Southend-on-Sea City Council

Medium Term Financial Strategy
2023/24 to 2027/28

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1 Introduction

1.1 Background

Southend-on-Sea City Council (SCC), 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 the current unprecedented operating environment, increasing and more complex local service demand and uncertainty over future potential finance reform and national policy changes. The Council was awarded and celebrated achieving City Status in 2022 but no-one could have predicted the economic challenges, national and international circumstances that have been experienced, since the Council approved its 2022/23 budget in February 2022.

It is within this context that the Council has comprehensively update its Medium-Term Financial Strategy (MTFS) for 2023/24-2027/28. This strategy provides an integrated view of the whole of the Council's finances and priority investment plans over the medium term. It outlines 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 is predicated on ensuring that the Council remains financially stable and resilient for the future.

1.2 A Sector Under Pressure

The current cost of living crisis is the latest in a decade-long series of events, including austerity, Brexit, a global pandemic and war in Ukraine that continue to erode the financial sustainability of local public services. In the 2022 Autumn Statement, the Chancellor looked at mechanisms for dealing with the level of funding for Local Government and confirmed that the previously announced increases in the current Spending Round for 2022/23 will be maintained for the next two years.

This Statement did provide some reassurance and avoided/delayed some of the huge concerns that have been highlighted across the sector throughout 2022. These warnings contributed to an independent national analysis undertaken by Grant Thornton that suggested that as many as 1 in 6 local authorities could run out of money as early as 2023/24, without substantial additional funding and/or significant budget reductions. The operating environment, unavoidable cost pressures and complexity of local service demand for local government has never been more challenging.

National agendas including 'Levelling Up' and a range of major policy reforms will need to be delivered within this context. In the background, local authorities will have to make some very tough choices and embrace and implement significant further changes to their local service offer including digitalisation to capitalise on the efficiencies this affords. Looked at collectively, there is an extreme amount of pressure to deliver against all these priorities whilst also managing major affordability and sustainability concerns. The sector has never witnessed so many s114 notices (effectively a declaration that a local authority is no longer a going concern) being issued or being considered.

There is no longer any ‘low hanging fruit’ to reduce costs in local government, therefore across the country, local authorities are having to think seriously about a comprehensive programme of change to get to a financially sustainable base whilst at the same time managing increasing and ever-changing complexity of local demand for Council services.

One of the Council’s major areas of concern was the potential impact on service demand ‘post COVID-19’ or ‘living with COVID-19’ in the future. Unfortunately it appears that these concerns have come to fruition with a combination of increased demand and support because of long COVID-19 symptoms and more pressure placed 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.

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 Impact – Finance Settlement 2023/24

The provisional finance settlement was published on 19 December 2022 and confirmed that there would NOT be a Comprehensive Spending Review but did confirm short term funding levels and provide extra investment for social care. The Council began the financial year 2022/23 in a relatively strong financial position in comparison to several other upper tier authorities. The speed of widespread inflationary pressures, energy prices and local service demand post the pandemic has had a huge financial impact for Southend-on-Sea. This situation has been replicated right across the country. Regular monitoring reports have been presented to Cabinet throughout the year, illustrating the scale of the impact and summarising what actions the Council have had to take to try and mitigate the threat to the Council’s financial sustainability. The last updated forecast financial position for 2022/23 as at 30 November 2022 (Period 8) was considered by Cabinet at its meeting on 12 January 2023.

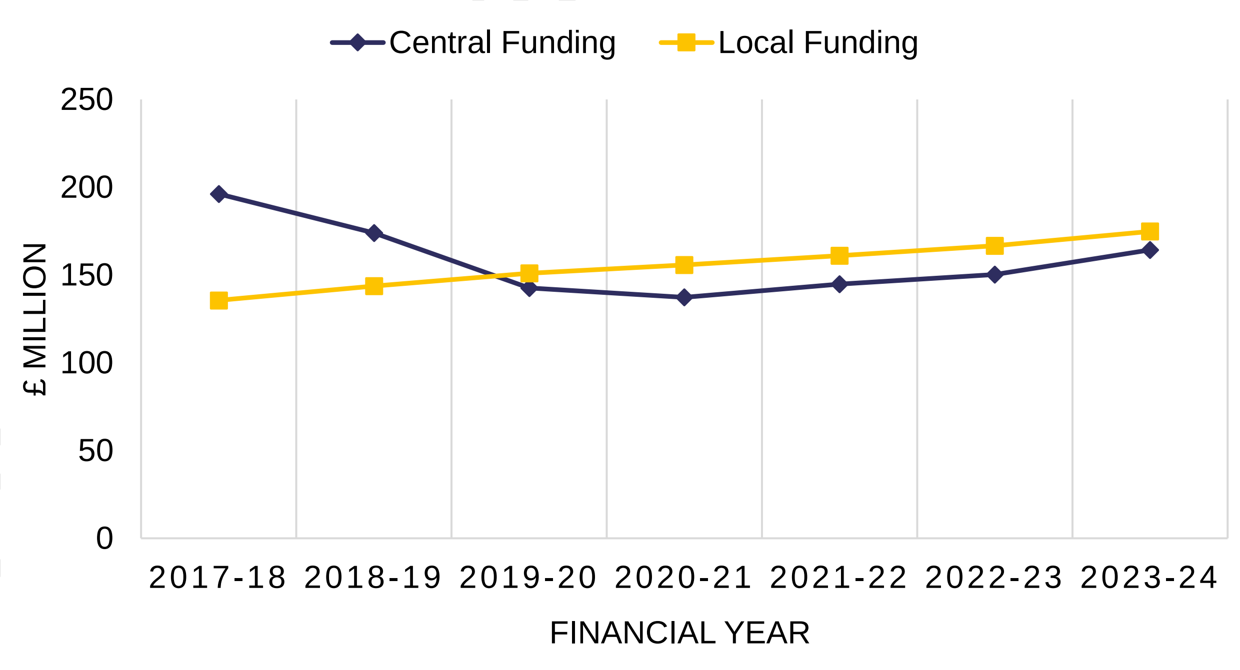
In simple headline terms the Government’s announcement of the levels of resource increase contained within the provisional financial settlement for the local government sector for 2023/24 seems reasonable, given the economic and financial challenges facing the country. On closer analysis though and when getting access to the details behind the % increase headlines, the funding package is not as positive. For many years now all Governments have favoured the use of highlighting ‘Spending Power’ calculations for local authorities. This combines ‘national funding with local income generating potential via council tax’ so the true level of additional resource is considerably less than what is required just to keep up with current levels of inflation, ignoring any local demand service increases.

This will cause major financial and sustainability challenges, particularly for upper tier authorities with responsibility for social care. In simple headline terms Southend-on-Sea City Council will receive around £15 million extra income in 2023/24 but around £5 million of this is assumed to be raised by increasing local Council Tax by 4.99%. The details also highlight numerous examples where 'previous grants have been rolled in' as part of the settlement and expected funding from Government commitments around initiatives like the New Homes bonus have been reduced. Extra burdens and 'new strings, expectations and reporting requirements' have also been introduced for 'new funding' particularly for social care and for grants like the Hospital Discharges Fund. [UPDATE PENDING]

Within this context it remains vital to reassess, understand and take responsibility for our financial future. We must remain proactive in the delivery of our agreed corporate plan priorities and Southend 2050 ambition, evaluate 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 can only be enhanced by embracing the City's economic potential, growing our local tax bases and by increasing our income generating and commercial capabilities.

Figure 1 illustrates that for SCC 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



SCC is one of six unitary authorities in the East of England, responsible for over 500 services and with a current population of nearly 181,000 residents in around 80,000 households. The Council's turnover is around £440m 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 City 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 and to begin to support our recovery from the pandemic.

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 Financial Management Code[1] which summarised a lot of the good work and appropriate standards that were already evident within the local authority.

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

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.

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.

Despite the current challenges, the Council is determined to build on the solid financial foundation that it has worked so hard to create locally. 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.

It really has been an unprecedented period in recent history which will require some tough national and local choices and difficult decisions to be made on priorities, particularly around non-statutory service levels over the medium-term. The combination of current economic factors will directly impact all public services, local businesses, and residents, putting more pressure on local authority budgets and household incomes.

1.4 Southend-on-Sea City Council's Corporate Plan and 2050 Ambition

Building on the engagement and consultation exercise undertaken with residents and key local stakeholders during 2022, the Council's new corporate plan has heavily influenced the investment priorities for 2023/24 – 2027/28. Our corporate plan provides the context and narrative for our City and the role that the Council will play in that. It reflects the period of organisational change and our operating models for the future – including officer and member development. The corporate plan's four overarching themes provide a framework to support prioritisation:

- a city that is strong and prosperous
- a city with a good quality of life
- a city rising to the climate change challenge
- a city delivering genuinely affordable housing

These corporate priorities will be enabled by us changing as an organisation. Areas in the council where we will focus change are:

Delivering the right quality services

- increasing understanding of the overall goals of customers

- alignment of a common customer-centric vision
- designing services from the point where a customer begins to try to achieve a goal, right through to the point when the goal has been completed and the best possible outcome achieved

How we work

- developing working practices that maintain employee engagement and enable people to maximise their performance. This includes:
  - developing our hybrid working approach
  - making sure people working from home don't suffer from increased levels of loneliness and mental distress

Digital as an enabler

- making the council a more accessible and inclusive place to work
- working flexibly when needed to meet challenges and opportunities
- collaborating and co-designing with residents, communities and partners to identify behavioural drivers, and barriers, and make the best use of resources
- ensuring services are joined up and always accessible

The council's change programme will be driven forward through a new transformational blueprint (3.5).

Southend 2050 remains the overriding ambition and provides the opportunity for the Council to continue strengthening partnership working across the City and wider region. Dedicated work and engagement will continue with a focus on achieving this ambition as a new City.

To reflect these aspirations and to support delivery of the early phases of activities to achieve better outcomes for Southend's residents, the Council for 2023/24 is continuing to try and develop a longer-term view of the use of its resources and financial planning arrangements. Our commitment remains to focus on supporting the local economy and our most vulnerable local residents to recover from the pandemic and to help them to cope where we reasonably can with the current cost of living crisis.

Our approach enhances the profiling of investment and supports effective prioritisation of activities. It will also enable improved consideration of major regeneration plans that span more than one financial year from both a revenue and capital perspective. These new set of arrangements were introduced in 2020/21 and became the key driver behind integrating both revenue and capital investment plans into a single report with greater emphasis on the medium term.

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 invest in priorities that make a real positive difference to Southend's residents, businesses, and visitors. The years 2020/21 and 2021/22 were dominated by the impact of the pandemic, 2022/23 has been dominated by inflationary pressures and a cost-of-living crisis so 2023/24 is now clearly an important year in our journey towards becoming a more outcome focussed organisation where our resources are prioritised accordingly.

The intention has been to target scarce resources to the agreed priorities within the Council's new corporate plan within the context of the overall Southend 2050 ambition, provide support for our most vulnerable residents, respond positively to the impact of the pandemic on our local economy, manage the impact of inflation as carefully as possible whilst coping with unprecedented levels of local demand pressures across social care. It is a very difficult combination of challenges to navigate and respond too, whilst also ensuring that the Council lives within its means and remains a financially sustainable organisation.

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.

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.

1.5 Implementing the Ambition and organisational transformation

Building a City Council Fit for the Future

The overall level of net cost reduction required by Southend-on-Sea Council to bridge a medium to long term deficit by 2027/28 requires a programme of work that not only supports the development of net cost reduction and transformation opportunities at a service level, but that also considers how these opportunities can be integrated into a renewed, sustainable, operating model.

Grant Thornton have been working with Southend-on-Sea City Council to rapidly review the Council's operating model and identify tactical and strategic opportunities for savings and change. Through their work with us they have made key observations about the operating model of the Council:

- As a twenty-first-century Council with an ever-tightening fiscal environment, Southend has no option but to modernise its operating model and find new, more cost-effective ways of meeting the needs of its communities in the context of a changing public sector landscape.

- Overall, the Council is relatively 'traditional' in its mode of service delivery, and there is significant opportunity to innovate, considering not just 'how' services are delivered but also 'what' services are delivered.

- The Council has a history of being all things to all people - a key objective of the Corporate Plan and Service Plans should be to define more clearly what the Council prioritises and delivers and therefore give officers the authority to stop/reduce non-essential activities.

Working with Grant Thornton the Council has been through a period of 'idea generation' which produced a long list of opportunities across the themes of:

- Target operating model (modern, simplified and streamlined)
- Efficiency and productivity
- Service offer changes
- Commercial (income generation and third party / contractual arrangements)
- Resident & customer engagement

Due to the large number and scale of the value of opportunities identified, a comprehensive programme is required to focus activity, provide consistency and oversight as well as invest time and scarce resources in the right places. The transformation blueprint sets out this programme and organises these opportunities into workstreams to create order and sequence to activities.

A New Transformational Blueprint for the City Council

Southend on Sea City Council's transformation blueprint looks to provide a roadmap and framework for building a council that is fit for the future and is constructed of the following key elements.

Our transformation principles set the ambition for the Council and are the compass by which we will measure if an initiative will help the Council move towards the desired future state. They reflect the two sides of the organisation which are both important: Supporting vulnerable residents and protecting the Council. These principles are summarised in Figure 2.

Figure 2 Summary of Guiding Principles

Principle	Summary
Digitally Enabled	• Digital by default • Self-service through effective online tools and support • Reduction of manual tasks and processes
Prevention & Resilience	• Early intervention is prioritised • Failure demand is minimised through taking a customer-centric approach
Resource optimisation	• Services are what we deliver, not where, by who or how • Assets locations align with local need and we co-locate where appropriate • Our workforce is productive, scaled and structured appropriately to deliver
Prioritisation	• Opportunities to 'stop' and 'resize' non-essential activities are taken • Resources are focused on those that need it most
Collaboration	• Work together to drive efficiency and outcomes • The Council values and works closely with health and the third sector
Commercialism	• The Council ensures best value for customers • Fees and charges are aligned to the market and support wider Council delivery

The workstreams we focus on

Although each of these workstreams will be intrinsically linked, separating out the core components will allow different tranches of efficiencies and service improvements to be brought forward. Inter-dependencies between the workstreams would need to be balanced centrally.

- Tactical savings delivery – which are tactical as they are not transformational in nature but primarily relate to stopping or resizing activity. These opportunities will be primarily service led and delivered.

- Strategic opportunities – opportunities which are transformational in nature for service areas and service delivery specifically.

- Simplified and more efficient operating model – a workstream to build an organisation that can provide all of the products and services that its customers require, in a more efficient and effective way.

The enablers of transformation

The key levers at the hands of the Council which will result in fundamental change both for the cost base and experience of residents are:

- **Digital** – Digital is key to reducing the cost of public services, increasing productivity, rethinking service delivery, emphasising user experience and increasing commerciality of the Council.

- **Customer contact & user experience** – The Council wants its technical expert resource to focus on customer service delivery that is within their specialist area. Self-service becomes the primary channel for interaction with and across the Council.

- **Demand management** - With increased demand and reduced public spending, the need for local authorities to transition to a preventative approach has never been greater. The different types of demand that can be managed more effectively are as follows: **Avoidable Demand** (a need that can be better met by other means or channels), **Preventable Demand** (things that could have been done earlier to prevent a need from arising in the first place), **Failure Demand** (caused by the very system designed to respond to demand in the first place).

The building blocks for success

The building blocks are the foundations which are fundamental to a successful programme of change, without which a programme will struggle to get off the ground. These include:

- Governance
- Strategic Programme Management Office.
- Service redesign.
- Skills & capabilities.

Timelines and phasing

The Council needs to undergo a significant level of change to meet its ambitions and does not have the necessary building blocks in place currently to deliver it. Therefore, the change programme needs to be undertaken across several phases to build foundations before getting into high complexity change to ensure its success.

Phase 1 – Foundational

This phase will include all the necessary set up of the programme including:

- Defining roles and expectations across the organisation by grade
- Establishing key governance frameworks
- Establishing a performance management framework
- Setting up leadership development programmes
- Setting up a skills programme for project and change management
- A functional maturity assessment across all service areas, the first step in a fundamental redesign of Council services
- Course correcting and strategic interventions in areas of high risk or importance
- Tactical savings delivery

Phase 2 – Strategic and Transformational

The second phase of the programme looks to begin the strategic and transformational change for the organisation.

- Based on the functional maturity assessment undertaken in phase 1, a rolling programme of service redesign will begin starting with the high change cohort, through to medium
- Strategic opportunities will also be kicked off and go through scoping, design, plan and implement stages. The order in which these opportunities will be determined based on complexity and scale of savings potential.
- Continuation of leadership development programmes
- Continuation of skills programme for project and change management

Phase 3 – Business as Usual

By Phase 3, service redesign and transformation will be ‘business as usual’ for the Council and embedded in officer behaviours and skills. Therefore, although there will still be changes required, the Council will be able to deliver this with minimal support. The main focus of this phase will be:

- The rolling programme of service redesign will move onto the low change cohort (as high and medium will be complete)
- Evaluation of activities undertaken in Phases 1 and 2, and embedding the continuous improvement approach

Governance, Reporting and Delivery Arrangements

The level and intensity of the transformation programme required will require strong governance and support and it is proposed that a new Transformation Board is created to oversee the programme and delivery of activity. This will be chaired by the Executive Director (Strategy, Change and Governance) and supported by relevant senior officers. The Board will report the progress and performance via the regular financial monitoring reports that go to Cabinet to ensure transparency and Member oversight on the work being undertaken and to evaluate the impact of the programme.

There will be a requirement for additional one-off ‘change’ resources to deliver the programme with both internal and specialist external expertise to provide the capacity to implement the programme and cultural change required at pace. Without this major redesign the Council will be exposed to the increasing pressure and risk of financial unsustainability. A threat that many local authorities are already declaring. The operating landscape and financial pressures are getting even more challenging each year and the Council needs to be proactive and plan for major change now. The alternative could lead to an even greater reactive impact on our service range, quality and operational viability. It is therefore proposed that a sum of £1.5m is set aside over a three year period from existing Council earmarked reserves to establish a new Transformation Implementation Reserve to support this key ‘invest to save/change’ programme.

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. The intention has been to target scarce resources to the agreed priorities within the Council’s new corporate plan within the context of the overall Southend 2050 ambition, provide support for our most vulnerable residents, respond positively to the impact of the pandemic on our local economy, manage the impact of inflation as carefully as possible whilst coping with unprecedented levels of local demand pressures across social care.

Succes will depend on how the Council manages and navigates this very difficult combination of challenges, whilst also ensuring that the Council lives within its means and remains a financially sustainable organisation. The strategy will aid 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 the current economic turbulence and service demand challenges 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 has been compulsory since 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 uncertain and challenging 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 secured City Status in 2022. We are committed to continually improving our performance and delivering better outcomes for residents through our Southend 2050 ambition.

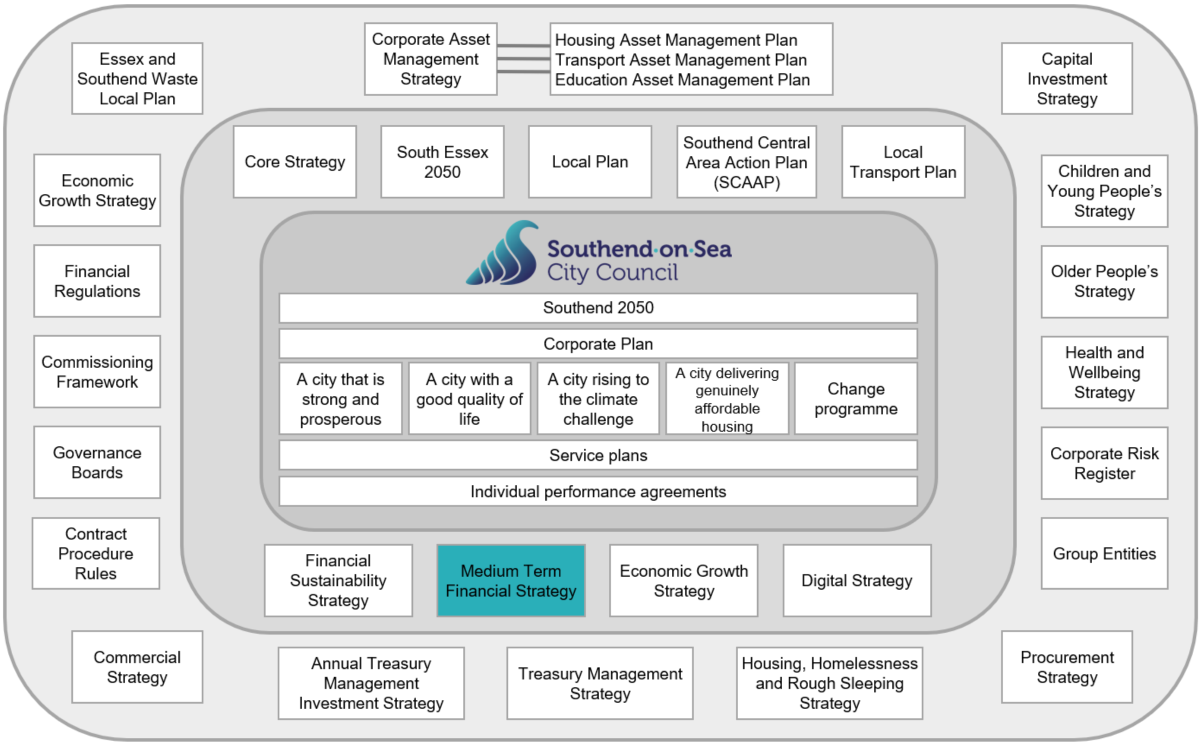
UPDATE PENDING

Figure 3 Southend's performance in CIPFA's Financial Resilience Index – UPDATE PENDING

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	2023/24	2024/25	2025/26	2026/27	2027/28
Council Tax Increase	2.99%	2.99%	1.99%	1.99%	1.99%
Social Care Precept Increase	2.00%	2.00%	0.00%	0.00%	0.00%
Council Tax Base (No. of ‘Band D’ Equivalents)	59,746.14	60,044.87	60,345.10	60,646.82	60,950.05
Revenue Support Grant	£7.118M	£7.118M	£7.118M	£7.118M	£7.118M
Business Rates Retention Scheme	£36.258M	£37.416M	£37.416M	£37.416M	£37.416M
Business Rates Multiplier	3.70%	5.50%	0.00%	0.00%	0.00%
Use of Collection Fund Surplus	£2.000M	£1.000M	-	-	-
Use of General Reserves	£1.000M	-	-	-	-
Public Health Grant	£10.073M	£10.073M	£10.073M	£10.073M	£10.073M
Consumer Price Index (CPI)	7.00%	5.00%	2.00%	2.00%	2.00%
Retail Price Index (RPI)	10.00%	6.00%	2.50%	2.80%	2.90%
Pay Award Provision	5.00%	5.00%	2.00%	2.00%	2.00%
Incremental Progression	1.00%	1.00%	1.00%	1.00%	1.00%
National Insurance Rate - change	-1.25%	0.00%	0.00%	0.00%	0.00%
Superannuation Rate	20.00%	20.60%	21.30%	21.30%	21.30%
National Living Wage (Adult Social Care Providers - Cumulative)	£4.950M	£8.520M	£11.070M	£13.070M	£15.070M
Waste Collection Contract	£0.800M	£0.600M		-	-
Social Care Grant	£13.197M	£13.197M	£13.197M	£13.197M	£13.197M
Better Care Fund (SCC allocation)	£7.156M	£7.156M	£7.156M	£7.156M	£7.156M
Improved Better Care Fund	£7.797M	£7.797M	£7.797M	£7.797M	£7.797M
Fees & Charges increase yield	10.1%	7.00%	5.00%	2.00%	2.00%
Investment Income (Ave)	2.78%	2.42%	2.18%	1.97%	1.97%
Average PWLB Borrowing Rate:					
General Fund	3.29%	3.28%	3.24%	3.19%	3.10%
Housing Revenue Account	4.09%	4.09%	4.06%	4.03%	3.96%
Combined GF and HRA	3.46%	3.45%	3.40%	3.36%	3.26%
HRA Rent Increases	7.00%	3.60%	3.10%	3.00%	3.00%
Dedicated Schools Grant	£61.093M	£62.314M	£62.314M	£62.314M	£62.314M

Council Tax, Social Care Precept and Council Tax Base

The increase in Council Tax is assumed to be 2.99% for each of the years 2023/24 and 2024/25 and 1.99% for the years 2025/26 to 2027/28. It is assumed that the adult social care precept will increase by 2% in 2023/24 and 2024/25 with no further increases for the adult social care precept included for future years.

The Council Tax base for SCC has increased by 1.12%, this is 0.62% more than was estimated in the previous MTFS. The Council Tax base for 2023/24 was approved by Cabinet on 12th January 2023 and set at **59,746.14** (equivalent Band D properties) including Leigh-on-Sea Town Council. It has been assumed that from 2024/25 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 2022/23 figure with an increase of 14.0%, a seemingly significant rise but this grant now only accounts for around 2% of the Council's income. No further increases in this local element are assumed from 2024/25 onwards.

The Business Rates figure for 2023/24 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 2023/24 – 2027/28. 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. The overall collection fund position will be reviewed as part of the final outturn and formal closure of the accounts for 2022/23.

From 2024/25 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 the delays to 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

UPDATE PENDING

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	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s
Children 0-19	2,992	3,199	3,586	3,874	PENDING CONFIRMATION
Health Protection	424	459	467	487	
NHS Health Checks	139	165	206	216	
Obesity and Physical Activity	77	132	122	127	
Other Public Health Services	1,354	1,641	1,429	1,352	
Sexual Health Services	1,528	1,554	1,515	1,520	
Smoking Cessation	254	115	88	90	
Substance Misuse	2,444	2,434	2,376	2,407	
Total	**9,212**	**9,699**	**9,789**	**10,073**	
Grant Level Change (£000s)		487	90	284	
% (Reduction)/Increase		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. The amounts earmarked for inflation in 2023/24 are significantly higher than in previous years due to the historic levels of inflation experienced in 2022/23. 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 2022/23 was confirmed in November 2022 and added an additional £1,925 to each spinal point within the National Joint Council (NJC) pay scales. The average pay increase received by Southend City Council employees was 5.6%. The 2022/23 budget included provision for a 3% pay award. The 2023/24 budget has been rebased to accommodate this and an estimated pay award of 5% for 2023/24.

For 2024/25 provision has been made for a pay award of 5% and from 2025/26 to 2027/28 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 2022 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 Council took proactive action in 2019 to increase contributions and together with strong investment performance from Essex Pension Fund, we are now in the position to reduce contributions for the next 3 years. Primary rate for 2023/24 to 2025/26 will be 21.3%, with a secondary rate for 2023/24 and 2024/25 of -1.3% and -0.7%, respectively.

The next review is scheduled in 2025.

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. UPDATE PENDING

Waste Collection Contract

This major contract is up for renewal in October 2023. A new procurement exercise to engage the market and potential range of new service delivery models is currently underway. 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, and the procurement exercise has concluded. 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.

Social Care Grant

The level of Social Care Grant notified for 2023/24 of £13.197M is an increase on the 2022/23 level of £5.042M. £380,400 of this increase is due to the Independent Living Fund being rolled into this grant. In the absence of any further information on future levels of funding the MTFF forecasts this to continue at the same level for 2024/25 – 2027/28.

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 the Mid and South Essex Integrated Care Board (ICB) (which replaced the Clinical Commissioning Group) 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 City Council (SCC) and Mid and South Essex ICB is yet to be confirmed, however it has been indicated there will be no uplifts this year. Southend-on-Sea iBCF allocation for 2023/24 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 2027/28.

The following table (Table 3) summarises the Council's core BCF and iBCF allocations, the ICB's BCF allocation and the total BCF/ iBCF in the pool for 2020/21 – 2023/24.

Table 3: BCF/iBCF Allocations

Allocation	20/21 BCF £000s	20/21 iBCF £000s	21/22 BCF £000s	21/22 iBCF £000s	22/23 BCF £000s	22/23 iBCF £000s	23/24 BCF £000s	23/24 iBCF £000s
SCC	6,273	7,568	6,614	7,568	7,156	7,797	7,156	7,797
ICB	7,301	0	7,680	0	7,966	0	7,966	0
Totals	**13,574**	**7,568**	**14,294**	**7,568**	**15,122**	**7,797**	**15,122**	**7,797**

Fees & Charges increase yield

It is assumed that the overall level of income generated will increase by 10.1% in 2023/24 (September 2022 CPI rate). Inflation rates for the following years have been estimated at 7% for 2024/25, 5% for 2025/26 and 2% for 2026/27 to 2027/28.

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 2023/24. The cumulative impact on the potential budget gap would be significant.

Table 4 Illustration of Sensitivity Analysis (Cost/Income)

Assumption in MTFF for 2023/24	**Change in assumption**	**Effect on the budget gap for 2023/24**
Council Tax increase of 4.99%	Council tax increase of 3.99%	Increase of £0.925M
5% pay award	Pay award of 6%	Increase of £0.880M
Fees and charges yield increased by 10.1%	Fees and charges yield increased by 9.1%	Increase of £0.200M

The following table (Table 5) provides an illustration of the financial impact of changes in demand forecasts for key services in 2023/24.

Table 5 Illustration of Sensitivity Analysis (Demand Changes)

Demand Factor	**Change in Forecast**	**Effect on the budget gap for 2023/24**
Growth in Older People (65+) population	+1%	Increase of £0.300M
LAC Residential Placements	+ 1 place	Increase of £0.250M
LAC External Foster Care Placements	+ 1 place	Increase of £0.050M

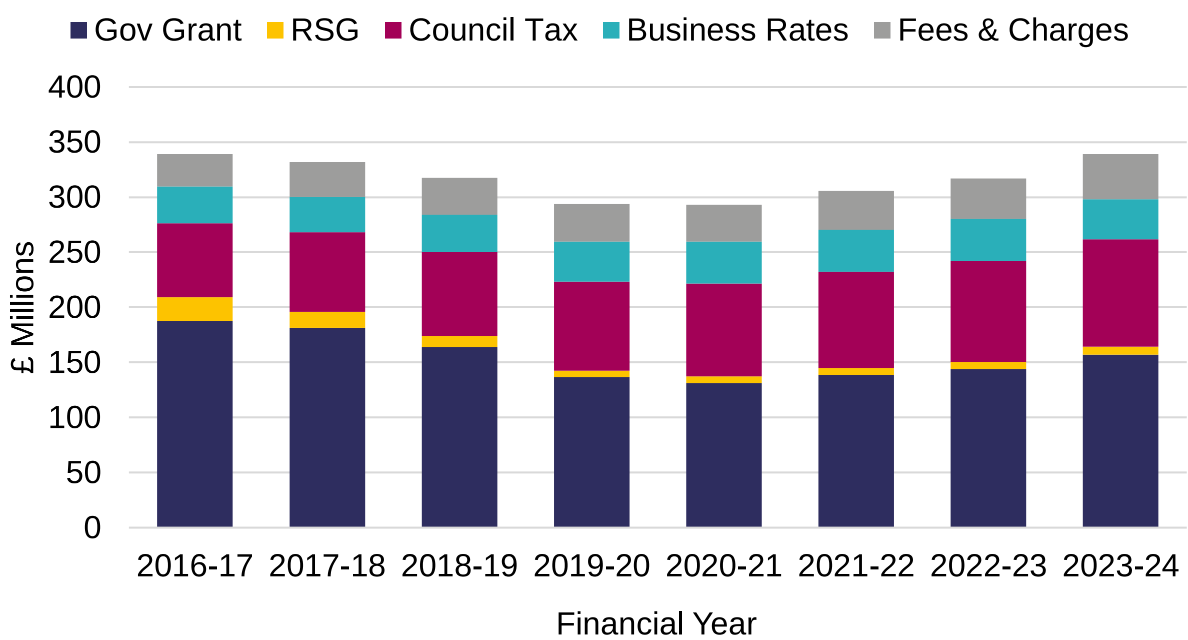
Planned mitigations to offset some, or all, of the impact of growth in demand above the forecast include:

- 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 seven years (since 2016/17). 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.

However, due to the significant increase in inflation throughout 2022/23 the Department for Levelling Up, Housing and Communities (DLUHC) undertook a consultation on social housing rent increases for the 2023/24 financial year. The outcome of this consultation was to apply a 7% ceiling to annual rent for both social rent and affordable rent properties.

It is assumed that this is a one year deviation from the previous rent increase arrangements and therefore for financial planning purposes the MTFS assumes tracking of CPI +1% through to 2027/28.

Dedicated Schools Grant (DSG)

The Government's Autumn term 2021 budget announcements provided headline national funding allocations for the Department of Education (DfE) up to and including 2024/25, and within that announcement it was presenting a real terms growth of 2% per year from 2021/22 to 2024/25 in national funding levels. With £1.5Bn more and remaining nationally to be allocated for 2024/25.

The Government's emergency budget on the 17th November 2022. The Autumn term 2022, provided additional national funding for each year of 2023/24 and 2024/25 of £2.0Bn to core schools budgets.

In pure terms of the funding awarded to Southend's local DSG allocations for 2023/24, and in view of the announcements at a national level and considering any fluctuations that occur in pupil numbers on roll between years, the additional sum awarded to Southend's DSG as a total for 2023/24 is £11.006M. The table below shows how the total funding has been awarded to each block of Southend's local DSG compared to 2022/23.

	A	B	A – B
	2023/24 £M	2022/23* £M	Inc / (dec) £M
Schools Block	144.168	137.026	7.142
Growth Fund	0.780	0.790	(0.010)
Schools Block Subtotal	**144.948**	**137.816**	**7.132**
Early Years Block (Provisional)	10.985	10.383	0.602
High Need (HN) Block (Provisional)	32.606	29.269	3.337
Central Block	1.376	1.441	(0.065)
Grand Total	**189.915**	**178.909**	**11.006**

2022/23* High Need Block is Final, Early Years remains Provisional until July 23

£189.915M is therefore now the current total DSG funding awarded to Southend for 2023/24, some further small fluctuations to this are expected, as the DfE will update both the DSG High Needs and Early Year block allocations through updated census information at points in time during the 2023/24 year.

In relation to the additional £2.0Bn national funding announced in the government's emergency Autumn 2022 term budget, locally £1.254M of the £3.337M additional funding awarded to Southend's Highs Needs block for 2023/24 is the local High Need Block proportion of this additional grant. There are also conditional attachments within this additional grant to ensure additional funding is passed onto any Special School, Alternative Provision or Free school in your local area. These conditions have been covered within Southend's January 2023 DSG Education Board paper. The remaining local allocation of this National additional £2.0Bn will be paid by a way of an additional grant directly to Mainstream Schools from the Education and Skills Funding Agency (ESFA) outside of the DSG for 2023/24, and locally for Southend this is an est. equivalent £4.947M.

It also must be noted the final actual 2023/24 DSG amount awarded to Southend 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 or Alternative provisional schools. These excluded amounts are paid directly to those settings by the ESFA and known by the term 'recoupment' to DSG funds. Therefore, the current final allocation expected to be awarded to Southend City Council directly is £61.093M, after considering these estimated recoupment deductions of £128.822M.

All appropriate governance matters of the Dedicated Schools Grant funds are covered and agreed through the Education Board with respective papers published.

DSG – Schools Block

The local additional £7.142M 2023/24 funding awarded to the Schools Block, provides uplift funding of a minimum amount of 0.5% per pupil from 2022/23, and for any schools attracting their core National Funding Formula (NFF) allocation, will have seen greater gains per pupil, as the underlying formula awarded a 2.4% gain on the basic entitlement, and 4.3% per pupil gains were applied to deprivation factors, Free School Meal 6 and IDACI measures from their respective 2022 to 2023 values.

Using the DSG minimum amounts per pupil as a base line, with the addition of the 2023/24 Additional Grant total gains per pupil from 2022/23 for schools on the minimum amounts are 3.7% per primary pupil and 3.9% per secondary pupil.

Whilst these percentage uplift gains are applied on a per pupil basis, it must remain minded that schools funding is also driven by the number of pupils on roll in those schools, as at the preceding October census to their next funded year. So any Schools where pupils numbers have reduced, will see a reduction in total funding if that reduction also outstrips the uplift gains on a per pupil basis, and reversely any schools where pupil numbers have increased will see greater total gains. And as expected, we continue to see pupil numbers increase in the secondary sector as a whole whilst currently declining in the primary sector as a whole through reduced birth rates.

Obviously, despite these announcements, nationally Schools are struggling to maintain financial stability given current inflationary pressures, and teacher strikes have now occurred with the first taking place on the 1st Feb 2023. Teachers striking, are also seeking funded pay award uplifts higher than the current offers and there is no further detail at the time of writing this paper on how these issues will be resolved.

It also remains minded, that Nationally the government's intention remains that all Mainstream Schools funding will be set on a National Funding Formula (NFF), and the ambition is this is now achieved by 2027-28 if not earlier. Most Local Authorities and respective School Forums are now following the NFF and Southend included. There is also very limited options now to deviate away from the NFF without seeking secretary of state exemption, but of course any deviation would also requiring funding diverted from other schools in the local area, to award further funding to another group of schools.

DSG – Early Years Block

The local additional £0.602M 2023/24 funding awarded to the Early Years Block, does provide hourly rate uplift gains to 3&4 year old universal and extended entitlement of 6.6% from 2022/23, and a 2.0% uplift gains on the 2 year old hourly rate, with the Local Authority and Education Board, recommending and agreeing to passport on all additional and available funding directly to Early Years providers

Whilst, these uplifts gains are welcome, Early Years does remain a financially challenging sector as whole, as often early years providers are also reliant upon private childcare income in addition to the publicly funded Early Years support. The national living wage will also be increasing by 9.7% from the 1st April 2023 which will be applicable to a large part of the early years work force. It is therefore imperative, as much financial support, as is possible, has and can be directed onto Early Years providers for 2023/24 and a position that has been locally agreed.

DSG – High Needs Block

It is once again welcome that our Local High Needs DSG fundings for 2023/24 have increased by £3.337M. And this is in a context, of many local authorities nationally struggling to contain High Need expenditure within funding allocations, and therefore having to make expenditure reductions over a period of time agreed with the Department for Education to recover their DSG Reserve balances. It is therefore of course welcome that Southend is not in this position. Southend continues to see the number of children with Education and Health Care (EHCP) plans increase, and as at November 22 there are 1549 EHCP, which is a 6% growth from the previous year. This additional funding will therefore go towards continuing to meet growing EHCP costs, with agreed funding uplifts applied, whilst also planning to offer further and wider SEND support, and further Alternative provision places. All details of which have been shared within and through the Education Board.

DSG – Central Block

Unfortunately, but not unexpected in 2023/24 there has been a further 20% reduction in funding 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 and agreed since 2020/21 when this DSG DfE Central funding began to unwind, and it is anticipated the current plan will suffice until 2025/26 drawing on any remaining DSG Central Block reserve balance until those reserves have gone.

DSG – 2024/25

Given, the governments Autumn term 2021 announcement and that nationally for 2024/25 a further £1.5Bn has also be confirmed for 2024/25, we can expect further growth in DSG funds to be awarded currently at an average 2% per pupil, but this will of course fluctuate for individual schools depending how they receive those funds through the National Funding Formulae and conditions within. At this time, it is simply not known, as to whether any further funding will be made available by Government.

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 Corporate Plan priorities 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 and priorities, 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 the corporate plan priorities need to drive the Council’s budget and financial management arrangements, performance management of the service 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 City 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 City.

- Risk that failure to address the financial challenges by effectively managing the growing demand for services, managing the costs of the impact of energy, inflation and the cost of living, while 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 the pressures caused by energy prices, inflation and the cost of living cause budgetary control difficulties and growing demand for services, that the Council is unable to address, threatening the financial sustainability of the Council.

  Risk that impact on the supply chain (causing labour shortages, cost increases in materials, labour and fuel and difficulty in sourcing plant and vehicles) and finance to deliver the increased costs of the capital programme, lead to a significant adverse impact on Council services and the ability to deliver the outcomes desired by the Council.

- 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 City 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 the pandemic, inflation and financial pressures in the short term, and achieve the Council's desired outcomes in the longer term.

  Further risk caused by the number of changes to CMT, 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.
  - Clicking on an attachment by a colleague.
  - Single point of connectivity failure.

  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 City anticipated to support the Corporate Plan, Southend 2050 and the recovery priorities, resulting in reduced inward investment from businesses, missed employment opportunities for residents and reputational damage for the Council.

Risk that impact on the supply chain (causing labour shortages, cost increases in materials, labour and fuel and difficulty in sourcing plant and vehicles) and finance to deliver the increased costs of the capital programme, lead to a significant adverse impact on the ability to deliver the outcomes desired by the Council.

A city rising to the climate change challenge

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

- 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.

A city with a good quality of life

- Risk that the Council will not be able to effectively deliver it's statutory safeguarding responsibilities as a result of a lack of understanding, resources and the additional challenges posed by the response to covid-19, inflation and the cost of living through food and fuel, and that this causes a failure to deliver the outcomes anticipated for vulnerable people that are in need of 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 the health inequalities, particularly the physical and emotional health and wellbeing of residents, will increase due to the impact of covid-19, inflation and the cost of living pressures.

  In the longer term the changes resulting from the Health and Care Bill creating an Integrated Care System for Mid and South Essex, impacts 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 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 and response to covid-19, energy and food inflation has heightened these risks in the short term, causing providers to demand higher fees, 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 the cost of living pressures 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.

  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.

  Refugees perceived as utilising resources causing additional tensions.

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

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

A city delivering genuinely affordable housing

- 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 the outcomes for the City desired by the Council.

  Risk is increased by the impact of the cost of living pressures on those just about managing no longer being able to manage, causing an increase in homelessness.

  Risk is increased by pressure to accommodate refugees causing additional demand on the local housing market, especially the availability of affordable housing.

- 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, inflation and supply chain issues, 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 to meet Government requirements and make sufficient progress will lead to reputational damage to the Council and the potential imposition of unwanted development and the loss of plan making powers, causing an inability to manage development effectively and deliver upon the Council's outcome priorities.

  (Nationally the Government is currently considering changes to national policy, which could have significant impacts on the Local Plan process. However, until we are clearer on what the detail of these changes are and when they will come forward it is difficult to establish what impact they may have on timescales.)

A city that is strong and prosperous

- 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 City and delivery of anticipated outcomes not being achieved (jobs & skills, housing, linked spend, economic growth, housing delivery etc), 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 City's ability to meet the needs of residents or provide a suitable destination for visitors, and that cost of living pressures impact on the ability of the City to provide an attractive proposition for visitors, with a resultant impact on the economic strength of the City 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 of major events hosted in the City not being adequately managed to secure participant safety resulting in adverse outcomes for participants and reputational and financial damage for the Council.

- Risk that the impact of covid-19, inflation and cost of living pressures result in reducing economic activity causing a reduction in employment opportunities for 18-25 year olds and an increase in unemployment across the City. The impact is likely to be experienced unevenly across sectors with the retail, hospitality, leisure and tourism sectors 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 City.

  However, the reduction in restrictions and the move to City status provides the opportunity to attract new businesses and employers into the City, providing new and additional employment that can contribute to the delivery of the ambition and outcomes for the City led by the major regeneration schemes driven by the Council.

2 Horizon Scanning

2.21 Key Statistical Headlines

- For Southend City residents/service users:

- In 2022 (Oct 2021 – Sep 2022), 19.7% of Southend-on-Sea's residents were economically inactive.
- Average full time weekly earnings in 2022 were £759.00 for men and £630.40 for women.
- 39% of Southend's residents live in areas considered to be in the most deprived 30% in the country, with 13% of people living in areas considered to be in the most deprived 10% of the country.
- Eight neighbourhoods in Southend-on-Sea fall into the 10% most deprived in the country, with our most deprived neighbourhood ranking 136th most deprived neighbourhood nationally, according to the 2019 index of Multiple Deprivation (covering 32,844 areas).
- In our most deprived ward, Kursaal, 37% of people live in the most 10% deprived neighbourhoods nationally

- 14% of Southend-on-Sea's children live in low-income households (FYE 2021), with 14 neighbourhoods in Southend-on-Sea in the most deprived 10% of the country for income deprivation affecting children.
- Across Southend-on-Sea's wards, there is a life expectancy gap of 10.4 years for males and 9.8 years for females.
- In 2022, Victoria ward had a city election turnout of 21.08%, compared to 42.59% in West Leigh (average overall turnout 31.33%).
- Residents living in Kursaal, St Luke's and Victoria wards are significantly less satisfied with their local area (58%) (compared to 72% for the city) and are less likely than other residents to feel safe during the day and at night.
- 15% of residents felt their lack of digital skills or access to the internet affected their ability to get help and support from Council services during the pandemic.
- Over half (51%) of residents have a heightened interest in doing something that makes a difference to their local community, according to the 2021 Residents' Perception Survey.

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 pressures 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 2023[2], the world economic growth of 3.2% in 2022 will fall to 2.9% in 2023, and then rise to 3.1% in 2024. Global supply-chain issues and inflation, 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 November 2022[3] stated the following "Following a contraction of 0.4% in 2023, GDP is projected to increase by 0.2% in 2024. Consumer price inflation will peak at around 10% in late 2022 due to high energy prices and continuing labour and goods supply shortages, before gradually declining to 2.7% by the end of 2024. Private consumption is expected to slow owing to rising living costs, but will be aided by a 9.7% increase in the minimum wage and the usual uprating of welfare benefits and pensions in April 2023. Public investment is set to rebound in 2023 and 2024 as supply bottlenecks ease, in line with government plans. The unemployment rate is expected to rise to 5% by the end of 2024"
- The Levelling Up White Paper sets out twelve missions relevant to local councils as follows:
    1. new devolution framework for England, extending devolution beyond metropolitan areas for the first time and setting out pathways to a devolution deal for every area of England that wants one.
    2. local government reorganisation, which will remain locally led where there is broad local support but will not be a requirement for a devolution deal.
    3. streamlining the local growth funding landscape which has several aims, including reducing the number of funding pots and associated bids.
    4. improving public sector leadership through a new Leadership College for Government
    5. Local Enterprise Partnerships are encouraged to integrate where devolution deals exist.
    6. UK Shared Prosperity Fund which will allocate £2.6 billion by March 2025 to places rather than undertaking competition. This is broadly a substitute for the European Regional Development Fund (ERDF) since Britain's exit from the European Union.
    7. 12 National Missions to be achieved by 2030.
    8. establishing an independent data body for England to empower citizens with robust and transparent information about their local area.
    9. introduction of a Levelling Up Cabinet Committee to embed levelling up across central government policy and work with local leaders.
    10. new Levelling Up Directors to join up policy at a local level.

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

11. to ensure that levelling up missions are reflected across Government departments, a requirement for public bodies to have an objective of reducing geographic variations in the outcomes relevant to their business area is being established. There will also be reforms to the way the public sector procures goods and services, to cut red tape and refocus attention on outcomes, values and transparency. The UK Government will introduce a statutory obligation to report annually on progress towards meeting the Levelling Up missions.
12. creation of a Levelling Up Advisory Council which will be charged with providing independent expert advice on the design and delivery of levelling up.

The UK Government will bring forward legislation to put in statute some of the key pillars of levelling up, possibly including strengthening devolution legislation in England in order to support the establishment of a new form of combines authority model to be made up of upper-tier local authorities only, expand devolution to more places and enable the devolution process to be simpler and more transparent.

- 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.

Regional drivers

Since Autumn 2022, Leaders and Councillors from councils across Greater Essex (the Essex County Council, Southend-on-Sea City Council and Thurrock Council areas) have been discussing the merits of an offer from the Government to discuss what a devolution deal might look like here, and how all our communities could benefit.

Devolution is the transfer of money and powers down from central government to local level. It gives powers to local people and local places, putting them in charge of deciding where and how money is spent.

In Greater Essex this could mean more funding and greater control over fundamental issues such as health, planning, transport, skills, economic growth and infrastructure. It could also mean as much as £1 billion in new Government money.

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.

ASELA is working towards a South Essex with:

- Excellent and contemporary **digital infrastructure** including 5G and connectivity making businesses want to invest in the area and start successful and productive enterprises.

- Improved **connectivity and public transport**, underpinned by investment in active travel projects which benefit people's health and wellbeing and could see major environmental benefits.

- Investment in **green and blue infrastructure** that supports parks and river walks, active use of environmental assets, biodiversity, health and wellbeing outcomes, promoting active and thriving communities.

- A current and future workforce with the **skills** to access productive and highly skilled jobs.

- A strategy to secure more **commercial development** from employers who can provide productive and well-paid employment, locally.

- Accelerated development of **housing** sites that deliver new **quality homes**, neighbourhoods and communities and enhanced amenity and place for all residents.

- Supported **young people** who are able to achieve their best and build their futures in South Essex.[4]

ASELA aims to put the sub-region in a strong position to shape and influence wider Government plans and strategies, such as, the devolution of powers to regions and the levelling up agenda, and other investment priorities.

Local drivers

Other local drivers include:

- Increasing demand for services with a population projected to increase from 182,800 to 195,000 by 2030, an increasingly aging population due to grow from 20% to 22% by 2030 and a higher birth rate than the England average.
- Changing priorities of future Council administrations, with local elections taking place in 2023 and 2024.
- 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.

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[4] https://www.southessex.org.uk/vision

- 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.
- Recommendations from Southend City Council's Local Government Association Corporate Peer Challenge

3 The Financial Challenge

3.1 Impact on Planning and Resources

Given the constantly changing events in 2022/23, the development of the Medium Term Financial Strategy has been challenging. This is particularly the case with the decision by the UK Government to effectively only announce a single year financial settlement for 2023/24 and not a Comprehensive Spending Review.

The financial landscape and operating environment for all public services and particularly for local government remains challenging and uncertain. Our 10-year Financial Sustainability Strategy was updated 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 City Council remains financially stable and resilient for the future.

Given the exceptional operating environment caused by the significant inflationary increases and service demand pressures in 2022/23 and that these issues will continue into 2023/24, the Council did not review this strategy as part of the budget process for 2023/24. A refresh of the Financial Sustainability Strategy will be considered as part of the implementation of the Council's new Transformation Blueprint and budget considerations for 2024/25.

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.

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.

3.2 Forecast Financial Position 2023/24 to 2027/28

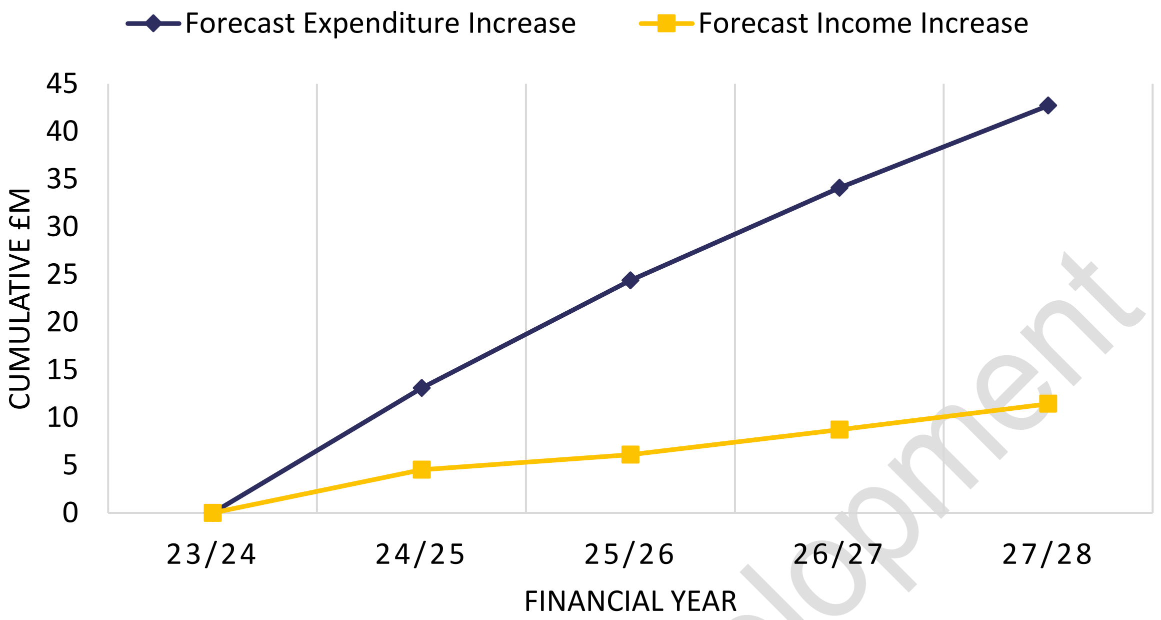
Southend-on-Sea City Council continues to deal with many of the same financial challenges as most other upper tier Authorities across the country. Most local authorities are experiencing increasing demand for key priority social care services which is placing a strain on available resources. A survey 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 situation post pandemic has only worsened this position.

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 approximately 7.5 million visitors each year but this clearly has an impact on our infrastructure and environment, which needs to be carefully managed and resourced.

Taking a pragmatic and realistic assessment of the impact and implications of the huge increases in service demand post the pandemic combined with unavoidable inflationary increases, 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 6 illustrates the funding gap to 2027/28 as reported to Council in February 2023.

Figure 6 Forecast Funding Gap



Overall, we consider the estimates to be sufficiently robust, despite the implications of the increases in service demand and spending pressures.

3.3 CIPFA's 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 7 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 in March 2022 by staff in finance and internal audit. Our RAG rated approach of the **17** standards resulted in **14** components (Rated Green) assessed as fully compliant, **3** 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 27th April 2022. The committee agreed to keep the Council's compliance status under review, with 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, **1** of the **3** 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 March 2022 self-assessment is represented by the colour coding diagram illustrated at Figure 7.

The next self-assessment is planned to be undertaken in March 2023, where all 17 standards will be re-assessed. The outcome of this will be taken for consideration and approval to our Audit Committee on 26th April 2023. It will also feature within the Council's Annual Governance Statement for 2022/23.

Figure 7 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.

3.4 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 updated its Financial Sustainability Strategy for 2022 – 2032 as part of the budget package and setting of the Council Tax for 2022/23 in February 2022.

Given the exceptional operating environment caused by the significant inflationary increases and service demand pressures in 2022/23 and that these issues will continue into 2023/24, the Council will not review this strategy as part of the budget process for 2023/24. A refresh of the Financial Sustainability Strategy will be considered as part of the implementation of the Council's new Transformation Blueprint and budget considerations for 2024/25.

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.

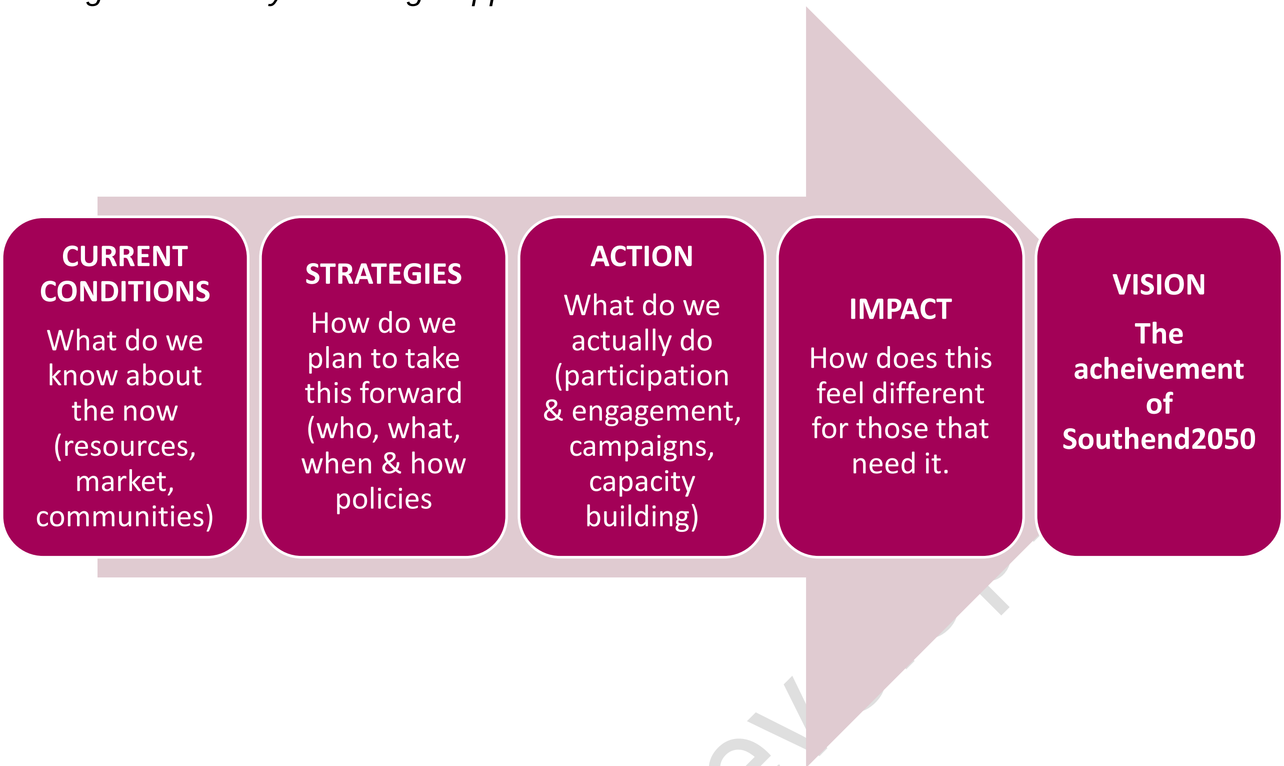
3.5 Commissioning Framework for Delivering Better Outcomes

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 Figure 8), our commissioning practice will define long, medium, and short-term goals and then map backwards to identify the necessary preconditions for success.

Figure 8 Theory of Change Approach



Continuously driving the delivery of the Southend 2050 Ambition and Corporate Plan, 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.

3.6 Getting to Know Your Business Programme

The Council's 'Getting to Know Your Business' programme continues to be embedded. This programme helped to establish a baseline for all services in terms of their costs, income generation potential, value for money and performance. This data highlighted key lines of enquiry where benchmarking suggested that either our costs or income levels are above or below average. This assessment, together with a comprehensive 'strategic-fit' review against our Southend 2050 ambition, new corporate plan, administration priorities, economic recovery aspirations and delivering better outcomes and value for money for our local residents has influenced the development of the investments, savings and income generation proposals contained within the Council's approved budget.

3.7 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 and current economic challenges 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.

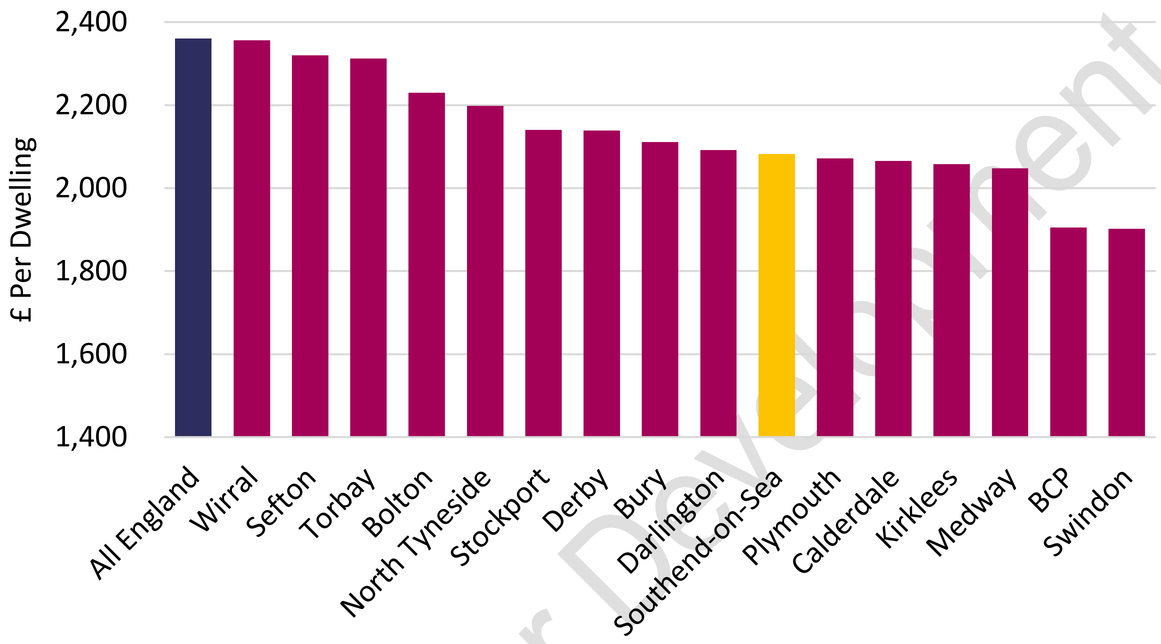
We consider and analyse all relevant available benchmarking information, including demand data, cost drivers, outputs, outcomes, and income generation perspectives. This will continue to inform our 'Getting to Know Your Business' programme and provides support for all Directors and Service Managers to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

We will build and develop our Transformational Blueprint and 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. The guiding principles summarised in Figure 2 (page 14) will be used to help to review our arrangements and to target resources to where they are needed most. These overall arrangements will continue to be enhanced in 2023/24 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 9 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 9 Core Spending Power per Dwelling 2023/24 [5]



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 10 illustrates the level of council tax (Band D equivalent) charged by Local Authorities from our nearest geographical neighbours in Essex for 2023/24. 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 City are in Council Tax bands A to C.

[5] Data source: https://www.gov.uk/government/publications/core-spending-power-provisional-local-government-finance-settlement-2023-to-2024

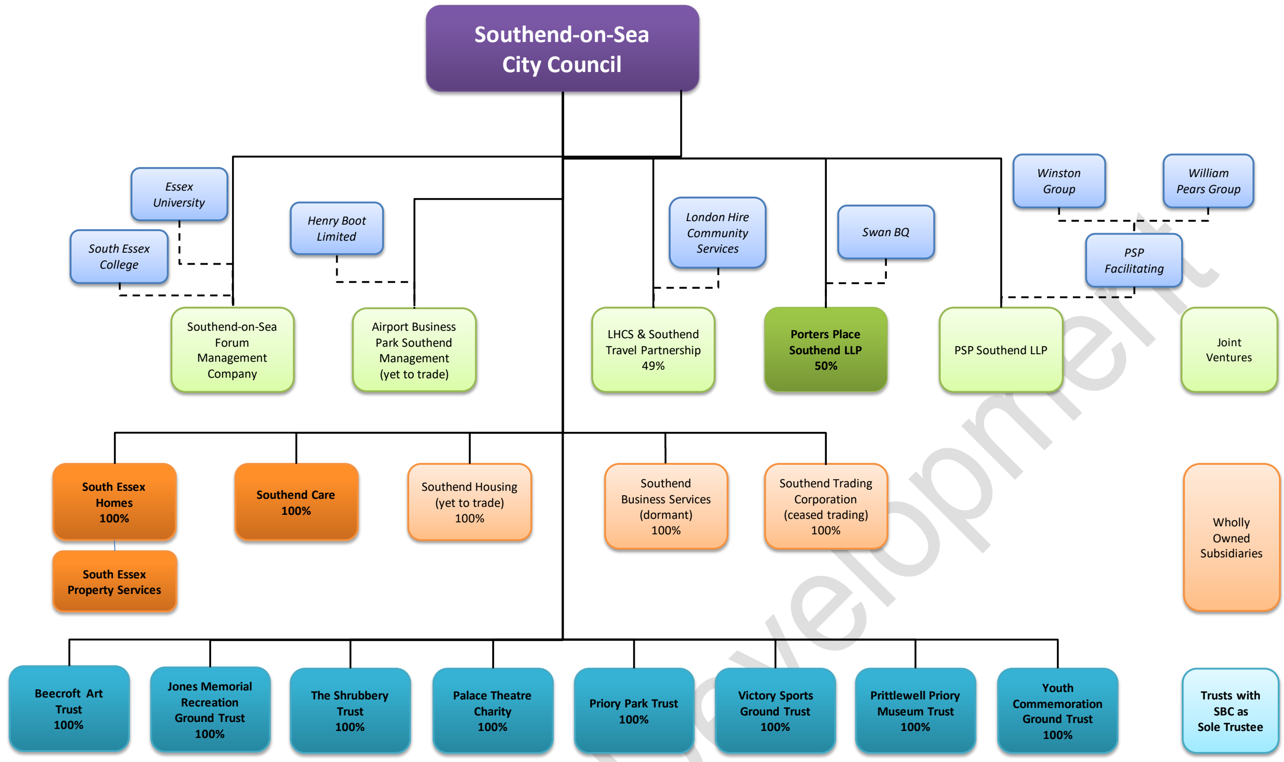
Figure 10 Council Tax Comparison - Band D 2023/24

3.8 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 11) has taken place over recent years. The Council currently directly owns five companies, participates in five 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 11 Group Structure as at 31st March 2022



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 and the Corporate Plan priorities 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.

3.9 Financial Pressures and Key Service Demand Trajectories

There are several 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 and major financial pressures our Local Authority has been facing over the last six years (which is also a recognised national issue) is the increased demand on our Children in Care placement budget, combined with much higher average costs of external Residential care placements in 2022/23. Figure 12 shows our Number of Children in Care since 2010. 2019/20 saw our highest peak over the last 5 years, numbers did decline during 2020/21 and in 2022/23 we have now seen a steady rise once again and numbers holding to that rise. It does have to be noted within this chart, since September 2021 Southend has also pro-actively signed up to support up to 27 Unaccompanied Asylum seeker children under the age of 18, which is a higher support number than that of 2019/20 for under 18's at the time.

Figure 12 Numbers of Looked After Children (LAC) Historical Trend at month end

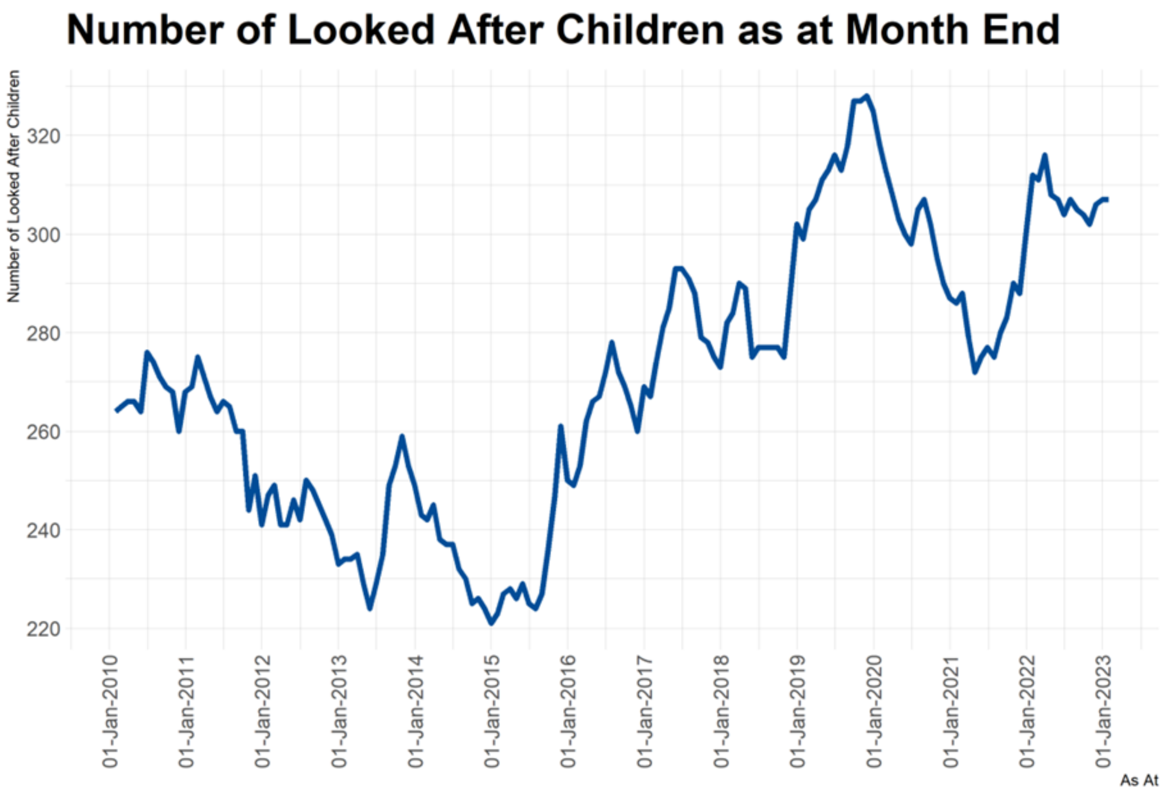
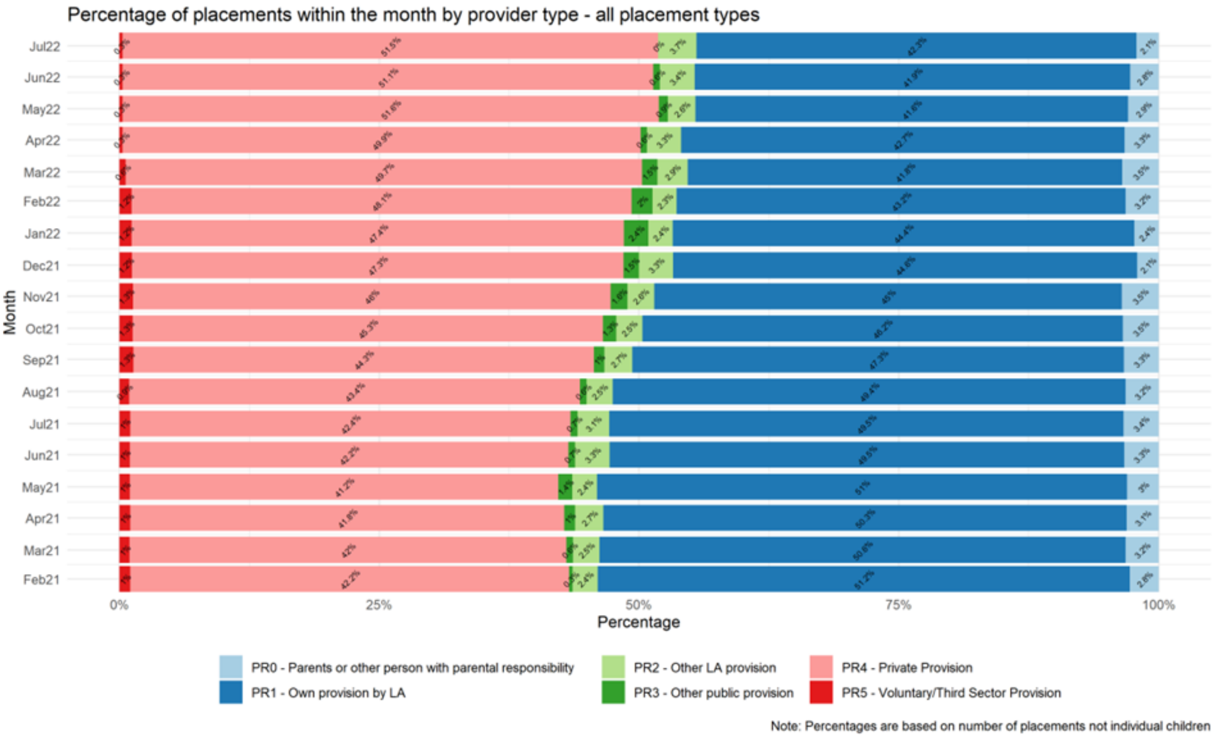


Chart last updated: 02 February 2023 09:30:59

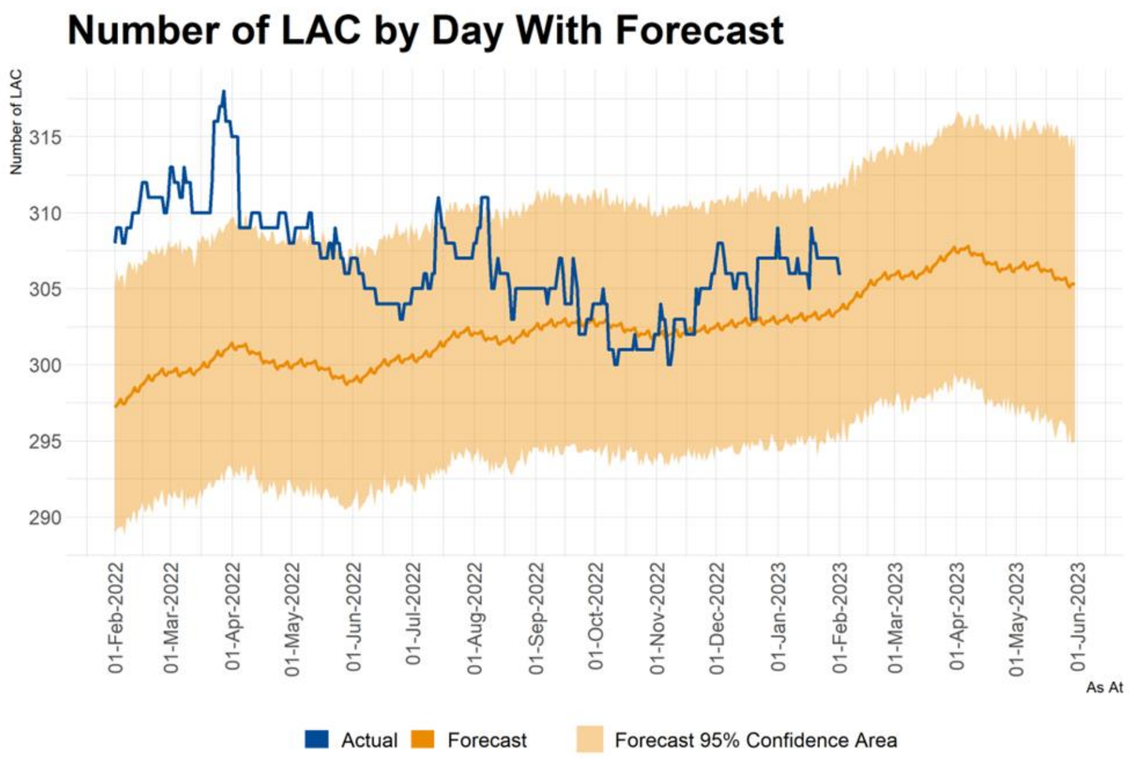
Figure 13 also continues to highlight that we are experiencing a concerning trend of continued heavier reliance on external care placements (as highlighted in light red), compared to our own provision including local inhouse foster carers (as highlighted in blue). The strategy remains to reduce reliance on external care placements and increase and strengthen our inhouse foster care provision. It is therefore hoped and planned the new inhouse foster care remuneration offer with appropriate foster care training and support, this trend can be reversed.

Figure 13 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 June 2023, which is based on the last 5-year trend, illustrated in Figure 14. It does suggest, that based on the trend over the last 5 years Children in Care numbers will broadly hold steady to the current numbers.

Figure 14 Number of LAC by Day with Forecast



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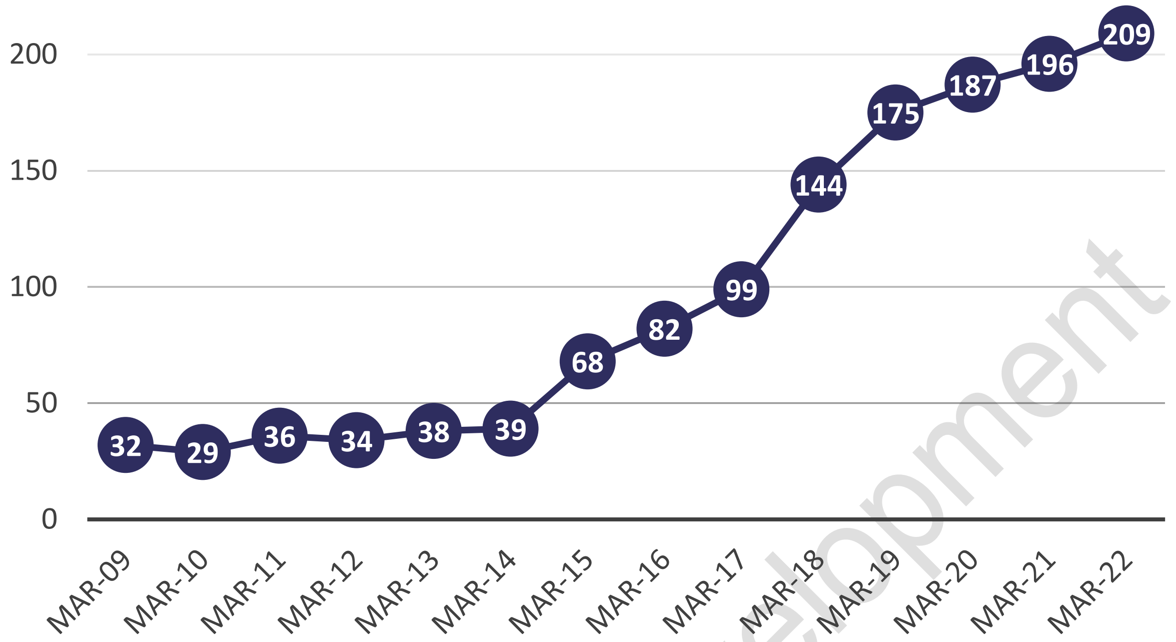
Housing and Homelessness

Southend-on-Sea City Council did not use any bed and breakfast accommodation until 2017/18 when the Homelessness Reduction Act was implemented. In addition, since 2017, Queensway voids have not been re-let on secure tenancies. This has therefore meant that the supply of social housing that would have otherwise been available to discharge a homeless duty into has been reduced. It is also extremely difficult to find accommodation in the Private rented sector that falls within LHA rates/the housing element of Universal Credit. 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, vacant Queensway units, and the council's temporary accommodation, to meet our duties. The lack of affordable housing in the private or social sector makes it hard to move households on from temporary accommodation.

Figure 15 highlights the scale of the challenge and shows the number of households placed in temporary accommodation from 2009 to 2022. UPDATE PENDING

Figure 15 Number of Households in Temporary Accommodation



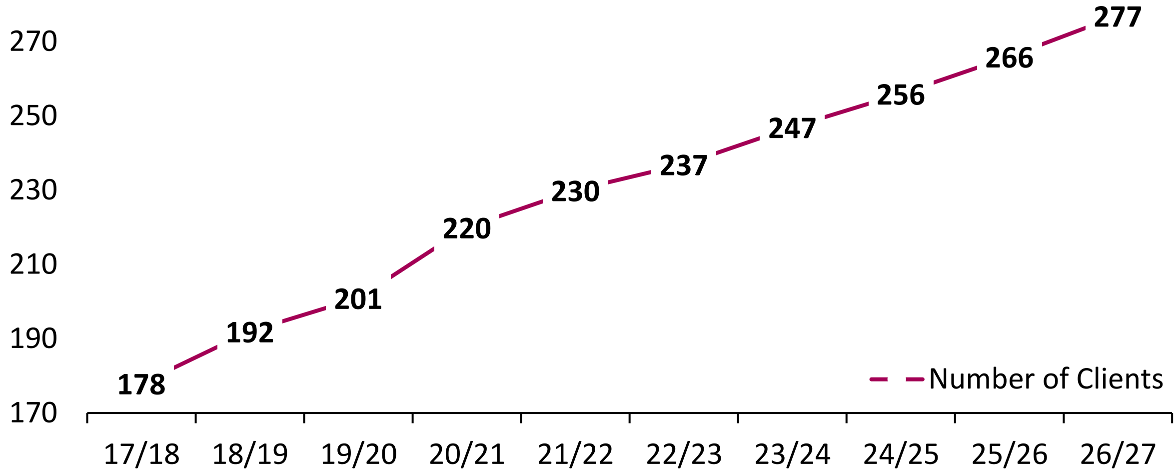
To help with this challenging issue we have been successful in bidding for extra resources from the enhanced homelessness/rough sleepers initiative that was launched by the government in January 2020. We have secured £712k in 2023/24 for the Homelessness Prevention Grant and £681k for the Rough Sleeper Initiative.

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

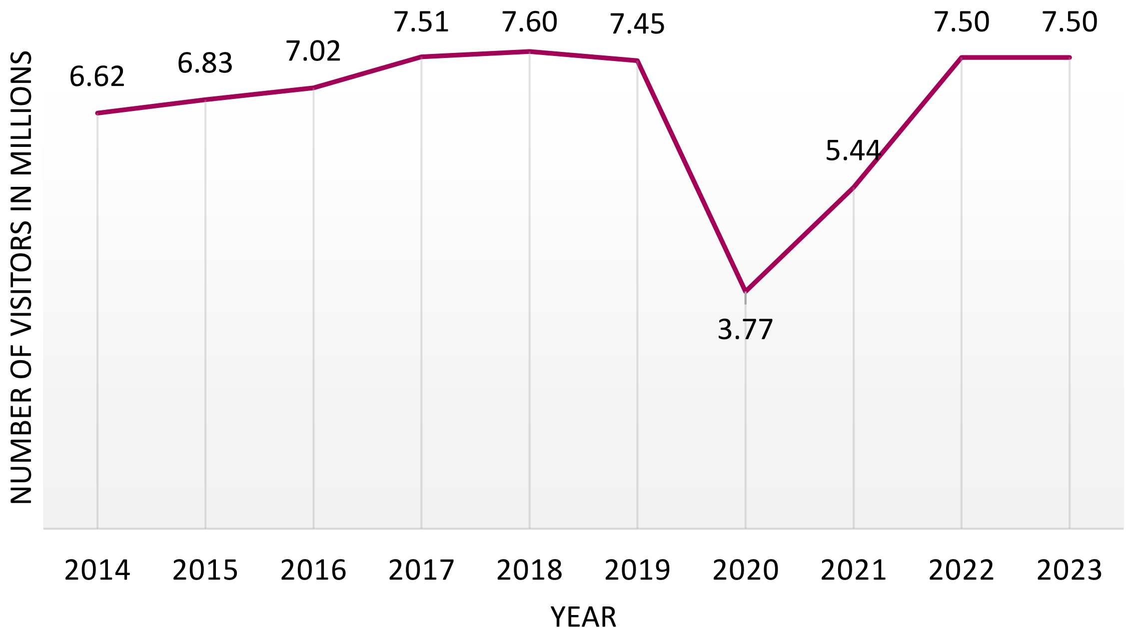
Figure 16 Learning Disability Supported Living and Residential Placements.



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 17). The tourism season has also been extended with an increased events programme, and 2023 will see events as part of Southend's second year as a city. Visitors bring with them a great economic benefit to the City, but this also has an impact on our infrastructure and environment, which needs to be carefully managed and resourced.

Figure 17 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 xxxxxxxx. UPDATE PENDING 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.

3.10 Budget Transformation Programme 2023/24 - 2026/27

UPDATE PENDING

3.11 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 the Corporate Plan 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 increased demand pressures 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 2022/23 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 2023/24 – 2027/28. 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 and corporate plan priorities. It includes an overview of the governance processes for consideration, prioritisation, and approval of capital investment. (where appropriate).

Table 6 is a summary of the investments included within the 2023/24 budget grouped by investment theme (where appropriate).

Table 6 Investments by Corporate Plan Theme

Corporate Plan Theme	Revenue (one year) £000s	Capital (5 year) £000s	One-off £000s	TOTAL £000s
A city that is strong and prosperous	-	-	390	**390**
A city with a good quality of life	11,011	1,000	175	**12,186**
A city delivering genuinely affordable housing	-	12,475	-	**12,475**
Change programmes	1,000	2,640	-	**3,640**
Unavoidable corporate cost pressures*	11,462	-	-	**11,462**
Total	**23,473**	**16,115**	**565**	**40,153**

* includes employee pay awards, increments, contract & energy inflation and capital programme costs.

3.12 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.

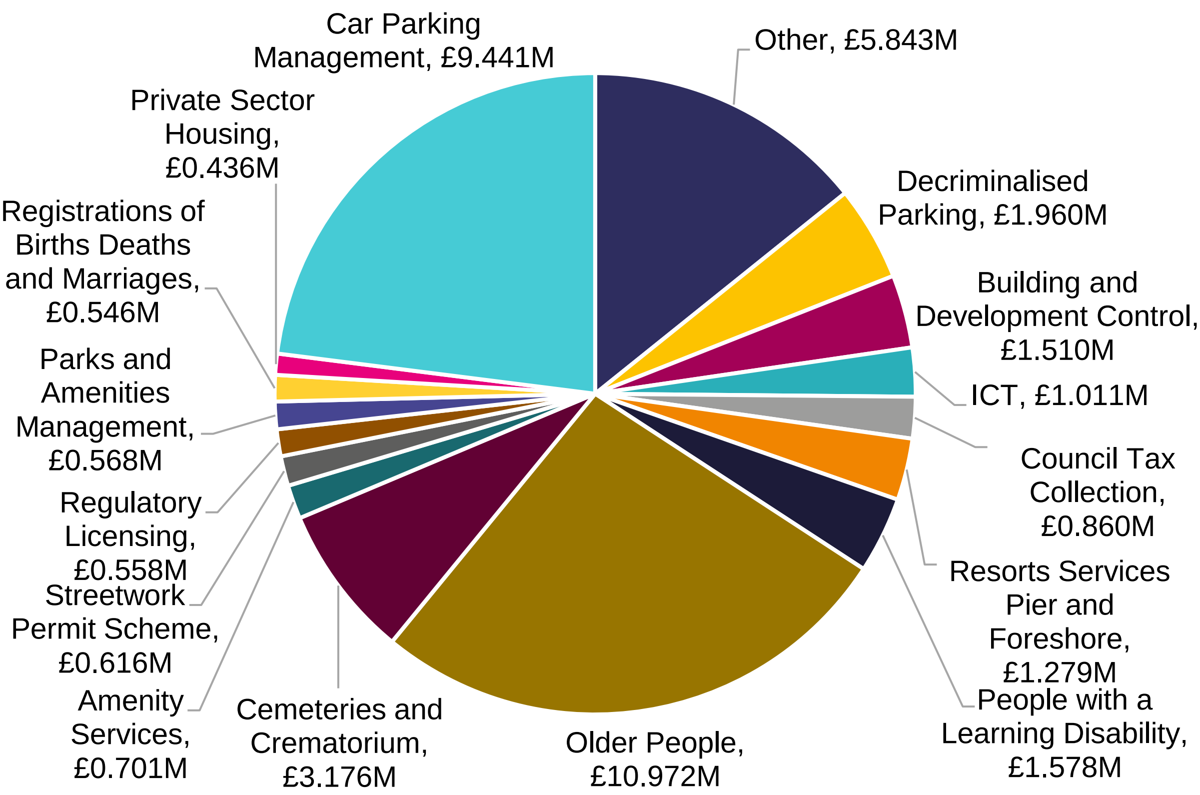
All service leads and managers will be supported to gain a better understanding of the financial performance of their business areas. This will include highlighting what scope there is for reducing subsidy, managing demand, exploring new income and commercial opportunities to ensure the best value for 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 within the new Service Plans that will be introduced for 2023/24.

Fees and charges are received from a wide range of services and the following pie chart illustrates (Figure 18) the varied scale of where this income is generated from in relation to the 2023/24 budget.

Figure 18 Breakdown of Fees and Charges



3.13 Council Tax

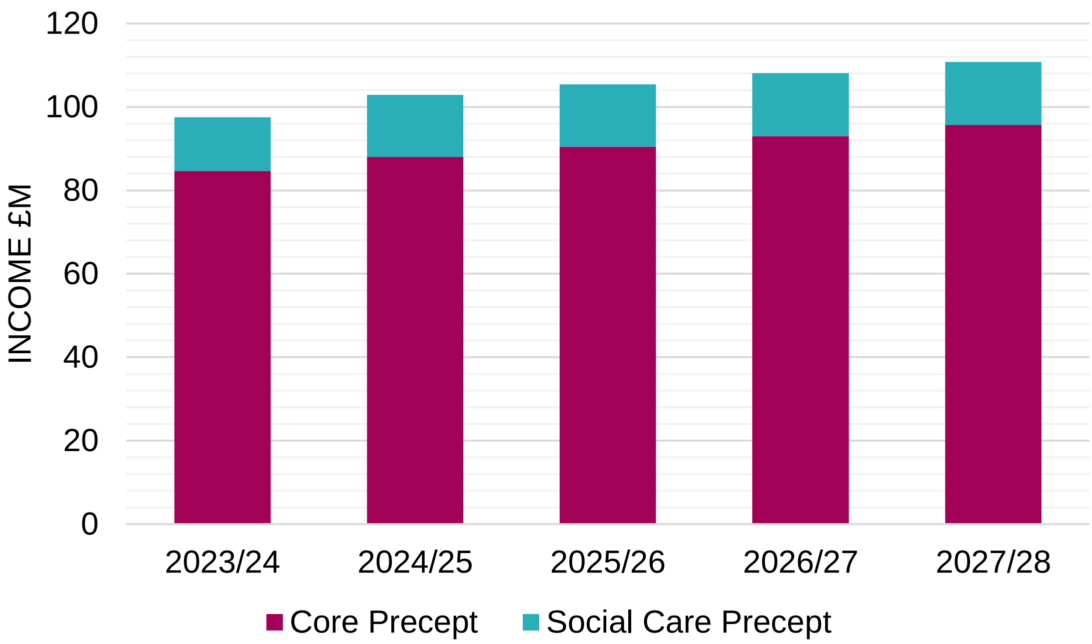
There is a proposed **4.99%** increase in Council Tax for 2023/24. This includes a 2% increase for adult social care. For planning purposes these increases have also been assumed for 2024/25 but from 2025/26 onwards an increase of **1.99%** has been assumed, with no increase for adult social care precept.

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 2023/24 is **59,746.14** (equivalent Band D properties).

The MTFF assumes an increase in the Council Tax base of 0.5% per year from 2024/25 to 2027/28. The Council also plans to release accumulated collection fund surpluses in 2023/24 and 2024/25. The scale and profile of the release of these surpluses over the medium term will be reviewed following the finalisation of the outturn for 2022/23.

Figure 19 illustrates the current forecasted level of Council Tax and Social Care Precept until 2027/28.

Figure 19 Income from Council Tax and Social Care Precept



3.14 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 £49.512M 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 concluded a procurement exercise to choose a partner organisation with which to regenerate the Queensway estate. Swan Housing Association were approved as the partner organisation for this scheme. UPDATE PENDING

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. However, due to the current high levels of inflation a ceiling of 7% has been applied for 2023/24 only after a DLUHC consultation. The MTFS demonstrates that the HRA is currently financially robust.

3.15 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.
- To support the Council's high priority major projects such as, and including Better Queensway, Airport Business Park, Care and Learning Disability re-provision, and the Housing Acquisition Programme.

Some-updates made to the CAMS during 2022/23 are as follows:

- Removal of the references to the COVID provisions.
- Updating of the revenue and capital receipts information.
- Updates to reflect structure and governance arrangements.
- Introducing a schedule of charges relating to property transactions.

Some further updates will be made to the CAMS during 2023/24 following which the plan will be amended and the revised plan published on the Council's website:

- A review of the KPIs for the portfolio to ensure that they remain current and relevant.
- Alterations to reflect Southend's new City Status.
- Completion of a plan to address the requirements of the Minimum Energy Efficiency Standards and further support the Council to use fewer, better buildings, help to progress towards the net zero by 2030 commitment and to invest in the sustainability of those which are to be retained.

3.16 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.

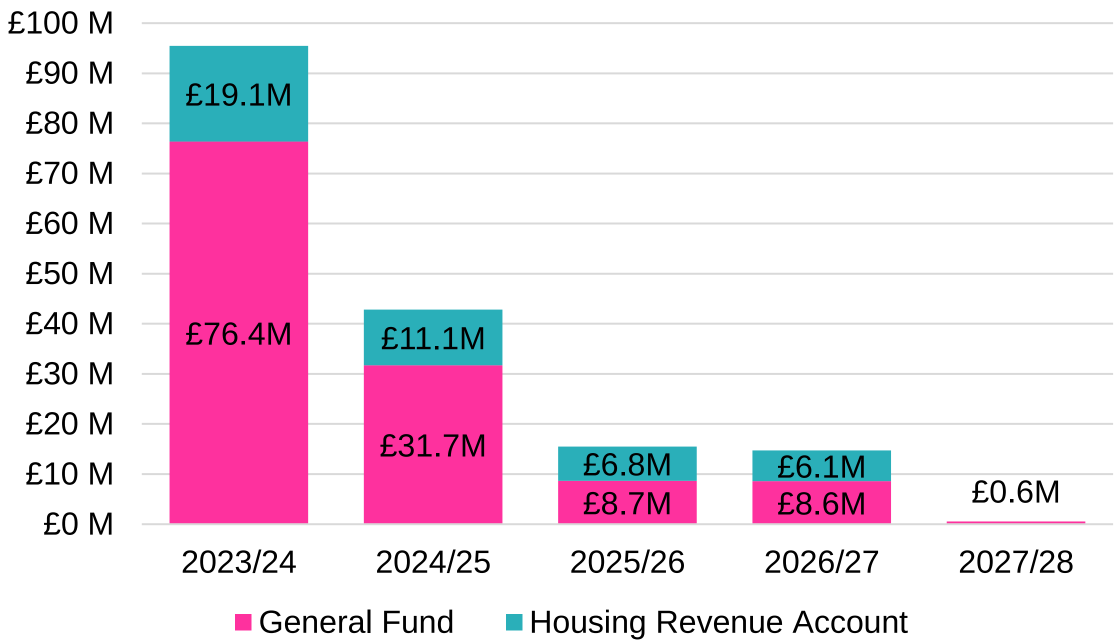
It is a key document and forms part of the authority's integrated revenue, capital, and balance sheet planning. It provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of desired outcomes. It includes an overview of the 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 Corporate Plan and all capital investment is therefore driven by the aim of contributing to the delivery of the ambition, the desired outcomes and the agreed priorities.

The resulting new investment into the capital investment programme of the next five years is shown at paragraph 3.11.

The proposed total capital investment programme over the next five years is illustrated in Figure 20.

Figure 20 Proposed Capital Investment Programme



3.17 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 £115m (of which £55m is the estimated sum of medium term and long-term funds managed by external fund managers) during 2023/24 based on information currently available and historical spending patterns.

3.18 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.

3.19 Prudential Indicators

1.1 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. CIPFA published their updated 2021 edition of the Prudential Code on 20th December 2021.

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.

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.

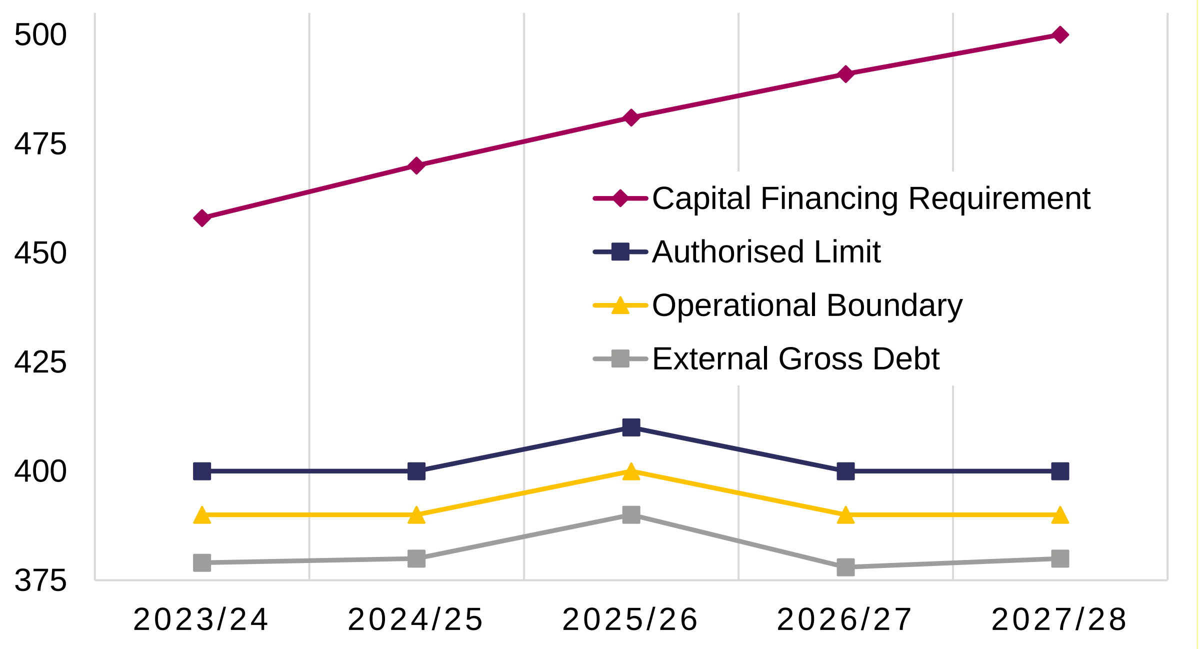
To demonstrate compliance with these objectives each authority is required to produce a set of prudential indicators. These indicators are designed to support and record local decision making and are not for comparison with other authorities. The setting and revising of these indicators must be approved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

Figure 21 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 21 Borrowing levels and limits.



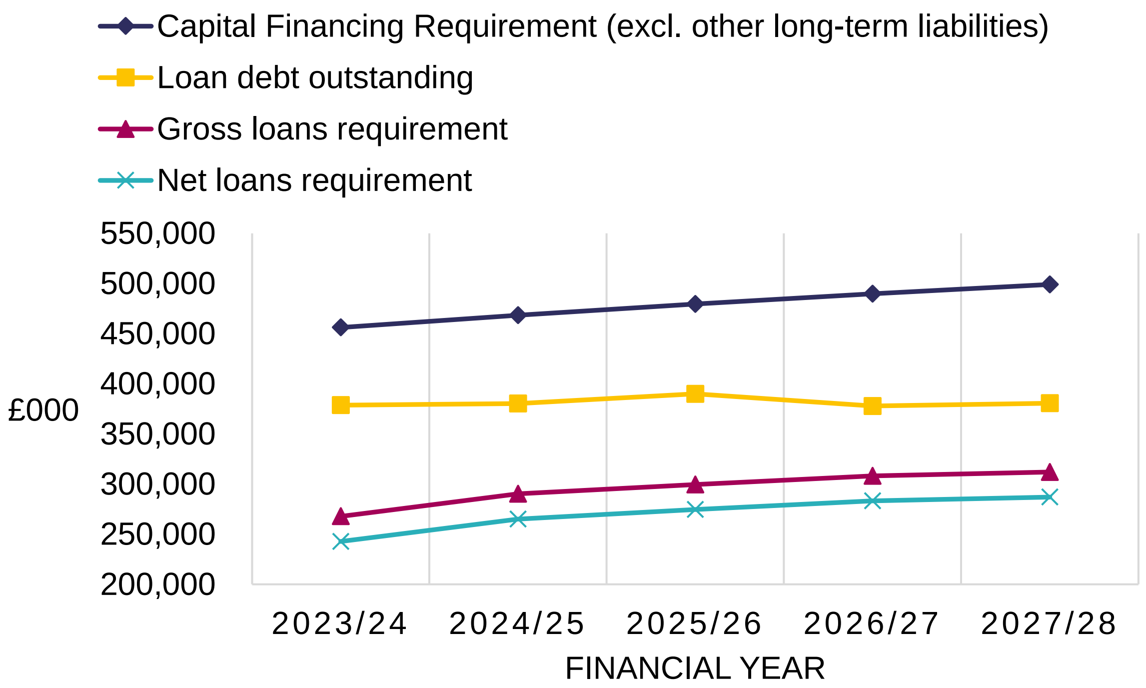
The operational boundary is how much gross external debt the Council plans to take up and reflects the decision on the amount of debt needed for the Capital Investment Programme for the relevant year. The authorised limit is higher than the operational boundary as it allows sufficient headroom to take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

The gap between the Capital Financing Requirement and the Operational Boundary/Authorised Limit highlights the potential scope and flexibility to borrow further, if the cash flow and treasury management position allows.

Figure 22 shows the Council's liability benchmark which is a measure of how well the existing loans portfolio matches the authority's planned borrowing needs. It is not a single measure but consist of four balances:

- Existing loan debt outstanding: the authority's existing loans that are still outstanding in future years.
- Loans Capital Financing Requirement: calculated in accordance with the definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP. This excludes any part of the Capital Financing Requirement related to other long-term liabilities rather than borrowing.
- Net loans requirement: the authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future.
- Liability benchmark (or gross loans requirement) equals net loans requirement plus a short-term liquidity allowance. A short-term liquidity allowance means an adequate (but not excessive) allowance for a level of excess cash to be invested short term to provide access to liquidity if needed.

Figure 22 Liability Benchmark



Where the loan debt outstanding exceeds the gross loans requirement, this indicates there is excess cash available for investment. As such, local authorities should refer to their current liability benchmark as one of the factors to consider when taking new borrowing decisions.

3.20 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 unallocated General Fund reserves of £8M to be maintained throughout the period between 2023/24 to 2027/28.
- An optimal level of unallocated General Fund reserves of between £10M and £11M over the period 2023/24 to 2027/28 to cover the absolute minimum level of reserves, in-year risks, cash flow needs and unforeseen circumstances.
- A maximum recommended level of unallocated General Fund reserves to £12M for the period 2023/24 to 2027/28 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 uncertainty and challenges caused by the prevailing economic and fiscal conditions, 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.

3.21 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 will be undertaken as part of the year end final position for 2022/23, once the outturn has been determined.

Each year as part of closing the accounts a 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.

In relation to the adequacy of reserves (excluding the General Fund Balance summarised in Section 3.20), 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 2023/24 and the medium to long-term:

- Given the status of housing management provision the recommendation is that general reserves be maintained at £3m.

This recommendation is based on and conditional upon:

- A 2023/24 budget agreed with South Essex Homes Ltd. to maintain a balanced HRA, together with the HRA's own MTFS for the period 2023/24 to 2027/28.
- Forward projections for the HRA beyond 2023/24 are being remodelled.

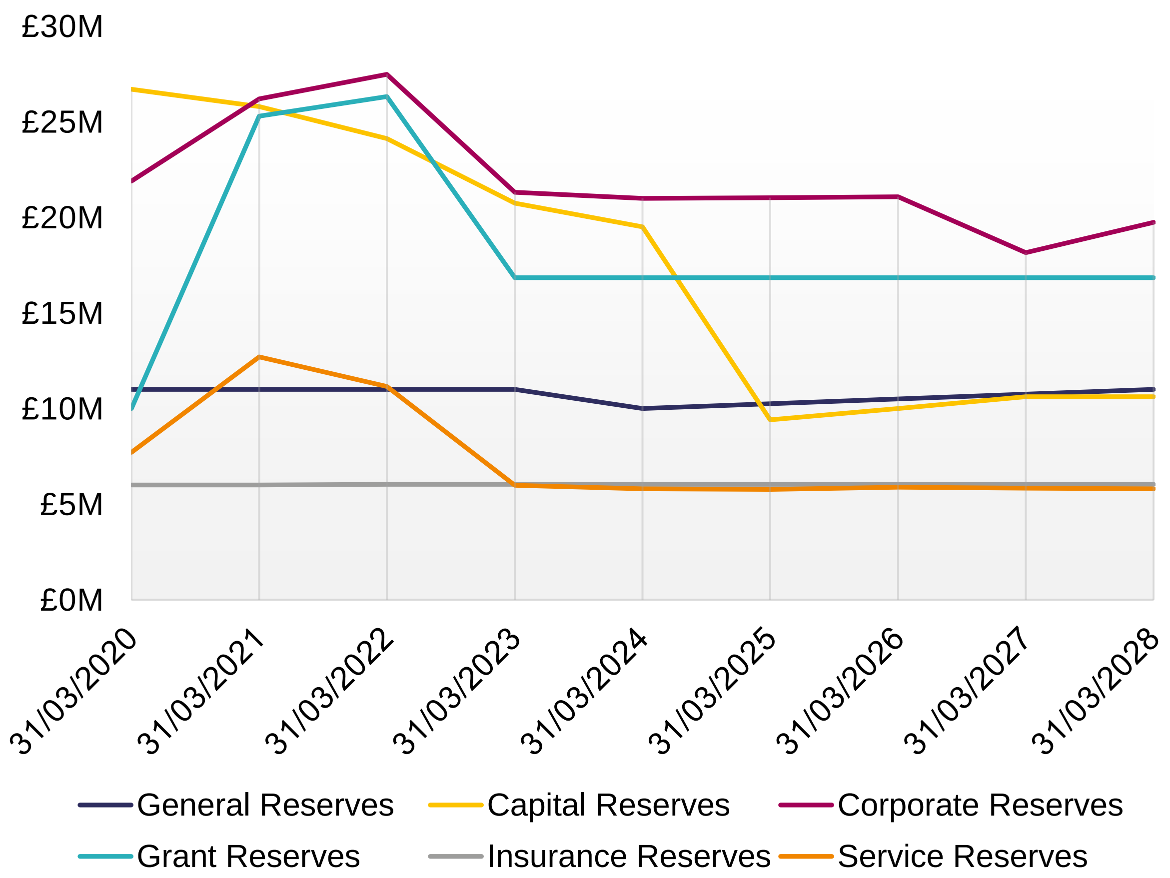
Earmarked Reserves

A table of the earmarked reserves and their balances at 31st March 2022 to 31st March 2028 is shown in Annex 2. The balances at 31st March 2023 to 2028 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 2028 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 £68M to £82M over this timeframe.

Table 7 Earmarked Reserves

	31st March 2022 £M	31st March 2023 £M	31st March 2024 £M	31st March 2025 £M	31st March 2026 £M	31st March 2027 £M	31st March 2028 £M
General Reserves	11.000	11.000	10.000	10.250	10.500	10.750	11.000
Capital Reserves	24.118	20.744	19.498	9.408	9.994	10.619	10.619
Corporate Reserves	27.479	21.315	20.985	21.021	21.072	18.153	19.734
Grant Reserves	26.317	16.844	16.844	16.844	16.844	16.844	16.844
Insurance Reserves	6.033	6.033	6.033	6.033	6.033	6.033	6.033
Service Reserves	11.153	5.990	5.804	5.768	5.876	5.840	5.804
Total	**106.100**	**81.926**	**79.164**	**69.324**	**70.319**	**68.239**	**70.034**

Figure 23 Forecast Earmarked Reserve Levels



3.22 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 previous two years and the financial challenges experiences during 2022/23, the year 2023/24 will be 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 the Corporate Plan 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.

3.23 Addressing the Budget Gap

The Council is currently predicting a cumulative budget gap of **£29.8M up to the end of 2027/28**. 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.
- Business Transformation Blueprint 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	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Budget gap	£0.0M	£9.3M	£9.5M	£6.0M	£5.0M	£29.8M

3.24 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 introduced a new integrated finance and accountancy structure in 2021/22 which has built 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 2023/24 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 given the political and management desire to implement the necessary transformation.

The Council like all local authorities has experienced unprecedented volatility over the last few years including 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 demand and inflationary pressures will increase or diminish 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, a Corporate Plan for 2022-2026, 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 City 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.