

Title: Finance Performance Report 2024/25 to end of July 2024 (Period 4)

Meeting: Cabinet

Date: 16 September 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 Councillors: Councillor Cowan, Leader and Cabinet Member for
Infrastructure and Corporate Strategy,
Councillor Collins, Cabinet Member for Finance, Assets and
Investments.

1 Executive Summary

- 1.1 This is the first financial performance report for 2024/25 and presents a key update of the Council's current financial position. It is designed to provide a financial overview to all relevant stakeholders at this early stage of the year and further updates will be presented at key stages throughout the financial year to monitor progress. It is essential that the Council reviews its budgets and assesses its performance regularly to ensure that it is meeting its strategic objectives and providing value for money. This approach follows recommended best practice, this report highlights variances from approved spending plans, proposes corrective action where necessary and forecasts the scale of mitigation required to try to deliver a balanced financial position by the end of the year.
- 1.2 Throughout the financial years 2022/23 and 2023/24, reports right across the Local Government Sector were dominated by many Local Authorities reporting significant financial distress and concerns over their future sustainability. This was driven by significant increases experienced in both service demand following the pandemic and unavoidable major inflationary cost pressures, across almost every service area. Large financial pressures remain but given the recent change of Government, a period of engagement, discussion and lobbying has commenced to see what national policy changes will be introduced and what future financial settlement the sector will receive.

- 1.3 Regular updates will be provided as further clarity emerges; the new Chancellor is scheduled to deliver a major budget speech on 30 October 2024. This report summarises the current forecast position for Southend-on-Sea City Council at this early stage of the financial year and the overall forecast overspend position for 2024/25 is **£8.127M** which will require decisive action and difficult choices to recover.

2 Recommendations

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

- 2.1 Note the forecast outturn for 2024/25 for the General Fund and the Housing Revenue Account as at 31 July 2024.
- 2.2 Note the plans and intentions to try to reduce the forecast overspend of the Council's revenue budget for 2024/25 and agree that the Chief Executive and Executive Director (Finance & Resources) explore all opportunities within their delegated powers and authority to improve the financial position by the year-end (section 5).
- 2.3 Approve the budget transfers (virements) of £7,337,726, as set out in section 5.55.

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

- 2.4 Note the expenditure to date and the forecast outturn as at 31 July 2024 and its financing.
- 2.5 Approve the requested changes to the capital investment programme for 2024/25 and future years, as set out in section 4 of appendix 2.
- 2.6 Add the demolition of Civic Two to the Council's 2024/25 Annual Procurement Plan and approve advertising the tender opportunity via the Council's electronic Tender Facility ProContract and in accordance with the Public Contracts Regulations 2015 via Open Procedure.

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

- 3.1 The Council ended the 2023/24 financial year with an **overspend of £1.9M**. Due to historical strong financial management, the Council had sufficient reserves to cope with the impact of the combined overspending for the past two financial years. The Council cannot continue to sustain overspends year on year and the current 2024/25 financial overspending forecast is a concern that will require decisive action to reduce and recover.

- 3.2 The Council's financial situation remains challenging, and continued action needs to be taken. It is in the best interests of the Council for all Officers and Elected Members to work closely and collaboratively together at pace to control all areas of identified overspending and to ensure that any adverse variances are brought back as close as possible to the approved budget for 2024/25.
- 3.3 There clearly remains very difficult and challenging circumstances across the country, particularly with servicing the current levels of national debt and uncertainty over future finance settlements for public services from the new Government. Despite this uncertainty the Council has its financial destiny and control in its own hands. The Council does need to continue its focus on reducing the current forecast level of overspending significantly throughout the rest of the 2024/25 year.
- 3.4 Action needs to continue to try to reduce all non-essential expenditure and/or generate extra income. This priority must be achieved whilst ensuring that our most vulnerable residents are looked after appropriately, and our statutory responsibilities are effectively discharged. Like other Local Authorities we also need to consider how we deliver our statutory responsibilities and if changes can be made. Improving efficiency and productivity is essential but the scale of the continuing level of financial pressures will inevitably lead to a reduction in the range, quality, cost and responsiveness of some other discretionary Council services as well as challenging our approach to the delivery of our statutory responsibilities.
- 3.5 To help to 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 continue to innovate and learn from others experience and tailor our services and working practices accordingly.
- 3.6 This report will focus on providing some detail and commentary of the financial variances at a portfolio level that are currently forecast for 2024/25. It should be noted that these estimates have been based on the best information we currently have available and have also been calculated at a very early stage of the financial year.
- 3.7 The new Government proposed a series of bills in the King's speech and details are continuing to emerge about a range of recent Government announcements. The bills that are likely to have the most Local Government impact include:
- Budget Responsibility
 - Planning & Infrastructure
 - Renters' Rights
 - Leasehold and Commonhold Reform
 - Employment Rights
 - Cyber Security and Resilience
 - Digital Information and Smart Data

- Mental Health
- Children's Wellbeing

3.8 The Chancellor of the Exchequer also made a key announcement on 29 July relating to the state of the public finances nationally and highlighted £22bn of what was described as 'unfunded pledges'. These included Rwanda, the New Hospital programme, Ukraine commitments, increased Asylum costs, and Government departmental budgets not increased to fund public sector pay settlements (£11bn to £12bn). The Chancellor made it clear that this needs to be addressed urgently so is looking to find £5.5bn this year and £8.1bn next year. The areas being considered at the time were as follows, and some of these have since been announced as formal decisions:

- Rail and road infrastructure projects cancelled/deferred
- £1.5bn untargeted winter fuel payments
- Rwanda project stopped £2.2bn
- £3bn savings from Government Departments
- ASC charging reforms scrapped - £1bn 25/26 rising to over £4bn by 2029/30

The Council, via its established networks, will continue to monitor developments and provide appropriate updates to Cabinet throughout the year. The detailed analysis of the Chancellor's budget speech on 30 October and the announcement containing the parameters of the future local government finance settlement are clearly going to be critical for the Council's future, particularly in terms of the impact on its financial and business planning arrangements.

4 Financial challenges right across the Local Government Sector remain

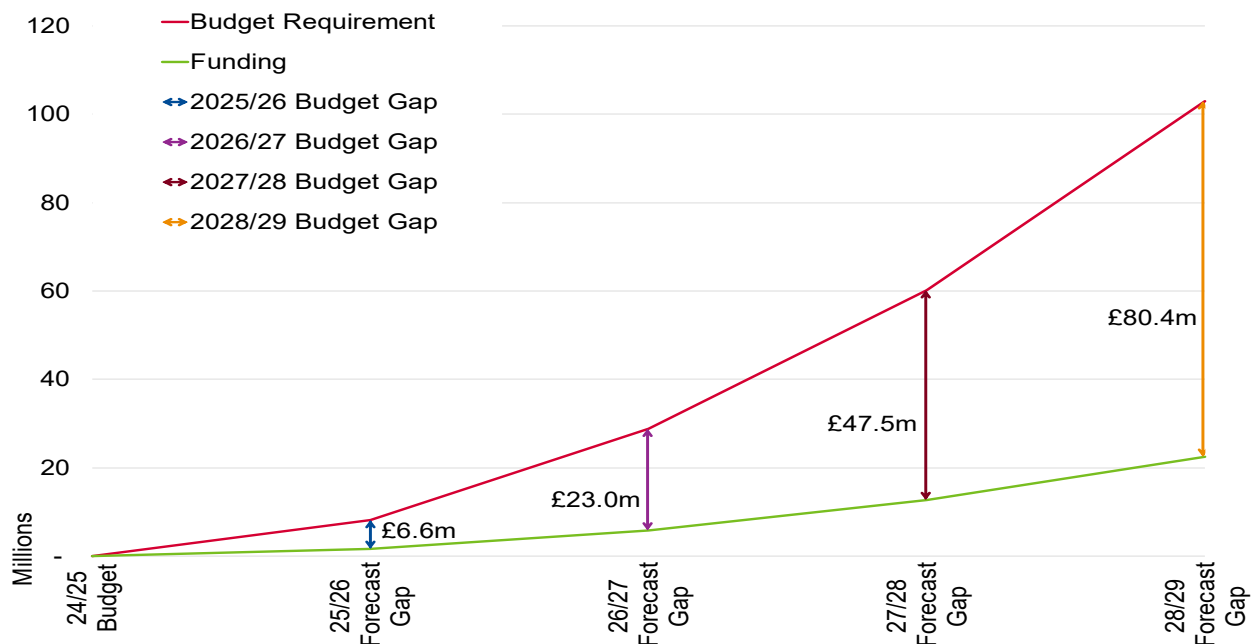
4.1 Regular reports presented to Cabinet over the last two years highlighted that the national operating environment, particularly for upper tier local authorities has never been so financially challenging with numerous Councils announcing or giving warnings of financial distress throughout 2022/23 and 2023/24. The issuing of a s114 notice was once unheard of and whilst a lot more authorities are highlighting the possibility, it is still a major undertaking which has huge consequences for the local authority concerned. It is effectively a declaration that the organisation is forecasting that it cannot meet all of its financial obligations. Southend-on-Sea City Council are not in this position, but we must remain vigilant and respond positively to the financial risks that the local government sector is experiencing.

4.2 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. Well over 65% of the Council's entire budget is focused on these areas and currently they account for over 84% of the reported forecast overspending for all services of £9.821M in 2024/25.

- 4.3 Given this combination of factors and levels of financial distress being raised right across the sector, local authority networks up and down the country are engaging with the new Government for recognition of the scale of the underfunding problem and the impact on local areas. Authorities are requesting more transparency and a fairer longer term funding deal particularly in the more deprived areas of the country, which are suffering most from huge increases in both the complexity and cost of statutory service demand.
- 4.4 The fact that this scale of financial challenge is so widespread across the country is of little comfort currently though as all Councils, including Southend-on-Sea, continue to wrestle with maintaining the delivery of their key statutory responsibility to operate in a financially sensible and sustainable way.

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

- 5.1 In February 2024, the Council approved a General Fund Revenue Budget requirement for **2024/25 of £150.075M**. This report provides details of the current projected outturn position for 2024/25 based on information as at the end of July 2024 (Period 4). In headline terms Council Corporate Budgets and Service Portfolios are currently forecasting a net overspend by the year-end of **£8.127M** for 2024/25. Action is and will continue to be taken to further mitigate this potential overspend. The total projected overspend currently stands at around **2.1% of the Council's gross expenditure budget**. This level of forecast overspending needs to be reduced, particularly given the cumulative impact of overspending in 2022/23, 2023/24 and now forecast for 2024/25 as this increases the risk to the Council's future financial sustainability.
- 5.2 Alongside the 2024/25 budget the Council also approved the Medium-Term Financial Strategy which provided a financial forecast with an **estimated budget gap of £32.9M by 2028/29**. (2025/26 = £6.6m, 2026/27 = £9.8m, 2027/28 = £8.1m, 2028/29 = £8.4m). The Council's forecast profile of the estimated budget gap for each of the next five years as at February 2024 is illustrated in the following chart.



5.3 The previous reported levels of overspending in core statutory services have continued into 2024/25. This has been caused by cost inflation and additional service demand pressures, mitigated wherever possible by effective management action. Given this scenario, the potential budget gap for future years is also likely to have got larger. Some initial work has been done on re-casting the medium-term financial forecast but the uncertainty over potential futures levels of financial support from the new Government makes this task even more challenging. The intention is to provide an updated illustration of the potential impact on the Council’s budget over the medium term until 2029/30 as part of the financial performance update as at the end of September 2024 (Period 6) which is scheduled to be reported to the Cabinet meeting in November 2024.

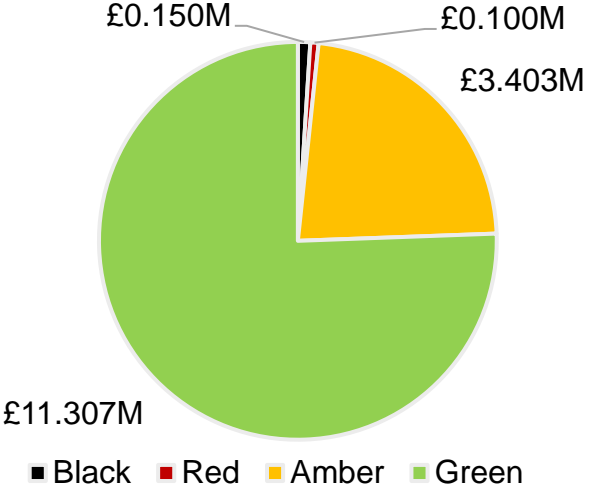
5.4 A lot of the good financial management work that was initiated in 2022/23 and 2023/24 has continued into 2024/25 and this is having an overall positive impact on the financial position, but further work is still required. The Council will review all opportunities to improve efficiencies and productivity across every service area. This will be supplemented by a major focus on targeted transformation, service re-design and improving value for money for local residents.

5.5 A continued focus on effective Budget Management remains and this has already been strengthened through the Finance & Resources sections contained within each Service Plan for 2024/25. This clearly sets out each service area’s approved budget, the savings & income generation initiatives it is responsible for delivering and the areas targeted for overspend reductions.

5.6 Work is continuing to try and improve the forecast financial position for 2024/25 and an evaluation of all management action is being undertaken. It may be necessary to introduce even tougher measures to try to move towards a balanced financial position by year end. Cost control measures are in place, many of which were introduced in 2023/24. These measures include Executive Director approval on all permanent recruitment and an additional layer of governance through a Workforce Panel for any agency staff spend. Capital challenge sessions are led by the Portfolio Holder to scrutinise spend on the programme and ensure timely reprofiling of the budget.

Summary of performance against savings and income generation initiatives

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

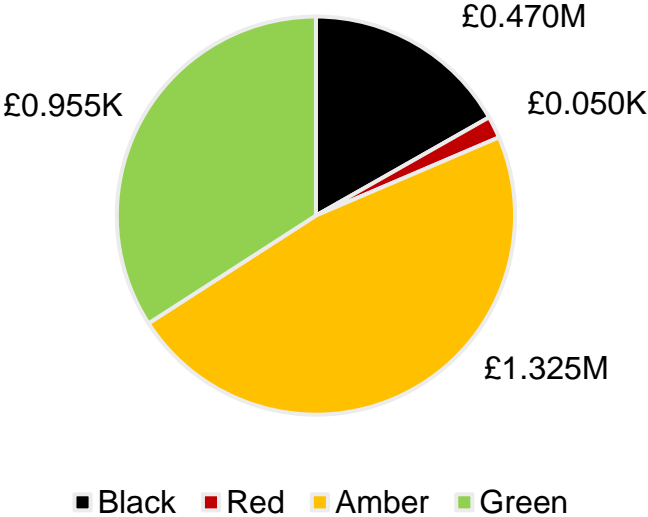


5.8 The above illustration shows that around **76%** of these approved savings will be achieved by the end of the financial year. Where savings or income generating initiatives are not currently being achieved, they have been highlighted in the relevant Portfolio service sections within this report.

5.9 Work is ongoing to try to improve the delivery of Red or Amber initiatives and/or alternative proposals are being developed. At this early stage of the year further evidence is required to confirm full delivery of the targeted savings in some cases. A further update on progress will be provided in the end of September 2024 (Period 6) report to November’s Cabinet meeting.

Summary of performance against targeted overspend reductions

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



5.11 Work is ongoing to try to improve the delivery of Red or Amber initiatives and/or alternative proposals are being developed. At this early stage of the year further evidence is required to confirm full delivery of the targeted savings in some cases. A further update on progress will be provided in the end of September 2024 (Period 6) report to November’s Cabinet meeting.

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

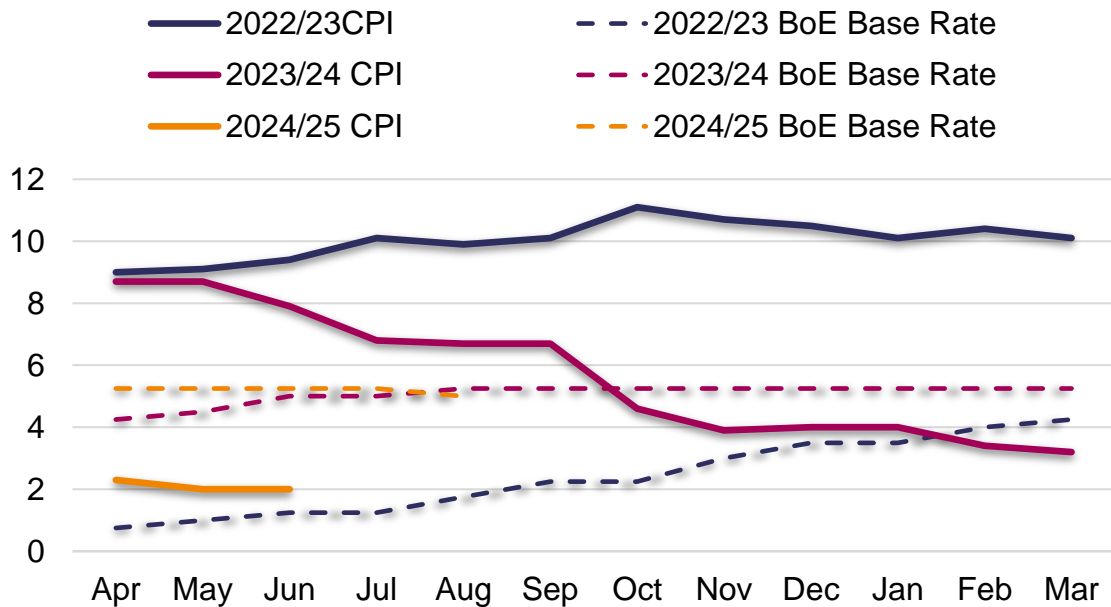
Summary of the major factors contributing to the forecast overspend in 2024/25

5.13 The forecast revenue overspend of **£8.127M** is driven by a wide range of factors which are considered in more detail in the remainder of this section.

5.14 The budget provision for the Pay Award April 2024 is currently being held centrally within Corporate Budgets and will be distributed to services once the award has been agreed.

- 5.15 On 16 May 2024 the National Employers made a “full and final, one-year offer” of an increase of £1,290 to National Joint Council (NJC) pay points 2 to 43 (inclusive) and an increase of 2.50% on all pay points above this but graded below deputy chief officer. This would mean an average pay increase across all scale points of 3.37%, costing approximately £2.5M. Trade Unions have not accepted this offer. We understand that some Unions are now in the process of organising a ballot for their members over taking potential industrial action.
- 5.16 The provision made for the Pay Award April 2024 would be sufficient for the current offer but recent announcements by the new government have suggested pay rises of 5.5% for some public sector workers. An increase of this size would cost around £4.125M, causing a pressure of around £1.3M on the Council’s budget in current and future years.
- 5.17 On 30 July 2024 the Local Government Association released a statement saying *“while it is good that the Government will fund higher pay awards for parts of the public sector, the announcement did not provide any additional funding for pay in local government. Pay awards in local government are funded through council budgets. Those budgets continue to face severe and unprecedented challenges and therefore the pay offer in local government needs to be affordable to the sector.”*
- 5.18 In the absence of an agreement over the pay settlement for 2024/25, the full amount of the provision £2.825M is being forecast as spent and there are no pay rise related pressures reported within individual portfolios at this early stage of the year.
- 5.19 The 2024/25 budget included provision for £1.0M of inflation on existing contracts. This has been allocated in full to fund increases on four of the Council’s major contracts. Inflationary increases on contracts are often based on Consumer Price Index (CPI) or Retail Price Index (RPI) rates at a specific period and can lag behind current trends, meaning the price increases experienced this year are based on the higher inflation levels which were prevalent in 2023/24.
- 5.20 In June 2024 the rate of inflation, as measured by the CPI was 2.0% for the second month in a row. Although this is generally positive news as it means prices will rise more slowly, the rise is on top of the existing higher prices meaning pressure across most service budgets continues to increase. The CPI rate reported for July 2024 is now showing an increase to 2.2%.
- 5.21 The Bank of England had held the Base Rate at 5.25% for 12 months in its effort to drive inflation down. With inflation now on target, the Bank Rate was reduced to 5.00% on 1 August 2024, this is the first reduction since March 2020. The Monetary Policy Committee will continue to closely monitor indications of inflationary pressures in the economy as a whole and may take a cautious approach to future cuts in the bank base rate.

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



5.22 The base rate remaining at 5.25% in the first four months of the year has kept the level of interest being paid on our effective treasury management arrangements for savings and investments high. The 2024/25 budget was set with an expectation for interest rates to have reduced sooner. The provision to repay debt is expected to be lower than budgeted as, following the capital challenge sessions to review the programme, less of the 2023/24 capital expenditure was financed by borrowing than was anticipated when the budget was set. As a result of these factors, as at period 4 (July 2024) it is forecast that financing costs will have a favourable variance of **£1.045M**, and this is reported against Corporate Budgets in **Appendix 1**.

Leader: Infrastructure and Corporate Strategy

- 5.23 The staffing restructure within Digital and Technology had a savings target of £395K. Due to delays in implementation, £100K of this will not now be achieved in 2024/25, however the full saving will be achieved from 2025/26 onwards.
- 5.24 The parking enforcement contract is currently overspending by approximately £300k due to the volume of variable works undertaken by the contractor and changes made as part of the short-term extension whilst a new contract is procured. Alternative options will be considered as part of the procurement, including the potential for shared services opportunities.
- 5.25 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 £120k. It is intended that this security provision will be included within the new parking contract.

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

Deputy Leader: Planning, Housing and the Local Plan

- 5.29 The number of people in temporary accommodation (TA) continues to be higher than the target we have set. Although the rate in Southend-on-Sea is below the national average it is higher than some of our neighbouring authorities. Nationally, TA levels are at the highest since records began and this is the case in Southend too with July seeing a 35% increase year on year. This is causing strategic, operational and financial difficulties as we try to deliver a long term and sustainable solution to the TA crisis which is leaving some authorities reporting the possibility of issuing a section 114 notice directly due to the financial pressures this is producing. Our current forecast overspend in this area for 2024/25 is £440k.
- 5.30 The income received from both building control and planning fees is reflective of the wider economic position. Whilst inflation is returning to more normal levels, interest rates remain high and as a result the cost of building works is prohibitive for some. The income target in this area is at risk, with current forecasts suggesting a shortfall of approximately £250k which is being partly offset by staffing vacancies within the team.

Children, Young People and SEND

- 5.31 Significant spend pressures remain on Children Social Care placements in the external care sector and these have continued to increase opening into 2024/25. This is driven by complexity of care cases, a residential care market where average costs have continued to increase including more high-cost care packages. Southend is not alone in this position in relation to the cost of externally supported residential care placements as other social care Local Authorities in the Eastern Region and across the Country are facing similar spend challenges on residential placements.

- 5.32 As previously reported throughout 2022/23 and 2023/24, whilst the number of total residential care placements remains proportionately low as a total of all children in care placements at circa 11%, it is the rising total cost of those placements that has continued to drive the increasing cost pressures. The average residential social placement cost is now currently running at £335k per annum and has been steadily increasing and way above average inflationary rises since the end of 2022/23. The average price of a residential care placement is also now 67% higher than it was in 2021/22 and has further increased by 18% from 2023/24. Southend continues to work regionally and locally with the plan that there can be some management and leverage to obtain the most efficient prices within what is a very challenging market, but it must also be noted that the spend forecast pressure remains at risk of further increases given the average £335k per annum cost alone if one more social care residential placement was to occur.
- 5.33 The costs of SEND home to school transport have also continued to increase driven by the rise in the number of Education Health and Care Plans (again an issue other Local Authorities are facing), reported as an opening £500k pressure. This position will be further reviewed following the start of the new academic year in September 2024.
- 5.34 Whilst other spend pressures are present, the main contributing factor to the **£6.167M forecast overspend reported** within Children, Young People and SEND is the cost of the residential placements including the continued higher number of external foster care placements than in 2021/22 (but of which has currently steadied to 2023/24 numbers). These factors combined account for approx. 70% of the reported opening forecast overspend. The Council will continue to seek to mitigate these spend pressures where feasible whilst ensuring that we fulfil our statutory duties to safeguard children. The Council also continues to promote the revised inhouse foster care fee and allowance offer, which went live from the 1 April 2023 including available Council tax exemptions up to the value of Band D and of which more importantly assists to provide local family homes for our children in care.
- 5.35 It is also welcome to report there has been steady progress on permanent recruitment and retention of staff in the front-line Social Work teams since 2023/24 and Senior Staff.

Climate, Environment and Waste

- 5.36 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. However, the reduction of residual waste is not significant enough to deliver this service within its approved budget and a pressure of £670k is currently forecast for the disposal of residual and net recyclable materials (which generate an income). This amount could be decreased further by reducing the amount of residual waste presented by households which brings with it both financial and environmental benefits.
- 5.37 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 £260k in 2024/25.

- 5.38 The refurbishment of the crematorium has been completed and the site has been fully operational throughout 2024/25. Due to a reduction in the overall death rate across the region, the budgeted income from both the cemetery and the crematorium is lower than expected, resulting in a current forecast shortfall in income of approximately £300k.
- 5.39 The Grounds Maintenance service is under review and interim responsive arrangements are currently in place. The current overall position at this early stage of the year is a forecast underspend at year end of £85k.

Community Safety

- 5.40 There is a small pressure being reported against Customer Contact which is caused by a combination of budget reductions associated with the Business Support Redesign implemented in 2022/23 and minor pressures on some supplies and services. The 2024/25 savings associated with the 'Front Door' project (£300K), overspend reductions (£50K) and the Vacancy Factor for this service (£107K) are all forecast to be achieved.
- 5.41 There is a forecast underspend on Learning & Workforce Development which is associated with the Graduate Trainee Programme. The draft budget put forward by the previous administration proposed a saving of £200K by removing the graduate trainee programme at the Council. At the February Budget Council an amendment was tabled, and agreed, to remove this intention. The reported underspend here is a one-off due to the strategic change in direction and recruitment cycles.

Culture, Tourism and Business

- 5.42 The Town Centre Manager post is currently vacant, which combined with the reduction of in year costs of the BID manager are yielding a forecasted £94k under spend.
- 5.43 The £100k saving for the review and restructure of museum, galleries and wider pier and foreshore teams is in part being mitigated by currently vacant posts which is in the process of being recruited to.
- 5.44 A further vacancy within the Communities team, combined with the securing of some external funding is driving a £94k under spend.

Finance, Assets and Investments

- 5.45 There is a forecast budget pressure due to increases in the Apprenticeship Levy the organisation is required to pay. The levy is calculated as 0.5% of the Council's annual pay bill, less the Apprenticeship Levy allowance of £15,000. The levy for 2024/25 is estimated to be £346K (2023/24 actual £335K) which is around £100K more than the budget available.

- 5.46 Employers who pay the apprenticeship levy can access government funding for apprenticeships, the amount that can be accessed is linked to the value of levy contributions, the proportion of employees living in England and a government top-up over a rolling 24-month period. The maximum amount the Council has access to (based on its 2024/25 levy payments) is around £380K (2023/24 £368K) and the current forecast for usage is £256K (2023/24 £300K). Forecast spend for 2024/25 is lower due to a current gap between cohorts of team leader/management apprenticeships.
- 5.47 Payments associated with former employees now in receipt of their Local Government Pension have increased and are forecast to cost around £100K more than budgeted for in 2024/25. This pressure and the one associated with the Apprenticeship Levy are reported against the Corporate Budget and Resources Planning line in Appendix 1.
- 5.48 Concessionary fare journeys have not returned to the same levels as they were before the Covid pandemic, but they are continuing to increase year on year, with a 6.6% rise in 2023/24. Although a saving has been approved for the 2024/25 budget, information came to light after budget setting which increased our costs in 2023/24 and will continue into 2024/25. As a result only part of the saving is expected to be delivered, with a pressure of £250k currently being forecast.

Regeneration and Major Projects

- 5.49 It is expected that the income received from activity under the Licensing Act and hackney carriage / private hire vehicles will be less than the budget based on previous years activity. Many of these fees are set nationally therefore the volumes need to increase to meet the income expectations. This shortfall is being offset by a greater underspend on staffing costs. There are several vacancies in the team and the net current position is an expected underspend of £90k.

Social Care and Healthier Communities

- 5.50 Following the restructure of the adult social care operational team, there are several vacancies across the service, which are in the process of being recruited to. Whilst the number of agency staff is being kept as low as possible, the service is using overtime for existing staff to ensure that statutory tasks are completed. Combined with the cost of recruiting to these roles, this means that there is only a small delivery of the £200k Vacancy Factor saving.
- 5.51 A £150k pressure is reported against the Adults Safeguarding budget, where the cost of best interest assessments, aligned to our statutory duty around Deprivation of Liberty Orders are paid for on a 'spot basis' and are currently forecast to exceed the budget.
- 5.52 The Equipment Service are forecasting to overspend by £290K, which is due to the continued trend of increases in prices of equipment. A review of the use of the Disabled Facilities Grant and the Council's policy is being undertaken which may help to improve this position throughout this year.

- 5.53 Several savings as per paragraph 5.10 are rated as amber and therefore currently form part of the overspend reported. As more confidence is achieved on their delivery and in year impact, the forecast will be updated, which could reduce the pressure which primarily relates to the cost of care provision.
- 5.54 We continue to see good management of demand albeit with increases but at a slower rate compared to the national picture. However, the level of need and complexity of support for our clients continues to increase, which when linked with increasing market prices, this is putting a pressure on purchasing budgets.

Budget Virements

- 5.55 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> 1,333,750	Confirmation of S31 Grants in relation to Business Rates was received in May 2024. The amount was around £1.3M higher than the original budget. This virement increases the Council's gross income budget for 2024/25. The additional expenditure was allocated to Contingency in Period 3 (June 2024) and distributed across services in a budget rightsizing exercise, as agreed by CLT.
3,852,000	Drawdown from the DSG Reserve Re DSG High Needs Reserves following June 2024 Education Board (full details in the Education Board paper), including conditional and positive one off SEND support and Inclusion grants to all local schools, pilot expansion of further alternative provision places and further funding to support SEND system review and wider support. Movement between pay and non-pay budgets.
851,900	DSG 24 25 High Need Budget Adjustments (following June 2024 Education Board). Movement between pay and non-pay budgets.
984,076	Realign BCF / IBCF / ASC Discharge Fund. Movement between pay and non-pay budgets.
316,000	Confirmation of Economic Inclusion externally funded projects has now been received, this virement increases the Council's gross income budget for 2024/25 accordingly. The expenditure is allocated to staffing who will be responsible for delivering the project outcomes.
<u>7,337,726</u>	<u>TOTAL</u>

6 Revenue – Housing Revenue Account

- 6.1 In February 2024, the Council approved a balanced 2024/25 Housing Revenue Account budget. This section of the report details the projected outturn position for this year based on actual activity and financial performance as at the end of July 2024 (Period 4).
- 6.2 The forecast for the Housing Revenue Account (HRA) at period 4 indicates that the services is forecast to be **overspent by £393k**.
- 6.3 This pressure is primarily due to historical housing disrepair insurance claims over a 4-year period which need to be funded from the HRA totalling £550k. The financial position is being improved by around £200K due to the pension fund being in surplus.
- 6.4 There are also several variables within the forecasting of this position, the main factors are the continuing inflationary pressures and volume of responsive repairs to the housing stock and the challenge of rental income to be collected against a background of the continued challenging economic environment for local tenants. Appropriate support and advice for any tenant that is struggling with keeping up with their rental payments is being provided.
- 6.5 The assumptions within the budget forecast will continue to be reviewed and refined throughout the year and the key risks will continue to be monitored against increased regulations and requirements from the Regulator of Social Housing and the Housing Ombudsman with several recent judgements being made which we will continue to respond to appropriately. It should be noted that overall, the Council's Housing Revenue Account remains in a strong financial position.

7 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 city that is proud and prosperous – the key investment areas are: the Airport Business Park to deliver benefits for both local businesses and local communities, creating thousands of job opportunities and attracting inward investment; refurbishment works at the Victoria Centre to make a significant contribution to the attraction and amenity of the centre and improve and enhance that end of the City Centre; the Levelling Up Fund projects at Leigh Port, Cliffs Pavilion and City Beach; the refurbishment and enhancement of Southend's historic pleasure pier.
- 7.3 A city that is safe, clean and green – the key investment areas are the energy saving and efficiency projects; cliff stabilisation, coastal defence, flood prevention and resilience schemes; the investment in the City's highways and transport network, including Better Networks and Better Sustainable Transport projects funded via the Local Transport Plan.

- 7.4 A city that is caring with a good quality of life for all – the key investment areas are the schools’ high needs provision programme to enhance the facilities and number of places available for children with special educational needs and disabilities or requiring alternative provision, the construction and acquisition of new council homes and the refurbishment of existing ones via the decent homes programme.
- 7.5 A city that is led by a transformative, responsive council – the key investment area is the Council’s ICT infrastructure to provide core services and to progress the Smart Council project.
- 7.6 In February 2024 the Council agreed a capital investment programme budget for 2024/25 of £72.6M. The outturn for 2023/24 showed a final spend of £50.1M against a revised budget of £56.1M, an underspend of £6.0M. The proposed budget carry forwards, accelerated delivery requests and other budget re-profiles, in year grant awards, additions to the programme and transfers to and from the ‘subject to viable business case’ section of the programme at June Cabinet resulted in a revised budget for 2024/25 of £83.5M.
- 7.7 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 £70M 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 Given the above and the Council’s finite capacity to deliver capital schemes, the capital investment programme should continue to be subject to review and re-prioritisation, to ensure resources are aligned to the Council’s Corporate Plan and administration priorities. This will inevitably lead to some difficult decisions having to be made regarding the programme with the delivery of some schemes being scaled back, delivered over a longer timescale, paused or removed.
- 7.9 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 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.
- 7.11 As this review progresses via challenge meetings, Department Leadership Team meetings and the Investment Board, re-profiles and other adjustments to the programme for 2024/25 and future years will be put forward for approval.

- 7.12 A capital challenge session was held in July regarding the key strategic schemes within the programme and the results of that review are included in this report. Capital challenge sessions covering all schemes are due to take place with the Cabinet Member for Finance, Assets and Investments in early October and the resulting requested changes to the capital investment programme from those sessions will be included in the Period 6 performance report to Cabinet in November.
- 7.13 Approximately 49% of the capital investment programme is financed by Government grants and external developer and other contributions and at the end of July nearly 59% 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.
- 7.14 This report details the projected outturn position for 2024/25 based on information as at the end of July (period 4). The report includes details of progress in delivering the 2024/25 capital investment programme and in receiving external funding relating to that year.
- 7.15 This report includes any virements between schemes, re-profiles across years, additions to the programme, deletions from the programme, any new external funding and any transfers from the 'subject to viable business case' section into the main capital investment programme.
- 7.16 The progress of schemes for 2024/25 is detailed in sections 1 to 3 of Appendix 2 with Section 4 setting out the resulting requests to:
- Carry forward £8,147,000 of 2024/25 scheme budgets, £8,001,000 into 2025/26 and £146,000 into 2026/27.
 - Accelerate delivery of £19,000 of 2025/26 scheme budgets into 2024/25.
 - Add scheme budgets totalling £250,000 into 2024/25 and £375,000 into 2025/26 for new schemes and additions.
 - Remove scheme budgets totalling £7,000 from 2024/25.
 - Add scheme budgets totalling £216,000 into 2024/25 where new external funding has been received.
 - Action virements of budget between approved schemes.
 - Transfer scheme budgets totalling £5,925,000 from the 'subject to viable business case' section up into the main programme: £180,000 into 2024/25, £2,995,000 into 2025/26 and £2,750,000 into 2026/27.
- 7.17 As at the end of July the capital outturn for 2024/25 is currently estimated at £76,032,000. The amount to be delivered is expected to reduce following the on-going review of the capital investment programme as highlighted in 7.8 to 7.12. An updated assessment will be included in the Period 6 performance report and presented to Cabinet in November 2024.
- 7.18 The 2024/25 capital budget is part of the wider capital investment programme spanning several years. The table on the next page shows the revised programme if all the above requests are approved:

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	Total £000
At June Cabinet	83,516	34,070	16,950	1,950	6,339	142,825
Net Amendments	(7,489)	11,352	2,896	0	0	6,759
Revised programme	76,027	45,422	19,846	1,950	6,339	149,584

8 Reasons for Decisions

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

9 Other Options

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

10 Financial Implications

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

11 Legal Implications

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

11.2 Section 3 of the Local Government Act 1999 requires the Council as a best value authority to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. Monitoring of financial and other performance information is an important way in which that obligation can be fulfilled.

11.3 The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council is also required by section 28 of the Local Government Act 2003 to monitor its budget and take corrective action, as necessary. The Council’s chief finance officer has established financial procedures to ensure the Council’s proper financial administration. These include procedures for effective budgetary control. To comply with these best practice arrangements, it is important that Cabinet receive information and comment accordingly on the performance of the revenue and capital budgets as set out in the report.

12 Carbon Impact

12.1 None arising from this report.

13 Equalities

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

14 Consultation

14.1 Communication has already commenced with staff and engagement with cabinet members and plans to engage more widely with all Members and stakeholders are now underway. This is essential as budget options to mitigate the current forecast overspending in 2024/25 are progressed and new options for delivering a robust balanced budget for 2025/26 are developed.

15 Background Papers

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

Medium Term Financial Strategy 2024/25 – 2028/29

16 Appendices

Appendix 1 Period 4 – July 2024 Revenue Budget Performance 2024/25

Appendix 2 Period 4 – July 2024 Capital Investment Programme Performance 2024/25

Report Authorisation

This report has been approved for publication by:

	Name	Date
S151 Officer	Joe Chesterton	06/09/2024
Monitoring Officer	Susan Zeiss	05/09/2024
Executive Director	Joe Chesterton	06/09/2024
Relevant Cabinet Members	Councillor Cowan Councillor Collins	05/09/2024 05/09/2024