Medium Term Financial Strategy

2020/21 to 2024/25

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Southend-on-Sea Borough Council
Finance and Resources
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1 Introduction

1.1 Background and Context

Southend-on-Sea Borough Council, along with most Local Authorities across the country, continues to face significant challenges in providing essential services to meet the needs of local residents within the level of resources it has at its disposal. This is exacerbated by a combination of increasing and more complex local demand, inflation and uncertainty over future government funding levels and arrangements.

The Council's strategic response to this situation has been to develop a new high-level Financial Sustainability Strategy for 2020-2030 and comprehensively update its Medium Term Financial Strategy for 2020/21 – 2024/25 (MTFS). These key documents outline our ambition, approach, desire and commitment to do everything we can to plan effectively for the future and invest in priorities that make a real positive difference to local residents, businesses and visitors. This is predicated on ensuring that the Council remains financially stable and resilient for the future.

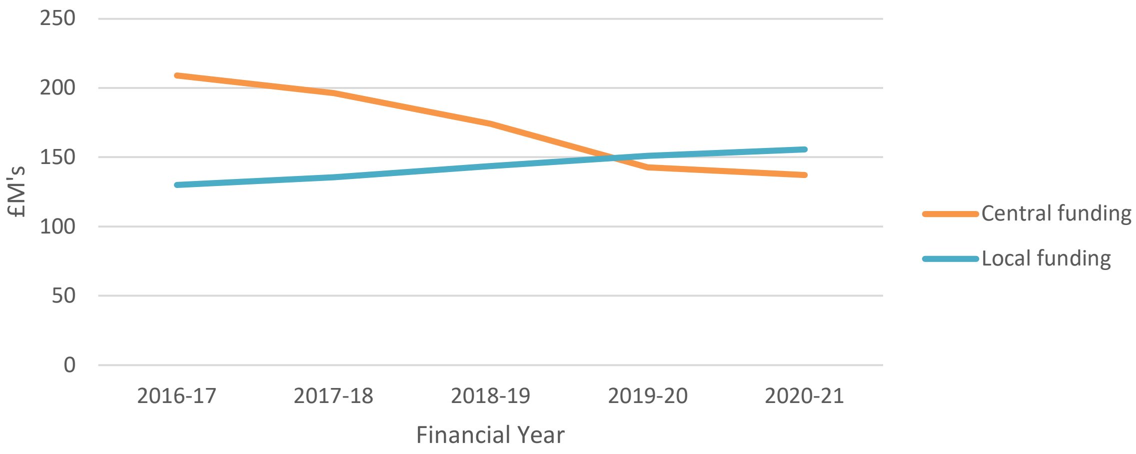
The Council is committed to supporting improvements in the health and economic wellbeing of its local residents via its ambitious Southend 2050 priority investment programme. The Council's financial strength will be enhanced by embracing and wherever possible facilitating the Borough's strong economic potential, enabling sustainable growth in local tax bases and by increasing our own income generating and commercial capabilities.

The Council are determined to build on the solid financial foundation that it has worked so hard to create locally. This will enable the Authority to navigate the challenges and impact of a decade of austerity and effectively manage the unprecedented current level of local demand for priority services. By also continuing to demonstrate strong leadership, collaboration and engagement the Council wants to remain proactive, and with the support of its communities, take as much local control over the future destiny of Southend-on-Sea as possible.

Whilst future National Spending Reviews, Fair Funding considerations, Business Rate Retention proposals and reset outcomes are all uncertain, Figure 1 illustrates that the level of funding available for local authority services is increasingly more reliant on locally generated sources rather than non-ringfenced or general grants from central government.

Southend-on-Sea is one of six unitary authorities in the East of England, responsible for over 500 services and with a current population of over 182,000. Our turnover is over £435m and our resources are well-managed through our budgetary and financial monitoring framework.

Figure 1: Central vs Local Funding from 2016/17 to 2020/21



The MTFS has been developed on the understanding of where Southend-on-Sea Borough Council currently is and where it wants to get to. It has clear ambitions that have been set in conjunction with local residents, businesses and partners, a commitment to deliver efficient value for money services, a desire to increasingly target resources towards the delivery of priority outcomes and to remain a financially stable, well run and resilient organisation.

Starting in 2018 the Council has been on a path to review the culture, values and behaviours of the organisation, under the banner of the Transforming Together Programme. Clear values have been established and embedded into our organisation:

- **Inclusive – we put people at the heart of what we do.**
- **Collaborative – we work together.**
- **Honest – we are honest, fair and accountable.**
- **Proud – we are proud to make lives better.**

These are supported and complemented by the following set of agreed and championed behaviours

- **Driving positive change.**
- **Demonstrating strong leadership.**
- **Trust and respect.**
- **Acting with integrity and behaving responsibly.**
- **Building relationships to work well together.**

Proposals within the MTFS build on the Council's ability to work with residents and partners to deliver services that meet local needs. The agreed set of core values and behaviours continue to shape our approach to decision making and service delivery.

The Council has been led by a joint political administration since May 2019 and a new professional executive leadership team is now fully in place. Our overall financial strategy arrangements have been shaped and influenced by CIPFA's new Financial Management Code* which summarised a lot of the good work and appropriate standards that were already evident within the Local Authority. ***(*CIPFA - Financial Management Code, published October 2019. Full compliance with the Code will be mandatory for the 2021/22 financial year)***

The MTFS provides an integrated view of the whole of the Council's finances and business outlook over the next five years. It represents a more detailed plan to implement the first phase of the Council's Financial Sustainability Strategy and shows how the Council intends to align its financial resources to meet our Southend 2050 ambition, five-year roadmap and delivery of our priority outcomes. The MTFS will be refreshed on an annual basis, in recognition that the further any financial strategy in the current environment looks to the future, the more uncertain it becomes.

The MTFS is the Council's key financial planning document which informs business and resource planning. It clearly shows how investment and spending is prioritised and balanced against available resources. It will identify any budget gaps in the medium term to allow the Council time to address them in a considered and planned way.

1.2 Southend 2050 Ambition and Road Map

Southend 2050 is the Borough's ambition for the future. It was developed following extensive conversations with those that live, work, visit, do business and study in Southend-on-Sea. These conversations asked people what they thought Southend-on-Sea should be like in 2050 and what steps are needed now, and in the coming years, to help achieve this. The ambition is grounded in the values of Southenders. It is bold and challenging and will need all elements of our community to work together to make it a reality.

The Southend 2050 ambition currently includes twenty-three outcomes which fit into five themes. The five-year roadmap timeline identifies key projects that will help make the ambition a reality.

The ambition is an overarching view of the Council's future direction which aims to articulate the visible changes to the environment and the more fundamental effects on people's lives, essentially capturing how it could feel to live, work or visit Southend in the future.

Our ambition complements the Essex 2050 vision, 'The Future of Essex' developed by Essex wide stakeholders and the emerging South Essex 'proposition', titled 'What sort of place are we making?' This is being developed by South Essex local authorities who are collectively looking to the future.

As it moves towards delivering that ambition the Council will agree five-year roadmap stages. The roadmap will outline the Council's role in achieving the ambition and provides a high-level guide for Councillors, staff, partners and others to align their capacity, capabilities and resources to help to achieve delivery of these priorities. It builds on our existing achievements and outlines what the Council wants to achieve in the coming five years.

There will be five strategic delivery plans, one per theme reflecting the roadmap. These will be supported by delivery plans which reflect our ambition and focus on achieving the desired outcomes in five years' time.

All revenue and capital resources will be allocated with the aim of contributing to the delivery of our overall Southend 2050 ambition and achieve the following desired outcomes.

Pride and Joy

By 2050 - people are proud of where they live – the historic buildings and well-designed new developments, the seafront and the open spaces. The city centre has generated jobs, homes and leisure opportunities, whilst the borough's focal centres all offer something different and distinctive. With its reputation for creativity and culture, as well as the draw of the seaside, Southend-on-Sea is a place that residents and visitors can enjoy in all seasons. Above all we continue to cherish our coastline as a place to come together, be well and enjoy life.

Safe and Well

By 2050 - public services, voluntary groups, strong community networks and smart technology combine to help people live long and healthy lives. Carefully planned homes and new developments have been designed to support mixed communities and personal independence, whilst access to the great outdoors keeps Southenders physically and mentally well. Effective, joined up enforcement ensures that people feel safe when they're out and high-quality care is there for people when they need it.

Active and Involved

By 2050 - Southend-on-Sea has grown, but our sense of togetherness has grown with it. That means there's a culture of serving the community, getting involved and making a difference, whether you're a native or a newcomer, young or old. This is a place where people know and support their neighbours, and where we all share responsibility for where we live. Southend in 2050 is a place that we're all building together – and that's what makes it work for everyone.

Opportunity and Prosperity

By 2050 - Southend-on-Sea and its residents benefit from being close to London, but with so many options to build a career or grow a business locally, we're much more than a commuting town. Affordability and accessibility have made Southend-on-Sea popular with start-ups, giving us the edge in developing our tech and creative sectors, whilst helping to keep large, established employers investing in the borough. People here feel valued, nurtured and invested in. This means that they have a love of learning, a sense of curiosity and are ready for school, employment and the bright and varied life opportunities ahead of them.

Connected and Smart

By 2050 - Southend-on-Sea is a leading digital city and an accessible place. It is easy to get to and get around, with easy parking for residents, visitors and businesses. Everyone can get out to enjoy the borough's thriving city centre, its neighbourhoods and its open spaces. Older people can be independent for longer. It is also easy to get further afield with quick journey times into the capital and elsewhere. Our airport has continued to thrive, creating new business and leisure opportunities overseas – but it has done so in balance with the local environment.

Southend-on-Sea - it all starts here.

1.3 Implementing the Ambition

The Council is continuing to develop shared ownership of the Southend 2050 ambition and the first phase of the planned programme of outcomes to 2023. The intention is that, wherever possible, measures to achieve the outcomes are co-designed and co-delivered with residents and partners. This has resulted in the development of more innovative partnership arrangements with stakeholders and shifting our culture so that all council staff have an engagement role in their day to day job.

Asset Based Community Development (ABCD) methodology will support this approach with a view to promoting the sustainable development of our communities. As well as a step change in how the council works with residents and stakeholders, an asset-based approach will revise the Council's approach to leadership, management of assets, funding streams, commissioning and workforce development.

This approach will include more shared posts, shared commissioning and the co-location of services and staff, along with the development of our locality approach. It will promote a more fluid and creative way for citizens to share their ideas on priorities and solutions, while also valuing and strengthening the more formal consultation processes.

To enhance our approach to partnership, community engagement and citizen empowerment the Council are investing into a new community builders' scheme on a test and learn basis. Community builders will be embedded in the heart of the local community and will have preventative conversations with neighbourhoods about what matters to them as well as helping people to build and connect using their personal strengths and with natural support through local assets and relationships. Community builders will be an enabler to support early, preventative action BY citizens to help to deliver on our Southend 2050 outcomes.

1.4 Aims and Purpose of the Medium Term Financial Strategy

The purpose of the Medium Term Financial Strategy (MTFS) is to provide a clear strategic framework and encourage a forward-looking approach to support medium term financial stability and longer-term sustainability. It is central to the delivery of Southend 2050 and associated priority outcomes in an affordable and sustainable way over the next five-year period. It aids robust and methodical planning as it forecasts the Council's financial position, considering known pressures, highlighting major issues affecting the Council's finances, including international, national, regional and local factors.

It helps the Council to respond, in a considered manner, to pressures and changes as a result of many internal and external influences. This is particularly important during a period when the Council still faces unprecedented challenges and uncertainty.
The MTFS recognises the key role that financial resources play in the future delivery of services and in enabling the effective planning, management and delivery of priorities that contribute to the outcomes contained in Southend 2050 and roadmap phases.

The strategy concentrates on the principles that will provide a strong and sustainable direction for the medium term. An overarching MTFS is not only good practice, but is required to provide the strategic financial framework for the authority at a time of considerable pressure and change, be this delivering key priorities and ongoing efficiency gains, closer budget scrutiny, the management of financial pressures, national policy changes or political change.

The MTFS takes a holistic view of all prevalent issues and requirements so that it is realistic and reduces the risk of a significant budget gap occurring late in the budget setting process. It includes revenue and capital expenditure and income for the General Fund and the Housing Revenue Account, reserves, financing of capital, treasury management and partnerships. This is to ensure that the Council sets a comprehensive, affordable and sustainable budget. The new CIPFA Financial Management Code will be compulsory from 2021/22 and having a viable and robust MTFS will be a minimum requirement.

The key overriding aim of the MTFS is therefore: ***To provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the Council's key strategic outcomes, priorities and sustainable services.***

The parameters set by the five-year planning period of the MTFS are used to inform the development of the budgets for the General Fund, Housing Revenue Account and the capital investment programme for the first year of that planning period. This is to make sure that, in setting the budget, decisions are not taken that could create problems in future years and that the financial consequences of those decisions are sustainable and fully understood.

The MTFS is crucial to the setting of a robust budget by considering the likely effect of identified budget pressures and the associated risks materialising. It facilitates the modelling of the impact of different planning assumptions and scenarios on the budget gap to inform decision-making and provides greater confidence that the budget is both affordable and realistic.

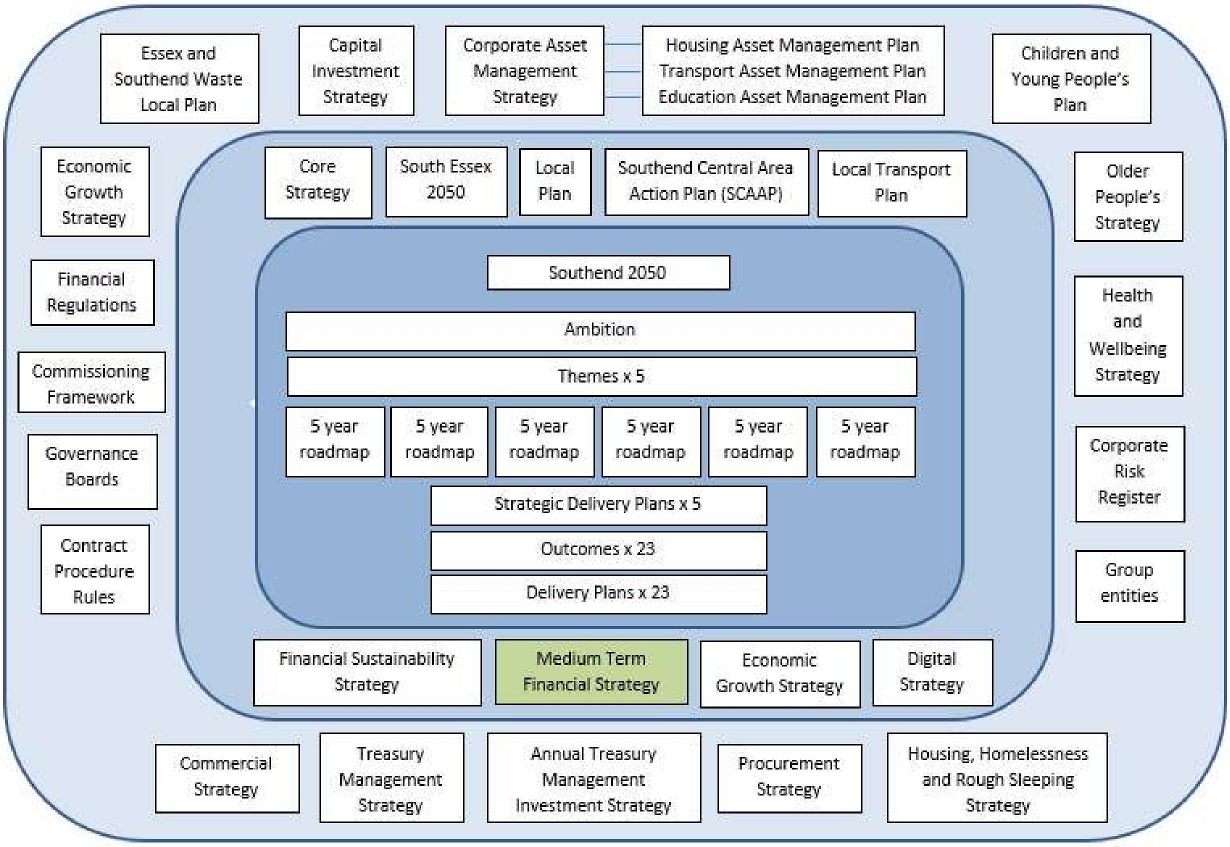
The further the MTFS looks into the future, the more uncertainties there are. A spending review was anticipated for 2019 but due to the parliamentary time devoted to Brexit and the resulting political uncertainty a full review was not undertaken. Instead Government spending round figures were issued for 2020/21 only.

The UK left the European Union on 31st January 2020, the impact on Local Government of our departure is currently unknown. The MTFS must therefore be viewed as provisional thoughts on the potential outcomes based on the best knowledge and intelligence currently available rather than cast iron accurate medium term forecasts.

1.5 Strategic context

The MTFS is closely aligned to several other strategies and plans which impact on the direction of the Council and must reflect and be informed by the drivers and priorities within them. Figure 2 shows the links to these other strategies and plans.

Figure 2: Medium Term Financial Strategy – Links to other strategies and plans



1.6 Key Assumptions

Local Authority budgeting is by its very nature difficult to forecast with absolute certainty since there are so many variables that need to be considered and assessed. The key assumptions contained within the MTFS are summarised in Table 1. These assumptions have been used to drive all applicable aspects of the financial planning process.

It is likely that all RSG will be subsumed into 75% Business Rates Retention Scheme from 2021/22. The Business Rates figure for 2020/21 has been calculated by using a combination of the fixed top-up payment the Council receives from Government and a local assessment of the net amount likely to be raised locally that the Council will be able to retain. This local element is assumed to grow by 2.0% from 2020/21.

The planned use of collection fund surpluses has been programmed into the MTFS from 2020/21 – 2024/25. A prudent view has been taken based on Council Tax increases and forecasts of housing completions, changes in discounts awarded and exempt properties, whilst also considering the effect of the current economic climate on collection rates.

Table 1: Summary of Key Assumptions

Item	2020/21	2021/22	2022/23	2023/24	2024/25
Council Tax Increase	1.99%	1.99%	1.99%	1.99%	1.99%
Social Care Precept Increase	2.00%	0.00%	0.00%	0.00%	0.00%
Council Tax Base (No of ‘Band D’ Equivalents)	£58,680.94	£59,267.75	£59,860.42	£60,459.02	£61,063.61
Revenue Support Grant (RSG)	£6.049M	-	-	-	-
Business Rates Retention Scheme	£21.406M	£33.420M	£34.088M	£34.770M	£34.770M
Business Rates Multiplier	1.60%	2.00%	2.00%	2.00%	2.00%
Use of Collection Fund Surplus	£2.000M	£1.500M	£1.000M	£1.000M	£1.000M
Public Health Grant	£9.525M	-	-	-	-
Consumer Price Index (CPI)	1.70%	1.90%	2.00%	2.00%	2.00%
Retail Price Index (RPI)	2.80%	3.00%	3.10%	3.10%	3.10%
Pay Award	2.00%	2.00%	2.00%	2.00%	2.00%
Incremental Progression	1.00%	1.00%	1.00%	1.00%	1.00%
Superannuation Rate	22.20%	22.20%	22.20%	23.60%	23.60%
National Living Wage (Adult Social Care Providers - Cumulative)	£1.095M	£2.200M	£3.300M	£4.400M	£5.500M
Waste Disposal Contract (Renewal 2023)	(£0.800M)	(£0.800M)	(£0.800M)	-	-
Social Care Grant*	£5.600M	£5.600M	£5.600M	£5.600M	£5.600M
Better Care Fund – SBC*	£6.299M	£6.299M	£6.299M	£6.299M	£6.299M
Improved Better Care Fund*	£6.744M	£6.744M	£6.744M	£6.744M	£6.744M
Fees & Charges increase yield	2.00%	2.00%	2.00%	2.00%	2.00%
Investment Income (Ave)	1.92%	1.98%	2.08%	2.08%	2.08%
PWLB Borrowing Rates (Long Term - GF) (Ave)	3.64%	3.64%	3.60%	3.63%	3.63%
PWLB Borrowing Rates (Long Term - HRA) (Ave)	4.16%	4.19%	4.09%	4.09%	4.09%
PWLB Borrowing Rates (Long Term Consolidated) (Ave)	3.96%	3.75%	3.69%	3.70%	3.70%
HRA Rent Increases	2.70%	2.90%	3.00%	3.00%	3.00%
Dedicated Schools Grant (DSG)*	£50.769M	£50.769M	£50.769M	£50.769M	£50.769M

Assumes 2020/21 Allocation will continue at the same level through to 2024/25

The following paragraphs give some additional detail behind each of the assumptions contained in Table 1.

Council Tax, Social Care Precept and Council Tax Base

The increase in Council Tax is assumed to be 1.99% for each year from 2020/21. It is assumed that the social care precept will increase by 2% in 2020/21 but no increases have been included for future years. It has also been assumed that from 2021/22 the Council Tax base will increase by 1% per year.

Revenue Support Grant, Business Rates Retention, Business Rates Multiplier and Collection Fund

The provisional finance settlement for 2020/21 indicated that the Revenue Support Grant will be the 2019/20 figure, increased in line with the Consumer Price Index (CPI).

From 2021/22 onwards there is huge uncertainty over what the new Government will do in terms of introducing a business rates reset, developing the business rates retention scheme and also the potential to remove the ring fence on Public Health Grant and include it as part of the retention scheme. In the absence of any other information, it is also assumed that the same level of funding will be embedded into the new system. The MTFS will be updated as soon as any more detailed information becomes available.

Public Health Grant

The Public Health Grant was introduced in 2013, when the responsibility for commissioning public health services moved from the NHS to local authorities. The aim was to protect and improve the nation's health and wellbeing while reducing health inequalities, both at a national and local level. This grant has been confirmed as ringfenced until 2020/21. Southend's grant allocation in 2019/20 was £9.212M and this will increase by 3.4% in 2020/21 to £9.525M. Until 2020/21 the grant level had been continually reducing.

Table 2 outlines the areas that Public Health Grant has been invested in, as well as the grant levels received over the last five years.

Consumer Price Index (CPI) and Retail Price Index (RPI)

Estimates of future indices of inflation is shown in the key assumptions table. From an MTFS perspective inflation increase have only been provided for major contractual commitments, utilities and business rates. Services are expected to absorb any other price inflation within existing resources.

Table 2: Public Health investment themes

	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s	2020/21 £000s
Children 0 - 19	3,651	3,229	3,419	3,208	3,321
Health Protection	228	212	223	233	433
NHS Health Check	184	213	205	200	200
Obesity	76	185	151	145	145
Other Public Health Services	720	865	808	733	733
Physical Activity	184	190	136	153	153
Public Mental Health	16	51	48	52	52
Sexual Health Services	1,710	1,688	1,563	1,449	1,449
Smoking Cessation	383	324	305	319	319
Substance Misuse	2,805	2,755	2,604	2,720	2,720
Total	**9,957**	**9,712**	**9,462**	**9,212**	**9,525**
Grant Level Change	***-***	***(245)***	***(250)***	***(250)***	***313***
% (Reduction)/Increase	***-***	***(2.46%)***	***(2.57%)***	***(2.64%)***	***3.40%***

Pay Award, Incremental Progression and Superannuation Rate

Provision has been made for a Pay Award increase of 2.0% for each year from 2020/21 to 2024/25. Provision has also been included for the estimated cost of staff progressing through spinal column points of their respective grade.

The financial impact of the latest 2019 triennial actuarial valuation of pensions, has been built into the MTFS. This has been achieved by calculating the Employers Superannuation rate to reflect the right level of contributions required to be paid into the Essex Pension Fund. The next review is scheduled in 2022. Pension Fund calculations are notoriously complex and can be volatile due to the many contributing factors. In 2023/24 an increase in the Superannuation Rate has currently been included as part of a prudent assessment at this early stage of financial planning.

National Living Wage

An uplift will be paid to all our Social Care providers to ensure that they have the appropriate funding to pass on the estimated National Living Wage increase to their Care Workers each year. The cumulative cost of this is shown in Table 2. We are also actively working towards obtaining the Real Living Wage accreditation which will hopefully benefit local working people.

Waste Disposal Contract

This major contract is up for renewal in 2023. The Council continues to benefit from the extension to the Joint Working Agreement with Essex County Council. The MTFS will be updated accordingly to reflect our future waste disposal liabilities. The cost is expected to rise from 2023, so a prudent approach is currently planned.

Social Care Grant

The MTFS assumes that the level of Social Care Grant notified for 2020/21 (£5.600M) will be continued in 2021/22 – 2024/25.

Better Care Fund (BCF) and improved Better Care Fund (iBCF)

The Better Care Fund (BCF) commenced in 2015 and is a major national investment programme spanning NHS and local government which seeks to ensure closer integration between health and social care services. Our local arrangements are framed within a formal agreement with Southend Clinical Commissioning Group (CCG) for a pooled budget under Section 75 of the National Health Service Act 2006. A new improved Better Care Fund (iBCF) was introduced in 2017/18 and this is paid direct to the Council with a condition that it is pooled into the local BCF plan.

The BCF element for both Southend Borough Council (SBC) and Southend CCG is expected to increase by 3.4% to £6.299M and £7.014M respectively for 2020/21. There is no certainty of the level of funding available through the BCF arrangements beyond 2020/21. Southend-on-Sea iBCF allocation for 2020/21 has been provisionally set at £6.744M for 2020/21. In the absence of any further information available for the future, it is assumed within the MTFS that both funding streams will continue at the same level until 2024/25.

Table 3 summarises the Council's core BCF and iBCF allocations, the CCG's BCF allocation and the total BCF/ iBCF in the pool for 2017/18 – 2020/21.

Table 3: BCF & iBCF allocations 2017/18 – 2020/21

	17/18		**18/19**		**19/20**		**20/21**	
	BCF £000s	**iBCF £000s**	**BCF £000s**	**iBCF £000s**	**BCF £000s**	**iBCF £000s**	**BCF £000s**	**iBCF £000s**
SBC Allocation	5,750	3,990	5,860	5,429	6,092	6,744	6,299	6,744
CCG Allocation	6,401	0	6,523	0	6,783	0	7,014	0
Totals	**12,151**	**3,990**	**12,383**	**5,429**	**12,875**	**6,744**	**13,313**	**6,744**

Fees & Charges increase yield

It is assumed that the level of income generated will increase by 2% each year from 2020/21 to 2024/25. No changes in tariffs/income are currently included for Car Parking charges.

Investment Income (Average)

The Council earns income by investing its surplus cash in a mixture of short-, medium- and long-term investments, as set out in the Annual Treasury Management Investment Strategy. The amounts available for investment and the length of time they are available depend on many factors, not least the Council's level of revenue and capital budgets, use of reserves, methods of funding the budget requirement, interest rates, cash flow and the Council's view of risk.

PWLB Borrowing Rates (Long Term - GF) (Average), (Long Term - HRA) (Average) and (Long Term Consolidated) (Average)

The ambitious capital investment programme, although partly funded by grants, other external contributions, capital receipts and revenue funding (such as Housing Revenue Account reserves), requires an increase in borrowing as set out in the Treasury Management and Capital Investment Strategies. The MTFS allows for the provision to repay this borrowing and the increased costs of interest payments required.

Sensitivity analysis

Table 4 provides an illustration of the financial impact of changes in assumptions to some of the key income and cost drivers in the budget for 2020/21. The cumulative impact on the potential budget gap would be significant.

Table 4: Examples of sensitivity in some key assumptions

Assumption in MTFP for 2020/21	Change in assumption	Effect on the budget gap for 2020/21
Council Tax increase of 1.99%	No Council Tax increase	Increase of £1.600M
2% pay award	Pay award of 3%	Increase of £0.880M
Inflation for contractual goods and services at 2%	Inflation for contractual goods and services at 3%	Increase of £0.300M
Fees and charges increased by 2%	Fees and charges not increased	Increase of £0.600M

Housing Revenue Account (HRA) Rent Increases

From 2012/13 the HRA became self-financing and is no longer subject to the HRA subsidy regime. Under self-financing, the HRA funds its expenditure, including its capital expenditure, from its income streams (primarily tenant's rents). Some grant funding may be available to support capital expenditure within the HRA going forward, but there is no assumption of external financing built into forward projections.

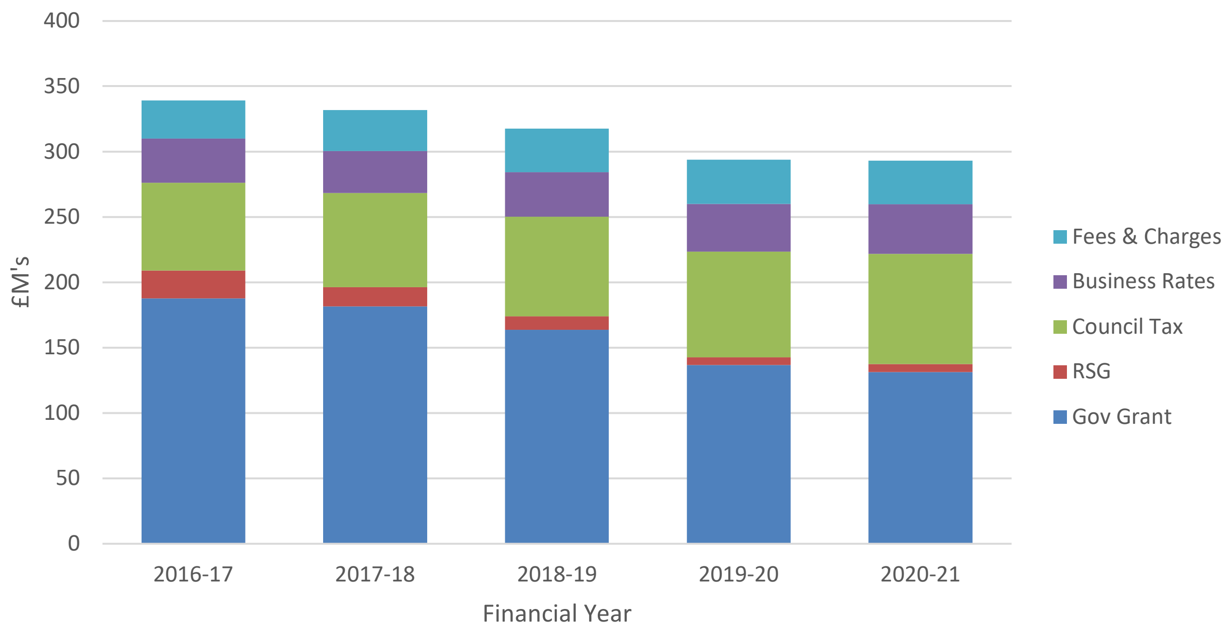
In October 2017, the government announced its intention to set a long term rent deal for both local authority landlords and housing associations. This would allow annual rent increases on both social rent and affordable rent properties of up to CPI at September each year plus 1 percentage point from the financial year 2020, for a period of at least five years.

This equates to a 2.70% rent increase in 2020/21 and for financial planning purposes the MTFS assumes tracking of CPI +1% through to 2024/25.

Historical Funding Analysis of the General Fund Revenue Budget

To highlight the current direction of travel Figure 3 illustrates how the budget has been funded over the last five years. This shows an overall reduction year on year (except for 2020/21) and a significant real terms reduction in central government funding streams.

Figure 3: Sources of funding for the last five years



Dedicated Schools Grant (DSG)

The Department for Education (DfE) announced in September 2019 "that the funding for schools and high needs compared to 2019/20, will nationally rise by £2.6billion for 2020/21, £4.8 billion for 2021/22, and £7.1 billion for 2022/23". Our local Education Board has agreed allocations for 2020/21 within the context of Southend's share of the increase funding, which is an equivalent total increase of £7.5M to the Dedicated Schools Grant (DSG) for 2020/21. The £50.769M shown in the summary of key assumptions table is Southend Borough Council's estimated share of the total funding for 2020/21. It is currently impossible to predict changes in the future, so the assumption at this stage is that it will stay at this same level through to 2024/25.

Analysis of the £7.5M, shows that £4.5M is awarded to Individual Schools allocations (Schools block) driven by both an increase for numbers on roll (particularly our Secondary Sector) and National Funding Formulae (NFF) declared per pupil price increases. An additional £3M has been awarded to our high needs block. This is due to the DfE under the NFF for 2020/21 increasing the high needs funding gains increase cap to 17% from 2019/20.

Consideration needs to be given to the fact that with this funding increase the Government in January 2020 are now proposing revised teacher pay scales with an increased minimum starting salary to be phased in and increased over the next 3 years 2020/21 to 2022/23.

The DSG for 2020/21 is now also in its third year of total funding allocations set under a revised NFF. This includes proposed funding levels for individual school allocations. It remains, a government ambition that all individual school allocations will be fixed as per the NFF, however in 2020/21 it remains a local decision as to whether a Local Authority (in consultation with its School Forum/Education Board) choose to adopt.

Given this context, the Council and our Education Board have continued the strategic decision to align individual school allocations to the principle decisions of the NFF, so should the government impose a hard NFF for individual school allocations in future years, our local schools are already aligned to this funding trajectory. The DfE have reported that this is in line with most other local authorities.

Our high needs block funding (also recognised as a national issue), has been under considerable financial pressure which had impacted negatively on DSG reserve balances.

As a result of robust recovery planning by the Council working with our Education Board and further national funding awarded, our local high needs block funding and opening DSG reserves are now in a sustainable funding position moving forward into 2020/21. With Southend-on-Sea now receiving a further £3M to support high needs, it places the DSG in a sustainable mid-term position.

In 2020/21, the DfE also announced (under NFF) a 20% funding (an equivalent £180,000 loss) reduction to the DSG Central Block element. This is funding that has historically been used to support Council expenditure, providing it serves the benefit of an educational purpose. To cover this funding loss in 2020/21, the Education Board have agreed a transfer of £180,000 from the Schools Block allocation (for 1 year only), recognising for 2021/22 and future years a plan now needs to be determined as to how the Council will manage this funding loss moving forward. This challenge could be made harder if a further 20% funding loss is applied in 2021/22. There is strong possibility that the full current funding allocation of £900,000 is at risk of being fully removed from the DSG by 2024/25.

1.7 Corporate Assurance and Risk Management

The Council has identified key risks that may impede the delivery of Southend 2050 ambition, and the desired outcomes for 2023.

The Council's governance framework supports the delivery of the ambition, to ensure that these are:

- Effective, but as simple as possible and easy to understand
- Joined up and complementary, not conflicting with each other
- Designed around customers
- Making best use of technology and digitally enabled where this makes sense
- Compliant with legislative requirements and ensuring that resources are used efficiently and effectively
- Driving the desired outcomes

The Council has identified core principles at the heart of its Risk Management Framework, these include that:

- Risk management is a positive value-added activity, focused on achievement and successes, not a negative bureaucracy – by changing the perception and raising awareness officers will have increased confidence when managing operational risks
- All staff are responsible for risk management and resources that support the framework are there to 'support and challenge' not 'own and do'
- Wider Member involvement in identifying and monitoring the most strategic risks the organisation faces would add value, whilst the roles of the Audit Committee, Scrutiny and Cabinet are critical to the robustness of the overall framework
- The Southend 2050 ambition and outcomes need to drive the Council's budget and financial management arrangements, performance management of the outcome delivery plans and risk management framework
- By getting the conversations happening with the right people, at the right time and in the right place, the required thinking can be applied and the processes to capture, document and report risk will be simple and become business as usual
- The framework ensures joined up Strategic, Operational, Programme and Project Risk Management whilst recognising the differences between them.

The Council's Corporate Risk Register identifies the key risks as:

- Risk that failure to address the financial challenge by effectively managing the growing demand for services and enhancing local income streams will threaten the medium to long term financial sustainability of the Council, leading to a significant adverse impact on Council services

- Risk that the Council will not have the appropriate staffing resources, with the right skills working in the right places within collaborative teams, resulting, in part, from a failure to effectively embed the arrangements with the new recruitment partner, leading to a lack of workforce capacity resulting in a failure to achieve the Council's ambitions
- Risk that the impact of, or a failure to take advantage of, the Government's agenda and the lead up to Brexit, may hamper the ability of the Council to achieve key priorities
- Risk that a failure to implement plans to address rising homelessness and failure to implement the Housing, Homelessness and Rough Sleeping strategy will lead to further street and other homelessness, increased use of temporary accommodation and an inability to meet rising housing demand over the next 20 years
- Risk that failure to maintain levels of access to regeneration funding opportunities will significantly restrict future infrastructure improvements in the borough
- Risk that the implementation of Sustainability and Transformation Partnership (STP) proposals and implementation of the Localities Model does not result in effective health and social care outcomes for residents resulting in increased health inequalities, worsening health outcomes and significant cost increases
- Risk that a failure to ensure the Council has a coherent and comprehensive approach to data protection, including its cyber security arrangements, will result in a data breach or cyber-attack, leading to significant financial and reputational damage to the Council
- Risk that the actions and expected outcomes from the Children's Services Improvement Plan are not achieved within expected timescales, resulting in a failure to deliver the outcomes anticipated by the Council's roadmap for the children in need of support
- Risk of contractor failing to meet contractual requirements to effectively manage waste arrangements results in a loss of service quality and additional financial liability for the Council
- Risk that surface water flooding, breach of sea defences and/or seafront cliff movement, will result in damage to property and infrastructure as well as significant disruption
- Risk that failure of partners to progress major infrastructure developments (e.g. Seaways, Airport Business Park and Queensway) will result in significant financial and reputational damage to the Council
- Risk that the failure to meet deadlines and make sufficient progress in producing a Local Plan will lead to Secretary of State intervention, resulting in reputational damage to the Council and the potential imposition of unwanted planning policies
- Risk that failing to implement changes needed to reduce the Borough's carbon footprint will cause an inadequate contribution to the reduction in carbon emissions required. This will result in significant adverse impact on the Borough, and if the climate adaptation measures being implemented are also inadequate, there will be further implications for the Council in needing to respond to climate events in the Borough.

2 Horizon Scanning

2.1 Key Statistical Headlines

For Southend Borough residents/service users:

- 12% of Southend's males and 28% of females are economically inactive, with average weekly earnings for males £546 and £312 for females
- 39% of Southend's residents live in areas considered to be in the most deprived 30% in the country, this is 9% higher than the English average
- 11 of Southend's 17 wards have a higher proportion of children living in poverty than the England average; six of these are amongst the worse 20% of wards in the country
- Kursaal, the most deprived ward, ranks 136th most deprived area in England (out of 32,844 areas)
- Life expectancy is 11.1 years lower for men and 9.7 years lower for women in the most deprived areas of Southend compared to the least deprived areas
- 0.7% of West Leigh residents indicated they were in very bad health, compared to 1.6% in Kursaal and 1.3% for Southend as a whole
- Kursaal ward had a borough election turnout of 25%, compared to 42.5% in West Leigh (average overall turnout 31.74%), highlighting lower civic participation in deprived areas
- Residents living in the East Central locality are significantly less satisfied with their local area (66%) (89% in West and 75% for the borough), feel significantly less safe and cite crime and anti-social behaviour as something they dislike more, than residents elsewhere in the borough
- Only a minority of residents (23%) agree that they can influence decisions that affect their local area. More than twice this number (59%) disagree.

2.2 National, Regional and Local Policy Drivers

National Factors

National factors which are likely to impact on the Council's financial position:

- The level of uncertainty in Government funding for future years, with the overall level of government resources for councils dependent on a range of political outcomes, which are very difficult to predict. While the 'end of austerity' has been proclaimed by many politicians, according to the Institute of Fiscal Studies the government forecast (as of November 2019) that councils' core spending could increase by 4.3% in real terms in 2020-21 compared to 2019-20, would still leave spend per person 20% lower in 2020-21 than in 2009-10.

- The impact of the world economic climate on the national economy. Levels of economic growth are impacted by the prospect of higher trade barriers and the slowdown of growth in key economies such as the Eurozone and China
- The impact of uncertainties related to Brexit, with investment decisions delayed/mitigated pending future trade arrangements.
- The move from councils retaining 50% to 75% of business rates, from which the Council could potentially gain or lose, depending on final details on how the expansion will be administered.
- With the vast majority of councils funding set to come from council tax and business rates, there may be a need for increases in council tax to keep pace with the level of demand on services, notably from children's and adult services.
- Unmanaged service pressures and increases in demand. Forecasts of future demand for services may be under-estimated
- Levels of future pay awards: Enhanced funding for local authorities could be subsumed by pay awards after a long period of minimal increases.
- General inflation assumptions: Driven by monetary policy and cost factors, such as energy prices, supplier prices with increased demands on councils to deliver government priorities, wages, new trade arrangements.

National Funding

Spending reviews are critically important to local authorities because they determine how much money will be given to Government departments, many of whom may then provide separate funding allocations to local councils.

Spending reviews are co-ordinated and managed by HM Treasury. The dates and length of spending reviews vary. Comprehensive spending reviews (CSRs) tend to be less frequent and aim to take a longer-term view and usually involve a series of zero-based reviews of public spending.

A spending review was anticipated for 2019 but due to the parliamentary time devoted to Brexit and the resulting political uncertainty a full review was not undertaken. Instead Government spending round figures were issued for 2020/21 only. The timing on any future spending review will now be determined by the new Government that was elected on 12 December 2019.

Key one off announcements relevant to Local Government included:

- Proposed 2% Council Tax referendum limit plus 2% Social Care Precept
- Business Rates Reset and the Fair Funding Review will be deferred until 2021/22
- 75% Business Rates Pilots will end in March 2020, with no new pilots planned for 2020/21
- Revenue Support Grant for 2020/21 will be at 2019/20 levels plus CPI
- New Homes Bonus – legacy payments will be paid but there is no confirmation regarding new payments going forward

- Social Care – additional £1 billion nationally to be delivered through grant in addition to the funding currently received in 2019/20. The current funding streams of iBCF, Winter Pressures Grant and Social Care Grant will continue for 2020/21
- The Better Care Fund (BCF) will increase by 3.4% in real terms, as part of the increase to NHS funding, stated to be a national total of £100M
- Public Health Grant – will see a real terms increase of £100M to be in line with the increase in the Better Care Fund
- Schools – an additional £700M High Needs for 2020/21 on top of previous levels of agreed funding
- Homelessness – additional £54M announced nationally for 2020/21.

The outcome of the General Election is a Conservative Government with a majority of 80 seats. The Queen's Speech was delivered on 19 December and proposes a total of 29 Bills and various other policies and commitments to outline the legislative programme for the Government. The areas affecting Local Government directly include:

- Social Care - the £1 billion of additional funding for this area is committed for each year of this Parliament and the 2% social care precept for 2020/21 is re-announced.
- Education – schools are to receive an extra £14 billion over three years. Further investment is promised for primary school physical education. From next year councils will be required to deliver the minimum per-pupil funding in their local area as part of the existing Government commitment to deliver this funding directly to schools through a single national formula. The free schools programme will be expanded. The Government has also announced a new National Skills Fund of £3 billion over the course of the Parliament, £1.8 billion over the same period to upgrade Further Education colleges and announced a plan to establish 20 Institutes of Technology across England.
- Housing – a social housing whitepaper which aims to empower tenants and support the continued supply of social homes. Associated targets are for housebuilding of 1 million properties and an end to rough sleeping by the end of the Parliament.
- Business Rates – The importance of business rates to local authority funding is emphasised. The manifesto pledges of a fundamental review and an increase to the retail discount relief (from 33% to 50%) and extension of this to cinemas and music venues. In addition, pub relief and an extension of the local newspaper relief are planned. It is expected that the lost business rates income from these new / higher reliefs announced will be, as per previous changes, offset by increased s31 grant payments and thereby no impact on Local Authorities. The Government restated its commitment to a review of the business rates system and to move to three-yearly revaluations, beginning in 2021. In 2017, the Government adjusted for the impact of revaluation to ensure that authorities' funding positions are unaffected by the changes (subject to the impact of appeals to the new valuations).

- Climate change - a new £640M Nature for Climate fund; £4 billion for flood defences and £9.2 billion for energy efficiency; £800M for carbon capture storage. There is also the intention to support infrastructure for electric vehicles such that there are charging points every 30 miles.

After the Queens Speech, the Ministry of Housing, Communities and Local Government issued the provisional Local Government finance settlement which was in line with the assumptions made throughout the budget planning process. All possible steps will be taken to ensure that the final settlement aligns with local authority budget setting timetables.

Regional position

In Summer 2017 the Leaders and Chief Executives of South Essex – Basildon, Brentwood, Castle Point, Rochford, Southend-on-Sea, Thurrock and Essex County Council – embarked on a process to develop a long-term growth ambition that would underpin strategic spatial, infrastructure and economic priorities across the sub-region. The 'South Essex 2050 Ambition' (SE2050) is now being taken forward through several workstreams to develop:

- the spatial strategy, through a Joint Strategic Plan
- a Local Industrial Strategy
- a strategic Infrastructure Framework
- a Place Narrative.

The context for the SE2050 Ambition is to ensure that the local authorities remain in control of South Essex as a place, putting them in a strong position to shape and influence wider plans and strategies, for example, the Thames Estuary 2050 Commission and the London Plan, and Government and other investment priorities.

The local authorities recognised that long term healthy and sustainable growth in South Essex could only be delivered through a strategic solution and that would require some politically and technically challenging decisions as the Ambition is implemented. In January 2018, therefore, the local authorities formed the Association of South Essex Local Authorities (ASELA) to ensure the implementation of the Ambition has strong leadership and is managed on a truly collaborative basis.

The spatial strategy to implement the SE2050 Ambition is being implemented through a new planning 'portfolio' with a Joint Strategic Plan (JSP) currently being prepared to provide the overarching framework. Local plans and other place-shaping tools will be used to deliver this on the ground, using the range of planning tools available in a more flexible and responsive way.

Work on the JSP is underway with a Project Delivery Board in place, reporting through a Member structure to ASELA, and a timetable and scope agreed. A Statement of Common Ground was published in June and has been formally agreed by all partners, alongside an update to each authority's Local Development Scheme.

The current timetable is ambitious, with the full process through to adoption expected to take 2-3 years at the most. The local policies and place-shaping plans will be developed alongside the JSP but will have to fully reflect its overarching strategy. Timing of the planning portfolio will therefore be carefully managed through the Statement of Common Ground and under the steerage of ASELA.

Local drivers

2050 priorities and political administration priorities to support the ambition, roadmap and desired outcomes, while placing greater emphasis or prioritisation on specific areas. Among these are:

- new housing opportunities, including new social and key worker housing
- measures to improve the private rented sector
- prioritisation of the green agenda
- a more integrated approach to transport, including reviewing the current approach to parking
- enhancing local people's skills and making the council a living wage employer.

Other local drivers include:

- Increasing demand for services with a population projected to increase from 182,000 to 192,200 by 2025, an increasingly aging population due to grow from 19% to 23% by 2030 and a higher birth rate.
- The need for an anticipated 22,000 homes by 2030 and the increasing demand for new school places.
- Commitment to meeting 2050 priorities, including: tackling climate change, community safety, rough sleeping, housing and skills pipelines, public and integrated transport, key regeneration projects (Seaways, Airport Business Park), digital borough, tackling inequalities – notably on education, health and income.
- New priorities of future Council administrations, with local elections due in 2020, 2022, 2023 and 2024.
- The impact of non-achievement of anticipated efficiencies from new ways of working, service re-organisations or poor budget management in places.
- The impact of becoming a National Living Wage employer and seeking to achieve real living wage accreditation.
- The need to achieve more income from fees and charges is not always attainable, with anticipated levels of income subject to a range of factors that vary between services.

2.3 Physical-Environmental Factors

The council owns over 6,000 socially rented properties, which are managed by our arm's-length management organisation, South Essex Homes. Over 1,500 local households are on our housing waiting list.

The council's housing, homelessness and rough sleeping strategy (2018 - 2028) sets out a long-term plan to prioritise the supply of safe, locally affordable homes, support people to live independently in their own homes and avoid homelessness and ensure any instance of homelessness is brief and does not re-occur.

This plan includes meeting the government's target of delivering 11,140 new homes between 2016 and 2026. With the current average annual delivery of all homes (including affordable) standing at 340 homes a year, this is clearly a challenge.

To ensure we can prevent increased levels of homelessness, housing induced poverty and poor or unsuitable housing conditions, we are working with housing associations to ensure a focus on good quality affordable housing and developing our own social housing. This has already seen the delivery of thirty-three new homes, with a number more in the pipeline. This is complemented by the council's acquisitions programme, with fifteen homes bought from the private market so far.

3 The Financial Challenge

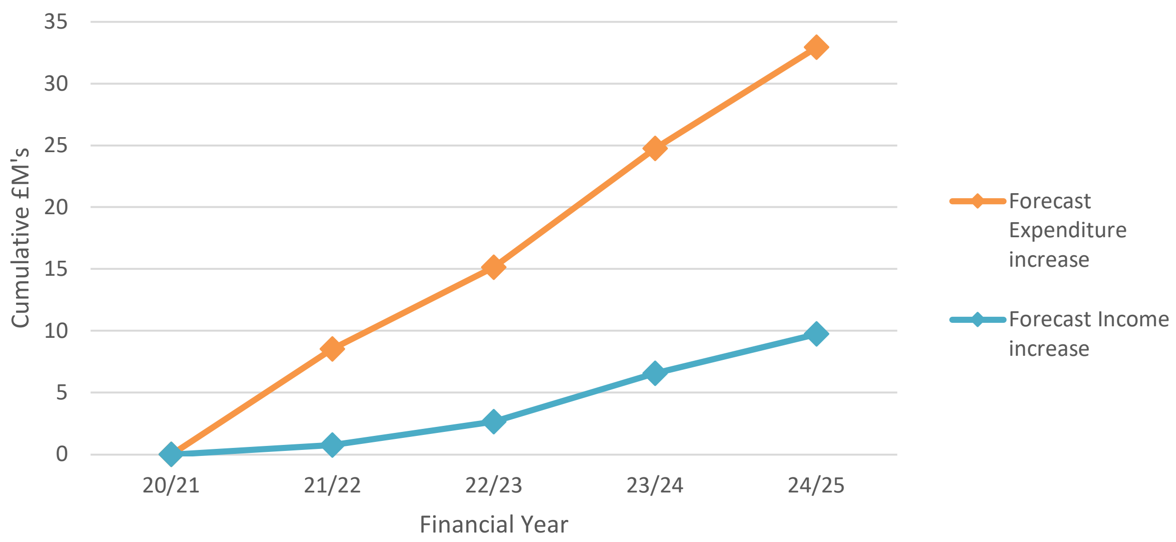
3.1 Forecast Financial Position 2020/21 to 2024/25

Southend-on-Sea Borough Council is dealing with many of the same financial challenges as most other upper tier Authorities across the country. Most local authorities are experiencing increasing demand for key priority social care services which is placing a strain on available resources. A recent survey has identified that around 90% of Councils are now highlighting increasing demand and are also overspending in meeting the needs of children and families.

The costs associated with maintaining quality in our services and environment for local residents and businesses is very challenging. Around 60% of the Council's net budget is spent on providing support for People based services, such as social care, but the housing growth in the area also brings additional challenges for our other key services such as increased waste collection and disposal and highway maintenance. We are proud to be a tourist destination of choice, welcoming well over 7 million visitors each year but this also has an impact on our infrastructure and environment, which needs to be carefully managed and resourced.

The Council's current forecast financial position for each of the next five years is detailed in Figure 4 and illustrates the funding gap to 2024/25 as reported to Council in February 2020. It is based on the best information available at that time and the series of assumptions that were outlined in Section 1.6. An updated assessment will be made each year during annual budget setting to reflect any significant changes to our operating environment, identification of new pressures, updated forecasts, policy or Council strategy changes. All known factors have been built into the financial modelling to ascertain the forecast financial position.

Figure 4: Forecast income and expenditure to 2024/25.



Overall, the Council remains in a strong and resilient financial position, despite the potential impact of the current range of demand and spending pressures. This is evidenced and supported by CIPFA's Financial Resilience Index 2019 and a range of other factors. When compared to our statistical neighbours, we believe that from a financial resilience perspective we would currently be placed in the top quartile of all upper tier local authorities in the country. We aim to stay there.

3.2 CIPFA's New Financial Management Code – Self Assessment

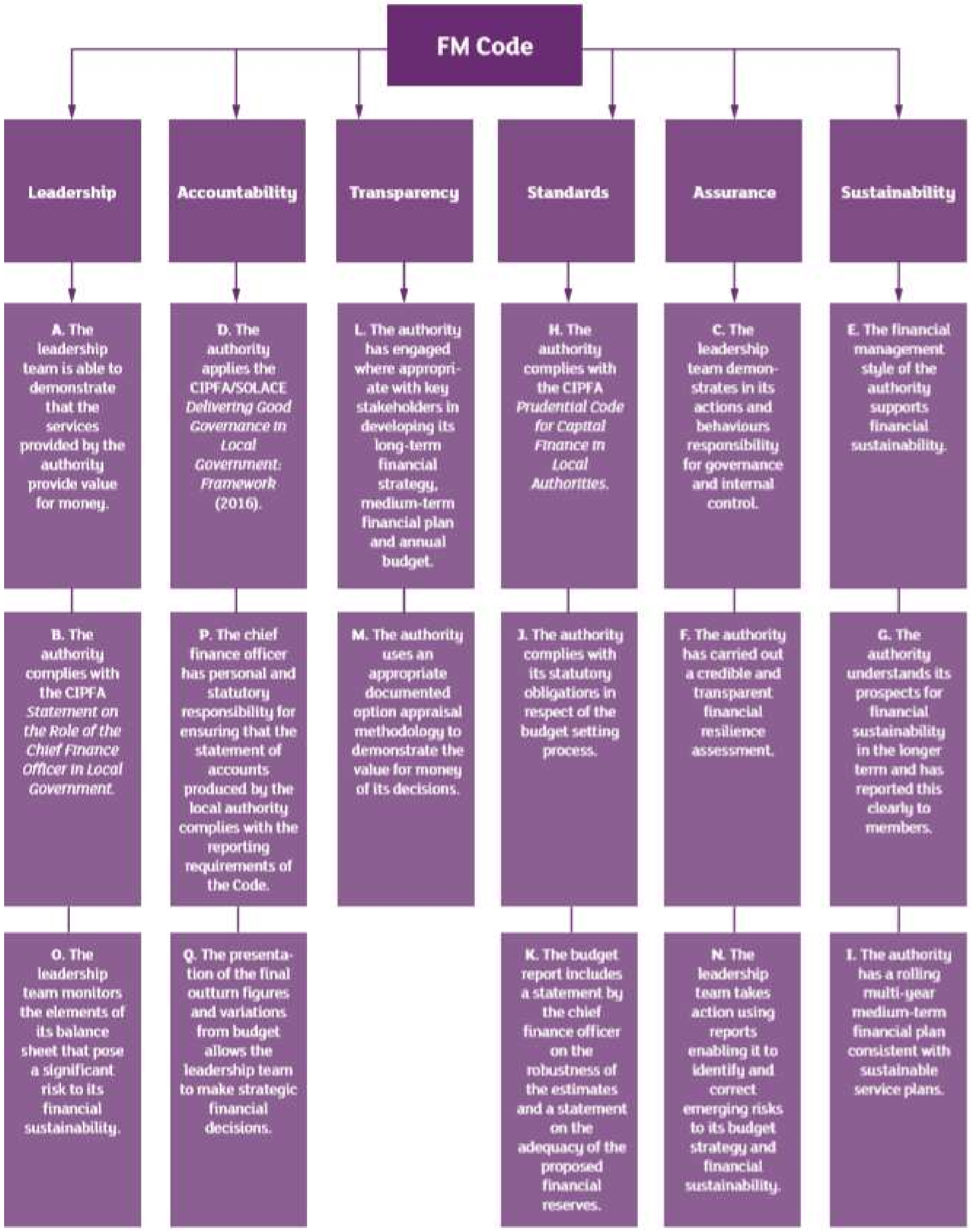
Good financial management is an essential element of good governance and longer-term service planning, which are critical in ensuring that local service provision is sustainable. CIPFA have published (October 2019) a new Financial Management Code (FM Code) which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It essentially sets the standards of financial management for local authorities.

It is based on a series of principles which are supported by specific standards which are considered necessary to provide the strong foundation to:

- Financially manage the short, medium and long-term finances of a local authority
- Manage financial resilience to meet unforeseen demands on services
- Manage unexpected shocks in their financial circumstances

Figure 5 summarises the headline six core principles of the FM Code and the subsequent 17 minimum standards (A-N) that will come into effect from 1st April 2020 with the first full year of compliance being the 2021/22 financial year.

Figure 5: Core Principles of the Financial Management Code



(The capital letter references shown are as set out in the Code.)

During 2020/21 the Council will undertake a comprehensive evidenced based self-assessment against each of the 17 standards contained within the FM Code. This will be shaped by the Code guidance when it is issued (expected April 2020).

An improvement plan will be developed as required ensuring that by the start of the 2021/22 the Council will be fully compliant and at least meet the minimum standard for all 17 components.

3.3 Financial Sustainability 2020 - 2030

The statutory local authority budget setting process continues to be on an annual basis, but a longer-term perspective is essential to demonstrate financial sustainability. Short-termism runs counter to both sound financial management and sound governance. To highlight the importance of this issue and to provide a clear high-level strategic framework, the Council has developed a new Financial Sustainability Strategy for 2020 – 2030. The MTFS is fully aligned with this strategy and effectively provides a more detailed phased plan of activity and considerations to ensure we maintain long-term financial sustainability.

3.4 Commissioning Framework for Delivering Better Outcomes

Commissioning is the process by which we understand the collective approach needed in order to deliver the Southend 2050 outcomes and what we need to do with others to make them happen. In practice, this is <u>not</u> in-sourcing or out-sourcing but clearly **'right-sourcing'**.

Our goal is to drive a robust and balanced framework for commissioning into the fabric of the organisation. Designed alongside the 'creating the conditions' work, our commissioning framework will embed the values and behaviours required in everything we do as an authority through a set of core principles.

Supported by a **theory of change approach** (see Figure 6), our commissioning practice will define long, medium and short-term goals and then map backward to identify the necessary preconditions for success.

Continuously driving the delivery of the Southend 2050 Ambition, our approach will be steeped in evidence of the current conditions whilst our strategies, engagement and action planning will remain focused on the achievement of an impact for the communities of Southend.

These principles and what they mean in practice are outlined in our Commissioning Framework, the purpose of which is to ensure that:

- We are consistently commissioning to high standards, making the best use of the tools and resources available

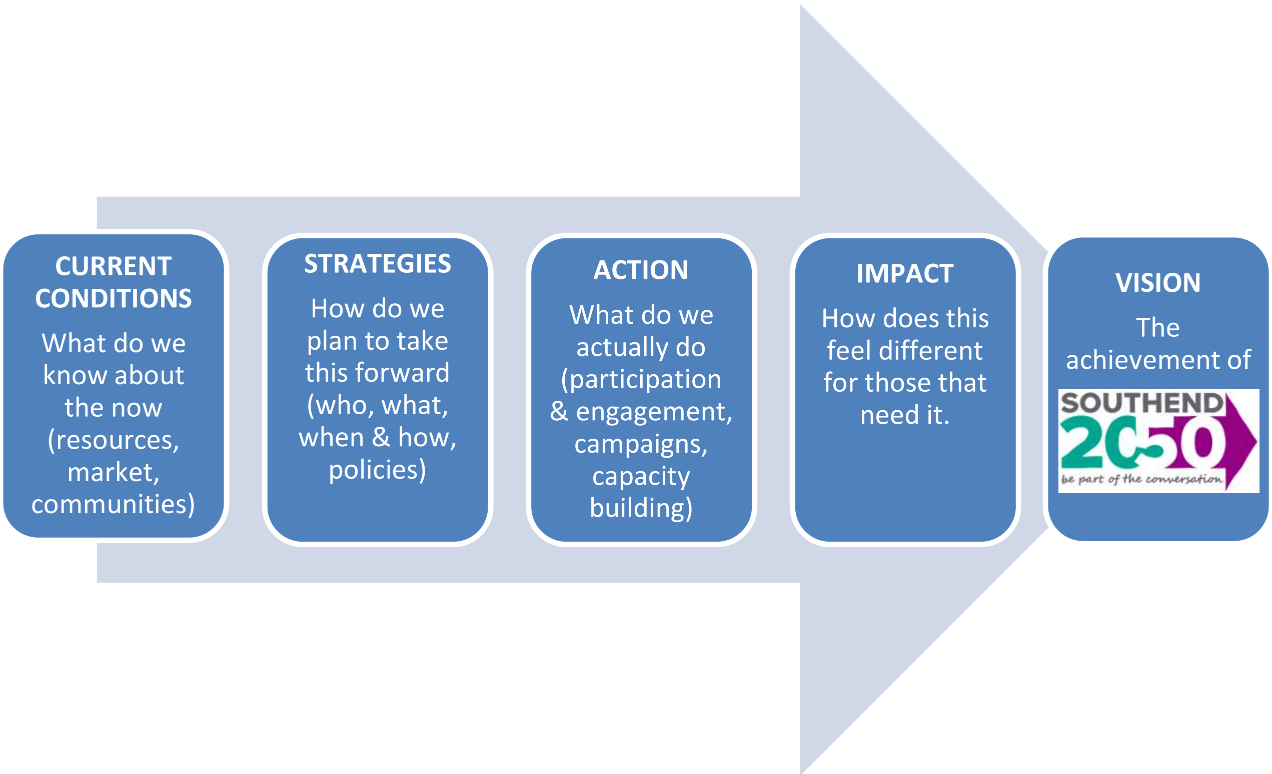
- We utilise best practice, Statutory Guidance and legislation (e.g. The Social Value Act) to best effect in order to achieve our ambition

- We are accountable for ensuring that these principles are embedded in the organisation

- We each recognise and respect the important roles we play in ensuring that these principles are reflected through our commissioning activities

- Our assurance processes for commissioning are robust and agile to best support achievement of our ambitions and outcomes

Figure 6: Theory of Change Approach



3.5 Value for Money Commitment

The Council is continually striving to improve all aspects of the organisation in terms of its efficiency, economy and effectiveness. Our goal is also to improve the wellbeing and productivity of all our staff by investing in technology, encouraging innovation, creativity and modern ways of working via our WorkLife initiative.

A programme of major service redesign is already in place to help us meet the evolving needs of our residents, improve their customer experience, whilst also enabling them to be more independent and our communities more self-sufficient and sustainable. This helps to target resources where they are needed most.

We hold memberships to CFO insights and Place Analytics, run by Grant Thornton's Public Services Advisory team and subscribe to LG Futures Financial Intelligence Toolkit. This package of information helps us to learn what other Local Authorities are doing, how we compare with them and assists in providing valuable intelligence, insight and challenge to our range of services. We are also one of the founder members of FutureGov's new impossible ideas programme.

We consider and analyse all relevant available benchmarking information, including demand data, cost drivers, outputs, outcomes and income generation perspectives.

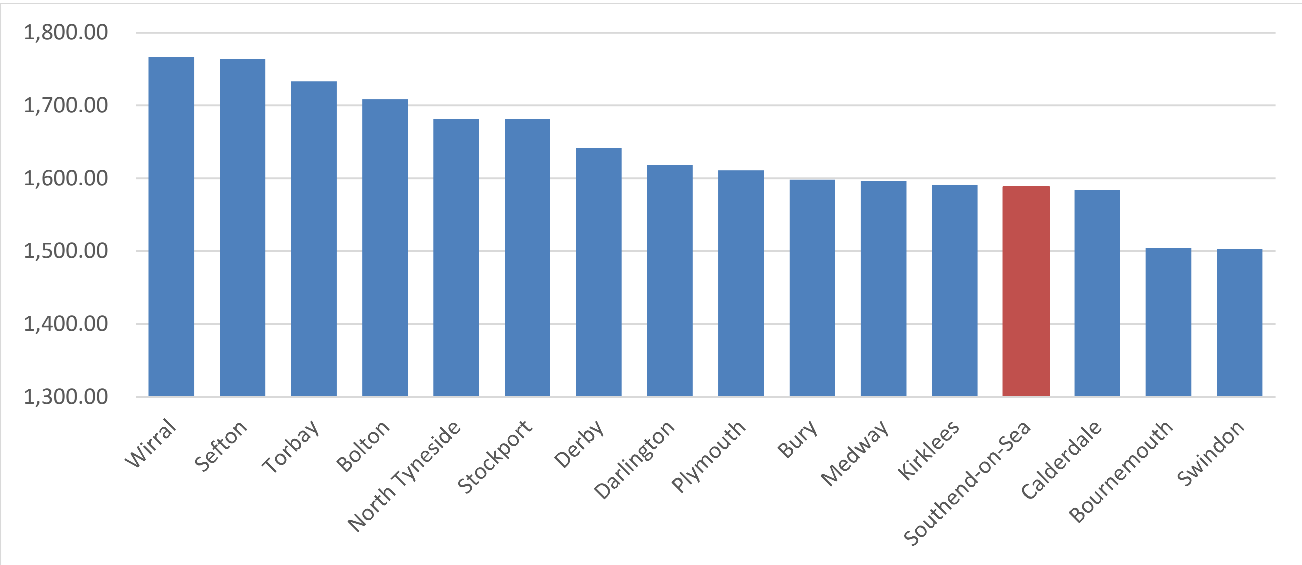
This informs our 'Getting to Know Your Business' programme and provides support for all Directors and Service Managers to help them understand where their service is relatively positioned from both a performance and finance perspective.

These arrangements will be enhanced in 2020/21 to encourage a more commercial and business focussed approach. Our ambition is to strive for the best blended approach of commercial acumen with a strong public sector ethos.

To inform and highlight our relative success in delivering the full range of unitary authority services locally with less resources – Figure 7 illustrates where we rank based on the spending power per dwelling against our nearest statistical neighbour comparator group.

We have the 13th lowest spending power per dwelling – which means that we have less comparable resources available to meet the relative needs of our local residents, when compared with similar local authorities. Taken in isolation this does not mean that Southend-on-Sea provides better value for money services, but it must be an important consideration.

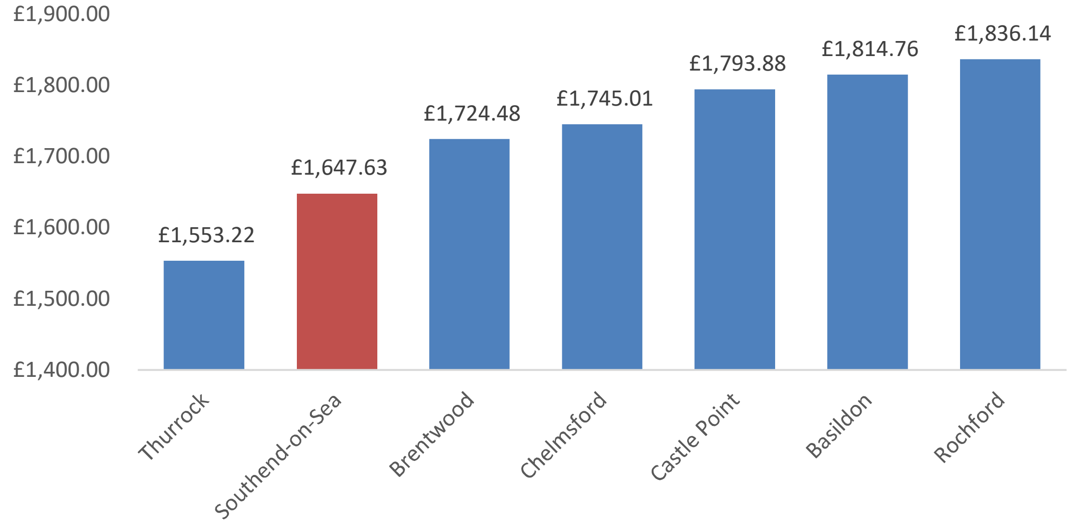
Figure 7: Core Spending Power per Dwelling (£)



(Source: LG Futures Statistical Neighbour Comparator Group).

Equally from a local perspective we are also determined to minimise the financial burden on the local council taxpayer for Southend-on-Sea where we can. Figure 8 illustrates the level of council tax (Band D equivalent) charged by Local Authorities from our nearest geographical neighbours in Essex for 2019/20. This is an important factor when considering Southend-on-Sea's commitment to providing value for money services that meet the needs of our local residents. It is also worth noting that over 70% of properties in the Borough are in Council Tax bands A to C.

Figure 8: Council Tax comparison – Band D 2019/20



3.6 Alternative Delivery Vehicles and Governance Arrangements

By establishing ourselves as a commissioning council to deliver better outcomes it has also changed the way we work and invest. This new approach is evident by our adoption of a broader 'best fit' model of both service and delivery vehicles. We explore and then select the best set of arrangements to deliver our priorities in the most effective and efficient way. Getting the right outcome for the right people at the right price.

We have created several companies, joint ventures and trusts that we believe are the right vehicles to deliver our priorities in their particular areas. This organic growth into a group structure has taken place over recent years. The Council currently directly owns 6 companies, participates in 2 joint ventures established as legal entities and is sole trustee to 8 charitable trusts. We are also engaged in several partnerships and associations with other organisations.

To provide a common unified formal governance structure between the Council and its group of companies and its joint ventures, and to ensure proper exercise of its role as trustee, the Council established a Shareholder Board in November 2017. This ensured that not only good proportionate governance is discharged but also that the objectives of Southend 2050 are embedded and aligned within these delivery vehicles.

Each entity has its own internal governance arrangements. The wholly owned companies have governance arrangements in compliance with the Companies Act. The joint ventures essentially follow these same arrangements and the Trusts, although subject to the Charities Acts, are not managed as separate entities but managed as part of the Culture service area and work in compliance with the Council's own good governance arrangements.

3.7 Financial Pressures and Key Service Demand Trajectories

There are several financial pressures faced by the council and these are reported to the Corporate Management Team, Councillors and other stakeholders as part of the budget monitoring reports on a regular basis. A number of these are demand led pressures which are generally replicating the challenges faced by most upper tier local authorities right across the country. It is important that these pressures are identified, key drivers behind demand trends are understood and wherever possible mitigated to ensure sound financial and service resilience in changing times.

Social Care – Children

One of the key pressures our Local Authority has been facing over the last five years (which is also a recognised national issue) is the increased demand on our Looked After Children (LAC) placements, combined with higher costs for external care placements. Figure 9 shows our LAC numbers since 2010. Table 5 illustrates that we have seen a continual year on year increase for the last five years. Obviously if that trend continues it will result in further financial pressure.

Figure 9: Number of Looked After Children historical trend

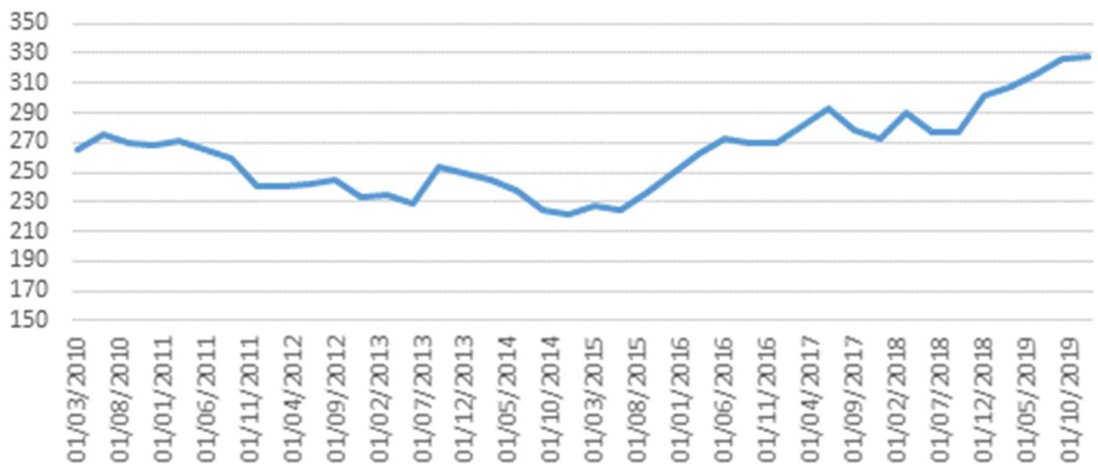
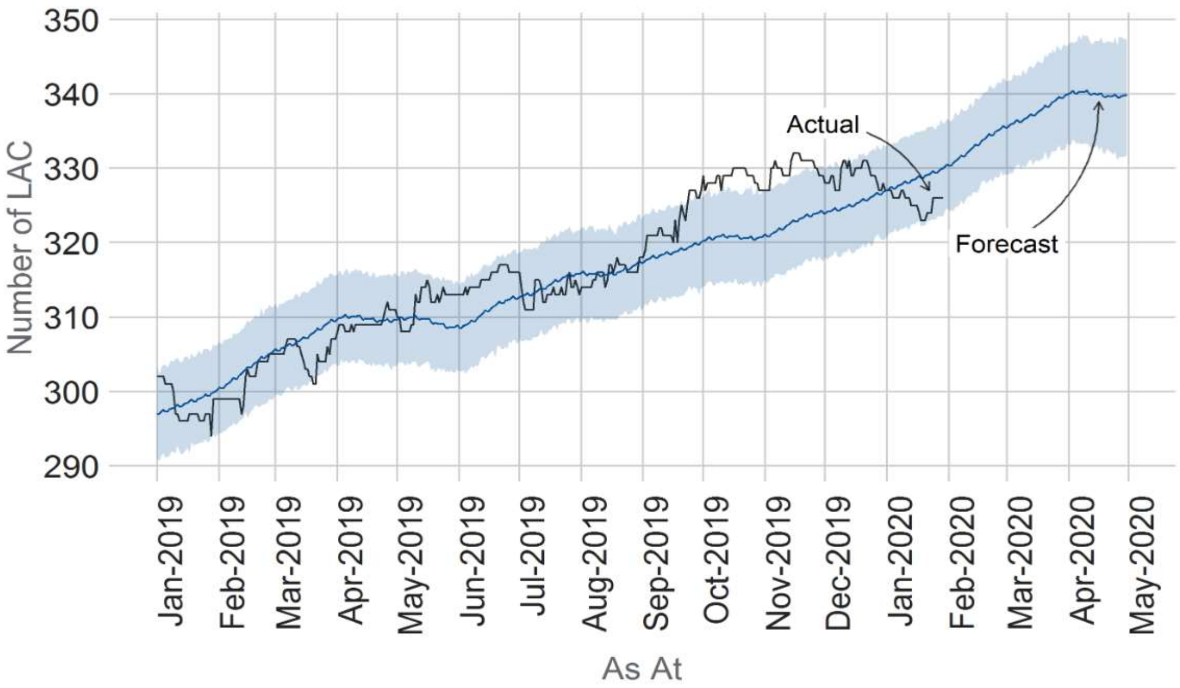


Table 5: Number of Looked After Children since 2016

As at	31st March 2016	31st March 2017	31st March 2018	31st March 2019	31st October 2019
LAC No's	262	282	295	308	330
% growth each year		8%	5%	4%	7%

Although not an exact science we have also attempted to use this historical data and appropriate trends to establish a potential future forecast, illustrated in Figure 10. The Council have created a further £3M contingency in 2020/21, financed by earmarked reserves to provide additional resilience for this potential major increase in demand.

Figure 10: Number of LAC by day with forecast



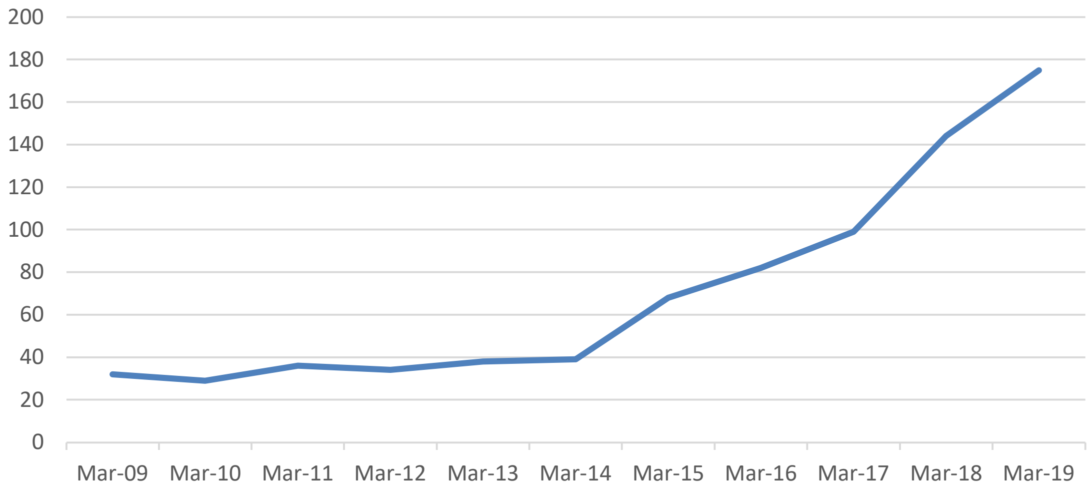
Housing and Homelessness

Southend-on-Sea Borough Council did not use any bed and breakfast accommodation until 2017/18 when the Homelessness Reduction Act was implemented. Historically, we used our hostels for temporary accommodation, but demand has continually increased to such an extent that we now must use bed and breakfast accommodation, as well as the council's temporary accommodation, to discharge our duty. The lack of affordable housing in the private sector makes it harder to move households on from temporary accommodation.

Figure 11 highlights the scale of the challenge and shows the number of households placed in temporary accommodation from 2009 to 2019.

To help with this challenging issue we have been successful in bidding for extra resources from the enhanced homelessness/rough sleepers initiative that was launched by the government in January 2020. We have secured £705,155 for 2020/21.

Figure 11: Number of people in Temporary Accommodation

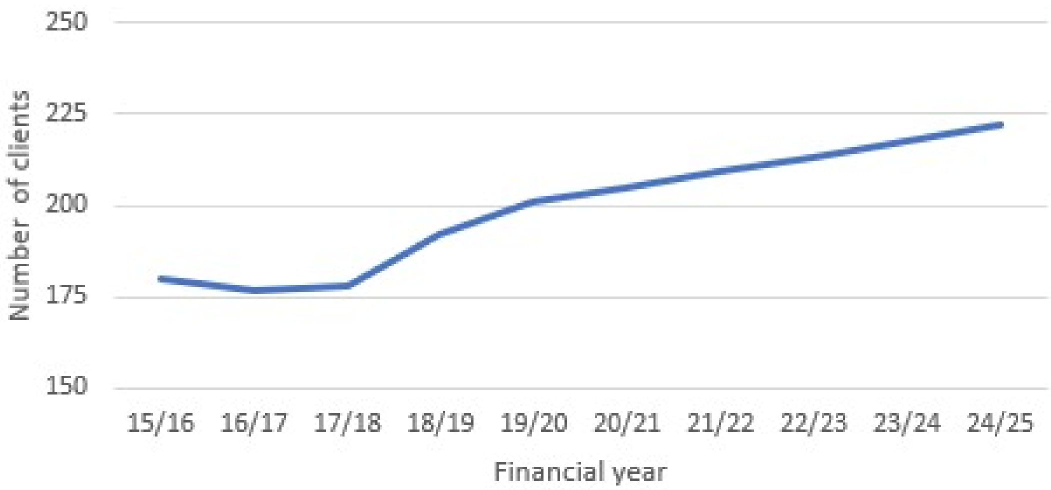


Social Care – Adults with Learning Disabilities

One of the main demand pressures in Adult Social care is the increasing number of Adults with Learning Disabilities. The two main sources for the increases are through transitions from Children's services or as a result of a breakdown in historical family arrangements where parents or relatives are seeking more help and support, in some cases they are no longer able to look after them. This has resulted in an increase in the number of permanent Supported Living and Residential placements. It is anticipated that this is likely to continue, adding to the existing pressures on Adult Social Care Services.

Figure 12 illustrates the potential forecast increase in the number of clients with learning disabilities that may require permanent Supported Living and Residential placements.

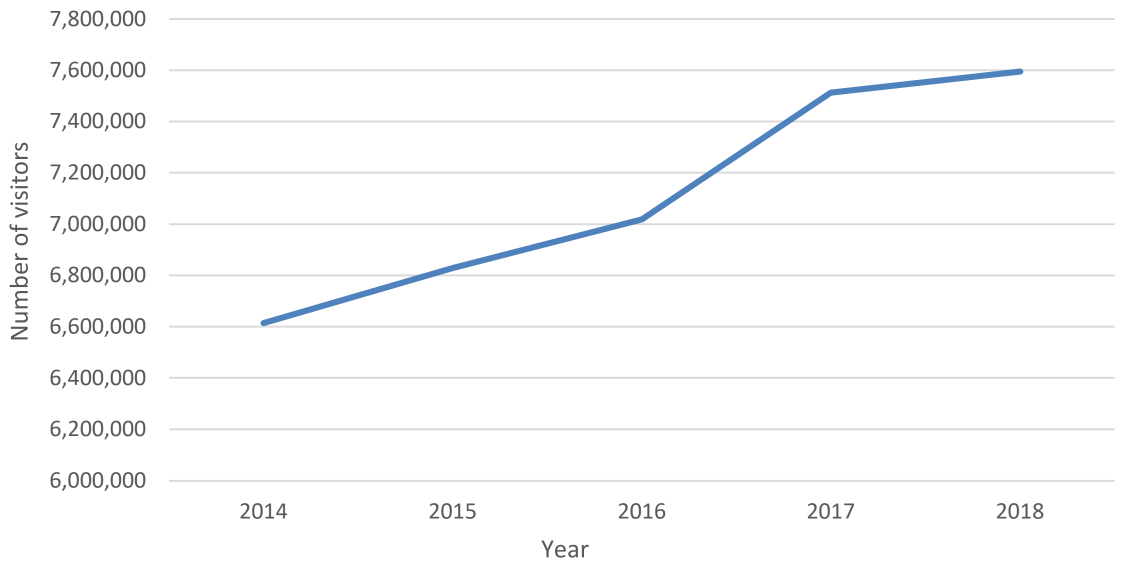
Figure 12: Learning Disability Supported Living and Residential placements



Infrastructure and Environment – Visitors

Southend-on-Sea continues to be an attractive tourist destination for both day-trippers and overnight stays, with an increase of 15% in visitor numbers over the past 5 years. Visitors bring with them a great economic benefit to the Borough, but this also has an impact on our infrastructure and environment, which needs to be carefully managed and resourced.

Figure 13: Number of Visitors to Southend-on-Sea per year



3.8 New Investments

The level of resources available for revenue and capital investment are subject to extensive challenge and prioritisation to ensure that investment is designed to have a positive impact and is aligned to deliver Southend 2050 outcomes and first phases of the road map.

For revenue prioritisation of proposed investment, careful assessment was given to current demands and pressures and for existing local priority services and to a range of initiatives that are not only aligned to our 2050 priorities, but would also have a big value for money impact in providing better outcomes for local residents.

For capital prioritisation of proposed investment this is achieved through application of the Capital Investment Strategy 2020/21 – 2024/25. This is a key document which forms part of the authority's integrated revenue, capital and balance sheet planning. It provides a high-level overview of how capital expenditure; capital financing and treasury management activity contribute to the delivery of desired outcomes. It includes an overview of the governance processes for consideration, prioritisation, and approval of capital investment.

Table 6 shows a summary of the investments included within the 2020/21 budget grouped by investment theme.

Table 6: 2020/21 Investments

Theme	Revenue (one year) £000s	Capital (5 year) £000s	One-off £000s	TOTAL £000s
Pride and Joy	200	5,335	300	**5,835**
Safe and Well	5,810	17,600	900	**24,310**
Active and Involved	-	-	200	**200**
Opportunity and Prosperity	(75)	3,200	1,490	**4,615**
Connected and Smart	1,200	7,810	-	**9,010**
Enabling	(1,780)	14,945	1,305	**14,470**
TOTAL	**5,355**	**48,890**	**4,195**	**58,440**

(Source: Main Budget Report Appendices 6, 7 and 10)

3.9 Income Generation and Commercial Opportunities

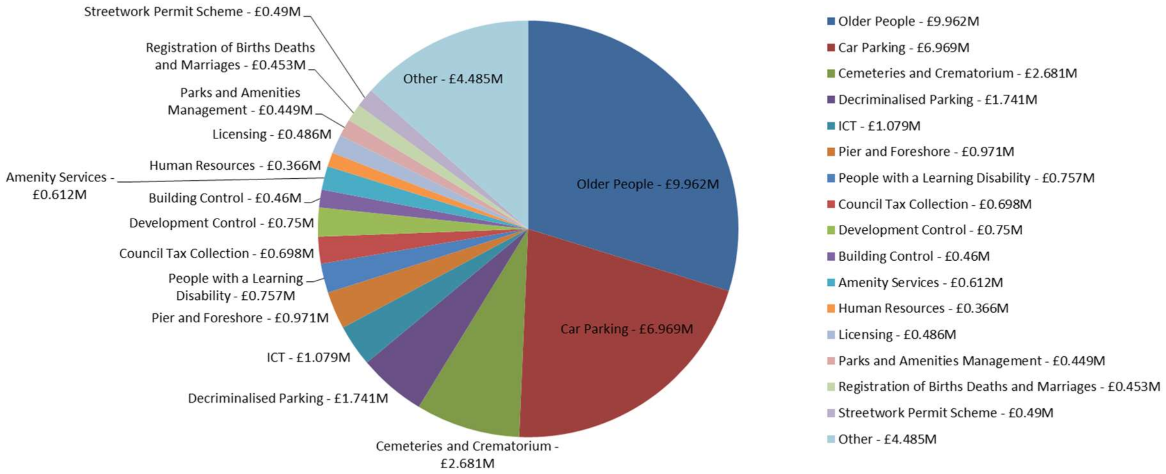
The Council has recently introduced a new 'Getting to know Your Business' work programme that is designed to ensure that all business areas have a comprehensive understanding of service expenditure drivers, potential income streams and commercial opportunities where appropriate. Development of a new Commercialisation Strategy is under consideration and training and awareness sessions which share best practice and highlight commercial success from both within and outside the organisation is already being delivered.

All service leads and managers will be supported to gain a better understanding of the financial performance of their business areas. This will include highlighting what scope there is for reducing subsidy, managing demand, exploring new income and commercial opportunities to ensure the best value for money is delivered for the residents of Southend-on-Sea. The Senior Leadership Network within the authority recognise that they are all custodians of public funds and are striving to improve efficiency, productivity and performance to get the most impact and better outcomes from each £1 that is invested locally.

Service leads will take full ownership and accountability for the fees and charges generated, support and benchmarking intelligence will be provided to give assurance that the charges are appropriate, proportionate and are applied correctly.

Fees and charges are received for a range of services and Figure 14 illustrates the varied scale of where this income is generated in relation to the 2020/21 budget.

Figure14: Breakdown of £33.410M Fees and Charges

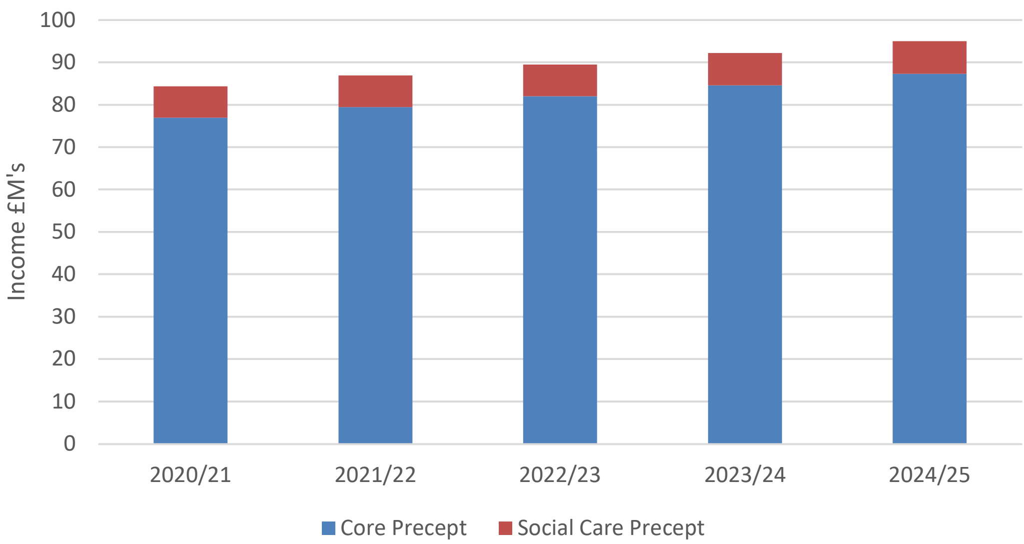


3.10 Council Tax

There is a 3.99% increase in Council Tax for 2020/21 (including 2% for adult social care). For planning purposes an increase of 1.99% has been assumed for future years with no increase included for social care. Changes in the number of households affect the tax base for Council Tax purposes, as does the number of Council Tax Support claimants. The Council Tax base for 2020/21 is 58,680.94 (equivalent Band D properties).

The medium term forecast assumes an increase in the Council Tax base of 0.44% in 2020/21 with further increases of 1% per year over the following four-year period, as shown in Figure 15. The Council also plans to release phased accumulated Council Tax surpluses over the five-year period.

Figure 15: Forecast level of Council Tax and Social Care Precept until 2024/25.



3.11 Housing Revenue Account

The Housing Revenue Account (HRA) is a ring-fenced account which stands apart from the General Fund, although there are charges between the two funds to reflect Service Level Agreements and corporate support services.

The HRA is the statutory "landlord" account for the authority. The Council is obliged by law to set rents and other charges at a level to avoid a deficit on the HRA balance. The HRA estimates have been prepared alongside South Essex Homes, and incorporate their management fee bid.

There is major investment via the HRA Capital Programme of £57.261M planned over the next five years. This will ensure that we maintain decent homes and improve those that need it. The types of works will include electrical wiring, bathroom installations, new roofs, new kitchens, new windows and door replacements and installation of new more economical and energy efficient boilers.

The Council has concluded a procurement exercise to choose a partner organisation with which to regenerate the Queensway estate. Swan Housing Association has been approved as the preferred bidder. The regeneration ambition will see the existing 441 predominately council owned homes redeveloped into a vibrant, mixed tenure community with enhanced public realm and facilities. This will mean that over time the estate will no longer form part of the HRA.

The MTFS assumes that this development would be broadly neutral at this stage. On the basis that lost rental income will be largely offset by a reduced need for management and maintenance liabilities. Some basic allowance has been made for a net loss in future years. Further work will be undertaken to understand the exact implications when the redevelopment proposal is finalised and phased, including how any decant process will work. The MTFS will be updated as soon as a better understanding of the exact timing of any impact is known.

In October 2017, the government announced its intention to set a long term rent deal for both Local authorities and housing associations. This allows rent increases of up to CPI at September each year plus 1 percentage point from 2020/21. This has resulted in a 2.7% rent increase for 2020/21. The MTFS demonstrates that the HRA is currently financially robust.

3.12 Asset Management Plan

The Corporate Asset Management Strategy (CAMS) sets out the way in which the Council makes decisions on asset related matters and identifies procedures and governance arrangements to monitor and improve the use of its assets to increase efficiency and maximise returns. The plan is reviewed annually alongside the MTFS and updated as appropriate.

The Plan divides all the Council's assets into five investment blocks. These are:

- Operational assets – The Council's operational buildings.
- Non-operational assets – The Council' investment portfolio.
- Regeneration assets – Assets acquired or held to support regeneration.
- Surplus Assets – Assets which have no sound case for retention.
- Infrastructure required to deliver the Plan, notably ICT.

Some assets sit within specific policy and legislative frameworks or are important by virtue of specific features of Southend. These are housing, highways and transport assets, schools and children centres, car parks, listed buildings and designated areas, and the sea defences and cliffs.

The CAMS brings asset-related decision making (on acquisition and disposal) together with the procedures guiding investment through the Capital Investment Programme.

The CAMS was comprehensively reviewed and updated for the period 2015 – 2025 and was approved at the Cabinet meeting in September 2015 to provide high-level strategic focus to enable flexibility over the plan period and to reinforce the current Vision and Strategic Aims of the CAMS that all the Council's assets are corporately held and managed strategically to:

- Support efficient and effective service delivery.
- Support regeneration and development and enable the Council to achieve its objectives.
- Rationalise, develop and improve the portfolio to underpin the capital investment programme and revenue budget through development, income generation, property acquisition and disposals.
- Actively support co-location and integration with other public-sector partners.

The CAMS also includes a property investment strategy with its own set of governance arrangements to enable investment opportunity decisions to be taken quickly against a pre-agreed set of investment performance criteria such as and including lot size, yield, property type, lease terms and covenant strength. The first acquisition under this was made during 2017/18.

The CAMS also supports the Council's high priority major projects such as Better Queensway, Airport Business Park, Care and Learning Disability re-provision.

Some further updates will be made during 2020/21 as follows:

- Corporate structure and governance changes to reflect the current structure of the Council.
- Updates to reflect the latest 2050 position and direction of travel.
- Methodology for the prioritisation and decision-making process around Council assets (particularly the development pipeline) with associated governance.
- To update the schedule of charges relating to property transactions.
- To monitor the Government's position on Commercial Property Investment.
- To update the Property Metrics section.
- To ensure that the framework is in place to move forward with benefits derived from WorkLife and improved agility to improve collaboration, share costs and generate income.
- To clearly and more appropriately distribute responsibility for assets (e.g. footpaths, non-adopted roads, watercourses) to ensure these are managed efficiently in the most appropriate section of the business.

3.13 Capital Investment Programme

Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing fixed asset which is needed to provide services such as housing, schools and highways. Fixed assets are tangible or intangible assets that yield benefits to the Council generally for a period of more than one year, e.g. land, buildings, roads, vehicles. This contrasts with revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services. Capital grants, borrowing and capital receipts can only be spent on capital items and cannot be used to support the revenue budget. However, it should be noted that revenue funding can be used to support capital expenditure.

The Capital Investment Strategy covers all capital expenditure and capital investment decisions, not only as an individual local authority but also those entered under group arrangements. It sets out the long-term context in which decisions are made with reference to the life of the projects/assets.

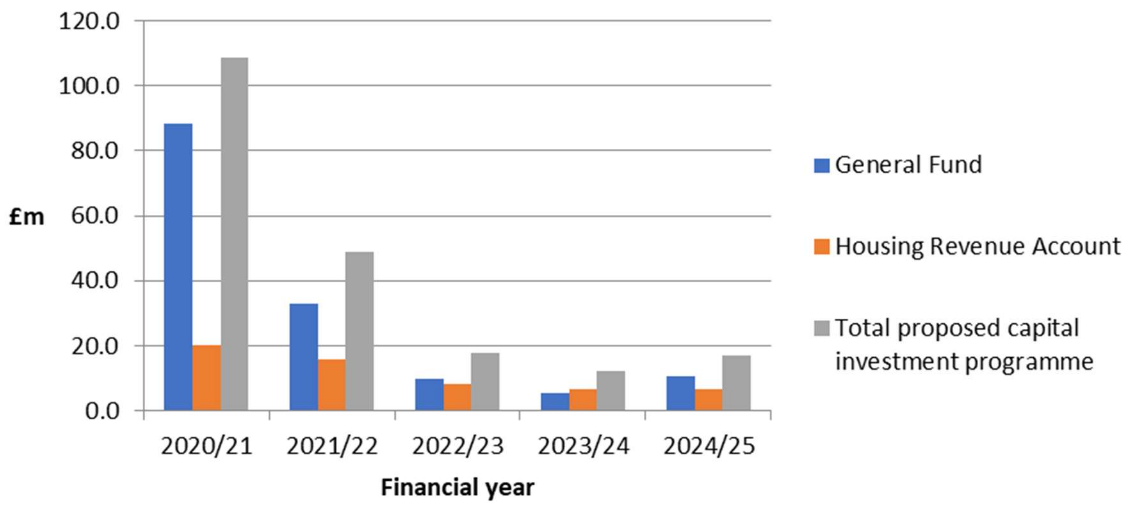
It is a key document and forms part of the authority's integrated revenue, capital and balance sheet planning. It provides a high-level overview of how capital expenditure; capital financing and treasury management activity contribute to the delivery of desired outcomes. It includes an overview of the governance processes for approval and monitoring of capital expenditure and how investment decisions take account of stewardship, value for money, prudence, sustainability and affordability. It also provides an overview of how associated risk is managed and the implications for future financial sustainability.

The capital investment programme is prepared and developed in accordance with the Capital Investment Strategy. In turn, the Capital Investment Strategy has been written in the context of Southend 2050 and the five themes and all capital investment is therefore driven by the aim of contributing to the delivery of the ambition and the desired outcomes.

The resulting new investment into the capital investment programme of the next five years is shown at Section 3.8.

The proposed total capital investment programme over the next five years is illustrated Figure 16.

Figure 16: Proposed Capital Investment Programme Totals



3.14 Treasury Management Strategy

The Treasury Management Strategy is an area of activity which covers the management of the council's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks.

In compliance with the CIPFA Treasury Management Code of Practice the Council's treasury management strategy comprises:

- the Treasury Management Policy Statement.
- the Treasury Management Strategy.
- the Annual Treasury Management Investment Strategy.

The purpose of the Treasury Management Policy Statement is to set out the scope of the Treasury Management function, the policy on borrowing, debt restructure, investments, delegation and management of risk.

The budget includes provision for the financing costs of the Council's Capital Investment Programme, including interest on external borrowings. Offsetting this, the Council will earn interest by temporarily investing its surplus cash, which includes unapplied and set-aside capital receipts. These budgets depend on many factors, not least the Council's level of revenue and capital budgets, use of reserves, methods of funding the budget requirement, interest rates, cash flow and the Council's view of risk.

The purpose of the Treasury Management Strategy is to set out how the budgeted financing costs can be achieved. It covers the prospects for interest rates and the strategy on borrowing and debt restructuring.

The purpose of the Annual Treasury Management Investment Strategy is to set out the investment objectives and the policies on the use of external fund managers, on the investment of in-house managed funds and on the use of approved counterparties.

The Audit Committee have responsibility for the scrutiny of the Treasury Management Strategy. The policy is approved by Council in advance of the year to which it relates. It is then monitored regularly and updated, as appropriate, to reflect changing circumstances and guidance with updates approved by Council as and when required.

It is projected that surplus cash balances will average £114m (of which £49m is the estimated sum of medium term and long term funds managed by external fund managers) during 2020/21 based on information currently available and historical spending patterns.

3.15 Minimum Revenue Provision Policy

The Minimum Revenue Provision (MRP) is an amount to be set aside for the repayment of debt. Each Local Authority has a general duty to charge an amount of MRP to revenue which it considers to be prudent, with responsibility being placed upon the full Council to approve an annual MRP policy statement.

3.16 Prudential Indicators

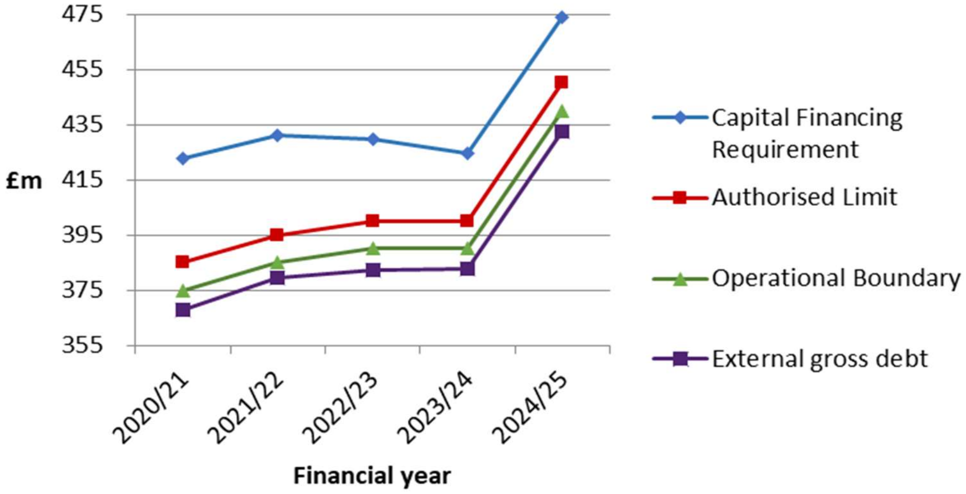
The Prudential Code is the key element in the system of capital finance that was introduced from 1 April 2004 as set out in the Local Government Act 2003.

Individual authorities are responsible for deciding the level of their affordable borrowing, having regard to the CIPFA code, (which has legislative backing). Prudential limits apply to all borrowing, qualifying credit arrangements (e.g. some forms of lease) and other long term liabilities. The system is designed to encourage authorities that need, and can afford, to borrow for capital investment to do so.

Under the Local Government Act 2003 each authority can determine how much it can borrow within prudential limits (unsupported borrowing). The Government does have powers to limit the aggregate for authorities for national economic reasons, or for an individual authority. Most capital expenditure will continue to be directly supported by Government through capital grant or by Council unsupported borrowing.

Figure 17 shows the Council's level of external gross debt compared to its agreed borrowing limits and the estimated Capital Financing Requirement (the Council's theoretical need to borrow).

Figure 17: Borrowing levels and limits



The operational boundary is how much gross external debt the Council plans to take up and reflects the decision on the amount of debt needed for the Capital Investment Programme for the relevant year. The authorised limit is higher than the operational boundary as it allows enough headroom to take account of unusual cash movements.

The CIPFA Prudential Code for Capital Finance in Local Authorities has been developed to support Local Authorities in taking capital investment decisions and to ensure that these decisions are supported by a framework which ensures prudence, affordability and sustainability.

Another objective of the Code is that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation.

To demonstrate compliance with these objectives each authority is required to produce a set of prudential indicators. These indicators are designed to support and record local decision making and are not for comparison with other authorities. The setting and revising of these indicators must be approved by Cabinet and Council.

In setting or revising its prudential indicators, the local authority is required to have regard to the following matters:

- service objectives (e.g. strategic planning).
- stewardship of assets (e.g. asset management planning).
- value for money (e.g. options appraisal).

- prudence and sustainability (e.g. risks, whole life costing and implications for external debt).
- affordability (e.g. implications for long-term resources including the council tax).
- practicality (e.g. achievability of the forward plan).

3.17 General Fund Balance

In accordance with best practice guidance issued by CIPFA, the minimum level of General Fund balances is reviewed, and assessed on an annual basis. The Executive Director (Finance & Resources) recommends: -

- An absolute minimum level of General Fund reserves of £8M to be maintained throughout the period between 2020/21 to 2024/25
- An optimal level of reserves of £10M over the period to cover the absolute minimum level of reserves, in-year risks, cash flow needs and unforeseen circumstances
- A maximum recommended level of reserves to £12M over the period to provide additional resilience to implement the MTFS

This assessment has been derived by taking a risk-based approach to the overall General Fund Revenue Account, including reviewing income volatility and realism of income targets, interest rate exposure, third party provider risks, potential overspends in demand led areas such as social care and safeguarding for both adults and children and any other potential issues which may need to be taken into consideration.

3.18 Reserves Strategy

As well as maintaining a risk based General Fund Balance the Council also sets aside Earmarked Reserves (for these purposes earmarked reserves excludes school balances) for specific items.

Considering the increasing level of risk and uncertainty identified within the MTFS and the probability of resources being required to support service transformation and delivery, a full review of useable reserves and provisions has been undertaken.
Each year as part of closing the accounts a view is taken on maintaining and strengthening, where necessary, those reserves specifically earmarked to support the highest areas of risk. This results in the rationalisation of reserves and provisions where possible and in some cases additional funding being set aside.

In relation to the adequacy of reserves (excluding General Fund Balance summarised in Section 3.17), the Council's Section 151 Officer (Executive Director of Finance and Resources) recommends the following Reserves Strategy. The Strategy will be reviewed annually and adjusted in the light of the prevailing circumstances.

Housing Revenue Account

In relation to the Housing Revenue Account (HRA) in 2020/21 and the medium to long-term:

a) Given the current status of housing management provision the recommendation is that reserves be maintained at £3.0m.

This recommendation is based on and conditional upon:

a) A 2020/21 budget has been agreed with South Essex Homes Ltd. to maintain a balanced HRA, together with the HRA's own MTFS for the period 2020/21 to 2024/25.

b) Forward projections for the HRA beyond 2020/21 are being remodelled to consider the impact of the Better Queensway regeneration and the updated stock condition survey.

Earmarked Reserves

A table of the earmarked reserves and their balances at 31 March 2019 to 31 March 2025 is shown in Annex 2. The balances at 31 March 2020 to 2025 are indicative, based on the assumptions in this report, and do not represent the probable figures that will be disclosed in future years Statement of Accounts. A summary of the forecast reserve balances to 2024/25 is shown in Table 7 and illustrated in Figure 18. We are forecasting that our total reserves will stay within a range of £67M to £70M over the five year period.

Table 7: Forecast Reserve Balance to 2024/25

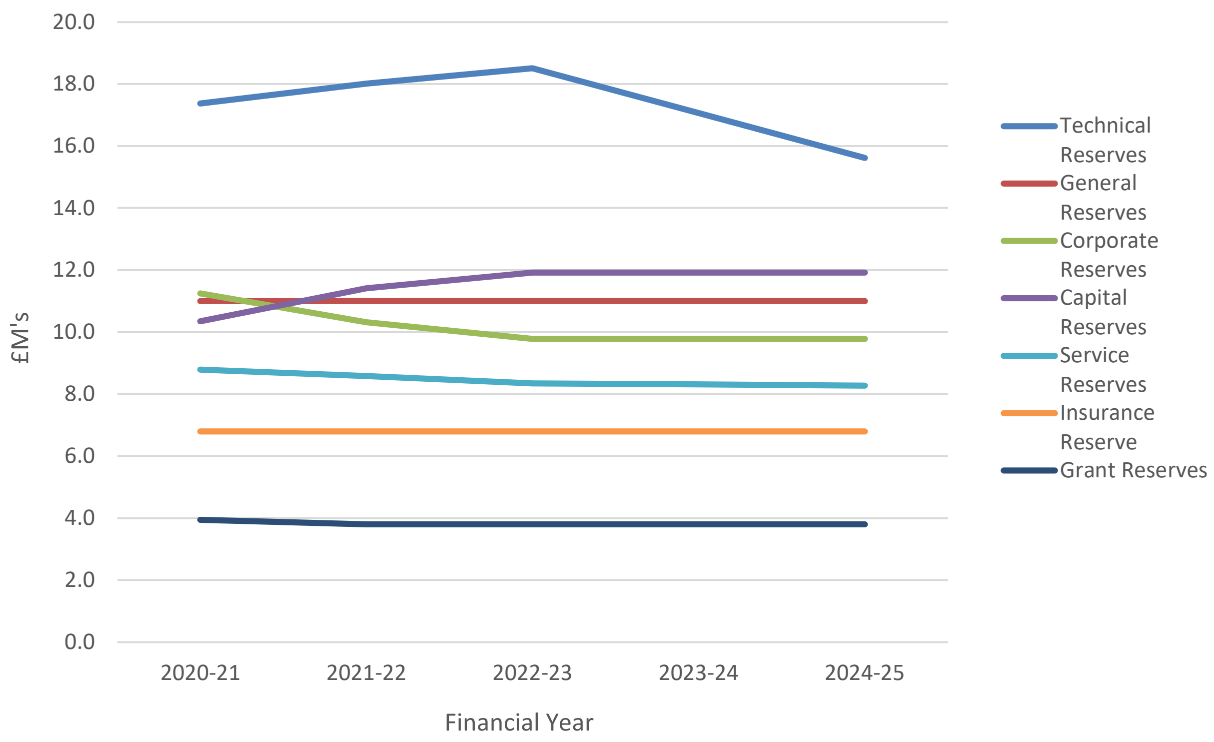
Earmarked Reserve	2020/21 £M	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M
Technical Reserves	17.372	18.008	18.515	17.067	15.619
General Reserves	11.000	11.000	11.000	11.000	11.000
Corporate Reserves	11.250	10.315	9.780	9.780	9.780
Capital Reserves	10.357	11.407	11.918	11.918	11.918
Service Reserves	8.792	8.582	8.347	8.311	8.276
Insurance Reserve	6.800	6.800	6.800	6.800	6.800
Grant Reserves	3.953	3.803	3.803	3.803	3.803
TOTAL	**69.524**	**69.915**	**70.163**	**68.679**	**67.196**

3.19 Outcomes Based Planning and Budgeting

The Council began to introduce a new approach to Outcomes Based Planning and Budgeting in 2019/20 which looked at repurposing resources towards new agreed priorities and outcomes. The Council is determined to do everything it can to plan effectively for the future and invest in priorities that make a real positive difference to local residents, businesses and visitors. The year 2020/21 is clearly an important transitional year in our journey towards becoming a more outcome focussed organisation where our resources are prioritised accordingly.

The Council has targeted its resources to deliver the Southend 2050 programme and roadmap phases. Being a more outcome focussed organisation will enable us to direct our investment, resource and business planning to activity that will achieve our outcomes and change the conversation to what to keep rather than what to cut.

Figure 18: Forecast Reserve Balance to 2024/25



3.20 Addressing the Budget Gap

The Council is currently predicting a cumulative budget gap of £23.2M up to the end of 2024/25. In order to address and close the budget gap over this time period we must continue our drive towards financial sustainability for the future. As we work collaboratively with our partners, we may need to increase our 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 our services.

The approach to addressing this gap can be seen within several initiatives already in operation within the organisation including: -

- Business as usual monitoring and budget reviews throughout the year
- The full implementation of outcome-based budgeting
- Link business planning and budgeting to focus on service outcomes
- Effective and creative management of service demand
- A review of major contracts
- Full implementation of a new Commissioning Framework

- Getting to know your Business workstream.

- Income generation and commercial opportunities

The forecast profiled budget gap in the Medium Term Financial Forecast over the next five years is summarised in Table 8.

Table 8: Forecast Budget Gap

Year	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Budget gap	£0M	£7.8M	£4.7M	£5.7M	£5.0M	£23.2M

3.21 Budget Monitoring and Forecasting

The corporate budget performance report is a key tool in scrutinising the Council's overall financial performance. It is designed to provide an overview to all relevant stakeholders. It is essential that the Authority actively monitors its budgets throughout the year in order to ensure that the overall financial position is robust and sustainable and that strategic objectives are being achieved.

In setting the annual budget and the MTFS the Council will ensure potential risks are assessed and managed so that their impact is minimised or accounted for either via Contingencies, Balances or Earmarked Reserves as is necessary. In year, the Council will monitor its revenue and capital budgets (including the HRA) on a monthly basis and report to Cabinet on a regular basis.

Whilst the responsibility lies with the Executive Director for Finance & Resources for reporting to Cabinet the financial position, the responsibility and accountability for the financial position and performance of the services lies with the budget holder.

These reports will be prepared for Cabinet at regular intervals throughout the financial year and will provide an opportunity to highlight major variations from the approved spending plans enabling corrective action to be taken where necessary.

All budget holders are responsible for ensuring external income is maximised for their service and for seeking out new opportunities to generate income. If the budget holder cannot resolve issues within their own service area budgets these should be dealt with by Service Directors and the Executive team.

Where pressures are identified appropriate plans for mitigation are required to be agreed and implemented in year which look to address these issues and identify ongoing pressures that may need to be addressed as part of setting the budgets over the medium term.

The Council has an established and respected finance business partnering service to support and advise Directors and Service Managers with the financial management requirements of their services.

The focus of the Finance Business partner in supporting services is to: -

- Look at a specific business problem and propose solutions based on research and insight
- Perform and analyse benchmarking against other areas and services to drive business decision making
- Work with business intelligence to understand activity and cost drivers
- Support services to look at the totality of investment against objectives
- Support services to focus on being sustainable
- Support services in developing business cases
- Work to better understand, manipulate and extract better outcomes from contracts – improving deliverables and forward planning procurement exercises
- Perform sensitivity analysis across whole systems to understand links between variables and support to make optimal interventions
- Support with project managing change through greater involvement in strategic decision making

4 Conclusion

This MTFS provides a robust framework for setting the budget for 2020/21 and ensuring the Council remains financially sustainable over the medium term. The current forecast position is challenging but achievable.

The Council has seen a sustained reduction in general grant funding over the past decade whilst also experiencing increasing demand for a range of priority local services that it provides. The uncertainty of future Spending Reviews, Fair Funding considerations and a move towards 75% Business Rates retention may well present additional future financial challenges.

Positively the Council's has a clear 2050 ambition, strong collegiate leadership, residents and communities are engaged, resources are prioritised towards achieving better local outcomes and the organisation has set a robust, resilient and sustainable budget.

Southend-on-Sea Borough Council is in a strong position to influence, shape and redesign services both locally and regionally to make a real positive difference to the lives of Southenders.

Annex 1

Medium Term Financial Forecast
2020/21 to 2024/25

	2020/21		2021/22		2022/23		2023/24		2024/25	
	£000s		£000s		£000s		£000s		£000s	
Base Budget										
From prior year	125,647		130,428		141,988		145,180		148,964	
LESS										
Appropriations to / (from) reserves in prior year	(1,538)		8,522		(323)		(438)		1,484	
Revenue Contributions to Capital	(5,376)		(363)		(10)		(117)		0	
Less other one-off expenditure / (savings)	1,604		(7,245)		360		1,515		0	
Adjusted Base Budget		120,337		131,342		142,015		146,140		150,448
Appropriations to / (from) reserves in prior year		(8,522)		323		438		(1,484)		(1,483)
Revenue Contributions to Capital (Funded from Earmarked Reserves)		363		10		117		0		0
Other one-off / time limited expenditure bids		4,245		(360)		(1,515)		0		0
Inflation and other increases		4,271		3,750		3,750		3,750		3,750
Corporate Cost Pressures		8,388		2,104		1,313		2,002		1,395
Directorate (Savings) / Pressures										
Ongoing Corporate and Directorate investment allowance	6,160		3,050		3,050		3,850		3,050	
Budget reductions identified and agreed	(2,075)	4,085	0	3,050	0	3,050	0	3,850	0	3,050
Better Care Fund										
Funding to Support Social Care and benefit Health	(13,043)		(13,043)		(13,043)		(13,043)		(13,043)	
Expenditure relating to the BCF and IBCF	13,043	0	13,043	0	13,043	0	13,043	0	13,043	0
Public Health										
Projected Grant Income	(9,525)		ringfence removed							
Projected Expenditure	9,525	0								
Housing Revenue Account										
Projected Expenditure	32,044		29,091		25,334		24,738		25,203	
Projected Income	(28,522)		(29,387)		(30,322)		(31,225)		(32,120)	
Contributions to / (from) HRA Earmarked Reserves	(3,522)	0	296	0	4,988	0	6,487	0	6,917	0
Dedicated Schools Grant										
Projected Grant Income	(50,769)		(50,769)		(50,769)		(50,769)		(50,769)	
Projected Expenditure	50,769		50,769		50,769		50,769		50,769	
Pupil Premium received from Government (indicative)	(1,892)		(1,892)		(1,892)		(1,892)		(1,892)	
Pupil Premium Expenditure	1,892	0	1,892	0	1,892	0	1,892	0	1,892	0
Projected General Fund Net Expenditure		133,167		140,219		149,168		154,258		157,160
Changes in General Grants		(2,739)		9,555		712		409		0
Budget Requirement		**130,428**		**149,774**		**149,880**		**154,667**		**157,160**
Funded By										
Council tax increase (1.99% in 20/21, 1.99% onwards) (taxbase +0.5% 2021/22 and +1.0% p.a future years)		(76,966)		(79,427)		(81,972)		(84,587)		(87,285)
Social Care Precept (2.0% in 20/21, 0% onwards)		(7,381)		(7,455)		(7,530)		(7,605)		(7,681)
Business Rates		(38,032)		(53,606)		(54,678)		(55,772)		(56,192)
Revenue Support Grant		(6,049)		0		0		0		0
Collection Fund Surplus		(2,000)		(1,500)		(1,000)		(1,000)		(1,000)
Total Funding		**(130,428)**		**(141,988)**		**(145,180)**		**(148,964)**		**(152,158)**
Funding Gap		**0**		**7,786**		**4,700**		**5,703**		**5,002**

Funding Gap (Cumulative)	**0**	**7,786**	**12,486**	**18,189**	**23,191**

Core Precept	76,966	79,427	81,972	84,587	87,285
Social Care Precept	7,381	7,455	7,530	7,605	7,681
Band D Council Tax					
Council Tax for a Band D Property	1,437.39	1,465.93	1,495.17	1,524.87	1,555.20
% Increase in Council Tax	3.99%	1.99%	1.99%	1.99%	1.99%
Council Tax Base					
Council Tax Base	58,681	59,268	59,860	60,459	61,064
Increase in Tax Base on prior year	0.44%	1.00%	1.00%	1.00%	1.00%

NB: Due to rounding, numbers presented throughout these tables may not add up precisely to the totals indicated.

Annex 2

		Probable Outturn 2019/20				Budget 2020/21				Forecast 2021/22				Forecast 2022/23				Forecast 2023/24				Forecast 2024/25			
Earmarked Reserves	Balance £000	To Reserves £000	From Reserves £000	Transfers £000	Balance £000	To Reserves £000	From Reserves £000	Transfers £000	Balance £000	To Reserves £000	From Reserves £000	Transfers £000	Balance £000	To Reserves £000	From Reserves £000	Transfers £000	Balance £000	To Reserves £000	From Reserves £000	Transfers £000	Balance £000	To Reserves £000	From Reserves £000	Transfers £000	Balance £000
Capital Reserves																									
Capital Reserve	**7,957**		(5,574)		**2,383**		(363)	1,500	**3,520**		(10)		**3,510**		(117)		**3,393**				**3,393**				**3,393**
New Homes Bonus Reserve	**4,130**	2,031	(835)		**5,326**	1,370	(560)		**6,136**	1,340	(280)		**7,196**	628			**7,824**				**7,824**				**7,824**
Business World ERP Reserve	**316**				**316**			385	**701**				**701**				**701**				**701**				**701**
Queensway Reserve	**235**				**235**			(235)	**-**				**-**				**-**				**-**				**-**
Corporate Reserves																									
Business Transformation Reserve	**5,133**		(3,014)		**2,119**		(735)	3,750	**5,134**		(685)		**4,449**		(285)		**4,164**				**4,164**				**4,164**
Outcome Delivery Reserve	**-**				**-**		(250)	750	**500**		(250)		**250**		(250)		**-**				**-**				**-**
Business Rates Retention reserve	**4,283**				**4,283**			(2,283)	**2,000**				**2,000**				**2,000**				**2,000**				**2,000**
Interest Equalisation Reserve	**4,211**		(500)		**3,711**		(945)		**2,766**				**2,766**				**2,766**				**2,766**				**2,766**
MRP Equalisation Reserve	**12,625**	3,665			**16,290**		(918)		**15,372**		(1,364)		**14,008**		(1,493)		**12,515**		(1,448)		**11,067**		(1,448)		**9,619**
Pensions Reserve	**5,831**	3,733			**9,564**	2,000	(4,350)	(5,214)	**2,000**	2,000			**4,000**	2,000			**6,000**				**6,000**				**6,000**
Rents Equalisation	**850**				**850**				**850**				**850**				**850**				**850**				**850**
Insurance																									
Insurance Reserve	**6,800**				**6,800**				**6,800**				**6,800**				**6,800**				**6,800**				**6,800**
Service Reserves																									
Building Control Reserve	**116**				**116**			(116)	**-**				**-**				**-**				**-**				**-**
Cemeteries Reserve	**39**				**39**			(39)	**-**				**-**				**-**				**-**				**-**
Elections Reserve	**304**		(36)		**268**		(36)		**232**	107			**339**		(35)		**304**		(36)		**268**		(35)		**233**
Local Land Charges Reserve	**64**				**64**				**64**				**64**				**64**				**64**				**64**
Schools Improvement	**225**		(200)		**25**		(200)	575	**400**		(200)		**200**		(200)		**-**				**-**				**-**
Adult Social Care Reserve	**2,428**				**2,428**			(928)	**1,500**				**1,500**				**1,500**				**1,500**				**1,500**
Childrens Social Care Reserve	**2,000**		(2,000)		**-**		(3,000)	3,000	**-**				**-**				**-**				**-**				**-**
Social Fund	**817**		(350)		**467**		(350)		**117**		(117)		**-**				**-**				**-**				**-**
Specific Corporate Projects	**730**				**730**			(730)	**-**				**-**				**-**				**-**				**-**
Supporting People Reserve	**552**		(100)		**452**				**452**				**452**				**452**				**452**				**452**
Voluntary Organisations Reserve	**125**				**125**			(125)	**-**				**-**				**-**				**-**				**-**
Waste Management Reserve	**4,923**		(1)		**4,922**				**4,922**				**4,922**				**4,922**				**4,922**				**4,922**
Welfare Reform Reserve	**1,590**		(300)		**1,290**			(290)	**1,000**				**1,000**				**1,000**				**1,000**				**1,000**
Street Lighting Reserve	**105**				**105**				**105**				**105**				**105**				**105**				**105**
Grants																									
Dedicated Schools Grant	**215**	800			**1,015**				**1,015**				**1,015**				**1,015**				**1,015**				**1,015**
Area Child Protection	**26**				**26**				**26**				**26**				**26**				**26**				**26**
General Grants Carried Forward	**2,485**		(753)		**1,732**				**1,732**				**1,732**				**1,732**				**1,732**				**1,732**
Public Health Grant - Public Health	**1,368**		(133)		**1,235**		(150)		**1,085**		(150)		**935**				**935**				**935**				**935**
Public Health Grant - DAAT	**130**				**130**		(35)		**95**				**95**				**95**				**95**				**95**
Monies held in Trust																									
Comp- 3 Children When Reach 18	**3**				**3**				**3**				**3**				**3**				**3**				**3**
Emily Briggs Trust	**17**				**17**				**17**				**17**				**17**				**17**				**17**
S. Thorpe Smith Bequest	**33**				**33**				**33**				**33**				**33**				**33**				**33**
Total General Fund Earmarked Reserves	**70,666**	**10,229**	**(13,796)**	**-**	**67,099**	**3,370**	**(11,892)**	**-**	**58,577**	**3,447**	**(3,056)**	**-**	**58,968**	**2,628**	**(2,380)**	**-**	**59,216**	**-**	**(1,484)**	**-**	**57,732**	**-**	**(1,483)**	**-**	**56,249**
HRA Capital Investment Reserve	**25,106**	3,552	(5,508)		**23,150**	5,126	(8,708)		**19,568**	5,641	(5,405)	(2,387)	**17,417**	6,178	(1,250)	(1,313)	**21,032**	6,627	(200)	(1,036)	**26,423**	7,057	(200)	(875)	**32,405**
HRA Major Repairs Reserve	**6,763**	6,706	(8,408)		**5,061**	5,365	(6,620)		**3,806**	5,633	(6,600)	2,387	**5,226**	5,915	(6,560)	1,313	**5,894**	6,210	(6,560)	1,036	**6,580**	6,521	(6,600)	875	**7,376**
HRA Repairs Contract Pension Reserve	**520**	60			**580**	60			**640**	60			**700**	60			**760**	60			**820**	60			**880**
Total HRA Reserves	**32,389**	**10,318**	**(13,916)**	**-**	**28,791**	**10,551**	**(15,328)**	**-**	**24,014**	**11,334**	**(12,005)**	**-**	**23,343**	**12,153**	**(7,810)**	**-**	**27,686**	**12,897**	**(6,760)**	**-**	**33,823**	**13,638**	**(6,800)**	**-**	**40,661**
Total Earmarked Reserves	**103,055**	**20,547**	**(27,712)**	**-**	**95,890**	**13,921**	**(27,220)**	**-**	**82,591**	**14,781**	**(15,061)**	**-**	**82,311**	**14,781**	**(10,190)**	**-**	**86,902**	**12,897**	**(8,244)**	**-**	**91,555**	**13,638**	**(8,283)**	**-**	**96,910**

NB: Due to rounding, numbers presented throughout these tables may not add up precisely to the totals indicated.