## Narrative Statement

Welcome to the Narrative Statement for the Statement of Accounts for Southend on-Sea City Council for the financial year 2021/22.

The accounts provide a true and fair view of the financial performance of the Council in the delivery of services to the residents of Southend-on-Sea. They also summarise the overall financial position of the Council for the year ended 31 March 2022. The accounts and accompanying documents are subject to an external independent audit by Deloitte LLP and their opinion forms part of this document.

#### Background

On 18 October 2021, the Prime Minister announced that Her Majesty the Queen would grant Southend-on-Sea City Status as a tribute to Sir David Amess, MP for Southend West, who was tragically murdered in 2021. We officially became a City on the 1st of March 2022, with a royal visit from Their Royal Highnesses, The Prince of Wales and the Duchess of Cornwall.

Southend-on-Sea City Council is one of six unitary authorities in the East of England, responsible for the delivery of a range of key public services to a current population of nearly 181,000 residents in around 80,000 households and geographically covers an area of 16 square miles.  On Census Day, 21 March 2021, Southend-on-Sea was the third most densely populated of the East of England's 45 local authority areas, with 4,336 people per square kilometre (around 31 people living on each football pitch-sized area of land).

The Council’s financial turnover for 2021/22 is circa £440m and our resources are well-managed through our budgetary and financial monitoring framework.  The graphic below represents the geographical area that is served by Southend-on-Sea City Council. The place is made up of mainly residential areas but also some industrial, commercial, retail land and property, and 529.9 hectares of protected greenspace.

Map

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The Census 2021 results show that from 2011 to 2021 there has been an increase of 12.0% in people aged 65 years and over, an increase of 1.6% in people aged 15 to 64 years, and an increase of 4.2% in children aged under 15 years.

The population pyramid (Figure 1) shows the population range in different age groups in Southend-on-Sea. On Census Day the age structure of Southend-on-Sea’s population was as follows: 19.1% aged 65 years and over; 63% aged 15 to 64 years; and 17.8% aged under 15 years.

Figure Population Pyramid (2021)

Chart

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Female

Male

According to the Index of Multiple Deprivation 2019, nearly two fifths (39%) of our residents live in areas considered to be in the most deprived 30% in England. This is particularly high in the East Central Locality, which covers the wards of St. Luke’s, Victoria, Milton and Kursaal and includes the City Centre.  Nine neighbourhoods (out of 107) in Southend-on-Sea fall into the 10% most deprived in the country.

There is a significant health inequality between our wards, with a life expectancy gap of 9 years for males and 10 years for females between the most deprived and least deprived wards.  A large proportion of children and working aged residents live in these most deprived areas, particularly compared to our residents who are aged 65 and over.  In 2020, 17.1% of Southend’s residents were economically inactive.

Southend-on-Sea is located on the Thames Estuary, within close proximity to central London.  It is bordered by Rochford (to the North) and Castle Point (to the West). We are known as a resort destination, and are home to the world’s longest leisure pier, built in 1830 that stretches for 1.34 miles into the Thames Estuary.  This attraction alone regularly receives over 300,000 visitors a year, with the area usually welcoming around 7.5 million visitors every year, making Southend-on-Sea a popular seaside destination of choice.

Southend-on-Sea City Council is a multifunctional and complex organisation, its policies are directed by the Political Leadership and implemented by officers of the Council.

#### Political Structure

Southend-on-Sea has 17 wards, and the Council consists of 51 elected members.  There is one Parish Council within the area, Leigh-on-Sea Town Council. This is governed by 16 elected members across eight wards. Their mission is to protect and promote the heritage and identity of Leigh-on-Sea to preserve the Town for current residents and to provide a legacy for future generations.

Leigh-on-Sea Town Council delivers services to meet additional specific local needs, such as managing the community centre, running a volunteer programme, organising local events, administering local allotment sites, and acting as statutory consultee on planning, highways and licensing issues.

Southend-on Sea City Council is responsible for the delivery of major city-wide services such as education, adult and children’s social care, waste collection, maintenance of the roads and pavements, looking after the parks, providing street lighting, public health, and many other services.

The political make-up of Southend-on-Sea City Council as at 31 March 2022 is summarised in Table 1.

*Table 1 Southend-on-Sea City Council's political make-up on 31 March 2022*

|  |  |
| --- | --- |
| **Political Party** | **Number of Councillors** |
| **Conservative** | 23 |
| **Labour** | 13 |
| **Independent** | 7 |
| **Liberal Democrat** | 5 |
| **Unaligned Independent** | 3 |
| **Total** | 51 |

The Council has been led by a joint political administration since May 2019.  The coalition was made up of Councillors from the following political parties; 13 Labour, 7 Independents, and 5 Liberal Democrats.

The Council has adopted the Leader and Cabinet model as its political management structure arising from the Local Government and Public Involvement in Health Act 2007.  The requirements of the Act are such that the Leader of the Council has responsibility for the appointment of Members of the Cabinet, the allocation of Portfolios and the delegation of Executive Functions.

The Cabinet is the part of the Council which is responsible for the decisions made within the constitution approved by Full Council.  The Cabinet was made up of the Leader, Deputy Leader and 5 other councillors as at 31March 2022.

As a result of the local elections held on 5 May 2022, the composition of local councillors has changed (Table 2) but the joint administration remains in overall control.

*Table 2 Southend-on-Sea City Council's political make-up since 6 May 2022*

|  |  |
| --- | --- |
| **Political Party** | **Number of Councillors** |
| **Conservative** | 21 |
| **Labour** | 16 |
| **Independent** | 6 |
| **Liberal Democrat** | 6 |
| **Unaligned Independent** | 2 |
| **Total** | 51 |

The joint administration for 2022/23 has continued and is now currently made up of councillors from the following political parties; Labour -16, Independent - 6, and Liberal Democrat - 6.

#### Management Structure

Supporting the work of all elected Members are the Council’s most senior level officers. A new professional executive leadership team was assembled in 2019/20 and as at 31March 2022, this team comprised of the following officers shown in Table 3.

Table Southend-on-Sea City Council's Senior Officers on 31 March 2022

|  |  |  |
| --- | --- | --- |
| Position | Name | Notes |
| Chief Executive and Town Clerk | Andrew Lewis | 1 |
| Deputy Chief Executive and Executive Director (Finance and Resources) | Joe Chesterton |  |
| Executive Director (Growth and Housing) | Alan Richards (Interim) |  |
| Executive Director (Adults and Communities) | Tandra Forster | 2 |
| Executive Director (Children and Public Health) | Michael Marks |  |
| Executive Director (Neighbourhoods and Environment) | Anna Eastgate | 3 |
| Executive Director (Transformation) | Stephen Meah-Sims (Interim) | 4 |
| Executive Director (Legal and Democratic Services) | John Williams | 4 |

*Note 1 - Rob Polkinghorne has been appointed as our new Chief Executive with effect from 25 October 2022.*

*Note 2 – Tandra Forster will leave the Authority on 29 August 2022.*

*Note 3 – Anna Eastgate left the Authority on 17 July 2022. John Burr is currently the Interim Executive Director (Neighbourhoods and Environment).*

*Note 4 – Stephen Meah-Sims became interim Executive Director (Strategy, Change and Governance) on 1 April 2022 after the retirement of John Williams as per the* [*proposed changes to the Senior Management Structure*](https://democracy.southend.gov.uk/documents/s44579/Report%20of%20Chief%20Executive.pdf) *of the Council which were reported to Cabinet on 15 June 2021[[1]](#footnote-2).*

#### Unprecedented Challenges Continue

The year 2020/21 was dominated by the COVID-19 pandemic, which had a fundamental impact on the day-to-day life of everyone, our national policies and governance, public services and finances of all local authorities. The Council’s civil contingency arrangements were put into effect in the run up to the first national lockdown on 23 March 2020 and have continually been adapted over the last 2 years, aligning closely to Government requirements and the collective response of the Essex Resilience Forum (ERF). The Council’s Gold command and Silver tactical groups, along with collaborative working with partners, oversaw an unprecedented mobilisation of Council, partner and community resources to help respond to the initial crisis in 2020/21 and continued to provide leadership and targeted support as requirements and local needs changed during 2021/22.

The Council is very proud of its response and continued support, working collaboratively with our residents, businesses and partners has saved lives, alleviated a breakdown of health services and supported the most vulnerable in our community. Excellent relationships and work with partners from areas, including health, community safety, education, voluntary sector, business, local authority, civil service and others has been key to our successful response and to providing ongoing support and advice. This has strengthened relationships and will enhance future partnership working.

Southend-on-Sea City 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. As reported throughout 2021/22[[2]](#footnote-3) the direct operational service arrangements of the Council and its partners continued to be severely impacted by the COVID-19 pandemic. Despite these challenges the Council remained financially resilient and responded proactively to support local communities throughout 2021/22.

The direct operational impact of the pandemic on the Council did begin to ease during the last quarter of 2021/22. Effectively coping with the aftermath of the pandemic has been exacerbated and made much more complex by the implications of the horrific events in Ukraine and an unprecedented rise in energy prices. This has contributed to monthly general inflationary increases at a level not seen since the 1970s. Most professional commentators are now predicting general inflation to reach over 10% in 2022. This has and will continue to have a huge financial impact on the Council’s financial plans for 2022/23 onwards and critically create genuine ‘cost of living’ challenges for many of our local residents.

#### COVID-19 Updated Financial Impact

The pandemic continued to have a huge direct operational and financial impact right across the country and the Local Government Sector, particularly during the early part of 2021/22. Most upper tier local authorities continued to struggle with the challenges of uncertainty, financial pressures, operational logistics and concerns for their residents and local areas in such unprecedented times. The effectiveness of the national vaccination programme has had a real positive impact on controlling the spread of the virus in 2021/22 and booster programmes continue to be delivered on a targeted basis across the population.

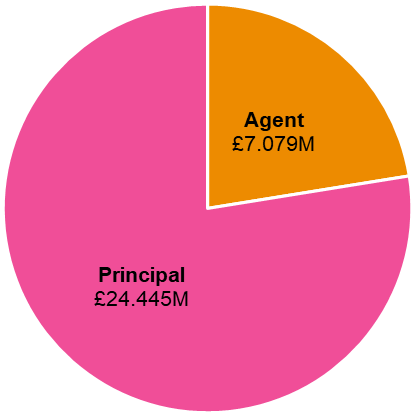
Clearly challenges remain as the country and the rest of the world monitors mutations of the virus and considers how best to get used to ‘living with COVID-19’ now and in the future. Within this context, major national policy and funding responses from Central Government in relation to the pandemic were extended into 2021/22.

The range, volume and value of different targeted financial support packages issued throughout 2020/21, continued but at a lower level into 2021/22. Regular announcements containing a varied range of funding/grant support to be either passported on to local eligible businesses and residents or to be used directly by the Council to support our local response to the pandemic also continued. The total level of financial support allocated to Southend-on-Sea from Central Government for 2021/22 totalled around **£135 million**, which included £32 million of financial support that was defrayed in 2021/22. This was supplemented by a further **£32 million** in 2021/22. This combined total of circa **£167 million** is on a scale unprecedented in the history of Government funding support for Local Authorities. The terms and conditions attached to some of these grant support mechanisms were sometimes issued late or retrospectively, which is perhaps understandable given the scale and urgency to provide additional funding to local areas at such pace.

The Government also extended other financial support arrangements for Local Authorities such as the Income Guarantee Scheme to help with the impact of reduced levels of collection of council tax and business rates. A compensation scheme for sales, fees and charges continued to try to help to partly offset significant reductions in other local authority income streams. Finally, additional financial support was issued to help local authorities cope with a range of additional administrative new burdens associated with assessing and issuing funding to eligible businesses and residents where appropriate.

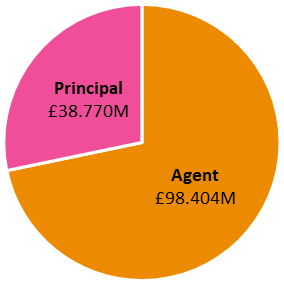
Our Revenues and Benefits teams have passported on a significant range of financial support to eligible businesses in the form of Business Rates grants, Local Restrictions Support grants and a plethora of different types of Rating Relief Discounts. To put the scale of the extra administrative burden into context around **72,000** extra applications for support from local businesses and residents have been processed over the last 2 years. Many more have also had to be reviewed to assess eligibility. The scale and governance of this overall level of additional financial support to the Council and the associated administration and reconciliation of various grant claims to Central Government have been finalised as part of the year-end closure programme for 2021/22.

Figure COVID-19 related funding received in 2021/22



The Council has some direct local influence over what the grant is spent on, the eligibility criteria used, the value of support or who it is paid to.

The Government has set rules as to who the grant is to be paid to, how much and what it is spent on.



**2020/21**

**2021/22**

Several additional grant awards continued to be made to the Council in 2021/22 to support the ongoing local response to the pandemic, some were un-ringfenced such as the Local Authority Support Grant, but most contained specific requirements that focussed on targeted activities and sectors to support Government policy intentions at a local level. Several different returns to Government have also been required and regularly submitted for a number of these new grant funding streams. This was designed to ensure a regular flow of information back to Government to assess the local impact and effectiveness of the funding provided.

The operating landscape continues to be uncertain as the medium to long term implications on demand and service delivery during the transition from responding to the impact of the pandemic and moving towards building and enabling a successful recovery are difficult to assess. Our immediate responsive financial strategy has therefore been made a lot more difficult to design because of this added complexity and uncertainty. The situation will continue to be closely monitored and appropriate tactics will be deployed to support local businesses and communities wherever possible throughout 2022/23. The Council maintained a strong financial grip on operations throughout the pandemic and has remained financially secure and resilient. The challenges that will be faced in 2022/23 will be even more significant due to the combination of major increases in core service demand and huge increases in inflationary cost pressures that are now beginning to be experienced right across the Council.

#### Southend 2050 Ambition and Updated Outcomes

Southend 2050 is the city’s shared ambition for the future. It was developed in 2018 following extensive conversations with people who 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 pandemic has made the Southend 2050 ambition more challenging, but it remains achievable. It will need all elements of our community to work together to make it a reality. We will also need our neighbouring boroughs and Central Government to play their part.

The Southend 2050 ambition has 21 outcomes, which fit into six themes.

These themes (summarised in Figure 3) provided a framework for our response to the pandemic and continue to inform our approach to helping local economic recovery.

Figure Southend 2050 Themes

The Council is modernising and adapting to provide quality services, whilst safeguarding the Council’s financial health and sustainability



For more information and insight into the Council’s approach and roadmap for delivery see the [Southend 2050](https://www.southend.gov.uk/southend-2050-7)[[3]](#footnote-4) pages on our website. Building on this ambition a new Corporate Plan is under development that will bring a key focus to our priorities and activities over the medium term for 2023/24.

#### Financial and Performance Overview 2021/22

The General Fund Revenue Account for 2021/22 had a net expenditure budget of £123.091M (gross expenditure £323.424M; gross income £200.333M). Revenue spending covers the day to day running costs of the Council’s services, such as schools, social services, and leisure. This spending is financed by government grants, council tax, retained business rates and other income such as fees and charges. The Council agreed a council tax requirement, including Leigh-on-Sea Town Council precept, of £88.1m for 2021/22 (£84.8m for 2020/21).

The Delivery of Southend 2050 Outcomes and Priorities: Annual Report and Provisional Resources Outturn 2021/22 was reported to Cabinet on 14th June 2022 and the full report is available [here](https://democracy.southend.gov.uk/documents/s50777/Report%20of%20Exec%20Director%20Finance%20and%20Resources.pdf)[[4]](#footnote-5).

This report summarised the Council’s achievements, successes and challenges within the 2021/22 Annual Report and provided a comprehensive analysis of the provisional financial performance for the General Fund, Housing Revenue Account (HRA) and Capital Investment Programme. Despite the huge challenges caused by the local impact of the pandemic, 2021/22 was still a year of successes and creativity across our 400+ services with a variety and complexity unlike any other organisation locally. Not every resident will use every service, but the work of the Council is vital to the wellbeing and way of life of residents right across the City.

A summary of our achievements in 2021/22 include:

* completing construction on the council’s first ever zero carbon affordable homes at Saxon Gardens, Shoeburyness, using modern methods of construction to help reduce carbon emissions.
* growing our pier visitor numbers, with record-breaking visitor numbers in the summer and the best January, February and March attendance figures since records began 15 years ago.
* Brook Meadows House opening in Westcliff-on-Sea to provide integrated care services to those living with dementia and complex needs. Services include rehabilitation support for adults discharged from hospital, the Viking Day Service for adults with learning disabilities, and Making It Work supported employment service.
* enabling 18 rough sleepers to move into housing, by completing the purchase of 18 properties for the Rough Sleepers Accommodation Programme, with all 18 let to former rough sleepers.
* being awarded Purple Flag accreditation for the ninth consecutive year, highlighting our night-time economy as safe, diverse, entertaining and enjoyable.
* securing 19 providers and 20 venues in Southend-on-Sea for the Holiday Activities and Food programme, which reached 1,130 children during the summer
* supporting Afghan and Ukrainian families to move safely into accommodation, ensuring they are able to access local services, and are warmly welcomed into our community.
* securing funding for the Focal Point Gallery from Creative Estuary for the commission of a new major public artwork to welcome visitors and residents to the city.
* completing the main works for the £8 million essential highway maintenance on the A127 and Bell junction, helping to reduce congestion, enhance pedestrian crossing facilities and improve air quality in the area.
* increasing connectivity in the city through Southend-on-Sea’s £30 million full fibre upgrade, which is being delivered in partnership with digital infrastructure programme CityFibre, with over 55% of the city now having access to gigabit broadband.

2021/22 has again been an incredibly challenging and unpredictable year, initially due to the continued impact of the pandemic and then during the last quarter of the year – the events in Ukraine and the first signs of rampant inflationary pressures. Here in Southend-on-Sea, the scale of the local financial impact on both expenditure and income expectations again led to major variations from our original approved plans for 2021/22 and the actual profile of spending was different to what we would expect to see in a normal year. The Council, along with the rest of the public sector, has also continued to receive high levels of additional funding support from Central Government to try to mitigate the financial impact of the pandemic. This contributed to both the abnormal pattern of spending and volatility in our cashflow position throughout the year.

Additional technical compliance requirements and accounting arrangements introduced for the Local Government Sector in 2020/21 have continued into 2021/22. This has been necessary to reflect the additional funding received but also to account appropriately for the different types of support that Central Government has provided. The area of largest change in financial terms has been the relationship between the Council’s Collection Fund (which is used to record the transactions and cashflows relating to Business Rates and Council Tax receipts) and the General Fund (which in simple terms records all income and expenditure relating to services).

Given the size and complexity of the Council’s operations and the volatility caused by COVID-19 there are several variations from the original approved plans across individual service areas. As part of the year-end arrangements, consideration has also been given to the need to review the level of provisions for insurance, future transformation priorities, specific service considerations, bad and doubtful debts and other challenges particularly around the ‘cost of living’ crisis that became more pronounced by the end of the financial year.

To illustrate the volatility that the pandemic has caused the following diagram (Figure 4) compares the contributions to/from earmarked reserves which took place at year end in 2021/22 with 2020/21 and 2019/20.

Figure 4 Year End Contributions to / (from) reserves

The overall net impact on the General Fund Revenue Budget for 2021/22 of all the actual income and expenditure variations within services, review of provisions and earmarked reserves, together with additional Government Support resulted in an overall net underspend of £0.347M. This has been appropriated to the Business Transformation earmarked reserve to support the future re-design of services programme.

The Housing Revenue Account (HRA) reported an overall in-year surplus in 2021/22 of £0.187M (*£2.731M surplus for 2020/21)*.  In February 2021 it was forecast that HRA resources would be used to support an ambitious acquisitions and new build programme (£8.334M) to create more affordable homes for the 2021/22 financial year. This was planned to be financed from a forecast in-year surplus of £4.062M and a draw down from reserves of £4.272M.  Given prevailing economic and market conditions and the resulting supply chain issues and buoyant housing market, it has not been possible to deliver the acquisitions or construction programmes to the level that was planned. Reduced expenditure has meant that the actual in-year surplus of £3.312M is sufficient to fund the required revenue contribution to the capital programme of £3.125M, leaving an overall surplus for the year of £0.187M.

Another major concern around COVID-19 was the impact on income collection levels and potential difficulties for tenants paying their rent and service charges due to changing circumstances.  This was mitigated by proactive working with tenants by South Essex Homes. The surplus for the year has been appropriated to the Capital Investment Reserve to enable the ambitious plans to deliver more affordable homes to be accelerated in 2022/23 and to provide further investment into the overall Council’s housing stock to continue to create better conditions and environments for local tenants.

The level of earmarked reserves held by Southend Borough Council (including maintained schools) as at 31 March 2022 is £134.549M (*£140.323M at 31 March 2021)* (see note 20 in the Statement of Accounts 2021/22). The decrease in reserves is linked directly to the accounting arrangements for Section 31 grants due to COVID-19. The total level of other earmarked reserves has increased in total for 2021/22 which demonstrates the financial strength and resilience of the Organisation and places it in a robust position to continue to navigate the ongoing challenges of supporting our local area’s recovery from COVID-19 and to cope with the ongoing expected increases in demand and complexity for critical services in the future.

#### Revenue Outturn 2021/22

The final revenue outturn position for 2021/22 on a net expenditure basis is set out in Table 4. The analysis of the actual costs reflects the way the Council’s finances are managed, as opposed to the statutory required analysis used in the Statement of Accounts itself.

The analysis in Table 4 does not include any of the following income and expenditure items: pension adjustments, MRP adjustments, recharges, capital charges, Revenue Expenditure Funded from Capital under Statute (REFCUS) and revaluation gains. These numbers can be identified in the statement of accounts.

The table illustrates the volatility and financial impact against the approved budget for 2021/22 for the General Fund and highlights the scale of spending variations. A reduction of £2.479M in the planned level of revenue contributions to capital expenditure, primarily due to a lower number of properties acquired and constructed to provide more affordable homes within the HRA. The extra £4.166M received for non-service specific grants relates to the extra Government support received for COVID-19. Careful consideration has also been given to ensure that the Council prepares appropriately for the ongoing impact of global events and our local economic recovery aspirations in 2022/23 and the future.

Table Revenue Outturn 2021/22

|  | **2021/22 Budget £000s** | **2021/22 Actual £000s** | **2021/22 Variance £000s** |
| --- | --- | --- | --- |
| **Portfolios** |  |  |  |
| Leader: Economic Recovery & Regeneration | 9,364 | 8,785 | (579) |
| Deputy Leader: Transport, Asset Management & Inward Investment | 542 | 3,222 | 2,680 |
| Adult Social Care & Health Integration | 40,624 | 39,080 | (1,544) |
| Children and Learning | 27,858 | 29,424 | 1,566 |
| Communities & Housing | 2,921 | 2,135 | (786) |
| Corporate Services & Performance Delivery | 18,257 | 17,817 | (440) |
| Environment, Culture, Tourism & Planning | 8,428 | 9,740 | 1,312 |
| Public Protection | 14,097 | 15,229 | 1,132 |
| Housing Revenue Account | (6,050) | (8,369) | (2,319) |
| Corporate Budgets | 5,012 | 4,311 | (701) |
| **Net Controllable Cost of Portfolios** | **121,053** | **121,374** | **321** |
| Statutory Adjustments | 0 | 3,945 | 3,945 |
| **Adjusted Net Controllable Cost of Portfolios** | **121,053** | **125,319** | **4,266** |
| Levies | 645 | 634 | (11) |
| Leigh Town Council Precept | 443 | 443 | 0 |
| Financing Costs, Interest, etc. | 20,641 | 20,906 | 265 |
| **Net Operating Expenditure** | **142,782** | **147,302** | **4,520** |
| Revenue Contribution to Capital | 6,088 | 3,609 | (2,479) |
| Non Service Specific Grants | (7,735) | (11,901) | (4,166) |
| Contribution to / (from) Earmarked Reserves | (7,140) | (5,611) | 1,529 |
| **Total to be Funded from Council Tax and Formula Grant** | **133,995** | **133,399** | **(596)** |
| Funded from |  |  |  |
| Revenue Support Grant | (6,082) | (6,055) | 27 |
| Retained Business Rates | (35,589) | (37,068) | (1,479) |
| Collection Fund Surplus and Reserves | (1,500) | (1,500) | 0 |
| Planned Contributions from Reserves | (2,500) | 0 | 2,500 |
| Council Tax (Southend-on-Sea Borough Council and Leigh Town Council) | (88,324) | (88,776) | (452) |
| **Total Funding** | **(133,995)** | **(133,399)** | **596** |
| **Contribution (to) / from General Reserve** | **0** | **0** | **0** |

Table 5 reconciles the analysis of the Comprehensive Income and Expenditure Statement in the Statement of Accounts 2021/22 to the outturn summary in Table 4.

Table Reconciliation of Gross Expenditure to Transfer to General Fund

|  | **2021/22 £000s** |
| --- | --- |
| Gross Expenditure on Services | 459,128 |
| Gross Income on Services | (441,304) |
| **Net Cost of Services** | **17,824** |
| Adjustments between accounting basis and funding basis under regulation | (23,435) |
| Transfers from Earmarked Reserves and HRA | 5,611 |
| **Contribution (to) / from General Reserve** | **0** |

The “Transfer (to) / from the General Reserve” of nil is common throughout, regardless of the format of the information.

The Council has spent £459.128M to deliver services funded by £459.128M of income in 2021/22. The following charts show how the money was funded in 2021/22 and how it was spent.

Figure Revenue Income (Funding Sources) 2021/22

Figure 5 sets out how gross expenditure is funded. The largest source of income is government grants (see Note 18 in the Statement of Accounts 2021/22 for a full analysis). It remains the largest element due to the continuation of the national subsidy arrangements for local eligible benefit claimants, increased one-off Government grants issued in 2021/22 to support the response to the COVID-19 pandemic and funding for local schools from the Dedicated Schools Grant. For the majority of Council services direct support from Government Grant continues to reduce each year and represents a smaller proportion of the total cost of provision. Whilst not direct income received in year, other adjustments include the appropriate application of earmarked reserves and reversal under statutory regulations for accounting charges that are put through the income and expenditure statement.

Figure Gross Revenue Expenditure Objective (Service Area) 2021/22

Figure 6 sets out how gross expenditure is split across the various portfolios of services the Council operates under. As part of the funding source commentary highlighted for Figure 5 the Corporate Services and Performance Delivery includes the £53M cost of housing benefit payments made. Children & Learning includes the passing onwards of dedicated schools’ grants and other payments to the Council’s maintained schools (£28M). Non portfolio services include interest payable, levies and payments to the Government Housing Capital Receipts Pool.

Figure Gross Revenue Expenditure Subjective (By Type) 2021/22

Figure 7 sets out how gross expenditure is split by type. Other service expenses cover the running costs of services excluding employees, and therefore includes the cost of suppliers and contractors, together with monies paid out to schools and benefit claimants. Other expenses cover several accounting charges put through the income and expenditure statement, only to be reversed under statutory regulations.

#### Economy, Efficiency and Effectiveness

The Council is continually striving to improve all aspects of the organisation in terms of value for money. Its goal is to also improve the wellbeing and productivity of all staff by investing in technology, encouraging innovation, creativity, and modern ways of working via the WorkSmart initiative and feedback from the extensive consultation undertaken with staff around our Future Ways of Working (FWOW) in response to the pandemic and increasing demand challenges.

Our ‘Getting to Know Your Business’ programme for service managers continued to be embedded in 2021/22 and will be essential in assessing the new operating environment, financial challenges and value for money of service delivery arrangements. The ambition is that all service managers in Southend-on-Sea City Council will have a comprehensive understanding of their business areas in terms of their benchmarked operational and financial performance, key demand and cost drivers, income levels, commercial opportunities, value for money and customer insight. This programme is designed to support managers to improve productivity and efficiency in all our business areas ensuring that we secure best value but also to support a more targeted outcomes-based approach to investment.

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

To inform and highlight the Council’s relative success in delivering the full range of unitary authority services locally with less resources Figure 8 illustrates where the Council ranks based on the spending power per dwelling against our nearest statistical neighbour’s comparator group. The Council has the 9th lowest spending power per dwelling out of 16 authorities within our group which means that it has less comparable resources available to meet the relative needs of residents, when compared with similar local authorities.

Figure Core Spending Power per Dwelling (£) 2021/22

Source: DLUHC

Core Spending Power measures the core revenue funding available for local authority services, including Council Tax and locally retained business rates.

The Council also suffers from a relatively weak domestic dwelling tax base as illustrated in Figure 9. This shows that around 70% of all domestic dwellings are in Bands A - C and therefore these households pay below the Band D average, which is the national comparator for Council Tax charges. This local situation is then further compounded due to almost 35% of all chargeable domestic dwellings currently receiving a 25% discount due to single person occupancy and a further 3% of dwellings currently entitled to between 50% to 100% exemption/discount from Council Tax liability.

Figure Properties per Council Tax Band in Southend on Sea

Chart

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Historically when the Council first became a Unitary Authority it took local decisions to try to minimise the financial burden on the local council taxpayer for Southend-on-Sea as far as possible. Figure 10 illustrates the level of council tax (Band D equivalent) charged by Local Authorities from our nearest geographical neighbours in Essex for 2021/22. This is an important factor when considering Southend-on-Sea’s commitment to providing value for money services that meet the needs of residents.

Figure Council Tax Comparison - Band D 2021/22

#### Capital Expenditure

As well as delivering vital day to day services for residents, businesses and visitors, the Council continues to be at the heart of investment in the local area, improving assets to deliver services more efficiently and effectively and creating the right conditions to attract additional private sector investment.

Capital spending can generally be defined as that which generates assets that have a life of more than one year. This includes the acquisition or construction of new assets and expenditure that improves, and not merely maintains, the value of existing assets.

In 2021/22 the Council invested £69.5m (*£66.3m in 2020/21)* into capital schemes to continue to improve Southend as a place, including the development of the Airport Business Park, investment to facilitate the delivery of Better Queensway which will be the largest housing and regeneration project the Council has undertaken since the 1960’s, the completion of Brook Meadows House, improvements to the city’s highways and footpath network, investment in the Pier and the refurbishment, acquisition and construction of council housing.

#### Capital Investment 2021/22

A summary of the investment programme is shown in the following chart:

Figure Capital Investment Programme 2021/22

In Figure 11, S106 agreements are planning obligations under Section 106 of the Town and Country Planning Act. S38 agreements are highways obligations under Section 38 of the Highways Act 1980. CIL refers to the Community Infrastructure Levy charged on new developments which is used to fund infrastructure.

The strategic capital projects that the Council has undertaken this year are summarised in Table 6.

Table Summary of Strategic Capital Projects in 2021/22

| **Capital Project** | **2021/22 £000s** |
| --- | --- |
| Footways and Carriageways | 11,366 |
| Brook Meadows House | 9,632 |
| Airport Business Park | 7,218 |
| Housing Revenue Account – Decent Homes Programme | 6,845 |
| Highways and Infrastructure – Local Growth Fund and Local Transport Plan | 6,841 |
| Southend Pier Schemes | 4,319 |
| Housing Revenue Account – Housing Acquisitions Programme | 3,785 |
| ICT Schemes | 3,494 |
| Better Queensway | 2,440 |
| Housing Revenue Account – Construction of New Housing | 1,251 |
| Victoria Centre | 457 |
| Levelling Up Fund Schemes | 443 |
| Parking Schemes | 425 |
|  |  |

#### Financing of Capital Expenditure

The external funding of the capital investment programme comes from several sources, including government funding, third party (often private sector) contributions, capital receipts from the sale of assets, and borrowing. Figure 12 shows how the £69.5m capital expenditure was funded for the 2021/22 year.

Figure Capital Expenditure Funding Sources 2021/22

Borrowing is kept within affordable levels, with the total accumulated loans owed to external lenders and credit arrangements amounting to £358.0m at 31 March 2022 *(£321.2m* *at 31 March 2021*).

The Council also owes money to Essex County Council in respect of assets transferred to Southend-on-Sea City Council in 1998 as part of the Local Government Re-organisation. The amount is £9.6m at 31 March 2022 *(£10.2m* *at 31 March 2021)*.

The Council’s operational upper limit for borrowing has been set at £375m (excluding transferred debt) *(£375m in 2020/21)*. Accounting for the borrowing outlined above, this leaves headroom of £17.0m *(£53.8m in 2020/21)*.

This level of debt should also be viewed in relation to the Council’s long-term assets which have a net book value of £1,007.6m at 31 March 2022 *(£936.4m at 31 March 2021)*.

#### Long Term Assets

The Council’s long-term assets are those expected to provide benefits beyond 12 months and consist of Property, Plant & Equipment, Heritage Assets, Investment Property, Intangible Assets, Long Term Investments and Long Term Debtors. At 31 March 2022, the total net book value of these long-term assets was £1,007.6m *(£936.4m at 31 March 2021)*.

As a result of the Government’s recent policy on the transfer of schools to academy status, over the last few years many of the City’s schools have transferred. One school transferred in 2021/22 and it is not anticipated that any further schools will transfer in the forthcoming year. If any did, this would reduce the current net book value of the long-term assets held of £50.0m at 31 March 2022 (£*50.9m at 31 March 2021)* for schools on the Council’s Balance Sheet.

#### Housing

The Council is required by statute to maintain the Housing Revenue Account (HRA) in overall surplus, which includes balances brought forward from the previous year.

For the 2021/22 financial year the HRA has maintained the same general balance carried forward of £3.5M *(£3.5M in 2020/21)*. Council rents for general needs and sheltered properties were increased by 1.5% in 2021/22 *(increased by 2.7*% *in 2020/21)* in accordance with the long-term rent deal announced by the government in October 2017. This allowed for annual rent increases of up to the Consumer Price Index (CPI) rate at September each year plus 1 percentage point.

In 2021/22 average rents for general needs properties (excluding service charges) were £90.51 per week *(£89.17 in 2020/21*), and £78.85 per week *(£77.68 in 2020/21*) for sheltered accommodation.

The full financial performance of the HRA is reported in the Statement of Accounts 2021/22.

#### Group Performance

Local Authorities with subsidiary companies, associated companies and joint ventures are required to prepare group accounts. The Council has two wholly owned subsidiaries, South Essex Homes Limited and Southend Care Limited that prepare and publish their own accounts, which are then consolidated with Southend-on-Sea City Council.

In addition, the Council has three other subsidiary companies and is party to five joint ventures, for which the Council’s proportions of net assets are immaterial to the accounts and therefore have not been consolidated into the group accounts, except for Porters Place Southend-on-Sea LLP. This joint venture is not yet material in a quantitative sense but will become so as the years progress and had been deemed material in a qualitative sense as Better Queensway is the largest housing and regeneration project the Council has undertaken since the 1960’s. The LLP and the Council have different reporting deadlines and the LLP advised that their draft Financial Statements for 2021/22 would not be available in time for the Council to meet its statutory deadline for publication of these draft accounts. These draft group accounts have therefore been prepared without including 50% of the figures for Porters Place Southend-on-Sea LLP. To ensure consistency between financial years their figures have also been removed from the 2020/21 comparatives. The figures for both financial years will be included before the audited and signed Statement of Accounts for the Council are finalised.

The only changes to the group structure since last year is that one of the subsidiary companies (Southend Independent Living) and one of the joint ventures (Sustainable Motion CIC) were dissolved. They had both already ceased trading.

The Council is also sole trustee for eight Trusts, all of which have been consolidated as part of the Group Accounts.

## Financial Health of the Council as at 31 March 2022

The Government’s unprecedented fiscal response to the COVID-19 pandemic resulted in the Council receiving funds in advance of incurring expenditure or paying out grants and providing other financial support to residents and businesses. This led to increased levels of cashflow balances throughout the year. This unusual set of circumstances is clearly only temporary and cashflow patterns and treasury management arrangements returned to more normal activity levels during the last quarter of 2021/22.

The pandemic had a varied impact on the Council’s planned delivery of its 2021/22 capital investment programme. Some schemes were delayed due to reduced availability of materials and labour, supply chain disruption or enforced access restrictions due to the requirements for socially distanced working. Some property refurbishment schemes were delivered ahead of time as works were rescheduled to be undertaken on properties that were now available earlier than planned due to the national lockdown measures.

There was a phased programme of temporary closure, part closure and re-configuration of Council services on public health and safety grounds in response to the various national restrictions and then subsequent easing of lockdown measures. In these circumstances the assets of the Council have not been reduced in value because of any permanent need to close facilities or through providing alternative levels of service provision.

#### Assets

During 2021/22 fixed assets have increased in value by £59.6M *(£41.5M in 2020/21)* due to the net effect of additions, disposals, revaluations, and depreciation.

Fixed assets included in the Balance Sheet at current value are revalued or have indexation adjustments applied sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum are revalued every five years.

For additional information see notes 21 to 24 in the Statement of Accounts 2021/22.

#### Capital Investment and Borrowing

The Council’s underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a measure of the Council’s debt position and represents capital expenditure up to the end of 2021/22 which has not yet been charged to revenue. The process of charging the capital expenditure to revenue is a statutory requirement and is done by means of the Minimum Revenue Provision. The position for 2021/22 is summarised in Table 7.

Table Capital Financing Requirement

|  | **2021/22 £M** |
| --- | --- |
| Balance 1st April 2021 | 397.8 |
| Plus: capital expenditure financed by borrowing (internal and invest to save financing) | 38.7 |
| Plus: fixed assets subject to finance leases | 0.2 |
| Less: Minimum Revenue Provision | (10.0) |
| **Balance 31st March 2022** | **426.7** |

The CFR is the Council’s theoretical need to borrow but the Council’s actual borrowing position can be managed by either borrowing to the CFR, choosing to use temporary cash flow funds instead of borrowing (internal borrowing) or borrowing for future increases in the CFR (borrowing in advance of need).

The Council has currently addressed the theoretical need to borrow by having undertaken external borrowing and credit arrangements of £358.0M and by internally borrowing the remaining £68.7M. Actual borrowing will only be undertaken as and when required to finance capital and the amount and timing of any loans will have regard to the Council’s cash flow, the prevailing interest rates and the future requirements of the capital investment programme.

The capital investment programme over the next five years is planned to be financed as shown in Table 8.

Table Financing of Capital Investment

|  | **2022/23 £M** | **2023/24 £M** | **2024/25 £M** | **2025/26 £M** | **2026/27 £M** | **Total £M** |
| --- | --- | --- | --- | --- | --- | --- |
| Borrowing | 49.1 | 16.8 | 11.7 | 7.9 | 4.6 | 90.1 |
| Grants and third-party contributions | 48.5 | 16.2 | 1.2 | 0.8 | 1.4 | 68.1 |
| Revenue Contributions | 15.1 | 12.9 | 8.3 | 0.2 | 0 | 36.5 |
| Capital Receipts | 2.8 | 3.3 | 0.7 | 0.2 | 0 | 7.0 |
| **Total** | **115.5** | **49.2** | **21.9** | **9.1** | **6.0** | **201.7** |

#### Pensions

The Council participates in the Local Government Pension Scheme administered by Essex County Council. It is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into the fund, calculated at a level to balance the pension liabilities against investment assets.

The fund is subject to a valuation every three years. The 31March 2019 valuation set the contribution rates from 2020/21 to 2022/23. At 31March 2019, the funding level for the whole fund was estimated at 97% and the Council agreed a strategy with the scheme’s actuary to achieve a funding level of 100% over the next 5 years.

For additional information see note 37 in the Statement of Accounts 2021/22.

#### Reserves

The Council’s reserves consist of general and earmarked reserves. The movement in Reserves Statement in the Statement of Accounts 2021/22 shows the split and movement of those reserves during the year.

The Council maintains a level of balances and reserves to meet any future unforeseen expenditure that may arise and for any planned future expenditure. These balances are held in the form of a general contingency such as the General Fund Balance, or for a specific purpose in the form of an earmarked reserve.

The Council has comprehensively updated its Medium Term Financial Strategy based on the best possible information it had available at the time (approved February 2022) reflecting an assessment of the local impact of the COVID-19 pandemic, local priorities and ambitions. The Council must consider emerging risks such as uncertainty of future funding levels from 2023/24, the recent unpredicted and unprecedented rapid rise in inflationary pressures and other external factors such as the longer-term impact of COVID-19, Brexit, internal risks including increased commercial activity and the challenges faced by all council’s relating to increasing demand and complexity in areas like social care. Careful and prudent financial management throughout 2021/22 has enabled the Council to increase its overall level of reserves compared to what was originally planned to try to provide both a buffer for the uncertain challenging future we face and to invest in critical service transformation programmes.

These factors have contributed to the Council continuing to maintain a General Fund Balance of £11.0M at 31March 2022 (*£11.0M at 31 March 2021)*.

The Council holds £96.143M *(£101.941M at 31 March 2021)* of general fund earmarked reserves as shown in Table 9.

Table General Fund Earmarked Reserves

| **Earmarked Reserve** | **Opening Balance 1April 2021 £M** | **Contributions / (Use) 2021/22 £M** | **Closing Balance 31March 2022 £M** |
| --- | --- | --- | --- |
| Capital Investment Reserves | 25.785 | (1.667) | 24.118 |
| Insurance Reserves | 6.033 | 0 | 6.033 |
| Corporate Reserves | 27.017 | 1.454 | 28.471 |
| Service Reserves | 12.690 | (1.537) | 11.153 |
| Grant Reserves | 25.882 | (7.968) | 17.914 |
| Dedicated Schools Grant | 4.481 | 3.920 | 8.401 |
| Monies Held in Trust | 0.053 | 0 | 0.053 |
| **Total** | **101.941** | **(5.798)** | **96.143** |

The net total contribution from earmarked reserves in 2021/22 of £5.798M *(net total contribution to earmarked reserves of £29.653M in 2020/21)* includes use of £11.9M of Section 31 Grant for Business Rates appropriated in 2020/21, and the addition of £7.2M of the same grant received in 2021/22 for use in 2022/23. Similarly, £7.6M of COVID-19 grants received in 2020/21 were used in 2021/22 and a further £3.4M of grants received in 2021/22 have been moved to reserves for use in 2022/23. Other significant movements from reserves were use of £5.5M for Health and Social Care system transformation ambitions, funded by our Health partners in 2020/21. These two areas account for a net movement from reserves of £14.5M.

The net total contribution from reserves of £5.798 included the addition to reserves of £8.7M which includes £3.9M of ring-fenced Dedicated Schools Grant, £1.0M to create a ‘cost of living’ reserve, £1.0M for operational inflation pressures, £0.9M to deal with future benefits volatility/transformation and £1.75M top-up to the Technology Transition and Systems Modernisation Reserve. These additional contributions to our reserves in 2021/22 were possible due to the strong financial management that was deployed throughout the year.

The HRA’s financial strategy includes a determination that a prudent level of the HRA General Balance is £3.5M, having regard for the inherent levels of future financial risk and uncertainty. The Council’s HRA holds £34.839M *(£34.652M on 31 March 2021)* of earmarked reserves as shown in Table 10.

Table HRA Earmarked Reserves

| **HRA Earmarked Reserve** | **Opening Balance 1st April 2021 £M** | **Contributions / (Use) 2021/22 £M** | **Closing Balance 31st March 2022 £M** |
| --- | --- | --- | --- |
| Capital Investment Reserve | 27.107 | 0.890 | 27.997 |
| Revenue Major Repairs Reserve | 6.905 | (0.763) | 6.142 |
| Contract Pension Reserve | 0.640 | 0.060 | 0.700 |
| **Total** | **34.652** | **0.187** | **34.839** |

The HRA also maintains another Major Repairs Reserve which is limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance of this reserve at 31 March 2022 is £8.395M *(£8.067M at 31 March 2021)* and represents the level of capital resources that have yet to be applied at the year-end.

There are also usable capital receipts of £14.654M (£2.315M general fund and £12.339M HRA) and capital grants not yet applied of £31.238M available to finance future planned capital expenditure.

The maintained schools in the borough also hold £3.567M of balances and £8.401M of earmarked reserves. These, together with the general fund and HRA earmarked reserves in the tables above, comprise the total of £134.549M of earmarked reserves shown in note 20 in the Statement of Accounts 2021/22.

#### Brexit On-going Considerations

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Following the General Election on 12 December 2019, a new Conservative Government was elected, and Parliament ratified the withdrawal agreement. The UK left the EU at 11pm GMT on 31 January 2020. This began a transition period that was set to end on 31 December 2020. The UK and the EU are still negotiating their future relationship on several economic and policy areas. The outcome of these negotiations will determine the outstanding arrangements that will apply in relation to the terms of the UK’s exit.

Southend-on-Sea City Council have kept a watching brief over developments throughout 2021/22. A cross-Council working group was established and has met on a regular basis, chaired by the Brexit lead with input from the Essex Resilience Forum and the East of England Local Government Association. This remains a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

#### Medium Term Financial Strategy (MTFS) 2022/23 – 2026/27

The key overriding aim of the Council’s MTFS is ‘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.’

**As part of the development and approval of the 2022/23 Budget and Medium Term Financial Strategy in February 2022 a new Budget Transformation Programme for 2023/24 – 2026/27, was agreed as part of the Council’s overall budget package, with specific areas and themes identified to be scoped and developed further during 2022/23. This will support the Council’s future financial sustainability commitment and help to target resources and re-design plans to avoid a financial ‘cliff edge’ which would require even more drastic action over a shorter time frame.**

Other measures to support the Council’s drive towards financial sustainability and to shape our priorities include: on-going budget reviews; implementation of outcome-based budgeting principles; better linking of business planning and budgeting to service outcomes; effective and creative management of service demand; review of major contractual arrangements; further implementation of the Commissioning Framework; exploring new commercial opportunities; evaluating a range of income generation initiatives and continuing to enhance our systems, processes and internal business transformation arrangements.

The recent unpredicted and unprecedented rapid rise in inflation, together with changing professional opinions on the depth and duration of continued inflationary increases into the future, will add significant new pressures and local challenges for the Council. This new inflation forecast data has been published since the Council’s budget was approved and will mean some very difficult choices and prioritisation of existing approved spending plans for both capital and revenue during 2022/23 will have to be undertaken.

The operating landscape continues to be uncertain as the medium to long term implications on demand and service delivery during the transition from responding to the impact of the pandemic and towards building and enabling a successful recovery are difficult to assess. This has been compounded by the unprecedented recent increases in inflationary pressures both for the Council and for local residents. The situation will continue to be closely monitored and appropriate tactics will be deployed to support local businesses and communities wherever possible throughout 2022/23.

A considerable amount of analysis and financial planning was undertaken during the pandemic. This provided a useful platform to build from but the impact and uncertainty that the pandemic has caused is very difficult to evaluate and assess across the medium to longer term. Prior to COVID-19 Southend-on-Sea was already having to respond to some high value social care demand trends. This scenario was replicated in many other upper tier authorities right across the country. These pressures had been recognised locally and attempts were made to address some of these issues by increasing the revenue base of these services for 2022/23 and as part of the Medium Term Financial Strategy.

The concerns highlighted during 2021/22 around the potential for previously hidden demand during the pandemic are now beginning to surface locally. This is due to a combination of the impact of ‘post COVID-19’ re-engagement with services and the more recent additional cost of living crisis that is now hitting our local communities.

The Council was predicting a cumulative budget gap of £24.0M up to the end of 2026/27. The Council’s forecast profile of this budget gap for each of the next five years is detailed in the following chart (Figure 13) which illustrates the estimated funding gap to 2026/27 as reported to Council in February 2022.

Figure Forecast Income and Expenditure

The potential budget gap is now going to be significantly larger over the medium term. During the first quarter of 2022/23, the Council has experienced the perfect storm of huge increases in demand for services, combined with increasing inflationary pressures at a level not seen for decades, across almost every aspect of the Council’s operations. A comprehensive Period 4 financial monitoring and performance report will be presented to Cabinet in September 2022. This will highlight the extent of the financial pressure in 2022/23 and provide a revised illustration of the potential impact on the Council’s budget over the medium term until 2026/27. Most of the local government sector is predicting major financial challenges and lobbying for additional funding support has already commenced. Southend-on-Sea will undoubtedly be faced with some very difficult choices on the level and range of service offer it can afford to provide in the future.

The challenge of designing and implementing potential mitigating strategies for 2022/23 and the future has been made far more complex due to the impact and speed of the inflationary pressures and surge in demand for critical statutory services.

To help address and close the revised estimated budget gap over the next five years the Council will continue to aim to achieve financial sustainability from local income sources in the future and improve its efficiency and productivity. The Council will continue to work collaboratively with its partners, increase its focus on the delivery or joint commissioning of services in a targeted way to ensure that those in most need and who will receive the greatest benefit are the recipients of services. It is vital that we continue learn from our COVID-19 experience and tailor our services and working practices accordingly.

The Council also has an ambitious capital investment programme designed to create the right conditions to attract additional private sector investment into the local area and to directly benefit Southend’s residents, businesses, and future visitors. The level of planned investment is around £202m over the next five years.

#### Financial Resilience and Future Sustainability

We are an ambitious Council that is committed to continually improving our performance and delivering better outcomes for residents through our Southend 2050 programme. The Council is determined to build on the solid financial foundation that it has worked so hard to create locally. The operating landscape continues to be uncertain as the medium to long term implications on demand and service delivery during the transition from responding to the impact of the pandemic and towards building and enabling a successful recovery are difficult to assess. This will be essential to help to navigate the challenges and legacy impact of the pandemic and continue to effectively manage the level of increasing and more complex local demand for priority services.

This has been compounded by the unprecedented recent increases in inflationary pressures both for the Council and for local residents. The Council is already learning of major concerns from lots of residents about the impacts of cost of living rises on their day-to-day lives. Price increases for food and fuel, as well as in supply chains for other goods, are leading to many more local residents ‘just about managing’ or actually falling into poverty. This situation was getting worse locally even before the latest price increases started to take effect.

Our desire to improve, learn and provide value for money is also predicated on acting responsibly and ensuring our plans are affordable and sensible. Our approach and evidence of our relative financial strength was illustrated independently by CIPFA’s Financial Resilience Index that was published in February 2021. CIPFA did produce an updated Index for 2022 (February 2022) but it was heavily caveated and quite rightly also included a ‘health warning’ particularly for the changes in the levels of Reserves for most local authorities. The 2022 Index has effectively been classified as a transitional position given the exceptional circumstances caused by COVID-19. It is hoped that when the 2023 Index is published it will reflect a more normal set of circumstances and a better representation of a Local Authority’s financial resilience and sustainability.

Figure Southend's performance in CIPFA's Financial Resilience Index for 2021

Chart, sunburst chart

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Southend is 13th out of 56 unitary authorities when ranked across the 16 indicators of financial stress within CIPFA’s Financial Resilience Index for 2021 (Figure 14).

During 2021/22 the Authority demonstrated strong collegiate leadership and proactive engagement with its residents and communities to provide support and advice during the crisis. The Council believes that it remains 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.

Despite the obvious risks, uncertainties and challenges that have been identified the Council remains in a relatively strong and resilient financial position going into 2022/23.The Council will need this strong platform to try to navigate and support where possible the ‘cost of living’ pressures experienced by our local residents and businesses. This challenge is exacerbated due to the Council itself facing huge increases in demand for services, significant inflationary cost pressures across all services and priority programmes. Items such as future potential pay awards, utility costs, fuel prices, cost of materials and global supply chain issues are all resulting in major additional pressures against the Council’s approved budgets for 2022/23. This is driven by a combination of global pressures, skills/expertise shortages, factors including inflation, COVID-19 legacy, the war in Ukraine and ongoing uncertainty around Brexit.

#### Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptional hard work and dedication of staff across the Council. I would like to express my gratitude to all colleagues, from my team and other services and organisations, who have assisted in the preparation of this document. I would also like to thank them for all their support and expertise during what was again a very challenging 2021/22 financial year.

The Council and particularly the finance team will also have to manage the finalisation of the independent external audit for both 2020/21 and 2021/22 financial years, due to the resourcing and capacity challenges that our external auditors have experienced over the last 12 months. The status of the 2020/21 audit has been regularly reported to the Council’s Audit Committee.

I hope you find this narrative and accompanying statements clear and informative. If you require any further information or wish to make any comment on these Accounts, then please contact us by any of the options listed below.

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Joe Chesterton

Executive Director (Finance and Resources)

Date: 31 July 2022

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