

# Southend-on-Sea Borough Council

Report of Executive Director (Finance and Resources)  
To  
**Council**  
On  
24 February 2022

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

Agenda  
Item No.

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**Prioritising Resources to Deliver Better Outcomes 2022/23 to 2026/27**  
**Cabinet Members: Councillor Ian Gilbert and Councillor Paul Collins**  
***Part 1 (Public Agenda Item)***

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## 1. Purpose of Report

- 1.1 To request Council to approve the setting of a revenue budget and Council Tax level for 2022/23 and a Capital Investment Programme for 2021/22 to 2026/27 including the associated Prudential Indicators and Treasury Management arrangements.
- 1.2 To request Council to approve the setting of the Housing Revenue Account (HRA) budget, recommended rent levels and associated service charges for 2022/23.
- 1.3 For Council to consider the comprehensive reports that were presented to Cabinet on 13 January 2022 and 15 February 2022 which set out the issues affecting the Council's budgetary position for 2022/23 and provided an assessment over the medium term to 2026/27. This included the details of the provisional Local Government Finance Settlement, which has since been confirmed as final, with no substantive changes for Southend-on-Sea Borough Council.
- 1.4 For Council to consider the recommendations agreed by Cabinet at its meeting on 15 February 2022. To approve a revenue budget (including the HRA), a Council Tax level, five-year financial projections including budget investments, savings and income generation proposals for 2022/23, an outline future Budget Transformation Programme for 2023/24 to 2026/27, a Capital Investment Programme and range of Prudential Indicators.
- 1.5 To seek approval from Council to the formal Council Tax setting resolutions contained within this report.
- 1.6 To request Council to consider and formally agree all these matters.

## **2. Recommendations**

**That the Council considers the information contained in this report and the related reports to Cabinet on 13 January 2022 and 15 February 2022 to agree:**

### **2.1 A 2022/23 revenue budget (Appendices 1 and 2 (i) to (iv)) and**

- a Council Tax increase of 3.99% for the Southend-on-Sea element of the Council Tax for 2022/23, being 1.99% for general use and 2.0% for Adult Social Care;**
- the use of £2.5 million from Reserves in 2022/23 to support the balancing of the budget and note the planned replenishment of the Reserves is included in the Medium Term Financial Strategy and reflected in the future budget gap at a rate of £0.625 million per year for each of the next four years to 2026/27;**
- the use of £1.5 million of the collection fund surplus for the 2022/23 budget;**
- to note the increase in the Council Tax level of 1.95% for the precepting authority the Essex Fire & Rescue Services;**
- to note the increase in the Council Tax level of 4.79% for the precepting authority the Essex Police;**
- to note the increase in the Council Tax level of 0.71% for Leigh-on-Sea Town Council.**

### **2.2 The final levy position for 2022/23;**

### **2.3 A Capital Investment Programme for 2021/22 to 2026/27 (Appendices 3 (i) and (ii));**

### **2.4 The recommendations from Cabinet 15 February 2022 for the HRA and associated rent levels, service charges, Treasury Management, and Prudential Indicators;**

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

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

### **2.7 The direction of travel for 2023/24 and beyond and noting the need for the organisation to continue to move to a longer term and outcome based budgeting approach (Section 8).**

### 3. Background Information

3.1 The last 2 financial years have clearly been dominated by the impact of COVID-19. In this context the various fiscal and operational challenges, budget development plans, business uncertainty concerns and associated matters of Southend-on-Sea Borough Council have been considered at the Cabinet meetings of 13 January 2022 and 15 February 2022.

3.2 The overall package of budget proposals was launched for consultation with local residents, businesses and relevant stakeholders on 6 January 2022. The relevant reports were also presented and considered at the Council's various Scrutiny Committees from 7 February to 10 February 2022 and discussed at the Business and Voluntary Sector consultation meeting on 13 January 2022, as outlined below:

- *Prioritising Resources to Deliver Better Outcomes 2022/23 to 2026/27*
- *Housing Revenue Account Budget and Rent Levels 2022/23*
- *Treasury Management Policy 2022/23 (Treasury Management scrutinised at Audit Committee on 12 January 2022 and not at the Scrutiny Committees)*

3.3 Based on feedback during the consultation and updated financial performance information, some changes to the original package of budget proposals presented on 13 January were included in the Cabinet report on 15 February. The Cabinet listened to the feedback that was received from the budget consultation exercise and the final overall budget package proposed has been assessed as robust and deliverable, despite the current challenging and unprecedented operating environment.

3.4 The Cabinet recommends to Council that it: -

Approves the proposals for the Revenue Budget and Council Tax Level as set out at **Appendices 1 & 2** and approves the Capital Investment Programme as set out at **Appendix 3**. Other recommendations requesting approval include the HRA Budget and associated rent levels and service charges for 2022/23, Treasury Management arrangements and Prudential Indicators. Details of all these items and relevant recommendations are all contained in the suite of Cabinet reports presented on 15 February 2022.

3.5 The Council must set its revenue budget and Council Tax by 11 March of the preceding year. If, for whatever reason, the Council cannot agree a budget and Council Tax level on 24 February 2022, Members should be aware that it is unlikely that the Council Tax bills could be sent out on time for the 1 April instalment date (considering the necessary notice period and the time required to print the bills and the accompanying leaflet). Such a delay will increase costs significantly by circa £150k - £250k and will need to be built into the budget. It is also highly likely that this will also translate into a higher level of un-collectable debt and increased debt collection costs which will have a significant negative impact on a range of local Council Tax performance indicators.

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

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

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

4.2 The assessment of the Council's reserves was addressed within the S151 Officer Statement to Cabinet on 15 February 2022 (Appendix 3 of the Prioritising Resources to Deliver Better Outcomes 2022/23 to 2026/27 report). In addition, further detail was also contained in the updated Medium Term Financial Strategy 2022/23 – 2026/27, which was presented at Appendix 2 within the same report.

4.3 For 2022/23, the overall level of contingency within the proposed budget is circa £3.7 million, which has been set at the same level as 2021/22.

4.4 The position on Council Tax capping was amended by the introduction of the Localism Act in December 2011. The provisions in the Localism Act 2011 abolished Whitehall capping in England and instead provides local residents with a power to approve or veto excessive council tax rises. The new provisions require the Secretary of State to propose principles defining an excessive increase in council tax for any financial year. The main principle to be determined relates to the increase in Band D council tax (subject to certain adjustments) from one year to the next.

4.5 A Council Tax referendum will only be required to be held in relation to an authority's council tax increase in 2022/23 if the amount set by the authority exceeds the council tax excessiveness principles applying to that year. For 2022/23 the position is as follows:

- The Secretary of State has set the council tax principles for 2022/23 as part of the Local Government Finance settlement. These are that local authorities with responsibility for Adult Social Care will be required to seek the approval of their local electorate in a referendum if, compared with 2021/22, they set a council tax increase that equals or exceeds 3-6% (comprising 1-4% for expenditure on adult social care and 2% for other expenditure).
- In recognition that local authorities might not have wanted to take up the Adult Social Care precept flexibility in full in 2021/22, some or all of this could be deferred for use in 2022/23, irrespective of other referendum principles that applied in 2022/23.

- 4.6 For Southend-on-Sea Borough Council the 2021/22 Council Tax increase included 2% for the Adult Social Care precept and the remaining 1% increase in Adult Social Care precept was deferred to the 2022/23 financial year. Therefore, the percentage increase defined by the Secretary of State as constituting an excessive increase for 2022/23 for this Council is 4%.
- 4.7 In agreeing a proposed increase of 3.99% for the Southend-on-Sea element of the Council Tax for 2022/23, being 1.99% for general use, 1.0% for the Adult Social Care precept for 2022/23 and 1.0% for the Adult Social Care precept deferred from 2021/22, the Council is in line with the requirements from the Secretary of State and therefore no referendum is triggered.
- 4.8 Therefore, in my view as the Council's Chief Financial Officer, I can confirm that the budget for 2022/23, as reported in the suite of Cabinet reports in January and February 2022 and considering the issues highlighted in this report, is challenging to deliver in the current circumstances but is also sufficiently robust to be recommended for approval by the Council. I am also able to advise the Council that the level of Reserves is adequate and to recommend a Reserves Strategy which is achievable in 2022/23 and over the medium term in line with the factors set out in my S151 Officer Statement.

## **5. Council Tax and Collection Fund 2022/23**

- 5.1 The Council Tax Base for 2022/23 was approved by Cabinet on 13 January 2022 at 59,086.74 (equivalent Band D properties).
- 5.2 The estimated accumulated surplus on the Collection Fund at the end of 2021/22 is sufficient to allow £1.5 million to be attributed to the Council and which has been used in calculating the Council Tax, as statutorily required.
- 5.3 The proposed budget assumes a Council Tax increase of 1.99% for general use on the Southend-on-Sea element of the total Council Tax. In addition, no referendum limit will be breached by approving this level of increase for 2022/23.
- 5.4 Council may wish to bear in mind that a 1% change in Southend-on-Sea Borough Council's element of the Council Tax is £13.71 per annum for a Band D property. This equates to an amount of circa £0.810 million in the revenue budget for each 1% change.
- 5.5 The proposed Council Tax increase of 1.99% will mean a Band D level of £1,369.97 per annum on the Southend-on-Sea element of the Council Tax. This equates to an annual increase of £29.78 and a weekly increase of 57p.
- 5.6 This budget also includes the Adult Social Care Precept at an increase of 2.0% over the previous year. The proposed level equates to an annual increase of £29.89 (from £154.53 to £184.42) equivalent to a weekly increase of 57p at the Band D Council Tax level.

- 5.7 The total Council Tax payable by taxpayers consists of the Southend-on-Sea Borough Council precept, the Adult Social Care precept and the precepts for Essex Fire & Rescue Services and Essex Police. Where applicable it also includes Leigh-on-Sea Town Council precept.
- 5.8 The Statutory Budget Determinations and amount of Council Tax for Southend-on-Sea Borough Council is shown in **Appendix 4**.

### Precepts

- 5.9 For Essex Police an increase in its Council Tax has been approved by the Police, Fire & Crime Commissioner. This represents a Council Tax of £218.52 (2021/22 = £208.53) per Band D property, which equates to an increase on the respective 2021/22 level of 4.79%.
- 5.10 For Essex Fire & Rescue Services an increase in its Council Tax has been approved by the Police, Fire and Crime Commissioner. This represents a Council Tax of £75.33 (2021/22 = £73.89) per Band D property which equates to an increase on the respective 2021/22 level of 1.95%.
- 5.11 Leigh-on-Sea Town Council has declared its precept for 2022/23 at £452,880 (2021/22 = £443,217). Based on their council tax base of 8,890.46, there will be an increase of 0.71% in the Town Council element of the total Council Tax bill from £50.58 to £50.94 at Band D. This only applies to the area covered by the Town Council.

### Levies

- 5.12 The Council is required to pay relevant levying bodies, who have all now provided their required levy for 2022/23 and the position for 2022/23 compared to 2021/22 is identified in the table below. The final approved levy also includes anticipated year-end adjustments for 2021/22 and 2022/23:

	2021/22 Probable Actual £000	2022/23 Estimate £000	Percentage increase %
Kent and Essex Inshore Fisheries and Conservation Authority	21.9	23.1	5.5
Flood Defence – Environment Agency	209.4	213.2	1.8
Coroners Court	409.7	444.0	8.4
<b>Total</b>	<b>641.0</b>	<b>680.3</b>	

The 2022/23 budget proposed at Cabinet on 15 February 2022 included a total sum for levies of £680,300. The final approved levies and year-end adjustments for 2022/23 total £680,300. Therefore, no amendment is required to the levies budget for 2022/23. However, if there are any final adjustments to the above levies for 2022/23 this will be funded through contingency.

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

- 5.13 Parish and Town Councils can precept on the Authority for services provided in the Parish or Town Council area. The Local Government Finance Act 1992 requires these precepts to be deemed a special item. In the Council's geographical area, the only parished area is Leigh-on-Sea.
- 5.14 The cost of Southend-on-Sea's services are spread uniformly over the Authority's area. However, in some parishes, the Town Council may provide services which in other parts of the Authority are provided by the Council. Under Section 35 (2) (d) of the 1992 Act, the cost of these services is regarded as special expenses unless the Council has resolved otherwise. Special expenses are deemed to be included as part of the special items for Council Tax setting purposes.
- 5.15 The costs of special expenses are deducted from the council's total expenditure when setting the basic Council Tax and are charged as an additional amount to the areas receiving the benefit of these specific services.
- 5.16 At its meeting on 15 February 2022, the Cabinet considered the special expenses to apply in 2022/23 and recommended that there were no special expenses in addition to the Leigh-on-Sea Town Council's precept.
- 5.17 The proposed Band D Council Tax excluding and including Leigh-on-Sea Town Council is set out at **Appendix 1**.

## **6. Capital Investment Programme**

- 6.1 The Cabinet also considered proposals for the Capital Investment Programme for 2021/22 to 2026/27 and referred the proposals set out at **Appendix 3 (i) and (ii)** to this report.
- 6.2 The Cabinet also agreed to refer to Council the approval of the Capital Investment Strategy and Prudential Indicators.
- 6.3 The full impact of the borrowing costs required to fund the proposed programme have been included in the Council's current financial planning for 2021/22 to 2026/27. The 2022/23 revenue budget incorporates the required borrowing costs as part of the budget requirement for 2022/23. In summary, it is my view, as the Council's Chief Financial Officer, that the 2021/22 to 2026/27 Capital Investment Programme is proportionate, prudent, affordable and sustainable.
- 6.4 To demonstrate compliance with these objectives a set of prudential indicators, as required by statute, is also recommended for approval.

## 7. Medium Term Financial Strategy (MTFS)

- 7.1 Given the constantly changing events over the last 2 years the development and updating of the Council's Medium Term Financial Strategy has been challenging, particularly with the decision by the UK Government to effectively only announce a single year financial allocation for 2022/23, as part of the Comprehensive Spending Review 2021. Major Local Government 'funding reform' in 2022/23 has now been confirmed as part of the Government's 'Levelling Up' agenda. This could potentially result in a significant re-distribution of resources across local authority areas for years two (2023/24) and three (2024/25).
- 7.2 To try to illustrate some medium-term financial planning parameters, an updated Financial Strategy 2022/23 – 2026/27 has been developed using the best information and the most likely set of scenarios/assumptions that are currently available. The updated and full MTFS for the period 2022/23 to 2026/27 was included within the Prioritising Resources to Deliver Better Outcomes 2022/23 to 2026/27 report to Cabinet on 15 February 2022 at Appendix 2.
- 7.3 Any final cosmetic and background changes not impacting on the overall strategy and recommendations in the MTFS will be undertaken by the Deputy Chief Executive and Executive Director (Finance & Resources) before final publication. This strategy will be kept under regular review and a formal annual refresh will be presented to the Cabinet as part of the Council Tax setting proposals for 2023/24.
- 7.4 This strategy is the Council's key financial planning document which informs business and resource planning and shows how spending needs to be balanced with the amount of available funding. It identifies budget gaps in the medium term to enable the Council sufficient time to address them in a considered, measured, and planned way.
- 7.5 It is good practice to update the rolling MTFS as part of setting the Council budget and Council Tax to ensure our financial planning is fully aligned and integrated.
- 7.6 The MTFS currently shows a projected further budget gap for the Council of £24.0 million for the following four financial years. This is set out in detail in **Appendix 5** and in summary as follows:

2023/24	£8.6 Million
2024/25	£3.9 Million
2025/26	£6.3 Million
2026/27	£5.2 Million
<b>Total</b>	<b>£24.0 Million</b>

7.7 The estimated calculation of the future gap of £24.0 million needs to be considered with a degree of caution. Although all relevant information that the Council is currently aware of has been factored into this assessment, attempting to predict the future in the current set of constantly changing circumstances is incredibly difficult. There remains uncertainty over what the UK Government may do in response to the ongoing impact of COVID-19 on the country's public finances and the local impact of the 'funding reform' confirmed to be undertaken as part of the Comprehensive Spending Review in 2022/23. We will continue to monitor developments and update our forecasts as more clarity over national policy choices becomes available.

## **8. 2023/24 and Beyond**

8.1 COVID-19 has fundamentally changed the financial landscape and operating environment for public services. Local Authorities were issued with a confirmed financial settlement for 2022/23 only. Future years will be subject to any re-distribution impact of the planned 'financial reform' as part of the Comprehensive Spending Review 2021. Although our 10-year Financial Sustainability Strategy was initially only developed and approved in February 2020 it has now been refreshed as part of this budget cycle in 2022. This has 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.

8.2 It will also be important to reassess, understand and take responsibility for determining our financial future. We must continue to be proactive in the delivery of our agreed Southend 2050 ambition, key priorities, evaluation of the local economic recovery progress and to provide the best possible value for money services to our local residents, businesses and visitors. Our financial sustainability will be enhanced by embracing the Borough's economic potential, growing our local tax bases and by increasing our income generating and commercial capabilities.

8.3 From a local business and financial planning perspective, confirmation of the level of funding for 2022/23 only creates real uncertainty for the Council and fails to provide any clarity for the future. Our longer-term assessment has had to be based on a range of assumptions – the most significant is that we are currently assuming that the level of Government funding support we are expecting to receive in 2022/23 remains at exactly that same level in future years through to 2026/27.

8.4 In an uncertain world the Medium Term Financial Strategy attempts to outline how scarce revenue and capital resources are prioritised and then deployed to respond to increasing demand for key local services and to deliver better value for money outcomes for local residents over the medium term. The future financial sustainability and resilience of the Council is also a key fundamental guiding principle.

- 8.5 This report predominantly addresses, as we are required to do, a detailed budget for 2022/23 but it is also appropriate to identify the areas the Council should continue to explore in order to meet the budget constraints of future years and also tailor the services it provides and review its role within national policy and local circumstances. The impact of COVID-19 continues to have far reaching consequences and as we address the recovery from the pandemic, the Council's 2050 Ambition and the South Essex vision for 2050 we need to be mindful of how we align and prioritise our resources to achieve the best value for money outcomes for our local residents.
- 8.6 To continue to influence the recovery from the pandemic and recognising the potential size of the financial and operational challenge that lies ahead, as commenced last year this report also outlines a high-level future Budget Transformation Programme for 2023/24 – 2026/27. This is to be scoped and developed further over the coming months to support the Council's future financial sustainability ambition and to prepare for what will undoubtedly continue to be a very challenging time for the Local Government Sector.
- 8.7 Traditionally, and particularly over recent years, the nature of Council activity has seen an increase in the level of directly delivered services for the local populace and for local businesses and visitors. Many services have been delivered on a universal basis and free or at limited cost, but this may need to be reviewed as greater pressure is being placed upon the services provided by the Council and the way in which these arrangements are delivered.
- 8.8 The Council may need to increase focus on the delivery of its services in a more targeted way, concentrating on delivering services to those residents who most need the Council's support. The Council may also need to review and change its approach to tailoring the delivery of its many statutory services. To underpin these new arrangements the Council will continue to reposition its role as one to work alongside the community, its residents and businesses, to try to improve the many contributing factors that affect people's lives.
- 8.9 The Council will continue to have a positive commitment to working, and delivering services, in partnership with other agencies, the voluntary and commercial sectors, and the community itself. As part of this approach the Council will encourage the sustenance of community services in collaboration with local communities, encouraging community capacity to operate effectively in appropriate circumstances.
- 8.10 The Council will also seek to address critical issues such as equality, disadvantage, lack of attainment and poverty by working with communities themselves, seeking enhanced training support and opportunity. It will foster and promote the local economy and thereby enhancing local opportunities for aspiration, attainment, increasing household income and personal achievement.

8.11 When the previously announced Government funding reforms are fully implemented, we will soon be in a position where our funding to maintain and improve our council services will come from only three main sources:

- Business Rates
- Council Tax
- Other forms of income we can generate e.g. Fees & Charges, commercial activity, traded services, etc

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

8.12 The Council will therefore seek to ensure that the Council Tax and Business rates bases are strengthened and post COVID-19 income collection levels are at least maintained. In addition, the Council will explore innovative income generation opportunities that will increase the Council's range of revenue sources to assist with meeting the need to be financially self-sustainable and to support the delivery of our outcomes. As part of this commitment there is the continued intention to look at greater commercial opportunities for services of the Council.

8.13 Given the financial challenge we have and will continue to face for a number of years, a longer term and outcome-based budgeting approach will be needed to ensure that there is effective prioritisation and reallocation of our complete resource base.

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

9.1 The corporate implications of the proposed Council Budget have been set out in the relevant reports to the Cabinet meetings of 13 January 2022 and 15 February 2022.

9.2 In reaching decisions on budget proposals and Council Tax, Members will need to bear in mind all the detailed advice provided by officers both in reports to the Cabinet and information supplied directly. Careful consideration must be made for the impact of decisions both in the coming year and subsequent years.

9.3 Members should also note that in approving the Council budget and setting the Council tax level that all the information, advice and recommendations contained in the full suite of reports presented to Cabinet on 13 January 2022 and 15 February 2022 represent part of the decision-making process. All that detailed report information needs to be fully considered and recognised alongside this Council report.

## **10. Background Papers**

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

10.2 In addition, Background Papers include:

- (i) Minutes of the Cabinet meeting 13 January 2022;
- (ii) Minutes of the Cabinet meeting 15 February 2022;
- (iii) Minutes of the various Scrutiny Committees from 7 February to 10 February 2022 and feedback from the Business Sector and Voluntary Sector consultation meeting on 13 January 2022.

## **11. Appendices**

- Appendix 1 Revenue Budget and Council Tax 2022/23
- Appendix 2 (i) General Fund Budget Investment 2022/23
- Appendix 2 (ii) General Fund Budget Savings and Income Generation 2022/23 to 2026/27
- Appendix 2 (iii) General Fund Budget Transformation Programme 2023/24 to 2026/27
- Appendix 2 (iv) New or Amended Fees and Charges 2022/23
- Appendix 3 (i) Capital Investment Programme 2021/22 to 2026/27
- Appendix 3 (ii) Proposed Capital Investment 2022/23 to 2026/27
- Appendix 4 Council Tax Resolution 2022/23
- Appendix 5 Medium Term Financial Forecast 2022/23 to 2026/27