Appendix 18

MEDIUM TERM FINANCIAL STRATEGY 2013/14 to 2016/17

March 2013

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1 Introduction

1.1 Objectives of the MTFS

The Medium Term Financial Strategy (MTFS) is designed to provide an integrated view of the whole of the Council's finances and outlook. It shows how the Council intends to align its financial resources to the aims and priorities of the Corporate Plan and the resulting Service Plans.

The MTFS is the Council's key financial planning document which informs service and resource planning, and shows how spending is balanced with the available funding. It identifies budget gaps in the medium term and allows the Council time to address them in a considered and planned way.

The MTFS takes into account national and local priorities so that it is realistic and reduces the risk of a significant budget gap occurring late in the budget setting process. It includes revenue and capital net expenditure for the General Fund and the Housing Revenue Account, reserves, financing of capital, treasury management and partnerships. This is to ensure that the Council sets a comprehensive but affordable budget.

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

The MTFS seeks to encompass the policies set by members in a way that Chief Officers acknowledge is achievable. It does this by forming an integral part of the Corporate Service and Resources Planning Framework.

The MTFS assists with the setting of a robust budget by taking into account the likely effect of identified budget pressures and risks materialising. It allows the modelling of the effect of different planning assumptions on the budget gap which facilitates decision-making that is affordable and realistic.

1.2 Limitations of the MTFS

The further the MTFS looks to the future, the more uncertainties there are. The Spending Review 2010 (SR10) was announced in October 2010 and set out the Government's priorities and spending plans for the four financial years from 2011/12 to 2014/15. This MTFS covers the remaining financial years of this Spending Review, and two years beyond. The Government has announced its intention to have a further spending review in the first half of 2013 to set out its plans for spending for 2015/16.

1.3 Corporate and financial timetable

The MTFS forms an integral part of the Corporate Service and Resources Planning Framework. The agreed planning cycle resulting from this framework involves Member and Chief Officer engagement and challenge throughout the process and this is set out below:

During the January to March period preceding the start of the financial year, the budget and policy framework for the new year is set through a suite of documents incorporating the Corporate Plan, the Medium Term Financial Strategy and Plan, the Capital Programme and the annual Revenue Budget. Individual Service Plans sit beneath the overarching Corporate Plan.

During the year, the budgetary plans are monitored on a monthly basis, with rectifying management action being taken to keep spending within the cash limited budgetary envelope. The longer term MTFS and the detailed financial expenditure and income projections in the Medium Term Financial Plan (MTFP) are kept under regular review, particularly in light in changing economic and political circumstances and the annual budget process. At the same time the Corporate Plan and Service Plans are reviewed through the Monthly Performance Report.

Leading into the next annual budget round, the MTFS is formally reviewed both for changes to financial circumstances, but also for changes to corporate and service priorities. Through a series of iterations, within the overall constraints of available resources, the financial plans are brought into alignment with the Corporate Plan.

2 National Context

2.1 Spending Reviews (SRs)

Spending reviews (SRs) are critically important to local authorities because the government decides how much money it will give to local government as a whole via Formula Grant. The process also determines how much money will be given to Government departments, many of whom may then provide separate funding to councils.

Spending reviews are co-ordinated and managed by HM Treasury. The dates and length of spending reviews vary. They normally take place every two years and cover a three year period: typically the final year of the previous spending review becomes the first year of the next review. Comprehensive spending reviews (CSRs) tend to be less frequent. They aim to take a longer term view and usually involve a series of zero-based reviews of public spending.

The last six spending reviews, and the proposed 2013 review, set spending plans for the following years:

Year	1998 CSR	2000 SR	2002 SR	2004 SR	2007 CSR	2010 SR	2013 SR
99/2000							
2000/01							
2001/02							
2002/03							
2003/04							
2004/05							
2005/06							
2006/07							
2007/08							
2008/09							
2009/10							
2010/11							
2011/12							
2012/13							
2013/14							
2014/15							
2015/16							

The last Spending Review 2010 set out departmental spending plans for the four years until 2014/15. This included a reduction over the period of 28% for Local Government Departmental Expenditure Limits (DELs), excluding police and fire authorities. For capital it included funding cuts of the equivalent of 45% over the period, compared with 29% over the whole of the public sector.

The flexibilities of prudential borrowing were retained but interest rates for PWLB borrowing were increased by 1% with immediate effect. However the government has subsequently introduced somewhat lower "prudential" rates that can be applied for.

2013/14 is the third year of the current spending review. The final two years of the MTFS (2015/16 and 2016/17) will be in the next spending reviews. The 2015/16 position will now be part of a "Spending Round" in 2013 with no announcement on when 2016/17 will be dealt with. Therefore forward projections for Government funding for 2015/16 and 2016/17 are somewhat unknown at this stage. The Government announcement of its intention to have a further spending round in the first half of 2013 was against a background of the period of austerity being extended to 2017/18. This announcement in the Autumn Statement 2012 was accompanied with the news that the reduction in local government funding in 2014/15 would be decreased by a further 2%, and the two subsequent years would "continue to fall at the same rate as the Spending Review 2010 period".

2.2 Public Spending and the Economy

The national economy and global economic climate continue to drive Government policy and decisions on public spending.

The Autumn Statement

The government published its Autumn Statement on 5 December 2012. This set out the actions the government intends to take in protecting the economy, building a stronger economy for the future, and fairness.

Amongst the additional measures announced in the Autumn Statement are a number which will directly impact local authorities. The most significant for the Council are:

Government Departmental Spending – In the Statement the Chancellor confirmed that the government departmental budget for 2014/15 will be reduced by a further 2% as a result of the need to extend the period of austerity, and that the totals for public spending in 2015/16 and 2016/17 would continue to fall in line with the spending reductions in the 2010 Spending Review.

Council Tax increases – in addition to the continuance of the Council Tax Freeze Grant in respect of the council tax freeze in 2011/12, the Autumn Statement announced that the Government would fund a similar freeze for 2013/14, at a level equivalent to a 1% rise in Council Tax. If accepted, that grant would be available for 2013/14 and 2014/15. The Autumn Statement also provided confirmation that there is no extension of the 2012/13 freeze grant.

2.3 Value for Money

Value for money (VFM) defines the relationship between economy, efficiency and effectiveness. A successful VFM approach delivers services at a low cost, with a high productivity and results in successful outcomes.

VFM had a raised profile as part of the Audit Commission's Use of Resources judgement, which formed part of the Comprehensive Area Agreement (CAA). All work on the CAA was stopped immediately following a decision by the Coalition Government in the summer 2011. The requirement for a scored assessment has been removed but the Council's external auditors still have a continuing statutory responsibility to give a conclusion on whether audited bodies have proper arrangements for securing VFM.

Despite this change of emphasis by Government, it is still this Council's vision for improving value for money 'to be recognised as a council that provides value for money by making the best uses of our resources: including people, money, information and physical assets by our residents, employees and stakeholders.' In addition to the external auditor conclusion on VFM this will be monitored and challenged by taking part in benchmarking clubs.

2.4 Economic situation

The Council retains the services of Sector as its Treasury Management advisors. Part of their service is to provide commentary and forecast about the economy.

Sector's Commentary (January 2013)

During the quarter ended 31 December 2012:

- Indicators suggest that the economy probably contracted;
- Retail sales weakened but spending off the high street held up;
- Employment continued to rise, albeit at a slower pace;
- Inflation remained stubbornly above the MPC's 2% target;
- The MPC paused its programme of asset purchases;
- UK equity prices rose and government bond prices fell;
- The US economy continued to recover at a modest pace.

The unwinding of the boost from the Olympic Games in August means that GDP probably contracted in the fourth quarter of 2012. The CIPS/Markit business surveys generally weakened, with the measure of services activity in December falling to its lowest level since December 2010.

The weakness of the surveys seemed in part to reflect the washing out of the impact of the Olympics, which will have given a temporary boost to activity in the third quarter. Indeed, the official data deteriorated at the start of Q4. Following a 2.1% monthly drop in September, industrial production fell by a further 0.8% in October. In addition, the overall trade deficit widened from £2.5bn in September to £3.6bn in October.

Meanwhile, high street spending, which is excluded from the CIPS surveys, was relatively weak. The official measure of retail sales volumes fell by 0.7% in October. With sales volumes stagnant in November, retail sales are likely to detract from overall GDP growth in Q4. For example, if sales volumes remain unchanged again in December, then sales will be 0.6% lower than in the third quarter.

However, spending off the high street continued to show evidence of recovery. In particular, private new car registrations were 12% and 11% higher than a year ago in October and November respectively.

All in all, the above indicate there is likely to have been a 0.4% quarterly fall in GDP in Q4 2012, which would leave growth for 2012 as a whole at about -0.1%.

Meanwhile, although the resilience of the labour market continued, it faded a bit through the quarter. Admittedly, the claimant count measure of unemployment fell by 3,000 in November, while the Labour Force Survey measure of employment rose by 40,000 in the three months to October. However, this was the smallest increase since the start of the year.
Pay growth remained depressed. Annual growth of overall average earnings dropped from 1.8% in June to 1.3% in October. Given the rate of inflation over this period, real pay continued to fall on an annual basis.

Meanwhile, news on the housing market was mixed. The Halifax measure of house prices declined by 0.1% m/m in October, but then rose by 1% in November. However, the Nationwide measure was flat in November, having risen by 0.6% in October. The big picture is that prices on both measures fell slightly over the year. Elsewhere, mortgage approvals for new house purchase continued to edge up. The total of 52,982 in October was the fifth consecutive monthly rise. Although an encouraging sign, the level is still far below that seen pre-crisis.

Banks' funding costs continued to ease over the quarter, reflecting the Bank of England's provision of low cost funding via the Funding for Lending Scheme. Rates on new fixed and floating rate mortgages both declined in October compared to their average level in Q3.

Meanwhile, although public borrowing has continued to overshoot last year's level, the Government was helped by a number of one offs in December's Autumn Statement. Borrowing from April to November was £93bn, £9bn higher than the same period in 2011/12. However, the Office for Budget Responsibility (OBR) expects net borrowing to come in at £108bn in 2012/13, about £10bn below last year's level, largely reflecting the receipt of funds from the Bank of England's Asset Purchase Facility and the anticipated auction of 4G licences early next year.

As far as the Autumn Statement went, there were few surprises. Austerity was extended for a further year, to 2017/18, and in light of the deterioration in the borrowing forecasts, the Chancellor chose to disregard one of his fiscal targets, to get debt as a share of GDP falling by 2015/16. While he did

announce a number of growth friendly measures, including a cut in corporation tax, it was largely a case of give with one hand and take away with the other.

Inflation remained stubbornly sticky in Q4. Indeed, CPI inflation rose from 2.2% in September to 2.7% in October, and remained at that level in November. October's jump in university tuition fees, hefty rises in utility prices at the end of the 2012 and a pick-up in food price inflation following poor harvests, mean that inflation is likely to hover between 2.5% and 3% for the best part of 2013.

Meanwhile, the MPC voted in November to pause its programme of quantitative easing, leaving total asset purchases at £375bn. The announcement in November that Mark Carney, the current Governor of the Bank of Canada, will take on the Governorship of the Bank of England from June 2013, raised speculation that the MPC's current 2% inflation target may be reformulated.

Equity prices in the UK and overseas largely continued to rise over the course of the fourth quarter, with the FTSE 100 picking up from 5,820 to 5,898. Over the period gilt prices fell, causing 10-year gilt yields to rise from about 1.55% to 1.80%. Meanwhile, the pound was unchanged against the dollar, at about $1.63, but weakened slightly against the euro from €1.25 to €1.23.

In summary, our views on the prospects for GDP growth in the major global economies are as follows:

UK

- The Bank of England November 2012 Inflation Report has again pushed back the timing of a return to trend growth and the rate at which inflation will fall back towards the target rate of 2%.
- It now looks likely that Q4 2012 will see a return to negative growth. If this negativity continues into the first quarter of 2013 it would be the first triple dip recession since records began in 1955.
- A fair proportion of UK GDP is dependent on overseas trade; the high correlation of UK growth to US and Eurozone GDP growth means that the UK economy is likely to register weak growth over 2013 and 2014.
- Consumers are likely to remain focused on paying down debt. Weak consumer sentiment and job fears will all act to keep consumer expenditure suppressed; this will be compounded by inflation being higher than increases in average earnings i.e. disposable income will still be eroded.
- The Coalition government is hampered in promoting growth by the need to tackle the budget deficit.
- Little sign of a coordinated strategy for the private sector to finance a major expansion of infrastructure investment to boost UK growth.
- There is potential for more QE in 2013 which will help to keep gilt yields lower than they would be otherwise.
- On the other hand, recent discussion around reformulating how RPI is calculated could adversely affect demand for inflation indexed gilts in particular, but also gilts generally, if this proposal is taken

forward and was perceived to be a softening of the stand against inflation in the UK.

- The main rating agencies have all made it clear they are reviewing the UK's "AAA" status in early 2013. There is a material chance of the current ratings being downgraded. Although the UK will retain its "safe haven" status, a change in rating may place some upside pressure on gilt yields.

US

- GDP growth is likely to remain weak at around 2% - but that is a lot better than the prospects for the UK and Eurozone.
- The Fed has indicated that is unlikely to increase the central rate until 2015. It changed its policy targets to focus specifically on the employment sector. The new target is for unemployment to fall to 6.5% before official policy rates are raised.
- The "fiscal cliff" has only been partially dealt with at the beginning of January 2013. Increasing the debt ceiling and agreeing the cuts in expenditure part of the "fiscal cliff" will need to be resolved within the next two months.
- The housing market is showing some sustainable signs of having turned a corner.

Eurozone

- Austerity programmes in the various "peripheral" countries are starting to show signs of having an effect in reducing growth rates in "core" countries. The Eurozone looks as if it is heading for another quarter of negative growth in Q4 2012 and prolong the recession which began in Q3.

China

- Efforts to stimulate the economy appear to be succeeding towards the end of 2012. However, there are still concerns around the unbalanced nature of the economy which is heavily dependent on new investment expenditure. The potential for the bubble in the property sector to burst, as it did in Japan in the 1990s, could have a material impact on the economy as a whole.

Sector's Forward View (January 2013)

Economic forecasting remains difficult with so many external influences weighing on the UK. Major volatility in bond yields is likely during 2013 as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, and safer bonds. Equity prices staged a significant rise during the second half of 2012 and the start of January, accompanied by a fall in bond prices and a rise in bond yields. 2013 is likely to see a tug of war between bond and equity prices as ebbs and flows in investor confidence and fears cause recurring spikes and falls in their prices.

The overall balance of risks to economic recovery in the UK remains weighted to the downside. Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries. Although the

prospect of further quantitative easing is likely to keep gilt yields lower than they would otherwise be in the near term, this programme is not everlasting. At some stage, the expectation of a conclusion to quantitative easing will add to the upside pressure on gilt yields

2.5 Effect on Local Authority finances

In times of recession there are increased demands for local authority services from residents and local businesses. This coincides with less, or delayed, income from Council Tax, Business Rates and fees and charges.

The measures being taken by the Coalition Government are reducing the funding available from Formula Grant and restricting the amount local authorities can raise in Council Tax. To lessen the effect of this, the Government has removed the ring-fencing from most grants so that local authorities can decide how best to apply them to services, and is continuing to give a grant to local authorities who did not increase their Council Tax in 2011/12. A similar grant was made available for those Councils who froze their Council Tax for 2012/13, but with the crucial difference being that the grant relating to the 2012/13 freeze was only available for the one year; acceptance of this grant in 2012/13 has therefore added to the budgetary pressure for 2013/14, with the Council having to make additional savings equivalent to the 2012/13 freeze grant.

The Coalition Government has offered a third year freeze grant, equivalent to a Council Tax increase of 1%, albeit with the grant lasting for the two years 2013/14 and 2014/15. The proposed Council budget for 2013/14 rejects this grant.

The Coalition Government has also introduced two major changes from 2013/14 that significantly increases the financial risk environment that the Council finds itself in.

- Council Tax Benefit becomes a localised scheme from 1 April 2013. Central government have handed over full responsibility, but with only 90% of the required funding. The Council has had to therefore introduce a scheme that reduces the benefit payable to working age claimants by 25% (as the Government has insisted that pensioners have their benefits position protected). The Council therefore now carries the financial risk of a growth in claimant numbers, which it will need to fully fund, and the risk of non-collection of the 25% council tax liability charged to working age claimants for the first time.
- Business rates have also been “localised”. The Government has not given any local control over the business rate poundage – that will still be set centrally. However as part of the financial settlement, local government retains 50% of money assumed to be raised from local businesses. This is topped up by Revenue Support Grant and “top-up” payments to the full amount of the baseline need. Should actual business rate receipts exceed expectations the additional income is shared with central government. However the converse is also true; subject to certain safety net arrangements, the risk of lower business rate receipts is also shared.

Local government funding is therefore now intrinsically linked to the performance of the local (and national) economy.

The combined effect of the recession and the deficit reduction measures has been to increase costs, whilst reducing income and funding, leading to large budget gaps to be bridged in each of the next four financial years.

3 Hierarchy of Plans

3.1 Sustainable Community Strategy

The Sustainable Community Strategy (SCS) provides the Vision for Southend as agreed by partners on the Local Strategic Partnership (Southend Together). Southend Together is a single body that brings together at a local level the different parts of the public sector as well as the private, business, community and voluntary sectors so that different initiatives and services support each other and work together. The current SCS is a 10 year vision from 2007-2017. The Corporate Priorities are developed in conjunction with the SCS.

3.2 Corporate Plan

The Corporate Plan ensures that the Council's aims and priorities are focused on delivering its Vision for the community and the aspirations set out in the Sustainable Community Strategy. It is the Council's method of communicating to its stakeholders how it will realise its vision and deliver the five corporate aims. It sets out:

- An overview of the Council's long-term Vision, Aims, and Priorities;
- An assessment of 'where we are now';
- A summary of 'where we need to be'; and
- An outline of 'what do we need to do to get to where we need to be'.

The Corporate Plan operates at three levels:

- As a Corporate Plan translating community ambitions – as set out in the Sustainable Community Strategy - in to Council priorities;
- As a Performance Plan, reporting the Council's performance against its priorities and outlining improvement opportunities; and
- As an Annual Report – enabling stakeholders to view service and financial performance of the Council.

Southend's Corporate Plan is a three-year rolling plan and the MTFS is embedded within and integral to it. The priorities and desired outcomes within the Corporate Plan drive the MTFS.

The Corporate Plan is refreshed annually to take account of any changes – for example new challenges, achievements, national and local influences, feedback from inspection reports; and also to assess whether sufficient progress has been made.

3.3 Partnerships

The Council is a key partner of Southend Together, a group of voluntary organisations, public sector agencies, and representatives of local businesses working to achieve shared goals for the Borough. The Vision and Aims in the Corporate Plan are the council's contribution to the overall Community Vision for Southend.

The Council believes that working in partnership is the best way of identifying and meeting the needs of all its communities. This includes the delivery of services in partnership, for example with the health or law enforcement sectors, the voluntary and community organisations in the town, and with the private sector. The clear direction of travel, set by customer demands, government policy and financial effectiveness, is for increased integration and joint working.

4 Corporate Plan

4.1 Corporate Vision

The corporate vision of 'Creating a better Southend' sets out the Council's purpose and what it is working to achieve. 'A better Southend' is defined as a place:

- with a strong and cohesive community and attractive environment;
- where people are able to maximise their potential and have an excellent quality of life;
- that is desirable for people to live, learn, work, visit and play in harmony with each other, whatever their differences or backgrounds;
- which celebrates the widest range of cultural activities and benefits from outstanding learning opportunities.

4.2 Corporate Aims

The corporate aims cover the main challenges and keep the Council focussed on what is important and connect it with local people's views. They help the council monitor how well it is achieving its plans and help it decide where to allocate available resources. The aims are:

A Safer Southend will be somewhere with low crime rates and low fear of crime, where our night time economy is welcoming and anti-social behaviour is uncommon. Our vulnerable people will have independent and meaningful lives within the community. Our environment and roads will be safe.

A Cleaner Southend will have streets, parks and outdoor spaces that are clean and inviting. Local people will consume less, recycle more and will be confident that their waste is collected and disposed of well.

A Healthier Southend will have high quality healthcare services with reduced health inequalities between residents in different parts of the borough. We will have a thriving healthy schools programme. Good quality housing will support community well-being and vibrant sport, culture and leisure opportunities will contribute towards healthier lifestyles.

A Prosperous Southend is where companies invest here because of our good transport networks, attractive environment and excellent skills base. Businesses start-up, develop and expand. Local people can, at any age, have high quality education and learning and fulfilling employment opportunities. Vibrant and varied leisure activities and tourism activities will increase visitor numbers. It also provides a supportive environment for businesses and the local economy during the current economic downturn.

An Excellent Council delivers high performing, high quality, value for money services that continuously improve. We listen to our community and design services which meet their needs. We work well with our key partners to help our communities develop, identify needs and deliver high quality services.

4.3 Corporate Priorities

The Corporate Priorities support the aims and vision of the Council along with the objectives of Southend Partnerships to improve the quality of life, prosperity and life chances for people in the borough.

Council's Vision	**"Creating a better Southend"**
Council's 5 Aims	**Council's 9 Corporate Priorities 2013-14**
Safe	Continue to reduce crime, disorder and anti-social behaviour
Clean	Ensure a well maintained and attractive street scene, parks and open spaces
	Where possible minimise our impact on the natural environment
Healthy	Continue to improve outcomes for vulnerable children and adults
	Support Southend to be active and alive with sport and culture
	Reduce inequalities and increase the life chances of people living in Southend
Prosperous	Encourage the prosperity of Southend and its residents
	Enable well-planned quality housing and developments that meet the needs of Southend's residents and businesses
Excellent	Deliver cost effective, targeted services that meet the identified needs of our community.

5 General Fund Services – 2013/14

The Corporate Priorities are reflected in the 2013/14 General Fund budget being recommended to Council at its meeting on 28 February 2013. It includes proposals for savings and efficiencies totalling £10.425 million to balance the budget, these are summarised below by the relevant Directorate:

- Adult and Community Services - £1,822,000
- Children and Learning - £1,781,000
- Enterprise, Tourism and the Environment - £1,345,000
- Support Services - £794,000
- Corporate – £845,000
- Corporate Work Streams - £3,838,000

The 2013/14 General Fund budget also includes:

- Inflation Allowance (including Fees & Charges) of £2,211,000.
- Corporate Cost Pressures of £1,235,000.

The proposals for savings and efficiencies for 2013/14 are summarised in Annex 1 and are incorporated into the Medium Term Financial Plan in Annex 3.

6 Housing Revenue Account – 2013/14

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

Under the provisions of the Localism Act 2011, the Housing Revenue Account (HRA) became "self-financing" on 1 April 2012: That is in return for the payment of lump sum, funded by borrowing, to HM Treasury, the HRA no longer has to pay negative subsidy each year to the Government. The HRA is the statutory "landlord" account for the authority. The Council is obliged by law to set rents and other charges at a level to avoid a deficit on the HRA balance. Changes to regulations over recent years, notably the introduction of rent restructuring in 2002, mean that the dwelling rent income streams had become largely fixed. The approach in recent years has been to work within the guidelines set by the government. Despite the introduction of "self-financing" for the HRA no longer requiring strict adherence to rent restructuring, the same approach has been continued given that the settlement underpinning self-financing assumed its continuance until 2015/16.

The HRA estimates have been prepared alongside South Essex Homes, and incorporate their management fee bid.

For 2013/14, an average rent increase of 5.03% is assumed.

The HRA MTFS Medium Term Financial Strategy demonstrates that the HRA is financially robust, as long as we continue to make efficiencies within the HRA and achieve value for money in the management and maintenance of the stock.

It also means that the Council now has a secure financial basis on which to bring forward a strategic housing development plan dealing with opportunities to both support the need to reinvest back into the existing stock and to allow for a more innovative capital programme that could allow for stock remodelling, new build etc.

7 Asset Management Plan

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

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

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

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

The AMP brings asset-related decision making (on acquisition and disposal) together with the procedures guiding investment through the Capital Programme. The structure maintains a Capital Strategy & Asset Management Group (CS&AMG) which evaluates the business cases on larger projects, and makes recommendations to the Capital Board. The CS&AMG also develops and agrees the disposals strategy and monitors performance. The Capital Board, chaired by the Chief Executive, continues to ensure that the programme is in accordance with corporate priorities before recommendations are made to Cabinet.

8 Capital Programme

8.1 Capital Expenditure

Capital expenditure is defined as expenditure incurred on the acquisition or creation of assets needed to provide services, such as houses, schools, vehicles etc. This is in contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services. Capital grants, borrowing and capital receipts can only be spent on capital items and cannot be used to support the revenue budget. However, it should be noted that revenue funding can be used to support capital expenditure.

Under the Local Government Act 2003, from 1 April 2004, each authority can determine how much it can borrow within prudential limits (unsupported borrowing). The Government does have powers to limit the aggregate for authorities for national economic reasons, or for an individual authority.

For the HRA, under the Localism Act 2011, there is an absolute cap on the amount of borrowing that can be undertaken for HRA purposes.

Unsupported borrowing is not specifically financed by either capital grant or no longer as a separate stream in the Government revenue grant. However, the Council has full discretion on how it allocates its formula grant funding. Therefore, any unsupported borrowing undertaken is financed from the total available resources to the Council from both Grant and Council Tax in the setting of its Council tax.

8.2 Spending plans 2012/13 to 2016/17

The Council's proposed capital programme for 2013/14 and future years is summarised below:

	2012/13 £000	**2013/14 £000**	**2014/15 £000**	**2015/16 £000**	**2016/17 £000**	**Total Budget £000**
Approved Capital Programme (Nov 2012)	69,743	36,423	20,282	10,931	0	137,379
Reprofiles & Amendments	(8,744)	6,607	250	0	16	(1,871)
New External Funding	259	1,328	157	0	0	1,744
Proposed Additional Schemes	0	9,520	2,230	2,368	9,675	23,793
Current Proposed Programme	**61,258**	**53,878**	**22,919**	**13,299**	**9,691**	**161,045**

8.3 Funding of the Capital Programme

The proposed capital programme currently fully funded and has been prepared based on the formula grant settlement data showing the level of borrowing the government will support, the level of borrowing the Council can support, notified capital grants, prudent assumptions over the level of other grants and the timing and valuation of capital receipts that will be realised.

The financing of the capital programme will continue to be supported by the generation of capital receipts from the sale of surplus Council assets. Since 2011, the Council's approach to property disposals has been geared to reflect members' requests to ensure that, wherever possible, assets are used to generate revenue, with freehold disposals being a last option. This recognises the Council's increasing revenue pressures whilst still delivering a modest programme of capital receipts through the current challenging property market. The impact of this approach is that a much lower level of capital receipts is delivered meaning a greater reliance on borrowing to find the Capital Programme.

When the Council enters into Prudential Borrowing to fund Capital expenditure, there is a revenue impact and therefore an increase to the Councils budget requirement. As an indicative guide to the revenue consequence, there is a cost of approximately £80k for every £1m borrowed or if £8m is borrowed this would equate to an increase in Council Tax of around 1%.

The full impact of borrowing costs associated with the funding of the proposed programme has been included in the Council's current financial planning for 2013/14 to 2016/17.

In summary, it is the Chief Financial Officer's view that the 2012/13 to 2016/17 Capital Programme is Prudent, Affordable and Sustainable.

9 Treasury Management Policy and Prudential Indicators

9.1 Background

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

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

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

9.2 Borrowing

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

The agreed operational boundaries and authorised limits for the years 2013/14 to 2015/16 are shown in the table below:

	Estimate 2013/14 £m	**Estimate 2014/15 £m**	**Estimate 2015/16 £m**
Operational boundary	320	320	320
Authorised limit	330	330	330

The capital financing requirement represents the cumulative amount of borrowing that has been incurred to pay for the Council's capital assets less amounts that have been set aside for the repayment of debt over the years (i.e. Minimum Revenue Provision and Reserved Capital Receipts).

The estimates for the capital financing requirement for the years 2013/14 to 2015/16 are:

	Estimate 2013/14 £m	Estimate 2014/15 £m	Estimate 2015/16 £m
General Fund	198.7	197.8	194.4
Housing Revenue Account	94.1	94.1	94.1
Total	**292.8**	**291.9**	**288.5**

The Council is only allowed to borrow long term to support its capital programme. It is not allowed to borrow long term to support its revenue budget.Long term borrowing is from banks or building societies or the Public Works Loan Board (PWLB), which is a statutory body whose function is to lend money to local authorities and other prescribed bodies.

New borrowing will be undertaken as and when required to finance capital. The amount and timing of these loans will have regard to the Council's cash flow, the PWLB interest rates and the future requirements of the capital programme.

Some of the Council's borrowings are at a higher interest rate than the current rate of borrowing. To redeem these loans before their maturity date (i.e. to redeem them early) the Council would be required to pay a premium (this is like paying to redeem a mortgage early except the amount of the penalty depends on the prevailing rate of interest). New loans could then be taken out at the current rate. The savings to be made by paying interest at a lower rate need to be offset by the premiums payable before a decision is made as to whether this would be economically advantageous.

Similarly, some of the Council's borrowings could be at a lower interest rate than the current rate of borrowing. To redeem these loans early the Council would receive a discount (this is the opposite of a premium). New loans could then be taken out at the current rate. The discount receivable would need to be offset by the higher rate of interest paid before a decision is made as to whether this would be economically advantageous.

The Council will undertake debt restructuring as and when appropriate opportunities arise. The main objective of a restructure will be to produce reductions in financing costs as part of the overall budget strategy.

9.3 Investments

The Council's investment objectives are:

- To secure the principal sums invested
- To maintain liquidity (i.e. adequate cash resources)
- To optimise the income generated by surplus cash in a way that is consistent with a prudent level of risk

The Council currently uses one external fund manager who manages approximately £25m of the Council's money. The remaining funds (initially projected to be an average of £40m in 2013/14) are managed in-house.

Cash flow forecasts are produced in order to inform in-house investment decisions. The investment period and amount invested are determined by the daily cash flow requirements of the Council and the investment criteria and limits set out in the Annual Investment Strategy.

The type of investment and the counterparty in which to invest are determined in accordance with the investment criteria set out in the Annual Investment Strategy.

9.4 Financial Outlook on Interest Rates

The financial market conditions prevailing during the majority of 2008/09 meant that financial organisations were reluctant to lend to one another. This led to a severe shortage of funds in the market. This in turn widened the margin between official bank rate and the market rates available for those with money to invest. The council was able to take advantage of these higher market rates whilst maintaining a low level of risk.

When the budget was set for 2008/09 these unprecedented conditions could not have been predicted and so more investment income was earned than anticipated. It was deemed prudent to use the unexpected investment income earned as a result of market conditions, in excess of the budget in 2008/09, to mitigate the effects of the future adverse market fluctuations in the coming years. Therefore an interest equalisation reserve was created to absorb the effects of these fluctuations in investment income due to economic conditions, without affecting the delivering of services.

The advantageous situation in 2008/09 did not continue and 2009/10 and 2010/11 have been years of low investment income. Economic forecasts for both years predicted that interest rates would rise when in fact they stayed at the historically low rate of 0.5%. This meant that actual investment income was even lower than budgeted, so a contribution from the interest equalisation reserve was needed in 2009/10 and 2010/11. In 2011/12 there was a contribution to the reserve in anticipation of potentially worsening investment returns in future years as the economy continues to stay in recession. Currently for 2012/13 it is not thought that it will be necessary to call upon the reserve to support the interest income to the General Fund.

The outlook is one of continuing low interest rates and consequently low investment income earnings. The Bank of England base rate remains at 0.50% and based on economic forecasts, it is assumed that this will remain the case throughout 2013/14. Given the current economic conditions, interest rate forecasts into the medium term should be viewed with caution.

Sensitivity analysis shows that a difference of 0.5% in interest rates would make a difference of £204k in external interest earned and a difference of £1m in average balances would make a difference of £7k in interest earned in a full year. The interest equalisation reserve continues to be available to support the budget if necessary, and this has been assumed when producing the Medium Term Financial Forecasts.

10 Corporate Assurance and Risk Management

The Council identifies key risks that may prevent the Corporate Priorities from being achieved. A process is in place to identify how significant the risk is, and the potential impact that it may have should the risk occur. Those risks scoring highly in terms of significance and impact, are identified and form the Council's Corporate Assurance and Risk Register. Actions to reduce the identified risks and ensure assurance on the controls detailed within the register are subject to regular monitor through the Council's Audit Committee.

The following Corporate Risks have been reviewed by the senior leadership group and were also reviewed by Audit Committee on 9th January 2013:

- Risk that inability to deliver savings and a balanced budget for 2012/13 will lead to an overspend
- Risk of reduced staff engagement and performance from failure to manage downsizing
- Risk that undertaking budget savings and negative criticism of local authorities will significantly damage the reputation of the
- Risk that the Council's business continuity processes are not robust enough to enable the provision of key services in an emergency
- Risk of impact of new legislation and policy changes on the Council's resources
- Public Health transfer
- Risk of potential data breaches
- Stalled Regeneration
- Contractor insolvency
- New Police & Crime Commissioner and impact on services

These Corporate Risks are explored through the Service and Resource Planning framework.

11 Reserves Strategy

11.1 General Fund Reserve

In relation to the adequacy of reserves, the Council's Section 151 Officer (Head of Finance and Resources) recommends the following Reserves Strategy based on an approach to evidence the requisite level of reserves by internal financial risk assessment. The Reserves Strategy will need to be reviewed annually and adjusted in the light of the prevailing circumstances.

i) An absolute minimum level of General Fund reserves of £8 million that is maintained throughout the period between 2013/14 to 2016/17;

ii) An optimal level of reserves of £10 million over the period 2013/14 to 2016/17 to cover the absolute minimum level of reserves, in-year risks, cash flow needs and unforeseen circumstances;

iii) A maximum recommended level of reserves of £12 million for the period 2013/14 to 2016/17 to provide additional resilience to implement the Medium Term Financial Strategy;

iv) A Reserves Strategy to achieve the recommended maximum level of reserves for sum of £12 million within the relevant period of 2013/14 to 2016/17.

These recommendations were conditional upon not considering further calls on reserves other than for those risks that have been identified, those that could not have been reasonably foreseen and that cannot be dealt with through management or policy actions.

11.2 Housing Revenue Account

In relation to the Housing Revenue Account (HRA) in 2013/14 and the medium to long term:

i) Given the current status of housing management provision the recommendation is that reserves be maintained at £3.5m.

ii) A 2013/14 budget has been agreed with South Essex Homes Ltd. to maintain a balanced HRA, together with a MTFS

iii) Forward projections for the HRA beyond 2013/14 are now contained in a 30 year business plan arising from the Government's self-financing reforms for the HRA from April 2012. In addition, this is linked to the HRA's own Medium Term Financial Strategy for the period 2014/15 to 2016/17.

11.3 Earmarked Reserves

A table of the earmarked reserves and their balances at 31 March 2012 to 31 March 2017 are shown in Annex 2. The balances at 31 March 2013 to 2017 are indicative, based on the assumptions in this report, and do not represent the probable figures that will be disclosed in future years Statement of Accounts.

12 Funding of the Net Budget Requirement

12.1 Government Funding – Grant and Finance Settlement

Government funding of its main grant (formerly Formula Grant) is the main provider of funding for the Council's total general fund budget (excluding schools). As such it represents a significant factor in determining the Council's revenue budget. The provisional Local Government Finance Settlement for 2013/14 and indicative 2014/15 was issued by the Department for Communities and Local Government (DCLG) on 19 December 2013 and this represents years 3 and 4 of the Government's spending plans arising from the Spending Review 2010.

However, the latest Finance Settlement has also seen the most radical shift for generations in the way Local Government is to be financed from April 2013. Most general grants, such as the Early Intervention Grant and the Learning Disabilities Reform Grant, together with a number of service specific grants, have now been subsumed into the main formula settlement. There have also been a number of background technical changes to detailed components of the allocation formula.

The main changes however arise from the launch of the Business Rates Retention (BRR) scheme as the principle form of local government funding. In previous years, the provisional settlement announcement provided local authorities with their expected general revenue allocations for the following financial year. For 2013/14, the provisional settlement provides authorities with a combination of provisional grant allocations and their respective starting points within the BRR scheme. It also sees the start of the localisation of council tax support, and therefore the inclusion of a fixed sum of grant to compensate local authorities for a notional 90% of the cost of the previous council tax benefit arrangements.

The key points arising from the settlement for Southend-on-Sea Borough Council are:

i) The provisional Grant settlement for 2013/14 is £77.180m. This compares to a like for like adjustment of £80.397m received in respect of 2012/13 (a reduction of £3.217m and equivalent to a 4% reduction); the indicative grant for 2014/15 is £70.346, a further 8.9% reduction;

ii) A number of specific grants have been rolled into the main grant;

iii) Some capital and specific grants are provisional and yet to be announced in full;

iv) A further Council Tax freeze grant has been confirmed and that Councils who freeze their Council Tax will benefit from the equivalent cash sum of a 1.0% Council Tax increase. This grant is different from the one announced in 2012/13 in that it is now for two years compared to one year in the 2012/13 Government offer. The acceptance of the grant would lead to an on-going loss in the Council's budget of circa £1.1million and also a loss in its Council Tax income generating base;

v) Separate NHS funding continues with the announcement of £2.949m in 2013/14. This NHS Funding is to support social care and benefit health. These sums are not in the Council's base budget and are for the two

specified years only. The allocation will initially go to Clinical Commissioning Groups (CCG'S) who will then satisfy themselves that the funding will be spent by the Council on the two areas required of social care and benefit health. The appropriate sums will then be allocated to the Council for expenditure on the approved areas;

vi) The consultation on the provisional finance settlement ended on 15 January 2013. The timing of the final announcement has yet to be announced, but would normally follow shortly after the consultation period has ended. A verbal update will be given to Cabinet on any further information surrounding the final finance settlement and any implication on the setting of the Budget;

vii) The provisional national non-domestic rates (NNDR) poundage has been set at 47.1p, having been uplifted by RPI inflation for September 2012 of 2.6%. The associated small business poundage has been set at 46.2p. Non-domestic rates are set nationally by the Government and collected locally by Councils (billing authorities). Under the new arrangements for the localisation of business rates a sum of 50% is returned to Government who then reapportion this sum back to Local Government as part of their main grant settlement. The remaining 50% is retained 49% by the Council and 1% is distributed to the Essex Fire Authority. The Police Authority will receive their funding separately;

viii) The Public Health service will be transferred to Local Government from April 2013. The Department of Health announced on 10th January 2013 the intended allocation of funding to enable the Council to undertake this service. The allocation for 2013/14 is £7.327 million and for 2014/15 is £8.060 million.

12.2 Dedicated Schools Grant (DSG)

The DSG is now based on pupil numbers in the October before the beginning of each financial year allowing an estimate of grant to be made in order for local authorities to calculate individual school budgets by early March.

The total DSG for 2013/14 is £132.7 million (2012/13 = £129.6 million). In practice the final DSG will exclude funding for the 11 Academies and is estimated to reduce to £90.6 million for maintained schools. In addition to funding from the DSG, schools will receive an increased Pupil Premium grant, which will provide £900 of funding per pupil (2012/13 = £600 per pupil) who have been registered for free school meals in any of the past 6 years. Based on estimates the Pupil Premium will provide an additional £1.9 million for schools in Southend-on-Sea (both Maintained and Academy schools).

12.3 Council Tax

There is a 1.75% increase in Council Tax for 2013/14, and therefore the Council has formally rejected the Coalition Governments latest Council Tax Freeze Grant offer. If accepted this would cost the Council circa £1.1million per annum in its on-going budget and a permanent on-going reduction in its Council Tax base generating capacity. Consequently additional savings would need to be found across various Council services which would impact on all Council residents. For planning purposes an increase of 2.5% has been assumed for 2014/15 onwards.

For 2012/13 Southend-on-Sea Borough Council had the fourth lowest Band D Council Tax (including Police, Fire and Leigh Parish) of all the unitary councils and the second lowest of the local authorities in Essex.

As an indicative guide, for Southend Borough Council every increase of 1% raises £600k of extra funding. This is less than most other unitary councils would raise by an increase of 1% as they are starting from a higher Council Tax level.

The Council Tax Base is the number of band D equivalent properties/dwellings, or, looked at another way, it is the amount of money the billing authority estimates it can raise for each £1 of council tax set at the band D level, after relevant discounts and exemptions. Changes in the number of households affect the tax base for Council Tax purposes, as does the number of Council Tax Support claimants, and hence the total amount which will be raised from this source. The Council Tax base for 2013/14 is 53,358.9 (equivalent Band D properties).

Southend is home to around 173,600 residents in 74,700 households (2011 population estimates from last Census). The available land area and the current density of housing is such that there are fewer opportunities to increase the Tax Base that there are in more rural authorities.

13 Medium Term Financial Plan

The Medium Term Financial Plan covering the period 2013/14 to 2016/17 is shown in Annex 3.

13.1 Key Assumptions

The following assumptions have been made in producing the Medium Term Financial Plan for the Revenue Account:

Funding

Council Tax - the increase is assumed to be 2.5% each year from 2014/15 to keep it in line with the Government's intention to keep Council Tax rises down.

Formula Grant – the figure for 2013/14 is based on the final Local Government finance settlement announcement made on 4th February 2013. The Government has also announced a provisional figure for 2014/15, being some 8.9% below that for 2013/14. The Formula Grant is assumed to fall by a further 7% for each of 2015/16 and 2016/17.

Support from Collection Fund – no surpluses have been estimated for each year from 2014/15. This is a prudent view based on Council Tax increases of 2.5% and forecasts of housing completions, increases in discounts and exempt properties, and taking into account the effect of the current economic climate on collection rates.

Inflation and Fees & Charges

Pay award – there is assumed to be an increase of 1.0% in 2013/14 through to 2016/17. This is based on the assumption that, given the current level of inflation and the upward influences on inflation in the future, there could potentially be pressure on pay inflation.

Inflation on goods and services – this is assumed to be 3% each year from 2013/14 as inflation has consistently exceeded the Bank of England's inflation target of 2%. It is assumed that actions the Bank of England take to try to bring it back in line with the target will prevent it becoming too high.

Fees and charges – it is assumed that these will increase by 2% each year but this assumption may need to be reviewed if the economic conditions worsen.

Corporate Cost Pressures

Employers' pension contributions – the current triennial actuarial valuation covers the three years to 2013/14. A new valuation, as at 31 March 2013, will be undertaken, that will be effective from 2014/15. It is not known at this stage what financial pressures this will bring. However in anticipation a further increase of £750k per year is assumed for 2014/15 through to 2016/17.

Interest – the capital programme, although partly funded by grants and HRA funds, implies an increase in borrowing costs for 2013/14, as set out in the Treasury Management and Capital Strategies. The MTFS allows for these increased net costs of interest payments required to support this borrowing but also reflects from 2014/15 a broadly neutral position on net borrowing costs.

Costs of Transformation – with the on-going downward pressure on net spending, it is inevitable that there will be upfront costs associated with service redesign and the introduction of new service delivery models. The MTFS makes provision for this.

Directorate Savings/Pressures

Identified income/savings – it is assumed that these will be achieved in full in each of the years in which they have been identified. With the unpredictability of demands on services, and potential new legislation, services could experience increasing cost pressures and this is also reflected in the plan.

NHS Funding

There is separate funding of £2.9m in 2013/14 for NHS Funding to support social care and benefit health. This sum is not in the Council's base budget. The allocation will initially go to CCGs who will then satisfy themselves that the funding will be spent by the Council on the two areas required of social care and benefit health. The appropriate sums will then be allocated to the Council for expenditure on the approved areas.

Housing Revenue Account

From 2012/13 the HRA became self-financing, and is no longer subject to the HRA subsidy regime.

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

The HRA continues to be run on a breakeven principle. Forward projections of income and expenditure are based on an underlying inflation assumption of 2.5%.

Schools

No change in the DSG has been assumed as the Government are considering moving to a new national funding formula for schools and no further details are currently available.

13.2 Sensitivity analysis

The effect of changes to these assumptions on the budget gap for 2014/15 and on the Council Tax, are shown in the following table:

Assumption in MTFP for 2014/15	Change in assumption	Effect on the budget gap for 2014/15	Effect on Council Tax
Council Tax increase of 2.5%	No Council Tax increase	Increase of £1,520k	
Formula Grant as per provisional settlement (8.9% reduction on 2013/14)	Formula Grant decreased by 10%	Increase of £884k	Increase of 1.4%
1% pay award	Pay award of 2%	Increase of £700k	Increase of 1.1%
Inflation for goods and services at 3%	Inflation for goods and services at 4%	Increase of £800k	Increase of 1.3%
Fees and charges increased by 2%	Fees and charges not increased	Increase of £400k	Increase of 0.7%
100% of identified on-going savings of £10,425k will be achieved in 13/14	95% of identified on-going savings of £10,425k achieved in 13/14	Increase of £521k	Increase of 0.8%

13.3 Financial Planning 2013/14 to 2016/17

The Medium Term Financial Plan as shown in Annex 3 takes account of all the factors highlighted throughout this strategy that lead to cost pressures and restrictions on income and funding. The resulting budget gap for 2013/14 has been closed by the proposed savings totalling £10.425 million as set out in Annex 1. The budget gaps remaining for the financial years 2014/15 to 2016/17 are set out below:

	2013/14	2014/15	2015/16	2016/17	Total
Remaining budget gap	£0m	£12.5m	£8.7m	£8.4m	£29.6m
Budget gap as a % of the 2013/14 net budget requirement	0%	9.0%	6.3%	6.1%	21.4%

13.4 2014/15 and Beyond

In addressing the national economic situation the Coalition Government has emphasised the need to look at an initial four year programme of public sector spending restraint and reconfiguration. This was reinforced in the Chancellor's annual autumn speech in November 2011 and December 2012 with further restriction placed on the Government's public spending plans up to 2018. The tightening and reduction of Government funding contributions to

local government funding and the Government's changes from April 2013 for the funding of Local Government, means that the current financial challenges for 2013/14 and beyond need to be seen as part of a much longer period of financial retrenchment and councils will need to consider a longer spending reduction programme than normal.

This report predominantly addresses, as we are required to do, a detailed budget for 2013/14 but it is also appropriate to identify the areas the Council should continue to explore in order to meet the budget constraints of future years and also tailor the services it provides and review its role within national policy and local circumstances.

Like all local authorities in England, Southend-on-Sea Borough Council is facing unprecedented financial challenges. The Council has, over a number of years, addressed significant funding gaps whilst also achieving improved efficiency and service delivery. In the current, and forecast, period of national financial stringency the scale of financial contraction is such as to challenge the scale, nature and purpose of the role of the Council.

Traditionally, and particularly over recent years, the nature of Council activity has seen an increase in the level of directly delivered services for the local populace and for local businesses and visitors. Many services have been delivered on a universal basis and free or at limited cost. As funding continues to reduce greater pressure is being placed upon the services provided by the Council and also the way in which these are delivered.

Since the beginning of the current national financial crisis the Council has striven to sustain its full range of services but it is increasingly likely that this approach will be unviable.

It is proposed that the Council will increasingly focus the delivery of its services in a targeted way, concentrating on delivering services to those residents who need the Council's help. The Council will also adopt this as an approach in tailoring the delivery of its many statutory services. To underpin this approach the Council will also reposition its role as one to help the community, its residents and businesses, to take personal control of as many factors affecting their lives as is possible.

The Council will adopt an increasing approach of working, and delivering services, in partnership with other agencies, the voluntary and commercial sectors, and the community itself. As part of this approach the Council will encourage the sustenance of community services in collaboration with the local communities, encouraging community capacity to operate in appropriate circumstances.

The Council will also seek to address critical issues such as equality, disadvantage, lack of attainment and poverty by working with communities themselves, seeking enhanced training and opportunity and by fostering and promoting the local economy and thereby enhancing opportunities for aspiration, attainment, household income and personal achievement

Given the financial challenge we have and are to continue to face for a number of years, a continued programme of corporate work streams will continue with this efficiency drive and to help support the identification of savings for future years. This will allow us to have a programme driving transformational change in the organisation and will allow a clear focus on delivery of the required significant savings that will be required over this period.

This programme of corporate work streams has helped to deliver savings proposals of nearly £8million over 2012/13 and 2013/14.

Over the coming year, and in anticipation of delivering tailored services for the community whilst addressing the known budget reductions required from our total budget of a further circa 20% to 25% for the three years 2014/15 to 2016/17, it is important to consider future year potential savings proposals. Therefore, officers have produced a range of savings proposals for Members consideration and agreement as part of the 2013/14 budget process to enable these to be adequately progressed for implementation over the next few financial years to assist in bridging the required budget reductions.

It is clear that the budget savings presented for 2013/14 cannot be repeated in successive years without the Council considering how it delivers services across the borough to avoid duplication of overheads, achieve economic delivery and still provide facilities and services valued by the community.