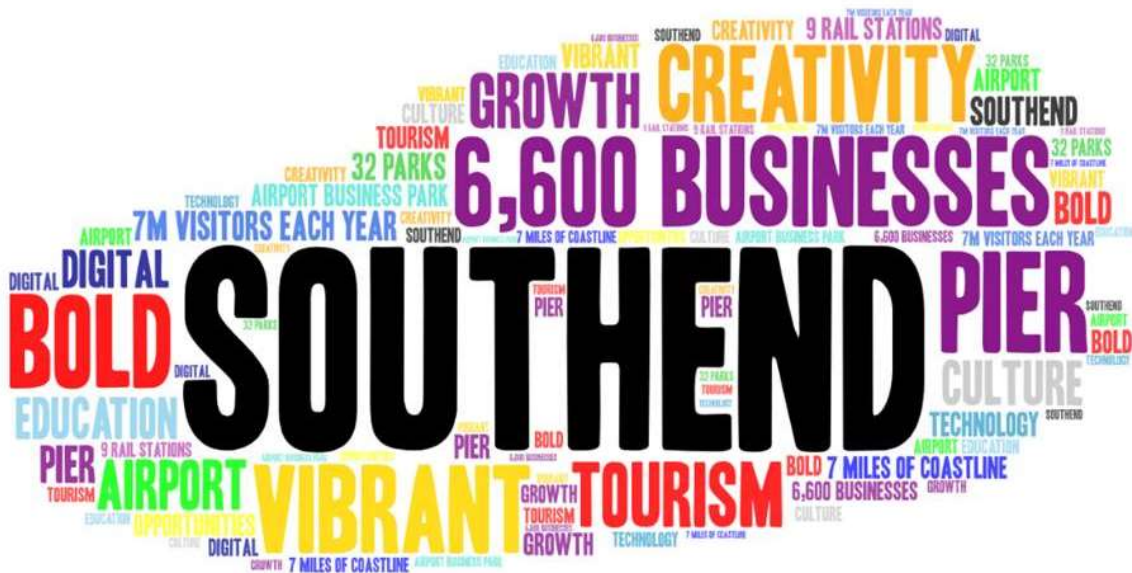


Financial Sustainability Strategy

Southend-on-Sea 2020 – 2030



A strategy to ensure financial resilience now and for the future



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Finance and Resources
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Southend 2050: it all starts here – where we are known for our creativity, our cheek, our just-get-on-with-it independence and our welcoming sense of community. And so, whilst the growth of London and its transport network has made the capital feel closer than ever, we cherish our estuary identity – a seafront that still entertains and a coastline, from Shoebury Garrison to the fishing village of Old Leigh, which always inspires. We believe it's our contrasts that give us our strength and ensures that Southend has a vibrant character of its own.

Our shared ambition for Southend 2050 is grounded in the values of Southenders. It is bold, challenging but achievable. It will, however, 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.

Introduction

This Strategy focusses on the future sustainability of Southend-on-Sea Borough Council, and the things we need to do to ensure we remain financially resilient:

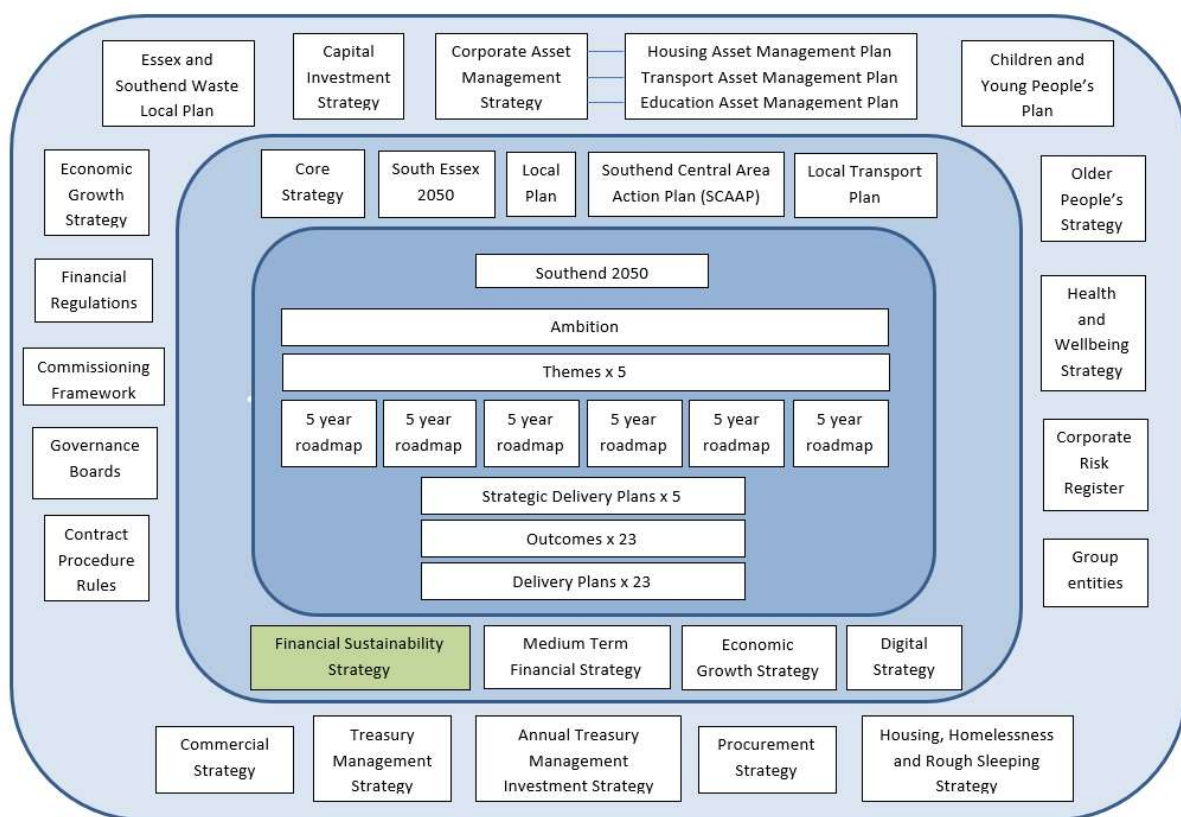
- Setting out our strategic priorities for financing which in turn will allow us to achieve our desired outcomes.
- Framing the financial future, commitment and intentions for the Council.
- Setting the overall context for the rolling **Medium Term Financial Strategy** and the effective targeting of resources to deliver the ambitions and outcomes contained within the Southend 2050 programme and roadmap phases.
- Clearly outlining our approach, desire and commitment to achieving financial sustainability by embracing Southend's economic potential, growing our local tax base and increasing our income generating capabilities.
- Designed to enable all staff and councillors within the Organisation, together with our stakeholders to understand the story of where we are now, where we would like to be and how we will get there. The aim is for this approach to help maximise understanding, ownership and engagement within the local area.

The financial sustainability strategy is aligned with the Council's other key plans and strategies, notably the Local Plan, Economic Development Strategy, Housing Strategy and the Medium Term Financial Strategy. The Council will only achieve financial sustainability through funding and supporting economic and housing growth and maintaining a clear focus on our key outcomes and activities whilst simultaneously ensuring efficient and effective delivery.

This Strategy considers a range of factors including the current financial position and performance of the Council, a review of our local economy, proposed local government reform and external analysis relating to wider national, economic and political developments.

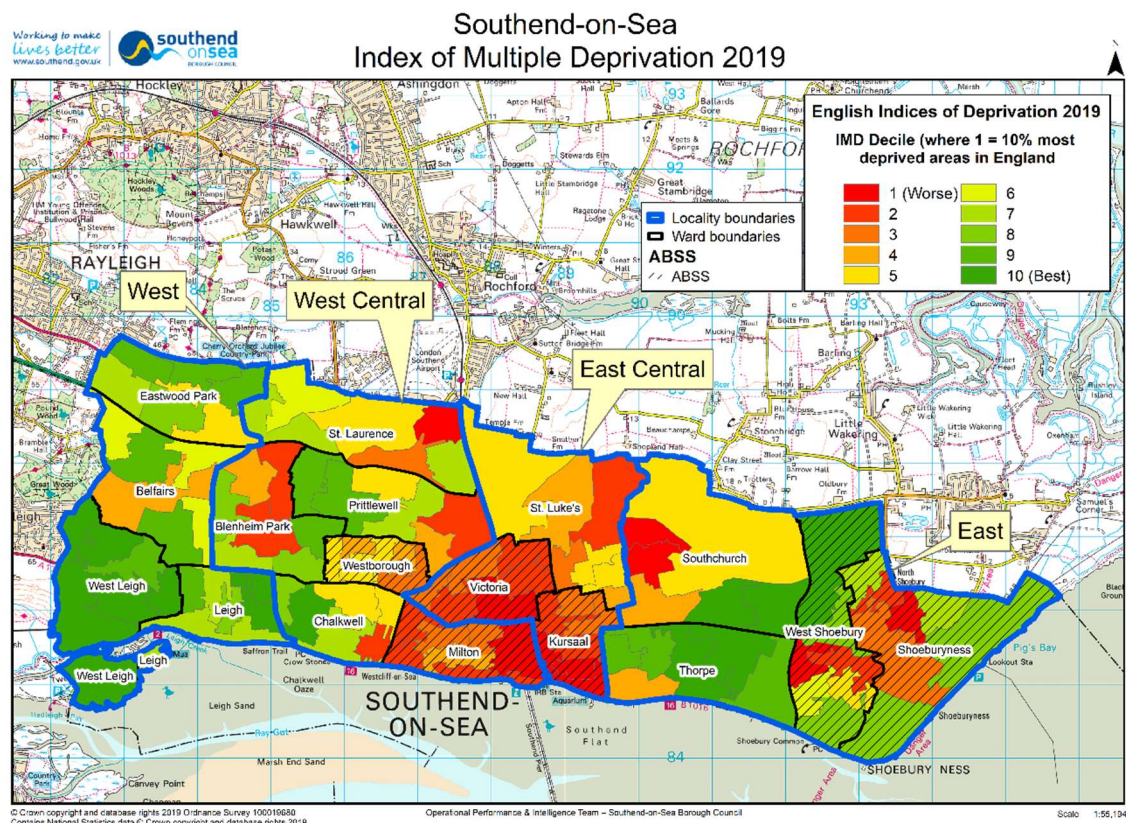
Despite future financial uncertainties within the Local Government Sector, the Council is committed to the achievement of long-term financial sustainability by embracing the area’s economic potential, sustaining our local tax base and being commercial and business-like in the way we operate. This will enable us to become more self-sufficient and generate the resources necessary to maintain and invest in public services that meet the needs of our local residents.

This Strategy sits centrally and is aligned to several internal and external future planning influencers and is informed by the drivers and priorities within them.



For our longer-term planning, we will need a clear understanding of service delivery objectives and priorities, ensuring the right balance of skills and sufficient capacity within our organisation to focus on prioritising resources to achieve our ambitions. This will enable us to direct our investment, resources and business planning towards activity that will achieve our outcomes, changing the conversation to “where to prioritise” rather than “what to cut”.

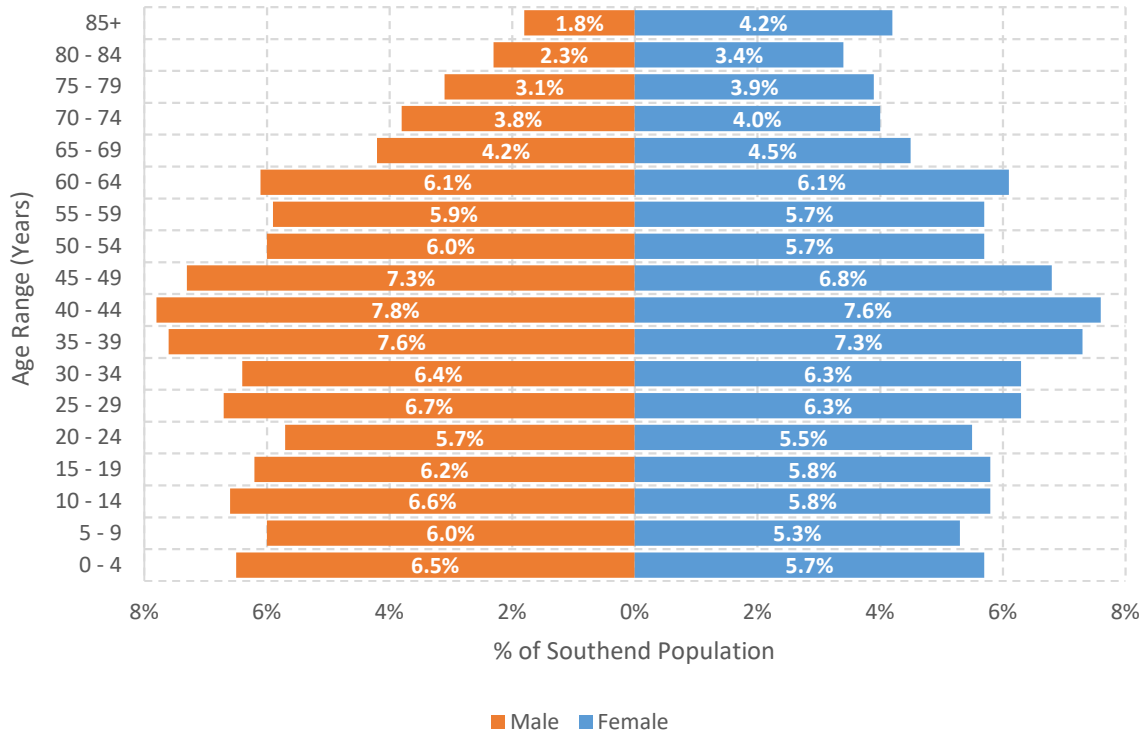
The following map illustrates the differing levels of indices of deprivation across the Borough. This helps to inform more effective targeting of resources and services based on need. Currently life expectancy is 11.1 years lower for men and 9.7 years lower for women in the most deprived areas of Southend compared to the least deprived areas.



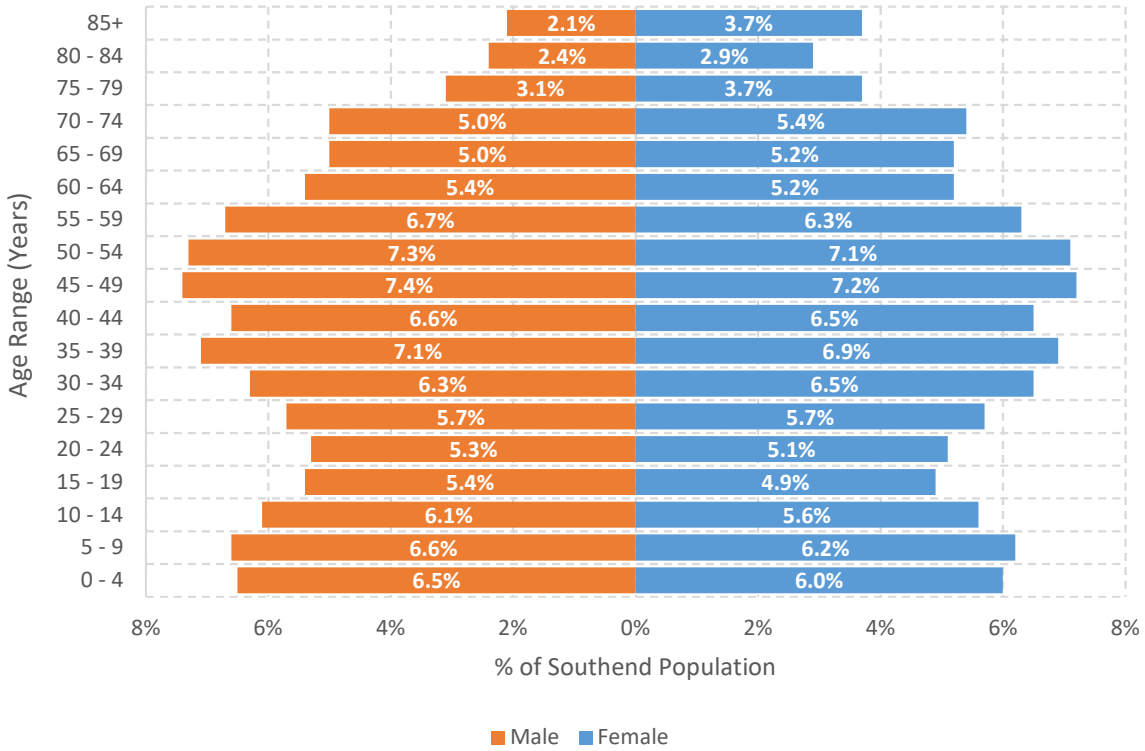
By 2050 Southend-on-Sea is predicted to expect a 25% increase in population, with all age bands increasing at different rates. Between the years of 2018–2050 the number of residents at each life stage will change; most significantly, the percentage of our residents who are of working age (16-64) could proportionally reduce, whilst the population aged over 65 is forecast to increase significantly.

The following graphs illustrate that between 2008 and 2018 the proportion of people aged between 15-44 has reduced whilst people aged 65+ has increased. We are determined to try and help all people live well and for longer, so this trend is likely to continue. The changes in demographics reinforces the need to prioritise and target resources effectively to deliver better outcomes and invest in activities that have the most positive local impact. It also provides an insight into the changing nature and likely demand patterns of residents in Southend and the importance of ensuring that the Council is and remains financially sustainable.

Age range proportions in Southend 2008



Age range proportions in Southend 2018

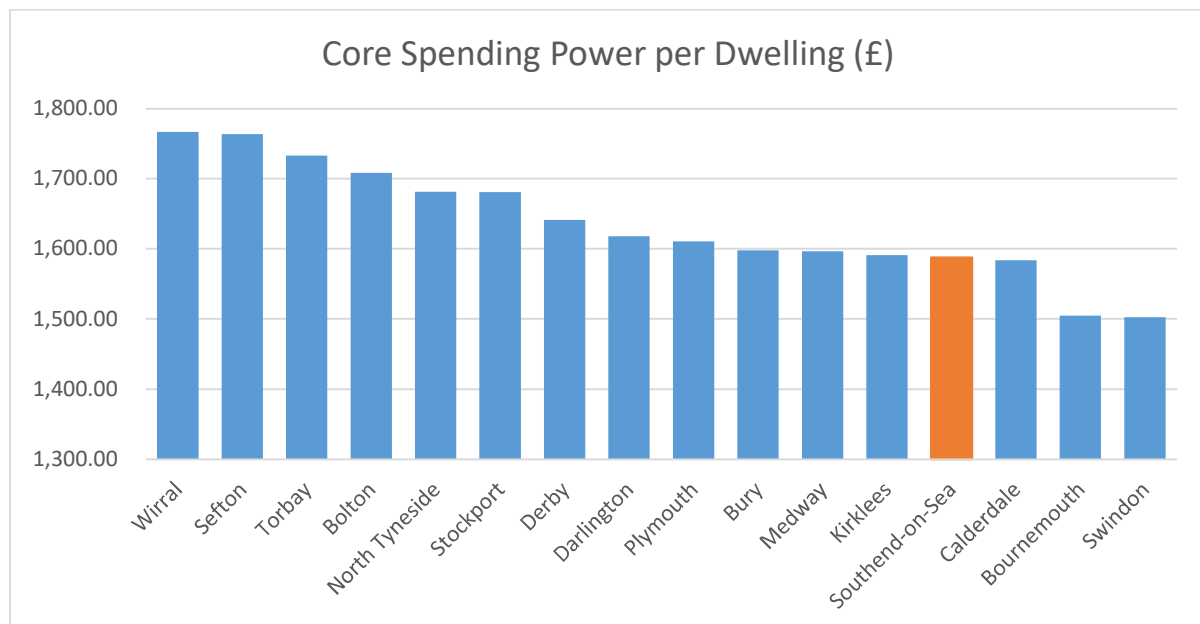


As an organisation we are investing in transformative and innovative service re-design so that we can deliver our 2050 outcome pledges effectively and efficiently.

We are also actively working towards obtaining the Real Living Wage accreditation which will hopefully benefit local people.

We recognise that it is essential to work in collaboration with our residents, businesses and our partners to create the right conditions for future investment and expansion to ensure that our ambition is achieved.

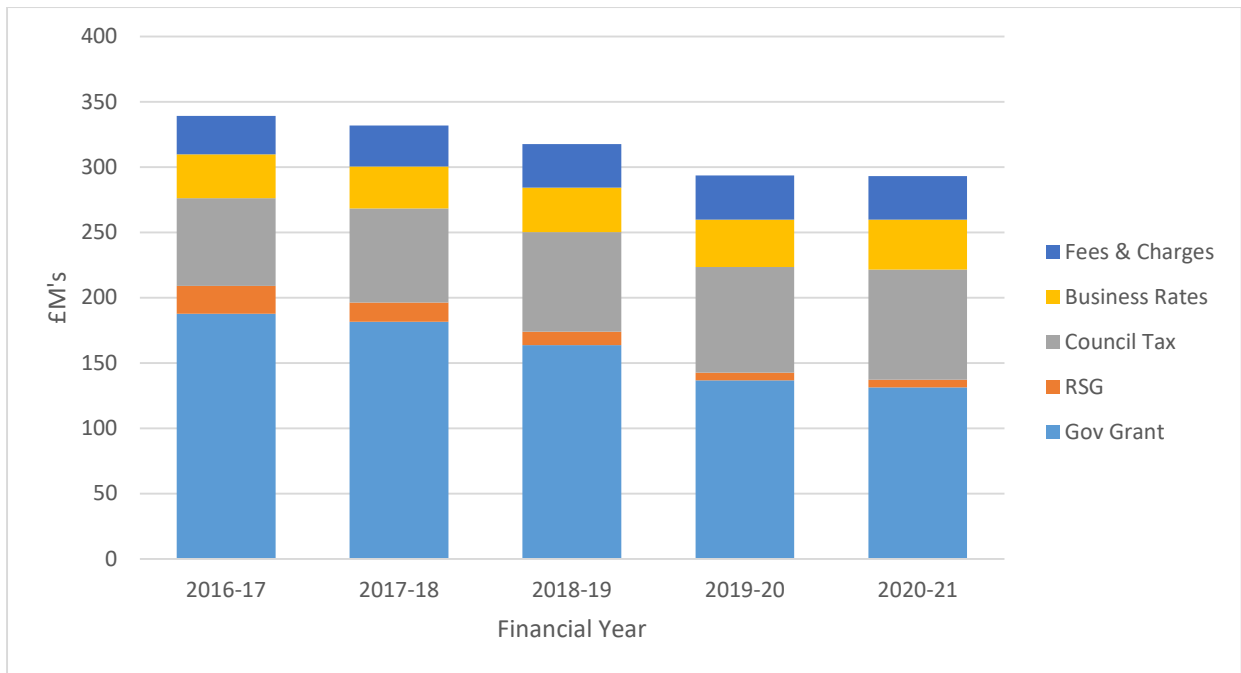
Like all Local Authorities, Southend-on-Sea Borough Council has seen a decline in the amount of funding it receives from central government grant. Compared to our statistical neighbours for 2018/19, our Spending Power per dwelling was ranked 13th out of 16.



Despite the inherent unfairness presented by our reduced level of Core Spending Power capability, we believe that from a financial resilience perspective we would currently be placed in the top quartile of all upper tier local authorities in the country. This is based on many factors including evidence presented by CIPFA's Resilience Toolkit, which was launched in December 2019.

We aim to stay there.

The following graph shows how our previous budgets have been funded and the changing nature and value of the source of this. There is a clear shift from central to more local funding streams.



Southend 2050

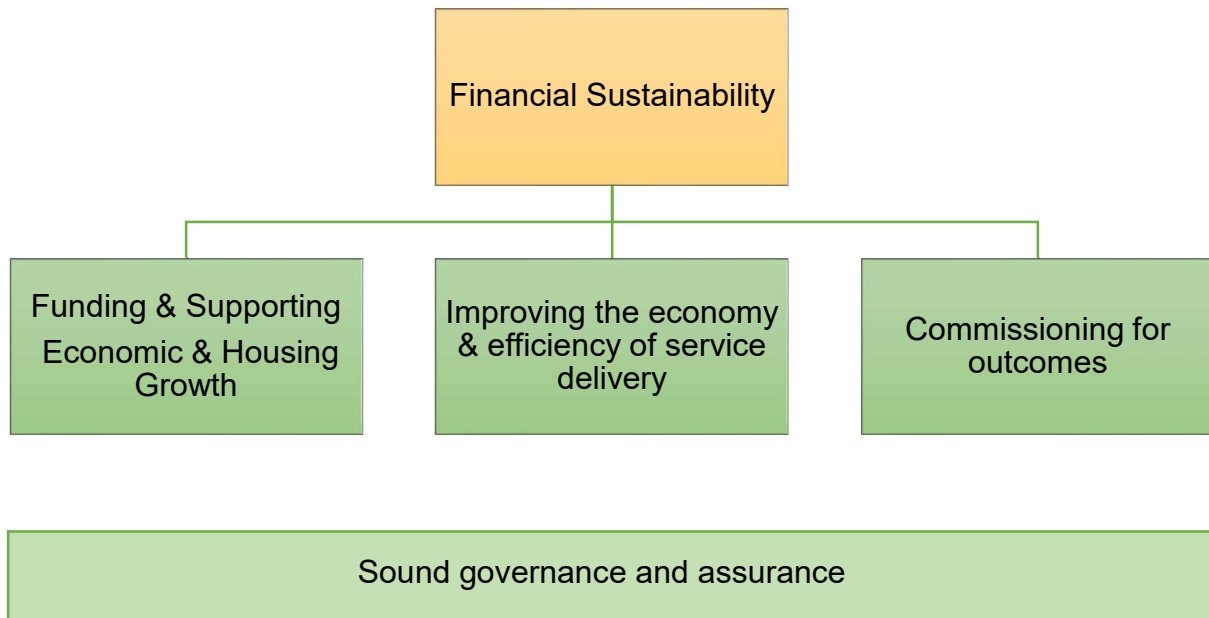
Southend-on-Sea Borough Council has a clear 2050 ambition, a collective vision for the future of our borough and a strong sense of purpose.

The ambition is grounded in the values of Southenders under the five themes set out below. Each theme also has a set of outcomes to be achieved by 2023.



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

The strategy will drive long term emphasis of delivering financial sustainability in order to achieve the Southend 2050 ambition, with a focus on:



We can achieve this by:

- Embracing Southend’s economic potential and create great conditions for businesses.
- Enabling others to do more for themselves through asset-based community development – people taking personal responsibility and enable them to live fulfilling lives.
- Proactively using reserves to better effect whilst maintaining adequate levels to deal with risks and exploit opportunities.
- Being more commercial and business focussed.
- Taking an outcome-based investment approach.
- Making the most of opportunities for improvement through capital projects and maximising external grant funding.
- Being clear and decisive about our appetite for risk.
- Taking a measured strategic and planned approach to resourcing.
- Applying customer-led ‘Design Thinking’ methodology to our services.
- Being an organisation that is well run, creative and financially aware.
- Creating the right conditions for the private sector to invest locally.

Outcome Based Investment

Being an outcome focussed organisation will enable us to direct our investment, resource and business planning to activity that will achieve our outcomes, change the conversation to what to keep rather than what to cut. As a borough we have clearly articulated desired outcomes which describe the impact and the 'so what' of what we want to achieve.

Commercial Opportunities and Income Generation

Having a commercial mind-set is about being more business-like, whilst retaining a strong public service ethos:

- delivering the best fit to ensure both a financial and social return.
- seeking to grow our income base and make efficiency savings in a variety of ways.
- commission goods and services efficiently to deliver better more cost-effective outcomes.
- explore and create optional traded services for residents and businesses that are competitive and provide value for money.

The introduction of a commercial approach will identify and present opportunities for the Council, with due consideration of the risks. The key test around risk appetite – under normal circumstances security of investment is paramount, yield/return a secondary key consideration.

We need to consider and understand all commercial drivers that have a direct revenue benefit, but also wider economic/social benefit felt locally. Examples include business rate generation, quality jobs, spending power, social value, holistic cost/investment understanding etc.

We are looking beyond the traditional sources of income generation for opportunities to boost revenue income through fees and charges and selling services where appropriate. Considering 'make or buy' service models to get hybrid best-fit mechanisms for delivery is essential. Importantly we will always look to secure social as well as financial returns where appropriate.

So how do we get there?

The publication of this Strategy has coincided with the outbreak of the Coronavirus worldwide pandemic. Clearly the impact across most sectors of the global economy will be far-reaching and at this early stage unquantifiable. The Council has made the commitment to update this Strategy again in 2021.

In order to accomplish our aim to achieve financial sustainability, it is important to recognise the challenges that face local government and how they will impact on us.

More financial independence will give us the ability to shape our own future and meet local needs. The Council will be required to move towards enabling others to do more for themselves, rather than being a universal and direct provider of services. Locally, the Council has seen sustained reductions in its core central government funding and over the same period experienced increased and more complex demand across a range of services. This is likely to continue for the foreseeable future.

UK Economic Growth

UK economic growth at a macro level remains sluggish just as it has since the 2008 financial crisis and subsequent recession. This sluggishness is projected to continue. Latest forecasts estimate that UK GDP growth of 1.3% in 2018 will decrease to 1.2% in 2019 and remain subdued over the next 3-5 years.

Economists see this slow growth as being driven by three key factors: weaker private consumption, only modest growth in real wages and households looking to maintain savings. The downward pressure is compounded by constrained business investment and uncertainty around future trade contributions. Ongoing negotiations and uncertainty around the UK's withdrawal from the European Union make future growth even more difficult to predict than usual.

How this macro picture plays out at the local level will have profound implications for the financial resilience and sustainability of local authority finances. For some places – where businesses and employment are in sectors experiencing stronger growth – the local economy will be protected somewhat from changes at the macro level. For others, however, the strength of the local economy will be directly tied to the events playing out nationally. So, if growth continues to slow, businesses may fail or leave the UK and employment opportunities will decrease, increasing pressure on local services. This scenario will also result in reduced income (particularly in terms of business rates) and increased expenditure on demand-led services and on wider economic development services.

Local context for Southend-on-Sea

We have succeeded in developing a shared vision for Southend. We undertook extensive engagement within and outside the Council, instilling boldness, creativity and strong, place-based leadership. We have an invaluable framework against which to set shorter-term priorities and make investment decisions. The vision also establishes a set of short- and longer-term outcomes against which to measure and communicate progress, as well as providing a roadmap for the place, bringing partners and budgets together. Culturally, it also provides energy and excitement in Southend, enabling the Council, community and partners to feel more positive about the important role they have to play. It helps shift the mind-set from one of managing decline to one of place shaping. Given the challenges ahead, the importance of culture and behaviours within our authority is going to be critical.

The headline challenges for Southend include:

- Financial sustainability - end of Revenue Support Grant
- Increasing demand for services
- Aging population & rising birth rate
- Future of social care – resourcing and location?
- Delivering sustainable, inclusive place-based growth and housing
- Developing our skills pipeline
- Involving community
- Political uncertainty, nationally and locally
- Harnessing digital/new technologies
- Community Safety - County lines and knife crime

Employment

Southend is a vibrant town, employing approximately 66,200 employees working in over 6,600 businesses. There is a recognised strong entrepreneurial culture in the area and most businesses within Southend are small, with 85.5% of companies employing 10 people or fewer.

Tourism

With over 7 million day visitors each year and over 250,000 longer stay visitors, Southend has significant potential to secure further growth as a major tourism destination. Tourism gives the town its identity centred on its iconic Pier.

Planning Policy

Effectively applying national planning policy locally has a key role to play in minimising vulnerability and providing resilience to the impacts of climate change, including coastal damage, flood risk, drought, water supply and changes to biodiversity and our local landscape. It will be essential that appropriate planning policies are put in place in the new local plan to meet these challenges.

Knowing our business

As an organisation we are more effective, understand our key drivers and are investing to make a difference. This insight and challenge is driven by service and outcome leads, looking at how and where we spend our money currently, how this drives (or not) our outcomes; and what investment/disinvestment options this might give the Council as we move to longer term outcome based financial planning.

Transforming Together

Our new transformation programme underpins the whole approach to organisational design. The Council is putting in place the conditions that our staff have identified as being necessary to make us 'match fit' for the future. These conditions form an overarching change programme for the organisation:

- Clear vision and delivery strategy.
- Digital enablement to support the vision.
- Trusted, empowered and engaged workforce.
- Appetite to invest in people, outcomes and to accept risk.
- Closer collaboration with staff, members, citizens and partners.
- Simple and effective governance.
- Open mind-set that will drive forward transformation and change.

These conditions collectively describe the culture we need to develop and nurture to take our organisation to the next stage in its journey.

This will mean a very different approach to planning and designing our services in the future – one based around outcomes for people, not around the services themselves.

Capital Investment

Successful and timely delivery of our capital investment programme is a key part in achieving the Southend 2050 ambition and delivering the priority outcomes.

The Council has major investment ambitions designed to significantly benefit the people of Southend. There will inevitably be a gap between the scale of our ambition and the level of available resources. This will limit the number and value of viable schemes that are affordable and deliverable. Capital expenditure and investment decisions must take account of the implications for the future financial sustainability of the Council.

Future sustainability will be achieved through:

- A long-term view of capital expenditure plans, where long term is defined by the financing strategy of and risks faced with reference to the life of the project/assets.
- Provision for the repayment of debt over the life of the underlying debt as set out in the Minimum Revenue Provision policy.
- An overview of asset management planning including maintenance requirements and planned disposals.
- The Capital Investment Strategy provides a high-level overview of how investment decisions take account of stewardship, value for money, prudence, sustainability and affordability.
- Capital investment proposals follow a project approval process with the decision making and governance process proportionate to the scale and impact of the project.
- The Council has a significant Capital Investment programme of approximately £205m over the next five years*.
- The programme is financed as far as possible from external funding or from the Council's own resources (receipts from the sale of assets or reserves).
- Capital projects that cannot be financed from any other source can be funded by borrowing with an associated cost of approximately £70,000 per year for every £1million borrowed.

* This includes: the development of the Airport Business Park, investment to facilitate the delivery of the Better Queensway regeneration project, the re-development of the Delaware and Priory Residential Care homes and the second phase development of the Forum.

Smarter Commissioning & Maximise Social Value

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

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

The Council's social value policy will maximise the wider community benefits of the Council's commissioning activity. It also sets the direction for engagement with businesses in Southend to increase the level of local spend, build in skills and employment opportunities and support small / medium enterprises and voluntary / community organisations.

