh Town Council) are to be spent.**

**2.11 Approve the procurement for Parking Enforcement and Operations for 2021/22 as set out in Section 9 (£1m+ contract value).**

**3 Background Information**

- 3.1 Southend-on-Sea Borough Council, along with most Local Authorities across the country, continues to face significant challenges in providing essential services to meet the needs of local residents within the level of resources it has at its disposal. As reported throughout 2020/21 this was taken to whole new level of complexity and challenge with the worldwide impact of the COVID-19 pandemic.
- 3.2 The pandemic continues to have a huge direct operational and financial impact right across the country and the Local Government Sector. All local authorities are struggling with the challenges of uncertainty, financial pressures, operational challenges and concerns for their residents and local areas in such unprecedented times. Most of the demand and financial challenges highlighted throughout 2020/21 were inextricably linked directly or indirectly to COVID-19.
- 3.3 The scale and impact of the pandemic has also resulted in an unprecedented national policy and funding response from Central Government. The range, volume and value of different targeted financial support packages issued throughout 2020/21 was on a scale never seen before. New announcements were made on a regular basis containing a varied range of funding/grant support to be either passported on to local eligible businesses and residents or to be used directly by the Council to support our local response to the pandemic.
- 3.4 There is a separate report elsewhere on the agenda which covers the Council's response and summarising the impact of COVID-19 locally. In headline financial terms the total level of financial support allocated to Southend-on-Sea from Central Government for 2020/21 totals around **£135 million**. The terms and conditions attached to some of these grant support mechanisms were sometimes issued late or retrospectively, which is perhaps understandable given the scale and urgency to provide additional funding at such pace.
- 3.5 Several funding streams have also either been extended into 2021/22 or new funding allocations have been issued for this financial year as the country continues to put in place measures to control further outbreaks of the virus and to try to support our economic recovery. Positively, the national vaccination programme is having a real positive impact on controlling the spread of the virus and continues to be rolled out at an unprecedented pace across the adult population.
- 3.6 The Government has introduced other financial support arrangements for Local Authorities such as the Income Guarantee Scheme to help with the impact of reduced levels of collection of council tax and business rates. A compensation scheme for sales, fees and charges has been implemented to try to help to partly offset significant reductions in other local income streams. Finally, additional financial support has been issued to help local authorities cope with a range of additional administrative new burdens associated with assessing and issuing funding to eligible businesses and residents where appropriate.

- 3.7 To put the scale of the extra administrative burden into context around 12,000 applications from local businesses have been processed so far. Many more have also had to be reviewed to assess eligibility. The scale and governance of this overall level of additional financial support to the Council and the associated administration and reconciliation of various grant claims to Central Government are being finalised as part of the year-end closure programme.
- 3.8 The national deadline for publishing the 2020/21 Statement of Accounts has been extended until 31<sup>st</sup> July 2021, as it was last year. The Council remains committed to trying to finalise our year-end arrangements before the end of June 2021 to prioritise financial advice, insight, and support for our recovery in the current year.
- 3.9 The pandemic has made the delivery of our Southend 2050 ambition more challenging, but it remains achievable. It will need all elements of our community to work together to make it a reality. We will also need our neighbouring boroughs and central government to play their part. The key objectives and priorities for the Council for 2020/21 were informed through engagement with our residents, voluntary sector organisations, businesses, and visitors through the earlier development of the Southend 2050 ambition. In 2020/21 our Southend 2050 Outcomes were refocused in response to the COVID-19 pandemic and the need to respond appropriately.
- 3.10 The Council continues to be committed to listening to the views of residents, to help understand their priorities, find out what they think of services and check whether they feel they can influence decisions that affect them and their local area. In December 2020, we launched a Residents' Pulse Survey to try to understand people's experiences during the pandemic and gather their ideas about how Southend could begin to recover. Findings from the Residents' Pulse Survey 2020 continues to inform delivery of the Southend 2050 ambition and outcomes. This information will also influence policy and service delivery considerations for 2021/22 and the future.
- 3.11 As part of the development and approval of the 2021/22 Budget and Medium Term Financial Strategy in February 2021 a new Budget Transformation Programme for 2022/23 – 2025/26, was agreed as part of the Council's overall budget package, with specific areas and themes identified to be scoped and developed further during 2021/22. This will support the Council's future financial sustainability commitment and help to target resources and re-design plans to avoid a financial 'cliff edge' which would require more drastic action over a shorter time frame.
- 3.12 Other measures to support the Council's drive towards financial sustainability and shape our priorities include: on-going budget reviews; implementation of outcome-based budgeting principles; better linking of business planning and budgeting to service outcomes; effective and creative management of service demand; review of major contractual arrangements; further implementation of the Commissioning Framework; exploring new commercial opportunities; evaluating a range of income generation initiatives and continuing to enhance our systems, processes and internal business transformation arrangements.

- 3.13 Our new 'Getting to Know Your Business' programme for service managers was introduced in 2020/21, with the first phase helping to establish a baseline for all services in terms of costs, income generation, value for money and relative performance. The Council was supported in this evaluation by Grant Thornton, who provided an independent review of our medium-term financial assessment by using their specifically designed forecasting model for councils.
- 3.14 The aim of this new initiative is to ensure all service managers in Southend-on-Sea Borough Council have a comprehensive understanding of their business areas in terms of their benchmarked operational and financial performance, key demand and cost drivers, income levels, commercial opportunities, value for money and customer insight. This programme is designed to support managers to improve productivity and efficiency in all our business areas ensuring that we secure best value but also to support a more targeted outcomes based approach to investment.
- 3.15 This provisional outturn report builds on the financial performance monitoring information provided for period 8, which was reported to Cabinet in January 2021. It highlights the changes in the last four months of the year and provides an insight into the major variances that have contributed to the final outturn position. It also considers the potential implications that the 2020/21 outturn will have on the 2021/22 approved budget and Medium Term Financial Strategy to 2025/26 where appropriate.
- 3.16 The operating landscape continues to be uncertain as the medium to long term implications on demand and service delivery during the transition from responding to the impact of the pandemic and towards building and enabling a successful recovery are difficult to assess. Our immediate responsive financial strategy has therefore been made a lot more difficult to design because of this added complexity and uncertainty. The situation will continue to be closely monitored and appropriate tactics will be deployed to support local businesses and communities wherever possible throughout 2021/22.

#### **4 Annual Report 2020/21**

- 4.1 The Annual Place-based report celebrates our successes and achievements from 2020/21, providing an opportunity for strategic reflection and peer accountability at a partnership level. The report gives a high-level overview of how the Council has performed against its delivery of the priority outcomes for Southend 2050 (attached at Appendix 1).
- 4.2 The council have remained resilient despite recent challenging times, losing around 64% of funding from government from 2010, whilst dealing with the political and economic uncertainty of Brexit and the more recent global pandemic of COVID-19. Much of our focus recently has been on responding to the pandemic and building an investment focused approach to recovery.
- 4.3 The attached report presents a visual journey of the Council's achievements through the Southend 2050 themes and milestones outlined on the 2050 Road Map and other key priorities for the Council, with the current status for each milestone; noting any which have been affected by the COVID-19 outbreak.

4.4 It is important to reflect on the work we have done and that the report highlights the progress we have made during 2020/21; the report showcases several of our priorities for the coming year and how our Southend 2050 Outcomes and Roadmap are the vehicle for Southend's local recovery. It is more important than ever that at the heart of our work we remain collaborative, inclusive, honest, and proud.

## **5 2020/21 Provisional General Fund Revenue Outturn**

5.1 2020/21 has clearly been an incredibly challenging and extraordinary year due to the direct impact of the pandemic on both the health and economies of countries right across the world. Here in Southend-on-Sea, the scale of the local financial impact on both expenditure and income expectations has led to huge variations from our original approved plans for 2020/21 and the actual profile of spending bears no comparison to what we would expect to see in a normal year. The Council, along with the rest of the public sector, has also received unprecedented levels of additional funding support from Central Government to try to mitigate the financial impact of the pandemic. This contributed to both the abnormal pattern of spending and huge volatility in our cashflow position throughout the year.

5.2 There have been many additional technical compliance requirements and accounting arrangements introduced for the Local Government Sector in 2020/21. This has been necessary to reflect the additional funding received but also to account appropriately for the different types of support that Central Government has provided. The area of largest change in financial terms has been the relationship between the Council's Collection Fund (which is used to record the transactions and cashflows relating to Business Rates and Council Tax funding) and the General Fund (which in simple terms records all income and expenditure relating to services).

5.3 In response to the pandemic, Central Government introduced a considerable number of different types of rating reliefs for businesses across different sectors. This effectively reduced the value of rates that businesses were required to pay. This clearly reduced the amount of local income available to the Collection Fund and the Council. The mechanism available to compensate local authorities for this type of business rates changes was to issue what is called a Section 31 Grant of equivalent value of the total level of rate reliefs to local authorities via the General Fund.

5.4 The following table summarises the 2020/21 provisional revenue outturn for the General Fund and highlights the scale of spending variations. The Council has had to cope with considerable additional governance responsibilities, to ensure compliance with all the terms and conditions associated with the range, variety and volume of different types of grant income received in 2020/21. Careful consideration has also been given to ensure that the Council prepares appropriately for the ongoing impact of the pandemic and our local economic recovery aspirations in 2021/22. The 2020/21 provisional outturn has been prepared on the assumption that all appropriations to and (from) earmarked reserves proposed in this report are approved. Cabinet are invited to consider the recommended level of appropriations at Section 5.17 – 5.23 in this report.

## Provisional Outturn 2020/21

Last Reported Variance £M	Portfolio	Revised Budget £M	Forecast Outturn £M	Variance £M
2.2	Leader: Housing, ICT, Revenue & Benefits	15.5	16.7	1.2
3.4	Deputy Leader: Assets, Highways & Transport	4.5	9.7	5.2
1.0	Business, Culture and Tourism	4.6	5.9	1.3
4.7	Children and Learning	28.3	31.9	3.6
0.0	Community Safety and Customer Contact	4.2	4.2	0.0
1.8	Environment and Planning	18.4	20.6	2.2
2.8	Health and Adult Social Care	37.1	37.4	0.3
<b>15.9</b>		<b>112.6</b>	<b>126.4</b>	<b>13.8</b>
(0.3)	Corporate Budgets	24.2	21.1	(3.1)
<b>15.6</b>		<b>136.8</b>	<b>147.5</b>	<b>10.7</b>
0.0	Financial and Technical Adjustments	24.2	8.7	(15.5)
0.0	Revenue Contribution to Capital	0.4	0.2	(0.2)
(4.2)	COVID-19 Income Compensation	0.0	(6.3)	(6.3)
(12.9)	Non Service Specific Grants	(18.0)	(23.0)	(5.0)
<b>(1.5)</b>	<b>TOTAL</b>	<b>143.4</b>	<b>127.1</b>	<b>(16.3)</b>
4.5	Funding	(143.4)	(128.1)	15.3
<b>3.0</b>	<b>NET</b>	<b>0.0</b>	<b>(1.0)</b>	<b>(1.0)</b>

- 5.5 This table shows that the variance for the overall General Fund budget moved from an adverse variance of £3.0M at Period 8 to a positive variance of (£1.0M) by the end of the year. The key reasons for this improvement are that the Service Portfolios variance improved from £15.9M to £13.8M, Corporate Budgets improved due to contingency that was not required and additional grant funding that was received for COVID-19 support during the last four months of 2020/21. The funding line highlights primarily the variations between Collection Fund and General Fund as explained in Section 5.3. The headlines for the improved position for Service Portfolios are summarised in the table at Section 5.10 and further commentary is included in Sections 5.11 to 5.16.
- 5.6 Despite the challenges caused by the COVID-19 pandemic in 2020/21, the Council remains in a strong and financially resilient position. Through careful and prudent financial management, it has retained the ability to cope with any further unexpected challenges and is in a reasonably strong position to help support Southend's recovery in 2021/22.
- 5.7 Cabinet have received regular and detailed budget monitoring information throughout 2020/21, so most key variances in this unprecedented year have previously been well documented and reported.

- 5.8 This report summarises the major variances between the period 8 forecast and the final outturn for 2020/21. Given the size and complexity of the Council's operations and the volatility caused by COVID-19 there are several variations from the original approved plans across individual service areas. As part of the year-end arrangements, consideration has also been given to the need to review the level of provisions for insurance, transformation, specific service considerations, bad and doubtful debts and other challenges that arose during the year.
- 5.9 Comprehensive year-end reviews are also undertaken across all revenue projects that are supported by specific grant streams. If a project, for justifiable reasons, has not been completed in year, the value of any unspent grant is carried forward into the next year through the mechanism of earmarked reserves. The major change this year shows the impact of the balance of Section 31 grants for business rate reliefs.
- 5.10 The headline variances that have occurred between what was reported at Period 8 and the provisional final outturn are summarised and rounded to the nearest £0.1M in the following table:

	<b>£Ms</b>
Leader: Housing, ICT, Revenues & Benefits	(1.0)
Deputy Leader: Assets, Highways & Transport	1.8
Business, Culture and Tourism	0.3
Children and Learning	(1.1)
Community Safety and Customer Contact	0.0
Environment and Planning	0.4
Health and Adult Social Care	(2.5)
<b>Total Variance from Period 8</b>	<b>(2.1)</b>

### **Summary of Movements from the Period 8 Performance Monitoring Report**

#### **5.11 Leader: Housing, ICT, Revenues & Benefits [-1.0M]**

- 5.11.1 As a result of additional burdens placed upon us by the Department for Works and Pensions (DWP) and the administration of the Test and Trace Support Payments the benefits administration team have received additional Government funding of (£200k). National improvements in alert mechanisms have been introduced to highlight earlier when claimants fail to notify their local Councils of changes in their circumstances. This has led to a reduction in the level of overpayments and a saving of around £300k. Extra new burdens funding for our Revenues team has also been received of over £200K.
- 5.11.2 There has been a huge increase in demand for ICT support to facilitate remote working, access to safe secure systems and extra mobile devices during the pandemic. A combination of this and recruitment to the new structure, together with the requirement for knowledge transfer and dual running of some arrangements to ensure continuity of services has added extra costs of around £750K. Additional work on some major systems has also resulted in extra revenue costs of around £130k.

- 5.11.3 Additional COVID-19 Winter grant and other Government support has been used to enhance local support initiatives. A combination of this extra grant and strong overall management of staffing resources including vacancies, agency and interim staff and other non-critical spending, particularly within the Finance and Resources Directorate have contributed to deliver savings in 2020/21 of around £500k.
- 5.11.4 Our Southend 2050 ambition remains strong and will help to shape and focus our economic recovery efforts throughout 2021/22. The original intended programme for 2020/21 was clearly impacted by the pandemic which has resulted in an underspend of £160K.
- 5.11.5 Several corporate core elements have delivered savings including a lower level of contributions for non-fund benefits and added years to the Local Government Pension Scheme and lower spending than budgeted across the Council's senior management structures. The combined saving is circa £300k.

## **5.12 Deputy Leader: Assets, Highways & Transport [+1.8M]**

- 5.12.1 As reported throughout the year, both parking enforcement and pay and display income have fallen significantly throughout the pandemic due to the range of restrictions that have been put in place. Since the last report up to the end of November there has been a third national lockdown and this has further reduced income generated in these areas. Far fewer PCN's have been issued which has resulted in a £300k income reduction, and the closure of seafront car parks, along with the stay at home guidance increased the loss in parking income by an additional £630k by the financial year-end.
- 5.12.2 Additional staffing as part of the new highways restructure, alongside various feasibility studies and increased energy prices for street lighting has also resulted in additional pressure of around £200k.
- 5.12.3 The Council has supported its commercial tenants in accordance with the national guidance but there is the potential that the level of rental yield from our commercial property portfolio could be significantly affected as a direct result of the impact of the pandemic. To prepare for this possibility we have increased our bad debt provision by £340k to reflect the possibility of some businesses not making it through the period of national restrictions and therefore being unable to fulfil their rental obligations for 2020/21.
- 5.12.4 As the country went into a third national lockdown in the final quarter of the financial year, income generating opportunities once again reduced. Due to this the income shortfall for hiring the Tickfield Training Centre and Civic Offices increased by an additional £115k. School closures also resulted in a reduction in the services provided by the property team which has meant less income being generated. This has created a further pressure of circa £100k.

### **5.13 Business, Culture and Tourism [+0.3M]**

5.13.1 There have been a range of significant cost savings in libraries, especially within the Forum which has offset most of the Council's share of the abortive costs of the Forum 2 project. The residual pressure for this scheme is around £150k, which in accordance with accounting code of practice has now been charged to revenue in 2020/21.

### **5.14 Children and Learning [-1.1M]**

5.14.1 Children and Learning services are reporting a final provisional overspend of £3.6M in 2020/21. This excludes the £3M that was set aside in the Children Social Care reserve for 2020/21 (which was approved as part of the 2020/21 budget). A £4.7M overspend was previously reported at Period 8 (end of November 2020) so the final year end position represents a positive movement of (£1.1M) to the previously reported overspend. The main reasons for the decrease are that Looked After Children (LAC) numbers have continued to decline from 290 at the end of November 2020 to 280 at the end of March 2021 and some of the previous expectations of wider costs supporting children in need between January to March 2021 have not followed the same pattern as previous years.

### **5.15 Environment and Planning [+0.4M]**

5.15.1 It has always been expected that an increase in people staying and working from home would change the pattern of waste streams across the borough, with a significant shift from commercial to household waste due to increased home deliveries and time spent at home. Although an increased cost in waste disposal had been modelled and forecast, the entirety of this cost did not materialise and therefore the pressure from the forecast at Period 8 has reduced by around £150k.

5.15.2 There has been a requirement to bring in additional resources to deliver on a range of energy efficiency and climate change projects, most of which are partly funding by external grants. This, alongside the management of utility contracts and transfers to new suppliers under a framework agreement have increased the pressure in the service by an additional £240k.

5.15.3 The cost of disposing of the contaminated material originally retained for a future flood defence scheme took place in 2020/21 which resulted in a one-off additional cost of £630k.

5.15.4 There have also been a range of reductions within the waste portfolio due to contractor deductions, staffing vacancies, staff time charged to externally funded projects etc. This has contributed to a saving of around £180k.

## **5.16 Health and Adult Social Care [-2.5M]**

5.16.1 The impact of COVID-19 has been significant across all Council services, but the biggest impact and volatility has, unsurprisingly been within Health and Adult Social Care. Across our Adult Social Care operations there has been an improvement in staffing costs of around £270K. This has been achieved through the receipt of additional funding for employees recruited specifically to manage COVID-19 pressures whilst maintaining vacancy levels to mitigate against the reported overspend. Proactive management has minimised any impact on the service. The following areas have also materially changed since the forecasted position was reported at Period 8

5.16.2 Mental Health Service's financial position has deteriorated by £190K

This is within the range of fluctuation of placement numbers and is due to an increase in activity since last reported.

5.16.3 Learning Disabilities Service's financial position has improved by £540K

Whilst activity levels were in the region of expectations, the funding in support of these packages did not previously incorporate additional income from hospital discharges and the benefits from the reduction in the costs of the West Street Block Contract.

5.16.4 Older Peoples Service's financial position has improved by £1.47m

Previous forecasts did not fully model the reduction in activity due to a higher level of deaths than would have normally been expected and the forecast at Period 8 did not anticipate the increased level of reluctance to receive care due to COVID-19 concerns.

This has been further exacerbated from the second wave of the virus, which could not have been anticipated when the position was reported at Period 8. The level of funding received through Hospital Discharge Funding has also been higher than expected.

5.16.5 Physical Disabilities Service's financial position has improved by £130K

Whilst activity has remained constant throughout the year, the service received additional funding which resulted in an improved outturn position than was previously forecast and reported at Period 8.

## Recommended Appropriations to and (from) Earmarked Reserves

- 5.17 The following table and supporting commentary sets out the rationale and recommended appropriations to and (from) the Council's earmarked reserves for 2020/21. These proposed appropriations are subject to the approval of Cabinet, annotated as appropriate where the appropriation is materially different from what was originally planned.

Reserve	Opening Balance	Planned 'In-Year' Movement	Approved 'In-Year'	Proposed Final Appropriation	Closing Balance
	£000's	£000's	£000's	£000's	£000's
Capital Reserves	<b>26,664</b>	(961)	285	(203)	<b>25,785</b>
Corporate Reserves	<b>21,210</b>	(5,137)	916	9,101	<b>26,090</b>
Insurance Reserves	<b>5,963</b>	0	0	70	<b>6,033</b>
Service Reserves	<b>8,394</b>	(2,239)	(690)	7,199	<b>12,664</b>
Grant Reserves	<b>10,004</b>	(185)	(5,722)	21,260	<b>25,357</b>
	<b>72,235</b>	(8,522)	(5,211)	37,427	<b>95,929</b>

- 5.18 The planned 'In-Year' movement column is a summary of what was agreed as part of setting the Revenue Budget for 2020/21. The approved 'In-Year' column is a summary of the appropriations already approved during 2020/21.
- 5.19 The proposed final appropriation to our Corporate Reserves (£9.1M) includes the following; £2.0M to facilitate a comprehensive review and critical capability upgrade for our Business World Enterprise Resource Planning System, £1.3M to support the on-going negotiations for the 2021/22 national pay award, £1.0M to support our planned Service Redesign Reviews, £2.8M for technological transformation of our internal operations and investment into upgrading and enhancing the capability of our customer portal 'MySouthend', £0.5M to create a new Climate Change/Green Initiatives Reserve, £1M to top-up our existing Business Rates Retention Reserve to help to smooth out any potential future fluctuations between Collection Fund and General Fund and finally a £0.5M top-up to our local COVID-19 Recovery and Response Reserve.
- 5.20 A major part of the proposed final appropriations column for Service Reserves (£7.2M) includes £5.5M which is a specific reserve for future Health and Social Care system transformation ambitions, this has been funded by our Health partners. We are also proposing to create reserves of £0.340M for Southend Adult & Community College to support the direct impact of COVID-19 on the College and £1.085M to support our Passenger Transport Joint Venture.
- 5.21 The proposed final appropriation for Grant Reserves (£21.2M) includes £11.9M of Section 31 Grant for Business Rates as highlighted in Section 5.3 of this report, £3.0M Control Outbreak Management Fund (COMF), £3.2M Dedicated Schools Grant (DSG), £1.7M Public Health Grant, £0.3M for Self-Isolation Grants and several other smaller value specific grants for a range of initiatives totalling £1.1M.

- 5.22 The net overall impact of these proposed appropriations is to increase the total reserves held by Southend Borough Council to £95.929M. To establish a 'like for like' comparison with our starting reserves position for 2020/21 – we need to exclude the new requirements for grant reserves due to the impact of COVID-19 and the £5.5M Health and Social Care Reserve. This effectively means that our overall reserves position has still improved. To end such a turbulent year with a higher level of reserves than the Council started the year is a testament to both the financial resilience and strong effective management of the Council's overall level of resources.
- 5.23 This position demonstrates the financial strength and resilience of the Council and places it in a robust position to continue to navigate the ongoing challenges of recovery from the pandemic and to help to cope with increases in demand and complexity for critical services in the future.

### **Implications for the 2021/22 budget and Medium Term Financial Strategy**

- 5.24 A considerable amount of analysis and financial planning was undertaken prior to the pandemic. This provided a useful platform to build from but the impact and uncertainty that the pandemic has caused is very difficult to evaluate and assess across the medium to longer term. Prior to COVID-19 Southend-on-Sea was already having to respond to some high value social care demand trends. This scenario was replicated in many upper tier authorities right across the country. These pressures had been recognised locally and attempts were made to address some of these issues by increasing the revenue base of these services for 2021/22 and as part of the Medium Term Financial Strategy.
- 5.25 Obvious concerns remain on the potential for currently hidden demand to surface post the pandemic and further challenges will come to light as we collectively get to grips with what 'post COVID-19' looks like and the return to normality and recovery. We are determined to try to support our communities and local economy to come back stronger and more resilient.
- 5.26 Even in these unprecedented circumstances Directors and all services are aware that it is vital to adhere to the approved level of all budgets. The operating climate, particularly in social care is incredibly challenging though and that is why it is so important to have a clear understanding of all the cost drivers within the budget. Financial management and monitoring are also key to highlighting any issues as early as possible and the introduction of the new 'Getting to know your business' programme will provide enhanced support and advice to service managers. Our new approach encourages consideration over the medium term, so not only trying to achieve a balanced outturn in the current year but also to avoid putting further pressure on budget plans for future years.
- 5.27 Critical to this approach is to understand pressures inherited from the previous year. These could manifest themselves by way of continued increases in demand and costs, reduced income activity, undelivered planned savings, or new issues emerging from COVID-19. Detailed analysis has therefore been undertaken to provide more insight into the key messages contained in the 2020/21 outturn and to estimate the potential ongoing impact into 2021/22 and our Medium Term Financial Strategy.

5.28 In keeping with many councils across the country there are several areas of spending pressure that will require proactive management. The areas that clearly will have a major impact in 2021/22 and beyond for Southend-on-Sea are Children's Social Care, Adult's Social Care and Highways and Transport.

### **5.29 Leader: Housing, ICT, Revenues & Benefits**

5.29.1 As our transition to a cloud-based infrastructure continues, there will be a shift from on-site capital expenditure, to a more revenue based ICT solution as the physical estate reduces. Working in conjunction with ICT, discussions continue to scope this transition and the financial implications of doing so as well as the longer term financial and operational benefits that will be secured. This transformation will be supported by the proposed creation of a technological reserve.

5.29.2 There is a risk that the savings in the ICT portfolio as part of the 2021/22 budget will come under pressure this year whilst work continues to assess the current ICT estate, systems capability and demands for changing future ways of working.

### **5.30 Deputy Leader: Assets, Highways & Transport**

5.30.1 The financial impact of COVID-19 on the income collected from the parking service has been significant. As restrictions start to ease and our car parks return to more consistent usage so too will the income received from 'pay & display' and via parking enforcement. A return to pre-COVID-19 activity levels will not be instantaneous and therefore there will be some element of risk regarding the income received from parking services in 2021/22. The Southend Pass initiative has started positively but will be kept under review throughout 2021/22.

5.30.2 The new Civil Engineering and Highways structure is partly funded by the capital programme. With significant investment planned in the highway's infrastructure, it is imperative that staff costs are also capitalised where appropriate. Close attention will be paid to this eligibility transfer between revenue and capital throughout the year. This will also provide a barometer on the successful delivery of the capital programme ambitions.

### **5.31 Business, Culture and Tourism**

5.31.1 A key consideration will be the accessing, securing and effective implementation of support to our local leisure and theatre contractors as, hopefully, they become fully operational during 2021/22. The response and uptake to these facilities as restrictions are fully lifted will be monitored and any financial, operational or viability risks will be identified and assessed.

## **5.32 Children & Learning**

- 5.32.1 The main contributory factors for the £3.6M overspend have been reported previously and is primarily due to a sustained increase in the numbers of children requiring external care provision running at 98 ongoing placements as at 31<sup>st</sup> March 2021, despite overall Looked After Children (LAC) numbers decreasing. This has been combined with an external care market where costs are continually increasing due to the overall national demand for extra placements. This situation is being experienced in most other upper tier local authorities across the country and remains a significant risk for the Council.
- 5.32.2 The opening financial spend pressures into 2021/22 are expected to remain, but this has been mitigated to some degree by an extra £1.5M permanent investment that has been approved and included within the Children Social Care revenue base budget for 2021/22, a further £2.5M one off specific Children Social Care reserve provision has been put created to call on as a last resort, if needed.
- 5.32.3 Positively for the financial position during 2020/21 and as at April 2021, the steady decline in LAC numbers has continued. If overall LAC numbers sustain this decrease and safe alternatives to external care provision can be found, then this will have a positive impact on reducing spending pressures in 2021/22.

## **5.33 Environment and Planning**

- 5.33.1 It is widely anticipated that one legacy of the pandemic will be a continued increase in the number of days people work from home. This should bring environmental benefits to the town due to reduced commuting, however increased time working from home will result in increased household waste. It is anticipated that this increased tonnage level will continue into 2021/22 and the future, which will bring additional financial pressure to the Council.
- 5.33.2 The residual impact of storm damage to our sea defences is likely to require remedial works in 2021/22 and this exceptional event is not currently provided for. Some of this work may need to be considered as part of the capital programme but it is expected that there will also be increased maintenance work along our shoreline this year, which will add additional revenue pressure.
- 5.33.3 Although outdoor sports have currently resumed, there is still a potential risk of additional outbreaks of COVID-19, or variants, which could reduce the opportunities for sports and recreation which would have a negative impact on a range of income streams.

## **5.34 Health and Adult Social Care**

- 5.34.1 The final outturn position for the Adults Social Care Budget is a £0.3m overspend, compared to the Period 8 forecast position of £2.47m overspend.

- 5.34.2 The challenges in Adult Social Care have been well documented and reported throughout 2020/21. The pressures that will continue into 2021/22 and where mitigation is currently being deployed starts with a review of the staffing establishment and the value of consultancy/agency spend within services.
- 5.34.3 It is envisaged that pressures on the Learning Disabilities budget will remain. Older People's demand is also likely to increase as reticence over receiving care support recedes, but it is unclear at what pace, owing to the unique situation that COVID-19 has created. Given the uncertainty of trends likely to materialise in 2021/22 it is key that modelling of activity is robust. Work is being undertaken to ensure that this is the case. There is an increasing incidence of case complexity, positively longevity of life span and the upward pressure of transitions from Children's Services. This is not a new position that has arisen in this financial year, but a build-up in demand over several years.
- 5.34.4 There is a concern over potentially hidden demand particularly in areas such as Mental Health which has consistently been forecast as overspending throughout the year. This is likely to continue going forward.
- 5.34.5 There has been very good close working with the Health Service and funding has been provided for those clients who have needed care upon discharge from hospital. This extra funding that was provided to the NHS for this purpose substantially mitigated the financial impact that would have fallen on the Council otherwise. The arrangements for 2021/22 are under review and consideration.
- 5.34.6 The service has several approved savings proposals in the Medium Term Financial Strategy and work is in an advanced stage to ensure that these are implemented and delivered.

### **Overall Future Mitigation Strategy**

- 5.35 The range of highlighted issues provide an indication of the potential financial pressures and uncertainty facing services at the start of the new financial year. It is too early to evaluate all these potential challenges with a lot of confidence at this stage. Directors are aware that they have a duty to work within the budget envelope provided, and therefore must make every effort to contain these pressures through in-year management action, and to try to continue to deliver better outcomes and better value for money from within their approved budget allocations.
- 5.36 In setting the 2021/22 budget, £2M was set aside within the corporate contingency budget, in recognition of the range of pressures, together with a further £1M for inflation. There is no suggestion that these sums should be used immediately to meet any estimated in-year budget pressures, but it remains a useful safety net.

- 5.37 The Council also holds a range of earmarked reserves specifically against some of the risks associated with the identified spending pressures. Careful consideration will be given to reviewing our complete portfolio of earmarked reserves to see if a further review and re-allocation is required to better reflect the potential risks highlighted by the 2020/21 outturn. Use of any reserves are by their very nature only a one-off mitigation and approval will be requested if required from Cabinet.
- 5.38 The challenge of designing and implementing potential mitigating strategies for 2021/22 and the future has been made far more complex due to the impact and uncertainty caused by COVID-19. A better picture on potential options and an update on the financial performance against the approved budget for 2021/22 will be available as a comprehensive Period 4 monitoring report at Cabinet in September 2021. We may then also have a better indication from Central Government about future funding arrangements. It is unclear at this stage whether the Local Government Sector will be issued with a single 1-year financial settlement for 2022/23 or if a Comprehensive Spending Review for the next three years will be launched. The Council remains in a relatively strong financial position for 2021/22 but the potential challenges for the future could be very significant – depending on the future funding and policy decisions taken by Central Government.

## 6 2020/21 Housing Revenue Account Outturn

6.1 The following table summarises the outturn for the Housing Revenue Account and the consequential use of balances for 2020/21.

	Original Budget £000	Revised Budget £000	Forecast Period 8 £000	Actual £000
Employees	206	206	206	206
Premises (excluding repairs)	795	795	795	823
Repairs	5,657	5,657	5,657	5,132
Supplies and Services	96	96	96	117
Management Fee	6,114	6,114	6,232	6,232
Internal Recharges and Overheads	1,249	1,301	1,301	1,299
Provision for Bad Debts	455	455	705	326
Depreciation, Impairment etc	5,365	5,365	5,365	6,150
Interest Charges	3,375	3,375	3,215	3,224
Debt Management	25	25	25	31
<b>Total Expenditure</b>	<b>23,335</b>	<b>23,389</b>	<b>23,597</b>	<b>23,540</b>
Fees and Charges	(339)	(339)	(339)	(385)
Dwelling Rents	(25,848)	(25,848)	(26,685)	(26,138)
Other Rents	(1,481)	(1,481)	(1,481)	(1,391)
Contribution from Leaseholders	0	0	0	(204)
Interest	(430)	(430)	(430)	(150)
Recharged to Capital	(424)	(501)	(424)	(465)
<b>Total Income</b>	<b>(28,522)</b>	<b>(28,522)</b>	<b>(29,359)</b>	<b>(28,734)</b>
<b>Net Operating Income</b>	<b>(5,186)</b>	<b>(5,133)</b>	<b>(5,762)</b>	<b>(5,194)</b>
Statutory Mitigations on Capital Financing	0	0	0	204
Revenue Contribution to Capital	8,708	8,708	8,708	2,223
Appropriation to Earmarked Reserves	(3,522)	(3,575)	(3,575)	(2,223)
<b>Surplus</b>	<b>0</b>	<b>0</b>	<b>(629)</b>	<b>(4,990)</b>

6.2 The previous table shows that the HRA has performed strongly in 2020/21, given the challenges of COVID-19. An in-year surplus of £4.990M is being declared, principally generated through a major reduction in the planned level of revenue contribution to the Capital Programme.

6.3 There have been a few minor variances on individual budget lines. Positive variances include additional rental income coupled with additional fees and charges.

- 6.4 At the beginning of 2020/21 there was a major concern around the impact of COVID-19 on collection levels and potential difficulties for tenants paying their rent and service charges due to changing circumstances, directly caused by the pandemic. This was anticipated to be a £0.705M pressure, nearly double what was anticipated in the budget. Positively, proactive working with tenants by South Essex Homes has mitigated these concerns, the increase in provision for bad debts for 2020/21 was revised down £0.326M.
- 6.5 The report to Cabinet in January 2020 (prior to COVID-19) included an ambitious affordable housing acquisitions programme, with a planned revenue contribution of £8.708M. This required £5.186M of the planned surplus, as well as £3.522M to be drawn down from the capital investment reserve to fund this level of acquisitions. Due to the direct impact of COVID-19, it has not been possible to deliver that size of capital programme. The final funding requirement for 2020/21 was £2.223M. These ambitious plans will look to be accelerated again in 2021/22.
- 6.6 The general reserve for the HRA is considered to be at an appropriate level so an appropriation of the surplus to HRA earmarked reserves is proposed to enable further investment to be made in the Council's housing stock, creating better conditions and environments for local tenants.
- 6.7 The following table summarises all the appropriations for the HRA in 2020/21 and Cabinet is requested to approve the final appropriation to the Capital Investment Reserve of £4.990M.

HRA Reserve	Original Plan £000	Approved Period 8 £000	Proposed Final Appropriation £000	Total £000
Repairs Contract Pensions Reserve	60	0	0	60
Capital Investment Reserve	(3,582)	(52)	11,475	7,841
Major Repairs Reserve (Revenue)	0	0	0	0
<b>Sub-Total</b>	<b>(3,522)</b>	<b>(52)</b>	<b>11,475</b>	<b>7,901</b>
Revenue contributions to capital	8,708	0	(6,485)	2,223
<b>Grand Total</b>	<b>5,186</b>	<b>(52)</b>	<b>4,990</b>	<b>10,124</b>

## 7 2020/21 Capital Outturn

### Overview

- 7.1 Throughout the 2020/21 financial year the capital investment programme has been subjected to robust monitoring and challenge to ensure delivery and alignment with the Southend 2050 ambition and desired outcomes. As a result of this monitoring, revisions were made during the year to the capital investment programme budgets with the agreement of Cabinet. The last revision approved by Council on 25 February 2021.
- 7.2 The changes are summarised in the table below.

	£000
<b>Original Budget 20 February 2020 Council</b>	<b>108,996</b>
June Cabinet adjustment of carry forwards into later years	(14,258)
Accelerated Delivery of 19/20 schemes	(2,528)
Re-profiles, New External funding and other adjustments agreed at 16 June Cabinet	3,719
Re-profiles, New External funding and other adjustments agreed at 15 September Cabinet	(3,761)
Re-profiles, New External funding and other adjustments agreed at 3 November Cabinet	(29,893)
Re-profiles, New External funding and amendments agreed at 16 February Cabinet	9,661
<b>Revised Capital Programme 25 February 2021 Council</b>	<b>71,936</b>

Brackets indicate a reduction in budget.

- 7.3 The COVID-19 pandemic has impacted on the capital investment programme delivery for 2020/21 in various ways. Some schemes have been delayed due to restricted availability of materials and labour and supply chain disruption. Other schemes were delayed due to access restrictions or the requirements for socially distanced working. The Forum II project became no longer viable and was removed from the capital investment programme. However, for some property refurbishment schemes there has been accelerated delivery as works to the properties could be undertaken more easily due to the lockdown closures.
- 7.4 The summary on the next page shows the 2020/21 actual spend against budget for the different types of investment.

<b>Scheme by area of investment</b>	<b>Revised Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>	<b>% Spent</b>	<b>Notes on delivery (see paragraphs 7.9 to 7.18 for the outcomes achieved)</b>
General Fund Housing	438	559	121	127.6	More disabled facility grants delivered in 20/21 than anticipated given the pandemic – requesting to accelerated delivery of 2021/22 budget.
Social Care	5,819	5,968	149	102.6	Multi-year projects including Delaware and Priory New Build – see paragraph 7.9.
Schools	5,082	4,867	(215)	95.8	Progress with the schools condition projects impacted by the pandemic – see paragraph 7.10.
Enterprise & Regeneration	14,991	14,624	(367)	97.6	Multi-year projects including the Airport Business Park scheme – see paragraph 7.11.
Southend Pier	4,200	3,958	(242)	73.5	£176k on Pier Pavilion Bar Conversion to be carried forward for completion in 21/22 – see paragraph 7.12.
Culture & Tourism	2,286	1,681	(605)	85.3	Multi-year schemes including the Cart and Wagon Shed – see paragraph 7.13
Community Safety	410	198	(212)	48.3	Multi-year schemes including the CCTV equipment renewal – see paragraph 7.14
Highways and Infrastructure	14,951	16,748	1,797	112.0	Multi-year schemes at various stages of completion – see paragraph 7.15. £1,793k included as a net of carry forward, accelerated delivery requests and other budget adjustments.
Works to Property	2,222	2,931	709	131.9	Property Refurbishment Programme works completed ahead of schedule – see paragraph 7.16.
Energy Saving Projects	333	13	(320)	3.9	Schemes being reviewed and will continue in 2021/22 and future years.
ICT Schemes	5,247	3,908	(1,339)	74.5	Multi-year schemes at various stages of completion – £1,329k included as a carry forward request. See paragraph 7.17
Section 106 / Section 38 / CIL	170	63	(107)	37.1	Multi-year planning and highways agreements at various stages of completion – £109k included as a net of carry forward and accelerated delivery requests.
Council House Refurbishment	7,518	6,561	(957)	87.3	The Decent Homes programme and disabled adaptations are multi-year schemes which underspent against budget due to the pandemic. See paragraph 7.18.
Council Housing New Build Programme	499	137	(362)	27.5	Early stages of several build phases, with budgets to be carried forward – see paragraph 7.18. Carry forward requests have been included.
Council Housing Acquisitions Programme	7,770	3,869	(3,901)	49.8	The volume of acquisitions have been hampered by the pandemic - see paragraph 7.18. Carry forward requests have been included.
<b>Total</b>	<b>71,936</b>	<b>66,085</b>	<b>(5,851)</b>	<b>91.9</b>	

Brackets indicate an underspend against budget.

7.5 The outturn across strategic and other schemes is as follows:

	<b>Revised Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>	<b>% Spent</b>
<b>Strategic schemes</b>				
Airport Business Park	2,200	1,618	(582)	73.5
Better Queensway	1,891	2,360	469	124.8
Victoria Centre	10,900	10,638	(262)	97.6
Delaware and Priory New Build	4,699	5,149	450	109.6
School Improvement and Provision of School Places	3,689	3,729	40	101.1
Southend Pier schemes	4,200	3,958	(242)	94.2
ICT Schemes	5,247	3,908	(1,339)	74.5
Footways and Carriageways	3,369	3,448	79	102.3
Parking Schemes	1,262	1,140	(122)	90.3
Highways and Infrastructure – Local Growth Fund and Local Transport Plan Schemes	9,254	10,988	1,734	118.7
HRA – Decent Homes Programme	7,259	6,425	(834)	88.5
HRA – Construction of New Housing	499	137	(362)	27.5
HRA – Housing Acquisitions Programme	7,770	3,869	(3,901)	49.8
<b>Total Strategic Schemes</b>	<b>62,239</b>	<b>57,367</b>	<b>(4,872)</b>	<b>92.2</b>
<b>Other schemes</b>	<b>9,697</b>	<b>8,718</b>	<b>(979)</b>	<b>89.9</b>
<b>Total</b>	<b>71,936</b>	<b>66,085</b>	<b>(5,851)</b>	<b>91.9</b>

7.6 Best practice and normal accounting convention require that the approved Capital Investment Programme includes budgets for all potential capital expenditure. Therefore, the programme contains budgets for schemes such as Section 106 funding where expenditure is contingent on a condition being met, grants that are paid to the Council in full are drawn down over time and schemes managed in partnership or by other bodies, e.g., schools.

7.7 The outturn for 2020/21 shows a final spend position of £66.085m against a revised budget of £71.936m, which is an 91.9% outturn position.

7.8 The capital investment in the year contributed to the delivery of the desired outcomes identified as part of the Southend 2050 ambition. The key themes and outcomes are shown in the following sections:

## Investment Areas

### 7.9 Social Care

Under the theme Safe and Well 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.

A major investment is for the re-development of the Delaware and Priory Residential Care homes and the Viking Day Centre. It is a 60 bedded unit which has been designed to be agile and adaptive by initially creating an environment of 45 beds where people can undergo an intense period of assessment and reablement with a view to them returning home, not remaining in long term care. A modern and adaptive space which will be used to support people with profound learning disabilities to lead fulfilling lives. In the first instance, a proportion of the unit (15 beds) will continue to support some of the most complex and challenging older people suffering with dementia. An environment aligned to the Southend 2050 vision and locality approach. The Locality Approach focuses on supporting people to remain in their own home surrounded by their family, friends, and other assets for as long as possible.

Construction of the new care home is progressing on site with the build watertight as of May 2021 and practical completion expected in autumn 2021. A client fit out period will then commence with first residents expected to move into the building in early 2022. The existing Priory Care Home will then be demolished prior to final landscaping works being completed.

### 7.10 Schools

Under the theme Opportunity and Prosperity investment in this area contributes to the desired outcome that our children are school and life ready and young people are ready for further education, training, or employment.

The schools capital investment programme continues to be dominated by the need to provide more school places to cope with the current high pupil numbers, as the demand continues to move from the primary sector to the secondary schools. Expenditure on the education capital programme for 2020/21 was £4.9m. Of this, £3.7m was spent on the provision of new secondary school places and £0.7m on the extension of Prince Avenue Nursery.

The programme to expand secondary schools is now entering its fifth year. It is a multi-year programme that started in 2016/17. There was a spend of £5.8m in 2017/18, £13.5m in 2018/19, £9.3m in 2019/20 and £3.7m in 2020/21. This programme will continue into 2021/22 and when completed will see an additional 1,100 permanent places for year seven to year eleven pupils across the non-selective sector.

£0.2m was spent on condition works within the maintained primary schools and Children's Centres. These covered larger high cost repairs and replacements projects on roofs, curtain walling and boilers that are beyond the

budget of the individual settings. In addition, £101k was devolved as formula capital to the maintained schools to manage their own smaller capital works.

Much of the schools capital programme scheme involves multi-year projects. Net budget carry forward and accelerated delivery requests of £0.2m have been put forward as part of this report

#### 7.11 Enterprise and Regeneration

Under the theme Opportunity and Prosperity investment in this area contributes to the desired outcome that key regeneration schemes, such as Queensway, seafront developments and the Airport Business Park are underway and bring prosperity and job opportunities to the borough.

A major investment is for the Airport Business Park, which is 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. £1.5m of investment has been made in enabling works and construction during 2020/21 towards this outcome. The main project construction is complete with the project continuing into 2021/22 and 2022/23 for the completion of the cycleways and construction of the Launchpad.

Capital investment of £0.9m was also made 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 Council also invested £10.6m in purchasing the Victoria shopping centre as a strategic acquisition on the High Street and for the future regeneration benefits it offers through its proximity to Better Queensway.

#### 7.12 Southend Pier

In the last Residents' Survey residents were asked what they most like about living in this area. The beach/seaside was the top response. A key element of this is Southend's historic pleasure pier, the longest in the world. In recognition of this, capital investment of £4.0m had been made in the pier, including £1.8m on bearing refurbishment and condition works. The pier had 137,000 visitors in 2020/21 which is lower than the average of 350,000 over the last three years. The pier had to close for various periods due to Government advice regarding the COVID-19 outbreak and was open for less than half the year in total. Even when the pier could re-open there was a need to have social distancing measures in place which limited the numbers.

£1.9m was invested in the purchase of new electric pier trains with the build progressing well and delivery expected in time for the summer season.

Investment in the Pier Pavilion bar conversion started with quantity surveying works and structural and civil engineering consultancy being undertaken. Works will continue into 2021/22 to enhance and improve the visitor offer.

#### 7.13 Culture and Tourism

Under the theme Pride and Joy investment in this area contributes to the desired outcome that the variety and quality of our outstanding cultural and leisure offer has increased for our residents and visitors and we have become the region's first choice coastal tourism destination.

Under the theme Safe and Well investment in this area contributes to the desired outcome that Southenders are remaining well enough to enjoy fulfilling lives, throughout their lives.

Under the theme Active and Involved investment in this area contributes to the desired outcome that more people have physically active lifestyles, including through the use of open spaces.

Under the theme Opportunity and Prosperity investment in this area contributes to the desired outcome that key regeneration schemes such as seafront developments are underway and bringing prosperity and job opportunities to the borough.

In the Residents' Survey, parks and open spaces were an important aspect for residents. The town has many parks, gardens and nature reserves offering a range of facilities including sports pitches/courts, children's playgrounds, skateboarding, cafés, boating lakes, fishing lakes and wildlife areas. In recognition of this, capital investment of £0.3m has been made in the town's parks and open spaces during 2020/21. Investment of £0.7m has also been made in the Cart and Wagon Shed at Shoebury Common for the coastal community team to use as part of their community interest company.

#### 7.14 Community Safety

As part of the survey residents were also asked how safe or unsafe they felt when outside in their local area. 7% of residents said they felt unsafe during the day but 40% of residents said they felt unsafe after dark, with perceptions varying by locality. In response to this, capital investment of £0.2m has been made during 2020/21 for community safety, including the installation of CCTV equipment and other security measures. This was the start of a wider investment into these areas in 2021/22

#### 7.15 Highways and Infrastructure

The Residents' Survey also asked what they most disliked about living in this area. The quality of the roads and pavements was one of the top areas of concern and in response to this, capital investment of £3.4m in improvements to the town's highway and footpath network has been made during 2020/21, including repairing potholes and resurfacing of Zebra Crossings. 59,974 m<sup>2</sup> of carriageway were resurfaced and 7,607 m<sup>2</sup> of footways were improved during the financial year.

Investment of £6.3m was made in improvements to the A127 Growth Corridor, to the Bell Junction and on A127 essential maintenance works. A further £1.5m was invested in improvements to footways around London Road/Victoria Circus.

Investment of £3.2m was made via Local Transport Plan grant funded schemes including road maintenance, street lighting, bridge strengthening, junction improvements, footway improvements, bus stop infrastructure upgrades and electronic charging points.

The availability of parking and the amount of traffic congestion were other key areas of concern and in response to this, capital investment of £1.1m has been made during 2020/21 for improvements and major works to the town's car parks. These included refurbishments of the Gas Works car park and Southchurch Car Park and new signage relating to the Southend Pass initiative.

#### 7.16 Works to Property

Major investment of £1.3m on property refurbishment and £0.3m on fire improvement works were made to ensure the Council's operational buildings remain safe, in good condition and meet current standards.

#### 7.17 ICT

Investment of £3.9m has been made in the Council's ICT infrastructure to support the response to COVID-19 with remote working services and to respond to critical issues and risks that have been identified by ongoing discovery exercises.

This investment includes:

- Technology Device Refresh – to provide the ability for staff to work remotely with new laptops and the ability to support them remotely.
- Application Transformation – migration of applications to a stable environment to permit access for the new laptops and to mitigate technical risks.
- Digital Enablement – setting up the foundations for transformation into a Smart City.
- Security and Resiliency – implementing the fundamental security capabilities to protect remote working.
- Stabilise the Estate – remediation work to ensure the technology foundations are robust to support the new ways of working.

This investment will continue into 2021/22 with future years operational requirements currently being assessed and considered.

#### 7.18 Council Housing and New Build Programme

Under the theme Safe and Well 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.

Investment of £6.6m was made during 2020/21 in the refurbishment of the borough's Council Housing, mainly via the Decent Homes programme. This included 62 kitchen and 13 bathroom modernisations, together with improvements to the common areas and environmental health and safety works.

Investment of £3.5m was made during 2020/21 for the acquisition of 19 dwellings, 14 for affordable housing and 5 under the Next Steps Accommodation Programme which aims to provide both permanent and supported accommodation for rough sleepers. Both acquisition programmes have been delayed due to the pandemic but during 2020/21 valuations were completed on 55 properties for the affordable housing acquisitions programme and 11 properties for the Next Steps Accommodation Programme and these will complete during 2021/22. Both programmes will continue in 2021/22 with more suitable properties being purchased as they become available.

Spend on the construction of new Council Housing was limited in 2020/21 due to the pandemic but work was completed on surveying, architecture designs, planning and utility mapping. More significant investment is planned for 2021/22 to 2023/24 as contractors get on site. Phase 3 is to deliver circa 29 units of Council housing across five underutilised garage sites and surrounding land in Shoeburyness and is due for completion and handover in March 2023. Phase 4 is to deliver circa 9-12 units of Council housing at the North site within the Council owned Lundy Close housing estate and is due for completion and handover in July 2023. There are also Modern Methods of Construction pilots for off-site delivery methods at Archer Avenue and Saxon Gardens which are due for completion and handover in May 2022.

### **Revised capital investment programme**

- 7.19 A range of schemes have been identified that are funded from external contributions and grants. These have been included in the capital investment programme but there is flexibility in when these schemes are delivered either by the funder determining when it is appropriate or the Council matching delivery to available resources.
- 7.20 In total there are a number of schemes with unspent budgets in 2020/21 where the budget is needed in 2021/22 in order to complete the schemes. These schemes have started and/or are fully committed to but due to various factors have not completed or reached the anticipated stage by the 31 March 2021. These budget commitments total £11.990m and are summarised in Appendix 2.
- 7.21 In addition, some schemes have exceeded their 2020/21 budget allocation. The two causes of this are unforeseen costs being incurred or schemes spending ahead of profile in order to accelerate delivery, i.e. multi-year schemes being delivered earlier or preliminary works starting on 2021/22 schemes to ensure their prompt completion. The sum of this accelerated delivery totals £5.830m and is analysed in Appendix 2.

7.22 Schemes that have exceeded their 2020/21 budget allocation will be financed by compensatory under spending on other schemes. The amended budget for 2020/21 after carry-forward, accelerated delivery requests and budget adjustments have been taken into account is £65.998m.

7.23 An amended Capital Investment Programme reflecting all the changes above is attached at Appendix 3 and is summarised below:

**Amended Capital Investment Programme to be delivered by the Council:**

	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>Total £000</b>
Strategic Schemes	57.7	33.4	9.7	6.3	4.0	111.1
Other Schemes	19.9	9.3	5.1	2.9	3.2	40.4
<b>Total</b>	<b>77.6</b>	<b>42.7</b>	<b>14.8</b>	<b>9.2</b>	<b>7.2</b>	<b>151.5</b>

**Amended Capital Investment Programme to be delivered by South Essex Homes Limited and Porters Place Southend-on-Sea LLP:**

	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>Total £000</b>
South Essex Homes Limited	10.4	8.2	6.8	7.1	0	32.5
Porters Place Southend-on-Sea LLP	6.4	9.5	9.5	3.3	3.3	32.0
<b>Total</b>	<b>16.8</b>	<b>17.7</b>	<b>16.3</b>	<b>10.4</b>	<b>3.3</b>	<b>64.5</b>

7.24 Given the Council's finite capacity to deliver capital schemes, officers have conducted a preliminary review of the programme but particularly concentrating on the financial year 2021/22. This review has concentrated on the key strategic schemes ability to deliver in the new environment and taking into consideration the position on external funding aligned to those schemes.

7.25 The capital investment programme is subject to continuous review and re-prioritisation to ensure resources are aligned to the Council's Southend 2050 and recovery priorities. In line with this and in light of the potential future capital budgetary requirements, the programme will be subject to a more fundamental review over the course of the financial year.

7.26 Progress of schemes will be re-assessed and some schemes may be removed from the main programme entirely and others held as 'subject to viable delivery plans' until it can be demonstrated that there is the capacity and resources to deliver them in the timescales indicated. Schemes can then be brought back into the main programme as and when it is appropriate to do so. This approach follows the current approach introduced two years ago when schemes can enter the programme during the financial year and not just annually at budget setting.

- 7.27 As this review progresses via challenge meetings and the Investment Board, re-profiles and other adjustments to the programme for 2021/22 and future years will be put forward for approval.

### **Financing of the Capital Investment Programme**

- 7.28 The capital investment programme is fully financed. When the budget is set, estimates are made on the likely levels of capital receipt, grant that will be received during the year, the likely level of borrowing required as well as the proposed level of expenditure. As the actual expenditure differs from the proposed budget, the associated financing needs to be amended also to reflect this.
- 7.29 The capital expenditure in 2020/21 is financed as follows:

	<b>2020/21 Actual (£m)</b>
<b>Total Capital Expenditure</b>	<b>66.085</b>
<b>Financed by:</b>	
<b>Borrowing</b>	<b>18.759</b>
<b>Invest to Save Financing</b>	<b>15.262</b>
<b>Capital Receipts</b>	<b>3.466</b>
<b>Capital Grants Utilised</b>	<b>18.443</b>
<b>Major Repairs Reserve</b>	<b>6.221</b>
<b>Other Revenue/ Capital Reserve Contributions</b>	<b>2.426</b>
<b>Third Party Contributions</b>	<b>1.508</b>
<b>Total Financing</b>	<b>66.085</b>

### **Other changes to the budget for 2020/21 onwards**

- 7.30 Since the approved capital investment programme was set at Council on 25 February 2021, there have been some changes to the capital budget. They are not significant in number but are required to provide a continually updated programme to enhance the delivery of schemes and are therefore detailed in Appendix 2. These changes are reflected in the amended Capital Investment Programme attached at Appendix 3.
- 7.31 Removal of budgets no longer required is requested for schemes such as the Phases 3 and 4 of the Housing Construction scheme where the schemes have been updated. Whilst there is an increase in the number of units for phase 3 from 25 to 29 there was a decrease for phase 4 from 31 to 9-12 units. The overall effect is a decrease in the level of capital budget required for these schemes.

- 7.32 All of these changes have been reflected in the revised capital investment programme at Appendix 3.

### **Capital Scheme Additions**

- 7.33 Despite the challenges to the delivery of the capital investment programme caused by the global pandemic, the Council's ambition to deliver better outcomes is not diminished. In line with the approach where schemes can enter the programme during the financial year and not just annually at budget setting, there are a number of priority projects that are being recommended for inclusion into the capital investment programme. The following scheme is the first of these:

#### High Street Bollards

- 7.34 The project aims to provide enhanced security measures to Southend High Street by installing an automatic bollards system to replace the existing system. A new budget is required to take this scheme forwards totalling £1,020,000 in 2021/22. The project will also require a maintenance contract to be in place which will have an annual revenue cost of £16,200. This will be met within existing budgets this year and incorporated into the 2022/23 budget.

#### Priority Works

- 7.35 During the demolition of the former Futures school buildings it became apparent that the amount of asbestos present in the structure was very significantly greater than identified in the asbestos survey. This has led to project delays and increased costs. An additional £464,000 was required as an urgent budget transfer from the 2021/22 Priority Works budget under the delegated authority of the Executive Director (Finance and Resources). An amendment to the overall budget is being put forward as part of this report to replenish the Priority Works budget for 2021/22 so that it is available for such works in the normal course of events.

### **Scheme moved from the 'subject to' section to the main programme**

#### Footways and Carriageways Improvements

- 7.36 At February Cabinet £29m was included in the 'subject to viable business case' section of the capital investment programme, £5m of which related to 2021/22. This amount is being brought up into the main programme to add to the £5m already in the approved programme. This results in a combined budget of £10m for 2021/22, £6m for improvements to footways and £4m for improvements to carriageways. This level of investment can achieve circa 50 carriageways improvement schemes and circa 60 to 70 footway improvement schemes. However, the actual number of schemes completed will depend on the mix of major/minor routes and any changes in costs throughout the year.

#### ICT operational requirement

- 7.37 This relates to the requirement to procure the Microsoft Enterprise Agreement Licencing before the renewal date to ensure the continuation of capabilities and

functionalities the Council requires to operate. The procurement process was conducted via the Council's electronic Tender Facility ProContract. Three submissions were received and these were evaluated in line with the published minimum requirements and methodologies. The resulting budget requirement over the next three years is £2,590,000. There is already £500,000 in the approved capital investment programme, so budget of £2,090,000 has been moved from the 'subject to viable business case' section up into the main programme.

#### Better Queensway Energy Centre

- 7.38 This is external funding from the Getting Building Fund and was in the 'subject to viable business case' section of the programme until certain conditions were met: approval of a project change request by MHCLG, planning permission being in place by 31 March 2021 and a Service Level Agreement being place with SELEP. All these conditions have now been met so the budget of £4,200,000 is being brought up into the memo section 'to be delivered by Porters Place Southend-on-Sea LLP'. The grant will be passported to the LLP under a back-to-back agreement to enable them to power the Better Queensway project with a modern, efficient electric heating system.

#### Housing Infrastructure Funding

- 7.39 The Council was awarded £15m from the Housing Infrastructure Fund which will be used to carry out highways changes as part of the overall Better Queensway redevelopment. This was put in a section below the main programme as it was subject to grant re-profiling. The profile has now been established and this budget is being brought up into the memo section 'to be delivered by Porters Place Southend-on-Sea LLP'. The grant will be passported to the LLP under a back-to-back agreement.

#### **Levelling-up Fund**

- 7.40 There is a report elsewhere on this agenda that sets out the proposed approach to applications to the Government's Levelling-Up Fund (LUF) and asking Members to agree to submit three bids: Highways and Visitor Economy bids in the first round and a culture-led regeneration bid in the second round.
- 7.41 As noted in that report, if agreed and if the bids are successful, significant sums will be added into the capital investment programme, both for the grant funded elements and the match funding that will be required of the Council. The second round bid is a joint bid with Rochford District Council (with the Council as lead authority) so they would fund some of the match funding proportionate to the grant funding sought for delivery in the district as part of that package of measures. Given the already challenging amended programme as set out in Appendix 2, this will require significant re-prioritisation of existing schemes.

## 8 Infrastructure Funding Statement 2020/21

- 8.1 Attached as Appendix 4 is the Infrastructure Funding Statement (IFS) for the reported year 1 April 2020 to 31 March 2021. The COVID-19 pandemic has had a significant impact on Community Infrastructure Levy (CIL) and Section 106 planning obligation (S106) receipts and expenditure in 2020 to 2021. The Summary Tables from the IFS are set out below:

**Summary Table 1: Community Infrastructure Levy (CIL) Funds 2020 to 2021**

Reported Year 2020 to 2021	Total value of CIL set out in all Demand Notices issued in the reported year	£324,457.00
	Total amount of CIL receipts carried over from previously reported years	£1,548,586.05
	Total amount of CIL receipts in reported year	£484,436.65
	Total amount of CIL expenditure in reported year	£31,665.27
	Total refunds in reported year	£19,221.70
	Total amount transferred to other organisations in reported year	£2,558.04
	Total amount of CIL allocated but unspent in reported year	£45,215.02
	<b>Total amount of CIL collected in any year unspent at the end of reported year</b>	<b>£1,934,362.67</b>

**Summary Table 2: Section 106 (S.106) Planning Obligation Funds 2020 to 2021**

Reported Year 2020 to 2021	Total amount of money to be provided under any planning obligations which were entered into during reported year	tbc
	Total amount of money under any planning obligations carried over from previously reported years which had not been allocated and was available to spend at the start of reported year	£1,736,816.96
	Total amount of money under any planning obligations carried over from previously reported years which was allocated but not spent at the start of the reported year	£1,450,000.00
	Total amount of money under any planning obligations which was received in reported year	£908,192.31
	Total amount of money under any planning obligations which was spent in reported year	£43,105.50
	Total amount of money under any planning obligations transferred to other organisations in reported year	£0.00
	Total amount of money under any planning obligations which was allocated but not spent at the end of the reported year	£2,325,106.42
	<b>Total amount of money under any planning obligations retained at the end of reported year</b>	<b>£1,726,797.35</b>

8.2 The £1,934,362.67 in CIL funds retained by the Council (yet to be allocated and remaining available to spend) at the end of the reported year (as at 31 March 2021) includes:

- £1,745,122.24 in the CIL Main Fund; and
- £189,240.43 (15% of total receipts less surcharges) as Ward Neighbourhood Allocations.

8.3 The Council commenced CIL charging in July 2015 and as at 31 March 2021 there was £1,745,122.24 in the CIL Main Fund. These funds, which are to be spent on strategic infrastructure to support growth, have been carried forward to date. The amount currently in the CIL Main Fund is relatively small in the context of the funding likely to be required for strategic infrastructure projects that support new development within the Borough, particularly housing. Therefore, it is considered appropriate to continue to carry forward the CIL Main Fund at this time with the CIL Governance Framework and spending plans to be reviewed later this year.

8.4 Officers are currently exploring possible ways of using the neighbourhood proportion of CIL more effectively and creatively using Crowdfunding platforms. Any proposals for spending of the CIL Main Fund, or changes to the governance arrangements relating to the spending of the neighbourhood proportion of CIL, will be reported separately to Cabinet for consideration. However, the pandemic has delayed progress in this respect.

## **9 Procurements with a contract value £1m+**

9.1 The Annual Procurement Plan 2021-22 was approved at the 23 February 2021 Cabinet meeting, including those procurements with a contract value of £1m+, as set out in the appendix to that report. As a result of reviewing the 2020/21 end of year position, a further procurement with a contract value over £1m has been identified.

9.2 The Parking Enforcement and Operations contract, with a total revenue contract value of £16m (annual value of £1.6m), is based on a seven-year contract with an option to extend for a further three years. Currently the annual budget is set at £1.2m, however the Parking Team are in the process of putting together a business case to take to the Investment Board to request additional investment in the budget to be able to deliver new services, improvements and efficiencies through deployment of further Civil Enforcement Officers around the borough and a new car pound within Southend. The new contract will allow for growth and innovation in new technologies and will also support the Council's aspirations to reduce emissions and congestion.

9.3 The following services will be included in the new contract:

- Civil Parking Enforcement and Moving Traffic Enforcement
- Appeals, Representations, General Customer Contact Centre
- Administration of parking permits, paid parking, dispensations, and suspensions
- Provision of vehicle removal and storage services
- Maintenance of signage and other parking assets (pay machines etc, not building or structural)
- School Crossing Patrols
- Provision of a cashless parking solution, including pay-by-mobile and parking permits.
- Customer support

## **10 Other Options**

10.1 This is a factual report setting out the 2020/21 outturn and is a reporting requirement of good financial governance. As such there are no other options. Cabinet are of course able to suggest changes to the amounts appropriated to and from earmarked reserves, which would result in a compensating adjustment to the amount taken to or from general reserves. The report also follows and complies with the good practice identified with CIPFA's Financial Management Code which becomes mandatory for 2021/22.

## **11 Reasons for Recommendations**

11.1 To provide Cabinet with the final revenue and capital outturn position for 2020/21.

11.2 As part of the year end processes, Cabinet is required to approve any appropriations to or from earmarked reserves. This report fulfils that purpose.

11.3 Cabinet is required to approve capital budget carry forwards, accelerated delivery requests and in year amendments to the current approved programme.

## **12 Corporate Implications**

12.1 Contribution to the Southend 2050 Road Map

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

## 12.2 Financial Implications

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

## 12.3 Legal Implications

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

## 12.4 People Implications

None arising from this report.

## 12.5 Property Implications

Consideration is given to the property implications when the Medium Term Financial Strategy and Capital Investment Programme is determined.

## 12.6 Consultation

Consideration is given to consultation when the Medium Term Financial Strategy and Capital Investment Programme is determined.

## 12.7 Equalities Impact Assessment

Consideration is given to Equalities and Diversity Implications when the Medium Term Financial Strategy and Capital Investment Programme is determined.

## 12.8 Risk Assessment

Sound budget setting, monitoring, and reporting processes underpin the Council's ability to manage and mitigate the inherent financial risks associated with its budget, primarily caused by the volatility of service demand, market supply and price. A full risk assessment is considered when the Medium Term Financial Strategy and Capital Investment Programme is determined.

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

## 12.9 Value for Money

The approved budget reflects the Council's drive to improve value for money and to deliver significant efficiencies in the way it operates. Monitoring the delivery and reporting the financial variances of services helps to highlight areas of concern and to assist in the achievement of improved value for money. The Council's approach to evidencing value for money will be strengthened by the new Getting to Know Your Business Programme and demonstrating compliance with CIPFA's new Financial Management Code.

## 12.10 Community Safety Implications

Consideration is given to community safety implications when the Medium Term Financial Strategy and Capital Investment Programme is determined.

## 12.11 Environmental Impact

Consideration is given to the environmental impact when the Medium Term Financial Strategy and Capital Investment Programme is determined.

## 13 Background Papers

Financial Sustainability Strategy 2020 – 2030  
Medium Term Financial Strategy 2021/22 – 2025/26  
Resourcing Better Outcomes - Financial Performance Report – Period 8

## 14 Appendices

- Appendix 1 Annual Report 2020/21
- Appendix 2 Requested Changes to the Capital Investment Programme
- Appendix 3 Amended Capital Investment Programme
- Appendix 4 Infrastructure Funding Statement for 1 April 2020 to 31 March 2021