Southend-on-Sea Borough Council

Agenda Item No.

Report of Executive Director (Finance & Resources)
To

Cabinet

On

13th January 2022

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Resourcing Better Outcomes - Financial Performance Report 2021/22 – Period 8
Policy and Resources Scrutiny Committee
Cabinet Members: Councillor Ian Gilbert and Councillor Paul Collins
Part 1 (Public Agenda Item)

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1 Purpose of Report

The Resourcing Better Outcomes financial performance report is a key tool in scrutinising the Council's financial performance. It is designed to provide an overview to all relevant stakeholders. It is essential that the Council monitors its budgets throughout the year to ensure that it is meeting its strategic objectives, managing its resources appropriately and to take reasonable mitigation to try to deliver a balanced position by the end of the year.

2 Recommendations

That, in respect of the 2021/22 Revenue Budget Performance as set out in appendix 1 to this report, Cabinet:

2.1 Note the forecast outturn for the General Fund and the Housing Revenue Account as at November 2021 and the intention to defer the previously approved use of £2.5M from Reserves to support the 2021/22 budget.

That, in respect of the 2021/22 Capital Budget Performance as set out in appendix 2 of this report, Cabinet:

2.2 Note the expenditure to date and the forecast outturn as at November 2021 and its financing.

2.3 Approve the requested changes to the capital investment programme for 2021/22 and future years, as set out in section 4 of appendix 2.

3 Unprecedented Level of Uncertainty

Some commentators have described the last couple of years as potentially one of the most volatile and unpredictable periods in recent history. Clearly Brexit considerations initially and then the response and impact of the pandemic have caused huge disruption and concern to everyday life. Public health worries and economic impacts, together with levels of Government borrowing never seen before in peace time years have all contributed to huge extra fiscal challenges for the country. This context has created additional pressure and uncertainty locally and made effective financial and service planning for Southend-on-Sea challenging.

COVID-19 Recovery and Implications

3.1 The overall health and economic impact of COVID-19 is still under assessment. The challenge is clearly worldwide, and national governments continue to wrestle with putting in place the right package of measures to save lives and to try to minimise the spread of the virus and its impact across the population. Countries have adopted different strategies and tactics to safely get their respective economies working again. These challenges have been exacerbated recently with the world-wide concern over the potential impact of the new mutant variant - Omicron.

3.2 The pandemic continues to have a major direct operational and financial impact right across the Local Government Sector. All local authorities are struggling with the challenges of uncertainty, large financial pressures and concerns for their residents and local areas in such unprecedented times. Several local authorities are showing signs of significant additional financial stress. Most of the demand and financial pressures highlighted in this report are still inextricably linked directly or indirectly to COVID-19.

3.3 Effectively managing the short and medium-term financial challenges that COVID-19 has brought to the Borough will be an important factor in our future success. This report will focus on providing some detail and commentary of the financial variances at a portfolio level that are currently forecast for 2021/22. It should be noted that these estimates have been based on the best information we currently have available. We still have one third of the financial year remaining and some spending patterns and service demands remain volatile.

3.4 One of our other major areas of concern is the potential impact on service demand ‘post COVID-19’ or ‘living with COVID-19’ in the future. This could manifest itself in many ways from increased demand and support because of long COVID-19 symptoms or increased demands on services due to family tensions and breakdown, residents experiencing additional stress and mental wellbeing needs or changing employment issues. The Council and its partners will continue to monitor the situation locally.

3.5 The Government has provided a varied range of different financial support mechanisms for the Local Government Sector over the last 18 months. These have been designed to help to support the local management of the pandemic and alleviate some of the financial impact of COVID-19. A huge concern is once this temporary support has been withdrawn then what will be the impact on the Council and local area.

3.6 A good example is the Control Outbreak Management Fund (COMF) specific grant that was announced in 2020/21 and has continued into 2021/22. Confirmation has been received that any remaining uncommitted funding at the end of this financial year can be carried over into 2022/23. Authorities are also enquiring if any additional future funding will be available. The Council is deploying this resource locally against the strict eligibility criteria that was set by the Government for its use. Headlines of some of the initiatives that this grant has been used for is summarised below.

- Communicable Disease Consultant providing clinical advice and guidance
- Contact Tracing service to manage higher risk areas, plus digital outreach
- Communications and social marketing to enhance COVID-19 awareness
- Community support capacity for those who may need to isolate
- Some supplementary redeployment of skilled staff locally
- Compliance and enforcement such as additional COVID-19 Ambassadors

3.7 The second quarter of the financial year witnessed the start of a global supply chain crisis in what some economists described as “a perfect storm”. All three elements of the supply chain were impacted: supply side, transport, and labour. Another concern has been the increase in energy costs, with wholesale gas prices across the world rising by more than 250% since January 2021. This has affected around 15 million households who have seen their energy bills rise by 12%. This is because the energy price cap has risen, and according to Ofgem it will go up again in April 2022, this increases the maximum price suppliers can charge domestic customers.

3.8 It is clear that there are still significant inflationary pressures ‘in the system’ with some commentators now predicting that general inflation could reach 6% in 2022. This will directly impact all public services, local businesses and residents, putting more pressure on Local Authority budgets and household incomes.

Comprehensive Spending Review

3.9 The Local Government Sector was hoping for a 3-year financial settlement from the Comprehensive Spending Review for 2022/23 - 2024/25 to at least try to provide some certainty for future financial planning parameters. The provisional finance settlement was published on 16th December 2021 and disappointingly it was effectively for 1 year only, with major reform planned which potentially could result in a significant re-distribution of resources across Local Authority areas for years 2 and 3.

3.10 The Council remains in a relatively strong financial position for 2021/22 but the size of the financial challenge for the future was already estimated to be significant. The added uncertainty caused by the provisional finance settlement and the potential impact for ‘winners and losers’ of the reform intentions adds even greater uncertainty to the local financial planning challenge. The ‘Draft Prioritising Resources to Deliver Better Outcomes – 2022/23 to 2026/27’ report on this Cabinet agenda will provide an insight into the potential local implications and future risks associated with this national 'levelling up' strategy.

3.11 The Council’s strategy will be to continue to aim to achieve financial sustainability by growing local income sources and relying less on grant support from Central Government in the future. The Council will continue to work collaboratively with its partners, increase its focus on the delivery or joint commissioning of services in a targeted way to ensure that those in most need and who will receive the greatest benefit are the recipients of services. It is vital that we learn from our COVID-19 experience and tailor our services and working practices accordingly.

4 Revenue – General fund

4.1 In February 2021, the Council approved a General Fund Revenue Budget requirement for 2021/22 of £136.290M. This report provides details of the current projected outturn position for 2021/22 based on information as at the end of November 2021 (Period 8). In headline terms Council Corporate Budgets and Service Portfolios are currently forecasting a gross overspend of £4.945M for 2021/22, an improvement from the £8.305M overspend, that was reported at Period 6. This represents a forecast overspending of around 1.5% of the gross expenditure budget. This updated estimated position is inextricably linked to the extra demands and costs incurred by the Council due to the impact of the pandemic. In recognition of these circumstances additional financial support has been provided from the Government for COVID-19 in terms of one-off additional grant and compensation for loss of income of around £6.087M. This reduces the net forecast overspend for 2021/22 at this stage of the year to £1.358M.

4.2 Although the actual level of COVID-19 Grant support may still vary as reconciliations and compliance returns are submitted and validated with various Government Departments, we are currently not expecting to receive any major new financial support for COVID-19 in 2021/22. This assumption is predicated on the continuing success of the national vaccination and booster programmes. This assumes that no further restrictions or additional local burdens are imposed that would have a direct financial impact on the Council. With the recent outbreak of Omicron and the added uncertainty this brings - the situation will continue to be closely monitored throughout the remainder of the financial year. Any new funding announcements or any forced changes to local service arrangements and the corresponding financial impact will be summarised within the Provisional Outturn report scheduled to be considered by Cabinet in June 2022.

4.3 The Council is trying to deal with many of the same uncertainties and financial challenges that all other upper tier authorities right across the country are experiencing. It is still difficult to untangle and isolate specific demand and cost pressures that exist across the Authority due to the impact of COVID-19. It is possible that part of the current financial challenge is a continuation of some of the service pressures that were prevalent and first highlighted back in 2019/20. This possibility should have been minimised and reduced by the extra investment that was approved for key services as part of the budget setting processes for 2020/21 and 2021/22.

4.4 The Government announced a 1.25% increase in both Employer and Employee National Insurance (NI) contributions with effect from 1st April 2022, to provide more funding for Health and Social Care. In September 2021 HM Government published its Building Back Better: Our Plan for Health and Social Care report. In this it says, “We expect demographic and unit cost pressures will be met through Council Tax, social care precept, and long-term efficiencies.” It has now been confirmed that the Council will receive additional support for 2022/23 but a significant proportion of that increased funding is for 1 year only and could change for 2023/24 onwards.

4.5 The Chancellor had previously announced his expectation that generally national public sector pay (except for the NHS) would be frozen for 2021/22. This has proved not to be the case and negotiations over a ‘cost of living’ rise for the Local Government Sector are currently still ongoing. The employer’s negotiating body on behalf of local government have made a ‘final pay rise offer’ of 1.75% for 2021/22. At the time of writing this report members of the trade unions had voted against this ‘offer’ and the trade unions are still consulting on potential industrial action.

4.6 As part of its approved budget setting arrangements the Council did make provision in an earmarked reserve for the circa £1.3M this pay settlement is estimated to cost. If the final pay rise is agreed at this level, then this amount can be accommodated in 2021/22. It must be highlighted though that this settlement is still under negotiation. When final agreement is reached it will also create a permanent pressure of equivalent value in the Council’s revenue base budget from 2022/23 onwards.

4.7 Given the level of financial uncertainty over the medium term the Council has continued to work hard to try to reduce the financial pressures highlighted in this and previous financial monitoring reports to deliver a balanced outturn by the end of the year. Members will recall that when the Council set its 2021/22 budget in February 2021 it approved that £2.5m of reserves would be used to support the Council’s spending plans for the year. The possibility of deferring the use of reserves for this purpose was highlighted in the Period 6 monitoring report, and it is now confirmed that the Council’s intention at this stage is to NOT apply the £2.5M in 2021/22. This strategy provides some flexibility for financial planning considerations for 2022/23 onwards and is now reflected in the draft budget report elsewhere on this agenda.

4.8 To achieve the deferral of the originally planned £2.5M use of reserves a combination of measures have been implemented. These include, maximising the eligible use of Government Support, focus on essential spending only, mitigate pressures where possible and targeted use of the Council's revenue contingency. Within this report £1.4M of contingency has now been applied and circa £1M remains uncommitted. The Council is also in receipt of Government funding that has not yet been distributed to fund eligible activities within services to control and manage the impact of the pandemic. Based upon the most up to date information available then a balanced outturn for 2021/22 is now a realistic outcome. Obviously given the unprecedented circumstances that the Council is operating in, the situation will continue to be rigorously monitored for the remainder of the financial year. The approved budget did also include a one-off £2.5M earmarked support for Children's Services which has not yet been released or included in the forecast outturn assessment at this stage of the year.

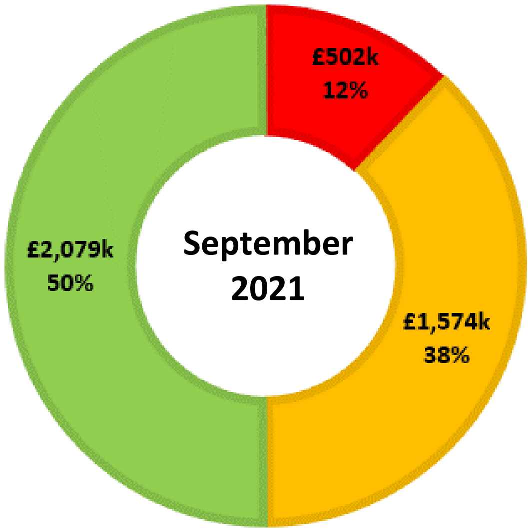
4.9 The Council's new 'Getting to Know Your Business' programme continues to be embedded. This programme helped to establish a baseline for all services in terms of their costs, income generation potential, value for money and performance. This data will highlight key lines of enquiry where benchmarking may suggest that either our costs or income levels are above or below average. This will lead to potential changes in operation or highlight areas for Cabinet to consider a review of existing policies.

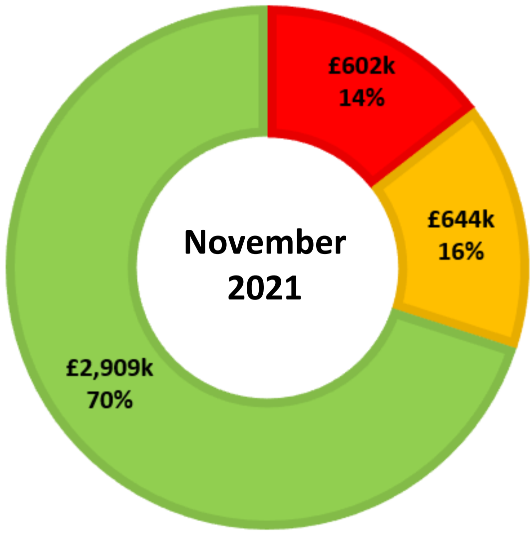
4.10 Services will continue to develop further recovery and mitigation plans to try to improve the current forecast financial situation but more critically prepare for the significant future financial challenge. Adult Social Care is exploring innovative 'strengths based' initiatives to improve outcomes, residents maintaining their independence and VFM. All services are being challenged to try to improve efficiency and productivity to ensure that the resourcing of better outcomes for our residents are achieved at the best value for the local taxpayer.

Status of Approved Budget Savings and Income Generation Initiatives

4.11 It is vital that the range of budget savings and income generation initiatives that were approved as part of the setting of the 2021/22 budget, totalling £4.155M are delivered or alternative options are considered. The ongoing operational challenges caused by COVID-19 and managing the implications of the pandemic locally has had an impact on the delivery of some of the approved proposals. An overall assessment of progress based on the likelihood of delivery is summarised in the following graphic. Each initiative is being regularly monitored by the Corporate Management Team and the likelihood of successful delivery of the targeted value rated as either Red (High Risk), Amber (Medium Risk) or Green (Very Low Risk).

4.12 Overall levels of confidence for delivery of the approved savings programme in September 2021 (Period 6) and November 2021 (Period 8) are shown in the doughnut charts below.





4.13 The proposals that are currently rated as highest risk are summarised in the following table. The major saving area is linked to ICT enabling additional organisational capability and productivity. Progress against the ICT SMART Programme has been severely disrupted due to COVID-19 and the need to prioritise the continuation and resilience of remote safe working. It is expected that the saving target will be delayed. The delay in fully implementing the planned redesign of the Council's Business Support Function has now been reclassified as a high risk (Approved Saving was £500k). A final status update will be provided in the 2021/22 Provisional Outturn Report to Cabinet in June 2022.

CS02	Saving	ICT: Smart programme	320	R
FW10	Saving	Business Support Function Service Redesign	200	R
FW04	Saving	Rent Deposit Loans Scheme review	40	R
FW05	Saving	Single Property Visits: Council Tax & Planning	40	R
PJ01	Income	Contactless donation points within Parks	2	R

4.14 Despite the clear and obvious financial challenges and uncertainty highlighted in this report the Council remains in a much stronger and financially resilient position than many other Local Authorities. We clearly cannot be complacent and there will undoubtedly be some very tough choices and decisions to make as part of the Council's budget development for 2022/23 and Medium Term Financial Strategy. In this context it was pleasing to see that Southend-on-Sea Borough Council was ranked in the upper quartile (13^{th} out of 56) of all Unitary Authorities across the country in CIPFA's independent Financial Resilience Index which was published in February 2021.

Transport, Asset Management & Inward Investment

4.15 A fundamental review of parking charges and operations was undertaken in 2020/21 to standardise and rationalise parking tariffs in similar locations across the Borough. An extensive review of permits was also undertaken, together with an agreement to trial the new Southend Pass.

4.16 As the country continued to operate under some level of COVID-19 related restrictions in the early part of the year, parking income along with most of the Council's income generating activities was impacted. The Council also proactively took a local decision to directly support car parking for NHS health and care workers by providing free parking permits until the end of July 2021. In recognition of the national impact on income, the Government extended the sales, fees and charges compensation scheme until the end of June 2021. Positively - in response to the relaxation of COVID-19 restrictions, the increase in 'staycations' this summer, along with an expanded programme of events in the town (in part due to the Welcome Back Fund), parking income has recovered considerably during the 2nd quarter of the financial year.

4.17 The improvement in car parking income experienced in Q2, against the backdrop of low activity in April and May has resulted in an overall estimated loss for the year against our approved budget of around £0.45M. This was partly offset by the Government's Sale, Fees and charges compensation scheme. The situation will be continuously monitored and with plans to extend the tourist season into the autumn / winter, together with a variety of additional events scheduled it was hoped that this forecast position may still improve as the year progresses. The unknown impact of the new mutant variant Omicron remains a major risk.

Adult Social Care & Health Integration

4.18 Adult Social Care & Health Services are reporting an improved position for 2021/22 as at Period 8. The main factors that have contributed to this improvement have been the confirmation of funding support to facilitate quicker discharges from hospital, other additional Government support and a reduction in demand for services from older people. This combination of factors has contributed to a forecast underspend of £0.503M on a net expenditure budget of circa £41M at this stage of the year, an improvement of circa £1.581M from Period 6. The ever-changing impact of the pandemic means that the situation remains volatile and will continue to be closely monitored for the rest of the financial year. There remains significant financial pressure for care and support services to people with mental health & learning disabilities aged 18-64.

4.19 The medium to longer term impact of COVID-19 on budgets and service demand remains uncertain as people impacted by this are potentially required to have support earlier and for longer than would have previously been the case.

4.20 Levels of service use amongst older people remains lower than was previously the case due to ongoing COVID-19 concerns, particularly in the use of residential and home care. This has reduced the budget pressure for 2021/22. Clearly the needs of this group of people have not gone away and cost pressures and demand are likely to return to their upward trend over the medium term.

4.21 National Hospital Discharge funding in support of COVID-19 pressures is now assured until 31st March 2022. This will fund costs incurred during the first 4 weeks post discharge and has enabled clients to be released from hospital earlier. This should help to sustain the current improved forecast financial position for 2021/22.

Children & Learning

4.22 As replicated in many upper tier authorities around the country Children & Learning Services remains a high spend pressure area. It is currently forecasting a net overspend of circa £2.430M, excluding the one-off £2.5M put aside to support the service as part of the approved 2021/22 budget. Although still a concern in headline terms this is a positive financial improvement from both 2019/20 and 2020/21. Most of this reported pressure is shown on Children Services and it must be noted that this forecast position does remain subject to further risk should external care placements increase further.

4.23 Looked After Children (LAC) numbers reached a peak in 2019/20, reduced through 2020/21 and now have a broadly sustained reduction in 2021/22. There were 291 LAC as at the end of November 2021. This reduction in LAC numbers is having a positive effect on improving previous and significant spend pressures. Whilst this spend reduction is positive, reliance on LAC external care placements (the most expensive type of provision) remains high as a proportion of overall LAC placements with 98 placements as at the end of November 2021, equivalent to 34% of all LAC placements. This is clearly the main cause of the spend pressure within Children Services. Work continues to re-build capacity for additional inhouse foster care placements with the aim of reducing these costs over time and improve outcomes for children in the care system.

4.24 The service is also anticipating additional funding pressures following requests from Government for local authorities to meet increased support for unaccompanied asylum seeker placements.

4.25 Additionally, there is funding pressure on leaving care accommodation placement costs and there are also increased costs related to COVID-19 resulting from both placement extensions and extra staffing to respond to the crisis.

Corporate Services & Performance Delivery

4.26 Approved budget proposals in relation to Council Tax and Business Rates income has increased costs on the service line but upon delivery this will have a higher positive impact and increase the net level of income collectable by reviewing all discounts and exemptions. This 'extra' income will be reported within the Council's funding line. Whilst e-billing is unavailable printing costs continue to be a cost pressure, together with card processing fees as the transition to payments on the website and other electronic methods increase. The net forecast overspend is currently estimated to be £0.210M.

4.27 The most significant forecast financial pressure is within ICT, at this stage of the year £0.795M overspend is predicted. This is due to a combination of reducing levels of external income generated, significant delays experienced in the delivery of planned savings due to the impact of COVID-19 and extra costs associated with maintaining safe, resilient, remote working capabilities.

4.28 Proactive vacancy management across several services within the finance and resources directorate is helping to reduce the total level of forecast overspend at this stage of the year.

Environment, Culture, Tourism & Planning

4.29 The shoreline has been subjected to several significant storms and as a result there has been a requirement for an increased level of remedial works to maintain key structures. Significant work is also underway to replace the groynes along the seafront.

4.30 Additional support has continued to be required to assess the Sustainable Drainage Systems (SuDS) impact of any relevant planning applications and specialist geotechnic expertise is required to assess the stability of the cliffs.

4.31 Culture, sport and tourism are currently reporting a forecast overspend of around £0.513M. COVID-19 has had a major impact across all income generating activities but the most significant has been on our leisure contractor (Fusion Lifestyle). It has been assumed that approval for the waiving of the management fee for 2021/22 will be agreed as recommended on a separate report elsewhere on this Cabinet agenda. This proposal is designed to assist in ensuring that our leisure centre provision remains open for visitors and residents. The loss of footfall has significantly impacted on their income generating capability.

Public Protection

4.32 Whilst many people continue to work from home and could do so for the foreseeable future in some way, there has been a significant increase in the volume of household waste which is being collected and disposed of. This has been even higher than during the early formal COVID-19 lockdown periods. As a waste disposal authority, the financial consequences of this significant increase in tonnage are borne by the Council. The situation is now forecast to improve from Period 6 but this remains a significant challenge for the Authority and it is vital that ideally less waste is generated by residents and/or recycling rates are improved locally.

4.33 This is a major challenge as Southend-on-Sea remains as one of only a handful of Authorities across the Country that continues to operate a weekly bin collection at significant extra cost.

4.34 Income received on the pier and foreshore in Quarter 1 was impacted by pandemic restrictions, although the extension of the sales, fees and charges compensation scheme up to the end of June 2021 will assist in recovering some of this loss. Income during the second quarter and to date has improved.

Budget Virements

4.35 All budget transfers (virements) over £250,000 between portfolios or between pay and non-pay budgets are considered and approved by Cabinet. These budget transfers have a net nil impact on the Council’s overall budget. There are no budget transfers proposed for Cabinet approval this period.

5 Revenue – Housing Revenue Account

5.1 In February 2021, the Council approved a balanced 2021/22 Housing Revenue Account budget for 2020/21. This report details the projected outturn position for this year based on actual activity and financial performance as at the end of November 2021 (Period 8).

5.2 The forecast for the Housing Revenue Account (HRA) as at the end of November 2021 indicates that it will have a net surplus of (£119,000) in 2021/22, a positive variance of around (-0.5%) of gross operating expenditure.

5.3 This positive position is due to increased levels of rental income received (£488,000) because of a lower level of voids within the housing stock. This demonstrates good housing management practice. As the planned affordable homes acquisitions programme progresses through the year there is also an anticipated increase in the numbers of units within the housing stock that will further increase the HRA's rental income streams in the future. It must be noted that there remains a risk on the levels of rent arrears due to the impact of COVID-19 on tenant’s income and their continuing ability to pay. This situation will be kept under constant review and work is ongoing with tenants to try and provide appropriate support and mitigate any impact.

5.4 Offsetting this additional income is an anticipated pressure of £369,000 on the HRA revenue repairs budget. This is due to a combination of increasing contractor costs, additional compliance requirements as well as works that were delayed from 2020/21 due to COVID-19 and the national lockdown.

5.5 It is currently anticipated that any surplus will be transferred to the HRA Capital Investment Reserve at the year-end for future planned investment into improving the housing stock.

6 Capital

6.1 Successful and timely delivery of the capital investment programme is a key part of achieving the Southend 2050 ambition and delivering priority outcomes. The investment contributes to the five main themes in the following way:

6.2 Pride and Joy – the key investment areas are the ongoing refurbishment and enhancement of Southend's historic pleasure pier and the town's cultural, and tourism offer, including parks, libraries, and theatres.

6.3 Safe and Well – the key investment areas are: the construction and acquisition of new council homes and the refurbishment of existing ones via the decent homes programme; social care with the building of a new care facility and day centre, Brook Meadows House, to provide high quality services for people with high and complex needs.

6.4 Active and Involved – the key investment area is the Cart and Wagon Shed for the coastal community team to use as part of their community interest company.

6.5 Opportunity and Prosperity – the key investment areas are the Airport Business Park to deliver benefits for both local businesses and local communities, creating thousands of job opportunities and attracting inward investment; the secondary schools expansion programme which is entering its fifth year and when completed will see an additional 1,100 permanent places for 11-16 year old pupils.

6.6 Connected and Smart – the key investment areas are the investment in the borough's highways and transport network, including the improvements to the A127 Growth Corridor funded by the Local Growth Fund; investment in the Council's ICT infrastructure and networks to enable and transform outcome focussed service delivery.

6.7 In March 2021 the Council agreed a capital investment programme budget for 2021/22 of £79.9M. The outturn for 2020/21 showed a final spend of £66.1M against a revised budget of £71.9M, an underspend of £5.8M. The proposed budget carry-forwards accelerated delivery requests and other budget re-profiles and amendments resulted in a revised budget for 2021/22 of £94.7M. It was clear that not all this programme was deliverable directly by the Council and so the programme was split so that the schemes to be delivered by South Essex Homes Limited and Porters Place Southend-on-Sea LLP are separately identified. This left a capital investment programme of £77.6M to be delivered by the Council at June Cabinet.

6.8 In line with the approach where schemes can enter the programme during the financial year and not just annually at budget setting, priority projects were approved at the June Cabinet meeting for inclusion into the capital investment programme. This increased the 2021/22 budget deliverable by the Council to £77.8M.

6.9 The Council's capital investment programme plans are ambitious but capital resources are finite, both in terms of affordability and capacity to deliver. We need to ensure that investment is focussed on priorities and that priority projects have viable delivery plans. A MoSCoW review has been undertaken to re-assess and re-prioritise the capital investment programme. This enables prioritisation by categorising capital projects as 'must have', 'should have', 'could have' or 'will not have' (at this time). The results of this review were included in the Period 4 and Period 6 financial performance reports to September and November Cabinet respectively.

6.10 Capital challenge sessions have also been held with the Cabinet Member for Corporate Services and Performance Delivery. The first sessions were held in late September and early October and the results of these were included in the Period 6 financial performance report to November Cabinet.

6.11 As a result of the above there were further changes requested at both September and November Cabinets. At November Cabinet a 2021/22 budget of £70.9M was approved for schemes to be delivered by the Council and £14.2M for schemes to be delivered by subsidiary companies, partners, and joint ventures.

6.12 £68.2M of these budgets are identified as strategic schemes such as the Airport Business Park, Brook Meadows House, Footways and Carriageways Schemes and Highways Schemes funded by the Local Growth Fund and via the Local Transport Plan.

6.13 Follow up capital challenge sessions were held with the Cabinet Member for Corporate Services and Performance Delivery in early December and any resulting requested changes to the capital investment programme have been included in this report.

6.14 This has led to some schemes being deleted from the capital investment programme whilst others have been moved to the 'subject to viable business cases' section below the main programme. These schemes can be brought up into the main programme at the appropriate time in line with the approach where schemes can enter the programme during the financial year and not just annually at budget setting.

6.15 Just over 30% of the programme deliverable by the Council is financed by Government grants and external developer and other contributions and at the end of November over half of that had been received. The rest of the programme is funded by capital receipts, the use of reserves or by borrowing. Funding schemes by borrowing has a revenue consequence of approximately £70k for every £1M borrowed.

6.16 This report details the projected outturn position for 2021/22 based on information as at the end of November (period 8). The report includes details of progress in delivering the 2021/22 capital investment programme and in receiving external funding relating to that year.

6.17 Since the September (period 6) position was reported to November Cabinet, the Council has been successful in its Levelling Up Fund bid for visitor economy improvements, focussed on Leigh Port, the Cliffs Pavilion and wider seafront and town centre safety measures. As a result of the above and the follow up capital challenge sessions, this report includes any virements between schemes, re-profiles across years, new external funding, scheme deletions, proposed new schemes and additions and transfers to the 'subject to viable business case' section of the programme.

6.18 The progress of schemes for 2021/22 is detailed in sections 1 to 3 of Appendix 2 with Section 4 setting out the resulting requests to:

For schemes to be delivered by the Council:

- Carry forward £6,337,000 of 2021/22 scheme budgets into 2022/23, 2023/24, 2024/25 and 2025/26 and £879,000 of 2022/23 scheme budgets into 2023/24.
- Bring forward £2,500,000 of budget from 2022/23 into 2021/22.
- Add scheme budgets totalling £4,544,000 into 2021/22, £14,372,000 into 2022/23 and £2,050,000 into 2023/24, where new external funding has been received.
- Add scheme budgets totalling £146,000 into 2021/22, £1,398,000 into 2022/23, £775,000 into 2023/24 and £25,000 into 2024/25, for new schemes and additions to the capital investment programme.
- Remove £142,000 from 2021/22 for scheme budgets no longer required.
- Action virements of budget between approved schemes.
- Transfer £1,282,000 from the main Capital Investment Programme to the 'Subject to Viable Business Case' section.

For schemes to be delivered by Subsidiary Companies, Partners and Joint Ventures:

- Carry forward £2,285,000 of 2021/22 scheme budgets into 2022/23 and 2023/24.
- Bring forward £923,000 of budget from 2022/23 into 2021/22.

6.19 As at the end of November the capital outturn for 2021/22 is currently estimated at £71,390,000 for schemes to be delivered by the Council and £12,860,000 for schemes to be delivered by subsidiary companies, partners and joint ventures.

6.20 The 2021/22 capital budget is part of the wider capital investment programme spanning several years. The following table below shows the revised programme if all the above requests are approved:

Programme to be delivered by the Council (GF and HRA):

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
At November Cabinet	70,852	50,322	18,508	10,108	6,919	156,709
Levelling Up Fund amendments*	4,275	15,110	3,705	25	0	23,115
Other amendments	(3,737)	1,537	830	102	39	(1,229)
Revised programme	71,390	66,969	23,043	10,235	6,958	178,595

** £880,000 of match funding from the Council's capital resources had already been included in the programme at an earlier Cabinet.*

Programme to be delivered by Subsidiary Companies, partners and Joint Ventures:

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
At November Cabinet	14,222	21,549	15,559	9,598	3,250	64,178
Amendments	(1,362)	534	828	0	0	0
Revised programme	12,860	22,083	16,387	9,598	3,250	64,178

7 Other Options

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

8 Reasons for Recommendations

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

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

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

9 Corporate Implications

9.1 Contribution to the Southend 2050 Road Map

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

9.2 Financial Implications

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

9.3 Legal Implications

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

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

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

9.4 People Implications

None arising from this report

9.5 Property Implications

None arising from this report

9.6 Consultation

None arising from this report

9.7 Equalities and Diversity Implications

None arising from this report

9.8 Risk Assessment

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

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

With the likely scale of funding pressures and future resource reductions continuing, 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.

9.9 Value for Money

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

9.10 Community Safety Implications

None arising from this report

9.11 Environmental Impact

None arising from this report

10 Background Papers

Approved 2021/22 Budget – Report to Council 25th February 2021

Medium Term Financial Strategy 2021/22 – 2025/26

11 Appendices

Appendix 1 Period 8 – November 2021 Revenue Budget Performance 2021/22

Appendix 2 Period 8 – November 2021 Capital Investment Programme Performance 2021/22