

Title:	Finance Performance Report 2023/24 - to end of November 2023 (Period 8)
Meeting:	Cabinet
Date:	11 January 2024
Classification:	Part 1
Policy Context:	All corporate priorities
Key Decision:	No
Executive Director:	Joe Chesterton, Finance and Resources
Report Authors:	Pete Bates, Director of Financial Services, Caroline Fozzard, Senior Finance Lead (Strategy, Sustainability and Governance)
Executive Councillor:	Councillor Cox, Leader and Cabinet Member for Special Educational Needs & Disability

1 Executive Summary

- 1.1 The finance performance report is a key tool in scrutinising the Council's overall performance. It is designed to provide an overview 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.
- 1.2 Proactive action, strong leadership and decisive decision making has helped to deliver a continued improvement in the overall forecast financial position for the Council for 2023/24. Despite this positive direction of travel, the challenges of increasing service demand and cost pressures remains. It is unlikely that a balanced budget will be achieved in 2023/24, without the use of some of our earmarked reserves which have been prudently built up over the years. This report summarises the latest forecast position and highlights the need to make some difficult choices now and across the medium term.

2 Recommendations

- 2.1 Cabinet notes the local government sector's reaction to the Government's Provisional Financial Settlement (issued 18 December 2023) (Appendix 1).**

That, in respect of the 2023/24 Revenue Budget Performance as set out in appendix 2 to this report, Cabinet:

- 2.2 Note the forecast outturn for 2023/24 for the General Fund and the Housing Revenue Account as at 30 November 2023 (section 6).**
- 2.3 Note the plans and intentions to try to further reduce the forecast overspend of the Council's revenue budget for 2023/24 and agree 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).**
- 2.4 Note the potential requirement to use earmarked reserves to balance the 2023/24 budget (Section 5.4 and Appendix 2).**
- 2.5 Approve the planned budget transfers (virements) of £658,000 from earmarked reserves, as set out in section 5.69.**

That, in respect of the 2023/24 Capital Budget Performance as set out in appendix 3 of this report, Cabinet:

- 2.6 Note the expenditure to date and the forecast outturn as at 30 November 2023 and its financing.**
- 2.7 Approve the requested changes to the capital investment programme for 2023/24 and future years, as set out in section 4 of appendix 3.**

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

- 3.1 As reported in July 2023, the Council ended the 2022/23 financial year with the largest level of overspending since it became a Unitary Authority on 1 April 1998. Following years of strong financial management, the Council had sufficient reserves to cope with the impact of this outcome for that year as a 'one-off' critical event. Despite the improved financial performance and positive direction of travel summarised in this report for 2023/24, the reduced level of forecast overspending at November 2023 (period 8) is still too high and remains a threat to its future viability.**

- 3.2 The Council's financial situation remains challenging. It is in the best interests of the Council for all Officers and Elected Members to continue 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 2023/24. Without this collaborative action, this 'in-year' pressure could continue to increase the forecast budget gap for 2024/25 and the future. The Council has a statutory requirement to approve a balanced budget and set the Council Tax level for 2024/25 by 11 March 2024.
- 3.3 Despite the difficult circumstances the Council has responded positively to the severity of the financial challenge it faces and still has its financial destiny and control in its own hands. It needs to continue to reduce the revised forecast level of overspending throughout the rest of the 2023/24 financial year, approve and then successfully implement robust savings plans to deliver a balanced budget for 2024/25 and the future. A series of draft future budget proposals for consideration are reported elsewhere on this Cabinet's agenda.
- 3.4 Continued action is required to try to reduce all non-essential expenditure and/or generate extra local 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 assess if changes can be made. The same principles have been applied to the development of ideas and proposals to deliver a balanced budget for 2024/25. Improving efficiency and productivity is essential but the scale of the continuing unprecedented financial pressures will inevitably lead to a reduction in the range, quality, cost and responsiveness of other discretionary Council services as well as challenging our approach to the delivery of our statutory responsibilities.
- 3.5 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. The Council will also continue to take measures to reduce its cost base through the ongoing service transformation programme.
- 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 2023/24. It builds on the information that was reported as at September 2023 (period 6) and highlights what improvements have been made but clearly demonstrates that further work is still required. It should be noted that these revised forecasts have been based on the best information we currently have available.

4 Unprecedented levels of financial challenge right across the Sector

- 4.1 The current national operating environment, particularly for upper tier local authorities has never been so financially challenging with numerous Councils announcing or giving warnings of financial distress. The Local Government Provisional Finance Settlement for 2024/25 was released on 18 December 2023 and if anything, it has increased the tension and genuine financial concerns right across the sector. **Appendix 1** captures some of the initial articles that highlight the general reaction to the details within the settlement.
- 4.2 The issuing of a section 114 (s114) notice was once unheard of and whilst a lot more authorities are highlighting the possibility, it is still a major undertaking which has huge consequences for the local authority concerned. It is effectively a declaration that the organisation is forecasting that it cannot meet all its financial obligations.
- 4.3 The Department for Levelling Up Housing and Communities (DLUHC) now provide an option for local authorities in financial difficulties that are deemed to be unmanageable to apply for Exceptional Financial Support. In practice, this presents an intermediate step to avoid a s114 scenario. This action inevitably results in an escalation of direct intervention by DLUHC in the Council's management, administration and decision-making.
- 4.4 The ultimate consequences of issuing a s114 notice are serious and significant and would immediately result in the cessation of all but the most essential levels of expenditure and then only to meet the statutory minimum level of service and Council liabilities. There would also be the need to develop and deliver a comprehensive Council-wide financial recovery plan. This would need to be considered by a full Council meeting within 21 days of issuing the notice.
- 4.5 There remains widespread concern and risk to the continued delivery and level of public services in many local authority areas. The unprecedented levels of demand and huge increases in costs of maintaining statutory service provision, particularly for support and intervention for vulnerable children and adults has been at such a pace that discretionary universal services are continually being squeezed and are being forced to be significantly reduced to ensure some local authorities remain financially viable.
- 4.6 Given this combination of factors and unheard-of levels of financial distress being raised right across the sector, local authority networks up and down the country will respond to the Government's consultation offer on the provisional finance settlement and continue to press hard 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 responding to statutory service demand.
- 4.7 The fact that this scale of financial challenge is so widespread across the country remains of little comfort currently though as all Councils, including Southend-on-Sea, wrestle with maintaining the delivery of their key statutory responsibility to operate in a financially sensible and sustainable way.

- 4.8 An urgent budget update report¹ was considered at a Special Cabinet meeting on 31 October 2023. This was then supplemented by an additional report² that summarised a range of budget ideas and suggestions from Elected Members that was considered by Cabinet on 12 December 2023. The Council needs to continue to take decisive action to ensure good local governance of financial and operational decision making and for the future of the City.

Local Government Provisional Finance Settlement - 18 December 2023

- 4.9 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 22 November 2023. The Provisional Local Government Finance Settlement itself was published on 18 December 2023, and it confirmed that the settlement would be for one year only and that it is based primarily on the Spending Review 2021 (SR21) funding levels. All the detail contained within the provisional settlement is essentially just confirmation of previously announced national Government Departmental spending totals that have already been factored into the Council's financial planning for 2024/25. The main national headlines from the provisional settlement 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 Due to the combined effect of major increases in core service demand post pandemic and the impact of inflationary cost pressures, the Council ended 2022/23 with a level of overspending that was higher than at any time since it became a Unitary Authority on 1 April 1998. The cost and service demand challenges have continued into 2023/24 and the financial challenge now and for the future is arguably the biggest in the Council's history.
- 5.2 In February 2023, the Council approved a General Fund Revenue Budget requirement for 2023/24 of **£143.875M**. This report provides details of the current projected outturn position for 2023/24 based on information as at the end of November 2023 (period 8). In headline terms the Council's Corporate Budgets and Service Portfolios are currently forecasting a net overspend by the year-end of **£6.284M** for 2023/24, this is an improvement of **£4.483M** on the position reported at September 2023 (period 6) (£10.767M).

2023/24	Projected Overspend £M
Feb 2023 (Budget Approved)	-
July 2023 (Period 4)	14.040
September 2023 (Period 6)	10.767
November 2023 (Period 8)	6.284

¹ [Agenda item - Budget Update \(southend.gov.uk\)](#)

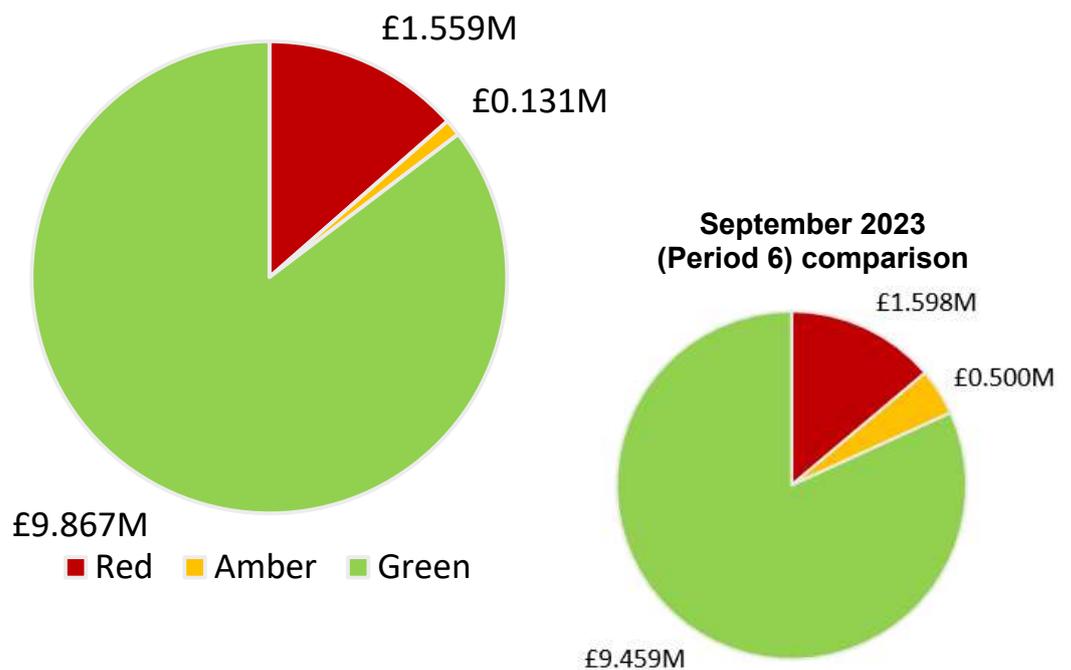
² [Agenda item - Councillor Budget Ideas and Budget Proposals \(southend.gov.uk\)](#)

- 5.3 This previous table clearly summarises a positive direction of travel, but more work is still required to try and reduce the currently predicted level of overspending within our front-line spending services as far as possible for 2023/24. Action is and will continue to be taken to further mitigate this revised potential overspend throughout the remainder of the year. The total projected overspend currently stands at around **1.8%** of the Council's gross expenditure budget. Whilst this improved position is encouraging it still represents a serious financial challenge to the Council.
- 5.4 Given the current forecast outturn position for 2023/24, 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, anything more than £5M will have to be taken from our corporate earmarked reserves. The total estimated impact (based on this period 8 forecast) has been reflected in the 2023/24 forecast reserves balances included in this report (**Appendix 2**). This results in an estimated total closing reserve balance for the City Council as at 31st March 2024 of **£71.2M**.
- 5.5 An initial series of Budget Challenge sessions for each Executive Director and their service leads with the Chief Executive, Executive Director (Finance & Resources) and Senior Finance Officers took place between 5th and 12th September 2023. A second round of challenge sessions took place week commencing 20 November 2023, with invites extended to include political Group Leaders. Key lines of enquiry for all services to identify opportunities for cost reduction, savings and income generation were explored. The outcome from these sessions have had a positive impact on the Council's financial performance for 2023/24 as summarised in this November 2023 (period 8) report and contributed to developing initial budget ideas and proposals for 2024/25.
- 5.6 The revised predicted financial position for 2023/24 and an evaluation of all action taken following the Budget challenge sessions has been represented in this report. A continued focus to drive down the reduced overspending levels further is still essential. Tightening the measures already introduced with even greater enforcement or changing intervention thresholds needs to be implemented safely. A range of opportunities are available to the Council to help drive down the overspend which include the following activities: -
- Target Operating Model (TOM) Changes, delayering of Management and Supervisors – full implementation of Organisation Design principles.
 - Recruitment freeze with approval for essential/critical roles only.
 - Essential spending only.
 - Close services/reduce services.
 - Continue to proactively manage service demand down where possible.
 - Driving real value from contract management, procurement and commissioning activity.

- Implementing fair and appropriate charging for all relevant services – inflationary increases where necessary.
- Removing part/all subsidy from discretionary services
- Risk managed commercial approach.
- Rationalise/reduce the overall running costs of our estate.
- Capital programme – stop, defer, pause.
- Clear service standards on highways asset management.

Summary of performance against savings and income generation initiatives

5.7 The 2023/24 approved budget included **£11.557M** of savings and income generating initiatives. Some further positive progress has been achieved from the previously reported September 2023 (period 6) position, as illustrated below. The following pie charts represent the current value of savings which have been categorised as Green – will be achieved, Amber – will be partially achieved or Red – unlikely to be achieved based on the current assessment of progress. It is critical that all approved plans are delivered, or alternative options are urgently developed.



5.8 Where savings or income generating initiatives are not currently being achieved, they have been highlighted in the relevant Portfolio service sections within this report.

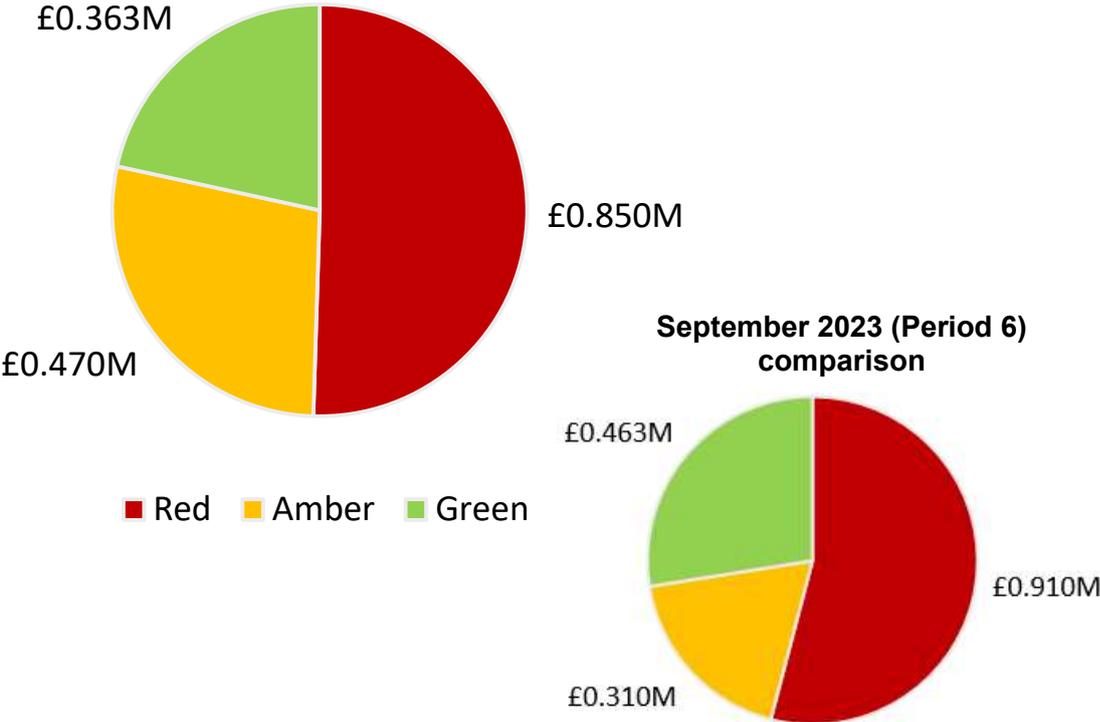
5.9 The following table highlights a summary of the initiatives that are currently classified as Red or Amber. Work is ongoing to try to improve the delivery of these areas and/or alternative proposals are being developed. A final summary of the performance against the initiatives will be provided in the Outturn 2023/24 report to June 2024's Cabinet meeting.

Reference	Title of Proposal	£000
EAP-01	Disabled Facilities Grant	250
EAP-06	System for management of sickness absence	25
ORE-09	Staffing Reduction – Digital & ICT	85
SOC-04	Review of public toilet offer with focus on securing external operator	150
IGC-03	Cremation and burial costs for non-residents	100
IGC-09	Sales, Fees & Charges (this includes a saving from 2022/23 ref. PY-FW06-SP)	471
IGC-11	Street Lighting Advertising Banners	40
PY-SW08	Introduce a new strengths-based refresh in 2021/22	200
PY-ES08	Better use of email for communication	3
PY-SW16-IS	Learning Disability Services Transformation	75
PY-SW17-IS	Shared Lives Expansion	10
PY-SW19-IS	Enhanced In-house Foster Care Offer	150
Red - unlikely to be achieved sub-total		1,559
ORE-04	Staffing Reduction – Revenues Service (£145k)	35
SOC-03	Review Travel Centre Operation / Closure (£40k)	27
TPP-04	Employee Assistance contract for service (£10k)	3
TPP-05	Occupational Health contract for service (£75k)	25
IGC-09	Sales, Fees & Charges (this includes a saving from 2022/23 ref. PY-FW06-SP) (£39k)	16
IGC-10	CCTV Control Room commercial activity (£25k)	20
PY-OP03	Park Sponsorship (£5k)	5
Amber – will be partially achieved sub-total*		131

** This amount is the value of the saving which has not yet been delivered, the original value of each initiative is shown in brackets at the end of the Title of Proposal. The difference of £208,000 between the original value of the initiatives (£339,000) and the undelivered amount of (£131,000) has been added to the total initiatives being reported as Green.*

Summary of performance against targeted overspend reductions.

5.10 When setting the budget for 2023/24 it was recognised that there were overspends of £1.683M which occurred in 2022/23 that would need to reduce in 2023/24 for the organisation to operate within the agreed budget. The operating environment experienced throughout the year to date has severely impacted the delivery of this ambition. The following pie charts represent 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.



5.11 Where significant overspends are continuing to occur, or have increased, 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 children and adults.

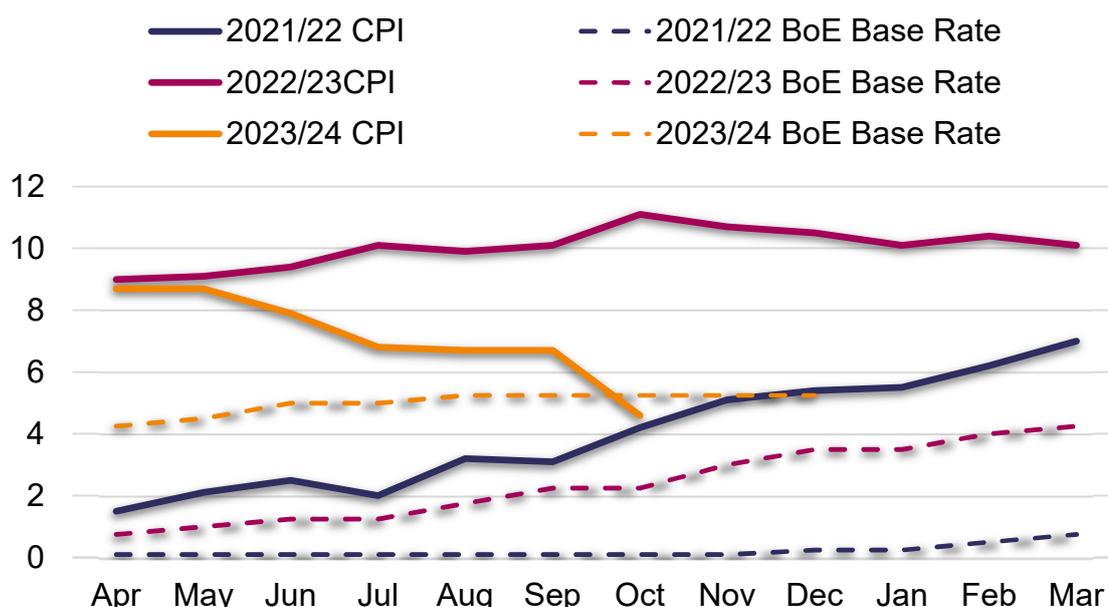
Summary of the major factors contributing to the forecast overspend in 2023/24

5.12 The revised forecast revenue overspend at November 2023 (period 8) of **£6.284M** for 2023/24 is driven by a wide range of factors which are considered in more detail in the remainder of this section.

5.13 Budget provision for the nationally negotiated Pay Award April 2023 and inflationary increases on most existing contracts have now been applied appropriately to all services.

- 5.14 There is around £750,000 of the £4.425m provision for 2023/24 Pay Awards remaining, £250,000 of this is earmarked for the Senior Management pay award and some other pay scales where increases are yet to be agreed and implemented (e.g. Soulbury scale). £500,000 of the remaining provision is now being reported as an underspend within the Corporate Budgets line.
- 5.15 Inflation continues to drive costs upwards and although the price of energy has not risen as steeply as expected when the budget was set in February 2023 this has been more than offset by price increases elsewhere right across the supplier/provider market. There is around £450,000 of the £2.950m provision remaining which is being reported as an underspend on Corporate Budgets, this is a reduction of £474,000 compared to September 2023 (period 6), primarily due to the price indexation impact on the Highways contracts.
- 5.16 In October 2023 the rate of inflation, as measured by the Consumer Price Index (CPI), was 4.9%, down from 6.7% in September 2023. The largest downward contribution to the decrease in inflation came from housing and household services, where the annual rate for CPI was the lowest since records began in January 1950. The second largest downward contribution came from food and non-alcoholic beverages. Although the rates of inflation are lower than at the same time last year (see graph below) they are increases on already higher prices creating a cumulative impact that is stretching most Council budgets to breaking point.³
- 5.17 In its efforts to bring inflation back down to its target of 2% the Bank of England increased interest rates at every opportunity from December 2021 until August 2023, when the Bank of England Base Rate was 5.25%. They have decided to maintain this rate on 21 September, 2 November and 14 December 2023, meaning it will not change for a further 6 weeks, until at least 1 February 2024.

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



³ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/october2023>

- 5.18 The increase in the base rate has driven up interest rates being paid on savings and investments. The 2023/24 budget reflected the projected increase with an additional £1.450M of income built into the budget. As at November 2023 (period 8) it is forecast that a further £2.101M will be earned, and this is reported as a favourable variance against Corporate Budgets in Appendix 2.
- 5.19 Rising interest rates are not entirely beneficial to the Council and will impact on the cost of borrowing over time. Perhaps more significantly they will affect residents' costs of borrowing (i.e. mortgages) and household bills (i.e. food and energy). It is likely that increasing numbers of residents will be pushed into a position of requiring additional Council services, advice and support over the coming months. A key risk that could add even further demand pressure on already over stretched services.

2023/24 Forecast Variance Comparison – Sept 2023 to Nov 2023

Portfolios	P6 Reported Variance £M	P8 Reported Variance £M	Movement £M
Leader: Special Educational Needs & Disability	0.780	0.672	(0.108)
Deputy Leader: Environment	0.465	0.441	(0.024)
Adult Social Care, Health, Public Health, and Constitutional Affairs	5.355	4.457	(0.898)
Arts, Culture, Heritage and Leisure	0.080	0.130	0.050
Childrens Services, Education and Learning	7.159	6.986	(0.173)
Community Safety and Public Protection	0.268	0.182	(0.086)
Economic Growth and Investment	(0.019)	(0.039)	(0.020)
Highways, Transport and Parking	0.649	0.492	(0.157)
Housing and Planning	(0.299)	(0.200)	0.099
Regulatory Services	0.312	0.385	0.073
Portfolios Subtotal	14.750	13.506	(1.244)
Levies and Precepts	0.049	0.049	0
Contingency	(0.400)	(0.400)	0
Provision for cost inflation	(0.924)	(0.450)	0.474
Provision for Pay Award	0	(0.500)	(0.500)
Financing Costs	(1.909)	(5.122)	(3.213)
Corporate Budgets Subtotal	(3.183)	(6.422)	(3.239)
TOTAL	10.767	6.284	(4.483)

The previous table clearly demonstrates a significant improvement in the overall forecast financial performance of the Council for 2023/24 since the last reported position as at September 2023. What is concerning though is the remaining high level of forecast overspending (**£13.506M**) across portfolios. This clearly means that the overall cost of delivering front line local services remains too high and it is essential that the Council successfully delivers the ambition to redesign its range of services to reduce costs in the short to medium-term. This will be essential to ensure the future sustainability of the Council. The following paragraphs provide a summary of the key pressures and status for each portfolio.

Leader: Special Educational Needs & Disability

- 5.20 Children with a special need and disability (SEND), is the main cause of the £130,000 spend pressure. There is a national shortage of Educational Psychologists (a critical statutory service supporting and advising both schools, parents and carers for children with SEND). Interim cover has therefore been required to sustain an appropriate statutory service level. These arrangements, together with increases in demand are the key contributory factors of the forecast overspend being reported. Recruitment and retention plans are in place to try to secure a permanent workforce moving forward. Smaller pressures also remain where direct SEND team cover is required for staff on maternity leave.
- 5.21 The forecast pressure in Human Resources has reduced by £113,000, this is primarily due to additional budget allocated from contingency to mitigate £104,000 of unachievable savings, the revenue base will be permanently adjusted in the 2024/25 budget to ensure the service remains on a more robust footing. A further £43,000 of savings are not expected to be achieved this year, these are deemed to be one-off pressures as the savings are part of larger projects that have experienced implementation delays but will be deliverable in the future. The service will not meet its annual income target, the final outturn for 2022/23 showed a shortfall of £74,000 and a similar pressure is forecast for 2023/24.
- 5.22 Legal Services had an approved staffing budget for the 2023/24 financial year of £1.14M. As at November 2023 (period 8) the forecast spend on permanent staff is £0.87M and the forecast spend on agency is £0.575M, giving a combined forecast overspend on staffing of £0.31M. This is an increase of £0.075m compared to September 2023 (period 6). The Legal Services team are currently undergoing a restructure within its existing budget envelope, this will hopefully lead to permanent recruitment and reduced expenditure on agency staff in 2024/25.

Deputy Leader: Environment

- 5.23 Residual waste tonnages increased significantly during the Covid pandemic but positively the tonnages the Council needs to dispose of is now forecast to return to comparable pre-pandemic levels as the volume is steadily decreasing compared to the same time period last year. However, the reduction of residual waste is not significant enough to deliver this service within its approved budget and a pressure of £700,000 is currently forecast. 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. This is currently being explored as part of the waste collection contract procurement.
- 5.24 The pressure of residual waste disposal is being partly offset by the income received from the disposal of food waste for which we receive an income. It is anticipated that this will be somewhere in the region of £300,000 in 2023/24.
- 5.25 Based on the income received last year within the Grounds Maintenance service and current income levels it seems unlikely that the service will achieve its income target in 2023/24. This is being offset by holding staffing vacancies and reducing the number of seasonal workers.
- 5.26 The trees and grass verges budget is forecasting an underspend due to efficiencies in merging contracts and amending the prioritisation of works across the estate with a primary focus on emergency works.

Adult Social Care, Health, Public Health, and Constitutional Affairs

- 5.27 Adult Social Care is now forecast to overspend by £4.551M, which is a reduction of £371,000 compared to what was reported at September 2023 (period 6). The primary driver of the movement is due to a review of Direct Payment account balances which are in surplus, this is resulting in an anticipated £300,000 claw back to date. The accounts have been reviewed to ensure that there is no impact on the Service User, as the underspend has been driven by the year-to-date underutilisation of their account.
- 5.28 The cost of support to Older People is forecast to be £2.776M overspent, this has remained static since September 2023 (period 6), with the pressure deriving from Home Care where several clients have a high level of complexity, which results in the need for double handed care. A range of residential placements which are costing above our contract rate, due to a lack of availability is resulting in additional cost pressures.
- 5.29 The forecast for learning disabilities has remained broadly the same as previously reported, with additional costs forecast for some transitions cases being offset by some backdated funding from Continuing Health Care (CHC).
- 5.30 A further £60,000 saving has been reported within Commissioning following the review of eligible spend against a government grant.

- 5.31 The Digital and Technology team has decreased the likely shortfall on income further since last reporting at September 2023 (Period 6), this has been offset by a small increase in the forecast for employee costs. The combined impact is an improvement of £20,000.
- 5.32 Mental Health reports a minor movement this month, predominantly due to the review of a contractual commitment with Health. There remains an ongoing pressure on the budget as the saving from the transfer of the service back from Essex Partnership Trust (EPUT) has only had a part year effect.

Arts, Culture, Heritage and Leisure

- 5.33 The September 2023 (period 6) forecast assumed the Director of Culture, Tourism and Communities post would remain vacant for the remainder of the financial year. Now the updated forecast reflects that this has been filled on a 0.5FTE basis, in addition to the inclusion of £25,000 of recruitment costs for the role. This has resulted in a £50,000 increase to the forecast.

Children Services, Education and Learning

- 5.34 As reported in both the July 2023 (period 4) and September 2023 (period 6), the significant spend pressure trend continues from 2022/23 into 2023/24 within Children Services. This is mainly due to a combination of Residential Care placement costs particularly for those cases that are most complex within a market that is stretched and short of supply (resulting in some very high prices) and the continued reliance on external foster care placements in 2023/24. The strategy remains to reduce reliance on external foster care placements by building and sustaining capacity within our own inhouse fostering service promoted by the new and improved inhouse foster care offer from April 2023. The cost of external care placements continues to be the main cause of this significant overspend pressure.
- 5.35 Whilst the safety and wellbeing of Children remain of paramount importance the Council continues to explore opportunities to reduce costs where it is safe and possible to do so. As previously highlighted the costs relating to residential care placements are significant and any further placements or net increased placement costs continues to have a risk impact on the remaining financial position reported the rest of this year.
- 5.36 Work building and sustaining capacity within the Inhouse foster carer provision continues and this is promoted by the new, improved and revised Inhouse foster care remuneration offer from April 2023, and work continues to engage regionally with the risks of the costs of the care market to Councils.

- 5.37 Other pressures within Children Services for 2023/24 (as reported previously) remain and includes continued reliance on temporary agency staff to cover critical statutory social work and certain critical social work management posts. There are further financial pressures including the national transfer scheme for Unaccompanied Asylum seekers where those children have now turned 18 and remain in supported accommodation whilst their asylum application is considered (as the Home Office grant to support their costs reduces once the child turns 18). Previously reported pressures for care and support costs for Children with Disabilities under Section 17 status are also continuing. Within the Youth Justice Service there is also a confirmed pressure on secure remand placements. This is due to the confirmed grant level now received for 2023/24, which is significantly lower than the actual costs being experienced. The HM Prison & Probation secure remand grant is based on the average of the last 3-years costs and therefore the Council expects to receive an increase in the level of grant for 2024/25.
- 5.38 Whilst significant financial pressure remains across this portfolio, within Education and Learning the position has improved further and reduced by £173,000 from September 2023 (period 6). Children Services have continued to review and where possible reduce spend pressure within supported accommodation placements where young adults 18+ who were previous care experienced children have transitioned safely into adults. Further work and detailed analysis is continuing.

Community Safety and Public Protection

- 5.39 As part of the 2023/24 budget package, it was agreed to review the public toilet offer with a focus on securing an external operator. This £150,000 saving will not be delivered this year, and the proposal is not currently being progressed. An alternative saving proposal has not yet been agreed but if one is developed and implemented then this pressure could be mitigated before the end of the year.
- 5.40 The current toilet provision also requires ongoing repairs and maintenance, it is anticipated that this will overspend by a further £45,000 this year, a reduction of £25,000 from the September 2023 forecast. The Council is exploring if it is possible to deal with some of this reported pressure through the capital budget allocated to public toilets.
- 5.41 Due to a diligent review of utility costs an investigation has been completed on the value of water bills across the toilet blocks and a credit note of circa £30,000 has been secured in this financial year.
- 5.42 The CCTV service is delivered by an established team of staff and as such staff turnover is very low. This is resulting in a budget pressure on staffing costs, due to an assumption that there would be some staff turnover. The drive to deliver services on a commercial basis is continuing but formal contracts are yet to be signed to bring in additional income.

Economic Growth and Investment

- 5.43 There has been no significant movement forecast since September 2023 (period 6).

Highways, Transport and Parking

- 5.44 Before COVID-19 there was a slow decline in the use of cash, but the pandemic sped that up considerably. As a result, a significant proportion of parking payment transactions are now made by card or phone app and the impact of that is higher costs for card transaction and processing fees. The overspend for this is expected to be in the region of £300,000 in 2023/24. Cash collection costs have not reduced to offset some of this as there is still some cash (although significantly less than in previous years) that must be physically collected from machines located across the City.
- 5.45 There continues to be a requirement to have security staff in place at the University Square car park. This is resulting in a forecast overspend of £120,000. It is intended that this security provision will be included in the new parking contract.
- 5.46 The parking enforcement contract is currently overspending by approximately £600,000 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. The main changes relate to an increase in the number of Civil Enforcement Officers and the wage increases they have received to retain staff. Alternative options will be considered as part of the procurement, including the potential for shared services opportunities.
- 5.47 Concessionary fares payments are linked directly to actual usage on local buses. Due to the reduction in journeys post-pandemic our financial contribution has continued to reduce. Based on the most up to date information the estimated position by the end of the year is currently forecast to underspend by £550,000.
- 5.48 The reported overspend at September 2023 (period 6) on the Highways (including maintenance) line has reduced due to the utilisation of an external capital grant which can be utilised for this purpose. Ongoing spend pressures in this area include a shortfall in the amount of staff time which is charged to delivering the capital investment programme which is being offset by additional staffing vacancies and an increase in income from PVX (private vehicle crossings) applications.
- 5.49 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 £80,000. Contract changes have been put into effect to reduce costs, but this will only show a part-year saving.

Housing and Planning

- 5.50 The Building Control service exceeded their income budget last year due to some significant works coming into the team in early 2022/23. However, since September 2022 income has been down year on year. As this is a commercial service there is a risk that if the Authority cannot deliver the service on commercial terms the works will go to competitors in the market and we may struggle to obtain repeat business. At year end any residual shortfall in this budget will be funded via the drawdown from the Planning reserve which is earmarked to respond to this volatility in the market.
- 5.51 The Housing Benefit team (Benefits Administration and Essential Living Fund) continues to hold vacancies to try to help with the overall financial pressures across the Council whilst maintaining an acceptable level of service. The forecast has not changed since last reporting in September 2023 (Period 6) but any further significant increase in the number of Southend residents seeking support will be severe pressure on the team to maintain the statutory minimum levels of service for the rest of the financial year.
- 5.52 Following a review of the Disabled Facilities Grant and the staff time which has been capitalised to date, it has been identified that not all the work completed meets the criteria and thus must remain charged to revenue. This has resulted in an adverse movement of £87,000 this financial year.
- 5.53 There is an anticipated £186,000 overspend for provision of temporary accommodation due to the ongoing placement of a small number of rough sleepers in guest house accommodation under a non-priority power. This is funded from our Rough Sleeping Initiative grant however the overspend will be mitigated through housing reserves.
- 5.54 We continue to fund these places as each individual is vulnerable due to health, social care or other needs and finding onward affordable accommodation is a challenge however we want to prevent a return to rough sleeping. There are plans in place for each individual and we hope to seek appropriate 'move on's' to more sustainable accommodation in the new year.
- 5.55 This projected overspend is an estimate based upon current provision. The situation is very volatile, and the overspending could decrease if affordable 'move on' options can be secured sooner or increase if further pressures and requirements emerge. There are also additional pressures on statutory provision to homeless families which continues to increase compared to previous years. This is a major concern as we predict that this will continue to be a growing pressure into future financial years as demand continues to increase.

Regulatory Services

- 5.56 The Director role within Asset Management has been vacant all financial year and is earmarked for deletion as part of the 2024/25 budget setting. Acting up arrangements have been in place for much of the year and the team have been operating without backfill which has added to the staffing underspend. These reduced levels of staffing have a knock-on impact on the amount of time being capitalised against the budget, but the combination has resulted in a predicted underspend of around £190,000.
- 5.57 The refurbishment of the crematorium is underway and due for completion in March 2024 bringing with it greater efficiency, ensuring that the crematorium can function into the future and improving the environmental impact of the service. During the works and to minimise disruption services have been restricted to Tuesday - Thursday so that 4 days a week are available to deliver the scheme. Reducing the operating hours of the crematorium is resulting in a significant reduction in income over this 12-month period with current estimates forecasting a shortfall of around £635,000. This income reduction is expected to be temporary and when the crematorium is fully operational again it is expected that business and income levels will fully recover. In addition, the new equipment will be significantly more energy efficient bringing further cost avoidance by reducing future energy bills.
- 5.58 The Service Director is intentionally holding vacancies across his Financial Services teams to try and help with the overall financial pressures experienced across the Council. This is proving to be more and more difficult as the demands on the service continues to increase and the forecast underspend has reduced by £15,000 partly because of the team working additional hours.
- 5.59 The financial performance of the Property and Commercial service is forecast to remain consistent since last reporting in September 2023 (period 6).
- 5.60 Vacancies with the Regulatory Services team are intentionally being held for longer than anticipated in July 2023 (period 4) and as a result the expected underspend from these roles has increased to circa £180,000.

Corporate Budget Developments

- 5.61 The Minimum Revenue Provision (MRP) is an amount to be set aside for the repayment of debt. The Council has a general duty to make an MRP charge to revenue which it considers to be prudent. The MRP Guidance sets out that such policies may be amended at any time, so long as the Council maintains a prudent and transparent approach whilst ensuring any changes are sustainable from a revenue budget perspective.

- 5.62 Following participation across the Chief Finance Officer networks and extensive consultation with our Treasury Management advisers, over the last few months opportunities have been explored to identify whether a more prudent MRP policy could be adopted. Our Treasury Management advisers undertook a review of the MRP policy which considered the Council's current method for calculating MRP and assessed the impact of adopting alternative options available that are fully compliant with the MRP guidance and regulations. The outcome of this analysis has only just concluded, following a rigorous assessment and evaluation of all viable alternative options.
- 5.63 The Guidance and legislation do not define what is prudent. It is for each Authority to determine a prudent repayment based on its own individual circumstances, considering its medium and long-term financial plans, current budgetary pressures, future capital expenditure intentions and funding needs. The Chief Finance Officer is content that the options to be taken forward will make an MRP charge that is both prudent and proportionate, given the severity and urgency of the Council's current financial situation.
- 5.64 A revised MRP policy for 2023/24 is included as an appendix to the main Budget Report for 2024/25 to 2028/29 elsewhere on this agenda, alongside the new MRP policy for 2024/25. The expected savings for 2023/24 (net of fees for the review) have been included in the forecast outturn in this report.
- 5.65 The forecast outturn for investment income remains higher than expected as interest rates have increased faster and by more than initially predicted. This is due to the Bank of England's response to the rate of inflation being slower to reduce than desired.
- 5.66 There have also been other movements across a range of financing transactions since the last position was reported at September 2023 (period 6), most notably for the recharges of interest receivable and payable between the General Fund (GF) and the Housing Revenue Account (HRA), which have been affected by increasing interest rates throughout 2023/24. An updated 2022/23 final position has now been received by Essex County Council in relation to the Coroners Service, which has informed the 2023/24 forecast outturn position.
- 5.67 Other variances include: a surplus from business rates rebates regarding museums and galleries which is a one-off benefit backdated to 1 April 2017; a favourable variance regarding the amount of the original provision for the Local Government Pay Award that will now not be required; a favourable variance regarding the amount of the original provision for cost inflation that will now also not be required.
- 5.68 Altogether, this range of initiatives provide an overall net positive forecast variance for 2023/24 for corporate budgets of £6.422M. This represents an improvement of £3.239M from the position reported at September 2023 (period 6).

Budget Virements

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

<u>£</u> 368,800	Improved Better Care Grant draw down carried forward from 2022/23 – one off 2023/24
289,200	Afghanistan Education Grant draw down carried forward from 2022/23 – one off 2023/24
<u>658,000</u>	<u>TOTAL</u>

6 Revenue – Housing Revenue Account

- 6.1 In February 2023, the Council approved a balanced 2023/24 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 2023 (period 8).
- 6.2 The forecast for the Housing Revenue Account (HRA) at period 8 indicates that the service is forecast to underspend by £645,000 against the approved budget.
- 6.3 There are several areas of volatility within the forecasting of this position, including resourcing challenges on the delivery of voids work which have led to the need to use a secondary contractor resulting in a pressure of £180,000. Due to increasing interest rates the interest payable on the HRA's share of the Council's internal borrowing has increased by £500,000. The number of void units at Queensway had been increasing which was resulting in a higher rent loss than expected of circa £620,000. While new regeneration options for the Estate are being explored a new programme of works is now in place to bring a number of units back up to a lettable standard to meet local housing need.
- 6.4 The sustained requirement for rental income to be collected against a background of the continued challenging economic environment for local tenants is a key objective. Appropriate support and advice for any tenant that is struggling with keeping up with their rental payments continues to be provided. All these pressures are being offset by the interest payable on the balances held within the HRA, which due to the increased interest rates is due to bring an estimated additional £1,900,000 into the HRA by year end.
- 6.5 The assumptions within the budget forecast will continue to be reviewed and refined throughout the year and the key risks will continue to be monitored.
- 6.6 Any surplus on the HRA will be appropriated to earmarked reserves at the end of the year to be reinvested back into the housing stock.

7 Capital

- 7.1 Successful and timely delivery of the capital investment programme is a key part of achieving the Council's Corporate Plan and delivering priority outcomes. The investment contributes to the four main priorities in the following way:
- 7.2 A growing city with a strong and prosperous community – 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; the Council's ICT infrastructure to provide core services and to progress the Smart Council project.
- 7.3 A safe city with a good quality of life for all – the key investment areas are 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. Key housing related investment areas include the construction and acquisition of new council homes and the refurbishment of existing ones via the decent homes programme.
- 7.4 A clean city with a resilient environment – the key investment areas are 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 transforming council delivering efficient, cost-effective services – there is a project within the ICT capital investment programme to replace the My Southend system. Later phases of the project relating to system development are expected deliver efficiencies and improvements in productivity.
- 7.6 In February 2023 the Council agreed a capital investment programme budget for 2023/24 of £95.4M. The outturn for 2022/23 showed a final spend of £51.8M against a revised budget of £61.8M, an underspend of £10.0M. The proposed budget carry forwards, accelerated delivery requests and other budget re-profiles and amendments at July Cabinet resulted in a revised budget for 2023/24 of £101.7M. Budget re-profiles and other changes as a result of the review of the capital investment programme were approved at September Cabinet and November Cabinet and reduced the revised budget for 2023/24 to £97.0M, then to £59.3M respectively. Of this amount approved at November Cabinet £45.5M is deliverable directly by the Council and £13.8M is to be delivered by South Essex Homes Limited and Kent County Council.
- 7.7 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 £87M and schemes that are yet to be costed. There may also be urgent health and safety works that might occur that are as yet unforeseen.

7.8 The Council is being impacted by the sustained and ongoing inflationary pressures which is affecting the affordability of capital schemes and therefore in some cases the Council's ability to deliver all the expected outcomes. Given this, and the Council's finite capacity to deliver capital schemes, the Capital Programme Delivery Board have considered how to review all capital projects and programmes and the status of their business cases. As a result all capital projects with a budget over £100k are being reviewed and assigned a RAG rating as follows:

RAG rating	Examples of the criteria to be used	Proposed outcome
Red	Project not yet started, no/very low costs incurred, low impact of stopping or pausing the project	Stop, delete the project or move it to the subject to viable business case section
Amber	A project or programme for which the scope can be adjusted, some work started and costs incurred (e.g. consultation started, planning permission sought), can be stopped or paused but implications need to be considered	Further review required
Green	Key political priority, urgent health and safety works, project underway and progressing well (i.e. materials delivered, contractors on site), time limited grant conditions	Continue

7.9 A generic approach to the programme as a whole 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. It is also recognised that these options need to be considered alongside any forthcoming capital challenge sessions.

7.10 The capital investment programme should continue to be subject to continuous review and re-prioritisation to ensure resources are aligned to the Council's Corporate Plan, administration priorities and the need to deliver a balanced financial position. 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.

7.11 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.

- 7.12 As this review progresses via challenge meetings, the Capital Programme Delivery Board and the Investment Board, re-profiles and other adjustments to the programme for 2023/24 and future years will be put forward for approval.
- 7.13 The results of the early stages of this review were included in the July 2023 (period 4) performance report to Cabinet in September. The review is on-going and comprehensive cross party capital challenge sessions chaired by the Leader took place in early October. This included the direction from Cabinet that if capital projects had not yet commenced this year, they would not do so (see the Red RAG rating in the table in paragraph 7.8). The resulting requested changes to the capital investment programme were included in the September 2023 (period 6) performance report to Cabinet in November. Follow up cross party capital challenge sessions chaired by the Leader then took place in early December. The resulting requested changes to the capital investment programme from those sessions have been included in this report.
- 7.14 Approximately 35% of the revised capital investment programme is financed by Government grants and external developer and other contributions and at the end of November 94% 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.
- 7.15 This report details the projected outturn position for 2023/24 based on information as at the end of November 2023 (period 8). The report includes details of progress in delivering the 2023/24 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, any new external funding, deletions from the programme and transfers between the main programme and the 'subject to viable business case' section.
- 7.17 The progress of schemes for 2023/24 is detailed in sections 1 to 3 of Appendix 3 with Section 4 setting out the resulting requests to:

For schemes to be delivered by the Council:

- Carry forward £4,453,000 of 2023/24 scheme budgets and £3,286,000 of 2024/25 scheme budgets into 2025/26.
- Accelerated delivery of £378,000 of 2024/25 scheme budgets and £195,000 of 2027/28 scheme budgets into 2023/24.
- Add scheme budgets of £369,000 into 2023/24 for new schemes and additions.
- Add scheme budgets totalling £268,000 into 2023/24, £591,000 into 2024/25 and £148,000 into 2025/26 where new external funding has been received.
- Delete scheme budgets totalling £2,000 from 2023/24.
- Action virements of budget between approved schemes.
- Transfer £850,000 of 2024/25 scheme budgets from the main capital investment programme to the 'subject to viable business case' section.

- Transfer £116,000 from the 'subject to viable business case' section into 2023/24 of the main programme.

For schemes to be delivered by Subsidiary Companies and Partners:

- Carry forward £500,000 of 2023/24 scheme budgets into 2024/25.

7.18 As at the end of November the capital outturn for 2023/24 is currently estimated at £42,810,000 for schemes to be delivered by the Council and £13,283,000 for schemes to be delivered by subsidiary companies and partners.

7.19 The 2023/24 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):

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
At November Cabinet	45,502	64,376	11,169	6,681	4,172	131,900
Amendments	(3,129)	(3,923)	7,887	0	(195)	640
Revised programme	42,373	60,453	19,056	6,681	3,977	132,540

Programme to be delivered by Subsidiary Companies and Partners:

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
At November Cabinet	13,783	6,774	6,329	6,491	0	33,377
Amendments	(500)	500	0	0	0	0
Revised programme	13,283	7,274	6,329	6,491	0	33,377

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 try 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 in order 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 2023/24 remains significant. Continued urgent action is required to try to reduce all non-essential expenditure even further 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, as well as challenging our approach to statutory services.

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 Engagement has continued with staff, cabinet members and all councillors and this will continue as options to mitigate for 2023/24 are progressed as well as options for delivering a robust balanced budget for 2024/25.

15 Background Papers

Approved 2023/24 Budget – Report to Council 23 February 2023

Medium Term Financial Strategy 2023/24 – 2027/28

16 Appendices

Appendix 1 Summary of responses to the Provisional Local Government Finance Settlement

Appendix 2 Period 8 – November 2023 Revenue Budget Performance 2023/24

Appendix 3 Period 8 – November 2023 Capital Investment Programme Performance 2023/24

Report Authorisation

This report has been approved for publication by:

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	Name:	Date:
S151 Officer	Joe Chesterton	18/12/2023
Monitoring Officer	Kim Sawyer	19/12/2023
Executive Director	Joe Chesterton	18/12/2023
Relevant Cabinet Member	Councillor Cox	20/12/2023