

**Title:** Finance Performance Report 2024/25 to end of November 2024 (Period 8)

**Meeting:** Cabinet

**Date:** 13 January 2025

**Classification:** Part 1

**Policy Context:** All Corporate Priorities

**Key Decision:** No

**Executive Director:** Joe Chesterton – Executive Director of Finance & Resources (S151 Officer)

**Report Authors:** Pete Bates, Director of Financial Services, Caroline Fozzard, Senior Finance Lead (Strategy, Sustainability and Governance).

**Executive Councillors:** 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 third and final ‘in-year’ 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 point, which is two thirds of the way through the year. 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. The approach follows recommended best practice and 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, media coverage right across the Local Government Sector was dominated by many Local Authorities reporting 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, and a period of engagement, discussion and lobbying has continued with the new Government.
- 1.3 This report summarises the current forecast position for Southend-on-Sea City Council as at the end of November 2024 (Period 8). Progress has continued to be made to try to reduce the previously reported overspend position for 2024/25. The forecast is now showing an overspend of **£4.683M**, which is an improvement of **£0.962M** compared to the position reported at the end of September 2024. It is essential that decisive action and rigorous financial challenge continues to be taken during the remaining 4 months of the financial year.
- 1.4 A range of operational spending mitigation measures have been implemented and will remain in place for the remainder of the financial year. These include reviewing all day-to-day spending activity, all agency staff engagements and third-party contracts, challenging Organisational Structures, underpinned by a Voluntary Redundancy programme. The intention is to implement any approved staffing changes prior to the end of this financial year, so the full financial benefit will be realised in 2025/26. Other mitigations include an ongoing 'deep dive' into children's services, reviewing social care package arrangements, all external grant eligibility 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 **Notes the forecast outturn for 2024/25 for the General Fund and the Housing Revenue Account as at 30 November 2024.**
- 2.2 **Notes the plans and intentions to try to reduce the forecast overspend of the Council's revenue budget for 2024/25 and agrees that the Chief Executive and Executive Director (Finance & Resources) continue to explore all opportunities within their delegated powers and authority to improve the financial position by the year-end (section 5).**

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

- 2.3 **Notes the expenditure to date and the forecast outturn as at 30 November 2024 and how it will be financed.**
- 2.4 **Approves 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 remain very difficult and challenging circumstances across the country, particularly with servicing the current levels of national debt and uncertainty over future policy and funding reform 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 trying to reduce the current forecast level of overspending further throughout the remaining 4 months of the 2024/25 year.
- 3.4 Targeted action will 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 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 8 months operation and the best information we currently have available to the end of November 2024. Careful and considered professional judgment has then been applied to forecast the estimated financial impact across the range of Council Services for the remaining 4 months of this financial year.

3.7 The Council, via its established networks, will continue to monitor developments across the sector and provide appropriate updates to Cabinet for review. The consideration of this financial performance report will be on the same Cabinet agenda in January 2025 as the proposed draft 2025/26 Budget Proposals – which will be formally launched by the Council for consultation on 6 January 2025. The budget report will also contain details of the local impact of the Provisional Financial Settlement, which was released by Central Government on 18 December 2024.

#### **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 major financial distress throughout 2022/23 and 2023/24. Like most upper tier authorities right across the country, Southend-on-Sea City Council does have financial challenges, particularly within its statutory Children Services arrangements primarily due to the rising cost of residential placements. It is important to state that the Council is not in any immediate risk of failing to meet its financial and contractual obligations, but we must remain vigilant and respond positively to the financial risks that the local government sector is experiencing.

4.2 Generally, there remains 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 **80%** of the reported forecast overspending for all services of **£8.551M** 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 **£4.683M**.

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 have continued to engage 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.

## Local Government Finance - National Update

- 4.5 The Government's Finance Policy Statement was published on 28 November 2024 by the Minister of State for Local Government and English Devolution. The national headlines and summary of the 'statement of intentions' from the Government was considered by Cabinet on 19 December 2024. The Provisional Local Government Finance Settlement itself was published on 18 December 2024, and it confirmed that the settlement would be for one year only (2025/26). The main national headlines and direct local financial impact for Southend-on-Sea City Council are included within the main budget report, which is considered elsewhere on this Cabinet agenda.

### 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 November 2024 (Period 8). In headline terms Council Corporate Budgets and Service Portfolios are currently forecasting a net overspend by the year-end of **£4.683M** for 2024/25. This is an improvement of **£0.962M** on the position reported at September 2024 (period 6) (£5.645M).

2024/25	Projected Overspend £M
Feb 2024 (Budget Approved)	-
July 2024 (Period 4)	8.127
September 2024 (Period 6)	5.645
November 2024 (Period 8)	4.683

- 5.2 In response to additional budget pressures experienced in the first half of the financial year, specific earmarked risk reserves of £2.875M were released in September (Period 6) and are reflected in the forecast outturn position. With regards to statutory social care services in particular, 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. A full analysis of the proposed levels of investment across all services for 2025/26 is shown in the main budget report, which is considered elsewhere on this Cabinet agenda. The following table summarises the level of additional permanent investment that is being proposed to help to address the Council's structural budget deficit challenge for a range of specific services from 1 April 2025.

<b>Proposed Investment</b>	<b>£M</b>
Children's Social Care Demand (Independent Placements)	3.700
Income Budget Rightsizing (Various Services)	1.000
Staffing Vacancy Factor Reduction	0.815
Adult Social Care Demand	0.800
Children's Transport Demand	0.800
Concessionary Fares Scheme (increase in volume of trips)	0.550
Parking Management Additional Contract Requirements	0.500
Temporary Accommodation Demand	0.250
Highways Revenue Maintenance	0.250
Legal Services New Structure	0.150
Customer Support: Interpretation & Translation Demand	0.035
<b>Total Investment to support service funding deficit</b>	<b>8.850</b>

- 5.3 The total projected overspend currently stands at around **1.2% of the Council's gross expenditure budget**. The direction of travel in reducing the forecasted in-year overspend is positive and the plans to permanently increase funding in the revenue base from 2025/26 will help to improve the Council's financial resilience and future sustainability across the medium term. All services must continue to do all they can though to ensure that they are providing better value for money and remain relentless in their pursuit of greater efficiencies and productivity. Effectively and proactively managing demand for statutory social care services remains a significant challenge.
- 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. This is covered in detail in the 2025/26 Draft Budget Report elsewhere on the agenda.
- 5.5 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 detrimental impact on these projections.

- 5.6 We recently received confirmation of the positive ‘good’ outcome of the Ofsted inspection for Southend-on-Sea’s Children’s services, after many years operating under a ‘requiring improvement’ judgement. This is a major achievement and success but the continued level of increasing costs for our Children’s Social Care placement arrangements remains a major financial concern and challenge. The cost pressures being experienced are replicated across most upper tier authorities throughout the country and locally we are looking at how we can address and mitigate these challenges, particularly with the cost of placing Children within independent residential settings, whilst keeping services safe. This will include working with proposals recently outlined in the Government’s ‘Keeping children safe, helping families thrive’ policy that includes a commitment to fix the broken care market and ensure the system is working effectively for vulnerable children and families.
- 5.7 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 in 2025/26.
- 5.8 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.
- 5.9 Work is continuing to try and improve the forecast financial position for 2024/25 and an evaluation of all management action is continually 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 appropriate and realistic profiling of the approved Capital budget.
- 5.10 In response to the financial challenges experienced so far in 2024/25 the following specific Council earmarked reserves were released in September 2024 (period 6) to manage identified budgetary pressures.
- £0.25M from the Parking Income Volatility Reserve
  - £1.625M from the Children’s Social Care Risk Reserve
  - £1.0M from the Adult Social Care Risk Reserve

And the following were also earmarked 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.
- £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.

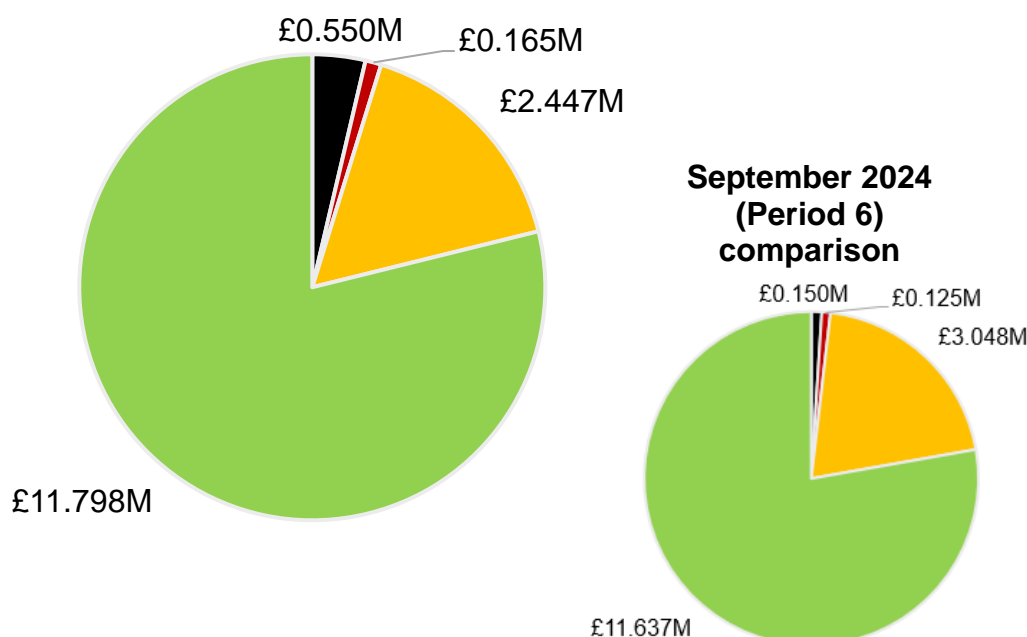
5.11 The November 2024 (period 8) forecast includes the release of the following earmarked reserves.

- £0.204M from the Pensions Reserve to mitigate the ‘one-off’ pressure caused by the inclusion in the budget of a recharge to HRA for pension contributions which is not applicable in 2024/25.
- £0.114M from the Grants Reserve where balances have been identified as non-ringfenced and there are no existing plans for their use. The resulting benefit is shown against the Non Service Specific Grants line in Appendix 1, General Fund Summary.

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

5.12 The 2024/25 approved budget included **£14.960M of new savings and income generating initiatives**. 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. The pie charts below represent the value currently at risk and are categorised as Amber, Red and Black. Further analysis is provided at **Annex 1 in Appendix 1**.

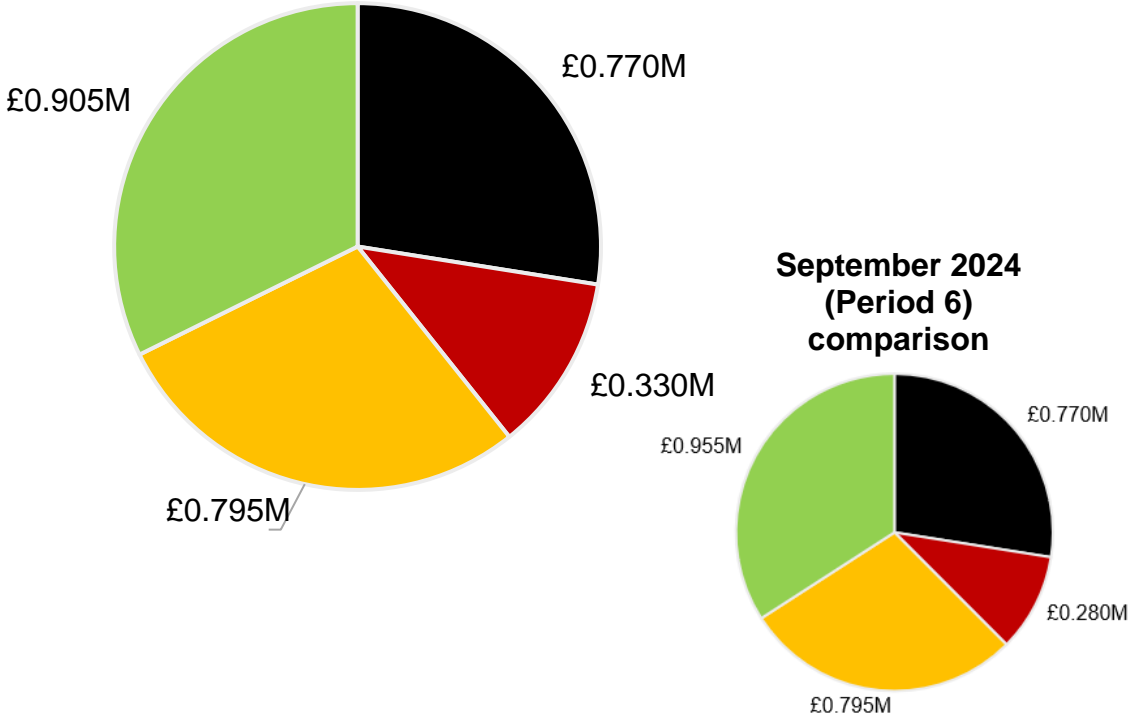




- 5.13 The previous illustration shows that around **79%** (P6 78%) of these approved savings will be achieved by the end of the financial year. Where savings or income generating initiatives are not currently being achieved, they have been highlighted in the relevant Portfolio service sections within this report.
- 5.14 As the financial year progresses the status of some initiatives becomes more concrete, as represented by the increase in the value of initiatives categorised as Black and decrease in those categorised as Amber.
- 5.15 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 final review of performance against these initiatives will be included in the 2024/25 outturn report to the Cabinet meeting scheduled for June 2025.

**Summary of performance against targeted overspend reductions**

5.16 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.



5.17 The slight decrease in the value of initiatives classified as Green is due to the classification of OSR-15 (Review of Parking Contracting Arrangements) changing to Red since the last report. This is consistent with the pressure being reported at paragraph 5.29.

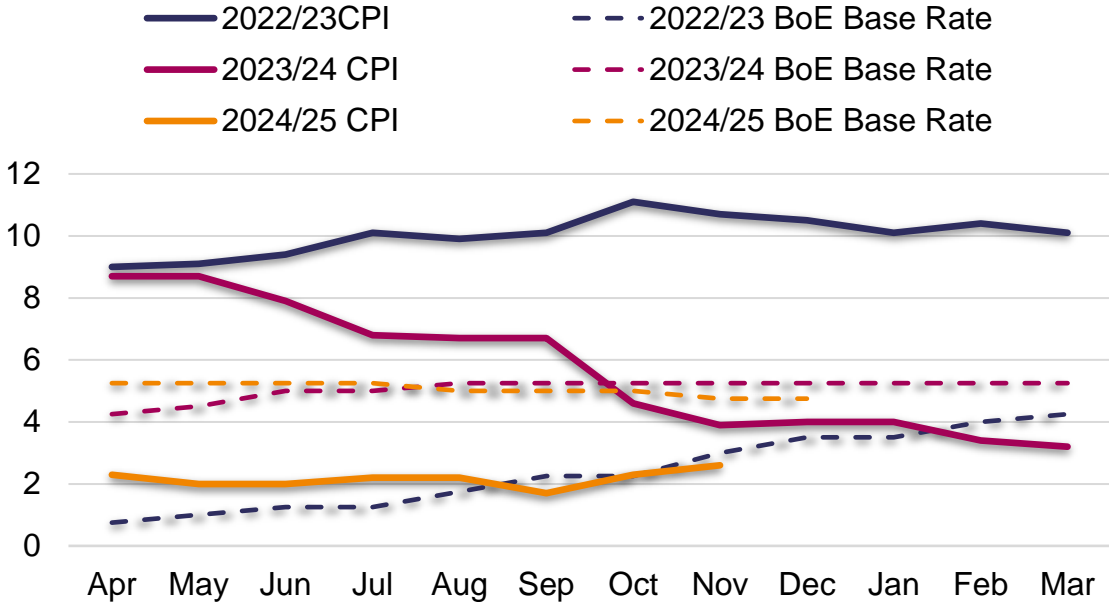
- 5.18 Work is ongoing to try to improve the delivery of Red or Amber initiatives and/or alternative proposals are being developed. Full delivery of the overspend reductions in some cases may not be confirmed until the end of the financial year. A final review of performance against these initiatives will be included in the 2024/25 outturn report to the Cabinet meeting in June 2025.
- 5.19 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**

- 5.20 The forecast revenue overspend of **£4.683M** is driven by a wide range and combinations of factors which are considered in more detail in the remainder of this section. The primary driver though and the biggest forecast major overspend is within Children Social Care Services, which has continued to increase throughout the year due to residential placement costs and is by far the most significant and immediate financial challenge facing the Council.
- 5.21 The budget provision for the Pay Award April 2024 was allocated as planned in November 2024 (Period 8). The final amount allocated across the services was £2.545M which leaves £0.280M of the original provision unused, this has been released and forms part of the underspend under Corporate Budgets.
- 5.22 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.
- 5.23 The Council's overall level of energy costs have reduced in 2024/25 due to a combination of negotiated reduced tariffs and less consumption. Where appropriate, underspending due to energy inflation allocations within individual services budgets have been returned to corporate contingency. The total forecast underspend on these budgets as at November 2024 (Period 8) is £0.580M.
- 5.24 In addition to contingency budgets held for inflationary impacts the Council set aside £1.0M of revenue in contingency to deal with the possible impact of changes in accounting treatment for some costs. Most of these changes have not materialised, and are now not expected in 2024/25, therefore £0.9M has been released in November 2024 (Period 8).
- 5.25 In November 2024 the rate of inflation, as measured by the CPI, increased to 2.6%. This is a further increase from October 2024 which was the highest inflation had been since April 2024. These additional inflationary rises are on top of already higher prices meaning that cost pressures across most service budgets continues to increase.

5.26 With inflation close to its target, the Bank of England Base Rate was reduced to 5.00% on 1 August 2024, which was the first reduction since March 2020, the rate was cut again on 7 November 2024 to 4.75%. With the rate of inflation edging upwards, at its meeting on 19 December 2024, the Monetary Policy Committee decided to keep the Bank Base Rate at 4.75%.

### 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 8 (November 2024) it is forecast that financing costs will still generate a favourable variance of **£1.170M** (Period 6 £1.195M), and this is reported against Corporate Budgets in **Appendix 1**.

## 2024/25 Forecast Variance Comparison – September 2024 to November 2024

Portfolios	P6 Reported Variance £M	P8 Reported Variance £M	Movement £M
Leader: Infrastructure and Corporate Strategy	0.632	(0.162)	<b>(0.794)</b>
Deputy Leader: Planning, Housing and the Local Plan	0.893	1.186	<b>0.293</b>
Children, Young People and SEND	5.077	6.332	<b>1.255</b>
Climate, Environment and Waste	0.514	0.400	<b>(0.114)</b>
Community Safety	(0.158)	(0.252)	<b>(0.094)</b>
Culture, Tourism and Business	(0.067)	0.026	<b>0.093</b>
Finance, Assets and Investments	0.088	(0.062)	<b>(0.150)</b>
Regeneration and Major Projects	0.066	0.187	<b>0.121</b>
Social Care and Healthier Communities	1.118	0.896	<b>(0.222)</b>
<b>Portfolios Subtotal</b>	<b>8.163</b>	<b>8.551</b>	<b>0.388</b>
Levies and Precepts	0.077	0.077	<b>0</b>
Contingency	(0.250)	(1.000)	<b>(0.750)</b>
Provision for cost inflation	(0.400)	(0.580)	<b>(0.180)</b>
Provision for Pay Award	0	(0.280)	<b>(0.280)</b>
Financing Costs	(1.195)	(1.170)	<b>0.025</b>
<b>Corporate Budgets Subtotal</b>	<b>(1.768)</b>	<b>(2.954)</b>	<b>(1.186)</b>
Non Service Specific Grants	0	(0.114)	(0.114)
Funding (including Collection Fund)	(0.750)	(0.800)	(0.050)
<b>TOTAL</b>	<b>5.645</b>	<b>4.683</b>	<b>(0.962)</b>

### Leader: Infrastructure and Corporate Strategy

- 5.28 The forecast overspend on Digital and Technology has reduced as the team have intentionally held vacancies which will contribute towards achieving around two thirds (£66,000) of the vacancy factor target. There has also been a higher level of staff time legitimately charged to capital projects than expected when the original budget was set which has created a revenue underspend of around £50,000.

- 5.29 The parking enforcement contract is currently overspending by approximately £480,000 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. This is being partly offset by income exceeding the budget by £140,000 due to having extra Civil Enforcement Officers deployed.
- 5.30 Security staff are still required at University Square car park. This is resulting in a forecast overspend of around £120,000. This security provision will be included within the new parking contract for 2025/26.
- 5.31 The parking 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 £250,000 from the Parking Income Volatility Reserve, it is anticipated that the shortfall may be in the region of £215,000 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 remainder of 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 has resulted in an almost 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 £400,000 has been returned to the Council's 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 £150,000 original budget assigned for this work will now not be required.
- 5.34 The Highways team have been recently restructured and during this time several vacancies were held. This has produced an estimated in-year saving of approximately £300,000. The new structure has now been implemented and posts are being recruited too.
- 5.35 The team have exceeded income expectations on PVX applications, licences and highways deposits resulting in an additional £200,000 surplus for 2024/25.

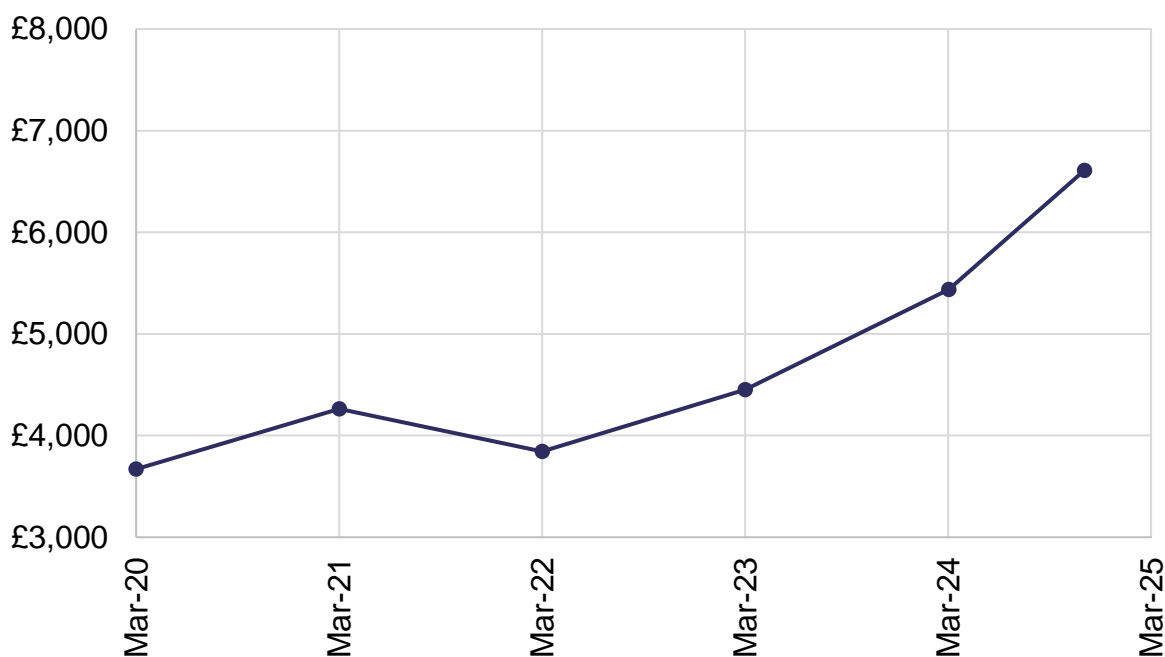
## Deputy Leader: Planning, Housing and the Local Plan

- 5.36 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-on-Sea too with a significant 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 £1,050,000.
- 5.37 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 £380,000 which is being partly offset by staffing vacancies within the team.

## Children, Young People and SEND

- 5.38 As highlighted in both previous financial performance reports (Period 4 and Period 6), significant spend pressures continue for Children Social Care placements in the external care sector and these have continued to increase in 2024/25. This is driven by a combination of complexity of care cases and a residential care market where average costs have continued to increase including more high-cost care packages locally. Southend-on-Sea is not alone in relation to the increasing 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.
- 5.39 As previously reported throughout 2022/23, 2023/24 and 2024/25 to date whilst the number of total residential care placements remains proportionately low as a total of all children in care placements at around 13%, it is the rising total cost of those placements that has driven up the cost pressures significantly. Given the individual costs of these placements, it only requires a very small number of additional children to require residential care and cost pressures will escalate quickly and significantly. By the end of November 2024, the average residential social placement cost was currently running at £345,000 per annum (compared to £283,000 per annum in 2023/24). The average price of a residential care placement is now 72% higher than it was in 2021/22 and 22% higher than it was in 2023/24. The scale of the challenge is illustrated in the following chart.

### Average weekly cost of children social care external residential placements for the Council



- 5.40 Between Period 6 (September 2024) and Period 8 (November 2024) the average number of children requiring residential care this year has also increased by a further net five placements and this is the main reason for the increased overspend forecast of **£1.255M**. Southend continues to work regionally and locally to try 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 £345,000 per annum cost alone if one more social care residential placement was to occur.
- 5.41 Whilst other spending pressures are being experienced, the main contributing factor to the **£6.332M 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. These factors combined account for around 75% 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.
- 5.42 It is also welcome to continue to report there has been steady progress on permanent recruitment and retention of staff within front-line Social Work teams since 2023/24 and Senior Staff. This has reduced the cost pressures against the staffing budget. A deep dive session into Children's Services has also been held and further work is continuing.

## Climate, Environment and Waste

- 5.43 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 £670,000 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.
- 5.44 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 £240,000 in 2024/25.
- 5.45 There are also additional costs associated with the waste collection contract extension. These are currently estimated to be in the region of £120,000.
- 5.46 The refurbishment of the crematorium has been completed and the site has been fully operational throughout 2024/25. Due to some services going to other crematoriums during the refurbishment, the number of services has not recovered instantly to full operational levels. The budgeted income from both the cemetery and the crematorium is therefore lower than expected, resulting in a current forecast shortfall in income of approximately £300,000.
- 5.47 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 £330,000 which is due to several vacancies being held pending the review, together with reduced utility and material costs. These savings are offsetting reduced income from external contracts which have been stopped as they were being subsidised by the Council. This underspend also includes the Head of Parks role which has now been recruited too.

## Community Safety

- 5.48 The pressure reported against Customer Contact reduced in September 2024 (Period 6) due to the impact of a restructure at a senior management level across the Executive Directorate for Strategy & Change. It has reduced further in November 2024 (Period 8) as vacancies will be held for the rest of the financial year. The 2024/25 savings associated with the 'Front Door' project (£300,000), overspend reductions (£50,000) and the Vacancy Factor for this service (£107,000) are all forecast to be achieved.
- 5.49 The previously reported underspend on Learning & Workforce Development associated with the Graduate Trainee Programme of around £200,000 continues; there are currently two trainees in post. In addition to this the vacancies in the core Learning & Workforce Development team will now be held for the remainder of the financial year which is forecast to create an underspend of around £80,000.



## **Culture, Tourism and Business**

- 5.50 The Pier and Foreshore service is reporting a projected £131,000 overspend, this is driven by a small reduction in the forecast income from pier admission and foreshore arrangements combined with other sundry income sources also being lower than budgeted.
- 5.51 The Town Centre Manager vacancy, which combined with the reduction of in year costs of the BID manager are yielding a forecasted £111,000 underspend, with non-pay budgets now anticipated not to be spent, yielding a further £28,000 underspend.
- 5.52 The Communities team are forecasting a £46,000 underspend, due to external funding, a vacancy within the team, this has reduced by £107,000 since Period 6 due to a contract being identified which was not previously included with the forecast. It is to be noted that the communities team are integral to the social care element of the department so should also be considered alongside the finance position reported for that portfolio.
- 5.53 The £100,000 service wide saving is held within museums, which is partially (£52,000) 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, this has resulted in a forecast overspend of £24,000. The cost of cleaning, repairs and maintenance in libraries is forecast to overspend by £27,000.
- 5.54 Special Events are forecasting a net pressure of £25,000 which is due to a lower level of direct income being generated. Whilst direct income from sponsorship and any sales is reported within this budget, any indirect income such as increased car parking or Pier income due to increased visitors due to events is reported elsewhere.

## **Finance, Assets and Investments**

- 5.55 The pressure reported in September 2024 (Period 6) against Corporate Budget and Resource Planning has reduced by around £220,000. This is primarily due to using the Pension Reserve to fund the Housing Revenue Account recharge which is not applicable in 2024/25 and will be corrected for 2025/26.
- 5.56 New or increased underspends are forecast across a range of teams in this Portfolio because of the agreement to hold all existing vacancies for the remainder of the financial year.

- 5.57 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) had been approved for the 2024/25 budget, information came to light after budget setting which increased our costs in 2023/24 and has continued into 2024/25. As a result, the original saving (cost avoidance) will not now be delivered this year, with a pressure of £680,000 currently being forecast. The local ambition is to encourage more people to use sustainable transport (cycling & walking) as well as public transport and the more successful our efforts are in achieving this, increased costs will be placed on the concessionary fares budget. The budget for 2025/26 will be restated to reflect the current upward trend in the estimated number of journeys.

## **Regeneration and Major Projects**

- 5.58 The forecast overspend on Legal Services and Land Charges has increased by around £130,000. Once the restructure had been finalised, recruitment to permanent roles was undertaken, and the September 2024 (Period 6) forecast assumed that the roles would all be filled quickly and successfully. Unfortunately, this has not been the case, and some agency contracts have had to be extended to cover roles in the new structure. The nature and level of demand for the work and expertise that the Legal Services team are responsible for mean that it is not possible to carry vacancies currently without exposing the organisation to unnecessary risk.
- 5.59 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 £60,000.

## **Social Care and Healthier Communities**

- 5.60 Where savings have not been achieved this year, they will be carried over into 2025/26 and are anticipated to be fully delivered with a positive full year impact. To mitigate the remaining pressure, a detailed review of planned spending against the Adult Social Care Discharge grant and the Better Care Fund (BCF) has been undertaken. This has resulted in an improvement to the forecast, whilst still ensuring that the full terms and conditions of the grant are being met. The position now also reflects an estimated dividend payment from Southend Care Limited.
- 5.61 The forecast for mental health support has increased by £261,000, this relates to a small number of high-cost complex packages, which includes backdating of payments to providers for several supported living placements.

- 5.62 There is an underlying upward trend in the cost of care placements, with new packages resulting in higher costs than those discharging from the system. Additionally, there are a significant number of residents who are now reporting that their financial assets are falling below the means testing threshold, thus shifting the financial responsibility of their care costs onto the Council often at rates higher than the Council's contract rates.
- 5.63 The pressure reported on the Adults Safeguarding budget has reduced to £95,000, where the cost of best interest assessments, aligned to our statutory duty around Deprivation of Liberty Orders are now paid for on a 'spot basis'.
- 5.64 The Equipment Service are now forecasting to overspend by £300,000, which has reduced following a review of eligible spend which will now be funded by the Disabled Facilities Grant.

### **Budget Virements**

- 5.65 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. There are **no** budget transfers (virements) requiring Cabinet approval for this period.

## **6 Revenue - 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 November 2024 (Period 8).
- 6.2 The forecast for the Housing Revenue Account (HRA) at period 8 indicates that the service is forecast to be **overspent by £502,000**.
- 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 £750,000. The financial position is being improved by around £200,000 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 Due to increased reserve balances at year end, the amount of interest received on them has been higher than that anticipated in the budget (known as the Item 8 credit). This is resulting in an additional £240,000 of income which is partly offsetting the expenditure pressures.

6.6 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 Capital

7.1 Successful and timely delivery of the capital investment programme is a key part of achieving the Council's vision and to meet our 2024-2028 Corporate Plan priorities:

The Council's Vision is:

*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.*

The Corporate Plan Priorities are.

A City that is:

- Proud and Prosperous
- Safe, Clean and Green
- Caring with a good quality of life for all
- Led by a transformative, responsive council

7.2 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:

7.3 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.

7.4 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.

- 7.5 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.
- 7.6 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.
- 7.7 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.
- 7.8 Capital challenge sessions have been held with the Cabinet Member for Finance, Assets and Investments. A 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, resulting in a revised budget for 2024/25 of £76.0M.
- 7.9 Capital challenge sessions covering all schemes then took place in early October and the resulting requested changes to the capital investment programme from those sessions were included in the Period 6 performance report to Cabinet in November, resulting in a revised budget for 2024/25 of £53.2M.
- 7.10 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 £64M and schemes that are yet to be costed. There may also be urgent health and safety works that might occur that are yet unforeseen.
- 7.11 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.
- 7.12 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.

- 7.13 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.
- 7.14 Approximately 37% of the revised capital investment programme budget is financed by Government grants and external developer and other contributions and at the end of November 92% 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 an indicative revenue consequence of approximately £70k p.a. for every £1M borrowed.
- 7.15 This report details the projected outturn position for 2024/25 based on information as at the end of November (period 8). The report includes details of progress in delivering the 2024/25 capital investment programme and in receiving external funding relating to that year.
- 7.16 This report includes any virements between schemes, re-profiles across years, deletions from the programme, any new external funding and any transfers between the main capital investment programme and the 'subject to viable business case' section.
- 7.17 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 £5,042,000 of 2024/25 scheme budgets, £3,862,000 into 2025/26, £871,000 into 2026/27 and £309,000 into 2027/28.
  - Accelerate delivery of £1,311,000 of budgets into 2024/25, £966,000 from 2025/26 and £345,000 from 2026/27.
  - Remove scheme budgets totalling £112,000 from 2024/25.
  - Add scheme budgets totalling £371,000 into 2024/25 and £4,617,000 into 2025/26 where new external funding has been received.
  - Action virements of budget between approved schemes.
  - Transfer scheme budgets totalling £250,000 into the 2024/25 main programme and £550,000 into the 2025/26 main programme from the 'subject to viable business case' section.
  - Transfer scheme budgets totalling £44,000 from the 2024/25 main programme to the 'subject to viable business case' section.
- 7.18 As at the end of November the capital outturn for 2024/25 is currently estimated at £50,034,000. This is £72,000 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.

- 7.19 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 November Cabinet	53,228	64,299	30,433	7,900	6,339	162,199
Net Amendments	(3,266)	8,063	526	309	0	5,632
Revised programme	49,962	72,362	30,959	8,209	6,339	167,831

## 8 Reasons for Decisions

- 8.1 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.
- 8.2 It also informs decision making to ensure that the Council's priorities are delivered within the approved budget provision.
- 8.3 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.
- 8.4 The challenge of delivering a balanced financial outturn for 2024/25 is significant. 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.

## **9 Other Options**

- 9.1 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.

## **10 Financial Implications**

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

## **11 Legal Implications**

- 11.1 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.
- 11.2 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.
- 11.3 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.

## **12 Carbon Impact**

- 12.1 None arising from this report.

## **13 Equalities**

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



## 14 Consultation

- 14.1 Regular communication and engagement with staff and Members on the financial performance and challenges have continued throughout the financial year.

## 15 Background Papers

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

Medium Term Financial Strategy 2024/25 – 2028/29

## 16 Appendices

Appendix 1 Period 8 – November 2024 Revenue Budget Performance 2024/25

Appendix 2 Period 8 – November 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	30/12/2024
Monitoring Officer	Susan Zeiss	19/12/2024
Executive Director	Joe Chesterton	30/12/2024
Relevant Cabinet Members	Councillor Cowan	30/12/2024
	Councillor Collins	30/12/2024