

<b>Title:</b>	<b>Finance Performance Report 2024/25 to end of September 2024 (Period 6)</b>
<b>Meeting:</b>	Cabinet
<b>Date:</b>	18 November 2024
<b>Classification:</b>	Part 1
<b>Policy Context:</b>	All Corporate Priorities
<b>Key Decision:</b>	No
<b>Executive Director:</b>	Joe Chesterton, Finance and Resources.
<b>Report Authors:</b>	Pete Bates, Director of Financial Services, Caroline Fozzard, Senior Finance Lead (Strategy, Sustainability and Governance).
<b>Executive Councillors:</b>	Councillor Cowan, Leader and Cabinet Member for Infrastructure and Corporate Strategy, Councillor Collins, Cabinet Member for Finance, Assets and Investments.

## 1 Executive Summary

- 1.1 This is the second financial performance report for 2024/25 and presents a key update of the Council's current financial position. It is designed to provide a financial overview to all relevant stakeholders at this mid-point of the year and a further update will be presented to the Cabinet meeting scheduled for January 2025, which will be the position as at the end of November 2024 (Period 8). It is essential that the Council reviews its budgets and assesses its performance regularly to ensure that it is meeting its strategic objectives and providing value for money. This approach follows recommended best practice, this report highlights variances from approved spending plans, proposes corrective action where necessary and forecasts the scale of mitigation required to try to deliver a balanced financial position by the end of the year.

- 1.2 Throughout the financial years 2022/23 and 2023/24, reports right across the Local Government Sector were dominated by many Local Authorities reporting significant financial distress and concerns over their future sustainability. This was driven by significant increases experienced in both service demand following the pandemic and unavoidable major inflationary cost pressures, across almost every service area. Large financial pressures remain but given the recent change of Government, a period of engagement, discussion and lobbying has commenced to see what national policy changes will be introduced and what future financial settlement the sector will receive.
- 1.3 Regular updates will be provided as further clarity emerges; the new Chancellor delivered a major budget speech on 30 October 2024, which was after the publication of this report for the Council's pre-scrutiny cycle. This report summarises the current forecast position for Southend-on-Sea City Council at the mid-point of the financial year and the overall forecast overspend position for 2024/25 is **£5.645M** which will continue to require decisive action and difficult choices to deliver a balanced outturn by the end of the financial year.
- 1.4 A range of operational spending mitigation measures are being implemented including reviewing all day-to-day spending activity, all agency staff engagements and third-party contracts, challenging Organisational Structures, underpinned by a Voluntary Redundancy programme which opened for expressions of interest on 10 October 2024 and closes on 08 November 2024. The intention is to implement any approved staffing changes prior to the end of this financial year. Other mitigations include a 'deep dive' into children's services, reviewing social care package arrangements, Disabled Facilities Grant usage and income opportunities.

## **2 Recommendations**

***That, in respect of the 2024/25 Revenue Budget Performance as set out in appendix 1 to this report, Cabinet:***

- 2.1 **Note the forecast outturn for 2024/25 for the General Fund and the Housing Revenue Account as at 30 September 2024.**
- 2.2 **Note the plans and intentions to try to reduce the forecast overspend of the Council's revenue budget for 2024/25 and agree that the Chief Executive and Executive Director (Finance & Resources) explore all opportunities within their delegated powers and authority to improve the financial position by the year-end (section 5).**
- 2.3 **Approve the budget transfers (virements) of £3,187,000 (section 5.62), including specific drawdowns from earmarked reserves as set out in section 5.14.**

***That, in respect of the 2024/25 Capital Budget Performance as set out in appendix 2 of this report, Cabinet:***

- 2.4 **Note the expenditure to date and the forecast outturn as at 30 September 2024 and its financing.**

2.5 **Approve the requested changes to the capital investment programme for 2024/25 and future years, as set out in section 4 of appendix 2.**

### **3 Southend-on-Sea City Council's financial situation**

3.1 The Council ended the 2023/24 financial year with an **overspend of £1.9M**. Due to historical strong financial management, the Council had sufficient reserves to cope with the impact of the combined overspending for the past two financial years.

3.2 The Council's financial situation remains challenging, and continued action needs to be taken. It is in the best interests of the Council for all Officers and Elected Members to work closely and collaboratively together at pace to control all areas of identified overspending and to ensure that any adverse variances are brought back as close as possible to the approved budget for 2024/25.

3.3 There clearly remains very difficult and challenging circumstances across the country, particularly with servicing the current levels of national debt and uncertainty over future finance settlements for public services from the new Government. Despite this uncertainty the Council has its financial destiny and control in its own hands. The Council does need to continue its focus on reducing the current forecast level of overspending significantly throughout the rest of the 2024/25 year.

3.4 Action needs to continue to try to reduce all non-essential expenditure and/or generate extra income. This priority must be achieved whilst ensuring that our most vulnerable residents are looked after appropriately, and our statutory responsibilities are effectively discharged. Like other Local Authorities we also need to consider how we deliver our statutory responsibilities and if changes can be made. Improving efficiency and productivity is essential but the scale of the continuing level of financial pressures will inevitably lead to a reduction in the range, quality, cost and responsiveness of some other discretionary Council services as well as challenging our approach to the delivery of our statutory responsibilities.

3.5 To help to continue to address and close the estimated budget gap over the next five years the Council will continue to aim to achieve financial sustainability by growing local income sources and relying less on grant support from Central Government in the future. The Council will continue to work collaboratively with its partners, increase its focus on the delivery or joint commissioning of services in a targeted way to ensure that those in most need and who will receive the greatest benefit are the recipients of services. It is vital that we continue to innovate and learn from others experience and tailor our services and working practices accordingly.

3.6 This report will focus on providing some detail and commentary of the financial variances at a portfolio level that are currently forecast for 2024/25. It should be noted that these estimates have been based on the best information we currently have available at this half yearly stage of the financial year.

3.7 The Council, via its established networks, will continue to monitor developments across the sector and provide appropriate updates to Cabinet. Given the timing of writing this report, the detailed analysis of the Chancellor's budget speech on 30 October and the parameters of the future local government finance settlement are not currently available. The Government have committed to setting out further details through an upcoming Local Government finance policy statement. Assessment of the impact of these announcements will be critical for the Council's future, particularly in terms of the impact on its financial and business planning arrangements.

#### **4 Financial challenges right across the Local Government Sector remain**

4.1 Regular reports presented to Cabinet over the last two years highlighted that the national operating environment, particularly for upper tier local authorities has never been so financially challenging with numerous Councils announcing or giving warnings of financial distress throughout 2022/23 and 2023/24. The issuing of a s114 notice was once unheard of and whilst a lot more authorities are highlighting the possibility, it is still a major undertaking which has huge consequences for the local authority concerned. This is not an immediate risk for Southend-on-Sea; indeed the first stage would be to seek a conversation and additional exceptional financial support from the Government and this is currently NOT being considered, but we must remain vigilant and respond positively to the financial risks that the local government sector is experiencing.

4.2 There does remain widespread concern and risk to the continued delivery and level of public services in many local authority areas. The unprecedented levels of demand and huge increases in costs of maintaining statutory service provision, particularly for support and intervention for vulnerable children and adults has been at such a pace that discretionary universal services are continually being squeezed and are being forced to be significantly reduced to ensure some local authorities remain financially viable. Well over 65% of the Council's entire budget is focused on these areas and currently they account for over 75% of the reported forecast overspending for all services of **£8.163M** in 2024/25. Please note this 'gross overspending' on services is then reduced due to the positive corporate action that is being taken to reduce the overall forecast 'in-year' overspend position for the Council to **£5.645M**.

4.3 Given this combination of factors and levels of financial distress being raised right across the sector, local authority networks up and down the country are engaging with the new Government for recognition of the scale of the underfunding problem and the impact on local areas. Authorities are requesting more transparency and a fairer longer term funding deal particularly in the more deprived areas of the country, which are suffering most from huge increases in both the complexity and cost of statutory service demand.

4.4 The fact that this scale of financial challenge is so widespread across the country is of little comfort currently though as all Councils, including Southend-on-Sea, continue to wrestle with maintaining the delivery of their key statutory responsibility to operate in a financially sensible and sustainable way.

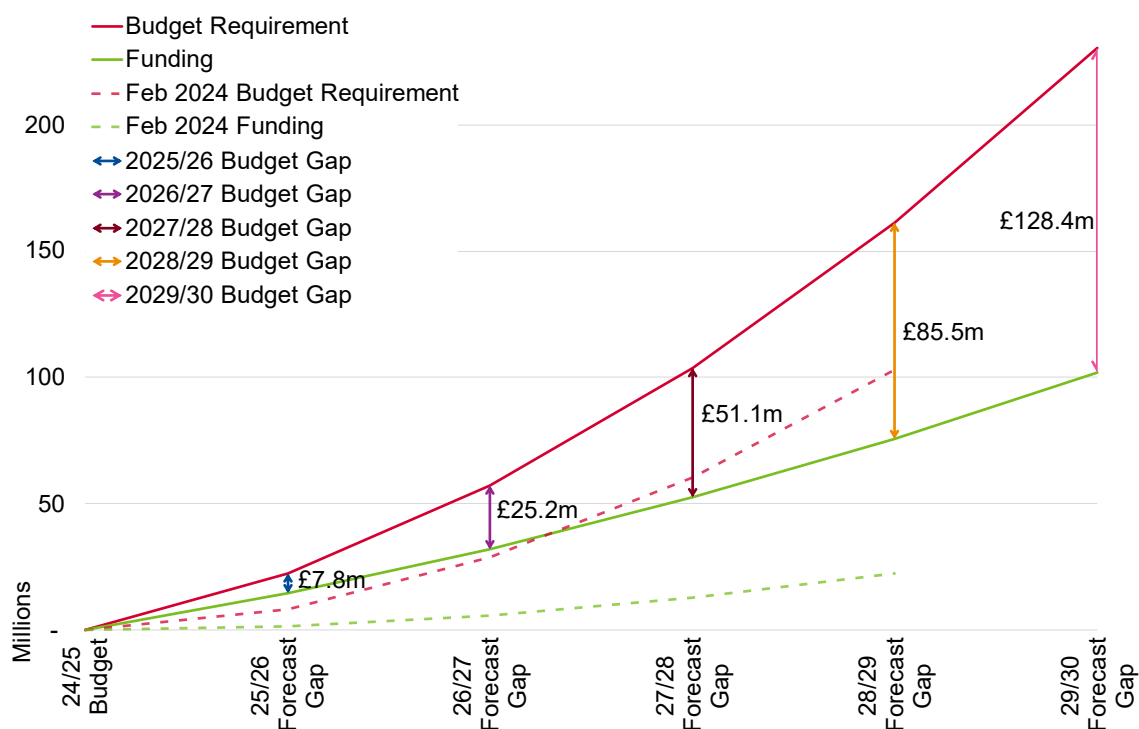
## 5 Southend-on-Sea City Council Revenue Position – General fund

- 5.1 In February 2024, the Council approved a General Fund Revenue Budget requirement for **2024/25 of £150.075M**. This report provides details of the current projected outturn position for 2024/25 based on information as at the end of September 2024 (Period 6). In headline terms Council Corporate Budgets and Service Portfolios are currently forecasting a net overspend by the year-end of **£5.645M** for 2024/25. This is a net reduction of **£2.482M** on the position reported at July 2024 (period 4) (£8.127M).

<b>2024/25</b>	<b>Projected Overspend £M</b>
Feb 2024 (Budget Approved)	-
July 2024 (Period 4)	8.127
September 2024 (Period 6)	5.645

- 5.2 In response to additional budget pressures experienced in the first six months of 2024/25 specific earmarked risk reserves have been released (£2.875M) and are reflected in the forecast outturn position. This is detailed in paragraph 5.14. With regards to statutory social care services, the Medium Term Financial Strategy already includes planned additional permanent investment from 2025/26 onwards to continue to address the highlighted structural funding deficit within the revenue base for these services. Urgent work is still required to try and reduce the revised level of overspending as far as possible for 2024/25.
- 5.3 The total projected overspend currently stands at around **1.5% of the Council's gross expenditure budget**. This revised level of forecast overspending remains unsustainable, particularly given the cumulative impact of overspending in 2022/23 and 2023/24 as this puts more pressure on the Council's financial resilience and future sustainability across the medium term.
- 5.4 All local authorities provide an indicative estimate of future budget/funding gaps as part of approving their respective Medium-Term Financial Strategies each year. As referenced in the July 2024 (period 4) Cabinet report some initial work has now been done to re-cast this medium-term financial forecast for the Council.
- 5.5 The scale, range, volume of data, assumptions and forecasts included in any Medium Term Financial Forecast for a Unitary Authority is incredibly complex and volatile. All Local Authorities attempt to estimate their total likely levels of all income and then undertake the same exercise for expenditure. This is needed to plan their budget position in the future. An initial assessment has now been completed based on all the current information available and on the assumption that **NO NEW ADDITIONAL** funding would be available from Central Government from 2025/26 onwards. This forecast will be revisited once the details and implications of the Chancellor's budget speech (30 October) and the 2025/26 provisional financial settlement (December 2024) are released and analysed.

5.6 An illustration of the potential impact is shown in the following diagram. Clearly more work and refinement will be required throughout the remainder of the year and as further details are released from the budget speech and 2025/26 Local Government financial settlement.



5.7 The table in the next paragraph provides an update of the potential revised profiling of the forecasted budget gap for each of the next 5 years. The cumulative impact of these revised forecast 'in-year' gaps is illustrated in the previous diagram.

5.8 Permanently reducing the 'in-year' gap in an individual year will create a cumulative benefit in the years that follow, reducing the divergence between the expenditure (red) and funding (green) line in the illustration.

	'in-year' gap (£M)				
	25/26	26/27	27/28	28/29	29/30
Original Forecast February 2024	6.6	9.8	8.1	8.4	n/a
Updated Forecast September 2024	7.8	9.6	8.5	8.5	8.5
Increase	1.2	(0.2)	0.4	0.1	n/a

5.9 Any residual overspending in 2024/25 and additional increased demand/costs on top of what the Council is already experiencing, particularly within our statutory social care services, would have a further detrimental impact on these projections.

- 5.10 The previous reported levels of overspending in core statutory services have continued into 2024/25. Even more concerning is the continued increasing costs of Children's Social Care arrangements within Southend-on-Sea and replicated in many areas across the country. The Chief Executive and Executive Director (Finance & Resources) have commenced a deep-dive review into Children's services.
- 5.11 Strong financial management arrangements in accordance with CIPFA's Financial Management Code have been applied throughout 2022/23 and 2023/24 and this has continued into 2024/25. This is having an overall positive impact on the financial position, but further work is still required. The Council will review all opportunities to improve efficiencies and productivity across every service area. This will be supplemented by a major focus on targeted transformation, service re-design, zero-based budgeting reviews and improving value for money for local residents.
- 5.12 A continued focus on effective Budget Management remains and this has already been strengthened through the Finance & Resources sections contained within each Service Plan for 2024/25. This clearly sets out each service area's approved budget, the savings & income generation initiatives it is responsible for delivering and the areas targeted for overspend reductions.
- 5.13 Work is continuing to try and improve the forecast financial position for 2024/25 and an evaluation of all management action is being undertaken. It may be necessary to introduce even tougher measures to try to move towards a balanced financial position by year end. Cost control measures are in place, many of which were introduced in 2023/24. These measures include Executive Director approval on all permanent recruitment and an additional layer of governance through a Workforce Panel for any agency staff spend. Capital challenge sessions have been led by the Cabinet Member for Finance, Assets and Investments to scrutinise spend on the programme and ensure timely reprofiling of the budget.
- 5.14 In response to the financial challenges experienced so far in 2024/25 this report highlights that it is prudent to release specific Council earmarked reserves at this point in the year to manage certain budgetary pressures.

The following have been released:

- £0.25M from the Parking Income Volatility Reserve to respond to the many factors that contribute to the overall level of parking income generated (including the delay in the implementation of 6-9 parking charging) (see paragraph 5.31)
- £1.625M from the Children's Social Care Risk Reserve regarding the increased demand for SEND transport and additional exceptionally high-cost Children's residential placements (see paragraphs 5.38 to 5.39).
- £1.0M from the Adult Social Care Risk Reserve (see paragraph 5.58) to manage some of the budgetary pressures in 2024/25 only, whilst further mitigations and funding plans are considered for 2025/26.

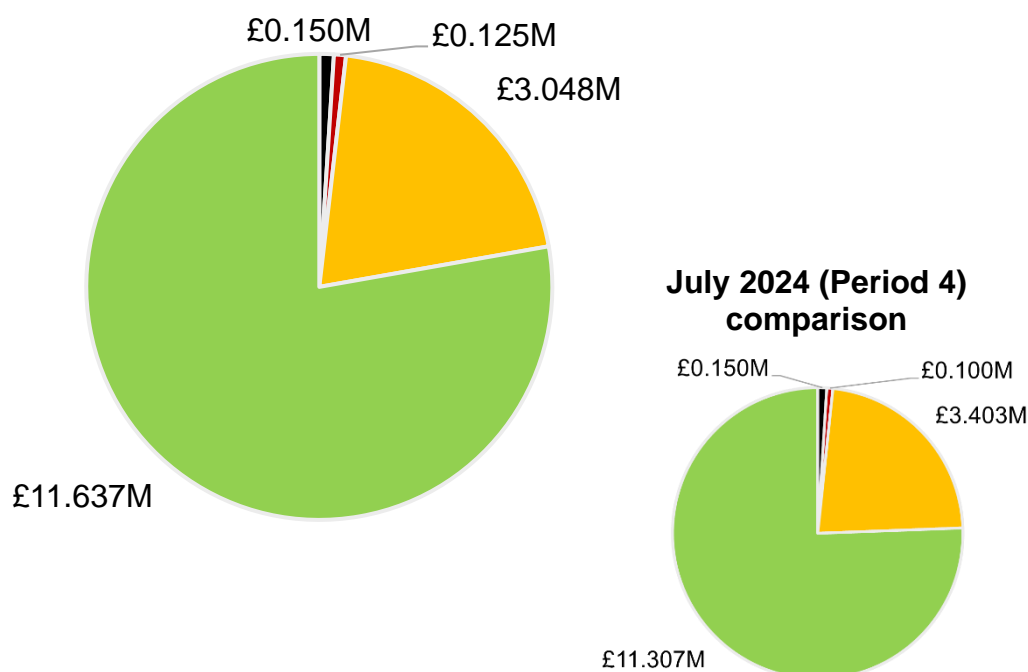
The following have also been identified for release as and when expenditure is incurred:

- £1.07M from the New Home Bonus Reserve for the delivery of the Southend New Local Plan (see paragraphs 7.1 to 7.3).
- £0.75M from the Waste Management Reserve regarding the waste contract: for the demobilisation of the existing contract and costs of transition to, and mobilisation of, the new contract (see paragraphs 7.4 to 7.7).

The Executive Director (Finance and Resources) will continue to review the appropriate level of individual earmarked reserves as necessary.

### Summary of performance against savings and income generation initiatives

5.15 The 2024/25 approved budget included **£14.960M of new savings and income generating initiatives**. Strong progress on delivery has been made during the early part of this financial year. The following pie chart represents the value of savings which have been categorised as Green – will be achieved, Amber – will be partially achieved, Red – unlikely to be achieved or Black – will not be achieved based on the current assessment of progress. It is critical that all approved plans are delivered, or alternative options are urgently developed. A brief commentary on the status of all individual initiatives that are currently categorised as Amber, Red and Black is provided at **Annex 1 in Appendix 1**.



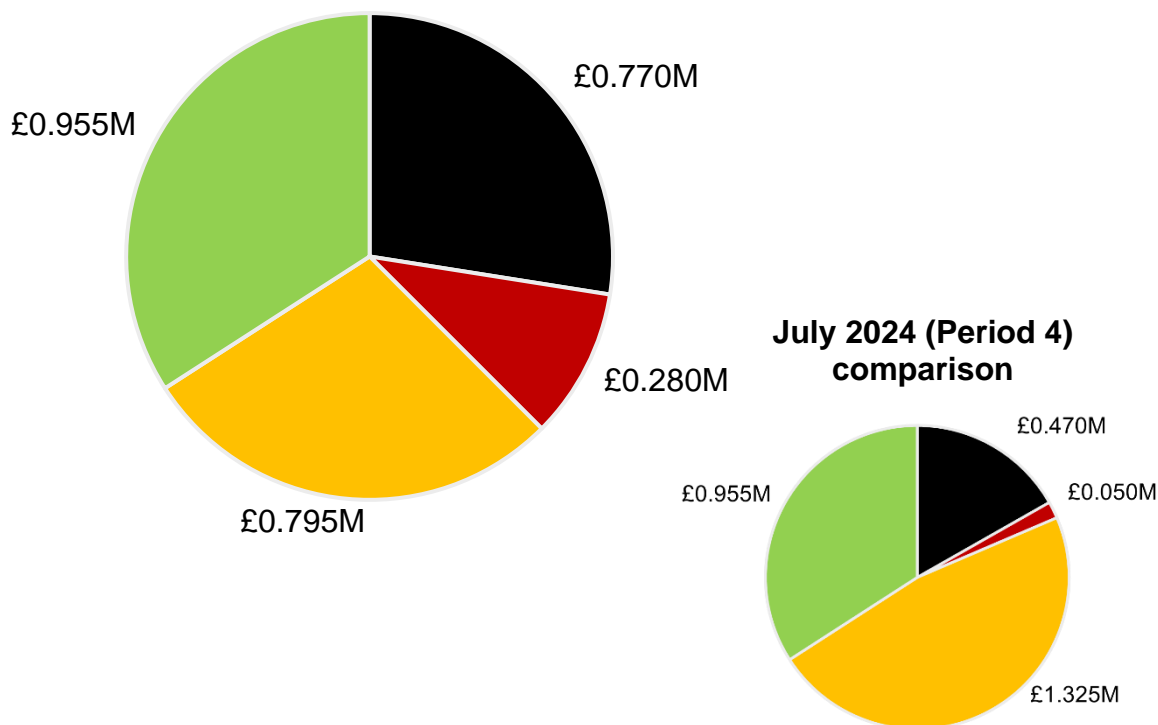
5.16 The above illustration shows that around **78%** (P4 76%) of these approved savings will be achieved by the end of the financial year. Where savings or income generating initiatives are not currently being achieved, they have been highlighted in the relevant Portfolio service sections within this report.



5.17 Work is ongoing to try to improve the delivery of Red or Amber initiatives and/or alternative proposals are being developed. Full delivery of the targeted savings in some cases may not be confirmed until the end of the financial year. A further update on progress will be provided in the end of November 2024 (Period 8) report to January’s Cabinet meeting.

**Summary of performance against targeted overspend reductions**

5.18 When setting the budget for 2024/25 it was recognised that there were overspends of £2.800M which occurred in 2023/24 that would need to reduce in 2024/25 for the organisation to operate within the approved budget. The following pie chart represents the value of overspend reductions which were identified and have been categorised as Green – will be achieved, Amber – will be partially achieved or Red – unlikely to be achieved or Black – will not be achieved.



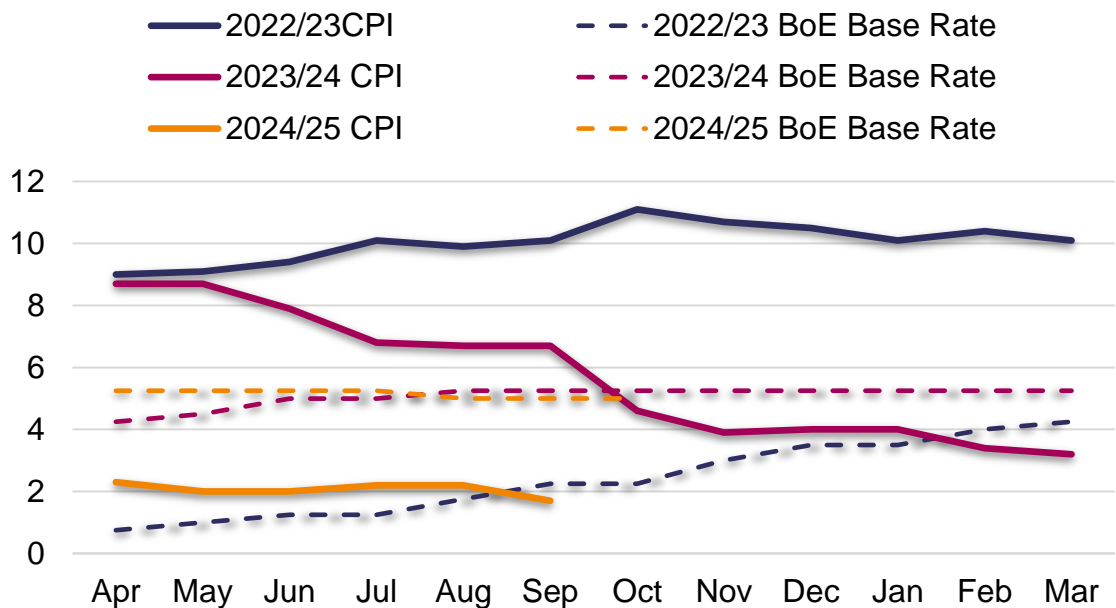
5.19 Work is ongoing to try to improve the delivery of Red or Amber initiatives and/or alternative proposals are being developed. Full delivery of the overspend reductions in some cases may not be confirmed until the end of the financial year. A further update on progress will be provided in the end of November 2024 (Period 8) report to January’s Cabinet meeting.

5.20 Where significant overspends are continuing to occur they have been highlighted in the relevant Portfolio service sections within this report. Most of the high values of continued pressure are within our statutory social care services for our most vulnerable families, children and adults.

## Summary of the major factors contributing to the forecast overspend in 2024/25

- 5.21 The forecast revenue overspend of **£5.645M** is driven by a wide range of factors which are considered in more detail in the remainder of this section.
- 5.22 The National Employers “full and final, one-year offer” (made on 16 May 2024) was accepted on 23 October 2024. This means an increase of £1,290 to National Joint Council (NJC) pay points 2 to 43 (inclusive) and an increase of 2.50% on all pay points above this but graded below deputy chief officer. This means an average pay increase across all scale points of 3.37%.
- 5.23 The budget provision for the Pay Award April 2024 is currently being held centrally within Corporate Budgets and will be distributed to services in November 2024 (Period 8) when payroll is expected to process the increase and back-pay. The Council did set aside sufficient budget to cover the now agreed pay settlement outcome for 2024/25.
- 5.24 The 2024/25 budget included provision for £1.0M of inflation on existing contracts. This has been allocated in full to fund increases on four of the Council’s major contracts. Inflationary increases on contracts are often based on Consumer Price Index (CPI) or Retail Price Index (RPI) rates at a specific period and can lag behind current trends, meaning the price increases experienced this year are based on the higher inflation levels which were prevalent in 2023/24.
- 5.25 In September 2024 the rate of inflation, as measured by the CPI reduced to 1.7%. Although this is generally positive news as it means prices will rise more slowly, the rise is on top of the existing higher prices meaning pressure across most service budgets continues to increase.
- 5.26 With inflation close to its target, the Bank Rate was reduced to 5.00% on 1 August 2024, which was the first reduction since March 2020, the decision on 19 September 2024 was to maintain this rate. The Monetary Policy Committee will continue to closely monitor indications of inflationary pressures in the economy as a whole and may take a cautious approach to future cuts in the bank base rate. The next decision on the Bank Base Rate is due 7 November 2024.

## Consumer Price Index (CPI) and Bank of England (BoE) Base Rate



5.27 The base rate remaining at 5.25% in the first four months of the year has kept the level of interest being paid on our effective treasury management arrangements for savings and investments high. The 2024/25 budget was set with an expectation for interest rates to have reduced sooner. The provision to repay debt is expected to be lower than budgeted as, following the capital challenge sessions to review the programme, less of the 2023/24 capital expenditure was financed by borrowing than was anticipated when the budget was set. As a result of these factors, as at period 6 (September 2024) it is forecast that financing costs will have a favourable variance of **£1.195M**, and this is reported against Corporate Budgets in **Appendix 1**.

### Leader: Infrastructure and Corporate Strategy

5.28 The staffing restructure within Digital and Technology had a savings target of £395K. Due to delays in implementation, £100K of this will not be achieved in 2024/25, however the full saving will be achieved from 2025/26 onwards.

5.29 The parking enforcement contract is currently overspending by approximately £300K due to the volume of variable works undertaken by the contractor and changes made as part of the short-term extension whilst a new contract is procured.

5.30 Security staff are still required at University Square car park. This is resulting in a forecast overspend of £120K. It is intended that this security provision will be included within the new parking contract.

- 5.31 The income budget is a key component of the wider budget package, and all the income is aligned to relevant and permissible expenditure within the Parking Account in line with the Road Traffic Regulations Act 1984. Income can be volatile based on a variety of factors including local weather conditions, especially during the peak season. Based on current trends and projections including releasing £250k from the Parking Income Volatility Reserve, it is anticipated that the shortfall may be in the region of £215k by the end of the financial year once all varied contributing factors have been considered. This area will continue to be monitored closely throughout the year.
- 5.32 After a rapid escalation in utility costs at the end of 2021 and the appropriate investment into the budget to support this, costs have been reducing and the impact on street lighting is almost a 50% reduction in the average unit cost for 2024/25 with these prices fixed for the year. As a result, it is forecast that the original size of service budget will not be required and £400K has been returned to our Corporate Contingency Budget.
- 5.33 It was anticipated that the highways department were going to transform how they interact with the public. This intention will now form part of a wider corporate project across the whole Council known as the 'Front Door'. As a result, the £150K original budget assigned for this work will now not be required.

#### **Deputy Leader: Planning, Housing and the Local Plan**

- 5.34 The number of people in temporary accommodation (TA) continues to be higher than the target we have set. Although the rate in Southend-on-Sea is below the national average it is higher than some of our neighbouring authorities. Nationally, TA levels are at the highest since records began and this is the case in Southend too with a 50% increase in the year to date. This is causing strategic, operational and financial difficulties as we try to deliver a long term and sustainable solution to the TA crisis which is leaving some authorities reporting the possibility of issuing a section 114 notice directly due to the financial pressures this is producing. Southend-on-Sea City Council is not in this position but the rise in TA spend continues to be a concern. Our current forecast overspend in this area for 2024/25 is £770K.
- 5.35 The income received from both building control and planning fees is reflective of the wider economic position. Whilst inflation is returning to more normal levels, interest rates remain high and as a result the cost of building works is prohibitive for some. The income target in this area is at risk, with current forecasts suggesting a shortfall of approximately £240K which is being partly offset by staffing vacancies within the team.

## Children, Young People and SEND

- 5.36 As highlighted in the first financial performance report (Period 4), significant spend pressures continue for Children Social Care placements in the external care sector and these have continued to increase into 2024/25. This is driven by complexity of care cases and a residential care market where average costs have continued to increase including more high-cost care packages. Southend is not alone in this position in relation to the cost of externally supported residential care placements as other social care Local Authorities in the Eastern Region and across the Country are facing similar spend challenges on residential placements.
- 5.37 As previously reported throughout 2022/23 and 2023/24, whilst the number of total residential care placements remains proportionately low as a total of all children in care placements at around 12%, it is the rising total cost of those placements that has driven the increasing cost pressures, and cost pressures that are continuing to increase from Period 4. The average residential social placement cost is currently running at £352K per annum (£335K per annum at Period 4) and has continued to steadily increase, far above average inflationary rises since the end of 2022/23. The average price of a residential care placement is also now 76% higher than it was in 2021/22 and has further increased by 24% from 2023/24. Southend continues to work regionally and locally with the plan that there can be some management and leverage to obtain the most efficient prices within what is a very challenging market, but it must also be noted that the spend forecast pressure remains at risk of further increases given the current average £352K per annum cost alone if one more social care residential placement was to occur.
- 5.38 Given the continued and rising cost pressures on the external Residential care market and in particular the highest and most complex residential care packages, £1.125M of the £2.5M reserve earmarked for Children Social Care Risk has now been released to partially mitigate this budget pressure. Further sustainable solutions to the remaining challenges experienced need to be developed.
- 5.39 As reported in Period 4, The costs of SEND home to school transport have also continued to increase, driven by the rise in the number of Education Health and Care Plans (again an issue other Local Authorities are facing). A further £0.5M of the Children Social Care Risk Reserve has been released to mitigate this in year funding pressure, which leaves a balance of £0.875M in the reserve. The position will also be continually reviewed during the Autumn term now that the new academic year from September 2024 has started.

- 5.40 Whilst other spending pressures are being experienced, the main contributing factor to the **£5.077M forecast overspend reported** within Children, Young People and SEND is the cost of the residential placements including the continued higher number of external foster care placements than in 2021/22 (but of which has currently steadied to 2023/24 numbers). These factors combined account for around 62% of the reported forecast service overspend. The Council will continue to seek to mitigate these spend pressures where feasible whilst ensuring that we fulfil our statutory duties to safeguard children. The Council also continues to promote the revised inhouse foster care fee and allowance offer, which went live from the 1 April 2023 including available Council tax exemptions up to the value of Band D and of which more importantly assists to provide local family homes for our children in care.
- 5.41 It is also welcome to continue to report there has been steady progress on permanent recruitment and retention of staff in the front-line Social Work teams since 2023/24 and Senior Staff. A deep dive session into Children's Services has also been held and further work is continuing.

### **Climate, Environment and Waste**

- 5.42 Residual waste tonnages increased significantly during the Covid-19 pandemic but positively the tonnages the Council needs to dispose of is now forecast to return to comparable pre-pandemic levels. However, the reduction of residual waste is not significant enough to deliver this service within its approved budget and a pressure of £620K is currently forecast for the disposal of residual and net recyclable materials (which generate an income). This amount could be decreased further by reducing the amount of residual waste presented by households which brings with it both financial and environmental benefits.
- 5.43 The pressure of residual waste disposal is being partly offset by the income received from the disposal of food waste. It is anticipated that this will be somewhere in the region of £260K in 2024/25.
- 5.44 The refurbishment of the crematorium has been completed and the site has been fully operational throughout 2024/25. Due to a reduction in the overall death rate across the region, the budgeted income from both the cemetery and the crematorium is lower than expected, resulting in a current forecast shortfall in income of approximately £250K.
- 5.45 The Grounds Maintenance and parks service is under review and interim responsive arrangements are currently in place. The current overall position at this stage of the year is a forecast underspend of £290K which is due to several held vacancies that are offsetting reduced income from external contracts which have been stopped as they were operating at a cost to the council. This underspend also includes the Head of Parks role which is currently being recruited to.

## Community Safety

- 5.46 The pressure reported against Customer Contact has reduced due to the impact of a restructure at senior management level across the Executive Directorate for Strategy & Change. The restructure is expected to create a permanent saving of around £170K per annum from 2025/26, the in-year impact from January-March will be reported as underspend across affected budgets. The 2024/25 savings associated with the 'Front Door' project (£300K), overspend reductions (£50K) and the Vacancy Factor for this service (£107K) are all forecast to be achieved.
- 5.47 The previously reported underspend on Learning & Workforce Development associated with the Graduate Trainee Programme of around £200K continues; there are currently two trainees in post.

## Culture, Tourism and Business

- 5.48 The Pier and Foreshore is reporting a projected £38K overspend. Whilst income is marginally above the budgeted figure, this has been driven by sales (where purchase budgets are also above budget), and events held on the Pier to attract more visitors. There have been some one-off purchases to support these events combined with a slight increase in the use of seasonal staff has led to the overall overspend. There has been some adverse weather throughout the high season, which may have led to the income generated on the Pier being lower than would have been anticipated if the weather was better.
- 5.49 The Town Centre Manager vacancy, which combined with the reduction of in year costs of the BID manager are yielding a forecasted £98K underspend.
- 5.50 The Communities team are forecasting a £152K underspend, due to external funding, a vacancy within the team and a reduction on a contract value. It is to be noted that the communities team deliver within the social care element of the department so should also be considered alongside the finance reported for that portfolio.
- 5.51 The £100K service wide saving is held within museums, which is partially (£52K) being mitigated by vacant roles which have now been recruited to. There has been some long-term sickness within the museum service, which due to their level of staffing has required the use of overtime and agency staff to ensure sites could remain open, resulting in a forecast overspend of £24K. The cost of cleaning, and repairs and maintenance in libraries is forecast to overspend by £27K.
- 5.52 Special Events are forecasting a net pressure of £25K which is due to the £100K income target held here offset by an underspend against the budget allocated for the business unit. Whilst direct income from sponsorship and any sales is reported within the budget, any indirect income such as increased car parking or Pier income is reported elsewhere

## Finance, Assets and Investments

- 5.53 The forecast budget pressure due to Apprenticeship Levy payments continues to be reported at £100K. Employers who pay the apprenticeship levy can access government funding for apprenticeships. The maximum amount the Council has access to (based on its 2024/25 levy payments) is around £380K (2023/24 £368K) and the current forecast for usage is £256K (2023/24 £300K). Forecast spend for 2024/25 is lower due to a current gap between cohorts of team leader/management apprenticeships.
- 5.54 On 24 September the government announced a new growth and skills levy which will replace the existing apprenticeship levy and include new foundation apprenticeships. The new levy will also allow funding for shorter apprenticeships, current rules dictate apprenticeships must run for at least 12 months. Employers are being asked to rebalance their funding for apprenticeships, which will involve employers funding more of their level 7 apprenticeships outside of the levy. There are currently nine employees on level 7 apprenticeships and although we don't expect existing apprenticeships to be affected the potential impact on Learning & Development plans and recruitment/retention in some roles at the Council is under assessment.
- 5.55 Payments associated with former employees now in receipt of their Local Government Pension continue to be forecast at around £100K more than budgeted for in 2024/25. This pressure and the one associated with the Apprenticeship Levy are reported against the Corporate Budget and Resources Planning line in Appendix 1. An additional pressure of around £150K has now been included relating to the budgeted recharge to the Housing Revenue Account that is not applicable for financial year 2024/25. The opposite side of this is reported as a benefit within the HRA monitoring.
- 5.56 Concessionary fare journeys have not returned to the same levels as they were before the Covid-19 pandemic, but they are continuing to increase year-on-year, with a 6.6% rise in 2023/24. Although a saving (cost avoidance) has been approved for the 2024/25 budget, information came to light after budget setting which increased our costs in 2023/24 and will continue into 2024/25. As a result only part of the saving (cost avoidance) is expected to be delivered, with a pressure of £250K currently being forecast. The ambition is however, for more people to use sustainable transport (cycling & walking) as well as public transport and the more successful our efforts are in achieving this, the more pressure will be placed on the concessionary fares budget i.e. the less cost will be avoided.

## Regeneration and Major Projects

- 5.57 It is expected that the income received from activity under the Licensing Act and hackney carriage / private hire vehicles will be less than the budget based on previous years activity. Many of these fees are set nationally therefore the volumes need to increase to meet the income expectations. This shortfall is being offset by a greater underspend on staffing costs. There are several vacancies in the team and the net current position is an expected underspend of £60K.



## Social Care and Healthier Communities

- 5.58 Given the current level of forecast overspend within Adult Social Care, £1M of the specific Risk Reserve has now been released to part mitigate the additional cost pressure increases in 2024/25. This will primarily offset the risk where savings programmes in two areas will not be achieved in full for 2024/25. It will also support the impact of increased care package costs for higher intensity care and the increase of care packages due to depleted funds for self-funders. The savings programmes unachieved this year will be carried over into 2025/26 with full delivery expected from April 2025. Mitigation plans are ongoing to address the remaining pressures highlighted in year and the situation will continue to be monitored as part of setting the 2025/26 budget.
- 5.59 We continue to see good management of demand albeit with increases but at a slower rate compared to the national picture. There has been an ongoing increase in older people needing support across both home care and residential care packages, with higher levels of complexity and levels of care required. There is also an increase in the number of people who were previously self-funders but now have depleted assets whose care costs have become the responsibility of the Council. These care packages will often be at a higher cost than the rates the council would fund. For example, the average weekly cost of nursing discharges was £896pw, however the new packages to the council due to depleted assets are costing an average of £1,098pw, which is driving the forecast upwards. As many of these people are not known to the Council, it is difficult to forecast the financial implications, especially as the number of people can fluctuate significantly over each quarter. It is important to note that the underspend in the community's team is in fact a social care function and as such shows continued positive progress in bringing down the Adult Social Care overspend.
- 5.60 A £150K pressure is reported against the Adults Safeguarding budget, where the cost of best interest assessments, aligned to our statutory duty around Deprivation of Liberty Orders are paid for on a 'spot basis' and are currently forecast to exceed the budget.
- 5.61 The Equipment Service are now forecasting to overspend by £348K, which is due to the continued trend of increases in prices of equipment. The review of the use of the Disabled Facilities Grant continues, with work underway to draft a new policy to maximise the utilisation of this funding, which may help to improve the position once finalised.

## Budget Virements

- 5.62 All budget transfers (virements) over £250,000 between portfolios or between pay and non-pay budgets are considered and approved by Cabinet. These budget transfers have a net nil impact on the Council's overall budget. The budget transfers for Cabinet approval this period are as follows.

<u>£</u> 312,000	Drawdown from the MRP equalisation reserve to meet the one-off costs regarding the realignment of finance lease MRP relating to prior years, that has been identified as part of the implementation of the new leasing accounting standard.
500,000	Drawdown from the Children Social Care reserve to support the rise in SEND Transport costs driven by the rise in Education, Health and Care Plans.
1,125,000	Drawdown from the Children Social Care reserve to support the rising costs of the most complex and high-cost residential care placements.
1,000,000	Drawdown from the Adult Social Care reserve to mitigate the difficulty in achieving full savings in two programmes, increase costs on high intensity care packages and care packages required for previous self-funders now with depleted funds.
250,000	Drawdown from the Parking Income Volatility Reserve to support Parking Income variations.
<b><u>3,187,000</u></b>	<b><u>TOTAL</u></b>

## 6 Housing Revenue Account

- 6.1 In February 2024, the Council approved a balanced 2024/25 Housing Revenue Account budget. This section of the report details the projected outturn position for this year based on actual activity and financial performance as at the end of September 2024 (Period 6).
- 6.2 The forecast for the Housing Revenue Account (HRA) at period 6 indicates that the services is forecast to be **overspent by £601k**.
- 6.3 This pressure is primarily due to historical housing disrepair insurance claims over a 4-year period which need to be funded from the HRA totalling up to £750k. The financial position is being improved by around £200K due to the pension fund being in surplus.

- 6.4 There are also several variables within the forecasting of this position, the main factors are the continuing inflationary pressures and volume of responsive repairs to the housing stock and bringing void properties back into use, alongside the challenge of rental income to be collected against a background of the continued difficult economic environment for local tenants. Appropriate support and advice for any tenant that is struggling with keeping up with their rental payments is being provided.
- 6.5 The assumptions within the budget forecast will continue to be reviewed and refined throughout the year and the key risks will continue to be monitored against increased regulations and requirements from the Regulator of Social Housing and the Housing Ombudsman with several recent judgements being made which we will continue to respond to appropriately. It should be noted that overall, the Council's Housing Revenue Account remains in a strong financial position.

## 7 One off funding requirements

### Local Plan

- 7.1 In June 2018 Cabinet approved the preparation of the Southend New Local Plan. As part of this approval, a budget of £1.466M was earmarked from reserves to deliver this. To date, approximately £400k of this original budget has been spent to get the plan to its current point. There has been an increase to the timeframe of the delivery of this due to several factors, including numerous proposed and actual changes to the national planning system and related guidance.
- 7.2 The current forecast for the remaining expenditure of £1.07M is spread across the next 4 years as follows:

Year	24/25	25/26	26/27	27/28
Amount (£000s)	210.5	554.5	240	65

- 7.3 It is requested that the funding is identified through reserves as a one-off cost as profiled to bring this critical piece of work to a conclusion.

### Waste Mobilisation

- 7.4 Following approval by Cabinet on 16 September 2024 to award a new Waste and Street Cleansing contract, work has now started on the mobilisation of the contract with SUEZ, the Council's new service provider. The new contract is due to commence on 5 April 2025. The Council is also working with Veolia, the current service provider, to demobilise and close the current contract which will come to an end on 4 April 2025. Running in parallel with the mobilisation is a period of transition, which will move the current weekly collection service to fortnightly and see the introduction of wheelie bins. The new look service is due to go live in October 2025. All three of these packages of work require

significant resource to mitigate the risks associated with the change of such a high-profile service from the old contract to the new and then to a new waste collection model.

7.5 For the mobilisation, 12 workstreams have been identified. These workstreams are a mixture of technical which will be supported by the in-house waste team as well as several workstreams that relate to a range of corporate council functions. These include legal, HR, fleet and integrated management systems. Each workstream requires a lead officer and support resource from the Council. SUEZ is bearing a significant level of responsibility for elements of the mobilisation and is providing more than 35 FTE to support the mobilisation of the contract across functions including:

- HR
- Communications
- Permitting
- Finance
- Project Management
- Staff operations
- Integrated Management Systems

7.6 The Council must ensure that the activities identified in the workstream are appropriately resourced internally too and that these are delivered and integrated with the Council's own systems and ensuring SUEZ configures the services in compliance with the organisations corporate policies and objectives.

7.7 The current resource level in relevant council services is already stretched and does not have sufficient capacity to absorb this additional and significant programme of work. Therefore, the request for additional resource will ensure that operational, legal and reputational risk to the council's statutory requirement as the Waste Collection Authority is minimised. At the same time, reducing the impact on other council services. A maximum of £0.75M has now been specifically identified within the existing Waste Management Reserve for this purpose.

All costs are to be reviewed once timeframes are confirmed. The areas where this funding will be deployed are likely to cover arrangements including:

- Contract management for mobilisation/transition.
- Contract management for demobilisation/toilets.
- Project support.
- Recycling awareness and focus.
- Customer service contact and waste expertise.
- Communications

## 8 Capital

- 8.1 Successful and timely delivery of the capital investment programme is a key part of achieving the Council's vision:

*At Southend-on-Sea City Council, we are proud to be part of a modern, vibrant coastal city that values its heritage.*

*We listen, with our city's many voices shaping what we do. We have the confidence to innovate, embrace connection and seek opportunity, and are building a sustainable future together.*

- 8.2 The investment is also a key part of achieving the Corporate Plan and delivering priority outcomes. It contributes to delivery of the four main priorities in the following way:

- 8.3 A city that is proud and prosperous – the key investment areas are: the Airport Business Park to deliver benefits for both local businesses and local communities, creating thousands of job opportunities and attracting inward investment; refurbishment works at the Victoria Centre to make a significant contribution to the attraction and amenity of the centre and improve and enhance that end of the City Centre; the Levelling Up Fund projects at Leigh Port, Cliffs Pavilion and City Beach; the refurbishment and enhancement of Southend's historic pleasure pier.

- 8.4 A city that is safe, clean and green – the key investment areas are the energy saving and efficiency projects; cliff stabilisation, coastal defence, flood prevention and resilience schemes; the investment in the City's highways and transport network, including Better Networks and Better Sustainable Transport projects funded via the Local Transport Plan.

- 8.5 A city that is caring with a good quality of life for all – the key investment areas are the schools' high needs provision programme to enhance the facilities and number of places available for children with special educational needs and disabilities or requiring alternative provision, the construction and acquisition of new council homes and the refurbishment of existing ones via the decent homes programme.

- 8.6 A city that is led by a transformative, responsive council – the key investment area is the Council's ICT infrastructure to provide core services and to progress the Smart Council project.

- 8.7 In February 2024 the Council agreed a capital investment programme budget for 2024/25 of £72.6M. The outturn for 2023/24 showed a final spend of £50.1M against a revised budget of £56.1M, an underspend of £6.0M. The proposed budget carry forwards, accelerated delivery requests and other budget re-profiles, in year grant awards, additions to the programme and transfers to and from the 'subject to viable business case' section of the programme at June Cabinet resulted in a revised budget for 2024/25 of £83.5M.

- 8.8 Following the capital challenge session in July regarding the key strategic schemes within the programme: budget re-profiles, new external funding, additions and deletions to the programme and transfers from the 'subject to viable business case' section of the programme proposed at September Cabinet resulted in a revised budget for 2024/25 of £76.0M.
- 8.9 This amount should be considered in the context that there is a further list of schemes that are not in the approved programme but are subject to viable business cases. This includes schemes where the costs have been estimated, totalling £65M and schemes that are yet to be costed. There may also be urgent health and safety works that might occur that are as yet unforeseen.
- 8.10 Given the above and the Council's finite capacity to deliver capital schemes, the capital investment programme should continue to be subject to review and re-prioritisation, to ensure resources are aligned to the Council's Corporate Plan and administration priorities. This will inevitably lead to some difficult decisions having to be made regarding the programme with the delivery of some schemes being scaled back, delivered over a longer timescale, paused or removed.
- 8.11 A generic approach to the programme would not be appropriate, as each project is different in its nature, extent and impact. The way that projects are funded also needs to be considered as grant and third-party funding would have to be returned if not spent or if delayed beyond the agreed expenditure timeframe.
- 8.12 Progress of schemes will be reassessed, and some schemes may be removed from the main programme entirely and others held as 'subject to viable delivery plans' until it can be demonstrated that there is the capacity and resources to deliver them in the timescales indicated. Schemes can then be brought back into the main programme as and when it is appropriate to do so.
- 8.13 As this review progresses via challenge meetings, Department Leadership Team meetings and the Investment Board, re-profiles and other adjustments to the programme for 2024/25 and future years will be put forward for approval.
- 8.14 A capital challenge session was held in July regarding the key strategic schemes within the programme and the results of that review were included in the Period 4 performance report to Cabinet in September. Capital challenge sessions covering all schemes took place in early October with the Cabinet Member for Finance, Assets and Investments and the resulting requested changes to the capital investment programme from those sessions are included in this report.
- 8.15 Approximately 39% of the capital investment programme is financed by Government grants and external developer and other contributions and at the end of September just over 80% of that had been received. The rest of the programme is funded by capital receipts, the use of reserves or by borrowing. Funding schemes by borrowing has a revenue consequence of approximately £70k p.a. for every £1M borrowed.

- 8.16 This report details the projected outturn position for 2024/25 based on information as at the end of September (period 6). The report includes details of progress in delivering the 2024/25 capital investment programme and in receiving external funding relating to that year.
- 8.17 This report includes any virements between schemes, re-profiles across years, additions to the programme, deletions from the programme, any new external funding and any transfers from the 'subject to viable business case' section into the main capital investment programme.
- 8.18 The progress of schemes for 2024/25 is detailed in sections 1 to 3 of Appendix 2 with Section 4 setting out the resulting requests to:
- Carry forward £22,958,000 of 2024/25 scheme budgets, £18,321,000 into 2025/26 and £4,637,000 into 2026/27.
  - Add scheme budgets totalling £50,000 into 2024/25, £517,000 into 2025/26, £5,950,000 into 2026/27 and £5,950,000 into 2027/28 for new schemes and additions.
  - Remove scheme budgets totalling £17,000 from 2024/25 and £1,000 from 2025/26.
  - Add scheme budgets totalling £26,000 into 2024/25 and £40,000 into 2025/26 where new external funding has been received.
  - Action virements of budget between approved schemes.
  - Transfer scheme budgets totalling £100,000 from the 'subject to viable business case' section up into the main programme, into 2024/25.
- 8.19 As at the end of September the capital outturn for 2024/25 is currently estimated at £53,281,000. This is £53,000 higher than the revised budget shown in the next paragraph due to expenditure incurred this financial year on Brook Meadows House where there is no budget allocation. (See the Social Care section on page 9 of Appendix 2.) This reduced forecast outturn is the result of the ongoing review of the capital investment programme, most recently via the capital challenge meetings held in October. The amount to be delivered is expected to reduce further as the review continues, as set out in paragraphs 8.10 to 8.14. An updated assessment will be included in the Period 8 performance report and presented to Cabinet in January 2025.
- 8.20 The 2024/25 capital budget is part of the wider capital investment programme spanning several years. The table below shows the revised programme if all the above requests are approved:

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
At September Cabinet	76,027	45,422	19,846	1,950	6,339	149,584
Net Amendments	(22,799)	18,877	10,587	5,950	0	12,615
Revised programme	53,228	64,299	30,433	7,900	6,339	162,199

## **9 Reasons for Decisions**

- 9.1 The regular reporting of Revenue and Capital Budget Monitoring information provides detailed financial information to members, senior officers and other interested parties on the financial performance of the Council. It sets out the key variances being reported by budget holders and the associated management action being implemented to address any identified issues.
- 9.2 It also informs decision making to ensure that the Council's priorities are delivered within the approved budget provision.
- 9.3 It is important that any adverse variances are addressed for the Council to remain within the approved budget provision or where this cannot be achieved by individual service management action, alternative proposals are developed, and solutions proposed which will address the financial impact. Members will have a key role in approving any actions if the alternative proposals represent significant changes to the service delivery arrangements originally approved by them.
- 9.4 The challenge of delivering a balanced financial outturn for 2024/25 is significant. Even at this half yearly stage – continued urgent action is needed to try to reduce all non-essential expenditure and/or generate extra income. This priority must be achieved whilst ensuring that our most vulnerable residents are looked after appropriately, and our statutory responsibilities are effectively discharged. Improving efficiency and productivity is essential but the scale of the unprecedented financial pressures may lead to a reduction in the range, quality, cost and responsiveness of other discretionary Council services, as well as challenging our current approach to statutory service provision.

## **10 Other Options**

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

## **11 Financial Implications**

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

## **12 Legal Implications**

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



- 12.2 Section 3 of the Local Government Act 1999 requires the Council as a best value authority to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. Monitoring of financial and other performance information is an important way in which that obligation can be fulfilled.
- 12.3 The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council is also required by section 28 of the Local Government Act 2003 to monitor its budget and take corrective action, as necessary. The Council’s chief finance officer has established financial procedures to ensure the Council’s proper financial administration. These include procedures for effective budgetary control. To comply with these best practice arrangements, it is important that Cabinet receive information and comment accordingly on the performance of the revenue and capital budgets as set out in the report.

### **13 Carbon Impact**

- 13.1 None arising from this report.

### **14 Equalities**

- 14.1 Some of the actions may have equality and diversity implications and these will be considered as part of our normal equalities impact assessments.

### **15 Consultation**

- 15.1 Communication has already commenced with staff and engagement with cabinet members and plans to engage more widely with all Members and stakeholders are now underway. This is essential as budget options to mitigate the current forecast overspending in 2024/25 are progressed and new options for delivering a robust balanced budget for 2025/26 are developed.
- 15.2 At the Policy and Resources Scrutiny Committee held on 7 November there were an extensive range of questions regarding the forecast overspend against budget as at the end of September 2024. The majority of the questions were primarily around the areas of Adults and Childrens’ Social Care, housing, parking and the use of reserves whilst other questions were raised in a number of other service budget areas. There were also questions regarding the Chancellor’s recent budget speech and the implications for the Council and the potential impact for the City. The report was noted with no changes.

### **16 Background Papers**

Approved 2024/25 Budget – Report to Council 22 February 2024

Medium Term Financial Strategy 2024/25 – 2028/29

## 17 Appendices

Appendix 1 Period 6 – September 2024 Revenue Budget Performance 2024/25

Appendix 2 Period 6 – September 2024 Capital Investment Programme Performance 2024/25

### Report Authorisation

This report has been approved for publication by:

	<b>Name</b>	<b>Date</b>
S151 Officer	Joe Chesterton	29/10/2024
Monitoring Officer	Susan Zeiss	29/10/2024
Executive Director	Joe Chesterton	29/10/2024
Relevant Cabinet Members	Councillor Cowan Councillor Collins	29/10/2024 29/10/2024