

# Southend-on-Sea City Council

Report of the Executive Director  
(Finance and Resources)

To

Council

On

23 February 2023

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

Agenda  
Item No.

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**Prioritising Resources to Deliver Better Outcomes 2023/24 to 2027/28**  
**Cabinet Members: Councillor Stephen George and Councillor Paul Collins**  
***Part 1 (Public Agenda Item)***

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## 1. Purpose of Report

- 1.1 To request Council to approve the setting of a revenue budget and Council Tax level for 2023/24 and a Capital Investment Programme for 2022/23 to 2027/28 including the associated Prudential Indicators and Treasury Management arrangements.
- 1.2 To request Council to approve the setting of the Housing Revenue Account (HRA) budget, recommended rent levels and associated service charges for 2023/24.
- 1.3 For Council to consider the comprehensive reports that were presented to Cabinet on 12 January 2023 and 14 February 2023 which set out the issues affecting the Council's budgetary position for 2023/24 and provided an assessment over the medium term to 2027/28. This included the details of the provisional Local Government Finance Settlement, which has since been confirmed as final and is in line with the expectations of the provisional information, with no material financial changes for Southend-on-Sea City Council.
- 1.4 For Council to consider the recommendations agreed by Cabinet at its meeting on 14 February 2023. To approve a revenue budget (including the HRA), a Council Tax level, five-year financial projections including budget investments, savings and income generation proposals for 2023/24, the proposed approach for the development and implementation of a new transformation blueprint for the Council, a Capital Investment Programme and range of Prudential Indicators.
- 1.5 To seek approval from Council to the formal Council Tax setting resolutions contained within this report.
- 1.6 To request Council to consider and formally agree all these matters.

## **2. Recommendations**

**That the Council considers the information contained in this report and the related reports to Cabinet on 12 January 2023 and 14 February 2023 to agree:**

**2.1 The Section 151 Officer's statement on the robustness of the proposed budget, the adequacy of the Council's reserves and the Council's Reserves Strategy (Appendix 1).**

**2.2 A 2023/24 revenue budget (Appendices 2 and 3 (i) to (iv)) and**

- a Council Tax increase of 4.99% for the Southend-on-Sea element of the Council Tax for 2023/24, being 2.99% for general use and 2.0% for Adult Social Care.**
- the use of £1 million from General Fund balances in 2023/24 to support the balancing of the budget and note the planned replenishment of those balances over the life of the Medium-Term Financial Plan.**
- the use of £2 million of the collection fund surplus for the 2023/24 budget.**
- to note the increase in the Council Tax level of 6.57% for the precepting authority the Essex Fire & Rescue Services.**
- to note the increase in the Council Tax level of 6.84% for the precepting authority the Essex Police.**
- to note the decrease in the Council Tax level of 0.71% for Leigh-on-Sea Town Council.**

**2.3 The final levy position for 2023/24.**

**2.4 A Capital Investment Programme for 2022/23 to 2027/28 (Appendices 4 (i) and (ii)).**

**2.5 The recommendations from Cabinet 14 February 2023 for the HRA and associated rent levels, service charges & heating charges, Treasury Management, and Prudential Indicators.**

**2.6 The Statutory Budget Determinations and amount of Council Tax for Southend-on-Sea City Council (Appendix 5).**

**2.7 The Council's five-year financial forecast (Appendix 6) and associated Medium Term Financial Strategy.**

**2.8 The direction of travel for 2024/25 and beyond and noting the approach proposed for the development and implementation of a new transformation blueprint for the Council (Section 9).**

### 3. Background Information

- 3.1 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 this context the various fiscal and operational challenges, budget development plans, business uncertainty concerns and associated matters of Southend-on-Sea City Council have been considered at the Cabinet meetings of 12 January 2023 and 14 February 2023.
- 3.2 The overall package of budget proposals was launched for consultation with local residents, businesses and relevant stakeholders on 5 January 2023. The relevant reports were also presented and considered at the Council's Policy and Resources Scrutiny Committee on 2 February 2023 and discussed at the Business and Voluntary Sector consultation meeting on 12 January 2023, as outlined below:
- *Prioritising Resources to Deliver Better Outcomes 2023/24 to 2027/28*
  - *Housing Revenue Account Budget and Rent Levels 2023/24*
  - *Treasury Management Policy 2023/24 (Treasury Management scrutinised at Audit Committee on 11 January 2023 and not at Policy & Resources Scrutiny Committee)*
- 3.3 Based on feedback during the consultation and updated financial performance information, some changes to the original package of budget proposals presented on 12 January were included in the Cabinet report on 14 February. The Cabinet listened to the feedback that was received from the budget engagement and consultation exercise and the final overall budget package proposed has been assessed as robust and deliverable, despite the current challenging fiscal and operating environment.
- 3.4 The Cabinet recommends to Council that it: -
- Approves the proposals for the Revenue Budget and Council Tax Level as set out at **Appendices 2 & 3** and approves the Capital Investment Programme as set out at **Appendix 4**. Other recommendations requesting approval include the HRA Budget and associated rent levels and service & heating charges for 2023/24, Treasury Management arrangements and Prudential Indicators. Details of all these items and relevant recommendations are all contained in the suite of Cabinet reports presented on 14 February 2023.
- 3.5 The Council must set its revenue budget and Council Tax by 11 March of the preceding year. If, for whatever reason, the Council cannot agree a budget and Council Tax level on 23 February 2023, Members should be aware that it is unlikely that the Council Tax bills could be sent out on time for the 1 April instalment date (considering the necessary notice period and the time required to print the bills and the accompanying leaflet). Such a delay will increase costs significantly by circa £150k - £250k and will need to be built into the budget. It is also highly likely that this will also translate into a higher level of un-collectable debt and increased debt collection costs which will have a significant negative impact on a range of local Council Tax performance indicators.

3.6 In setting its budget, the Council is required to approve a full Council Tax resolution which includes the Adult Social Care, Police, Fire and parish precepts, including any recommendations for special expenses. The Statutory budget determination to set the amount of Council Tax for Southend-on-Sea City Council for all valuation bands from A to H is shown in **Appendix 5**.

#### **4. Adequacy of the Council's reserves and robustness of the proposed budget**

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

4.2 The assessment of the Council's reserves is addressed within the S151 Officer Statement as set out in **Appendix 1**. In addition, further detail was also contained in the updated Medium Term Financial Strategy 2023/24 – 2027/28, which was presented to Cabinet on 14 February 2023 (Appendix 1 of the Prioritising Resources to Deliver Better Outcomes 2023/24 to 2027/28 report).

4.3 The Chief Finance Officer is under a statutory duty to issue a formal report if they believe that the council is unable to set or maintain a balanced budget. This is often known as a 'section 114 notice' as it refers to section 114 of the Local Government Act 1988. The Local Government Act requires billing authorities to complete and approve their budgets and set a council tax before 11 March immediately prior to the start of the financial year on 1 April. If the Council cannot agree a balanced budget before that date, the Chief Finance Officer would be under a statutory duty to issue a section 114 notice.

4.4 This would be significant as, after a section 114 notice is issued, a local authority may not incur new expenditure commitments, and the full Council must meet within 21 days to discuss the Chief Finance Officer's report. It would significantly increase the Council's risk of potential Government inspection and direct intervention and cause major reputational damage.

#### **5. Corporate Issues**

5.1 For 2023/24, the overall level of contingency within the proposed budget is £1.1 million. This has reduced significantly from previous years due to the prevailing financial challenges, including the speed of widespread inflationary pressures, increased energy prices and a major increase in the scale and complexity of local service demand. It is still considered adequate to deal with any unforeseen/emergency issues that may arise during the year. If this is major and/or extensive then the Council is also able to utilise its earmarked reserves position to protect the Council's budget.

5.2 The position on Council Tax capping was amended by the introduction of the Localism Act in December 2011. The provisions in the Localism Act 2011 abolished Whitehall capping in England and instead provides local residents with a power to approve or veto excessive council tax rises. The new

provisions require the Secretary of State to propose principles defining an excessive increase in council tax for any financial year. The main principle to be determined relates to the increase in the Band D council tax level (subject to certain adjustments) from one year to the next.

5.3 A Council Tax referendum will only be required to be held in relation to an authority's council tax increase in 2023/24 if the amount set by the authority exceeds the council tax excessiveness principles applying to that year. For 2023/24 the position is as follows:

- The Secretary of State has set the council tax referendum principles for 2023/24 as part of the Local Government Finance settlement. As a minimum, local authorities can increase their relevant basic amount of council tax by up to 3% without having to hold a referendum. In addition, Councils with responsibility for Adult Social Care can increase their council tax by an additional 2% Adult Social Care Precept.
- This means that a referendum will be required if an authority sets an increase of 5% (comprising 2% for Adult Social Care Precept and 3% for other expenditure) or more than 5%.

5.4 In agreeing a proposed increase of 4.99% for the Southend-on-Sea element of the Council Tax for 2023/24, being 2.99% for general use and 2.0% for the Adult Social Care precept, the Council is in line with the requirements from the Secretary of State and therefore no referendum is triggered.

5.5 Therefore, in my view as the Council's Chief Financial Officer, I can confirm that the budget for 2023/24, as reported in the suite of Cabinet reports in January and February 2023 and considering the issues highlighted in this report, is challenging to deliver in the current circumstances but is also sufficiently robust to be recommended for approval by the Council. My opinion on the Council's future financial sustainability is predicated on the Council's commitment and intention to implement a new Transformation Blueprint which will be designed to ensure that the Council remains financially resilient over the medium term. I am also able to advise the Council that the current and future predicted level of Reserves are adequate and to recommend a Reserves Strategy which is achievable in 2023/24 and over the medium term in line with the factors set out in my S151 Officer Statement (set out in **Appendix 1**).

## **6. Council Tax and Collection Fund 2023/24**

6.1 The Council Tax Base for 2023/24 was approved by Cabinet on 12 January 2023 at **59,746.14** (equivalent Band D properties).

6.2 The estimated accumulated surplus on the Collection Fund at the end of 2022/23 is sufficient to allow £2 million to be attributed to the Council and which has been used in calculating the Council Tax, as statutorily required.

6.3 The proposed budget assumes a Council Tax increase of 2.99% for general use on the Southend-on-Sea element of the total Council Tax. In addition, no referendum limit will be breached by approving this level of increase for 2023/24.

- 6.4 Council may wish to bear in mind that a **1% change** in Southend-on-Sea City Council's element of the Council Tax is **£14.16** per annum for a Band D property. This equates to an amount of circa **£0.846 million** in the revenue budget for each 1% change.
- 6.5 The proposed Council Tax **increase of 2.99%** will mean a Band D level of **£1,416.39** per annum on the Southend-on-Sea element of the Council Tax. This equates to an annual increase of **£46.42** and a weekly increase of **89p**.
- 6.6 This budget also includes the Adult Social Care Precept at an **increase of 2.0%** over the previous year. The proposed level equates to an annual increase of **£31.07** (from £184.42 to £215.49) equivalent to a weekly **increase of 60p** at the Band D Council Tax level.
- 6.7 The total Council Tax payable by taxpayers consists of the Southend-on-Sea City Council precept, the Adult Social Care precept and the precepts for Essex Fire & Rescue Services and Essex Police. Where applicable it also includes Leigh-on-Sea Town Council precept.
- 6.8 The Statutory Budget Determinations and amount of Council Tax for Southend-on-Sea City Council is shown in **Appendix 5**.

### **Precepts**

- 6.9 For Essex Police an increase in its Council Tax has been approved by the Police, Fire & Crime Commissioner. This represents a Council Tax of **£233.46** (2022/23 = £218.52) per Band D property, which equates to an increase on the respective 2022/23 level of **6.84%**.
- 6.10 For Essex Fire & Rescue Services an increase in its Council Tax has been approved by the Police, Fire and Crime Commissioner. This represents a Council Tax of **£80.28** (2022/23 = £75.33) per Band D property which equates to an increase on the respective 2022/23 level of **6.57%**.
- 6.11 Leigh-on-Sea Town Council has declared its precept for 2023/24 at £462,056 (2022/23 = £452,880). Based on their council tax base of 9,135.15, there will be a **decrease of 0.71%** in the Town Council element of the total Council Tax bill from £50.94 to **£50.58** at Band D. This only applies to the area covered by the Town Council.

### **Levies**

- 6.12 The Council is required to pay relevant levying bodies, who have all now provided their required levy for 2023/24 and the position for 2023/24 compared to 2022/23 is identified in the table on the next page:

	2022/23 Probable Actual £000	2023/24 Estimate £000	Percentage increase %
Kent and Essex Inshore Fisheries and Conservation Authority	23.1	23.8	3.0
Flood Defence – Environment Agency	213.2	215.0	0.8
Coroners Court	472.0	476.5	1.0
<b>Total</b>	<b>708.3</b>	<b>715.3</b>	

The 2023/24 budget proposed at Cabinet on 14 February 2023 included a total sum for levies of £715,300. The final approved levies and year-end adjustments for 2023/24 total £715,300. Therefore, no amendment is required to the levies budget for 2023/24. However, if there are any final adjustments to the above levies for 2023/24 this will be funded through contingency.

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

- 6.13 Parish and Town Councils can precept on the Authority for services provided in the Parish or Town Council area. The Local Government Finance Act 1992 requires these precepts to be deemed a special item. In the Council's geographical area, the only parished area is Leigh-on-Sea.
- 6.14 The cost of Southend-on-Sea's services are spread uniformly over the Authority's area. However, in some parishes, the Town Council may provide services which in other parts of the Authority are provided by the Council. Under Section 35 (2) (d) of the 1992 Act, the cost of these services is regarded as special expenses unless the Council has resolved otherwise. Special expenses are deemed to be included as part of the special items for Council Tax setting purposes.
- 6.15 The costs of special expenses are deducted from the council's total expenditure when setting the basic Council Tax and are charged as an additional amount to the areas receiving the benefit of these specific services.
- 6.16 At its meeting on 14 February 2023, the Cabinet considered the special expenses to apply in 2023/24 and recommended that there were no special expenses in addition to the Leigh-on-Sea Town Council's precept.
- 6.17 The proposed Band D Council Tax excluding and including Leigh-on-Sea Town Council is set out at **Appendix 2**.

## **7. Capital Investment Programme**

- 7.1 The Cabinet also considered proposals for the Capital Investment Programme for 2022/23 to 2027/28 and referred the proposals set out at **Appendix 4 (i) and (ii)** to this report.
- 7.2 The Cabinet also agreed to refer to Council the approval of the Capital Investment Strategy and Prudential Indicators.
- 7.3 The full impact of the borrowing costs required to fund the proposed programme have been included in the Council's current financial planning for 2022/23 to 2027/28. The 2023/24 revenue budget incorporates the required borrowing costs as part of the budget requirement for 2023/24. In summary, it is my view, as the Council's Chief Financial Officer, that the 2022/23 to 2027/28 Capital Investment Programme is proportionate, prudent, affordable and sustainable.
- 7.4 To demonstrate compliance with these objectives a set of prudential indicators, as required by statute, is also recommended for approval.

## **8. Medium Term Financial Strategy (MTFS)**

- 8.1 Given the constantly changing events in 2022/23, together with the late publication by the Government of the provisional finance settlement on 19 December 2022, the updated MTFS to 2027/28 still requires some further development and confirmation of some outstanding elements. However, a comprehensive draft was included within the Prioritising Resources to Deliver Better Outcomes 2023/24 to 2027/28 report to Cabinet on 14 February 2023 at Appendix 1. This updated strategy builds on what was approved in February 2022 and looks to provide an integrated view of the whole of the Council's finances and outlook over the medium term and tries to illustrate some medium-term financial planning parameters using the best information and the most likely set of scenarios/assumptions that are currently available.
- 8.2 Any final cosmetic and background changes not impacting on the overall strategy and recommendations in the MTFS will be undertaken by the Executive Director (Finance & Resources) before final publication. This strategy will be kept under regular review and a formal annual refresh will be presented to the Cabinet as part of the Council Tax setting proposals for 2024/25.
- 8.3 This strategy is the Council's key financial planning document which informs business and resource planning and shows how spending needs to be balanced with the amount of available funding. It identifies budget gaps in the medium term to enable the Council sufficient time to address them in a considered, measured, and planned way.
- 8.4 It is good practice to update the rolling MTFS as part of setting the Council budget and Council Tax to ensure our financial planning is fully aligned and integrated.



8.5 The MTFs currently shows a projected further budget gap for the Council of £29.8 million for the following four financial years. This is set out in detail in **Appendix 6** and in summary as follows:

2024/25	£9.3 Million
2025/26	£9.5 Million
2026/27	£6.0 Million
2027/28	£5.0 Million
<b>Total</b>	<b>£29.8 Million</b>

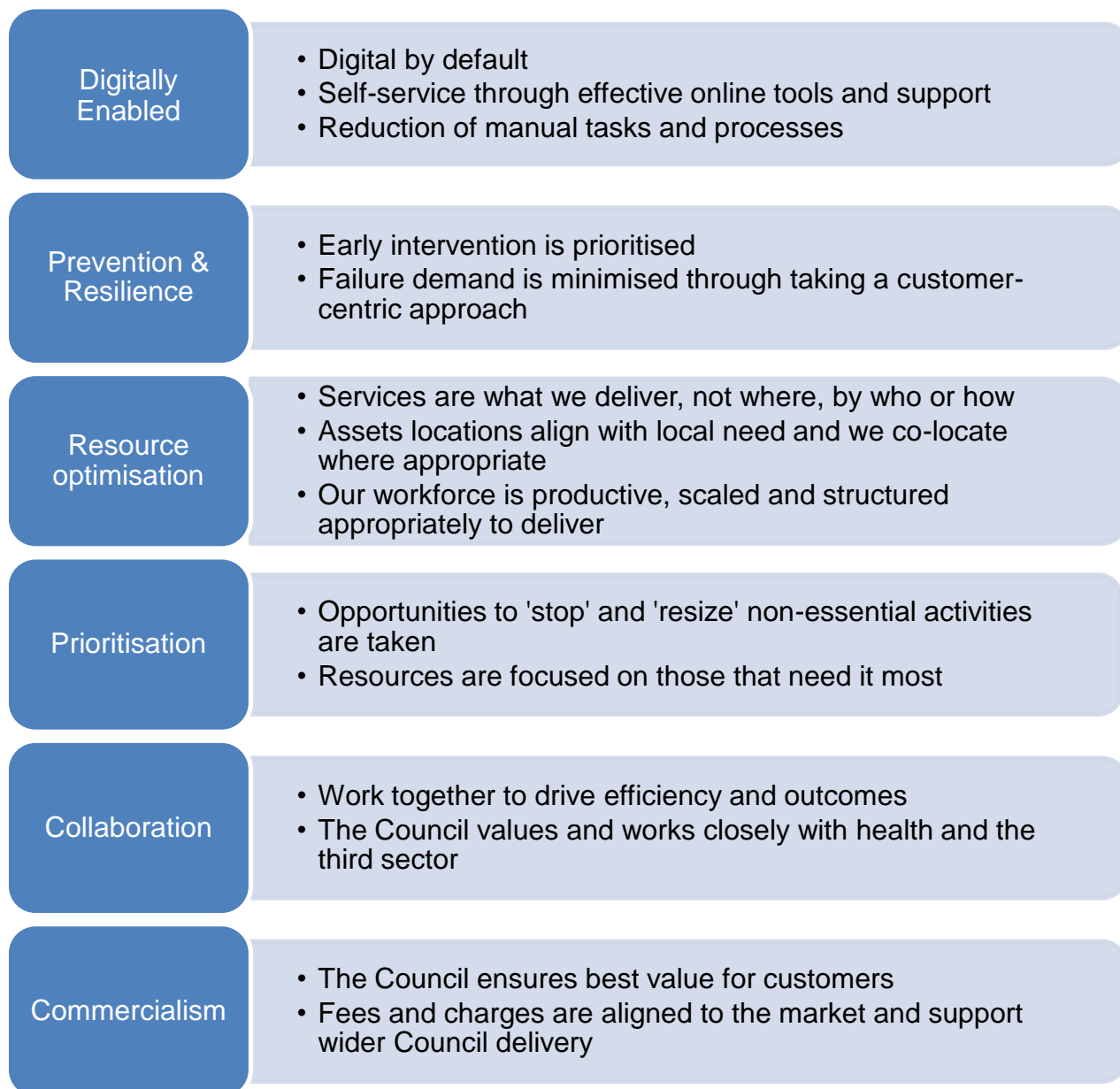
8.6 The estimated calculation of the future gap of £29.8 million needs to be considered with a degree of caution. Although all relevant information that the Council is currently aware of has been factored into this assessment, attempting to predict the future in the current set of constantly changing circumstances is incredibly difficult.

8.7 Uncertainty remains over what the UK Government may do in response to the ongoing impact of the inflation and the cost-of-living crisis on the country’s public finances and the local impact of any future ‘funding reform’. We will continue to monitor developments and update our forecasts as more clarity over national policy choices becomes available. Other national and international events may also have a major impact on the Council’s future operating environment and financial resilience challenge.

**9. 2024/25 and Beyond**

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

9.2 Our future financial sustainability will be reliant on a comprehensive programme of service redesign and transformation. A new transformational blueprint will guide the development of a clear roadmap and framework which will be created to try and achieve the ambitions for the Council and enable us to measure all service arrangements to ensure that they meet local resident needs but will have to be predicated on the Council remaining financially sustainable in the medium term. These core principles are summarised in the following figure:



9.3 The development of an appropriate and significant programme of transformation will be key to the Council meeting its ambitions and maintaining financial sustainability. Its implementation will require a systematic and sequential programme of service redesign. Progress and performance will be reported 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 at each stage.

9.4 Traditionally, and particularly over recent years, the nature of Council activity has seen an increase in the level of directly delivered services for the local populace and for local businesses and visitors. Many discretionary services have been delivered on a universal basis and free or subsidised. These arrangements and service levels may need to be reviewed as greater pressure is being placed upon the core statutory services provided by the Council.

- 9.5 The Council may need to increase focus on the delivery of its services in a more targeted way, concentrating on delivering services to those residents who most need the Council's support. The Council may also need to review and change its approach to tailoring the delivery of its many statutory services. To underpin these new arrangements the Council will continue to reposition its role as one to work alongside the community, its residents and businesses, to try to improve the many contributing factors that affect people's lives.
- 9.6 The Council will continue to have a positive commitment to working, and delivering services, in partnership with other agencies, the voluntary and commercial sectors, and the community itself. As part of this approach the Council will encourage the sustenance of community services in collaboration with local communities, encouraging community capacity to operate effectively in appropriate circumstances and within a supported environment.
- 9.7 The Council will also seek to address critical issues such as equality, disadvantage, lack of attainment and poverty by working with communities themselves, seeking enhanced training support and opportunity. It will foster and promote the local economy and thereby enhancing local opportunities for aspiration, attainment, increasing household income and personal achievement.

## **10. Corporate Implications and Conclusion**

- 10.1 The corporate implications of the proposed Council Budget have been set out in the relevant reports to the Cabinet meetings of 12 January 2023 and 14 February 2023.
- 10.2 In reaching decisions on budget proposals and Council Tax, Members will need to bear in mind all the detailed advice provided by officers both in reports to the Cabinet and information supplied directly. Careful consideration must be made for the impact of decisions both in the coming year and subsequent years.
- 10.3 Members should also note that in approving the Council budget and setting the Council tax level that all the information, advice and recommendations contained in the full suite of reports presented to Cabinet on 12 January 2023 and 14 February 2023 represent part of the decision-making process. All that detailed report information needs to be fully considered and recognised alongside this Council report.

## **11. Background Papers**

- 11.1 All background papers are listed in the reports detailed at paragraph 3.2 in this report.
- 11.2 In addition, Background Papers include:
- (i) Minutes of the Cabinet meeting 12 January 2023.
  - (ii) Minutes of the Cabinet meeting 14 February 2023.
  - (iii) Minutes of the Policy and Resources Scrutiny Committee on 2 February 2023 and feedback from the Business Sector and Voluntary Sector consultation meeting on 12 January 2023.

## 12. Appendices

Appendix 1	Section 151 Officer's Statement on the Adequacy of Balances and the Robustness of the Budget
Appendix 2	Revenue Budget and Council Tax 2023/24
Appendix 3 (i)	General Fund Budget Investment 2023/24
Appendix 3 (ii)	General Fund Budget Savings and Income Generation 2023/24 to 2025/26
Appendix 3 (iii)	General Fund Cost Avoidance and Overspend Reductions 2023/24 to 2025/26
Appendix 3 (iv)	New or Amended Fees and Charges 2023/24
Appendix 4 (i)	Capital Investment Programme 2022/23 to 2027/28
Appendix 4 (ii)	Proposed Capital Investment 2023/24 to 2027/28
Appendix 5	Council Tax Resolution 2023/24
Appendix 6	Medium Term Financial Forecast 2023/24 to 2027/28