

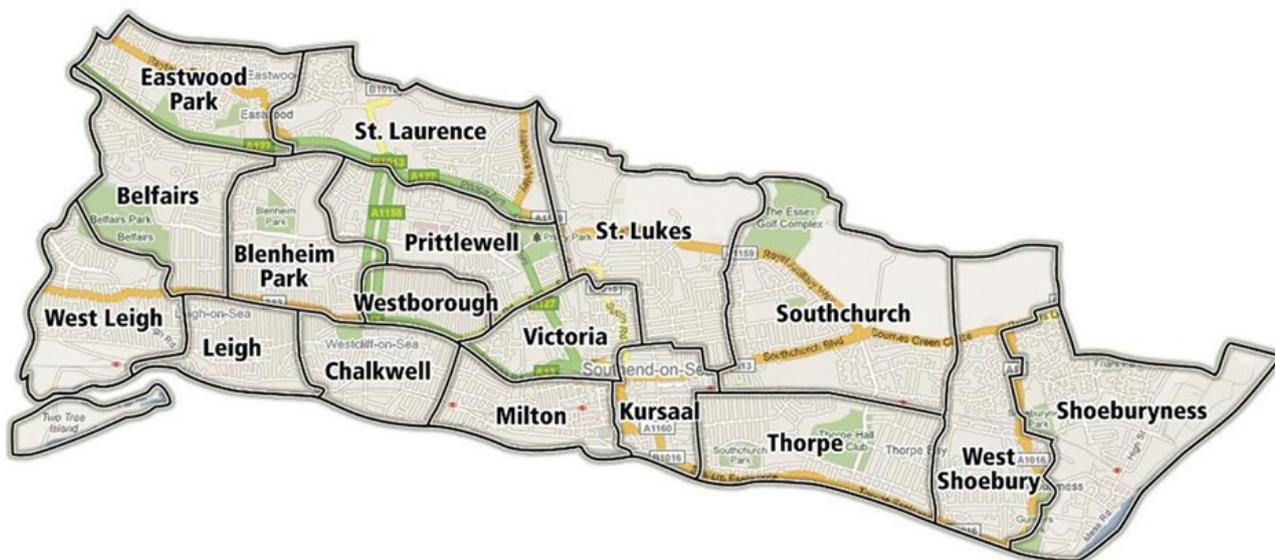
Narrative Statement

Welcome to the Narrative Statement for the Statement of Accounts for Southend-on-Sea Borough Council for the financial year 2020/21.

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 2021. The accounts and accompanying documents are subject to an external independent audit by Deloitte LLP and their opinion forms part of this document.

Background

Southend-on-Sea Borough 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 over 183,100 residents in over 80,000 households and geographically covers an area of 16 square miles. The Council's turnover is circa £430m and our resources are well-managed through our budgetary and financial monitoring framework. The following graphic represents the geographical area that is served by Southend-on-Sea Borough Council.



The place is made up of mainly residential areas but also some industrial, commercial, and retail land and property. Two fifths (40%) of our residents live in the top 30% most deprived areas in England, and this is particularly high in the East Central Locality, which includes the town centre. This locality covers the wards of St. Luke's, Victoria, Milton and Kursaal. Eight of these neighbourhoods fall into the 20% most deprived in the country. 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 Castlepoint (to the West). We are known as a resort town, and home to the world's longest leisure pier, built in 1830 that stretches for 1.34 miles. This attraction alone received over 330,000 visitors in 2019/20 (pre-COVID-19). The town generally welcomes around 7.5 million visitors every year, making Southend a popular seaside destination of choice.

The Council employs circa 2,000 (1,800 FTE) staff (excluding schools), who are responsible for the delivery of a diverse range of services for residents, local businesses, and visitors.

Southend-on-Sea Borough 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 whose mission statement is to promote, represent and provide for the community of Leigh-on-Sea. This is governed by 16 elected members across eight wards.

Southend-on-Sea Borough Council is responsible for the delivery of major borough wide services such as education, social care, waste collection, maintenance of the roads and pavements, looking after the parks, providing street lighting and many other services.

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.

The political make-up of Southend-on-Sea Borough Council as at 31 March 2021 is shown in the table below: -

| Political Party | Number of Councillors |
|-------------------------|------------------------------|
| Conservative | 20 |
| Labour | 11 |
| Independent | 9 |
| Liberal Democrat | 5 |
| Non-aligned | 4 |
| Vacancy | 2 |
| 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; 11 Labour, 9 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 31 March 2021.

As a result of the local elections held on 6 May 2021, the composition of local councillors has changed but the joint administration remains in overall control.

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

The coalition is now made up of councillors from the following political parties; Labour 13, Independent 7, Liberal Democrat 5 and will operate as a minority joint administration in 2021/22.

Since the outcome of the election the Cabinet has also been expanded to include an additional councillor, with a specific focus and responsibility for performance and delivery.

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 31 March 2021, this team was as follows:

| Position | Name | Started in 2020/21 |
|---|---------------------------|-------------------------------|
| Chief Executive and Town Clerk | Alison Griffin | |
| Deputy Chief Executive and Executive Director (Growth and Housing) | Andrew Lewis | |
| Executive Director (Finance and Resources) | Joe Chesterton | |
| Executive Director (Adults and Communities) | Tandra Forster | |
| Executive Director (Children and Public Health) | Michael Marks | |
| Executive Director (Neighbourhoods and Environment) | Steve Moore* (interim) | 14 December 2020 |
| Executive Director (Transformation) | Joanna Ruffle | |
| Executive Director (Legal and Democratic Services) | John Williams | |

*Anna Eastgate was appointed permanent Executive Director (Neighbourhoods and Environment) and started with the Council on 29 April 2021.

[Proposed changes to the Senior Management Structure](#) of the Council were reported to Cabinet on 15 June 2021¹. The current Chief Executive, Alison Griffin will be leaving in July 2021 to take up a new role in London and whilst a recruitment campaign is undertaken and new Chief Executive appointment is made, Andrew Lewis will become Acting Chief Executive for the Council.

Other changes planned in 2021/22 include the retirement of the Executive Directors for Transformation and Legal and Democratic Services, which has provided the Council with an opportunity to review the existing structure. These roles will be deleted and a new Executive Director for Strategy, Change and Governance will be created. It is also planned that the Customer Services responsibilities from the previous role of Executive Director for Transformation will be transferred to the Executive Director for Finance and Resources. The reduction in the number of Executive Directors has also enabled the strengthening at Director level, including a new Director of Financial Services (Deputy s151 Officer) role to replace the current Head of Corporate Finance.

Unprecedented Times

The year 2020/21 has been dominated by the COVID-19 pandemic, which has had a fundamental impact on day-to-day life, national public policy and the governance, 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 adapted since, aligning closely to Government requirements and the collective response of the Essex Resilience Forum (ERF). The Council's response to and management of the impact of the pandemic has been outlined in various reports to Cabinet in [June](#)² and [September](#)³ 2020 and [June](#)⁴ 2021. 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 crisis throughout 2020/21. These arrangements have been kept under constant review, adapted and continued into 2021/22.

The Council is very proud of its response, and that of the community and partners, which has saved lives, alleviated a breakdown of health services and supported the most vulnerable in the 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 a successful response, and these strengthened relationships bodes well for future partnership working. This has enabled: the ongoing provision of PPE; getting essentials to those in need via the helpline service; securing accommodation for rough sleepers; getting financial support to businesses; ensuring residents and visitors are safe on the seafront and elsewhere; ensuring the safety of those in care homes; keeping education going and supporting and rolling out test and trace and the vaccination programme. All this, while keeping day to day services going, was

¹ <https://democracy.southend.gov.uk/documents/s44579/Report%20of%20Chief%20Executive.pdf>

² <https://democracy.southend.gov.uk/documents/s39051/Report%20of%20Chief%20Executive.pdf>

³ <https://democracy.southend.gov.uk/documents/s40798/3%20-%20-%20Report%20-%20Covid-19%20Finance.pdf>

⁴

<https://democracy.southend.gov.uk/documents/s44560/Report%20of%20Exec%20Director%20Transformation.pdf>

achieved with remarkable speed, dedication and with many staff going way beyond the call of duty.

The Council led the re-opening of Southend-on-Sea by developing a multi-faceted plan, 'Operation Heatwave' to ensure that the borough was fully prepared to welcome back visitors and keep residents safe as national restrictions eased. The plan was developed with a local stakeholder group of traders that included Southend Business Improvement District, Southend Tourism Partnership and Leigh Town Council. The measures and resources deployed were focused on the town centre, open spaces, seafront and beaches.

Specific action that has been undertaken included:

- Further use of the 'compliance ambassadors' to work in the community and visit premises to check compliance and signpost appropriate guidance.
- Extra resources being deployed from end of March 2021, including toilet attendants, additional temporary toilets and medical support.
- Additional litter picking and bin emptying in parks at weekends and during the school holidays.
- More of the larger 'EuroBins' along the seafront and additional cleaning of parks and open spaces.
- Extra seasonal foreshore staff to provide information, advice and first aid.
- Providing guidance to businesses on reopening safely.
- Enhancing community safety via a new security base at Jubilee Beach and more resources to monitor the seafront.
- The re-opening of car parks and parking enforcement from 29 March 2021.

COVID-19 Financial Assessment and General Overview

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 was taken to a whole new level of complexity and challenge with the worldwide impact of COVID-19.

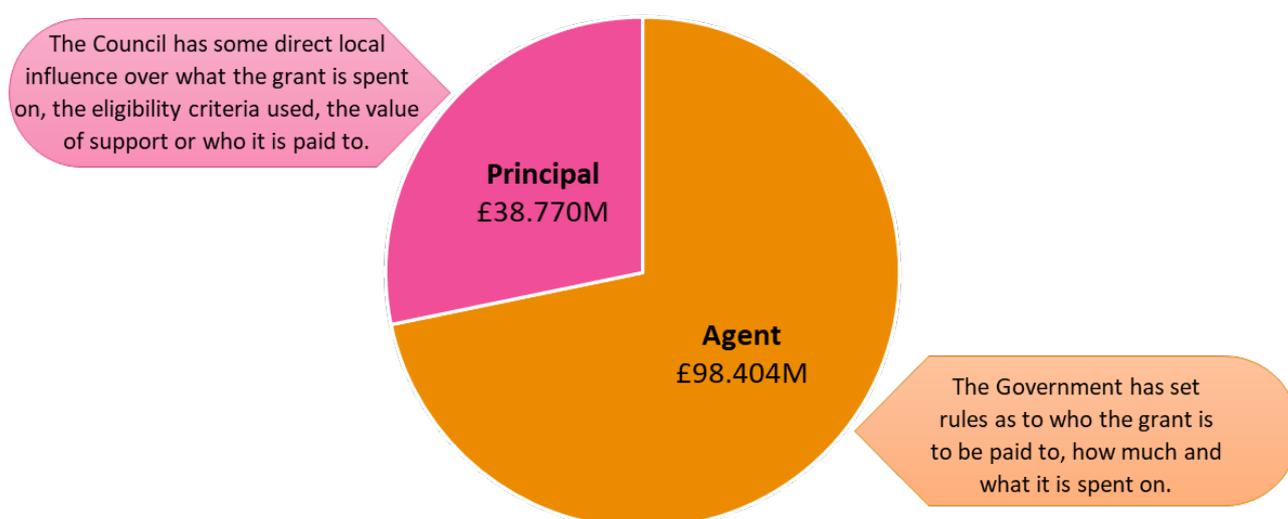
The pandemic continues to have a huge direct operational and financial impact right across the country and the Local Government Sector. All local authorities are struggling with the challenges of uncertainty, financial pressures, operational logistics and concerns for their residents and local areas in such unprecedented times. The financial implications on residents, businesses and the Council have been at the forefront of several reports to Cabinet throughout the year, either specifically relating to the pandemic or as part of regular budget monitoring updates. Most of the demand and financial challenges highlighted and reported throughout 2020/21 were inextricably linked directly or indirectly to COVID-19.

The scale and impact of the pandemic has also resulted in an unprecedented national policy and funding response from Central Government. The range, volume and value of different targeted financial support packages issued throughout 2020/21 was on a scale never seen before. New announcements were made on a regular basis 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.

In headline financial terms the total level of financial support allocated to Southend-on-Sea from Central Government for 2020/21 totals over £135 million. Our Revenues and Benefits teams have passported 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. This has taken a considerable amount of additional resource to ensure that all eligible businesses received the financial support they qualify for during the pandemic whilst national restrictions are in place.

Additional Hardship Funds were received from Central Government and this has been used to directly support eligible residents by reducing their Council Tax bill. Other areas of sector specific support include Adult Social Care providers from the Infection Control Fund.

Figure 1 COVID-19 related funding received in 2020/21



An unprecedented range and number of grant awards have been made to the Council in 2020/21 to support the local response to the pandemic, some un-ringfenced such as the Local Authority Support Grant, but most with specific requirements attached that focussed on targeted activities and sectors to support Government policy intentions at a local level. 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 as quickly as possible. Several different returns to Government have also been required to be submitted for a number of these new grant funding streams. This was to ensure that there was a regular flow of information back to Government to assess the local impact and effectiveness of the funding provided.

Some of these funding streams have also been extended into 2021/22 or new funding allocations have been issued for this financial year as the country continues to put in place measures to control further outbreaks of the virus and to try to support our economic recovery. Positively, the national vaccination programme is having a real positive impact on controlling the spread of the virus and continues to be rolled out at an unprecedented pace across the adult population.

The Government has also introduced 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 has been implemented to try to help to partly offset significant reductions in other local income streams. Finally, additional financial support has been 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.

To put the scale of the extra administrative burden into context around 12,000 applications from local businesses had been processed by the end of March 2021. 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 has added extra complexity to the traditional year-end accounts closure programme.

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. 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 2021/22.

Southend 2050 Ambition and Updated Outcomes

Our Southend 2050 long-term ambition is grounded in the aspirations and voices of our residents and key stakeholders, with extensive engagement undertaken in 2018. The pandemic has magnified our residents' priorities and their pride in the borough, which was strongly evidenced again in our Residents' Pulse Survey undertaken in late 2020. Our ambition remains the same, with an added delivery focus. The sequencing of priorities is being refined and a commitment to refresh the outcomes and associated roadmap milestones annually has been established.

In 2020 the refresh focused on the response to the COVID-19 pandemic. As we move into 2021/22 our focus continues to be on prioritisation, delivery and recovery from the pandemic. Southend 2050 continues to be structured around five core themes, with an additional sixth theme, Future Ways of Working now included, which embodies the organisation's approach and new arrangements that will now be required to deliver the Southend 2050 outcomes. These six themes are summarised in Figure 2.

Figure 2 Southend 2050 Themes



For more information and insight into the Council's approach and roadmap for delivery see the [Southend 2050](#)⁵ pages on our website.

Financial Overview 2020/21

The General Fund Revenue Account for 2020/21 had a net expenditure budget of £136.238M (gross expenditure £336.467M; gross income £200.229M). 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 £84.8m for 2020/21 (£81.2m for 2019/20).

The Delivery of Southend 2050 Outcomes and Priorities: Annual Report and Provisional Resources Outturn 2020/21 was reported to Cabinet on 15th June 2021 and the full report is available [here](#)⁶.

This report summarised the Council's achievements, successes and challenges within the 2020/21 Annual Report and provided a comprehensive analysis of the provisional financial performance for the General Fund, Housing Revenue Account (HRA) and Capital Investment Programme.

The scale of the local financial impact of the pandemic on both expenditure and income expectations has led to huge variations from our original approved plans for 2020/21 and the actual profile of spending bears no comparison to what we would expect to see in a normal year. The Council, along with the rest of the public sector, has also received unprecedented 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 huge volatility in our cashflow position throughout the year.

⁵ <https://www.southend.gov.uk/southend-2050-7>

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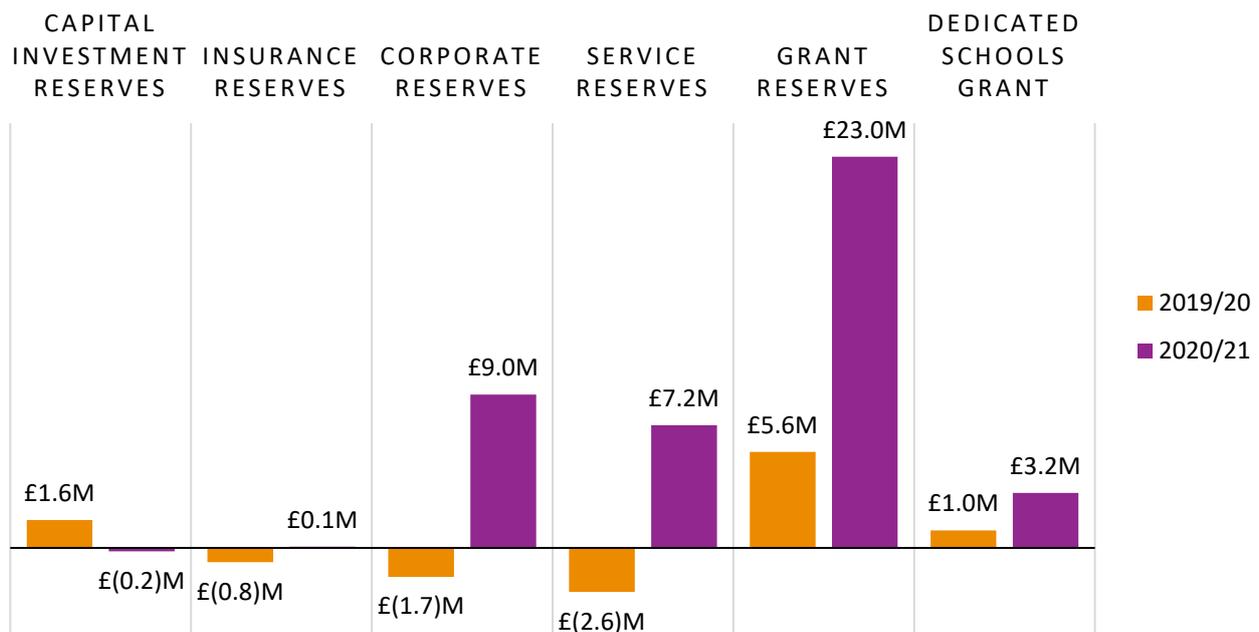
<https://democracy.southend.gov.uk/documents/s44561/Report%20of%20Exec%20Director%20Finance%20and%20Resources.pdf>

There have been many additional technical compliance requirements and accounting arrangements introduced for the Local Government Sector in 2020/21. 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 funding) 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, specific service considerations, bad and doubtful debts and other challenges that arose during the year.

To illustrate the volatility that the pandemic has caused the following diagram (Figure 3) compares the contributions to/from earmarked reserves which took place at year end in 2020/21 with 2019/20.

Figure 3 Year End Contributions to / (from) reserves



The overall net impact on the General Fund Revenue Budget for 2020/21 of all the actual income and expenditure variations within services, together with the scale of additional Government Support was a net underspend of £0.033M. This has been appropriated to the Business Transformation earmarked reserve to support the future re-design of services programme.

The Housing Revenue Account (HRA) performed well in 2020/21 despite the challenges caused by the pandemic and reported an overall in-year surplus of £2.731M (£1.030M surplus for 2019/20). Prior to COVID-19 an ambitious acquisitions programme (£8.708M) to create more affordable homes was approved in January 2020 for the 2020/21 financial year. This was planned to be financed from a forecast in-year surplus of £5.186M and a

draw down from reserves of £3.522M. Given all the difficulties that the pandemic has caused it has not been possible to deliver an acquisitions programme to the level that was planned. Reduced expenditure has meant that the actual in-year surplus of £4.954M is sufficient to fund the required revenue contribution to the capital programme of £2.223M, leaving an overall surplus for the year of £2.731M.

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 again in 2021/22 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 2021 is £139.329M (*£107.404M at 31 March 2020*) (see note 20 in the Statement of Accounts 2020/21). Even though a lot of this increase in earmarked reserves is linked directly to the accounting arrangements for Section 31 grants due to COVID-19, it still 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 expected increases in demand and complexity for critical services in the future.

Revenue Outturn 2020/21

The following table shows the final revenue outturn position for 2020/21 on a net expenditure basis. 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 1 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 of COVID-19 when compared to the approved budget for 2020/21. Key headline variances include a £16.622M net increase in total costs of Portfolios (Services). A reduction of £6.645M in the planned level of revenue contributions to capital expenditure, primarily due to a lower number of properties acquired to provide more affordable homes within the HRA. The extra £12.080M received for non-service specific grants relates to the extra Government support received for COVID-19.

Table 1 Revenue Outturn 2020/21

| | 2020/21 Budget £000s | 2020/21 Actual £000s | 2020/21 Variance £000s |
|--|----------------------------|----------------------------|------------------------------|
| Portfolios | | | |
| Leader: Housing, ICT, Revenue & Benefits | 13,408 | 13,673 | 265 |
| Deputy Leader: Assets, Highways & Transport Business, Culture and Tourism | 4,482 | 9,296 | 4,814 |
| Children and Learning | 4,616 | 5,831 | 1,215 |
| Community Safety and Customer Contact | 27,800 | 31,489 | 3,689 |
| Environment and Planning | 5,963 | 7,210 | 1,247 |
| Health and Adult Social Care | 19,895 | 22,240 | 2,345 |
| Housing Revenue Account | 37,457 | 38,198 | 741 |
| Corporate Budgets | (8,078) | (2,680) | 5,398 |
| | 3,093 | 1 | (3,092) |
| Net Controllable Cost of Portfolios | 108,636 | 125,258 | 16,622 |
| Statutory Adjustments | 2,700 | (1,877) | (4,577) |
| Adjusted Net Controllable Cost of Portfolios | 111,336 | 123,381 | 12,045 |
| Levies | 645 | 610 | (35) |
| Leigh Town Council Precept | 447 | 447 | 0 |
| Financing Costs, Interest, etc. | 19,844 | 19,930 | 86 |
| Net Operating Expenditure | 132,272 | 144,368 | 12,096 |
| Revenue Contribution to Capital | 9,071 | 2,426 | (6,645) |
| Non Service Specific Grants | (17,967) | (30,047) | (12,080) |
| Contribution to / (from) Earmarked Reserves | 25,707 | 31,391 | 5,684 |
| Total to be Funded from Council Tax and Formula Grant | 149,083 | 148,138 | (945) |
| Funded from | | | |
| Revenue Support Grant | (6,049) | (6,022) | 27 |
| Retained Business Rates | (56,239) | (56,961) | (722) |
| Collection Fund Surplus and Reserves | (2,000) | (2,000) | 0 |
| Council Tax (Southend-on-Sea Borough Council and Leigh Town Council) | (84,795) | (83,155) | 1,640 |
| Total Funding | (149,083) | (148,138) | 945 |
| Contribution (to) / from General Reserve | 0 | 0 | 0 |

Table 2 reconciles the analysis of the Comprehensive Income and Expenditure Statement in the Statement of Accounts 2020/21 to the outturn summary in Table 1.

Table 2 Reconciliation of Gross Expenditure to Transfer to General Fund

| | 2020/21 £000s |
|---|--------------------------|
| Gross Expenditure on Services | 443,816 |
| Gross Income on Services | (431,470) |
| Net Cost of Services | 12,346 |
| Adjustments between accounting basis and funding basis under regulation | (44,271) |
| Transfers from Earmarked Reserves and HRA | 31,925 |
| 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 £443.816M to deliver services funded by £443.816M of income in 2020/21. The following charts show how the money was funded in 2020/21 and how it was spent.

Figure 4 Revenue Income (Funding Sources) 2020/21

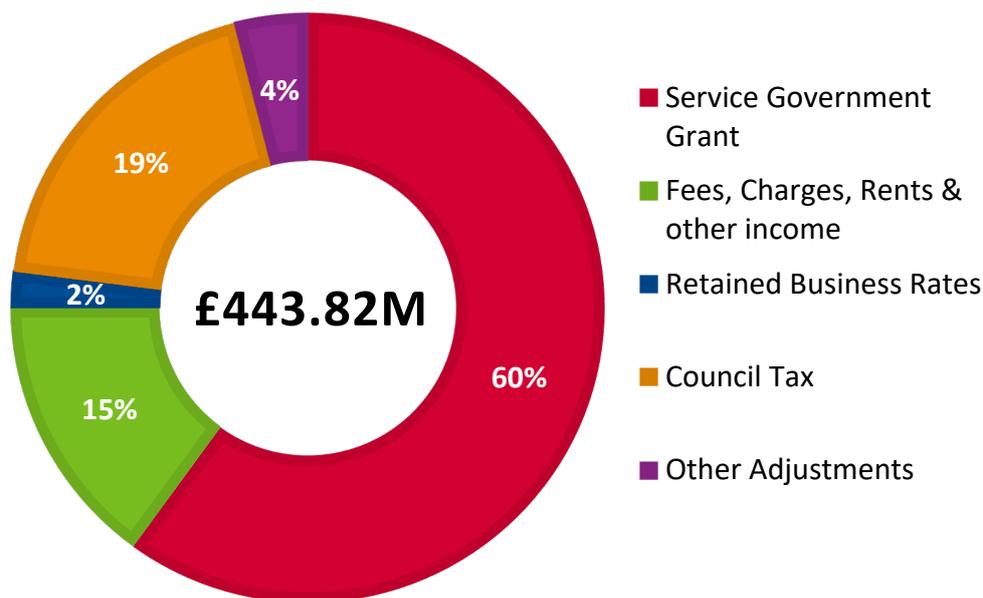


Figure 4 sets out how gross expenditure is funded. The largest source of income is government grants (see note 18 in the Statement of Accounts 2020/21 for a full analysis). It remains the largest element due to the continuation of the national subsidy arrangements for local eligible benefit claimants, increased one-off Government grants issued in 2020/21 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 5 Gross Revenue Expenditure Objective (Service Area) 2020/21

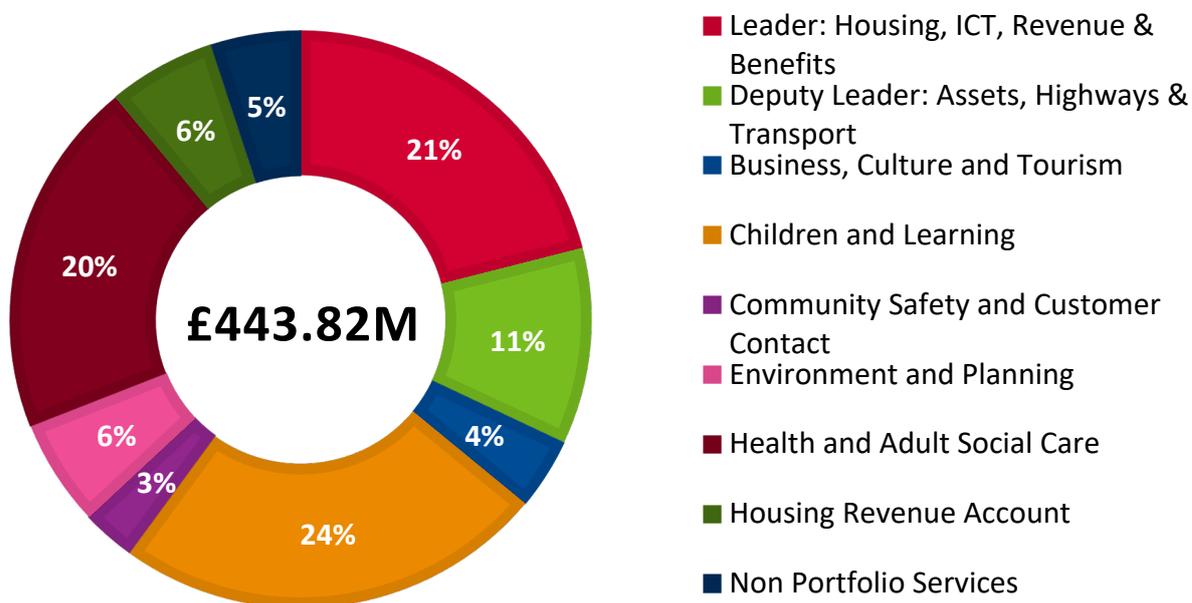


Figure 5 sets out how gross expenditure is split across the various portfolios of services the Council operates under. As part of the funding source commentary highlighted for Figure 4 the Leader: Housing, ICT, Revenues & Benefits includes the £58M cost of housing benefit payments made. Children & Learning includes the passing onwards of dedicated schools’ grants and other payments to the Council’s maintained schools (£49M). Non portfolio services include interest payable, levies and payments to the Government Housing Capital Receipts Pool.

Figure 6 Gross Revenue Expenditure Subjective (By Type) 2020/21

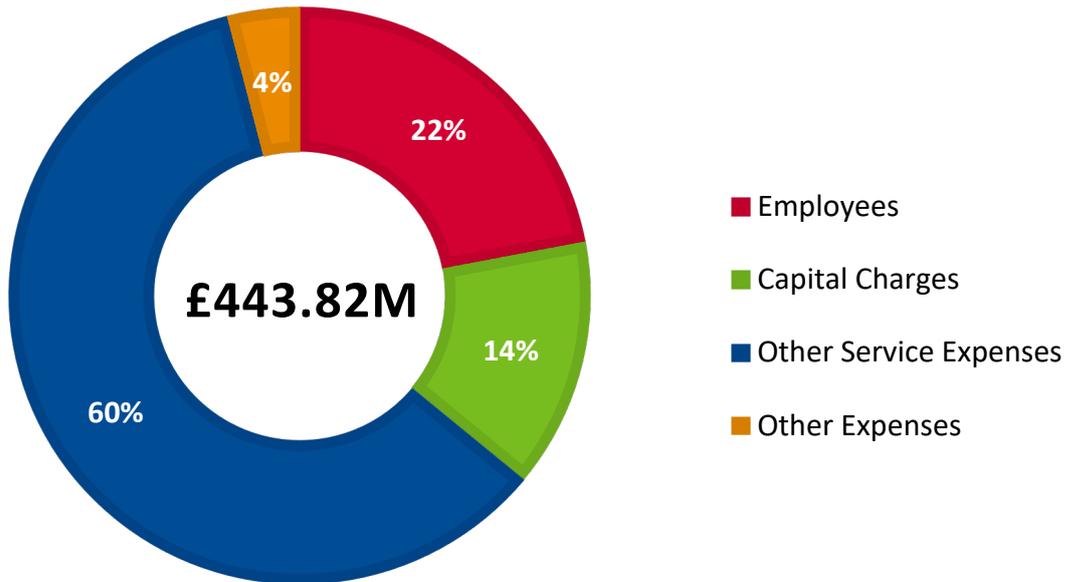


Figure 6 sets out how gross expenditure is split by type. Other service expenses cover the running costs of services excluding employees, and therefore includes the cost of suppliers and contractors, together with monies paid out to schools and benefit claimants. Other expenses cover several accounting 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 WorkLife initiative and feedback from the extensive consultation undertaken with staff around our Future Ways of Working (FWOW) in response to the pandemic.

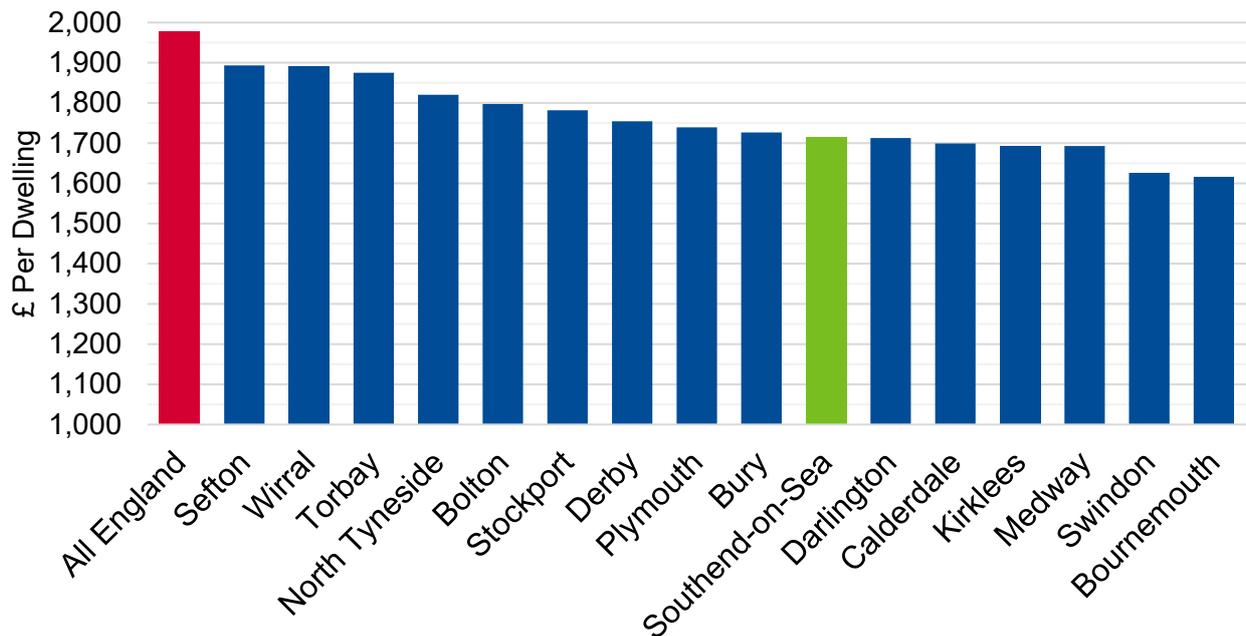
Our new 'Getting to Know Your Business' programme for service managers was introduced in 2020/21, with the first phase helping to establish a baseline for all services in terms of costs, income generation, value for money and relative performance. The Council was supported in this evaluation by Grant Thornton, who provided an independent review of our medium-term financial assessment by using their specifically designed forecasting model for councils.

The aim of this new initiative is to ensure all service managers in Southend-on-Sea Borough Council 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 local 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 7 illustrates where the Council ranks based on the spending power per dwelling against our nearest statistical neighbours comparator group. The Council has the 10th 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 local residents, when compared with similar local authorities.

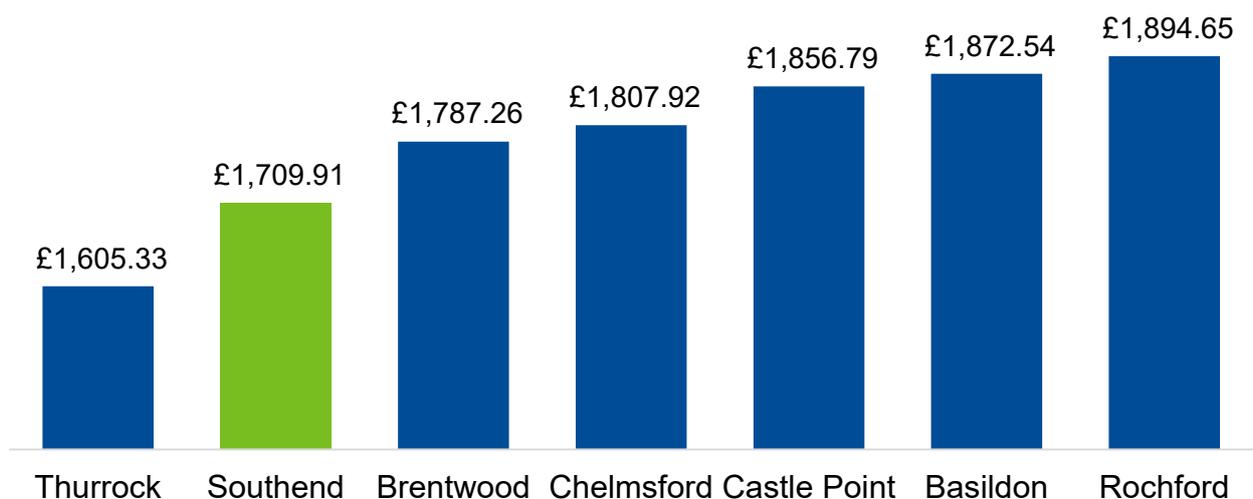
Figure 7 Core Spending Power per Dwelling (£) 2020/21



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

Equally from a local perspective the Council is also determined to minimise the financial burden on the local council taxpayer for Southend-on-Sea as far as possible. Figure 8 illustrates the level of council tax (Band D equivalent) charged by Local Authorities from our nearest geographical neighbours in Essex for 2020/21. This is an important factor when considering Southend-on-Sea's commitment to providing value for money services that meet the needs of 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 2020/21



Achievements in 2020/21

Despite the huge challenges caused by the local impact of the pandemic, 2020/21 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 borough. The Council's achievements include:

- ✓ Adapting our core services and working with the community and partners in response to the pandemic, including setting up vaccination centres and community Lateral Flow Device testing sites; providing front-line social care services; and ensuring schools remained open to key workers' and vulnerable children.
- ✓ Setting up the Southend Emergency Fund, a grass roots coalition of local people, community groups and businesses, raising much needed cash for local third sector organisations helping people deal with the impact of the pandemic.
- ✓ Forming the Southend Food Alliance with South Essex Community Hub and Southend Foodbank to bring together local organisations providing food for residents.
- ✓ Housing 138 rough sleepers in temporary accommodation during the pandemic.
- ✓ Helping local businesses re-open safely and distributing Government support grants to aid their recovery.
- ✓ Being awarded Purple Flag accreditation, highlighting our night-time economy as safe, diverse, entertaining and enjoyable.
- ✓ The imaginative ways our galleries, museums and libraries have engaged with our community during pandemic restrictions, creating more on-line opportunities, downloadable art activity packs and click & collect book loans.
- ✓ Carrying out Town Centre improvements, including completing paving works on London Road and Victoria Circus, installing 'green roof' cycle shelters, improving street lighting and developing efficient urban drainage systems.
- ✓ Maintaining our seafront and shoreline, parks and green spaces to a high standard.
- ✓ Agreeing the Green City Action Plan, delivering a greener future for Southend and supporting the Council's aim of reaching net zero carbon emissions by 2030.

The Council's ambition, priorities, achievements, and performance for 2020/21 are all summarised in the [Annual Report](#)⁷ which is available on our website.

Capital Expenditure

As well as delivering vital day to day services for local 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.

⁷ <https://www.southend.gov.uk/southend-2050-7/annual-report/1>

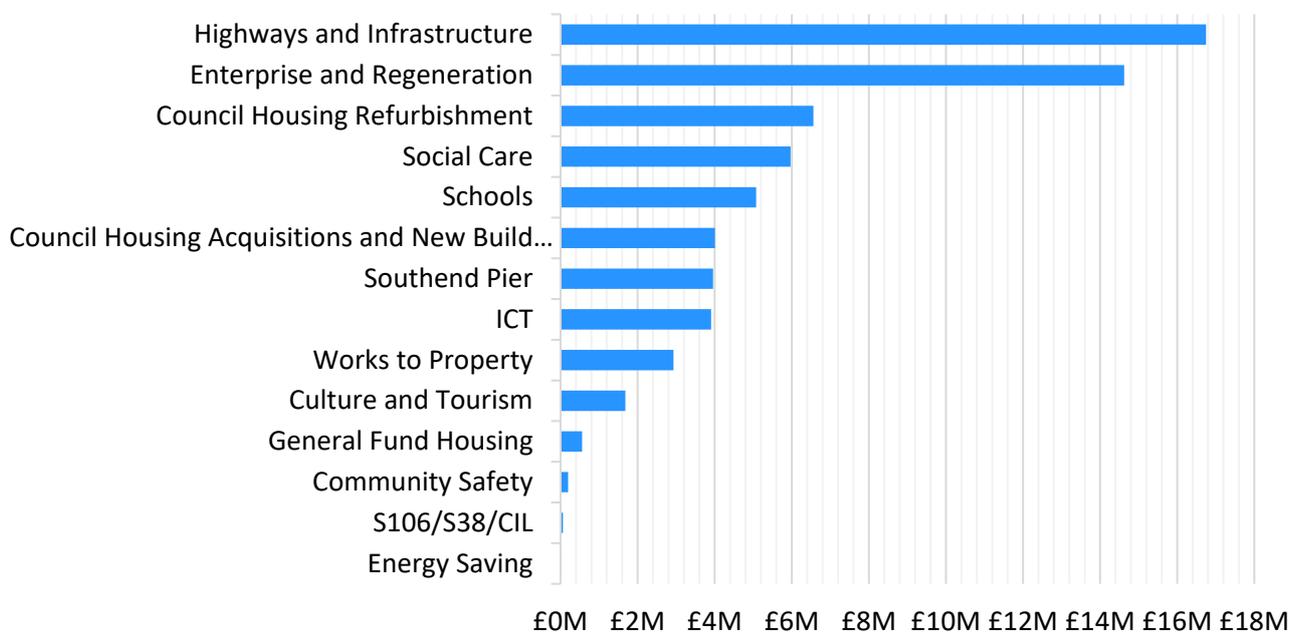
Capital spending can generally be defined as that which generates assets that have a life of more than one year. This includes the acquisition or construction of new assets and expenditure that improves, and not merely maintains, the value of existing assets.

In 2020/21 the Council invested £66.3m (£59.7m in 2019/20) 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 re-development of the Delaware and Priory Residential Care homes, the provision of new secondary school places, improvements to the town's highways and footpath network, investment in the Pier and the refurbishment, acquisition and construction of council housing.

Capital Investment 2020/21

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

Figure 9 Capital Investment Programme 2020/21



In Figure 9, 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 following table summarises the strategic capital projects that the Council has undertaken this year.

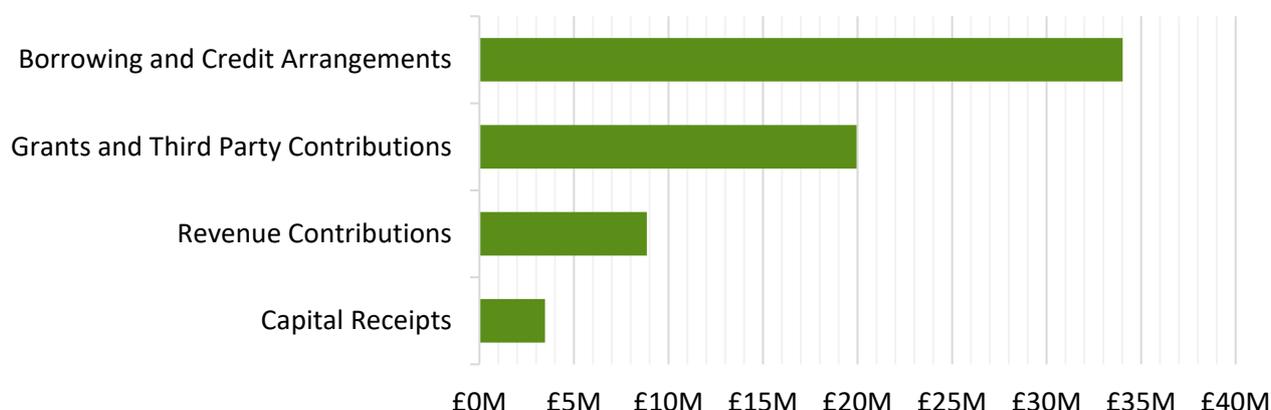
Table 3 Summary of Strategic Capital Projects in 2020/21

| Capital Project | 2020/21 £000s |
|--|--------------------------|
| Highways and Infrastructure – Local Growth Fund and Local Transport Plan | 10,988 |
| Victoria Centre | 10,638 |
| Housing Revenue Account – Decent Homes Programme | 6,425 |
| Delaware and Priory New Build | 5,149 |
| Southend Pier Schemes | 3,958 |
| ICT Schemes | 3,908 |
| Housing Revenue Account – Housing Acquisitions Programme | 3,869 |
| School Improvement and Provision of School Places | 3,729 |
| Footways and Carriageways | 3,448 |
| Better Queensway | 2,360 |
| Airport Business Park | 1,618 |
| Parking Schemes | 1,140 |
| Housing Revenue Account – Construction of New Housing | 137 |

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 10 shows how the £66.3m capital expenditure was funded for the 2020/21 year.

Figure 10 Capital Expenditure Funding Sources 2020/21



Borrowing is kept within affordable levels, with the total accumulated loans owed to external lenders and credit arrangements amounting to £321.2m at 31 March 2021 (*£321.5m at 31 March 2020*).

The Council also owes money to Essex County Council in respect of assets transferred to Southend-on-Sea Borough Council in 1998 as part of the Local Government Re-organisation. The amount is £10.2m at 31 March 2021 (*£10.7m at 31 March 2020*).

The Council's operational upper limit for borrowing has been set at £375m (excluding transferred debt) (*£350m in 2019/20*). Accounting for the borrowing outlined above, this leaves headroom of £53.8m (*£28.5m in 2019/20*).

This level of debt should also be viewed in relation to the Council's long-term assets which have a net book value of £936.6m at 31 March 2021 (*£893.7m at 31 March 2020*).

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 2021, the total net book value of these long-term assets was £936.6m (*£893.7m at 31 March 2020*).

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 borough's schools have transferred. No schools transferred in 2020/21 and it is anticipated that one further school will transfer in the forthcoming year. If it does, this would reduce the current net book value of the long-term assets held of £50.9m at 31 March 2021 (*£52.7m at 31 March 2020*) 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 2020/21 financial year the HRA has maintained the same general balance carried forward of £3.5M (*£3.5M in 2019/20*). Council rents for general needs and sheltered properties were increased by 2.7% in 2020/21 (*decreased by 1% in 2019/20*) 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 2020/21 average rents for general needs properties (excluding service charges) were £89.17 per week (*£86.83 in 2019/20*), and £77.68 per week (*£75.64 in 2019/20*) for sheltered accommodation.

The full financial performance of the HRA is reported in the Statement of Accounts 2020/21.

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 Borough Council.

In addition, the Council has four other subsidiary companies and is party to six joint ventures. Of these, only one of the joint ventures, Porters Place Southend-on-Sea LLP, has been consolidated. There have been no changes to the group structure since last year.

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 2021

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 local residents and businesses. This led to increased levels of cashflow balances throughout the year and due to timing has resulted in increased levels of earmarked reserves at the year end. This unusual set of circumstances is clearly only temporary and cashflow patterns and treasury management arrangements should return to normal activity levels during 2021/22.

The pandemic had a varied impact on the Council's planned delivery of its 2020/21 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 as a result of any permanent need to close facilities or through providing alternative levels of service provision.

Assets

During 2020/21 fixed assets have increased in value by £41.7M 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 2020/21.

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 2020/21 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 2020/21 is summarised in Table 4.

Table 4 Capital Financing Requirement

| | 2020/21 £M |
|--|-----------------------|
| Balance 1 st April 2020 | 372.6 |
| Plus: capital expenditure financed by borrowing (internal and invest to save financing) | 34.0 |
| Less: Minimum Revenue Provision | (8.8) |
| Balance 31st March 2021 | 397.8 |

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 £321.2M and by internally borrowing the remaining £76.6M. 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 5.

Table 5 Financing of Capital Investment

| | 2021/22 £M | 2022/23 £M | 2023/24 £M | 2024/25 £M | 2025/26 £M | Total £M |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------|
| Borrowing | 48.5 | 29.8 | 14.1 | 11.4 | 7.3 | 111.1 |
| Grants and third-party contributions | 25.8 | 9.9 | 7.8 | 0.9 | 3.2 | 47.6 |
| Revenue Contributions | 18.1 | 16.5 | 8.3 | 7.2 | 0 | 50.1 |
| Capital Receipts | 2.3 | 4.8 | 1.0 | 0 | 0 | 8.1 |
| Total | 94.7 | 61.0 | 31.2 | 19.5 | 10.5 | 216.9 |

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 31 March 2019 valuation set the contribution rates from 2020/21 to 2022/23. At 31 March 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 2020/21.

Reserves

The Council's reserves consist of general and earmarked reserves. The movement in Reserves Statement in the Statement of Accounts 2020/21 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 2021) reflecting an assessment of the local impact of the COVID-19 pandemic. The Council must consider emerging risks such as uncertainty of future funding levels from 2022/23, 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. These factors have contributed to the Council continuing to maintain a General Fund Balance of £11.0M at 31 March 2021 (£11.0M at 31st March 2020).

The Council holds £100.947M of general fund earmarked reserves as shown in Table 6.

Table 6 General Fund Earmarked Reserves

| Earmarked Reserve | Opening Balance 1 April 2020 £M | Contributions / (Use) 2020/21 £M | Closing Balance 31 March 2021 £M |
|-----------------------------|--|---|---|
| Capital Investment Reserves | 26.664 | (0.879) | 25.785 |
| Insurance Reserves | 5.963 | 0.070 | 6.033 |
| Corporate Reserves | 21.938 | 4.085 | 26.023 |
| Service Reserves | 7.665 | 5.025 | 12.690 |
| Grant Reserves | 8.757 | 17.125 | 25.882 |
| Dedicated Schools Grant | 1.248 | 3.233 | 4.481 |
| Monies Held in Trust | 0.053 | 0 | 0.053 |
| Total | 72.288 | 28.659 | 100.947 |

The net total contribution to earmarked reserves in 2020/21 of £28.659M includes the creation of a £5.5M specific reserve for future Health and Social Care system transformation ambitions, funded by our Health partners, £11.9M of Section 31 Grant for Business Rates to compensate the Collection Fund and £3.2M for Dedicated Schools Grant. None of these additional contributions to our earmarked reserves are available for direct Council use.

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 £34.652M of earmarked reserves as shown in the following table.

Table 7 HRA Earmarked Reserves

| HRA Earmarked Reserve | Opening Balance 1st April 2020 £M | Contributions / (Use) 2020/21 £M | Closing Balance 31st March 2021 £M |
|-------------------------------|---|---|--|
| Capital Investment Reserve | 23.181 | 3.926 | 27.107 |
| Revenue Major Repairs Reserve | 8.160 | (1.255) | 6.905 |
| Contract Pension Reserve | 0.580 | 0.060 | 0.640 |
| Total | 31.921 | 2.731 | 34.652 |

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 2021 is £8.067M and represents the level of capital resources that have yet to be applied at the year-end.

There are also usable capital receipts of £13.917M (£2.489M general fund and £11.428M HRA) and capital grants not yet applied of £24.943M available to finance future planned capital expenditure.

The maintained schools in the borough also hold £3.730M of balances and £4.481M of earmarked reserves. These, together with the general fund and HRA earmarked reserves in the tables above, comprise the total of £139.329M of earmarked reserves shown in note 20 in the Statement of Accounts 2020/21.

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 Borough Council have kept a watching brief over developments throughout 2020/21. 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) 2021/22 – 2025/26

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 2021/22 Budget and Medium Term Financial Strategy in February 2021 a new Budget Transformation Programme for 2022/23 – 2025/26, was agreed as part of the Council's overall budget package, with specific areas and themes identified to be scoped and developed further during 2021/22. 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 more drastic action over a shorter time frame.

Other measures to support the Council's drive towards financial sustainability and 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 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. 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 2021/22.

A considerable amount of analysis and financial planning was undertaken prior to 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 2021/22 and as part of the Medium Term Financial Strategy.

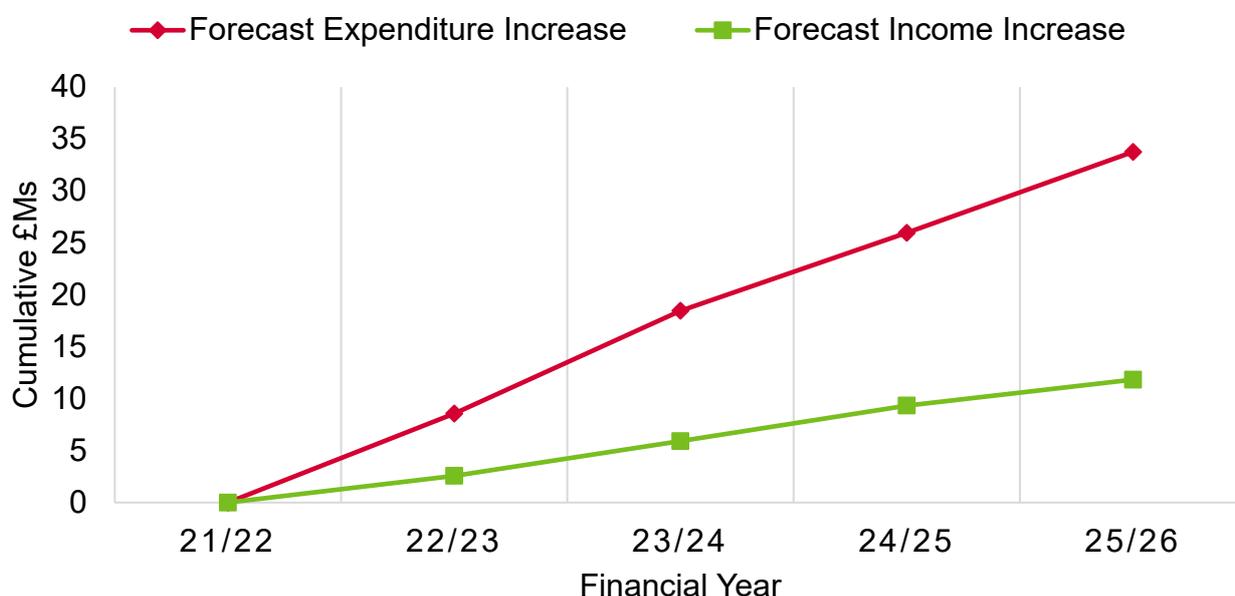
Obvious concerns remain on the potential for currently hidden demand to surface post the pandemic and further challenges will come to light as we collectively get to grips with what 'post COVID-19' looks like and the return to normality and recovery. We are determined to try to support our communities and local economy to come back stronger and more resilient.

Critical to this approach is to also understand pressures that may continue into 2021/22. These could manifest themselves by way of continued increases in demand and costs, reduced income activity, undelivered planned savings, or new issues emerging from COVID-19. Detailed analysis has therefore been undertaken to provide more insight into the key messages contained in the 2020/21 outturn and to estimate the potential ongoing impact into 2021/22 and our Medium Term Financial Strategy.

The Council was predicting a cumulative budget gap of £20.7M up to the end of 2025/26. The Council's forecast profile of this budget gap for each of the next five years is detailed in

the following chart (Figure 11) which illustrates the estimated funding gap to 2025/26 as reported to Council in February 2021.

Figure 11 Forecast Income and Expenditure



Since this analysis was undertaken negotiations regarding the annual pay award have been ongoing and an employer offer of 1.5% has been rejected. In line with the Chancellor's previous comments around public sector pay restraint and no pay increases in 2021/22 – no provision has been included for officers earning over £24,000 in the Council's budget. Even at this rejected offer level this will add circa £1.3M pressure to the revenue base of services each year. An assessment of the implications and impact of the final pay settlement for 2021/22 will be reviewed and updated as part of the annual Medium Term Financial Strategy refresh.

The challenge of designing and implementing potential mitigating strategies for 2021/22 and the future has been made far more complex due to the impact and uncertainty caused by COVID-19. A better picture on potential options and an update on the financial performance against the approved budget for 2021/22 will be available as a comprehensive Period 4 monitoring report at the Cabinet meeting in September 2021. At this time, the Council may also have a better indication from Central Government about future funding arrangements.

It is unclear at this stage whether the Local Government Sector will be issued with a single one-year financial settlement for 2022/23 or if a Comprehensive Spending Review for the next three years will be launched for consultation. The Council remains in a relatively strong financial position for 2021/22 but the potential additional challenges for the future could be very significant. The scale of the impact will depend upon national funding and policy decisions taken by Central Government.

To help address and close the 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. The Council will continue to work collaboratively with its partners, increase its focus on the delivery or joint commissioning of services in a targeted way to ensure that those in

most need and who will receive the greatest benefit are the recipients of services. It is vital that we learn from our COVID-19 experience and tailor our services and working practices accordingly.

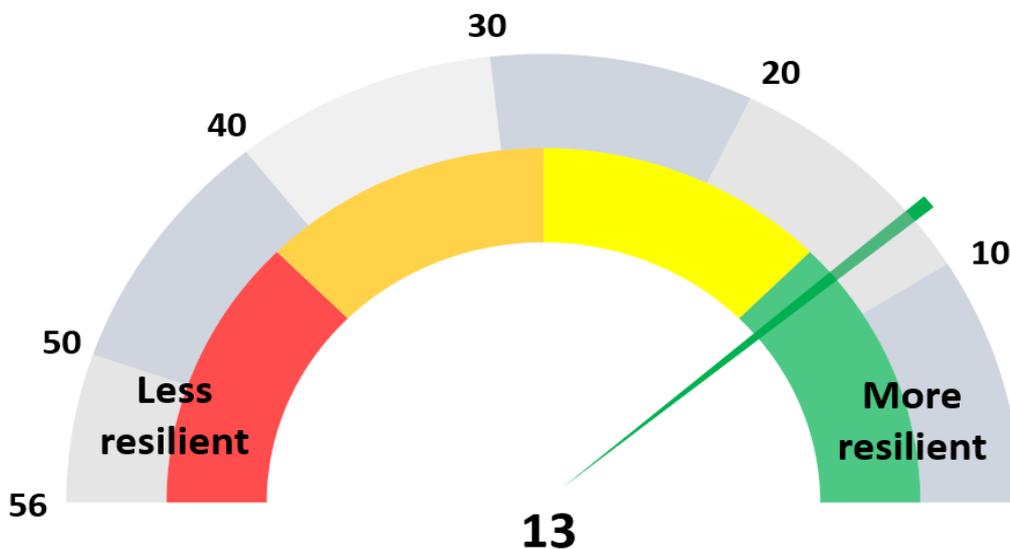
The Council also has an ambitious capital investment programme designed to create the right conditions to attract additional private sector investment into the local area and to directly benefit Southend's residents, businesses, and future visitors. The level of planned investment is around £216m over the next five years.

Financial Resilience and Sustainability

We are an ambitious Council that is committed to continually improving our performance and delivering better outcomes for local 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. This will be essential to help to navigate the challenges and legacy impact of the pandemic and continue to effectively manage the level of potential increasing and more complex local demand for priority services.

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.

Figure 12 Southend's performance in CIPFA's Financial Resilience Index for 2021



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 12).

During 2020/21 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 is in a relatively strong and resilient financial position going into 2021/22.

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 has been an unprecedented and challenging 2020/21 financial year.

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.



Joe Chesterton

Executive Director (Finance and Resources)

Date: 22 July 2021

This publication is issued by:

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