Medium Term Financial Strategy
2022/23 to 2026/27

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1 Introduction

1.1 Background

Southend-on-Sea Borough Council (SBC), along with most local authorities across the country, continues to face significant challenges in providing essential services to meet the needs of residents within the level of resources it has at its disposal. This is exacerbated by a combination of increasing and more complex local demand and uncertainty over the finance reform planned in 2022/23 as part of the Government's Levelling Up Agenda. The Council and its partners are focusing on responding to the local impact of the COVID-19 pandemic. The Council and local partners have also begun preparations for the awarding of City Status for our area. This recognition will be granted in 2022. It follows the tragic murder of Sir David Amiss MP for Southend West, who had campaigned tirelessly for City Status to be granted to Southend-on-Sea.

The Council's strategic response to the more traditional, familiar local government challenges has been to develop a new high-level Financial Sustainability Strategy, updated for 2022-2032 to reflect the impact of the pandemic and comprehensively update its Medium-Term Financial Strategy (MTFS) for 2022/23-2026/27. These key strategies were approved in February 2021. They outlined the Council's ambition, approach, desire, and commitment to do everything it can to plan effectively for the future and invest in priorities that make a real positive difference to residents, businesses, and visitors. This was predicated on ensuring that the Council remains financially stable and resilient for the future.

1.2 COVID-19 Implications

From March 2020 everything changed. 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 were exacerbated from around December 2021 with the world-wide concern over the potential impact of the new mutant variant – Omicron.

Alongside this worrying development, the national vaccination programme and more recent booster campaigns do appear to be having a positive impact on limiting the severity of this new strand of the virus on people's health and well-being. The data available so far suggests that the virus does seem to be having generally milder effects on fully vaccinated and boosted people, but its speed of transmission was still much quicker than previous strands which has put more pressure on the NHS and public services. The Government in February 2022 announced an easing of restrictions, whilst continuing to encourage take-up of the national vaccination and booster roll-out programme. It appears that the UK, like most of the rest of the world, are now moving into a phase of getting used to 'living with COVID', closely monitoring the impact and assessing any further mutant variant strains.

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. 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.

One of The Council's 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.

It really has been an unprecedented couple of years and some tough national and local choices and decisions on priorities, particularly non-statutory service levels will be required over the medium-term. The Government have introduced a series of national tax increases and policy changes which will have a significant impact from April 2022 and general inflation is heading to its highest levels for over a decade, with some suggesting it could reach around 7% in 2022. This combination of factors will directly impact all public services, local businesses, and residents, putting more pressure on local authority budgets and household incomes.

In the background, although only occasionally receiving media attention, there is still some concern and uncertainty over what the overall potential medium-term impact of the country's negotiated exit from the European Union will be. The full details of Brexit are still being assessed and evaluated nationally. We will continue to monitor the situation and update Cabinet and Council on any specific local implications as appropriate.

1.3 Local Context

The Council continues to respond to the demands of the pandemic as required but focus and planning has now shifted towards recovery post COVID-19. The Council is committed to supporting improvements in the health and economic wellbeing of its residents via its ambitious Southend 2050 priority investment programme. The Council's financial strength will be enhanced by embracing and wherever possible facilitating the Borough's strong economic potential, enabling sustainable growth in local tax bases and by increasing its own income generating and commercial capabilities.

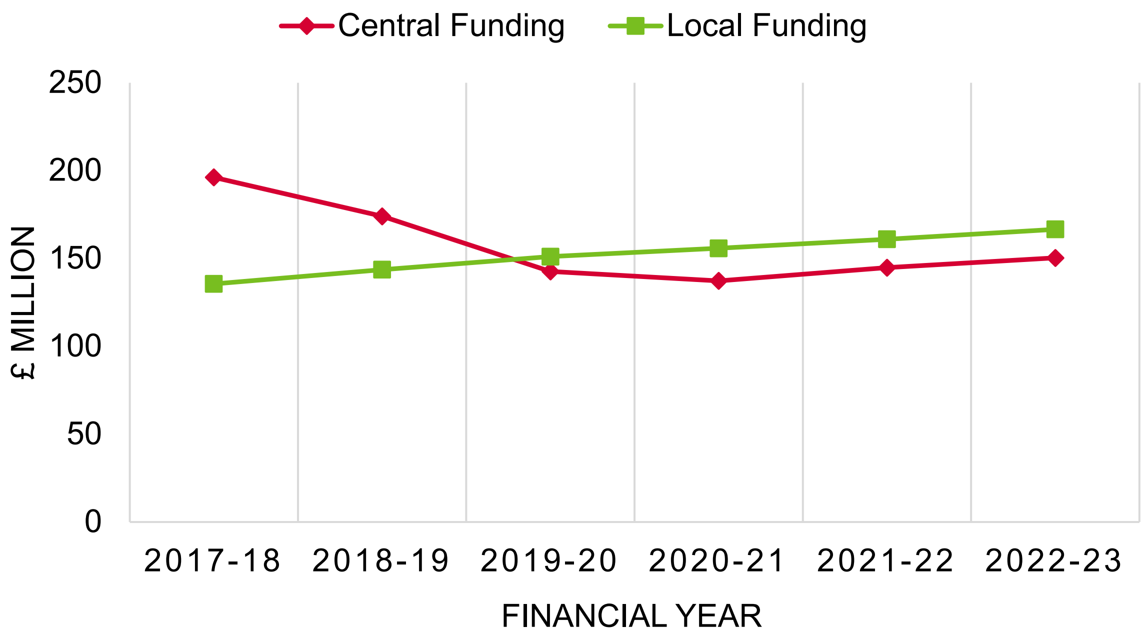
Despite the current challenges, the Council is determined to build on the solid financial foundation that it has worked so hard to create locally. This will enable the authority to navigate the challenges and impact of a decade of austerity, COVID-19 and effectively manage the unprecedented current level of local demand for priority services. By also continuing to demonstrate strong leadership, collaboration, and engagement the Council wants to remain proactive, and with the support of its communities, help shape the future destiny of Southend-on-Sea.

The announcement of effectively another single year financial settlement for local government is disappointing. From a local business and financial planning perspective, this short-term arrangement creates real uncertainty for the Council and fails to provide any clarity for the future.

There is major financial reform planned as part of the Comprehensive Spending Review, commencing in 2022/23 which could cause a significant re-distribution of resources across the Local Government Sector from 2023/24. It is within this context that the MTFS 2022/23 – 2026/27 has had to be developed.

Figure 1 illustrates that for SBC the level of funding available for local authority services is increasingly more reliant on locally generated sources rather than non-ring-fenced or general grants from central government. It is hard to imagine that this trajectory and direction of travel will change over the medium term if anything the gap will continue to widen.

Figure 1 Trend from central to local funding sources



SBC is one of six unitary authorities in the East of England, responsible for over 500 services and with a current population of over 183,000. The Council's turnover is around £450m and our resources are well-managed through our budgetary and financial monitoring framework.

The MTFS has been developed on the understanding of where Southend-on-Sea Borough Council currently is and where it wants to get to. It has clear ambitions that have been set in conjunction with residents, businesses, and partners, and has a commitment to deliver efficient value for money services, a desire to increasingly target resources towards the delivery of priority outcomes and to remain a financially stable, well run, and resilient organisation. This clarity of focus helped to provide clear direction for the organisation and enabled the Council to respond positively to the huge health, economic and operational impact caused locally by COVID-19.

Since 2018 the Council has been on a path to review the culture, values, and behaviours of the organisation, under the banner of the Transforming Together Programme. Clear values have been established in our organisation:

- Inclusive – we put people at the heart of what we do.
- Collaborative – we work together.
- Honest – we are honest, fair, and accountable.
- Proud – we are proud to make lives better.

These are supported and complemented by the following set of agreed and championed behaviours:

- Driving Positive Change
- Demonstrating strong leadership
- Trust and respect
- Acting with integrity and behaving responsibly
- Building relationships to work well together.

Proposals within the MTFS build on the Council's ability to work with residents and partners to design services that meet local needs. The agreed set of core values and behaviours continue to shape our approach to decision making and service delivery.

The Council has been led by a joint political administration since May 2019 supported by a professional executive leadership team. Our overall financial strategy arrangements have been shaped and influenced by CIPFA's new Financial Management Code[1] which summarised a lot of the good work and appropriate standards that were already evident within the local authority.

The MTFS provides an integrated view of the whole of the Council's finances and business outlook over the next five years. It represents a more detailed plan to implement the first phase of the Council's updated Financial Sustainability Strategy approved in February 2022. It shows how the Council intends to align its financial resources to meet our Southend 2050 ambition, roadmap, delivery of our priority outcomes and delivery of our recovery priorities. The MTFS will be refreshed on an annual basis, in recognition that in the current environment the further any financial strategy looks to the future, the more uncertain it becomes.

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[1] CIPFA - Financial Management Code, published October 2019. Full compliance with the Code is mandatory for the 2021/22 financial year

The MTFS is the Council's key financial planning document which informs business and resource planning. It clearly shows how investment and spending is prioritised and balanced against available resources. It will identify any budget gaps in the medium term to allow the Council time to address them in a considered and planned way.

1.4 Southend 2050 Ambition and Economic Recovery Focus

Southend 2050 is the borough's shared ambition for the future. It was developed in 2018 following extensive conversations with those that live, work, visit, do business and study in Southend. These conversations asked people what they thought Southend should be like in 2050 and what steps are needed now, and in the coming years, to help achieve this.

The ambition is grounded in the values of Southenders. It is bold and ambitious and will need all elements of our community to work together to achieve our goals. Southend 2050 includes 21 outcomes, which fit into six themes, each with associated outcomes.

These themes provided a framework for our response to the COVID-19 pandemic and now inform our approach to helping local economic recovery. The six themes are summarised in the following graphic.

Figure 2 Southend 2050 Themes

A five-year roadmap timeline identifies the key projects that will help make the ambition a reality.

The Southend 2050 outcomes and associated roadmap milestones were reviewed and refreshed in 2020 and 2021. As part of the refresh in 2021, Future Ways of Working was added as a sixth theme. Future Ways of Working is a framework for our workforce to guide the prioritisation and delivery of Southend 2050 outcomes.

The ambition is an overarching view of the Council's future direction which aims to articulate the visible changes to the environment and the more fundamental effects on people's lives, essentially capturing how it could feel to live, work, or visit Southend in the future. This has also helped with mobilising the Council's efforts to focus on enabling the local economy to recover from the pandemic.

The Council's Cabinet captured and reinforced their key priorities in recognition of the impact and concerns caused by the pandemic in 2020/21 and beyond. They are not new priorities but highlighted the short term required focus that fits in with the strategic context of Southend 2050:

1. provide the best possible economic and social recovery programme for residents and businesses.
2. provide a greener future for Southend.
3. provide the best adults and children's' services possible.
4. promote fairness for all residents and reduce inequalities.
5. provide opportunities for economic growth, culture, and tourism.
6. create a vibrant, community-based society and a better Southend; and
7. provide a safer Southend with better highways, footways, and policing.

Our ambition complements the Essex 2050 vision, 'The Future of Essex' developed by Essex wide stakeholders and the emerging South Essex 'proposition', titled 'What sort of place are we making?' This is being developed by South Essex local authorities who are collectively looking to the future.

The Council agreed a roadmap as part of its delivery programme. The roadmap outlined the Council's role in achieving the ambition and provides a high-level guide for Councillors, staff, partners, and others to align their capacity, capabilities, and resources to help to achieve delivery of these priorities. It builds on our existing achievements and outlines what the Council wants to achieve in the coming years with a focus on the immediate to medium term.

Consideration was also given to making sure that the sequencing and timing of all activities are still appropriate in the context of the damage and potential scarring caused by COVID-19. Economic recovery and the focus provided by Cabinet will be integrated into our arrangements and will remain an overriding and guiding influence.

All revenue and capital resources will be allocated with the aim of contributing to the delivery of our overall Southend 2050 ambition and achieve the following desired outcomes and support the local economic recovery from COVID-19.

PRIDE & JOY

Pride and Joy

By 2050 - people are proud of where they live – the historic buildings and well-designed new developments, the seafront, and the open spaces. The city centre has generated jobs, homes, and leisure opportunities, whilst the borough's focal centres all offer something different and distinctive. With its reputation for creativity and culture, as well as the draw of the seaside, Southend-on-Sea is a place that residents and visitors can enjoy in all seasons. Above all we continue to cherish our coastline as a place to come together, be well and enjoy life.

Safe and Well

By 2050 - public services, voluntary groups, strong community networks and smart technology combine to help people live long and healthy lives. Carefully planned homes and new developments have been designed to support mixed communities and personal independence, whilst access to the great outdoors keeps Southenders physically and mentally well. Effective, joined up enforcement ensures that people feel safe when they are out, and high-quality care is there for people when they need it.

Active and Involved

By 2050 - Southend-on-Sea has grown, but our sense of togetherness has grown with it. That means there's a culture of serving the community, getting involved and making a difference, whether you're a native or a newcomer, young or old. This is a place where people know and support their neighbours, and where we all share responsibility for where we live. Southend in 2050 is a place that we are all building together – and that's what makes it work for everyone.

Opportunity and Prosperity

By 2050 - Southend-on-Sea and its residents benefit from being close to London, but with so many options to build a career or grow a business locally, we're much more than a commuting town. Affordability and accessibility have made Southend-on-Sea popular with start-ups, giving us the edge in developing our tech and creative sectors, whilst helping to keep large, established employers investing in the borough. People here feel valued, nurtured, and invested in. This means that they have a love of learning, a sense of curiosity and are ready for school, employment, and the bright and varied life opportunities ahead of them.

Connected and Smart

By 2050 - Southend-on-Sea is a leading digital city and an accessible place. It is easy to get to and get around, with easy parking for residents, visitors, and businesses. Everyone can get out to enjoy the borough's thriving city centre, its neighbourhoods, and its open spaces. Older people can be independent for longer. It is also easy to get further afield with quick journey times into the capital and elsewhere. Our airport has continued to thrive, opening new business and leisure opportunities overseas – but it has done so in balance with the local environment.

Future Ways of Working

Future Ways of Working is the framework for how we began to modernise our workforce and practices in 2021/22 and develop into the future. It will guide the prioritisation and delivery of Southend 2050 outcomes. This will help us to:

- recover from the pandemic and to embrace new approaches and opportunities for collaboration with our partners
- sustain and increase the pace of change
- develop a new way of operating that delivers improved outcomes for our residents and communities at the best value, including social value
- become a modern council and an organisation that is a great place to work.

The Future Ways of Working framework is made up of nine workstreams:

1) Smart working
2) Decision making
3) Skills and Leadership
4) The Here and Now
5) Democracy
6) Communication and Engagement
7) People and Well-Being
8) Workplaces and the Green Agenda
9) Financial Sustainability

1.5 Implementing the Ambition and organisational transformation

The Council is continuing to develop shared ownership of the Southend 2050 ambition and the first phase of the planned programme of outcomes. Given the need to prioritise the response to the pandemic some aspects of the original plans and the sequencing of activities have had to change. It is still the intention that, wherever possible, measures to achieve the outcomes are co-designed and co-delivered with residents and partners. This has resulted in the development of more innovative partnership arrangements with stakeholders and shifting our culture so that council staff have an engagement role in their day-to-day job. However, the momentum of this programme has slowed given the local challenges and practical obstacles that the pandemic has caused.

It is within this context that the Council remains committed to delivering the overall medium-term ambition but had to recognise that tactically in the short term the pandemic has presented challenges that required an immediate response to support our residents, businesses, communities, and our workforce. To support this prioritisation for the Council there is a move to introduce a corporate planning framework which will articulate the Council's key priorities, contributions to Southend 2050 and the transformation priorities to enable the priorities to be delivered.

The Council remains committed to using an Asset Based Community Development (ABCD) methodology to promoting the sustainable development of our communities in the medium term. This will continue to build on how the council works with residents and stakeholders, and revise the Council's approach to leadership, management of assets, funding streams, commissioning, and workforce development.

This approach will include more shared posts, shared commissioning and the co-location of services and staff, along with the development of our locality approach. It will promote a more fluid and creative way for citizens to share their ideas on priorities and solutions, while also valuing and strengthening the more formal consultation processes. The Council believes that this is even more important post COVID-19 to re-imagine the relationships and contacts with communities. The Council will use these principles and learning over the last 2 years to develop future ways of working and transformation for its workforce in 2022/23

To further enhance our approach to partnerships, community engagement and citizen empowerment, the Council continues to invest in a community builders' scheme on a test and learn basis. Community builders will be embedded into the heart of the local community and will have preventative conversations with neighbourhoods about what matters to them as well as helping people to build and connect using their personal strengths and with natural support through local assets and relationships. Community builders will be an enabler to support early, preventative action BY citizens to help to deliver on our Southend 2050 outcomes.

1.6 Aims and Purpose of the Medium Term Financial Strategy (MTFS)

In the context of the challenges and unprecedented circumstances, the purpose of the MTFS is to try and provide a clear strategic framework and encourage a forward-looking approach to support medium term financial stability and longer-term sustainability. It is integral to the Southend 2050 ambition, delivery of associated priority outcomes and economic recovery priorities in an affordable and sustainable way over the next five-year period. It aids robust and methodical planning as it forecasts the Council's financial position, considering known pressures, highlighting major issues affecting the Council's finances, including international, national, regional, and local factors.

It helps the Council to respond, in a considered manner, to pressures and changes caused by many internal and external influences. This is particularly important during a period when the Council still faces unprecedented challenges and uncertainty. The MTFS recognises the key role that financial resources play in the future delivery of services and in enabling the effective planning, management and delivery of priorities that contribute to the outcomes contained in Southend 2050 and roadmap phases.

The strategy concentrates on the key principles that will provide a strong and sustainable direction for the medium term. An overarching MTFS is not only good practice but is required to provide the strategic financial framework for the authority at a time of considerable pressure and change. It will be needed to help to navigate the route for the organisation and local area to come through COVID-19 stronger, deliver key priorities and ongoing efficiency gains, provide closer budget scrutiny, effective management of financial pressures, national policy changes or political change.

The MTFS takes a holistic view of all prevalent issues and requirements so that it is realistic and reduces the risk of a significant budget gap occurring late in the budget setting process. It includes revenue and capital expenditure and income for the General Fund and the Housing Revenue Account, reserves, financing of capital, treasury management and partnerships. This is to ensure that the Council sets a comprehensive, affordable, and sustainable budget. The new CIPFA Financial Management Code was compulsory from 2021/22 and having a viable and robust MTFS is a minimum requirement.

The key overriding aim of the MTFS is therefore: **To provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council’s key strategic outcomes, priorities, and sustainable services.**

The parameters set by the five-year planning period of the MTFS are used to inform the development of the budgets for the General Fund, Housing Revenue Account, and the capital investment programme for the first year of that planning period. This is to make sure that, in setting the budget, decisions are not taken that could create problems in future years and that the financial consequences of those decisions are sustainable and fully understood.

The MTFS is crucial to the setting of a robust budget by considering the likely effect of identified budget pressures and the associated risks materialising. It facilitates the modelling of the impact of different planning assumptions and scenarios on the budget gap to inform decision-making and provides greater confidence that the budget is both affordable and realistic.

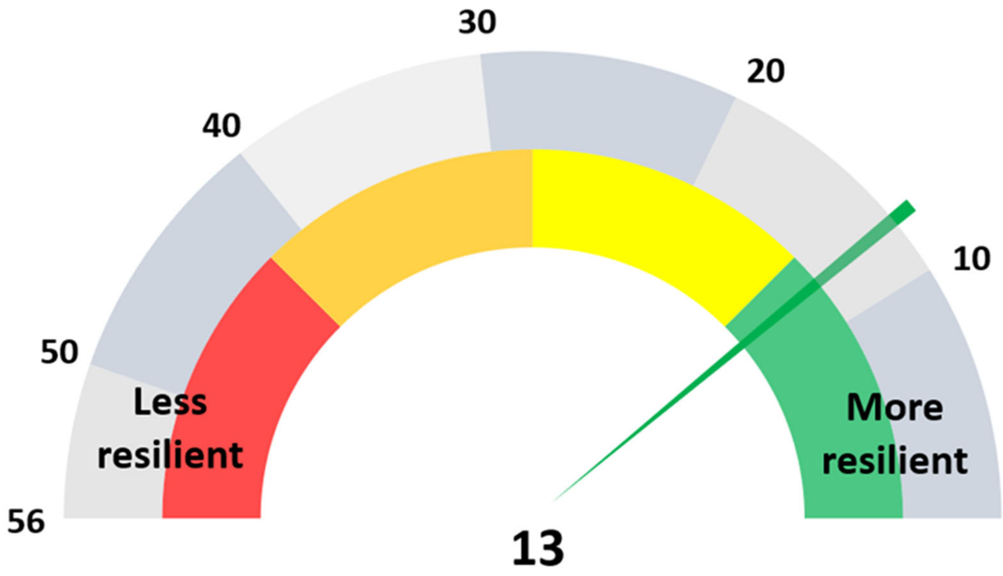
Given these unprecedented times the MTFS should be viewed as the Council’s provisional assessment based on the best knowledge and intelligence currently available, rather than cast iron accurate medium-term forecasts.

1.7 Financial Resilience and CIPFA’s Index

Financial resilience and future sustainability are important considerations. We are an ambitious Council and our local area is soon to gain City Status. We are committed to continually improving our performance and delivering better outcomes for residents through our Southend 2050 programme.

Our desire to improve, learn and provide value for money is also predicated on acting responsibly and ensuring our plans are affordable and sensible. Our approach and evidence of our relative financial strength was illustrated independently by CIPFA’s Financial Resilience Index for 2021.

Figure 3 Southend's performance in CIPFA's Financial Resilience Index for 2021



Southend was ranked 13th out of 56 unitary authorities when ranked across the 16 indicators of financial stress within CIPFA's Financial Resilience Index for 2021.

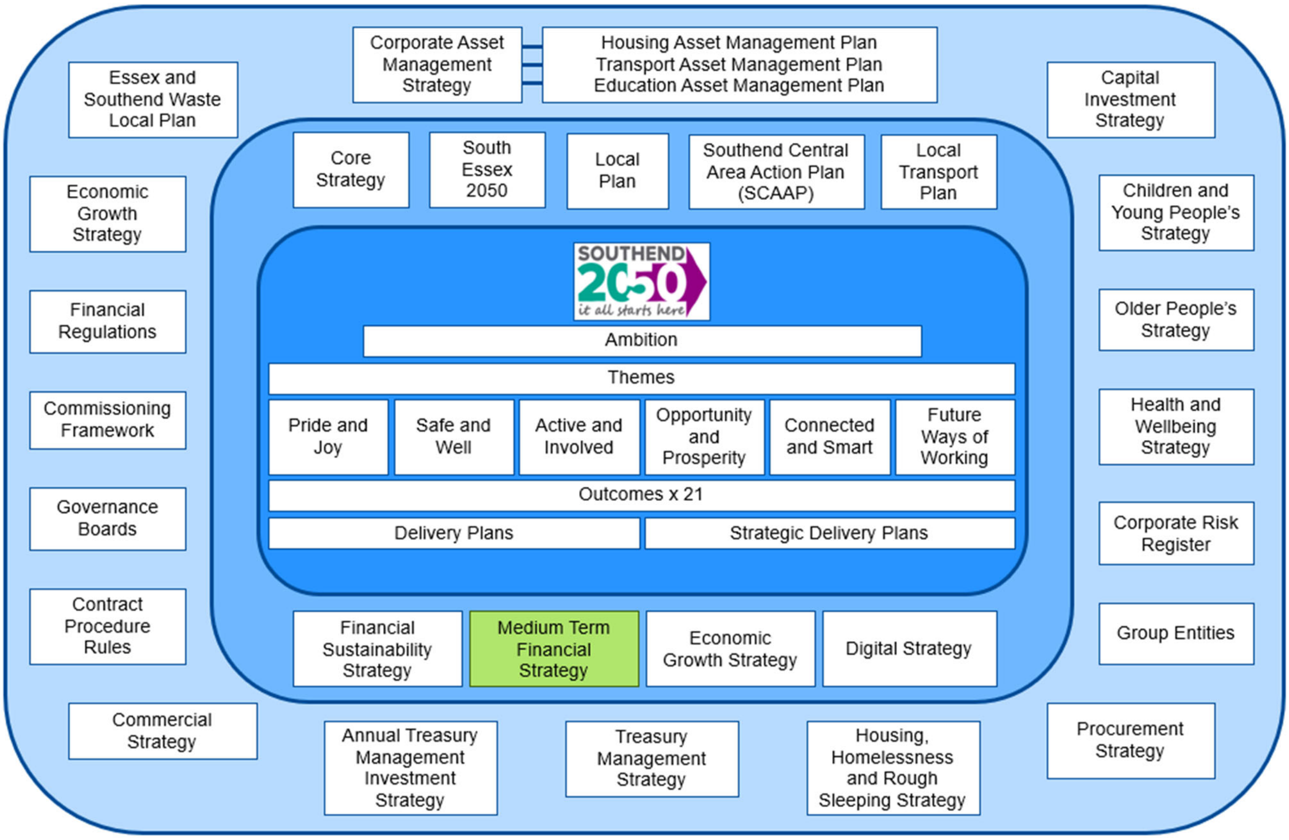
The only real factor that was highlighted of potential higher risk within CIPFA's Index is the ratio of interest payable to net revenue expenditure. We believe that our approach is sustainable and is appropriate and proportionate in the context of our ambitious capital programme. Our plans and commitments are managed at a prudent level by using our healthy level of reserves to allow cash balances to be used instead of external borrowing wherever suitable.

CIPFA have published an updated Financial Resilience Index for 2022 (February 2022) but have quite rightly also included a 'health warning' particularly for the changes in the levels of Reserves for most local authorities. The 2022 Index has effectively been classified as a transitional position given the exceptional circumstances caused by COVID-19. It is hoped that when the 2023 Index is published it will reflect a more normal set of circumstances and a better representation of a Local Authority's financial resilience and sustainability. We remain in a relatively strong financially resilient position.

1.8 Strategic context

The MTFS is closely aligned to several other strategies and plans which impact on the direction of the Council and must reflect and be informed by the drivers and priorities within them. The following diagram (Figure 4) shows the links to these other strategies and plans.

Figure 4 MTFS Links to Other Strategies



1.9 Key Assumptions

Local authority budgeting is by its very nature difficult to forecast with absolute certainty since there are so many variables that need to be considered and assessed. Table 1 summarises a range of assumptions that have been used to drive all applicable aspects of the financial planning process.

Table 1 Summary of Key Assumptions

Item	2022/23	2023/24	2024/25	2025/26	2026/27
Council Tax Increase	1.99%	1.99%	1.99%	1.99%	1.99%
Social Care Precept Increase	2.00%	0.00%	0.00%	0.00%	0.00%
Council Tax Base (No of 'Band D' Equivalents)	59,086.74	59,382.17	59,679.08	59,977.48	60,277.37
Revenue Support Grant	£6.244M	£6.369M	£6.369M	£6.369M	£6.369M
Business Rates Retention Scheme	£38.200M	£38.015M	£39.273M	£39.273M	£39.273M
Business Rates Multiplier	0.00%	3.70%	2.30%	2.00%	2.00%
Use of Collection Fund Surplus	£1.500M	£1.000M	£1.000M	-	-
Public Health Grant	£10.073M	£10.073M	£10.073M	£10.073M	£10.073M
Consumer Price Index (CPI)	4.20%	2.60%	2.10%	2.00%	2.00%
Retail Price Index (RPI)	5.00%	3.40%	2.80%	2.80%	2.90%
Pay Award Provision	3.00%	2.00%	2.00%	2.00%	2.00%
Incremental Progression	1.00%	1.00%	1.00%	1.00%	1.00%
National Insurance Rate - change	1.25%	-1.25%	0.00%	0.00%	0.00%
Superannuation Rate	23.00%	23.00%	23.00%	23.00%	23.00%
National Living Wage (Adult Social Care Providers - Cumulative)	£2.458M	£4.458M	£6.458M	£8.458M	£10.458M
Waste Disposal Contract	-	£0.800M	£0.600M	-	-
Social Care Grant	£8.155M	£8.155M	£8.155M	£8.155M	£8.155M
Better Care Fund (SBC allocation)	PENDING CONFIRMATION				
Improved Better Care Fund	£7.797M	£7.797M	£7.797M	£7.797M	£7.797M
Fees & Charges increase yield	4.20%	2.00%	2.00%	2.00%	2.00%
Investment Income (Ave)	1.06%	1.30%	1.48%	1.66%	1.67%
PWLB Borrowing Rates (Ave) (Long Term - GF)	3.29%	3.27%	3.24%	3.17%	3.11%
PWLB Borrowing Rates (Ave) (Long Term - HRA)	4.09%	4.09%	4.09%	4.06%	4.03%
PWLB Borrowing Rates (Ave) (Long Term Consolidated)	3.46%	3.44%	3.41%	3.35%	3.29%
HRA Rent Increases	4.10%	3.60%	3.10%	3.00%	3.00%
Dedicated Schools Grant	£55.958M	£55.958M	£55.958M	£55.958M	£55.958M

Council Tax, Social Care Precept and Council Tax Base

The increase in Council Tax is assumed to be 1.99% for each year from 2022/23. It is assumed that the adult social care precept will increase by 2% in 2022/23 and no further increases for the adult social care precept have been included for future years.

The Council Tax base for SBC has increased by 0.78%, this is 0.28% more than was estimated in the previous MTFS and is a positive indication of recovery as we begin to move out of the COVID-19 pandemic. The Council Tax base for 2022/23 was approved by Cabinet on 13th January 2022 and set at **58,630.49** (equivalent Band D properties) including Leigh-on-Sea Town Council. It has been assumed that from 2023/24 the Council Tax base will increase by 0.5% per year.

Revenue Support Grant, Business Rates Retention, Business Rates Multiplier and Collection Fund

The local government finance settlement for the Revenue Support Grant (RSG) is the 2021/22 figure with an increase of 3.1%. This local element is assumed to grow by 2% in 2023/24 with no further increase from 2024/25 onwards.

The Business Rates figure for 2022/23 has been calculated by using a combination of the fixed top-up payment the Council receives from Government and a local assessment of the net amount likely to be raised locally that the Council will be able retain.

The planned use of collection fund surpluses has been programmed into the MTFS from 2022/23 – 2026/27. A prudent view has been taken based on Council Tax increases and forecasts of housing completions, changes in discounts awarded and exempt properties, whilst also considering the effect of the current economic climate on collection rates. Given the continued local impact on collection rates in 2021/22 and the predicted deficit due to COVID-19, the overall collection fund position will be reviewed as part of the final outturn and formal closure of the accounts for 2021/22.

From 2023/24 onwards there continues to be uncertainty over what the Government will do in terms of introducing a business rates reset, developing the business rates retention scheme and the potential to remove the ring fence on Public Health Grant and include it as part of the retention scheme, as well as the implications of the Health and Social Care White Paper and anticipated social care reform proposals. In the absence of any other information, it is assumed that the same level of funding will be embedded into whatever the new system will be. The MTFS will be updated as soon as any more detailed information becomes available.

Public Health Grant

The Public Health Grant was introduced in 2013, when the responsibility for commissioning public health services moved from the NHS to local authorities. The aim was to protect and improve the nation's health and wellbeing while reducing health inequalities, both at a national and local level. The grant is ring fenced to Public Health expenditure. In 2021/22 the grant was £9.798M and the Government announced as part of the Provisional Finance Settlement that Local Authorities would receive a real terms inflationary increase in this grant until 2024/25. In reality the final grant notification received in February 2022 has only been increased by circa 2.9% for 2022/23 - significantly below the prevailing rate of inflation.

Table 2 outlines the some of the key areas that Public Health Grant has been invested in, as well as the grant levels received over the last four years.

Table 2 Public Health Grant Investment

Area of Investment	2018/19 £000s	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s
Children 0-19	3,190	2,992	3,199	3,586	PENDING CONFIRMATION
Health Protection	472	424	459	467	
NHS Health Checks	192	139	165	206	
Obesity and Physical Activity	127	77	132	122	
Other Public Health Services	1,368	1,354	1,641	1,429	
Sexual Health Services	1,415	1,528	1,554	1,515	
Smoking Cessation	278	254	115	88	
Substance Misuse	2,420	2,444	2,434	2,376	
Total	**9,462**	**9,212**	**9,699**	**9,789**	**10,073**
Grant Level Change (£000s)	-	(250)	487	90	284
% (Reduction)/Increase		(2.64%)	5.29%	0.93%	2.90%

Consumer Price Index (CPI) and Retail Price Index (RPI)

Estimates of future indices of inflation is shown in the key assumptions table. From an MTFS perspective, inflation increases have only been provided for major contractual commitments, utilities, and business rates. Services are expected to absorb any other price inflation within their existing cash limited resources.

Pay Award, Incremental Progression and Superannuation Rate

The pay award for 2021/22 has not yet been agreed. Initially a provision of £0.45m was made based on the offer of a minimum of £250 for anyone on a salary below £24,000 and 0% for everyone else. This was based on the Chancellor advocating pay restraint and no increases for most of the public sector. Following extensive negotiations, the Government eventually made a final offer of 1.75%. This was rejected by the unions who then balloted for industrial action. At the time of writing the result of the Unite union ballot is still not known but the other unions have confirmed that no action will be taken. The Council earmarked £1.3 million of reserves in the final outturn for 2020/21 to fund any additional increase in pay award for 2021/22 and this is reflected in the MTFF position.

Given the uncertainty surrounding the pay award for 2021/22 and current rates of inflation the MTFF includes a provision of £2.33m, which is estimated to be sufficient for a pay award of up to circa 3.0% in 2022/23.

From 2023/24 to 2026/27 provision has been made for a pay award increase of 2.0% for each year. Provision has also been included in each year for the estimated cost of staff progressing through spinal column points of their respective grade.

The financial impact of the previous 2019 triennial actuarial valuation of pensions has been built into the MTFS. This has been achieved by recalculating the Employers Superannuation rate to reflect the right level of contributions required to be paid into the Essex Pension Fund. The next review is scheduled in 2022. Potentially given some of the recent coverage in the professional press around mortality rates and the immediate impact of COVID-19, together with the more longer-term implications, the estimated liabilities within the Pension Fund could be reduced. The impact will be factored into the next triennial review which could result in a positive financial benefit for the Council.

National Living Wage

An appropriate uplift will be paid to all our Social Care and other providers to ensure that they have the right level of resources to pay the estimated National Living Wage increase to Care Workers and other employees each year. The cumulative cost is shown in each year in the key assumptions' summary table. The Council still retains the ambition of obtaining the Real Living Wage accreditation in the future.

Waste Collection Contract

This major contract is up for renewal in 2023. A new procurement exercise to test the market and potential range of new service delivery models is under consideration. It has already been recognised that the cost is expected to rise significantly from 2023. An initial £1.5M per year from October 2023 has already been included in the MTFS. The MTFS will be further updated to reflect our future waste collection and disposal liabilities when further information is available. The combination of changing behaviours during the pandemic, increased levels of waste tonnage and reduced levels of local recycling are resulting in increased disposal costs. A waste disposal procurement will be undertaken to review disposal options in an attempt to divert more waste away from landfill.

Social Care Grant

The level of Social Care Grant notified for 2022/23 (£8.155M) is an increase on the 2021/22 level (£5.953M), this is a significant change to the MTFF as funding levels had been forecast to fall back to 2020/21 levels (£4.861M). In the absence of any further information on future levels of funding the MTFF forecasts this to continue at the same higher level for 2023/24 – 2026/27.

Better Care Fund (BCF) and improved Better Care Fund (iBCF)

The Better Care Fund (BCF) commenced in 2015 and is a major national investment programme spanning NHS and local government which seeks to ensure closer integration between health and social care services. Our local arrangements are framed within a formal agreement with Southend Clinical Commissioning Group (CCG) for a pooled budget under Section 75 of the National Health Service Act 2006. A new improved Better Care Fund (iBCF) was introduced in 2017/18 and this is paid direct to the Council with a condition that it is pooled into the local BCF plan. In 2018/19, the government introduced Winter Pressures funding, which is also paid direct to the council on the condition of it being pooled into the local BCF plan. In 2020/21 the Winter Pressures funding was rolled into the iBCF.

The BCF element for both Southend Borough Council (SBC) and Southend CCG is yet to be confirmed, although it is hoped it will increase by circa 3%. There is no certainty of the level of funding available through the BCF arrangements beyond 2022/23. Southend-on-Sea iBCF allocation for 2022/23 has been confirmed at £7.797M. In the absence of any further information available for the future, it is assumed within the MTFS that both funding streams will continue at the same level until 2026/27.

The following table (Table 3) summarises the Council’s core BCF and iBCF allocations, the CCG’s BCF allocation and the total BCF/ iBCF in the pool for 2019/20 – 2022/23.

Table 3: BCF/iBCF Allocations

	19/20 £000s		**20/21 £000s**		**21/22 £000s**		**22/23 £000s**	
Allocation	**BCF**	**iBCF**	**BCF**	**iBCF**	**BCF**	**iBCF**	**BCF**	**iBCF**
SBC	5,950	6,744	6,273	7,568	6,614	7,568	PENDING CONFIRMATION	7,797
CCG	6,925	0	7,301	0	7,680	0		0
Totals	**12,875**	**6,744**	**13,574**	**7,568**	**14,294**	**7,568**		**7,797**

Fees & Charges increase yield

It is assumed that the overall level of income generated will increase by 4.2% in 2022/23 (October 2021 CPI rate), and 2% each year from 2023/24 to 2026/27.

Investment Income (Ave)

The Council earns income by investing its surplus cash in a mixture of short-, medium- and long-term investments, as set out in the Annual Treasury Management Investment Strategy. The amounts available for investment and the length of time they are available depend on many factors, not least the Council's level of revenue and capital budgets, use of reserves, methods of funding the budget requirement, interest rates, cash flow and the Council's view of risk.

PWLB Borrowing Rates (Long Term - GF) (Ave), (Long Term - HRA) (Ave) and (Long Term Consolidated) (Ave)

The ambitious capital investment programme, although partly funded by grants, other external contributions, capital receipts and revenue funding (such as Housing Revenue Account reserves), requires an increase in borrowing as set out in the Treasury Management and Capital Investment Strategies. The MTFS allows for the provision to repay this borrowing and the increased costs of interest payments required.

Sensitivity Analysis

The following table (Table 4) provides an illustration of the financial impact of changes in assumptions to some of the key income and cost drivers in the budget for 2022/23. The cumulative impact on the potential budget gap would be significant.

Table 4 Illustration of Sensitivity Analysis (Cost/Income)

Assumption in MTFF for 2022/23	**Change in assumption**	**Effect on the budget gap for 2022/23**
Council Tax increase of 3.99%	Council tax increase of 2.99%	Increase of £0.883M
3% pay award	Pay award of 4%	Increase of £0.880M
Inflation for contractual goods and services at 2%	Inflation for contractual goods and services at 3%	Increase of £0.300M
Fees and charges yield increased by 4.2%	Fees and charges yield increased by 3.2%	Increase of £0.190M

The following table (Table 5) provides an illustration of the financial impact of changes in demand forecasts for key services in 2022/23.

Table 5 Illustration of Sensitivity Analysis (Demand Changes)

Demand Factor	Change in Forecast	Effect on the budget gap for 2022/23
Growth in Older People (65+) population	+1%	Increase of £0.269M
LAC Residential Placements	+ 1 place	Increase of £0.250M
LAC External Foster Care Placements	+ 1 place	Increase of £0.052M

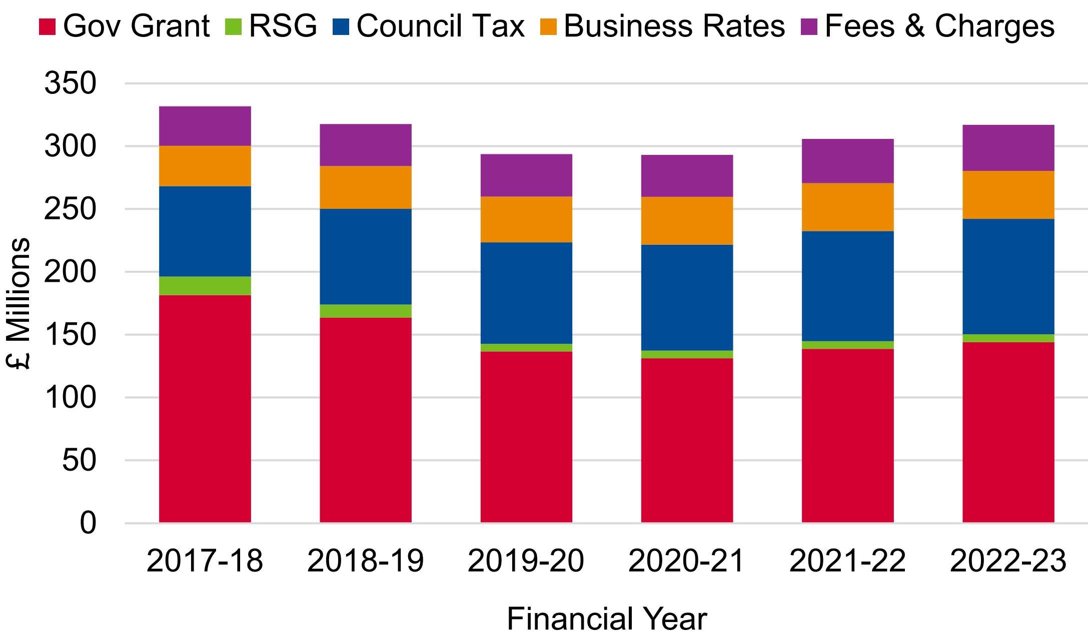
Planned mitigations to offset some, or all, of the impact of growth in demand above the forecast include:

- Older People 65+
    - Promotions of independence.
    - Minimise incidence of low-level home care.
    - Promotion of the Strength Based Approach.
- Transitions
    - Review level of care once transition cases have turned 18.
    - Promotion Learning Disability pathways to independence.

Historical Funding Analysis of the General Fund Revenue Budget

To highlight the current direction of travel, Figure 5 illustrates how the budget has been funded over the last six years (since 2017/18). This shows an overall funding reduction year on year (to 2020/21) and a significant real terms overall reduction in central government funding streams over this period.

Figure 5 Sources of Funding



Housing Revenue Account (HRA) Rent Increases

From 2012/13 the HRA became self-financing and is no longer subject to the HRA subsidy regime. Under self-financing, the HRA funds its expenditure, including its capital expenditure, from its income streams (primarily tenant's rents). Some grant funding may be available to support capital expenditure within the HRA going forward, but there is no assumption of external financing built into forward projections.

In October 2017, the government announced its intention to set a new long-term rent deal for both local authority landlords and housing associations. This would allow annual rent increases on both social rent and affordable rent properties of up to CPI as measured in September each year plus 1 percentage point from the financial year 2020, for a period of at least five years. This equates to a 4.1% rent increase in 2022/23 and for financial planning purposes the MTFS assumes tracking of CPI +1% through to 2026/27.

Dedicated Schools Grant (DSG)

The Department for Education (DfE) announced in September 2019 "that the funding for schools and high needs compared to 2019/20, will nationally rise by £2.6 billion for 2020/21, £4.8 billion for 2021/22, and £7.1 billion for 2022/23". Our local Education Board has agreed allocations for 2022/23 within the context of Southend's share of this national increase funding, which is an equivalent local total increase of £6.5M to our Dedicated Schools Grant (DSG) from 2021/22.

£178.147M is the total funding awarded to Southend for 2022/23, the final actual DSG amount awarded to Southend Borough Council directly will exclude funding for mainstream academy schools, national non-domestic rates for all mainstream schools, High Need place funding for academy schools, colleges and further education providers, and free special schools. These excluded amounts are paid directly to those settings by the Education and Skills Funding Agency and known by the term 'recoupment' to DSG funds. Therefore, the final allocation expected to be awarded to Southend Borough Council directly is £55.958M, after considering these estimated recoupment deductions of £122.189M. The government have also confirmed until 2024/25 that they are expecting to honour a further 2% real terms funding uplift per pupil, where it is expected most of the funding increases will be to meet inflationary cost pressures within Schools.

Analysis of the local £6.5M funding increase for 2022/23, shows that £4.0M is awarded to the Individual Schools allocations (Schools block), covering both the increases in funding per pupil from 2021/22 and the continued growth of pupil numbers in the secondary sector. An additional £3.3M has been awarded to our high needs block through the national funding formula to contribute towards both national demands and cost pressures on high needs budget and the new health and social care National Insurance (NI) Levy from April 2022. An additional supplementary grant will also be paid to all mainstream schools outside of the DSG for 2022/23, expected to cover the cost of the new health and social care NI levy.

In addition, despite a 3.7% - 3.9% increase in the hourly rates for early years provision, Southend's provisional funding allocation for 2022/23 early years funding from 2021/22, has reduced by (£0.650M). This reduction is driven by the January 2021 early years census, which confirmed a lower take up of early years funding than previous years (also a national issue). This is due to the impact of Covid-19 so we would hope and expect to see early years take up increase once again. And lastly, in 2022/23 as expected there has been a 20% reduction in funding of (£0.115M) from 2021/22 on Southend's DSG central block funding covering historic commitments (which are combined budgets between the Local Authority and the DSG). Plans have been considered since 2020/21 when this DSG Central funding began to unwind, and it is anticipated the current plan will suffice until 2024/25.

The governments confirmed increase in funding for all schools, does also need to be recognised in the context of the current consultation on a potential increase in pay for experienced teachers, a pay award covering the next 2 years (2022/23 and 2023/24) and a minimum teacher salary (outside of London) of £30,000.

The DSG for 2022/23 is now also in its fifth year of total funding allocations set under a revised National Funding Formulae (NFF), which includes proposed funding levels for individual school allocations. It remains, a government ambition that all individual school allocations will be fixed as per the NFF and have started consultation again in July 2021 to move all individual schools' allocations to a Hard NFF. Although in 2022/23 it remains a local decision as to whether a local authority (in consultation with its School Forum/Education Board) choose to adopt the principles of the NFF. Given this context, the Council and our Education Board have continued the strategic decision to align and support individual school allocations aligned to the principles of the NFF, so should the government impose a hard NFF for individual school allocations in future years our local schools are already aligned to this funding trajectory. The government have reported most other local authorities have aligned individual school allocations to the funding principles of the NFF.

It also needs to remain minded, historically, our high needs block funding (also recognised as a national issue) had been under considerable financial pressure which impacted negatively on DSG reserve balances in 2017/18. As a result of recovery planning by the Council working with our local Education Board and further national funding awarded, our local high needs block funding and DSG reserve balances are now thankfully, in a healthy and financially sustainable funding position moving forward.

1.10 Corporate Assurance and Risk Management

The Council's Corporate Risk Register sets out the key risks to the successful delivery of the Council's Corporate Southend 2050 Ambition and Outcomes and outlines the key management arrangements in place to mitigate and reduce risks or maximise opportunities.

The Council's governance framework supports the delivery of the ambition, to ensure that these are:

- Effective, but as simple as possible and easy to understand.
- Joined up and complementary, not conflicting with each other.
- Designed around customers.
- Making best use of technology and digitally enabled where this makes sense.
- Compliant with legislative requirements and ensuring that resources are used efficiently and effectively.
- Driving the desired outcomes.

The Council has identified core principles at the heart of its Risk Management Framework, these include that:

- Risk management is a positive value-added activity, focused on achievement and successes, not a negative bureaucracy – by changing the perception and raising awareness officers will have increased confidence when managing operational risks.

- All staff are responsible for risk management and resources that support the framework are there to ‘support and challenge’ not ‘own and do’.
- Wider councillor involvement in identifying and monitoring the most strategic risks the organisation faces would add value, whilst the roles of the Audit Committee, Scrutiny and Cabinet are critical to the robustness of the overall framework.
- The Southend 2050 ambition and outcomes need to drive the Council’s budget and financial management arrangements, performance management of the outcome delivery plans and risk management framework.
- By getting the conversations happening with the right people, at the right time and in the right place, the required thinking can be applied and the processes to capture, document and report risk will be simple and become business as usual.
- The framework ensures joined up Strategic, Operational, Programme and Project Risk Management whilst recognising the differences between them.

The Council’s Corporate Risk Register identifies the key risks/opportunities, these are listed below under five broad headings.

Cross Cutting

- Risk that the COVID-19 pandemic causes an outbreak of ill-health in the Borough resulting in health and care services being unable to cope with the volume of cases, and significant disruption to the operational activities of the Council and other public service organisations in the Borough.

- Risk that failure to address the financial challenge by effectively managing the growing demand for services, managing the costs of the COVID-19 response, and enhancing local income streams as part of recovery will threaten the medium to long term financial sustainability of the Council, leading to a significant adverse impact on Council services and the ability to deliver the outcomes desired by the Council, to address the financial position.

- Risk that failure to address and engage with the different models and public service governance arrangements being discussed will result in the organisation and the borough being left behind and ultimately unable to deliver the Council’s ambition and outcomes.

- Risk that the Council will not have the appropriate staffing resources, with the right skills, doing the right things, working in the right places through collaborative teams.

Cross-council specific pressures relating to attracting talent in a competitive market, or straining existing resources, due to significant staffing changes and operational pressures are impacted by the significant changes to ways of working implemented in response to COVID-19, leading to reduced workforce capacity causing a failure to effectively address the challenges posed by COVID-19 in the short term and achieve the Council's desired outcomes in the longer term.

Further risk caused by the number of changes to the Corporate Management Team, that may impact on the capacity to progress with delivery of desired outcomes.

- Risk of a cyber security event causing significant operational, financial, and reputational damage to the Council, caused by:

  - failure to ensure the Council has a coherent and comprehensive approach to cyber security and data protection, including strategy, tools, and processes.
  - a data breach.
  - remote working creating a wider footprint for attack.

  Opportunity to build resilience by ensuring that staff have the necessary digital skills.

- Risk that a failure to comply with responsibilities as a Data Controller (under DPA 2018/ UK GDPR) leads to personal data being compromised, resulting in harm to individuals, loss of trust from residents, businesses and others, regulatory action, financial penalty, and reputational damage.

- Risk that a failure to deliver the agreed Capital Investment Programme leads to a lack of progress on the intended improvements to infrastructure and facilities for the borough anticipated to support Southend 2050 and the recovery priorities, resulting in reduced inward investment from businesses, missed employment opportunities for residents and reputational damage for the Council.

Safe and Well

- Risk that the Council will not be able to effectively deliver its statutory safeguarding responsibilities because of a lack of understanding, resources and the additional challenges posed by COVID-19 restrictions, and that this causes a failure to deliver the outcomes anticipated for the vulnerable people that need support.

- Risk of failure to ensure that there are consistently good or better outcomes for children and families accessing children services, particularly the vulnerable that face the greatest exposure to those threats, resulting in worsening outcomes for those in need of that support.

- Risk that failing to implement changes needed to reduce the Borough's carbon footprint will cause an inadequate contribution to the reduction in carbon emissions required. This will result in a significant adverse impact on the Borough, and if the climate adaptation measures being implemented are also inadequate, there will be further implications for the Council in needing to respond to climate events in the Borough.

- Risk that the health inequalities, particularly the physical and emotional health and wellbeing of residents, will increase due to the impact of COVID-19 and the response to the pandemic.

  In the longer term the changes resulting from the Health and Care Bill may result in an Integrated Care system for Southend and Thurrock, impacting on the implementation of the Localities Model, that does not result in effective health and social care outcomes for residents, resulting in increased health inequalities, worsening health outcomes and significant cost increases.

- The LGA peer review of the Special Educational Needs and Disability (SEND) and Children with a Disability (CWD) services provides an opportunity for the Council to deliver further improvements in its SEND and CWD service offer with a focus on:

  - Clarifying and communicating better the 'graduated offer' available to children and young people and their families.
  - Better communication with parents / carers, including simplifying language.
  - Reviewing the pathway into the CWD service via the Multi-Agency Safeguarding Hub (MASH) and Early Help Front Door.
  - Reducing the number (%) of Education, Health and Care (EHC) assessment requests that are rejected.
  - Broaden the training offer to staff and Councillors on SEND.

- Risk that a failure to implement plans to address rising homelessness and failure to implement the Housing, Homelessness and Rough Sleeping strategy will lead to further street and other homelessness, increased use of temporary accommodation and an inability to meet rising housing demand over the next 20 years, leading to worse outcomes for residents and an inability to deliver better outcomes for the Borough as desired by the Council.

  Risk is increased by the impact of COVID-19 on those previously just about managing no longer being able to manage, causing an increase in homelessness.

- Risk that difficulties being experienced in the adult social care market will cause provider failure and further difficulty in meeting increasing demand for support, resulting in worsening outcomes for those in need of that support. The impact of COVID-19 has heightened these risks in the short term, increasing the pressure on capacity in the market.

Opportunity has been identified to reduce the number of people in residential care, using reablement and the community to support people to stay at home for longer.

- Risk that the impact of COVID-19 restrictions on both young people and those living in challenging circumstances, cause them to be particularly worried about the future and experience mental health issues, isolation, and fears, resulting in a reduction in social cohesion and an increase in undesirable behaviour as restrictions are lifted.

  Increased footfall to beach and public spaces with increased unmanaged drinking leading to anti-social behaviour and an increased need to manage the public spaces.

  These impact on the ability of the Borough to deliver the outcomes desired by Southend 2050 and damage the reputation of the Borough.

  Opportunity for the celebration of City status to re-set and re-focus direction galvanising the community.

Pride and Joy

- Risk of contractor failing to meet contractual requirements to effectively manage waste arrangements results in a loss of service quality and additional financial liability for the Council.

  Additional risk that the Council will not have suitable arrangements in place for October 2023 when the current contract ends.

  Further risk that the enhanced service being sought from the revised future arrangements will not provide a solution that will deliver the outcomes in respect of adaptation to climate change and recycling that is being sought by the Council.

Opportunity and Prosperity

- Risk that not achieving the development and delivery of the house building pipeline through effective engagement and arrangements with the market and developers that have been impacted by COVID-19, will result in an inability to deliver the anticipated housing supply, causing additional pressure on the housing market and an impact on the delivery of the desired outcomes of the Council, with an impact on Local Plan housing targets.

- Risk that failure of partners to progress major infrastructure developments (e.g., Queensway, Seaways, Fossett Farm and Airport Business Park) will result in not achieving delivery of the plans and necessary sequencing of developments, resulting in the dependencies for the chain of regeneration not being delivered and the opportunities for improvement of the borough and delivery of anticipated outcomes not being achieved, as well as significant financial and reputational damage to the Council.

- Risk that the competing demands and needs of residents and visitors will impact on the Borough's ability to meet the needs of its residents or provide a suitable destination for visitors, and that COVID-19 impacts on the ability of the borough to provide an attractive proposition for visitors, with the resultant impact on the economic strength of the borough and employment opportunities for school leavers.

  Opportunities arising from City Status and people holidaying in the UK, but with potential increase in visitor numbers needing to be enabled to be done safely and ensure the offer made by businesses is sustainable.

- Risk that the impact of COVID-19 reducing economic activity will cause a reduction in employment opportunities for 18–25-year-olds and an increase in unemployment across the borough. The impact is likely to be experienced unevenly across sectors with the retail, hospitality, leisure, and tourism sector adversely affected causing further risk to traditional shopping centres and the town centre, as well as a further increase in income inequalities and disparity between different parts of the Borough.

  However, the reduction in restrictions and the move to City status provides the opportunity to attract new businesses and employers into the borough, providing new and additional employment that can contribute to the delivery of the ambition and outcomes for the borough.

Connected and Smart:

- Risk that failure to meet Government requirements and deadlines and make sufficient progress in producing a Local Plan will lead to Secretary of State intervention, resulting in reputational damage to the Council and the potential imposition of unwanted development and the loss of plan making powers, causing an inability to deliver upon the Council's outcome priorities that are dependent on the Local Plan shaping and influencing the proposals for developments that are brought forward in the future.

2 Horizon Scanning (This Section to be updated)

2.21 Key Statistical Headlines

For Southend Borough residents/service users:

- 14.2% of Southend's men and 21.8% of women are economically inactive, with average weekly earnings for men £672 and £651 for women.
- 40% of Southend's residents live in areas considered to be in the most deprived 30% in the country, with 9 neighbourhoods (lower super output areas) falling into the 10% most deprived in the UK.
- 6 of Southend's 17 wards have a higher population of children living in poverty than the England average, two of these are in the worst 20% of wards in the country. These are Victoria and Kursaal.

- Kursaal, the most deprived ward, ranks 136th most deprived area in England (of 32,844 areas).
- Life expectancy is 10.1 years lower for men and 9.1 years lower for women in the most deprived areas of Southend compared to the least deprived areas.
- 2% of West Leigh residents indicated they were in bad health, compared to 8% in Kursaal and 6% for Southend as a whole.
- Kursaal ward had a borough election turnout of 25%, compared to 42.5% in West Leigh (average overall turnout 31.74%), highlighting lower civic participation in deprived areas.
- Residents living in the East Central locality are significantly less satisfied with their local area (55%), (90% in West and 74% for the borough), feel significantly less safe and cite crime and anti-social behaviour as something they dislike more, than residents elsewhere in the borough.
- A minority of residents (21%) agree that they can influence decisions that affect their local area. More than twice this number (57%) disagree.

2.22 World, National, Regional and Local Policy Drivers

Key drivers which are likely, or have the potential, to impact on the Council's financial position include:

World/National drivers

- The ongoing impact of COVID-19 on national and local government finances, as outlined previously in section 1.
- The levels of global economic growth and impact on the national economy. According to the IMF's World Economic Outlook Update, January 20222, the world economic growth of 5.9% in 2021 will reduce to 4.4% in 2022, and then slow to 3.8% in 2023. Global supply-chain shortages which have been much discussed in the media are having a significant impact on this forecast.

[2] https://www.imf.org/en/Publications/WEO

- Levels of UK economic growth. The OECD's UK Economic Forecast Summary for December 2021[3] stated the following "The economy is recovering and expected to reach pre-crisis levels at the beginning of 2022. Output (GDP) is projected to rise by 6.9% in 2021, with growth moderating to 4.7% in 2022 and 2.1% in 2023. Consumption is the main driver of growth during the projection period. Business investment will improve but continues to be held back by uncertainty. Increased border costs following the exit from the EU Single Market are weighing on imports and exports. Unemployment will continue to decline."
- The Health and Social Care White Paper and related changes to the Better Care Fund and funding of public health services, along with a new assessment framework for adult services, changes to the configuration of governance and commissioning of services.
- Any impact of the long promised proposed reform of social care provision and funding.
- Changes to, and potential fundamental reform of, business rates.
- The anticipated Recovery & Devolution White Paper, favouring combined authorities, with directly elected mayors to support the levelling up agenda, and, where there is local support, reform of local government structures.
- The independent review of children's services, which promises radical change.
- On-going impact of climate change and need to meet the Council's declaration of a climate emergency and its commitment to Southend being net-zero on carbon emissions by 2030.
- Impact of the Planning White Paper and related measures, that would see an expectation of more homes built.
- Ongoing and increasing service pressures from increased demand for services, notably in relation to children's and adult services. In the context of COVID-19, this relates, to on-going management of the disease, mental health services, and related structural inequalities.
- General inflation assumptions. The OECD's UK Economic Forecast Summary for December 2021[4] expects inflation to peak at 4.9% in the first half of 2022 and then fall back towards the 2% target by the end of 2023." Energy prices, supplier prices with increased demands on councils to deliver government priorities, wages and new trade arrangements may also impact.

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[3] https://www.oecd.org/economy/united-kingdom-economic-snapshot/

[4] https://www.oecd.org/economy/united-kingdom-economic-snapshot/

Regional drivers

Basildon, Brentwood, Castle Point, Rochford, Southend-on-Sea, Thurrock, and Essex County Council – have developed a long-term growth ambition (SE2050), that underpins strategic spatial, infrastructure and economic priorities across the sub-region. The authorities formed the Association of South Essex Local Authorities (ASELA), in 2018, and have taken SE2050 forward through a Joint Strategic Plan (JSP), the South Essex Plan and a Growth and Recovery Prospectus, setting out their ambition for the area and ask of Government.

Focusing on jobs, blue green infrastructure, digital connectivity, and accelerating housing delivery, ASELA is taking forward 10 delivery programmes, based around:

- Creative industries
- Green Technology
- A New Generation University
- Digital Network
- Active Travel Network
- Integrated & Sustainable Transport System
- Accelerated Infrastructure Housing
- SE Estuary Park & Pathways
- Sustainable Energy
- Stimulating Economic Recovery

ASELA aims to put the sub-region in a strong position to shape and influence wider plans and strategies, such as, the Thames Estuary 2050 Commission and the London Plan, and Government and other investment priorities.

Local drivers

Other local drivers include:

- Increasing demand for services with a population projected to increase from 183,100 to 192,200 by 2025, an increasingly aging population due to grow from 19% to 23% by 2030 and a higher birth rate.
- The need for an anticipated 22,000 homes by 2030 and the increasing demand for new school places.
- New priorities of future Council administrations, with local elections due in 2022, 2023 and 2024.
- The impact of any failure to meet anticipated efficiencies from new ways of working, service re-organisations or poor budget management in places.

- The need to achieve more income from fees and charges is not always attainable, with anticipated levels of income subject to a range of factors that vary between services.
- The impact of becoming a National Living Wage employer and seeking to achieve real living wage accreditation.

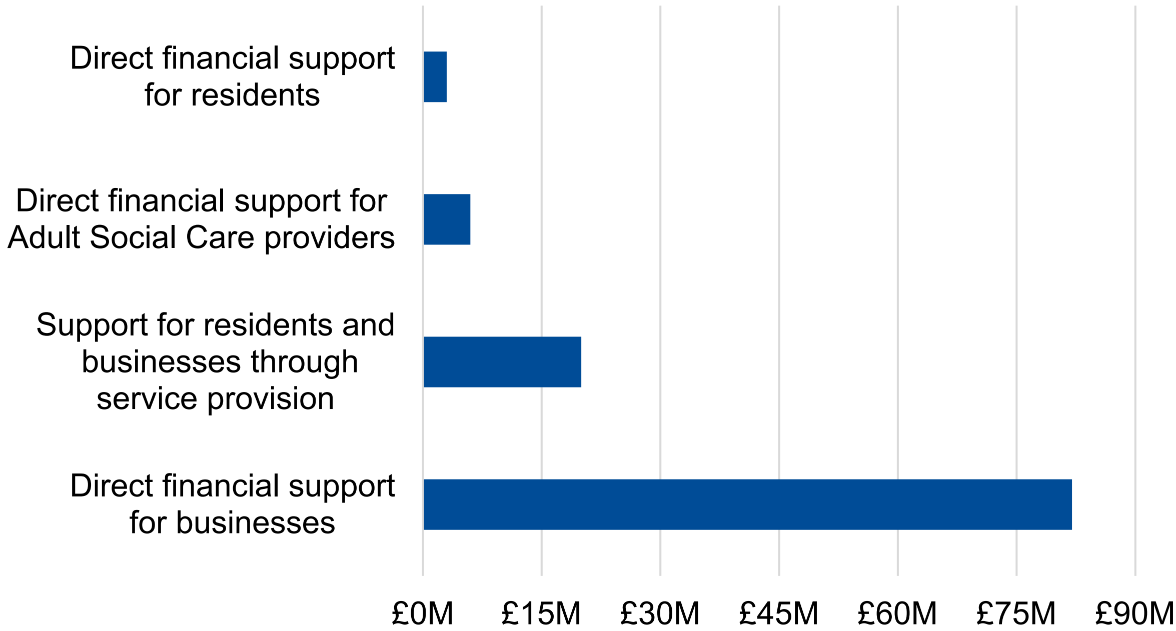
3 The Financial Challenge

3.21 COVID-19 Impact on Planning and Resources

Given the unprecedented and constantly changing events over the last 2 years the development of the Medium Term Financial Strategy has been challenging, particularly with the decision by the UK Government to effectively only announce a single year financial settlement for 2022/23, pending potentially significant financial reform as part of the Government's Levelling Up Agenda.

To provide an indication of the sheer scale and impact of just the financial cost of the pandemic, Figure 6 illustrates the level of Government support, provided to Southend-on-Sea in 2020/21 prior to the end of January 2021, either directly to the Council or to be passported on to local eligible businesses and residents. Further financial support has continued to be provided into 2021/22, although at a lower level. A comprehensive assessment will be undertaken as part of finalising the 2021/22 Outturn report.

Figure 6 Distribution of £111M of Government Support for COVID-19



The financial landscape and operating environment for all public services and particularly for local government remains challenging and uncertain. Although our new 10-year Financial Sustainability Strategy was only originally developed in February 2020, we have now updated it for the period 2022 – 2032 and this was approved in February 2022. This enabled us to reassess, at a high level, our ambition, approach, desire, and commitment to ensure that Southend-on-Sea Borough Council remains financially stable and resilient for the future.

Further careful consideration of the direct impacts of COVID-19 on the Council's finances will be undertaken as part of the 2021/22 year-end closure programme. This will include a comprehensive review of the level of bad and doubtful debts across all income streams to ensure the right level of provision is in place.

Despite the scale of the challenges the Council remains committed to continue to develop a longer-term view of the use of its resources and financial planning arrangements. This approach and thinking helped with mobilising the Council's efforts to support the local economy, initially to survive and then to recover from the pandemic.

Local Government still faces huge challenges in terms of uncertainty over future funding levels and continuing increases in demand and local expectations – Southend-on-Sea is no exception, but the Council is determined to do everything it can to plan effectively for the future and to invest in priorities that make a real positive difference to residents, businesses, and visitors. The last 2 years have clearly been dominated by the impact of the pandemic so 2022/23 is now clearly an important transitional year in our journey towards becoming a more outcome focussed organisation where our resources are prioritised accordingly.

3.22 Forecast Financial Position 2022/23 to 2026/27

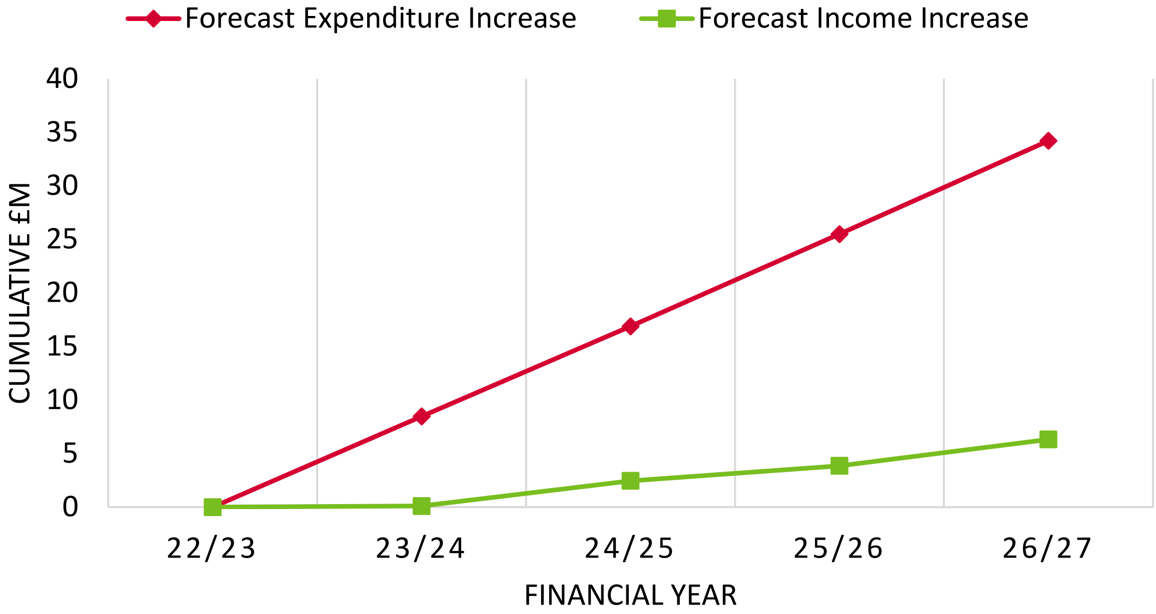
Southend-on-Sea Borough Council continues to deal with many of the same financial challenges as most other upper tier Authorities across the country. Most local authorities are experiencing increasing demand for key priority social care services which is placing a strain on available resources. A survey carried out prior to the COVID-19 outbreak identified that around 90% of Councils were highlighting increasing demand and were also overspending in meeting the needs of children and families.

The costs associated with maintaining quality in our services and environment for residents, businesses and visitors continues to be very challenging. Over 60% of the Council's net budget is spent on providing support for 'people-based services', such as social care, but the housing growth in the area also brings additional challenges for other key services such as increased waste collection, disposal and highway maintenance. We are proud to be a tourist destination of choice and were welcoming well over 7 million visitors each year, prior to the pandemic, but this clearly has an impact on our infrastructure and environment, which needs to be carefully managed and resourced. Preparation for these demands and economic opportunities returning as the area recovers from the impact of COVID-19 is important.

Taking a pragmatic and realistic assessment of the impact and implications of COVID-19, the Council's current forecast financial position is detailed in the following chart for each of the next five years. It has been calculated based on the best information currently available and the series of assumptions that were outlined in Section 1.9. An updated assessment will be made each year during annual budget setting to reflect any significant changes to our operating environment, identification of new pressures, updated forecasts, policy, or Council strategy changes. All known factors have been built into the financial modelling to ascertain the forecast financial position.

Figure 7 illustrates the funding gap to 2026/27 as reported to Council in February 2022.

Figure 7 Forecast Funding Gap



Overall, we are confident that the Council remains in a strong and resilient financial position, despite the potential economic scarring of COVID-19 and the impact of the more traditional range of local demand and spending pressures. This is evidenced and supported by CIPFA's Financial Resilience Index 2021 and a range of other factors. CIPFA have published an updated Financial Resilience Index for 2022 (February 2022) but have quite rightly also included a 'health warning' particularly for the changes in the levels of Reserves for most local authorities. This is due to the exceptional level of support arrangements and accounting requirements for the funding provided for COVID-19 by the Government. The 2022 Index has effectively been classified as a transitional position given the exceptional circumstances caused by COVID-19. It is hoped that when the 2023 Index is published it will reflect a more normal set of circumstances and a better representation of a Local Authority's financial resilience and sustainability.

We still believe that from a financial resilience perspective we would currently be placed in the top quartile of all upper tier local authorities in the country. We aim to stay there.

3.23 CIPFA's New Financial Management Code – Self Assessment

Good financial management is an essential element of good governance and longer-term service planning, which are critical in ensuring that local service provision is sustainable. In October 2019 CIPFA published its Financial Management Code (FM Code) which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It essentially sets the standards of financial management for local authorities.

It is based on a series of principles which are supported by specific standards which are considered necessary to provide the strong foundation to:

- Financially manage the short, medium, and long-term finances of a local authority.
- Manage financial resilience to meet unforeseen demands on services.
- Manage unexpected shocks in their financial circumstances.

Figure 8 shows a summary of the headline six core principles of the FM Code and the subsequent 17 minimum standards (A-N) that came into effect from 1st April 2020 with the first full year of compliance being the 2021/22 financial year.

Each financial year the Council plans to undertake a self-assessment against each of the 17 standards contained within the FM Code. An evidenced based officer self-assessment was undertaken by staff in finance and internal audit prior to the end of the 2020/21 financial year. Our RAG rated approach of the **17** standards resulted in **13** components (Rated Green) assessed as fully compliant, **4** components (Rated Amber) assessed as complying with minimum standards but requiring some improvement to demonstrate full compliance and **0** components (Rated Red) assessed as not compliant. A summary report on this self-assessment and accompanying action plan was taken for consideration and approval to our Audit Committee on 28th April 2021. The committee requested an update on progress after six months.

As a result of the actions taken throughout the year the progress update anticipated that, at the next self-assessment, **2** of the **4** components (Rated Amber) assessed as complying with minimum standards but requiring some improvement to demonstrate full compliance would be re-assessed as fully compliant (Rated Green). This anticipated updated RAG rating for the 2020/21 self-assessment is represented by the colour coding diagram illustrated at Figure 8 CIPFA Financial Management Code – Self Assessment.

The next self-assessment is planned to be undertaken before the end of the 2021/22 financial year, where all 17 standards will be re-assessed. The outcome of this will be taken for consideration and approval to our Audit Committee on 27th April 2022. It will also feature within the Council's Annual Governance Statement for 2021/22.

Figure 8 CIPFA Financial Management Code – Self Assessment

Leadership	Accountability	Transparency	Standards	Assurance	Sustainability
A. The leadership team is able to demonstrate that the services provided by the authority provide value for money.	D. The authority applies the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework (2016).*	L. The authority has engaged where appropriate with key stakeholders in developing its long-term financial plan and annual budget.	H. The authority complies with the CIPFA *Prudential Code for Capital Finance in Local Authorities.*	C. The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	E. The financial management style of the authority supports financial sustainability.
B. The authority complies with the CIPFA *Statement on the Role of the Chief Finance Officer in Local Government.*	P. The chief finance officer has personal and statutory responsibility for ensuring the statement of accounts produced by the local authority complies with the reporting requirements of the Code.	M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decision.	J. The authority complies with its statutory obligations in respect of the budget setting process.	F. The authority has carried out a credible and transparent financial resilience assessment.	G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.
O. The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	Q. The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.		K. The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	N. The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	I. The authority has a rolling multi-year medium term financial plan consistent with sustainable service plans.

The capital letter references shown are as set out in the Code.

3.24 Financial Sustainability Strategy 2022 - 2032

The statutory local authority budget setting process continues to be on an annual basis, but a longer-term perspective is essential to demonstrate financial sustainability. Short termism runs counter to both sound financial management and sound governance. To highlight the importance of this issue and to provide a clear high level strategic framework, the Council has updated its Financial Sustainability Strategy for 2022 – 2032. This strategy was approved as part of the budget package and setting of the Council Tax for 2022/23 in February 2022.

The MTFS is fully aligned with this strategy and effectively provides a more detailed phased plan of activity and considerations to ensure we remain financially resilient and maintain long term financial sustainability.

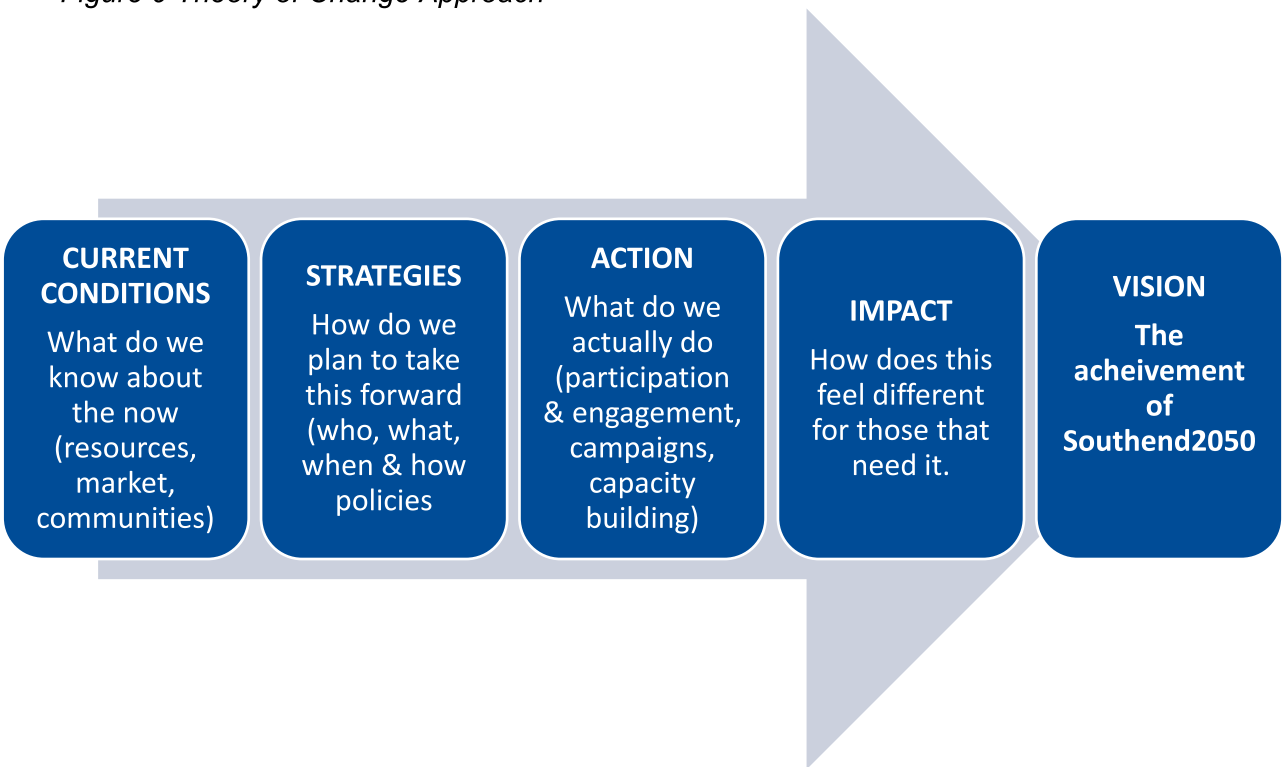
3.25 Commissioning Framework for Delivering Better Outcomes

Commissioning is the process by which we understand the collective approach needed to deliver the Southend 2050 outcomes and what we need to do with others to make them happen. In practice, this is not in-sourcing or out-sourcing but clearly **'right-sourcing'**.

Our goal is to drive a robust and balanced framework for commissioning into the fabric of the organisation. Designed alongside the 'creating the conditions' work, our commissioning framework will embed the values and behaviours required in everything we do as an authority through a set of core principles.

Supported by a **theory of change approach** (see **Error! Reference source not found.**), our commissioning practice will define long, medium, and short-term goals and then map backwards to identify the necessary preconditions for success.

Figure 9 Theory of Change Approach



Continuously driving the delivery of the Southend 2050 Ambition, our approach will be steeped in evidence of the current conditions whilst our strategies, engagement and action planning will remain focused on the achievement of a positive impact for the communities of Southend.

These principles and what they mean in practice are outlined in our Commissioning Framework, the purpose of which is to ensure that:

- We are consistently commissioning to high standards, making the best use of the tools and resources available.
- We utilise best practice, Statutory Guidance, and legislation (e.g., The Social Value Act) to best effect to achieve our ambition.

- We are accountable for ensuring that these principles are embedded in the organisation.
- We each recognise and respect the important roles we play in ensuring that these principles are reflected through our commissioning activities.
- Our assurance processes for commissioning are robust and agile to best support achievement of our ambitions and outcomes.

3.26 Getting to Know Your Business Programme

The Council introduced a new ‘Getting to Know Your Business’ programme in 2020/21. The first phase of this programme has helped to establish a baseline for all services. This data was then used to highlight key lines of enquiry where benchmarking suggested that either our costs or income levels are above or below average. The Council was supported in developing this analysis by Grant Thornton LLP, who also provided an independent review of our medium-term financial assessment by using their specifically designed Forecasting Model for local authorities.

The programme continues to be embedded and has helped to refresh a baseline for all services in terms of their costs, income generation potential, value for money and performance. This assessment, together with a comprehensive ‘strategic-fit’ review against our Southend 2050 ambition, administration priorities, economic recovery aspirations and delivering better outcomes and value for money for our residents has influenced the development of the investments, savings and income generation proposals contained within the recommended budget package and council tax setting proposal for 2022/23.

3.27 Value for Money Commitment

The Council is continually striving to improve all aspects of the organisation in terms of its efficiency, economy, and effectiveness. Our goal is also to improve the wellbeing and productivity of all our staff by investing in technology, encouraging innovation, creativity, and future modern ways of working via our WorkLife (FWOW) initiative. The impact of COVID-19 has strengthened our determination to pursue this commitment with even greater vigour.

It is important to demonstrate to the local taxpayer that the Council provides value for money and to evidence that it is an important consideration in everything that we do. A key dimension of the new ‘Getting to Know Your Business’ programme is for our business leaders to acknowledge and understand that they are all custodians of public money, and they need to run their services and operations as effectively and efficiently as possible, always striving to improve.

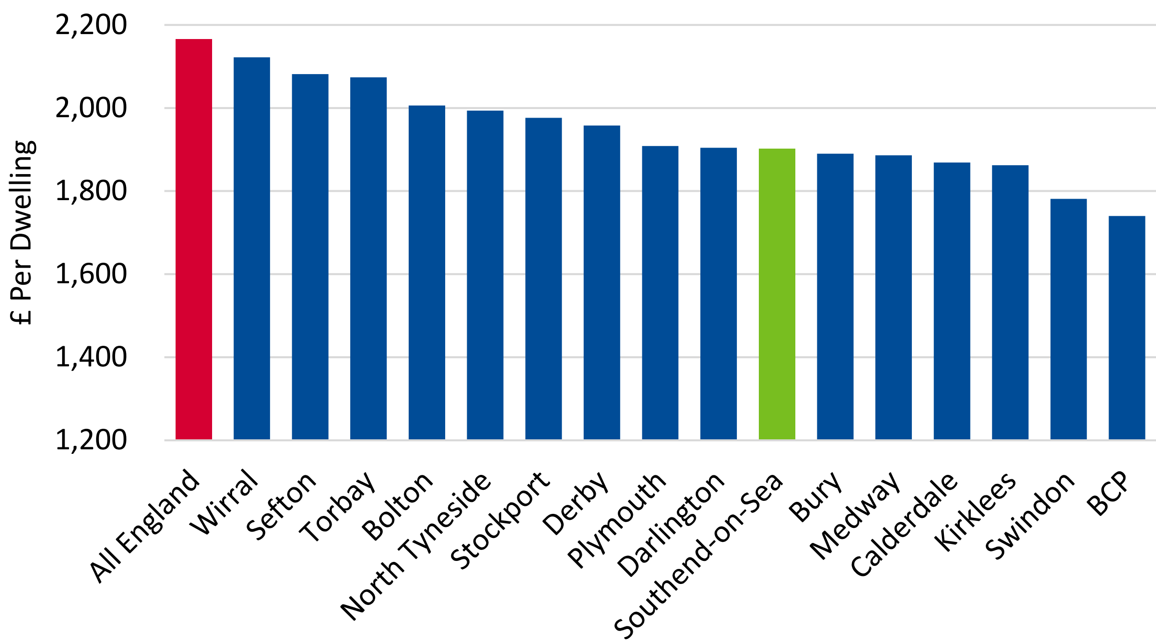
We consider and analyse all relevant available benchmarking information, including demand data, cost drivers, outputs, outcomes, and income generation perspectives. This will continue to inform our ‘Getting to Know Your Business’ programme and provides support for all Directors and Service Managers to help them understand where their service is relatively positioned from both a performance and finance perspective.

We will build and develop our major service redesign programme to help us meet the evolving needs of our residents, improve their customer experience, whilst also enabling them to be more independent and our communities more self-sufficient and sustainable. This helps to target resources where they are needed most. These overall arrangements will continue to be enhanced in 2022/23 to encourage a more commercial and business focussed approach. Our ambition is to strive for the best blended approach of commercial acumen with a strong public sector ethos.

To inform and highlight our relative success in delivering the full range of unitary authority services locally with less resources – Figure 10 shows the core spending power per dwelling for all England and illustrates our position based on the spending power per dwelling against our nearest statistical neighbour comparator group.

We have the 10th lowest spending power per dwelling – which means that we have less comparable resources available to meet the relative needs of our residents, when compared with similar local authorities. Taken in isolation this does not mean that Southend-on-Sea provides better value for money services, but it must be an important consideration.

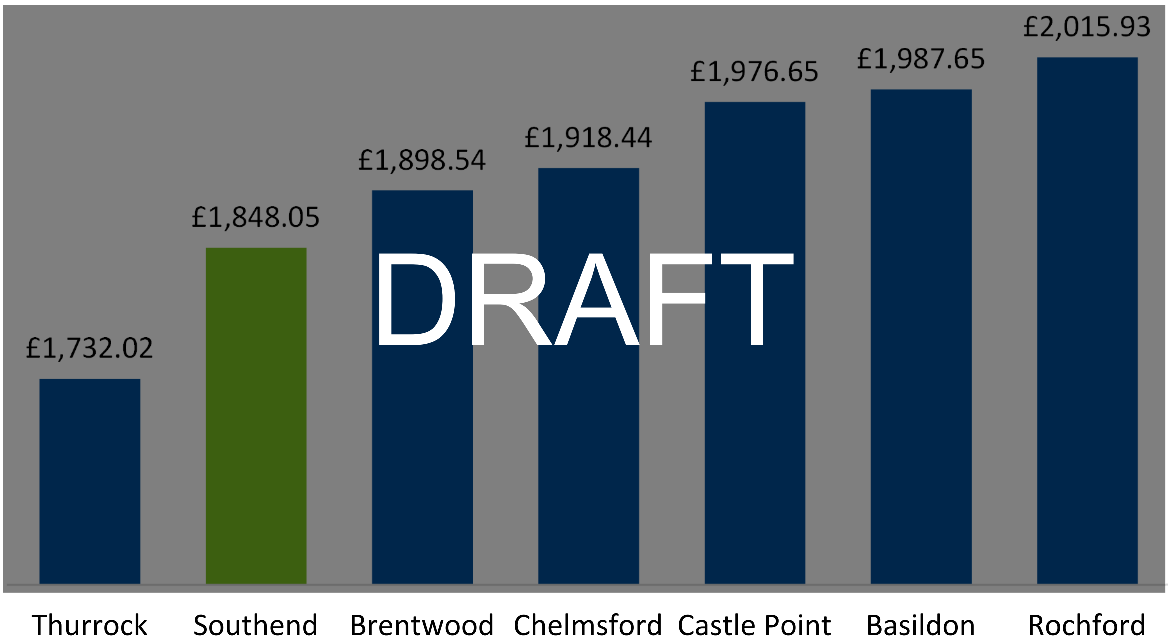
Figure 10 Core Spending Power per Dwelling 2022/23 [5]



[5] Data source: https://www.gov.uk/government/publications/core-spending-power-final-local-government-finance-settlement-2022-to-2023

Equally from a local perspective we are also determined to minimise the financial burden on the local council taxpayer for Southend-on-Sea where we can. Figure 11 illustrates the level of council tax (Band D equivalent) charged by Local Authorities from our nearest geographical neighbours in Essex for 2022/23. This is an important factor when considering Southend-on-Sea's commitment to providing value for money services that meet the needs of our residents. It is also worth noting that over 70% of properties in the Borough are in Council Tax bands A to C.

Figure 11 Council Tax Comparison - Band D 2022/23

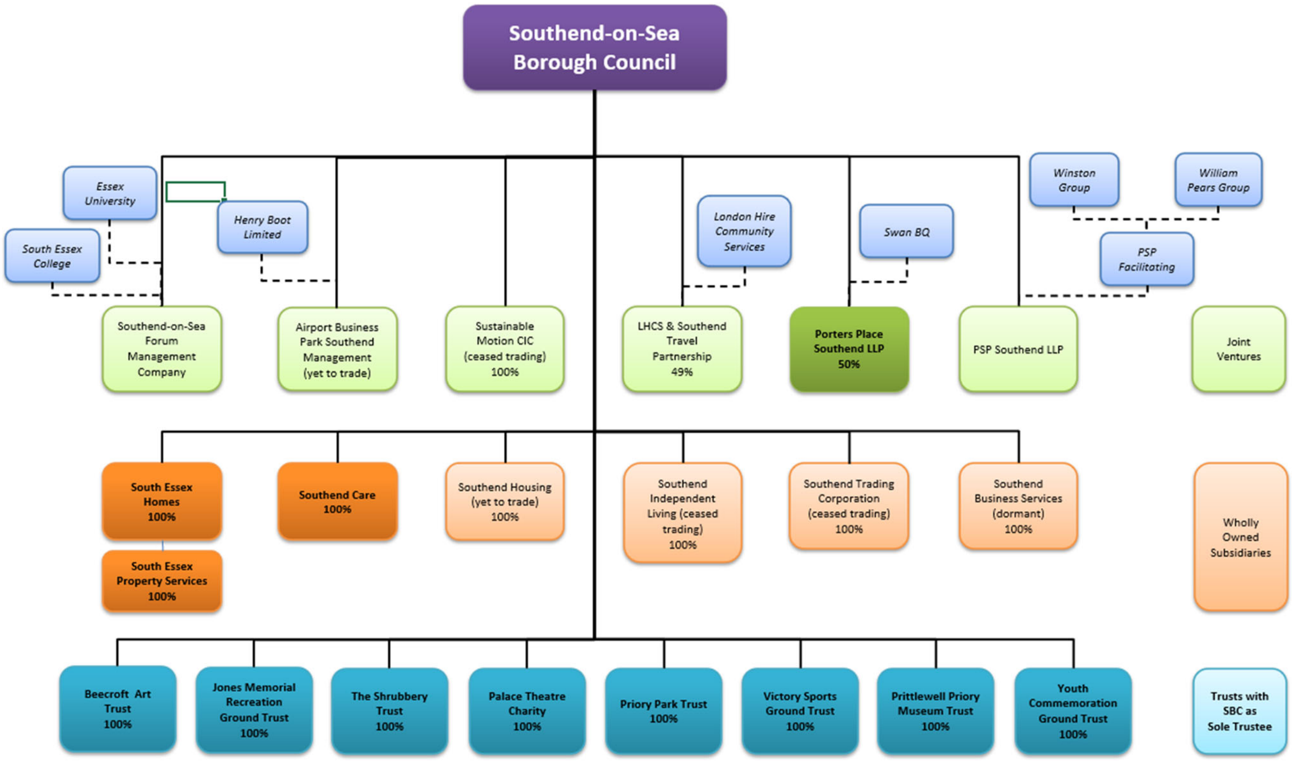


3.28 Alternative Delivery Vehicles and Governance Arrangements

By establishing ourselves as a commissioning council to deliver better outcomes it has also changed the way we work and invest. This new approach is evident by our adoption of a broader 'best fit' model of both service and delivery vehicles. We explore and then select the best set of arrangements to deliver our priorities in the most effective and efficient way. Getting the right outcome for the right people at the right price.

We have created several companies, joint ventures, and trusts that we believe are the right vehicles to deliver our priorities in their areas. This organic growth into a group structure (see Figure 12) has taken place over recent years. The Council currently directly owns six companies, participates in two joint ventures established as legal entities and is sole trustee to eight charitable trusts. We are also engaged in several partnerships and associations with other organisations.

Figure 12 Group Structure as at 31st March 2021



To provide a common unified formal governance structure between the Council and its group of companies and its joint ventures, and to ensure proper exercise of its role as trustee, the Council established a Shareholder Board in November 2017 and the arrangements have been kept under review. This has ensured that not only good proportionate governance is discharged but also that the objectives of Southend 2050 are embedded and aligned within these delivery vehicles.

Each entity has its own internal governance arrangements. The wholly owned companies have governance arrangements compliant with the Companies Act. The joint ventures essentially follow these same arrangements and the Trusts, although subject to the Charities Acts, are not managed as separate entities but managed as part of the Culture service area and work in compliance with the Council's own good governance arrangements.

3.29 Financial Pressures and Key Service Demand Trajectories

As well as the obvious specific financial challenges and uncertainties that have been caused by COVID-19, there are several more traditional financial pressures faced by the Council. These are reported to the Corporate Management Team, Councillors, and other stakeholders as part of the budget monitoring and financial performance reports on a regular basis. A number of these are demand led pressures which are generally replicating the challenges faced by most upper tier local authorities right across the country. It is important that these pressures are identified, key drivers behind demand trends are understood and wherever possible mitigated to ensure that sound financial and service resilience is maintained during these difficult times.

Social Care – Children

One of the key pressures our Local Authority has been facing over the last five years (which is also a recognised national issue) is the increased demand on our Looked After Children (LAC) placement budget, combined with higher costs of external care placements. Figure 13 shows our LAC numbers since 2010. 2019/20 saw our highest peak over the last 5 years, numbers did decline during 2020/21 but in 2021/22 we are now seeing a rise once again.

Figure 13 Numbers of Looked After Children Historical Trend at month end

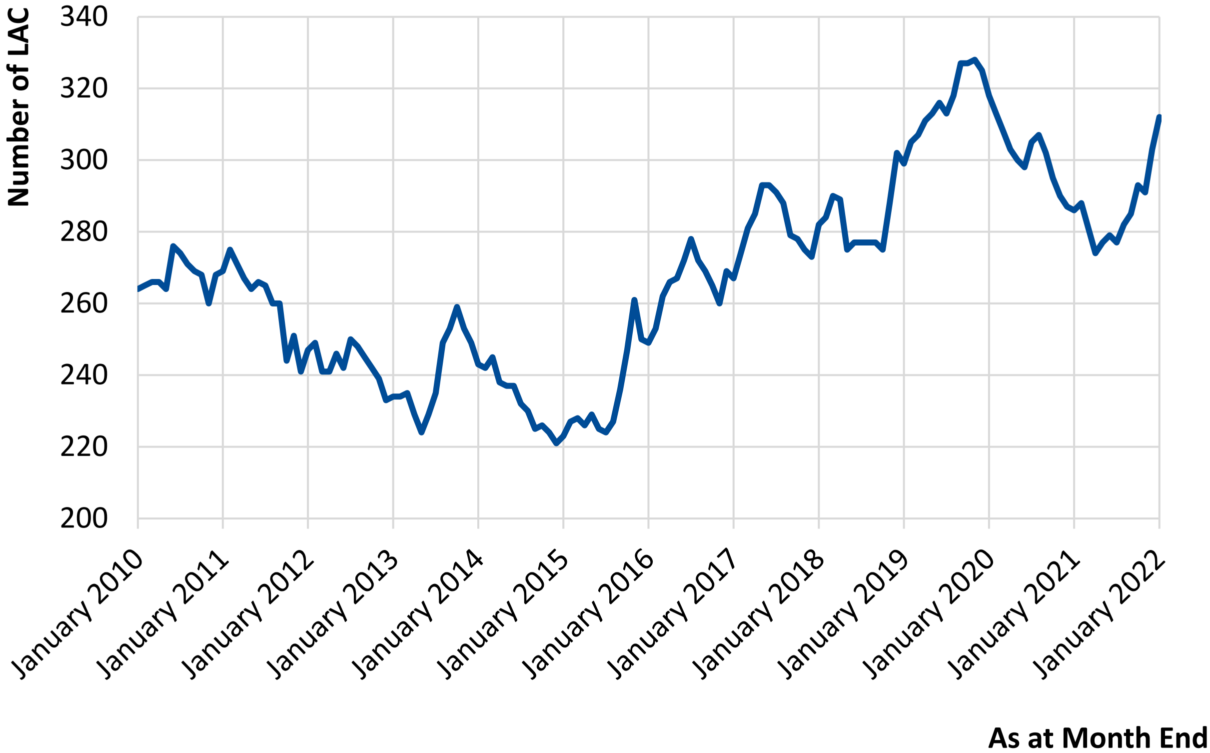
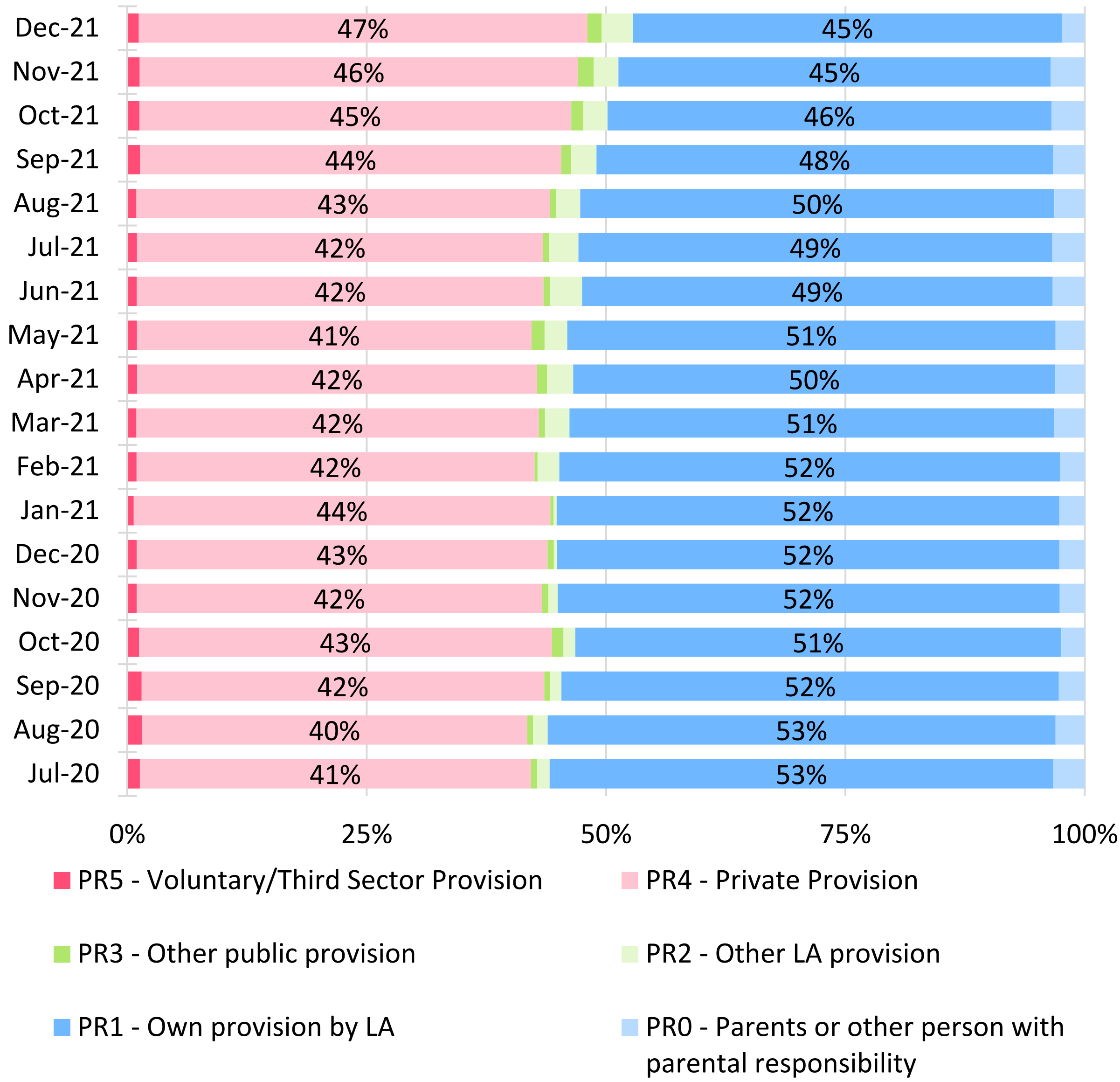


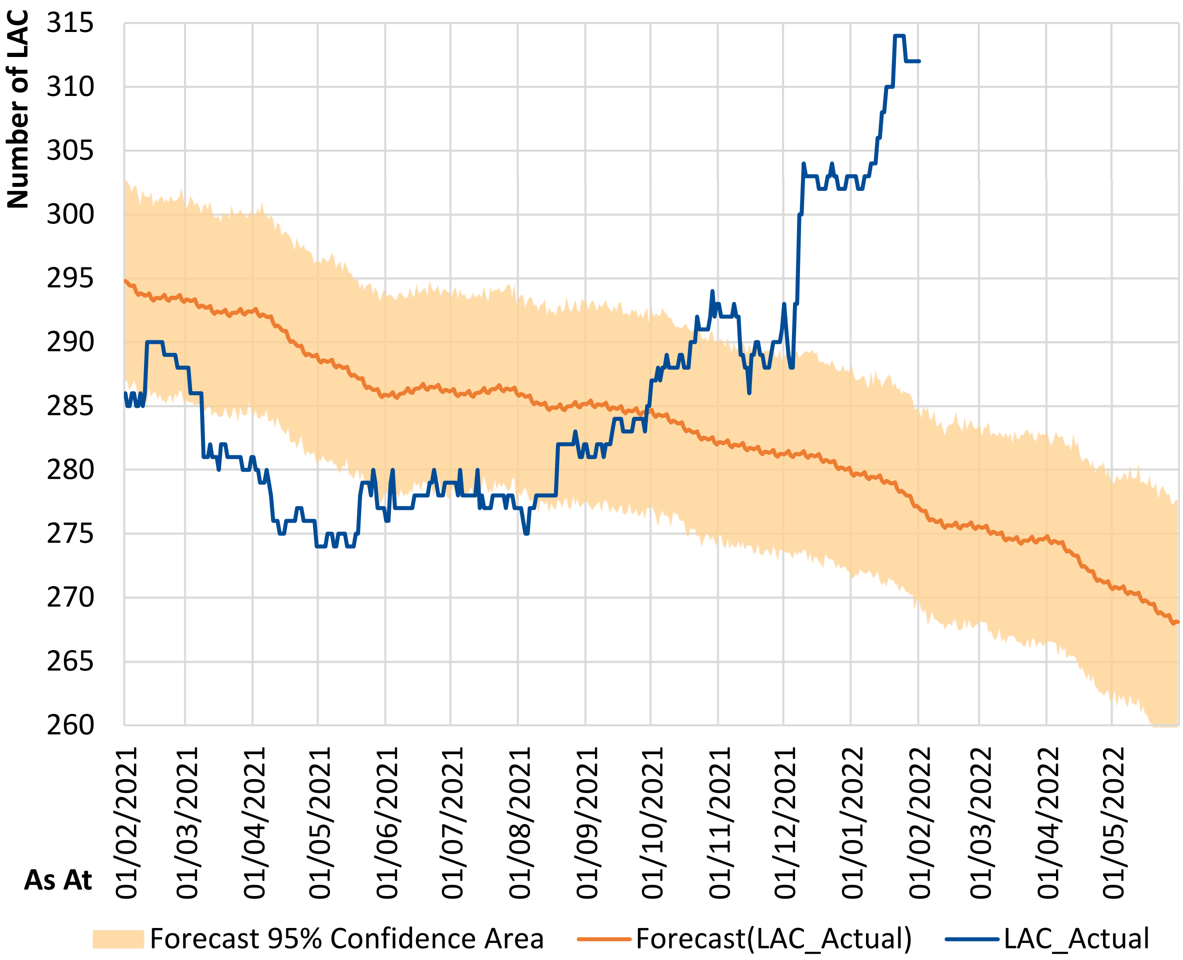
Figure 14 also highlights that we are experiencing a concerning trend of continued heavier reliance on external care placements (as highlighted in light red), compared to our own provision including local inhouse foster carers (as highlighted in blue). The strategy remains to reduce reliance on external care placements and increase and strengthen our inhouse foster care provision.

Figure 14 Percentage of placements within the month by provider type



Although not an exact science we have also attempted to use this historical data and appropriate trends to establish a potential future forecast to May 2022, which is based on the last 5-year trend, illustrated in Figure 15. It does suggest, that based on the trend over the last 5 years LAC numbers will decline but given the recent rise that we have experienced this is distorting that trend. The Council has maintained a £2.5M contingency in 2022/23, financed by earmarked reserves to provide additional resilience for a sustained level of current external care demand.

Figure 15 Number of LAC by Day with Forecast



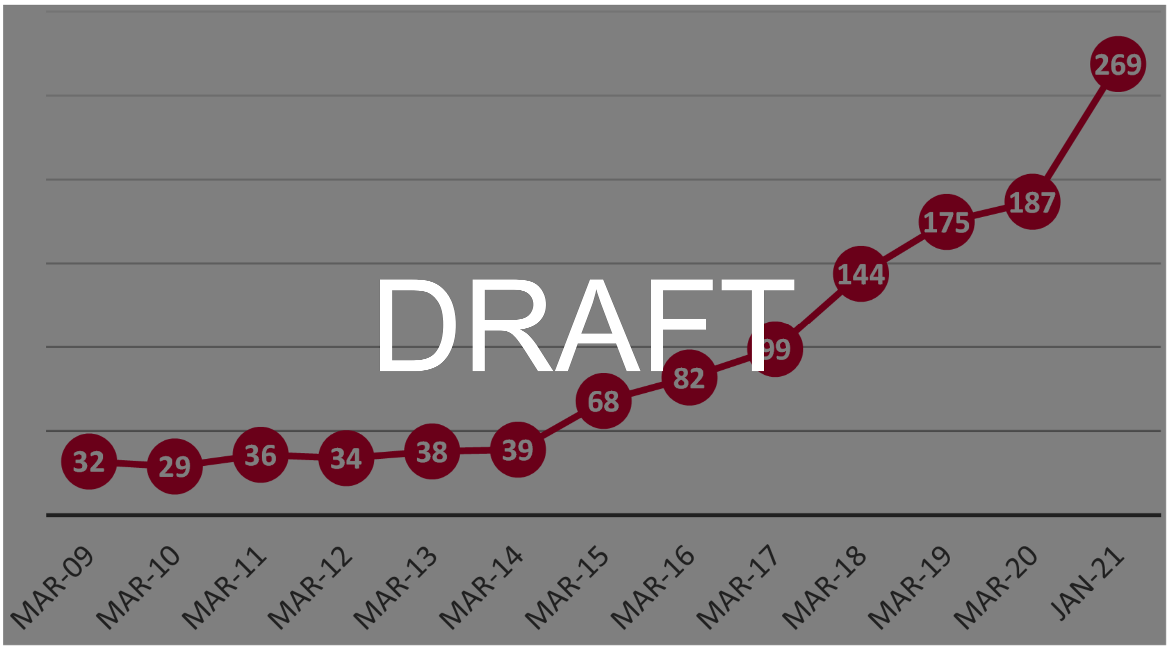
Housing and Homelessness (This Section to be Updated)

Southend-on-Sea Borough Council did not use any bed and breakfast accommodation until 2017/18 when the Homelessness Reduction Act was implemented. Historically, we used our hostels for temporary accommodation, but demand has continually increased to such an extent that we now must use bed and breakfast accommodation, as well as the council's temporary accommodation, to discharge our duty. The lack of affordable housing in the private sector makes it harder to move households on from temporary accommodation.

The local response to COVID-19 has had a huge impact on the number of households in temporary accommodation. All shared space hostels such as the Church Winter Night Shelter, HARP sit up service, Off the streets were closed due to the risk of spreading the virus. Responding positively to this situation and new Government policy, we had to place those people plus all rough sleepers in some form of temporary accommodation.

Figure 16 highlights the scale of the challenge and shows the number of households placed in temporary accommodation from 2009 to 2020. As at end of January 2021, there were 269 households in temporary accommodation.

Figure 16 Number of Households in Temporary Accommodation



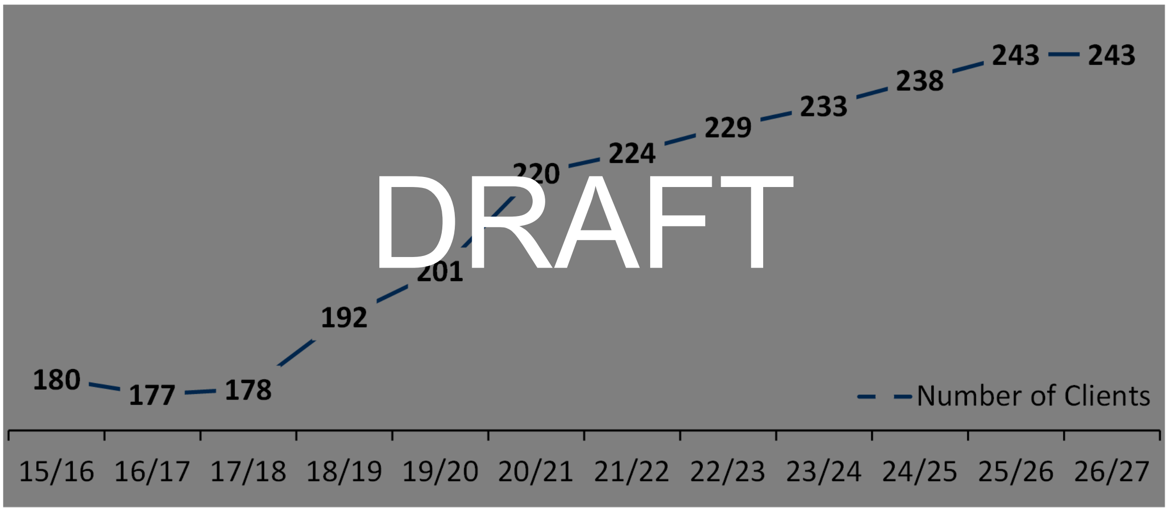
To help with this challenging issue we have been successful in bidding for extra resources from the enhanced homelessness/rough sleepers initiative that was launched by the government in January 2020. We secured £705,155 for 2020/21.

Social Care – Adults with Learning Disabilities

One of the main demand pressures in adult social care is the increasing number of adults with learning disabilities. The two main sources for the increases are through transitions from Children's services or because of a breakdown in historical family arrangements where parents or relatives are seeking more help and support, in some cases they are no longer able to look after them. This has resulted in an increase in the number of permanent supported living and residential placements. It is anticipated that this is likely to continue, adding to the existing pressures across adult social care services.

Figure 17 illustrates the potential forecast increase in the number of clients with learning disabilities that may require permanent supported living and residential placements.

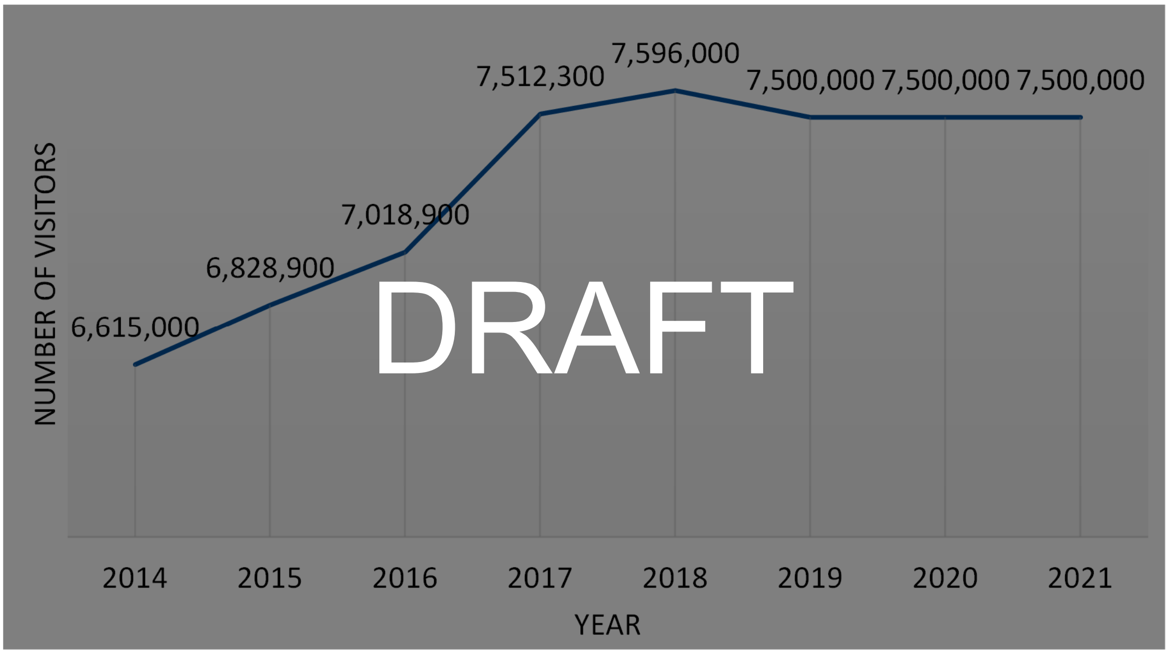
Figure 17 Learning Disability Supported Living and Residential Placements.



Infrastructure and Environment – Visitors

Southend-on-Sea continues to be an attractive tourist destination for both day-trippers and overnight stays, with an increase of 15% in visitor numbers over the five years prior to the COVID-19 pandemic (Figure 18). It is currently anticipated that 'staycation' breaks will continue to be significant in the summer of 2022. The tourism season has also been extended with an increased events programme, and 2022 will see more events as part of the Southend's transition to becoming a city. Visitors bring with them a great economic benefit to the Borough, but this also has an impact on our infrastructure and environment, which needs to be carefully managed and resourced.

Figure 18 Number of Visitors to Southend per year



Technology – Transition to the Cloud

The Council currently operates a data centre housed in the Civic Centre which is set to reach its end-of-life in April 2023. The transition to a Cloud based model has begun which will facilitate the ability to develop our services innovatively, provide the ability to shift and flex capacity in line with the emerging demands of the organisation and reduce the risk of issues within replacing our own data centre. This process will result in dual running of both solutions for a period but will provide greater resilience and security. As we transition our expenditure from capital to revenue due to the reduction in our physical assets, the Cloud based solution will provide better value for money in the long term.

3.30 Budget Transformation Programme 2023/24 - 2026/27

Given the huge challenges caused by the pandemic and the uncertainty created by the delay and content of the provisional financial settlement published on 16th December 2021, a high-level future Budget Transformation Programme for 2023/24 – 2026/27 will be developed further over the coming months. It will form part of our commitment to embed a more long-term view of our financial planning arrangements.

The intention is to also create a prioritised programme of zero-based service delivery reviews to drive further efficiency and productivity improvements**.** These reviews will be designed to support the Council's future financial sustainability ambition and to prepare for the major Local Government 'funding reform' in 2022/23 which was highlighted within the Comprehensive Spending Review 2021 as part of the Government's 'Levelling Up' agenda.

The list of potential areas for review for the Transformation Programme was primarily generated by the baselining and benchmarking work undertaken as part of our 'Knowing Your Business' Programme. These ideas will be scoped and developed further during the first quarter of 2022/23.

Highlighting forward planning items like this and opening discussions earlier with local Councillors and interested stakeholders is not only more transparent but also enables better consideration and evaluation of options.

Clearly some difficult local choices and decisions will still have to be taken but engaging earlier should help with formulating better solutions, more informed options appraisal, and more effective evaluation of impacts.

3.31 New Investments

The level of resources available for revenue and capital investment are subject to extensive challenge and prioritisation to ensure that investment is designed to have a positive impact and is aligned to deliver Southend 2050 outcomes and key COVID-19 Recovery priorities

For revenue prioritisation of proposed investment, careful assessment was given to the current demands and pressures for existing local priority services, the future requirements needed to continue to respond positively to the pandemic and to a range of initiatives that are not only aligned to our 2050 priorities but would also have a value for money impact in providing better outcomes for Southend residents. Analysis of the feedback from the range of extensive consultation and engagement exercises undertaken throughout 2021/22 has also directly influenced the overall proposed budget package.

For capital prioritisation of proposed investment, this is achieved through application of the Capital Investment Strategy 2022/23 – 2026/27. This is a key document which forms part of the authority's integrated revenue, capital, and balance sheet planning. It provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of desired outcomes. It includes an overview of the governance processes for consideration, prioritisation, and approval of capital investment.

Table 6 is a summary of the investments included within the 2022/23 budget grouped by investment theme.

Table 6 Investments by 2050 Theme

2050 Theme	**Revenue (one year) £000s**	**Capital (5 year) £000s**	**One-off £000s**	**TOTAL £000s**
Pride and Joy	-	-	120	**120**
Safe and Well	6,433	-	385	**6,818**
Active and Involved	-	-	-	**-**
Opportunity and Prosperity	80	-	300	**380**
Connected and Smart	200	11,405	-	**11,605**
Future Ways of Working	5,904	1,200	-	**7,104**
Total	**12,617**	**12,605**	**805**	**26,027**

3.32 Income Generation and Commercial Opportunities

Complementing the new 'Getting to know Your Business' programme is a requirement to undertake a comprehensive review of all potential income streams and commercial opportunities where appropriate. Development of a new Commercialisation Strategy remains under consideration and training and awareness sessions which share best practice and highlight commercial success from both within and outside the organisation is continuing.

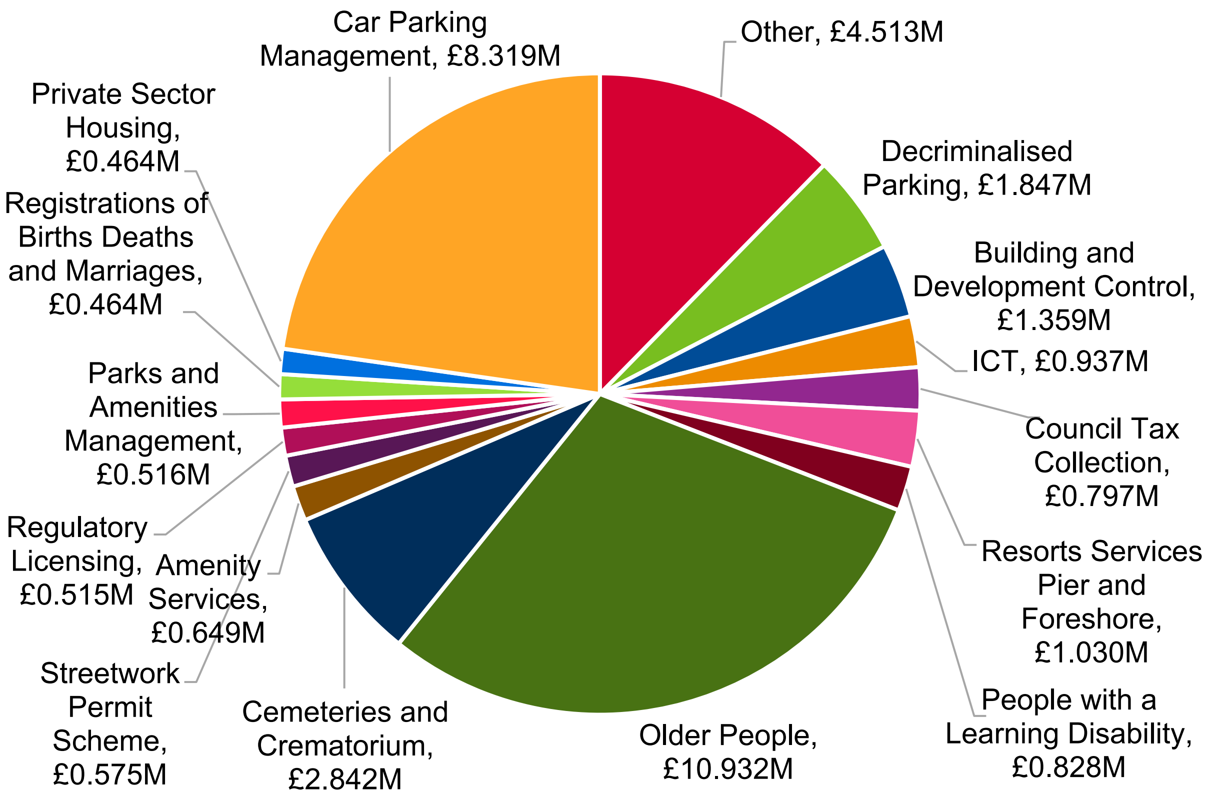
All service leads and managers will be supported to gain a better understanding of the financial performance of their business areas. This will include highlighting what scope there is for reducing subsidy, managing demand, exploring new income and commercial opportunities to ensure the best value for money is delivered for the residents of Southend-on-Sea. The wider Senior Leadership Network are striving to improve efficiency, productivity, and performance to get the most impact and better outcomes from each £1 that is invested locally.

All members of this leadership group have had a specific performance objective included within their annual conversations that requires them to evidence value for money outcomes and to embed the requirements and understanding of the 'Knowing Your Business Programme' within their individual teams/service areas.

Service leads will take full ownership and accountability for the fees and charges generated, support and benchmarking intelligence will be provided to give assurance that the charges are appropriate, proportionate and are applied correctly.

Fees and charges are received from a wide range of services and the following pie chart illustrates (Figure 19) the varied scale of where this income is generated from in relation to the 2022/23 budget.

Figure 19 Breakdown of Fees and Charges



3.33 Council Tax

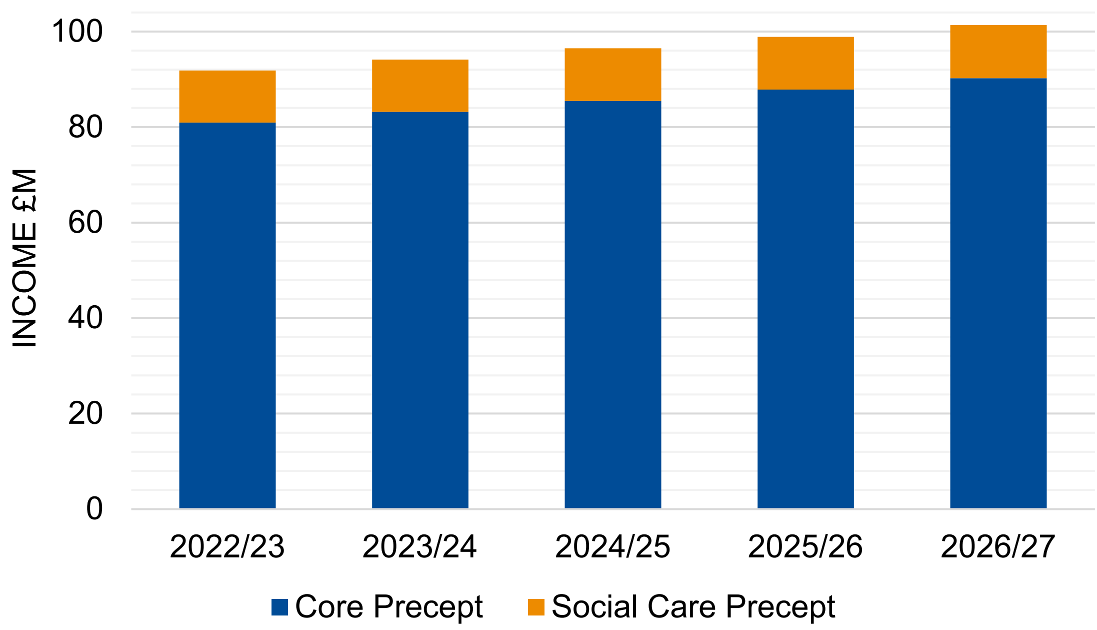
There is a proposed **3.99%** increase in Council Tax for 2022/23. This includes a 2% increase for adult social care; 1% deferred from 2021/22 and a further 1% allowance for 2022/23. For planning purposes an increase of **1.99%** has been assumed for all future years, with no increase for adult social care precept from 2023/24 onwards.

Changes in the number of households affect the tax base for Council Tax purposes, as does the number of Council Tax Support claimants. The Council Tax base for 2022/23 is **59,086.74** (equivalent Band D properties).

The MTFF assumes an increase in the Council Tax base of 0.5% per year from 2023/24 to 2026/27. The Council also plans to release phased accumulated collection fund surpluses over the five-year period. The scale of this plan will be reviewed following the finalisation of the outturn for 2021/22.

Figure 20 illustrates the current forecasted level of Council Tax and Social Care Precept until 2026/27.

Figure 20 Income from Council Tax and Social Care Precept



3.34 Housing Revenue Account

The Housing Revenue Account is a ring-fenced account which stands apart from the General Fund, although there are charges between the two funds to reflect Service Level Agreements and corporate support services.

The HRA is the statutory “landlord” account for the authority. The Council is obliged by law to set rents and other charges at a level to avoid a deficit on the HRA balance. The HRA estimates have been prepared alongside South Essex Homes and incorporate their management fee bid.

There is major investment via the HRA Capital Programme of £76.915M planned over the next five years. This will ensure that we maintain decent homes and improve those that need it. The types of works will include electrical wiring, bathroom installations, new roofs, new kitchens, new windows and door replacements and installation of new more economical and energy efficient boilers.

The Council has concluded a procurement exercise to choose a partner organisation with which to regenerate the Queensway estate. Swan Housing Association have been approved as the partner organisation for this scheme. The regeneration ambition will see the existing 441 predominately council owned homes redeveloped into a vibrant, mixed tenure community with enhanced public realm and facilities. This will mean that over time the estate will no longer form part of the HRA.

The MTFS assumes that this development would be broadly neutral at this stage. On the basis that lost rental income will be largely offset by a reduced need for management and maintenance liabilities. Some basic allowance has been made for a net loss in future years. Further work will be undertaken to understand the exact implications when the redevelopment proposal is finalised and phased, including how any decant process will work. The MTFS will be updated as soon as a better understanding of the exact timing of any impact is known.

In October 2017, the government announced its intention to set a long-term rent deal for both local authorities and housing associations. This allows rent increases up to the level of CPI measured in September each year plus 1 percentage point from 2020/21. This has resulted in a 4.1% rent increase for 2022/23. The MTFS demonstrates that the HRA is currently financially robust.

3.35 Asset Management Plan

The Corporate Asset Management Strategy (CAMS) sets out the way in which the Council makes decisions on asset related matters and identifies procedures and governance arrangements to monitor and improve the use of its assets to increase efficiency and maximise returns. The plan is reviewed annually alongside the MTFS and updated as appropriate.

The CAMS divides all the Council's assets into five blocks. These are:

- Investment Assets – the Council’s investment portfolio, its properties or land held specifically for the generation of rent or capital growth.
- Assets for Regeneration – those assets acquired, held awaiting or already under redevelopment in support of the Council’s current and future objectives.
- Assets held for sale - Surplus Assets – which have no sound case for retention.
- Property Plant and Equipment – this block includes all the Council’s Operational Buildings (those involved with service provision) and its Non-Operational Buildings (those not held for service delivery), as well as its equipment, vehicles, and infrastructure.
- Trust Assets - assets held under Trust.

Some assets sit within specific policy and legislative frameworks or are important by virtue of specific features of Southend. These are housing, highways and transport assets, schools and children centres, car parks, listed buildings and designated areas, and the sea defences and cliffs.

The CAMS brings asset-related decision making (on acquisition and disposal) together with the procedures guiding investment through the Capital Investment Programme.

The CAMS was comprehensively reviewed and updated for the period 2015 – 2025 and was approved at the Cabinet meeting in September 2015 to provide high-level strategic focus to enable flexibility over the plan period and to reinforce the current Vision and Strategic Aims of the CAMS that all the Council's assets are corporately held and managed strategically to:

- Support the Southend 2050 Ambition, political recovery priorities and efficient and effective service delivery.
- Support regeneration and development and enable the Council to achieve its agreed Outcomes.
- Rationalise, develop, and improve the portfolio to underpin the capital investment programme and revenue budget through development, commercialisation, property acquisition and disposals.
- To enable co-location and integration with partners.

The CAMS is updated to reflect the current guidance on commercial property acquisitions meaning any such acquisitions will need to be made for service delivery or as part of the Council's wider regeneration, transformation, economic recovery, development, and growth ambitions and to support the recovery aims of the Council. Income can be generated through these however it would not be the primary purpose of the investment.

The CAMS also supports the Council's high priority major projects such as, and including Better Queensway, Airport Business Park, Care and Learning Disability re-provision.

Some further updates will be made to the CAMS during 2022/23 as follows:

- Timescale for the plan 2022-2032.
- Updating property related COVID-secure and response measures.
- Updates to reflect the current demographics, Southend 2050 position, roadmap, and direction of travel.
- Updates to reflect structure and governance arrangements as required.
- To update the schedule of charges relating to property transactions.
- To keep up to date the Property Metrics section.

- To distribute responsibility clearly and more appropriately for particular assets (e.g., footpaths, non-adopted roads, watercourses) to ensure these are managed efficiently in the most appropriate section of the business.
- Update to the Disposal of Open Space guidance to include appropriation of open space.

3.36 Capital Investment Programme

Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing fixed asset which is needed to provide services such as housing, schools, and highways. Fixed assets are tangible or intangible assets that yield benefits to the Council generally for a period of more than one year, e.g., land, buildings, roads, vehicles. This contrasts with revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services. Capital grants, borrowing and capital receipts can only be spent on capital items and cannot be used to support the revenue budget. However, it should be noted that revenue funding can be used to support capital expenditure.

The Capital Investment Strategy covers all capital expenditure and capital investment decisions, not only as an individual local authority but also those entered under group arrangements. It sets out the long-term context in which decisions are made with reference to the life of the projects/assets.

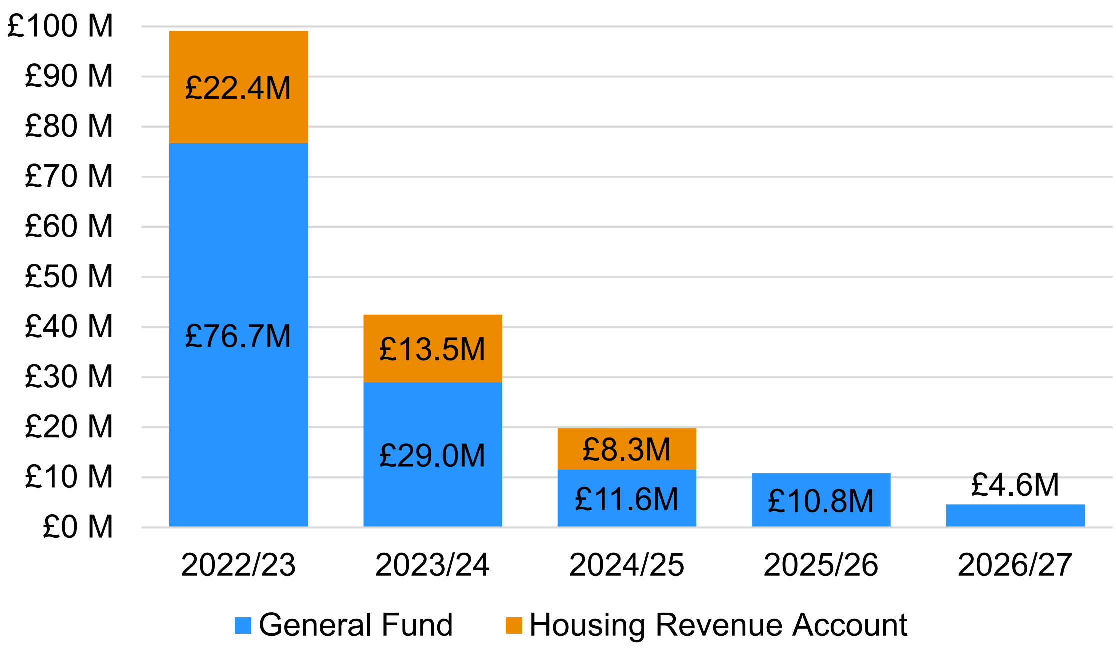
It is a key document and forms part of the authority's integrated revenue, capital, and balance sheet planning. It provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of desired outcomes. It includes an overview of the governance processes for approval and monitoring of capital expenditure and how investment decisions take account of stewardship, value for money, proportionality, prudence, sustainability, and affordability. It also provides an overview of how associated risk is managed and the implications for future financial sustainability.

The capital investment programme is prepared and developed in accordance with the Capital Investment Strategy. In turn, the Capital Investment Strategy has been written in the context of Southend 2050 and the five themes and all capital investment is therefore driven by the aim of contributing to the delivery of the ambition and the desired outcomes.

The resulting new investment into the capital investment programme of the next five years is shown at paragraph 3.31.

The proposed total capital investment programme over the next five years is illustrated in Figure 21.

Figure 21 Proposed Capital Investment Programme



3.37 Treasury Management Strategy

The Treasury Management Strategy is an area of activity which covers the management of the council's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks.

In compliance with the CIPFA Treasury Management Code of Practice the Council's treasury management strategy comprises:

- the Treasury Management Policy Statement.
- the Treasury Management Strategy.
- the Annual Treasury Management Investment Strategy.

The purpose of the Treasury Management Policy Statement is to set out the scope of the Treasury Management function, the policy on borrowing, debt restructure, investments, delegation, and management of risk.

The budget includes provision for the financing costs of the Council's Capital Investment Programme, including interest on external borrowings. Offsetting this, the Council will earn interest by temporarily investing its surplus cash, which includes unapplied and set-aside capital receipts. These budgets depend on many factors, not least the Council's level of revenue and capital budgets, use of reserves, methods of funding the budget requirement, interest rates, cash flow and the Council's view of risk.

The purpose of the Treasury Management Strategy is to set out how the budgeted financing costs can be achieved. It covers the prospects for interest rates and the strategy on borrowing and debt restructuring.

The purpose of the Annual Treasury Management Investment Strategy is to set out the investment objectives and the policies on the use of external fund managers, on the investment of in-house managed funds and on the use of approved counterparties.

The Audit Committee have responsibility for the scrutiny of the Treasury Management Strategy. The policy is approved by Council in advance of the year to which it relates. It is then monitored regularly and updated, as appropriate, to reflect changing circumstances and guidance with updates approved by Council as and when required.

It is projected that surplus cash balances will average £164m (of which £51m is the estimated sum of medium term and long-term funds managed by external fund managers) during 2022/23 based on information currently available and historical spending patterns.

3.38 Minimum Revenue Provision Policy

The Minimum Revenue Provision (MRP) is an amount to be set aside for the repayment of debt. Each Local Authority has a general duty to charge an amount of MRP to revenue which it considers to be prudent, with responsibility being placed upon the full Council to approve an annual MRP policy statement.

3.39 Prudential Indicators

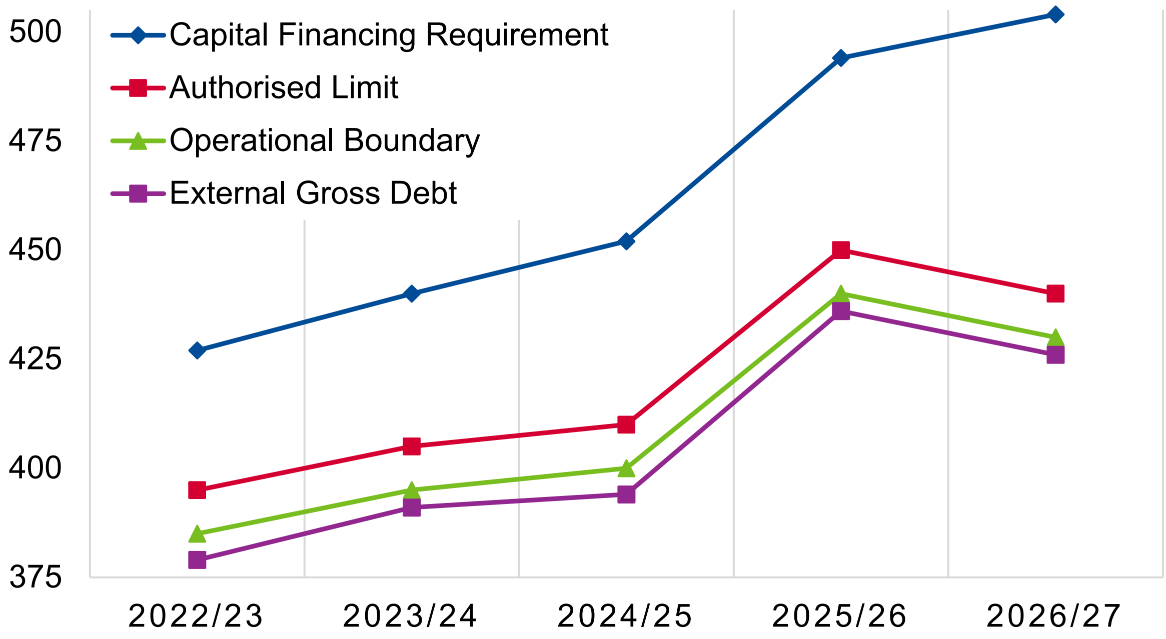
The Prudential Code is the key element in the system of capital finance that was introduced from 1st April 2004 as set out in the Local Government Act 2003.

Individual authorities are responsible for deciding the level of their affordable borrowing, having regard to the CIPFA code, (which has legislative backing). Prudential limits apply to all borrowing, qualifying credit arrangements (e.g. some forms of lease) and other long-term liabilities. The system is designed to encourage authorities that need, and can afford to borrow for capital investment, to do so.

Under the Local Government Act 2003 each authority can determine how much it can borrow within prudential limits (unsupported borrowing). The Government does have powers to limit the aggregate for authorities for national economic reasons, or for an individual authority. Most of the capital expenditure will continue to be directly supported by Government through capital grant or by Council unsupported borrowing.

Figure 22 shows the Council’s level of external gross debt compared to its agreed borrowing limits and the estimated Capital Financing Requirement (the Council’s theoretical need to borrow).

Figure 22 Borrowing levels and limits.



The operational boundary is how much gross external debt the Council plans to take up and reflects the decision on the amount of debt needed for the Capital Investment Programme for the relevant year. The authorised limit is higher than the operational boundary as it allows sufficient headroom to take account of unusual cash movements.

The CIPFA Prudential Code for Capital Finance in Local Authorities has been developed to support Local Authorities in taking capital investment decisions and to ensure that these decisions are supported by a framework which ensures proportionality, prudence, affordability, and sustainability.

Another objective of the Code is that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation.

To demonstrate compliance with these objectives each authority is required to produce a set of prudential indicators. These indicators are designed to support and record local decision making and are not for comparison with other authorities. The setting and revising of these indicators must be approved by Cabinet and Council.

In setting or revising its prudential indicators, the local authority is required to have regard to the following matters:

- service objectives (e.g., strategic planning).
- stewardship of assets (e.g., asset management planning).
- value for money (e.g., options appraisal).

- prudence and sustainability (e.g., risks, whole life costing and implications for external debt).
- affordability (e.g., implications for long-term resources including the council tax).
- practicality (e.g., achievability of the forward plan).

3.40 General Fund Balance

In accordance with best practice guidance issued by CIPFA, the minimum level of General Fund balances is reviewed, and assessed on an annual basis. The Executive Director (Finance & Resources) recommends:

- An absolute minimum level of General Fund reserves of £8M to be maintained throughout the period between 2022/23 to 2026/27.
- An optimal level of reserves of £10M over the period to cover the absolute minimum level of reserves, in-year risks, cash flow needs and unforeseen circumstances.
- A maximum recommended level of reserves to £12M over the period to provide additional resilience to implement the MTFS.

This assessment has been derived at by taking a risk-based approach to the overall General Fund Revenue Account. Clearly given the unprecedented uncertainty and challenges caused by the pandemic, then it is even more important to give some confidence and assurance over the level of the General Fund Balance. This assessment includes as far as possible a review of income volatility and realism of income targets, interest rate exposure, third party provider risks, potential overspends in demand led areas such as social care and safeguarding for both adults and children and any other potential issues which may need to be taken into consideration.

3.41 Reserves Strategy

As well as maintaining a risk based General Fund Balance the Council also sets aside Earmarked Reserves (for these purposes earmarked reserves excludes school balances) for specific items.

Considering the increasing level of risk and uncertainty identified within the MTFS and the probability of resources being required to support service transformation and delivery, a full review of useable reserves and provisions has been undertaken.

Each year as part of closing the accounts a further view is taken on maintaining and strengthening, where necessary, those reserves specifically earmarked to support the highest areas of risk. This results in the rationalisation of reserves and provisions where possible and in some cases additional funding being set aside. This exercise will be particularly critical, due to the impact of COVID-19 over the last 2 years and the plans to support 2022/23's budget with £2.5M from reserves. This amount was originally proposed to be used to support 2021/22's budget but due to robust 'in-year' financial management has been deferred to be used in 2022/23.

In relation to the adequacy of reserves (excluding the General Fund Balance summarised in Section 3.19), the Council's Section 151 Officer (Deputy Chief Executive and Executive Director of Finance and Resources) recommends the following Reserves Strategy. The Strategy will be reviewed annually and adjusted in the light of the prevailing circumstances.

Housing Revenue Account Reserves

In relation to the Housing Revenue Account (HRA) in 2021/22 and the medium to long-term:

- Given the status of housing management provision the recommendation is that reserves be maintained at £3.0m.

This recommendation is based on and conditional upon:

- A 2021/22 budget agreed with South Essex Homes Ltd. to maintain a balanced HRA, together with the HRA's own MTFS for the period 2022/23 to 2026/27.
- Forward projections for the HRA beyond 2022/23 are remodelled to consider the impact of the Better Queensway regeneration and the updated stock condition survey.

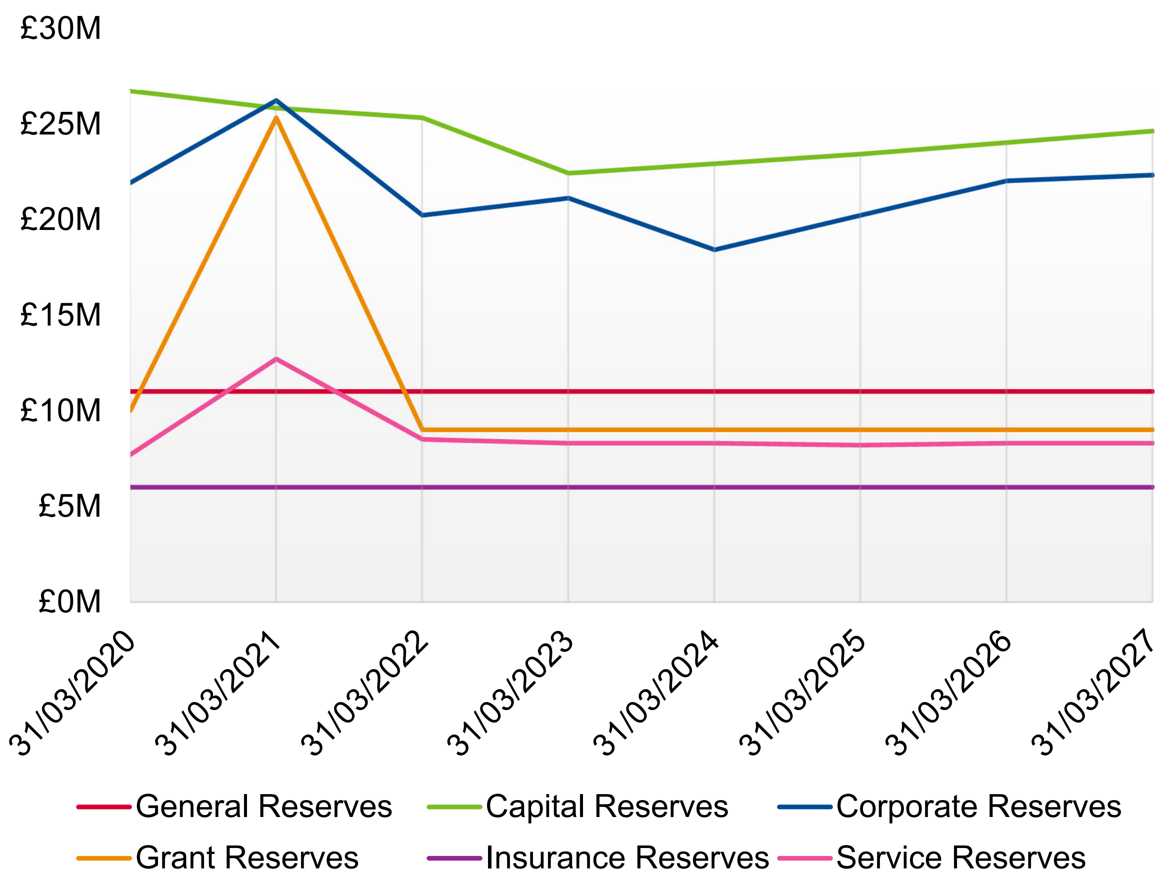
Earmarked Reserves

A table of the earmarked reserves and their balances at 31st March 2021 to 31st March 2027 is shown in Annex 2. The balances at 31st March 2022 to 2027 are indicative, based on the assumptions in this report, and do not represent the probable figures that will be disclosed in future years Statement of Accounts. A summary of the forecast reserve balances to 31st March 2027 is shown below (Table 7) and illustrated in the following graph (Figure 23). We are forecasting that our total reserves will stay within a range of £75M to £82M over this timeframe.

Table 7 Earmarked Reserves

	31st March 2021 £M	31st March 2022 £M	31st March 2023 £M	31st March 2024 £M	31st March 2025 £M	31st March 2026 £M	31st March 2027 £M
General Reserves	11.000	11.000	11.000	11.000	11.000	11.000	11.000
Capital Reserves	25.785	25.295	22.377	22.897	23.420	24.006	24.631
Corporate Reserves	26.224	20.242	21.083	18.396	20.209	22.022	22.335
Grant Reserves	25.344	8.962	8.962	8.962	8.962	8.962	8.962
Insurance Reserves	6.033	6.033	6.033	6.033	6.033	6.033	6.033
Service Reserves	12.690	8.532	8.296	8.260	8.224	8.332	8.296
Total	**107.076**	**80.064**	**77.751**	**75.548**	**77.848**	**80.355**	**81.257**

Figure 23 Forecast Earmarked Reserve Levels



3.42 Outcomes Based Planning and Budgeting

The Council began to introduce a new approach to Outcomes Based Planning and Budgeting in 2019/20 which looked at repurposing resources towards new agreed priorities and outcomes. The Council is determined to do everything it can to plan effectively for the future and invest in priorities that make a real positive difference to residents, businesses, and visitors. Following the impact of COVID-19 over the last two years, the year 2022/23 is clearly an important transitional year in our journey towards becoming a more outcome focussed organisation where our resources are prioritised accordingly.

The Council has targeted its resources to deliver the Southend 2050 programme and roadmap phases and economic recovery priorities. Being a more outcome focussed organisation will enable us to direct our investment, resource and business planning to activity that will achieve better outcomes and change the conversation in the future to what to keep rather than what to cut.

3.43 Addressing the Budget Gap

The Council is currently predicting a cumulative budget gap of **£24.0M up to the end of 2026/27**. To address and close the budget gap over this period we must continue our drive towards financial sustainability for the future. As we work collaboratively with our partners, we may need to increase our 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 our services.

The approach to addressing this gap can be seen within several initiatives already in operation within the organisation including:

- Business as usual monitoring and budget reviews throughout the year.
- The full implementation of outcome-based budgeting.
- Link business planning and budgeting to focus on service outcomes.
- Effective and creative management of service demand.
- A review of all major contracts.
- Full implementation of a new Commissioning Framework.
- Fully embed the new ‘Getting to Know your Business’ Programme.
- Exploring new commercial opportunities.
- Range of medium savings and income generation initiatives proposed.
- Prioritise a series of zero-based service reviews.
- Future Business Transformation Programme proposed.

The forecast profiled budget gap in the Medium Term Financial Forecast over the next five years is summarised in Table 8.

Table 8 Forecast Budget Gap

Year	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Budget gap	£0.0M	£8.6M	£3.9M	£6.3M	£5.2M	£24.0M

3.44 Budget Monitoring and Forecasting

The corporate budget performance report is a key tool in scrutinising the Council's overall financial performance. It is designed to provide an overview to all relevant stakeholders. It is essential that the Authority actively monitors its budgets throughout the year to ensure that the overall financial position is robust and sustainable and that strategic objectives are being achieved.

In setting the annual budget and the MTFS the Council will ensure potential risks are assessed and managed so that their impact is minimised or accounted for either via Contingencies, Balances or Earmarked Reserves as is necessary. In year, the Council will monitor its revenue and capital budgets (including the HRA) monthly and report to Cabinet on a regular basis.

Whilst the responsibility lies with the Executive Director for Finance & Resources for reporting to Cabinet the financial position, the responsibility and accountability for the financial position and performance of the services lies with the budget holder.

These reports will be prepared for Cabinet at regular intervals throughout the financial year and will provide an opportunity to highlight major variations from the approved spending plans enabling corrective action to be taken where necessary.

All budget holders are responsible for ensuring external income is maximised for their service and for seeking out new opportunities to generate income. If the budget holder cannot resolve issues within their own service area budgets these should be dealt with by Service Directors and the Executive team.

Where pressures are identified appropriate recovery plans are required to be agreed and implemented in year which look to address these issues and identify ongoing pressures that may need to be addressed as part of setting the budgets over the medium term.

The Council has introduced a new integrated finance and accountancy structure in 2021/22 which will build on the strengths of the established and respected finance business partnering service to support and advise Directors and Service Managers with the financial management requirements of their services.

The focus of the Finance Business Partnering function is to support services to:

- Look at a specific business problem and propose solutions based on research and insight.
- Perform and analyse benchmarking against other areas and services to drive business decision making.
- Work with business intelligence to understand activity and cost drivers.

- Support services to look at the totality of investment against objectives.
- Support services to focus on being sustainable.
- Support services in developing business cases.
- Work to better understand, manipulate, and extract better outcomes from contracts – improving deliverables and forward planning procurement exercises.
- Perform sensitivity analysis across whole systems to understand links between variables and support to make optimal interventions.
- Support with project managing change through greater involvement in strategic decision making.

4 Conclusion

This MTFS provides a robust framework for setting the budget for 2022/23 and to help to ensure that the Council remains financially sustainable over the medium term. The current forecast position is based on the best information currently available and is challenging but should be achievable.

The Council has seen a sustained reduction in general grant funding over the past decade whilst also experiencing major increases in demand for a range of priority local services that it delivers. The increased uncertainty over the impact of future planned national financial reform, together with estimating how quickly and to what extent the local area recovers from COVID-19 makes business and financial planning very difficult. This strategy and the range of assumptions included will be updated as soon as new information becomes available.

Positively the Council has a clear 2050 ambition, strong collegiate leadership, residents, and communities are engaged, resources are prioritised towards achieving better local outcomes and the organisation in these unprecedented circumstances has set a robust, resilient, and sustainable budget.

Southend-on-Sea Borough Council is in a strong position to influence, shape and redesign services both locally and regionally to make a real positive difference to the lives of Southenders.