Southend-on-Sea City Council

Agenda Item No.

Report of the Deputy Chief Executive and Executive Director (Finance & Resources)
To

Cabinet

On

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Resourcing Better Outcomes –
Finance and Corporate Performance Report 2022/23 (Period 8)
Policy and Resources Scrutiny Committee
Cabinet Members: Councillor Stephen George and Councillor Paul Collins
Part 1 (Public Agenda Item)

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1 Purpose of Report

The regular Resourcing Better Outcomes report is a key tool in scrutinising the Council's overall finance and corporate performance. It is designed to provide an overview of progress to all relevant stakeholders at regular stages throughout the financial year. It is essential that the Council monitors its budgets and assesses its performance regularly to ensure that it is meeting its strategic objectives and providing value for money. This approach highlights where corrective action is necessary and reasonable mitigation is required to try to deliver a balanced financial position by the end of the year.

The continued volatility of the current operating environment, combined with the significant increases experienced in both local service demand and unavoidable inflationary cost pressures arising from the global cost of living crisis has exacerbated an already challenging situation. It is unlikely that a balanced budget can now be achieved in 2022/23, without the use of some of our earmarked reserves which have been prudently built up over the years. Every effort will continue to be undertaken across the whole organisation to improve the financial position by the year-end. This period 8 report provides the latest forecast outturn position and reinforces the requirement that any spending for the rest of the financial year is restricted to essential activity only.

2 Recommendations

That, in respect of the 2022/23 Revenue Budget Performance as set out in Appendix 1 to this report, Cabinet:

2.1 **Note the forecast outturn for 2022/23 for the General Fund and the Housing Revenue Account as at 30 November 2022.**

2.2 **Note the management action taken and to be continued to reduce the forecast overspend of the Council's revenue budget for 2022/23.**

2.3 **Note the potential requirement to use earmarked reserves to balance the 2022/23 budget (Section 4.2 and Appendix 1).**

2.4 **Approve the planned budget transfer (virement) of £456,000 from earmarked reserves, as set out in Section 4.35.**

That, in respect of the 2022/23 Capital Budget Performance as set out in Appendix 2 of this report, Cabinet:

2.5 **Note the expenditure to date and the forecast outturn as at 30 November 2022 and its financing.**

2.6 **Approve the requested changes to the capital investment programme for 2022/23 and future years, as set out in Section 4 of Appendix 2.**

2.7 **Note the Southend-on-Sea City Council (SCC) Corporate Plan Performance Report as at 30 November 2022 set out in Section 7 and Appendix 3.**

3 Financial Challenge Continues

3.1 Southend-on-Sea City Council, along with most Local Authorities across the country, continues to face arguably its greatest challenge yet in trying to provide essential services to meet the needs of local residents within the level of resources it has at its disposal. Most local authorities continue to struggle with major financial pressures – caused by inflationary factors outside of their control, increasing service demands and concerns for their residents and local areas. The Council has had to cope with the perfect storm of huge increases in service demand post the pandemic combined with unavoidable rapid inflationary increases in operating costs across almost every aspect of its Organisation. This continues to have a huge financial impact on the Council's financial plans for 2022/23 and the general economic climate is creating serious cost of living challenges for our local residents.

3.2 As previously reported the Council was already learning of major concerns from lots of residents about the impacts of cost of living rises on their day-to-day lives. Price increases for food and fuel, as well as in supply chains for other goods, are leading to many more local residents struggling to deal financially with the situation they now face. This situation is concerning and a prolonged period of high inflation will only exacerbate the impact locally.

3.3 From the Council's perspective the challenge of delivering a balanced financial outturn for 2022/23 now looks unlikely but every effort is being made to improve the position. Nearly all the financial pressures that the Council is now experiencing have been down to external factors where the Council has had no influence or control and they have all happened at great pace, since the Council's 2022/23 budget was approved in February 2022. This means that some very difficult choices and prioritisation of existing approved spending plans for both capital and revenue during 2022/23 continue to be considered and further reductions are urgently required.

3.4 Unfortunately, other major areas of concern that were highlighted in 2021/22 included the potential impact and increase on service demand 'post COVID-19' or 'living with COVID-19' in the future. This risk added to the precarious economic situation for many residents, due to the rapid increases in energy and inflationary pressures, has translated into large increases in service demand for the Council. The other major area of concern that was highlighted was the impact locally of the Government withdrawing the temporary financial support that was provided during the pandemic, this has coincided with huge increases in unavoidable operating costs, creating the worst combination of factors that continues to threaten the future financial sustainability of the Council and indeed the viability of a lot of Local Authorities across the country.

3.5 We are now eight months through this financial year and continued further 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 will inevitably lead to a reduction in the range, quality and responsiveness of other discretionary Council services now and in the future.

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 2022/23. It highlights the variations from the position reported for period 6. It should be noted that these estimates have been based on the best information we currently have available and will be continually kept under review.

Fiscal Policy Statement - 17 November 2022

3.7 The Chancellor of the Exchequer shared some headlines of the Government's 'borrowing, tax and departmental spending' plans that would feature within the Provisional Local Government Finance Settlement during a key Statement to the House of Commons on 17 November 2022. The statement confirmed that there would NOT be a 3-year Comprehensive Spending Review for the Local Government sector but did also provide some reassurance of making additional funding available, particularly for Social Care from 2023/24. The **'**Draft Prioritising Resources to Deliver Better Outcomes – 2023/24 to 2027/28' budget report elsewhere on this agenda will provide more insight and assessment of the local impact of the Provisional Local Government Finance Settlement that was published on 19 December 2022.

3.8 The Council ended 2021/22 in a relatively strong financial position but the size of the financial challenge now and for the future is arguably the biggest in the Council's history.

3.9 To help to begin 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 learn from our COVID-19 experience and tailor our services and working practices accordingly.

4 Revenue – General fund

4.1 In February 2022, the Council approved a General Fund Revenue Budget requirement for 2022/23 of £140.741M. This report provides details of the current projected outturn position for 2022/23 based on information as at the end of November 2022 (Period 8). In headline terms Council Corporate Budgets and Service Portfolios are currently forecasting a gross overspend by the year-end of **£7.346M** for 2022/23. This is a **significant improvement of around £4.7 Million** on what was reported at period 6, but still represents a huge challenge and forecast overspend at this stage of the year. Action is and will continually be taken to further mitigate this potential overspend throughout the rest of the year. This reduced total projected overspend stands at around 2.0% of the Council's gross expenditure budget.

4.2 Given the significant financial situation and current forecast outturn position for 2022/23, the Council will have no choice but to use its earmarked reserves, which have been prudently developed over previous years, to cover any overspend that remains at the end of this financial year. The Council has proactively and intentionally established two specific risk reserves totalling **£5M** (£2.5M each) for Adult Social Care and Children's Social Care, which will be called on first if required at the year-end. The total estimated impact (based on this period 8 forecast) has been reflected in the 2022/23 forecast reserves balances included in this report (Appendix 1). This results in an estimated total closing reserve balance for the City Council as at 31st March 2023 of **£83.3M**.

4.3 The Council approved a Medium Term Financial Strategy which included a medium term financial forecast with a predicted **budget gap of £24.0M** by 2026/27. (2023/24 = £8.6m, 2024/25 = £3.9m, £2025/26 = £6.3m, 2026/27 = £5.2m) in February 2022. The full implications of the recently published Provisional Local Government Settlement for 2023/24 and an assessment of the current forecast financial baseline pressures for the City Council is considered and a revised medium term financial forecast for the period 2023/24 – 2027/28 is included within the 'Draft Prioritising Resources to Deliver Better Outcomes – 2023/24 to 2027/28' budget report elsewhere on this agenda.

4.4 Our ‘Getting to Know Your Business’ programme for service managers continues in 2022/23 and will be essential in assessing the new operating environment, financial challenges and value for money (VFM) of services. The ambition is that all service managers in Southend-on-Sea City Council will continue to develop and enhance their understanding of their business areas in terms of benchmarked operational and financial performance, key demand and cost drivers, income levels, commercial opportunities, value for money and customer insight. This programme is designed to support managers to improve productivity and efficiency in all our business areas ensuring that we secure best value but also to support a more targeted outcomes-based approach to investment. Independent advice and support for dealing with our financial challenges and consideration of a range of options has also been secured.

4.5 Alongside the “Getting to Know Your Business” programme, the Executive Director of Finance & Resources also put into place at the start of this financial year a set of 12 budget planning principles for the organisation that were presented to Cabinet in the period 4 report.

4.6 Services are considering the impact and risks of making further reductions in their budgets and developing recovery and mitigation plans to try to improve the current financial situation and to prepare for the significant future financial challenge. All services are being encouraged to try to improve efficiency and productivity to ensure that the resourcing of better outcomes for our residents are achieved at the best value for the local taxpayer.

4.7 To continue to reduce the forecast overspend this year and to remain on a sound financial footing to deal with the budget gap in this and future years, several tactical mitigations have been put in place and will continue for the rest of this financial year:

- Continued consideration to what non-essential spending can be stopped, delayed or deferred.
- Reviewing all third-party supplies and services contracts.
- Constructively challenging all recruitment and resourcing requests.
- Continued consideration to whether our organisation has the right structure which is of a proportionate size and cost.

4.8 Some of the actions already commenced and actioned by officers to support the 2022/23 budget position and 2023/24 budget planning process are:

- The mothballing/storage use only of the top five floors of the Civic Centre to reduce expenditure on our utility costs.
- The review of our estate to ensure administrative buildings are only being used on an essential basis by staff and where possible to reduce usage accordingly to save on relevant premises, utility costs and carbon footprint.
- A fundamental review of the capital investment programme to reduce the need to borrow in the future and therefore incur less financing costs for the revenue budget (more details of this review is contained in section 6).
- Directors have developed a series of ideas to try and reduce their 2022/23 cost base and for this to be assessed as part of 2023/24 budget planning in the face of these unprecedented inflationary and demand pressures.

- A review of third-party supplies and service contracts continues which is looking at all contracts to secure efficiencies/reductions.
- Independent advice has been sought to assess the Council's cost base and understand how our services benchmark against other unitary authorities including staffing structures.
- A range of councillor, staff and resident briefings and communications will continue to help to explain the Council's financial position and the actions that have been taken/will be taken over the remainder of the financial year.
- A communications strategy has been developed to inform all stakeholders, local businesses and residents.
- A set of internal budget challenge sessions have been implemented to constructively review the cost base of all service budgets. These were initially carried out by the Corporate Management Team within their own departments and then separate challenge sessions with departments and cabinet members have also been undertaken, overseen by the Cabinet Member for Asset Management and Inward Investment and the S151 Officer.
- The Workforce Transformation Panel has been set up to review and act as a final sign off for essential only recruitment (permanent and temporary) and it is also reviewing the current range of interim staffing arrangements.

Summary of some of the major factors that are directly contributing to the Council's forecast overspend in 2022/23

4.9 The pay award has been finalised with each spinal column point receiving an increase of £1,925. For those staff on National Joint Council (NJC) spinal points, which is the vast majority, this represents an increase of between 10.2% and 2.7%. The ongoing cost to the Council is estimated to be around £4.0M a year. The estimated cost of the pay award at budget setting was £2.33M, the difference of £1.67M is an in-year budget pressure and creates a permanent pressure of equivalent value in the Council's revenue base budget from 2023/24 onwards.

4.10 The reversal of the 1.25% increase in Employers National Insurance Contribution has now been implemented and the financial benefit to the Council of around £0.3M is offsetting a small amount of the in-year employee related pressure identified in 4.9.

4.11 In November 2022 the rate of inflation, as measured by the Consumer Price Index (CPI), was 10.7%, down from another new record high in October 2022 of 11.1%. It is estimated that increased energy costs alone will create around a £2.1 million pressure for the Council in 2022/23. According to the Office for National Statistics (ONS) the principal drivers of inflation in November were a downward contribution from transport, particularly motor fuels, being partially offset by upward contributions from rising prices in restaurants, cafes and pubs[1]

[1] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/november2022

4.12 The following sections summarise the resulting cost and demand pressures on individual budgets and the impact on the financial forecast performance of each portfolio of services for 2022/23. A more detailed analysis of the variances for each portfolio is presented in Appendix 1. The table below summarises the overall movement from period 6 to period 8 and highlights where the circa **£4.7 million** estimated net improvement has been delivered.

2022/23 Forecast Variance Comparison – Period 6 to Period 8

Portfolios	P6 Reported Variance £M	P8 Reported Variance £M	Movement £M
Leader: Corporate Matters & Performance Delivery	0.248	0.115	(0.133)
Deputy Leader (May-Oct): Environment, Culture & Tourism	1.039	0.763	(0.276)
Deputy Leader (Nov-May): Public Protection	1.588	1.433	(0.155)
Adult Social Care & Health Integration	2.681	1.910	(0.771)
Asset Management & Inward Investment	0.664	0.657	(0.007)
Children and Learning & Inclusion	6.490	6.938	0.448
Economic Recovery, Regeneration & Housing	(0.730)	(0.827)	(0.097)
Highways, Transport & Parking	1.024	0.794	(0.230)
Portfolio Sub - Total	**13.004**	**11.783**	**(1.221)**
Corporate Budgets (Proactive Treasury Management Activity)	0.000	(0.939)	(0.939)
Services - Total	**13.004**	**10.844**	**(2.160)**
Contribution from earmarked reserves (Inflation £1M & COVID-19 Recovery £0.848M)	0.000	(1.848)	(1.848)
Revenue Contribution to Capital	0.000	0.000	0.000
Non-Service Specific Grants	(0.900)	(0.900)	0.000
Financing Sub - Total	**12.104**	**8.096**	**(4.008)**
Funding (Essex Business Rates Pool - estimated benefit)	0.000	(0.750)	(0.750)
Planned contributions from reserves	0.000	0.000	0.000
TOTAL	**12.104**	**7.346**	**(4.758)**

Corporate Matters & Performance Delivery

4.13 The overall financial performance of this portfolio of services has improved by £132,000 since period 6. The main contribution to this improvement continues to be the proactive management of vacancies wherever possible and a new forecast of lower-than-expected costs relating to historical pension liabilities.

4.14 These benefits have been partially offset by additional utilities costs at Porters Place. A 4.04% increase to Councillor Allowances has now been approved and finalised, which added an extra £26,000 cost pressure in 2022/23. Legal services continue to experience increased demand and reliance on agency staff to fulfil critical duties due to market conditions making it very difficult to recruit to roles permanently.

Environment, Culture & Tourism

4.15 The delivery of the Parks and Grounds Maintenance services is severely impacted by the high inflationary pressures for utility and fuel costs. There is a pressure of £230,000 for these elements as well as £50,000 from the pay award. Vehicle and machinery hire, and leasing costs are creating a further pressure of £100,000 and income is expected to be £60,000 below target this year. Part of this pressure is being offset by the proactive management of staff vacancies and it is anticipated that this will save around £200,000 in 2022/23.

4.16 Several significant Development Control and Building Control applications have come into the Council this year which has resulted in a considerable amount of additional income received in the first eight months of the year. Due to the complexity of these applications, it is expected that some additional resources will be required to support the processing of these applications. It is anticipated that the overall net impact on the income budget will be a surplus of approximately £250,000 by the end of 2022/23.

4.17 Museums and Galleries, Theatres and Libraries forecast a combined overspend of £549,000 for 2022/23. The primary driver of this is increased energy costs which are causing a £407,000 pressure, there is also a £69,000 pressure because of the pay award and pressures continue in respect of repair and maintenance (£31,000) of ageing buildings and assets.

4.18 The Pier and Foreshore Service are forecasting a net overspend of £59,000, the largest driver of which continues to be the pressure from increased energy bills (£123,000). There is a £35,000 pressure relating to the water fountains on the seafront due to a backdated bill from 2020 being received and £81,000 for water treatment costs. Repairs and maintenance additional costs of around £30,000, in relation to the Cliff Lift and a further £12,000 overspending is caused by the approved pay award. These combined adverse pressures have been mitigated by an increased income forecast of around £232,000 from pier admissions following the higher number of visitors to the attraction this year.

4.19 There is an in-year pressure of £154,000 on recovery of income from the leisure contract but this is temporary as Cabinet and Fusion Lifestyle have agreed that the income will be received in 2023/24.

Public Protection

4.20 As a result of changes in people movements and consumer habits (increased time spent or working at home, coupled with a significant increase in home deliveries) there is an increase in the volumes of waste generated from residential properties. Although some of this increase will be partly recyclable material, the majority has resulted in an increase in residual waste, which continues to add significant cost pressures for the Council.

4.21 Increased residual waste volumes have a direct impact of increasing our disposal cost, unlike recycling tonnage, and it is estimated that the financial implication of this will be an extra cost of approximately £0.9M this year. An estimated improvement in the financial performance from period 6 is due to the positive outcome of the recent waste disposal procurement exercise which has resulted in a more advantageous disposal rate per tonne. As previously reported waste collection levels and disposal tonnages are a particularly volatile and difficult area to predict. The need to proactively encourage all residents and businesses to do more to recycle and minimise the levels of residual waste remains a major priority for the city.

4.22 The cremators at the crematorium are due to be refurbished towards the end of 2022. Significant work has been undertaken to review the planning of this work to minimise disruption to our service offer and to reduce the impact on income that could be generated (forecasting an income shortfall of around £270,000 for the year). The service continues to be significantly affected by the increase in utility costs and an estimated pressure of around £170,000 is forecast by the end of the financial year.

Adult Social Care & Health Integration

4.23 Adult Social Care are reporting a reduced forecast overspend of £1.9m which is predominantly due to the continued delivery of statutorily required care and support. It also includes a pressure from the pay award which accounts for around £220,000.

4.24 The market pressures which have caused prices to increase, particularly in residential settings, continue to drive the most significant element of the overspend. Combined with demand pressures, these now account for around £830,000 overspend on social care packages. There has been an improvement on the forecast for income where clients contribute to the cost of their care following a means tested assessment, this is mainly due to their contribution to previously reported price increases across all packages of care.

4.25 The transition of clients from either Children's Services or Educational placements continue to cause a pressure on the budget of around £540,000. This has reduced since period 6, where costs, following a comprehensive review have been confirmed as lower than previously estimated. There is a degree of uncertainty in the forecast cost of these placements due to estimating costs for care and support which have not yet been put in place for the remainder of the year for some clients within Adult Social Care.

4.26 Some savings proposals that were built into the 2022/23 budget are now not forecast to be delivered this financial year due to increased demand pressures, which continues to drive a £350,000 budgetary pressure.

Asset Management & Inward Investment

4.27 There has been very little movement in the Portfolio's forecast position since period 6, the small improvement in performance is a direct result of the services continuing to proactively manage staff vacancies wherever possible.

Children & Learning & Inclusion

4.28 The significant spend pressure trends highlighted in both the period 4 – July 2022 report and the period 6 – September 2022 report have continued and unfortunately have increased further in this latest forecast. External foster care placements throughout 2022/23 have continued to slightly increase. The major concern has been the increased reliance on independent residential care placements in 2022/23, including some very high cost and complex cases. The external residential care market is also short of supply which is increasing the prices paid by all Local Authorities nationally for this service. This expenditure pressure has continued to increase between period 6 to period 8, mainly due to some previous existing foster care placement breakdowns for children with complex needs who have therefore now required an alternative independent placement provision within residential care.

4.29 Expensive independent placement costs continue to be the main causes of the overall forecast overspend. Discussions are being undertaken to seek to reduce these costs where possible, but the safety and wellbeing of the child will remain of paramount importance. All packages are also being reviewed to see if the individual needs of any child meet the eligibility criteria to receive a financial contribution from our Health partners.

4.30 Building and sustaining capacity within our in-house foster carer provision remains a top priority, together with wider engagement regionally given the risks and ever-increasing costs of the independent residential care market.

4.31 Other financial pressures within Children Services for 2022/23 have remained at around the same level as reported at period 6. This includes continued reliance on temporary agency staff to cover critical social work or operational posts and some high cost complex placements within the care leaver provision. There are also smaller pressures on Unaccompanied Asylum Seeking Children placements where young adults have now turned 18 and Home Office support funding reduces. The cost of placements supporting children with disabilities also remains a budget pressure.

Economic Recovery, Regeneration & Housing

4.32 A proactive approach to managing all non-critical staff vacancies across the Portfolio continues which is contributing to the positive overall financial performance. There is also some additional income expected for the administration of the Essential Living Fund on behalf of Essex County Council by our Benefits Team.

4.33 Several positions in the Housing team had proved difficult to permanently recruit to earlier in the financial year which contributed significantly to the forecast underspending on this Service. Some agency staff had to be engaged to backfill critical roles initially, but it is now pleasing to report that several roles have now been appointed to on a permanent basis.

4.34 The Council has received confirmation that the Homelessness Prevention Grant can be used to directly fund a proportion of this core base staffing budget for 2022/23. Despite significant pressure on this portfolio of services, they are continuing to make a vital contribution to reducing the overall forecast overspend for the Council in 2022/23.

Highways, Transport & Parking

4.35 Before COVID-19 there was a slow decline in the use of cash, but the pandemic accelerated this decline as more and more people use digital forms of payment. As a result, 82% of parking payment transactions are now made by card or phone app and the direct impact of that trend is that the Council is now paying significantly higher costs for card transactions and processing fees. The forecast overspend for this is now expected to be in the region of £235,000 by the end of 2022/23. Cash collection costs have not reduced proportionately as there is still cash being collected from multiple venues, despite lower values. The Council is exploring options to see if any future mitigation can be achieved, including reviewing the existing contract.

4.36 Across our entire estate, street lighting energy costs are the highest cost pressure area for electricity. Although the rate is fixed for 12 months until April 2023, the inflation on utility costs is resulting in an estimated overspend of around £350,000 in this area. This is despite the significant LED conversion programme undertaken by the Council in recent years, without which the impact of increasing energy costs would have been even greater.

4.37 There are also a range of staffing pressures in the service and currently the most senior management role in the service is being temporarily filled by an interim member of staff whilst a permanent solution is sought.

4.38 The operation of the Travel Centre in Chichester Road continues to bring with it additional cost pressures due to increased security, cleaning and utility costs totalling approximately £120,000.

4.39 The Concessionary Travel Recovery Guidance recommends a sliding scale of a 5% reduction per month until financial support matches usage numbers and because the number of passengers are not returning to pre-covid levels promptly there is now a projected underspend of around £400,000 for this year.

Budget Virements

4.40 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 transfer for Cabinet approval for this period is:

£	
456,000	Transfer from the Minimum Revenue Provision (MRP) equalisation reserve to mitigate the budget pressure caused by more of the 2021/22 capital investment programme being financed by borrowing than expected.
456,000	**TOTAL**

5 Revenue – Housing Revenue Account

5.1 In February 2022, the Council approved a balanced 2022/23 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 2022 (Period 8).

5.2 The forecast for the Housing Revenue Account (HRA) at period 8 indicates that it will have a net deficit of £300,000 in 2022/23, a variance of around 1.1% of the gross operating expenditure.

5.3 The challenges highlighted in the period 6 monitoring report due to the inflationary pressures experienced by key contractors are forecast to remain broadly the same for the rest of the year. The major changes reported in period 8, relate to the finalisation of the pay award for 2022 which has created a circa £200,000 pressure. This has been offset by an improvement in the turnaround times for re-letting void properties across the housing stock, except for Queensway, where the units are intentionally being held vacant, pending the planned major development.

5.4 The reduced supply of building materials and a shortage of specialist skills are increasing the unit costs on repairs and maintenance contracts. Whilst we have a duty to meet our regulatory and statutory requirements, the repairs programme is currently being reviewed to reduce costs where possible, without compromising the safety of tenants.

5.5 Significant pressures relating to energy costs incurred by South Essex Homes, (in effect on behalf of our tenants) has also been highlighted. A report was considered by Cabinet in November 2022 which illustrated the implications. Some pressures are also emerging around rent and service charge collection rates given the cost-of-living pressures on tenants. South Essex Homes will continue to provide advice and support wherever possible.

6 Capital

6.1 Successful and timely delivery of the capital investment programme is a key part of achieving the Southend 2050 ambition and delivering priority outcomes within the Corporate Plan. The investment contributes to the five main themes in the following way:

6.2 Pride and Joy – the key investment areas are: the ongoing refurbishment and enhancement of Southend's historic pleasure pier and the town's cultural and tourism offer, including parks, libraries and museums.

6.3 Safe and Well – the key investment areas are: the construction and acquisition of new council homes and the refurbishment of existing ones via the decent homes programme.

6.4 Opportunity and Prosperity – the key investment areas are: the Launchpad at the Airport Business Park to deliver benefits for both local businesses and local communities, creating thousands of job opportunities and attracting inward investment; the schools high needs and special provision programmes to enhance the facilities and number of places available for children with special educational needs and disabilities or requiring alternative provision; 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, the Cliffs Pavilion and City Beach.

6.5 Connected and Smart – the key investment areas are: the investment in the borough's highways and transport network, including improvements funded via the Local Transport Plan and Local Growth Fund; investment in the Council's ICT infrastructure and networks to enable and transform outcome focussed service delivery.

6.6 In February 2022 the Council agreed a capital investment programme budget for 2022/23 of £99.1M. The outturn for 2021/22 showed a final spend of £69.0M against a revised budget of £78.6M, an underspend of £9.6M. The proposed budget carry-forwards, accelerated delivery requests and other budget re-profiles and amendments at June Cabinet resulted in a revised budget for 2022/23 of £115.5M. Budget re-profiles and other changes as a result of the early stages of the review of the capital investment programme were approved at September Cabinet and reduced the revised budget for 2022/23 to £93.7M. As the review progressed further budget re-profiles and other changes were approved at November Cabinet and further reduced the revised budget for 2022/23 to £75.7M. Of this amount £57.0M is deliverable directly by the Council and £18.7M is to be delivered by South Essex Homes Limited, Porters Place Southend-on-Sea LLP and Kent County Council.

6.7 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 £97M at November Cabinet) and schemes that are yet to be costed. There may also be urgent health and safety works that might occur that are unforeseen.

6.8 All Councils are being affected by inflationary pressures and supply chain issues which will affect deliverability and affordability. There are multiple causes for the inflationary pressures:

- wage inflation due to scarcity of labour.
- base material price inflation due to global demand exacerbated by supply impacts in key areas due to the pandemic and the war in Ukraine.
- energy cost inflation impacting on all areas from production to logistics to on site energy costs.
- contractor risk pricing.

6.9 The Consumer Prices Index (CPI) rose by 10.7% in the 12 months to November 2022. Forecasts suggest that Construction Price Inflation is currently more than CPI with major spikes for certain materials and products sometimes over 20%. This not only has an impact on the current capital investment programme but also on future projects for which the Council may bid for funding.

6.10 Given the above and the Council's finite capacity to afford and to deliver capital schemes, there is a need to reduce or delay the Capital Investment Programme. In this context the Capital Programme Delivery Board has advised the following considerations when reviewing projects:

- For schemes financed by borrowing: whether the scheme generates an income stream which at least covers the borrowing costs and any running/maintenance costs, or whether future capital receipts are expected to enable the borrowing to be repaid.
- Whether there are the staff resources available to deliver the project or any supply chain issues.
- Whether the main contract has been awarded.
- Whether the project spend is committed.

- Whether deleting or postponing the project would give rise to a significant health and safety or maintenance issue.
- Any feasibility study costs that would be transferred to revenue if the scheme does not go ahead.
- Whether the project is still relevant in the context of the current economic climate.
- For schemes financed by grants and third-party contributions: the grant conditions and any match funding.

6.11 A generic approach to the programme would not be appropriate as each project is different in the way the impact of the inflationary pressures and supply chain issues will be felt.

6.12 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. The Capital Programme Delivery Board have been particularly considering the affordability of projects funded by borrowing and seeking to reduce or delay those where possible to reduce the impact on the revenue account budget of the associated financing costs. These considerations have been a fundamental element of the capital challenge sessions held so far this year.

6.13 The capital investment programme should continue to be subject to continuous review and re-prioritisation to ensure resources are aligned to the Council's Southend 2050 ambitions, recovery priorities and joint 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.

6.14 Progress of schemes will be re-assessed 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. This approach follows the current approach introduced two years ago when schemes can enter the programme during the financial year and not just annually at budget setting.

6.15 As this review has progressed via challenge meetings, the Capital Programme Delivery Board and the Investment Board, re-profiles and other adjustments to the programme for 2022/23 and future years have been put forward for approval.

6.16 Three rounds of capital challenge have been undertaken with the Cabinet Member for Asset Management and Inward Investment: In August sessions relating to the strategic schemes, in early October sessions relating to all schemes and in early December sessions targeted on the key areas where further progress needed to be made. The requested changes to the capital investment programme resulting from the August sessions were included in the Period 4 performance report to Cabinet in September. The requested changes resulting from the October sessions were included in the Period 6 performance report to Cabinet in November. The requested changes resulting from the December sessions are included in this report.

6.17 Approximately 27% of the capital investment programme is financed by Government grants, external developer or other contributions and at the end of November 85% 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.

6.18 This report details the projected outturn position for 2022/23 based on information as at the end of November (period 8). The report includes details of progress in delivering the 2022/23 capital investment programme and in receiving external funding relating to that year.

6.19 This report includes any virements between schemes, re-profiles across years, new external funding, any proposed scheme deletions and any proposed transfers to the 'subject to viable business case' section.

6.20 The progress of schemes for 2022/23 is detailed in sections 1 to 3 of Appendix 2 with Section 4 setting out the resulting requests to:

For schemes to be delivered by the Council:

- Carry forward £9,573,000 of 2022/23 scheme budgets, £8,473,000 into 2023/24, £991,000 into 2024/25 and £109,000 into 2025/26.
- Accelerate delivery of £106,000 of scheme budgets into 2022/23, £81,000 from 2023/24 and £25,000 from 2024/25.
- Add scheme budgets totalling £192,000 into 2022/23 where new external funding has been received.
- Remove £691,000 from 2022/23 and £416,000 from 2023/24 for scheme budgets no longer required.
- Action virements of budget between approved schemes.
- Transfer £433,000 of 2022/23 budgets and £1,659,000 of 2023/24 budgets from the main programme to the 'subject to viable business case' section

For schemes to be delivered by Subsidiary Companies, Partners and Joint Ventures:

- Carry forward £3,582,000 of 2022/23 scheme budgets, £1,407,000 into 2023/24 and £2,175,000 into 2026/27.
- Accelerate delivery of £74,000 of scheme budgets into 2023/24 from 2024/25.
- Action virements of budget between approved schemes.

6.21 As at the end of November the capital outturn for 2022/23 is currently estimated at £47,730,000 for schemes to be delivered by the Council and £15,167,000 for schemes to be delivered by subsidiary companies, joint ventures and partners. These amounts have reduced following the on-going review of the capital investment programme as highlighted in 6.13 to 6.16. However, the review now needs to focus on the 2023/24 financial year and consider the investment profile across the medium term.

6.22 The 2022/23 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.

Programme to be delivered by the Council (GF and HRA)

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
At November Cabinet	56,999	61,593	31,631	5,818	5,960	**162,001**
Amendments	(10,399)	6,317	966	109	0	**(3,007)**
Revised programme	**46,600***	**67,910**	**32,597**	**5,927**	**5,960**	**158,994**

* The forecast outturn in paragraph 6.21 is higher than the revised budget for 2022/23 due to the forecast overspend relating to Brook Meadows House, which is subject to actions for recovery for these additional costs (see page 9 of Appendix 2).

Programme to be delivered by Subsidiary Companies and Joint Ventures

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
At November Cabinet	18,749	23,162	9,598	3,250	1,000	**55,759**
Amendments	(3,582)	1,481	(74)	0	2,175	**0**
Revised programme	**15,167**	**24,643**	**9,524**	**3,250**	**3,175**	**55,759**

7 Corporate Performance

7.1 The Corporate Plan Performance Report Period 8 2022/23 (Appendix 3) provides a mechanism for reporting to the Corporate Management Team (CMT) and Members on Key Performance Indicators (KPIs) and key programmes of work, highlighting the Councils overall performance against agreed corporate objectives. It is based on the Council's newly established Corporate Plan (2022-2026) and how the Council is performing against the agreed priorities detailed within the corporate plan.

7.2 The total number of KPIs is **84**, with the breakdown of performance as follows.

Red	Amber	Green	In Development	Future KPIs
At risk of missing target	*Some slippage against target*	*On course to achieve target*	*KPIs that do not yet have a target and are still in development*	*Highlighting PIs to be measured in the future*
14	**12**	**47**	**4**	**7**

7.3 The new performance content is based on the four priorities agreed by the council:

1. A city that is strong and prosperous
2. A city with a good quality of life
3. A city rising to the climate change challenge
4. A city delivering genuinely affordable housing

7.4 Each of the four priorities are further broken down into corporate objectives, with the most appropriate KPI and key programme linked to illustrate how well the objective is performing. The corporate objectives are:

A city that is strong and prosperous

Objectives:

- Support economic regeneration and business development
- Use our spending power
- Bid for funding opportunities and attract inward investment
- Sustain and grow digital investment and inclusion
- Deliver our city centre strategy and investment plan
- Enhance our tourism, cultural and leisure offer
- Support community recovery
- Improve community safety

A city with a good quality of life

Objectives:

- Achieve our vision of a city where all children achieve success
- Ensure children and young people, including those in care, feel and are safe at home, school and in their communities
- Enable and provide opportunities for the best start in life
- Enable people to age well, live well and care well
- Ensure that health and social care services meet the needs of all
- Ensure services are diverse, sustainable and high quality, including those who pay for their own care

A city rising to the climate change challenge

Objectives:

- Local Transport Plan 4
- Become a net Zero Carbon Southend by 2030
- Prevent waste, re-use and increase recycling
- Develop an active and sustainable travel network
- Enhance, promote and protect our natural environment
- Undertake flood and coastal erosion risk management

A city delivering genuinely affordable housing

<u>Objectives:</u>

- Address local housing need
- Prioritise the supply and quality of safe, genuinely affordable homes
- Make any instance of homelessness brief and non-recurrent, aiming for functional zero homelessness
- Maximise environmental sustainability of homes
- Ensure good quality housing design, management and maintenance
- Reduce the number of empty homes
- Deliver the Local Plan and manage Development Control

7.5 There have been changes to the status of KPIs and key programmes of work since the period 6 Corporate Plan Performance Report. The breakdown of this is summarised in the following table.

Direction of travel for KPIs and key programmes	
A city that is strong and prosperous	1 KPI moved from Amber to Green 1 KPI moved from Green to Red 2 KPIs moved from Green to Amber
A city with a good quality of life	2 KPIs moved from Red to Amber 2 KPIs moved from Red to Green 1 KPI moved from Amber to Green
A city rising to the climate change challenge	1 KPI moved from Red to Green
A city delivering genuinely affordable housing	2 KPIs moved from Green to Amber

Further details of the specific direction of travel for relevant KPIs and key programmes can be found at the highlight report sections of the Corporate Plan Performance Report Period 8 2022/23 (Appendix 3).

7.6 The purpose of the report is to update on the council's current performance and to give sight of future measures that are intended to become live during the lifespan of the Corporate Plan (2022-2026).

7.7 The Corporate Plan Performance Report (Appendix 3) covers performance up until November 2022 to align with the reporting of Financial Performance for period 8. This follows on from the last corporate performance reporting based on period 6 (September 2022) data and information as noted at the 08 November 2022 Cabinet meeting (item 453).

7.8 There are some exceptions where data is unavailable at this time either due to the collection periods for those KPIs, or due to these KPIs being newly introduced for the new corporate priorities and objectives (noted in 7.2 and 7.3) and therefore having actual and target data currently in development. KPIs in this state of development are articulated within the report at Appendix 3. Data has been rated Red, Amber or Green (RAG) against targets where applicable and compares our current position to the previous collection interval (i.e. monthly, quarterly, annually, period) where data is available.

7.9 A comprehensive review of KPIs has taken place to link the most appropriate data with the corporate objectives, to ensure strategic alignment. This means that there are some KPIs that have carried over from previous reports and some that are new; new KPIs are noted on Appendix 3 at each applicable KPI.

7.10 Some KPIs have also been reintroduced post COVID-19 pandemic, as they were not reported during this period and data was not collected.

7.11 Corporate risk is noted within the report at Appendix 3 and annotated against relevant KPIs to highlight the linkages between risk and performance. Aligning our corporate risks and performance enables a holistic approach to understanding and presenting the impact the council's highest risks may have on performance, and to allow for risk mitigation and planning to be informed by performance data.

7.12 The following table sets out those risks that are affiliated to KPIs. The KPIs with associated risks can be read throughout the Corporate Plan Performance Report (Appendix 3); not all KPIs are allocated to corporate risks. The remaining corporate risks are overarching and therefore not linked to KPIs (1 – Covid-19 pandemic, 4 – Public services landscape, 5 – Workforce, 6 – a) Cyber security b) Data protection, 11 - LGA peer review of SEND & CWD, 15 – Southend Travel Partnership); the full risk register reference key can be found on page 30 of the Corporate Plan Performance Report (Appendix 3).

<table>
<tr><th colspan="2">Corporate Risks associated with KPIs</th></tr>
<tr><td>2 – Financial sustainability</td><td>13 – Adult social care</td></tr>
<tr><td>3 – Inflation and cost of living pressures</td><td>14 – Social cohesion</td></tr>
<tr><td>7 - Capital investment programme delivery</td><td>16 – Waste Management</td></tr>
<tr><td rowspan="2">8 – Safeguarding responsibilities and child welfare</td><td>17 – House building programme</td></tr>
<tr><td>18 – Regeneration and major projects</td></tr>
<tr><td>9 – Mitigating for and adapting to climate change</td><td>19 – Visitor destination</td></tr>
<tr><td>10 – Health inequalities</td><td>20 – Economic recovery and income inequalities</td></tr>
<tr><td>12 – Housing</td><td>21 - Local Plan</td></tr>
</table>

7.13 The indicators currently showing as red on their RAG status, indicate that they are at risk of missing target. These indicators are highlighted on the Corporate Plan Performance Report (Appendix 3) by exception.

7.14 There are a mixture of Output and Outcome based KPIs within the Corporate Plan Performance Report.

7.15 Output measures are deliverables (i.e. a strategy) and are based on delivering and being accepted within the timescales set. These measures have a percentage of completion and status update noted against them to demonstrate progress:

- On course to achieve target = the measure is progressing well and to target
- Some slippage against target = there is a variance between the current state and the original agreed information
- At risk of missing target = the measure is in danger of not meeting the agreed standards

7.16 Outcome measures are based on having baseline data and targets to see how the council is performing against our agreed goals.

7.17 It is intended that Output measures will inform future Outcome based KPIs, so that the impact of previous key pieces of work are measured, to therefore understand the benefits realised for the council and to contribute towards ongoing performance management.

7.18 There are a range of KPIs within the Corporate Plan Performance Report that will become live in future years of the Corporate Plan. These KPIs are highlighting the intended pathway to measure performance against relevant corporate objectives and may be subject to change depending on the council's view of these measures and/or external drivers (i.e. changes in Central Government policy).

8 Other Options

8.1 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 CMT, including the implementation of any necessary remedial actions.

9 Reasons for Recommendations

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 2022/23 is considerable. Significant positive improvement has been achieved from Period 6 to Period 8, but further 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 will inevitably lead to a reduction in the range, quality, cost and responsiveness of other discretionary Council services.

10 Corporate Implications

10.1 Contribution to the Southend City Council Corporate Plan (2022-2026) and the Southend 2050 Road Map

The robustness of the Council's budget monitoring processes and the successful management of in-year spending pressures are key determinants in maintaining the Council's reputation for strong financial probity and effective stewardship. This approach also enables the Council to redirect and prioritise resources to ensure the delivery of agreed outcomes for the benefit of residents, local businesses and visitors to Southend-on-Sea.

10.2 Financial Implications

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

10.3 Legal Implications

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.
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.

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.

10.4 People Implications

As various mitigating actions are worked through for 2022/23 and consideration of options for 2023/24 and future years there is likely to be an impact on staffing. As and when these are assessed they will be taken through the necessary and appropriate Council procedures and governance routes.

10.5 Property Implications

There will be an impact on the Civic Centre with the closure of the top five floors and a potential impact on other administrative and operational businesses through the review of service offer, asset rationalisation considerations and the potential closure and/or realignment of opening and closing times.

10.6 Consultation

Engagement has already been made with staff, cabinet members and with all councillors and this will continue as options to mitigate the forecast overspending for 2022/23 are progressed as well as the development of options for delivering a robust balanced budget for 2023/24.

10.7 Equalities and Diversity Implications

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

10.8 Risk Assessment

Sound budget monitoring processes underpin the Council's ability to manage and mitigate the inherent financial risks associated with its budget, primarily caused by the volatility of service demand, market supply and price. The unprecedented levels of inflationary cost pressures and service demand experienced across almost every aspect of the Council's operations are adding significant risk to its future financial sustainability. This challenge is replicated across most upper tier local authorities right across the country.

The primary mitigation lies with the expectation on CMT and Directors to continue to take all appropriate action to keep costs down and to optimise income opportunities. All adverse variances have required the development of remedial in year savings plans and appropriate spending reductions wherever possible. The ultimate back-stop mitigation would be to draw on reserves to rebalance the budget, but this will only be done at year end and will only be considered should all other in year measures fail.

With the likely scale of funding pressures and future resource reductions continuing, it is important that the Council holds a robust position on reserves and maintains the ability to deal positively with any issues that arise during this and future financial years.

10.9 Value for Money

The approved budget reflects the Council's drive to improve value for money and to deliver significant efficiencies and improved productivity in the way it operates. Monitoring the delivery of services within the budget helps to highlight areas of concern and to assist in the achievement of improved value for money.

10.10 Community Safety Implications

There may be impacts arising from options developed and the full impact on Community Safety will be considered.

10.11 Environmental Impact

The various options may have an environmental impact but again these will be fully assessed before any specific action is taken and the difficult financial position may make investment more difficult to support our climate change aspirations.

11 Background Papers

Approved 2022/23 Budget – Report to Council 24 February 2022

Medium Term Financial Strategy 2022/23 – 2026/27

Resourcing Better Outcomes – Finance and Corporate Performance Report – July 2022-23 – Period 4

Resourcing Better Outcomes – Finance and Corporate Performance Report – September 2022-23 – Period 6

12 Appendices

Appendix 1 Period 8 – November 2022 Revenue Budget Performance 2022/23

Appendix 2 Period 8 – November 2022 Capital Investment Programme Performance 2022/23

Appendix 3 Corporate Plan Performance Report – Period 8 2022/23