

Financial Sustainability Strategy

Southend-on-Sea 2020 – 2030

A Strategy to ensure financial resilience for the future

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 sustainability for the future of Southend-on-Sea Borough Council, and the things we need to do to ensure we are 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 Plan** 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 will we 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 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 takes into account a range of factors including the current financial position and performance of the Council, a review of the local economy, proposed local government reform and external analysis relating to wider national economic and political developments.

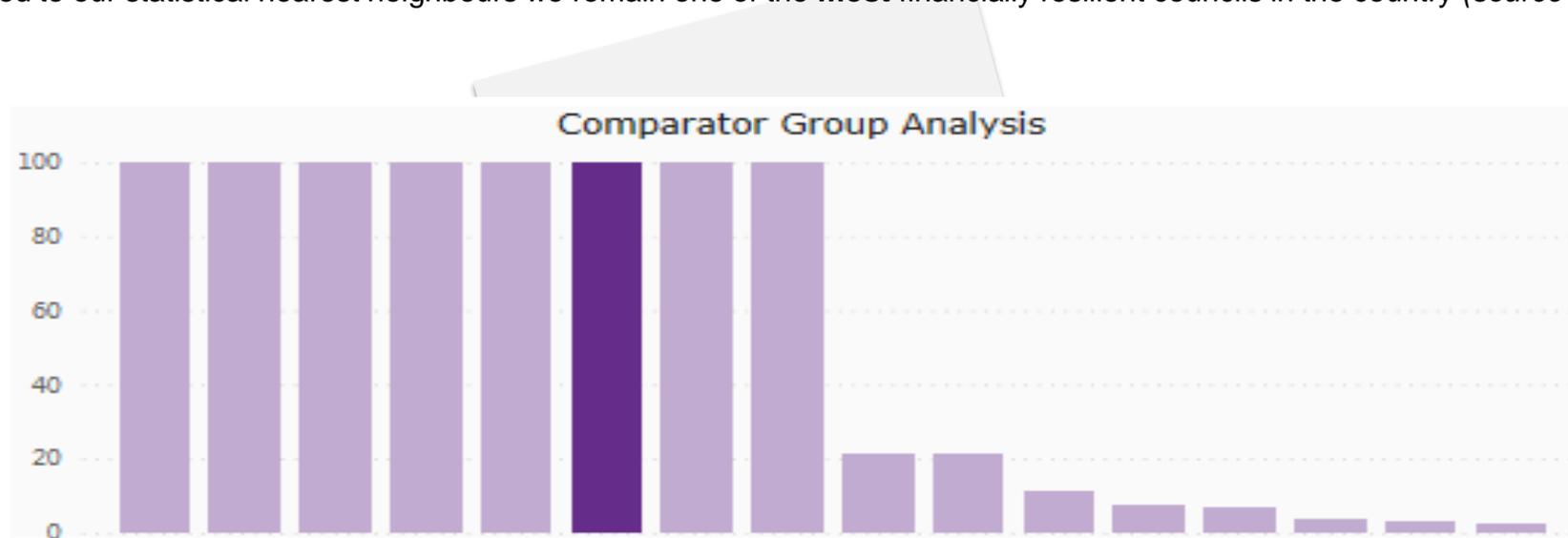
Despite financial uncertainties within the Local Government Sector, the Council is committed to the achievement of long term financial sustainability by embracing the area's economic potential, sustaining our local tax base and being commercial and business-like in the way we operate. This will enable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

For our longer term planning, we will need a clear understanding of service delivery objectives and priorities, requiring the right balance of skills and sufficient capacity within the organisation to focus on prioritising resources for the benefit of all stakeholders. This will enable us to direct our investment, resources and business planning to activity to achieving the outcomes, changing the conversation to “what to keep” rather than “what to cut”.

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 recognise that it is essential to work in collaboration with our residents, businesses and our partners to create the right conditions for 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 Government grant. Despite these reductions when compared to our statistical nearest neighbours we remain one of the **most** financially resilient councils in the country (source CIPFA Financial Resilience Index 2019).



Southend 2050



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

The Southend 2050 ambition 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.



Pride & Joy:

By 2050 Southenders are fiercely proud of, and go out of their way, to champion what our city has to offer

- There is a tangible sense of pride in the place and local people are actively, and knowledgeably talking up Southend-on-Sea
- The variety and quality of our outstanding cultural and leisure offer has increased and we have become the first choice English coastal destination for visitors
- We have invested in protecting and nurturing our coastline, which continues to be our much loved and best used asset
- Our streets and public spaces are clean and inviting



Safe & Well:

By 2050 people in Southend-on-Sea feel safe in all aspects of their lives and are well enough to live fulfilling lives

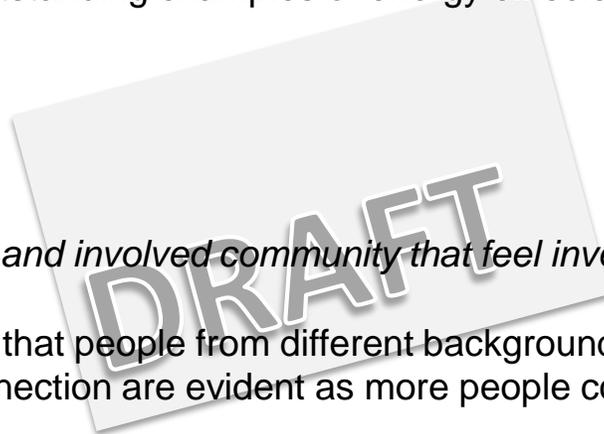
- People in all parts of the borough feel safe and secure at all times
- Southenders are remaining well enough to enjoy fulfilling lives, throughout their lives
- We are on our way to ensuring that everyone has a home that meets their needs
- We are effective at protecting and improving the quality of life for the most vulnerable in our community
- We act as a Green City with outstanding examples of energy efficient and carbon neutral buildings, streets, transport and recycling



Active & Involved:

By 2050 we have a thriving, active and involved community that feel invested in our city

- Even more Southenders agree that people from different backgrounds are valued and get on well together
- The benefits of community connection are evident as more people come together to help, support and spend time with each other
- Public services are routinely designed – and sometimes delivered – with their users to best meet their needs
- A range of initiatives help communities come together to enhance their neighbourhood and environment
- More people have active lifestyles and there are significantly fewer people who do not engage in any physical activity





Opportunity & Prosperity:

By 2050 Southend-on-Sea is a successful city and we share our prosperity amongst all of our people

- The Local Plan is setting an exciting planning framework for the borough
- We have a fast-evolving, re-imagined and thriving town centre, with an inviting mix of shops, homes, culture and leisure opportunities
- Our children are school and life ready and our workforce is skilled and job ready
- Key regeneration schemes, such as Queensway, seafront developments and the Airport Business Park are underway and bringing prosperity and job opportunities to the borough
- Southend is a place that is renowned for its creative industries, where new businesses thrive and where established employers and others invest for the long term



Connected & Smart:

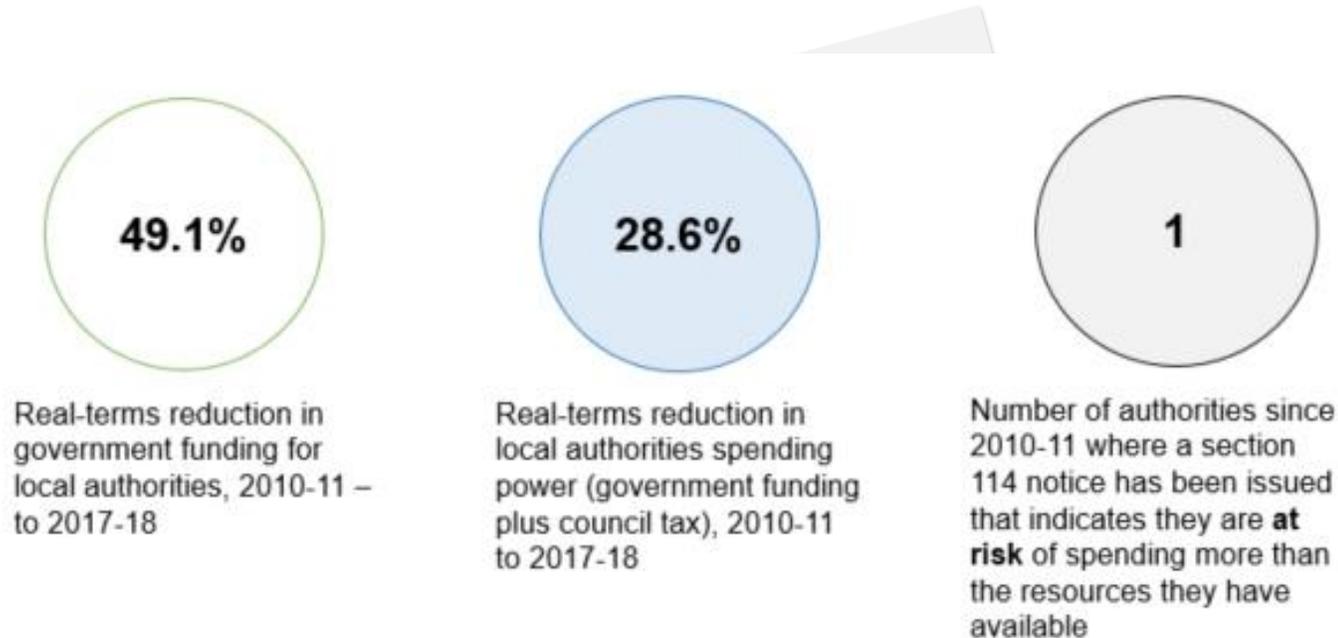
By 2050 people can easily get in, out and around our borough and we have a world class digital infrastructure

- It is easier for residents, visitors and people who work here to get around the borough
- People have a wide choice of transport options
- We are leading the way in making public and private travel smart, clean and green
- Southend is a leading digital city with world class infrastructure that enables the whole population

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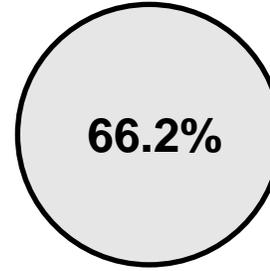
In order to accomplish our aim to achieve financial sustainability, it is important to recognise the challenges that face local government. More financial independence will give us the ability to shape our own future and meet local needs. The Council will be required to move towards enabling others to do more for themselves, rather than being a universal and direct provider of services.

Locally, the Council has seen sustained reductions in its external funding and increased demand across a range of services which is likely to continue for the foreseeable future. According to the 2018 National Audit Office report on sustainability of Local Authorities, between 2010/11 and 2017/18 local government has seen:

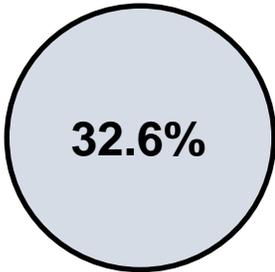




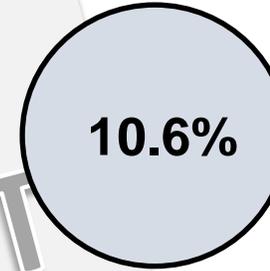
Real-terms reduction in local authority spending on social care services, 2010-11 to 2016-17



Of local authorities with social care responsibilities that drew down their financial reserves in 2016-17



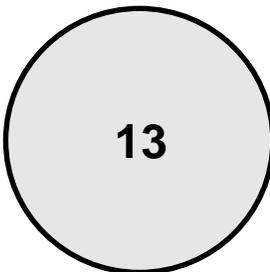
Real-terms reduction in local authority spending on non-social-care services, 2010-11 to 2016-17



Of local authorities with social care responsibilities that would have the equivalent of **less than three years**, worth of reserves left if they continued to use their reserves at the rate they did in 2016-17



Overspend on service budgets by local authorities in 2016-17



The number of departments asked by the Ministry of Housing, Communities & Local Government to provide information as part of the 2015 Spending Review

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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

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

Southend's location has a significant effect on our economy and communities. To the south and east, the town is bordered by a sea that has brought commerce, sustenance, opportunity and tourists to the area for centuries. With Rochford and greenbelt land to the north and Castle Point to the west, Southend has developed as one of the densest urban areas outside of London, creating a metropolitan feel that is quite distinct from the more rural landscape that characterises the rest of Essex. Southend has an ageing population with the number of people entering the labour market steadily decreasing. During the last decade, however, international and domestic migration has supported an increase in the local labour market. The migration has delivered new business formation, growth in the labour market pool and increased local spend. Continuing to promote and improve Southend's image as a place to live is key to attracting new businesses and investment to the area. It's vital that Southend's principal transport connections to London are maintained and enhanced as these links play an important part in maintaining high average resident wage levels and supporting local economic growth.

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182,500

Mid-Year Population Estimate
for Southend
(Nomis July 2018)



7 miles of
coastline

32 parks,
36 play areas

9 railway
stations

£290,592.00
Average House Price Southend-on-Sea

£314,754.00
Average House Price in Essex

£248,939.00
Average House Price in England

Average house price
11x annual salary of
Southend residents

2nd lowest
housing stock
growth of all
cities* in UK

New housing
mostly 1 and 2
bedroom flats

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. Tourism and the visitor economy is an important economic driver in the town supporting some 9,500 tourism related jobs. It is also an important economic driver for the adjoining town centre offering complementary leisure facilities including hotel accommodation, bars and restaurants.

Planning Policy

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



12% of Southend's males and **28%** females are economically inactive

Average weekly earnings

£312 for women

£546 for men

Unemployment

Out of Work Benefit Claimants

4,140 - 3.7%
(November 2019)



1,035

New businesses (2017/18)

1,115

Businesses closed (2017/18)

Employment Growth Sectors – digital, cultural and creative; healthcare technology; advanced manufacturing and engineering; and tourism

Strong entrepreneurial culture.

86% of companies employ 10 staff or fewer



Expanding Airport and business park



Growing visitor economy.

7m visitors per year



Low wage economy (those working in Southend)



6

Of our wards are amongst the **worse 20%** in the country



Kursaal ward ranks **136th***



* of 32,844 areas.

10 years difference in life expectancy between residents of most and least affluent areas of Southend

1/3 Southend residents classed as physically inactive and at risk of ill health



Election turnout



25%
Kursaal



Compared to

42.5%
West Leigh

An average overall turnout of **31.74%** highlighting lower civic participation in deprived areas

Average house price
11x annual salary of Southend residents

2nd lowest housing stock growth of all cities* in UK

New housing mostly 1 and 2 bedroom flats

Poor connectivity for ultra-fast broadband compared with other cities*

Traffic congestion on major routes in the AM/PM peak

Low wage economy (those working in Southend)

Need to improve the skills base of residents

Overreliance of retail in the High Street

10 years difference in life expectancy between residents of most and least affluent areas of Southend

1/3 Southend residents classed as physically inactive and at risk of ill health

Renewal and replacement of sea defences

Enhance the built and natural environment



The mid-year population figure for Southend-on-Sea in 2018 was **182,500**



12% of Southend's males and **28%** females are economically inactive



23% of residents agree that they can influence decisions that affect their local area, and **59%** of residents disagree

11 / 17

Wards have a **higher** proportion of children living in poverty than the England average

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Average weekly earnings

£312 for women

£546 for men

11.1 years lower (for men)

Life expectancy in the most deprived areas of Southend compared to the least deprived areas

9.7 years lower (for women)

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Of our wards are amongst the **worse 20%** in the country

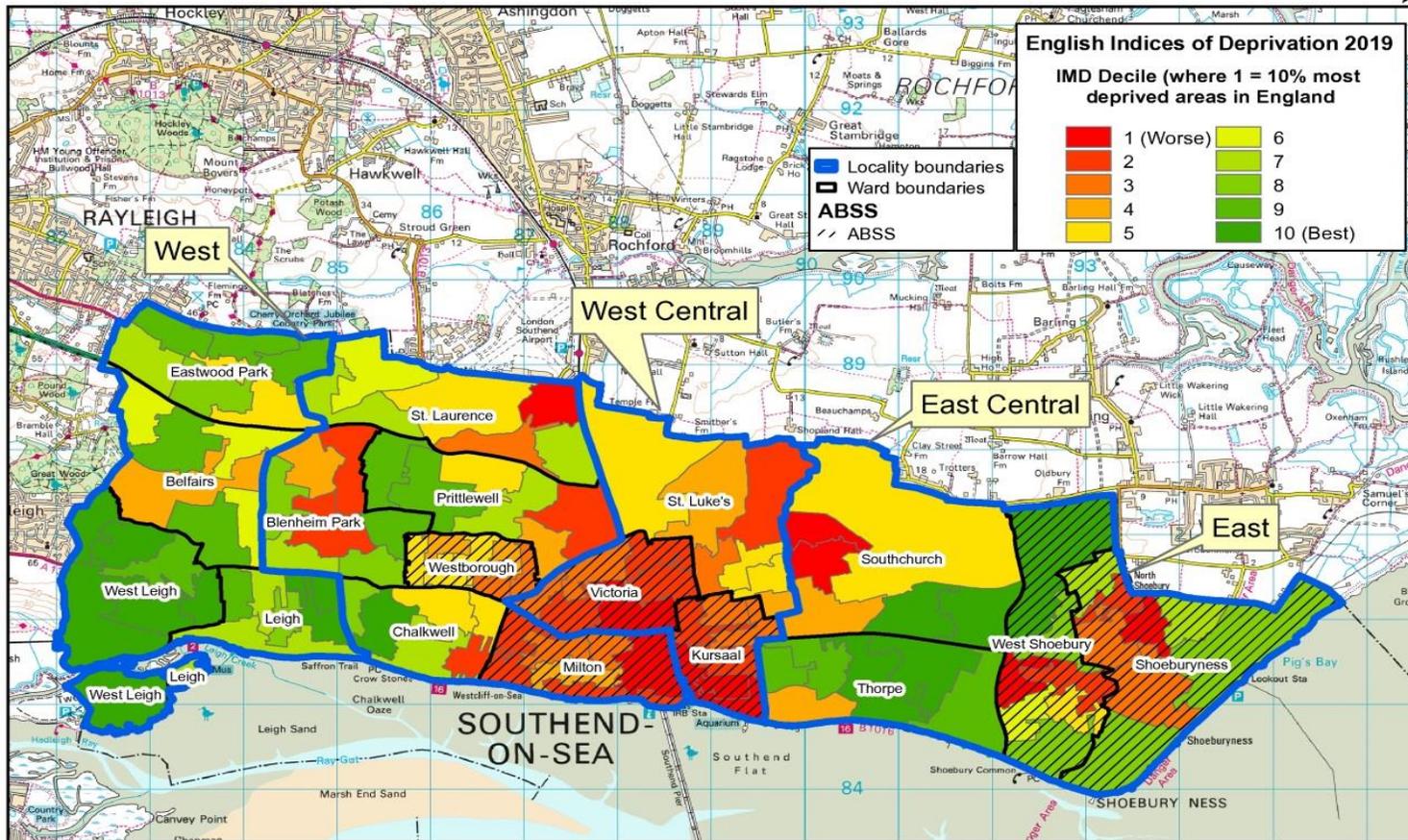


Kursaal ward ranks **136th***



* of 32,844 areas.

Southend-on-Sea Index of Multiple Deprivation 2019



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Operational Performance & Intelligence Team – Southend-on-Sea Borough Council

Scale 1:55,194

Whilst the picture appears to be improving more generally across the borough, two domain areas have experienced worsening conditions:

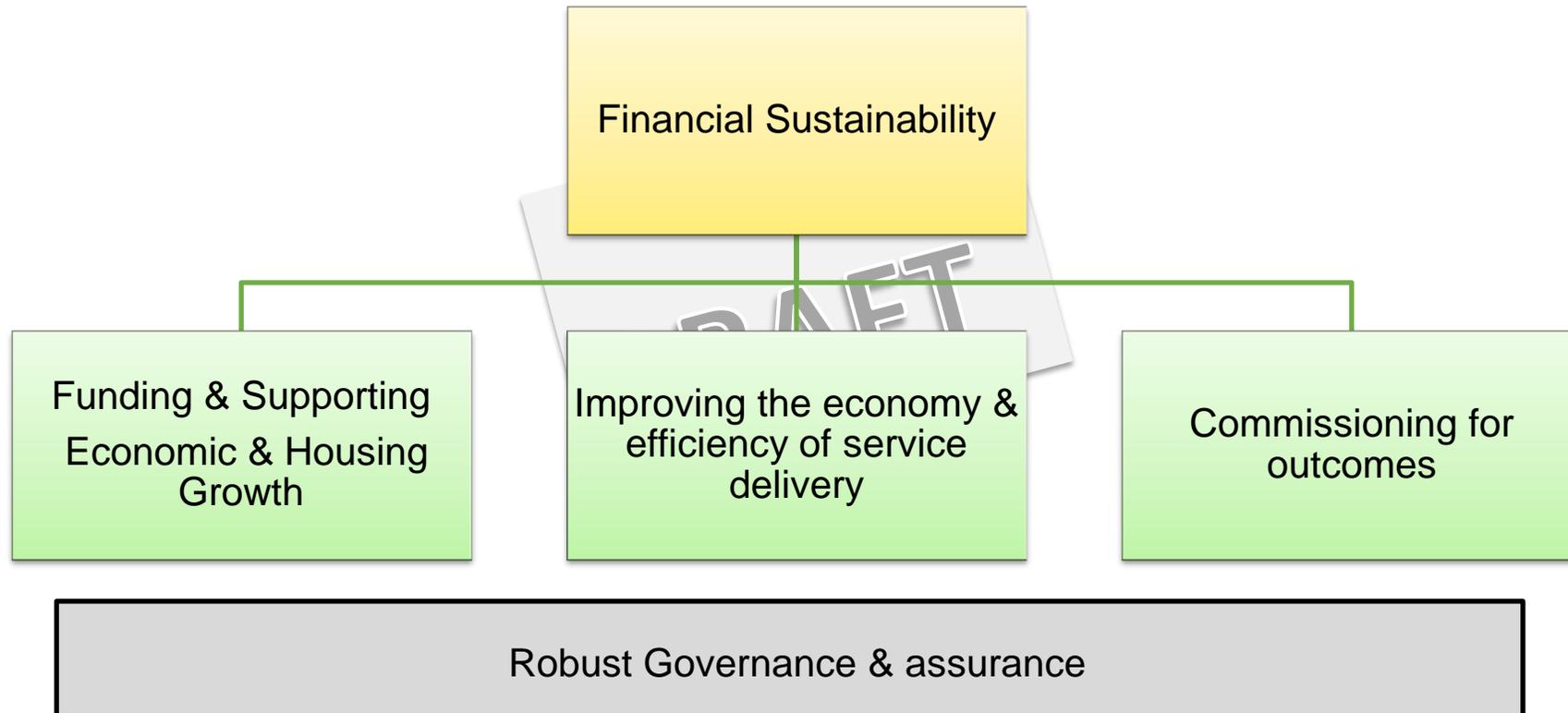
Income Deprivation Affecting Children Index - more wards have fallen into the 50% most deprived decile in 2019 compared to 2015 including an additional 3 wards falling into the 10% most deprived decile.

Barriers to Housing and Services – 8 more wards have fallen into the 50% most deprived decile in 2019 compare to 2015.

Income Deprivation now includes a measure of adults and children in Universal Credit families where the adults are not working or looking for work.

Framing our Future

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

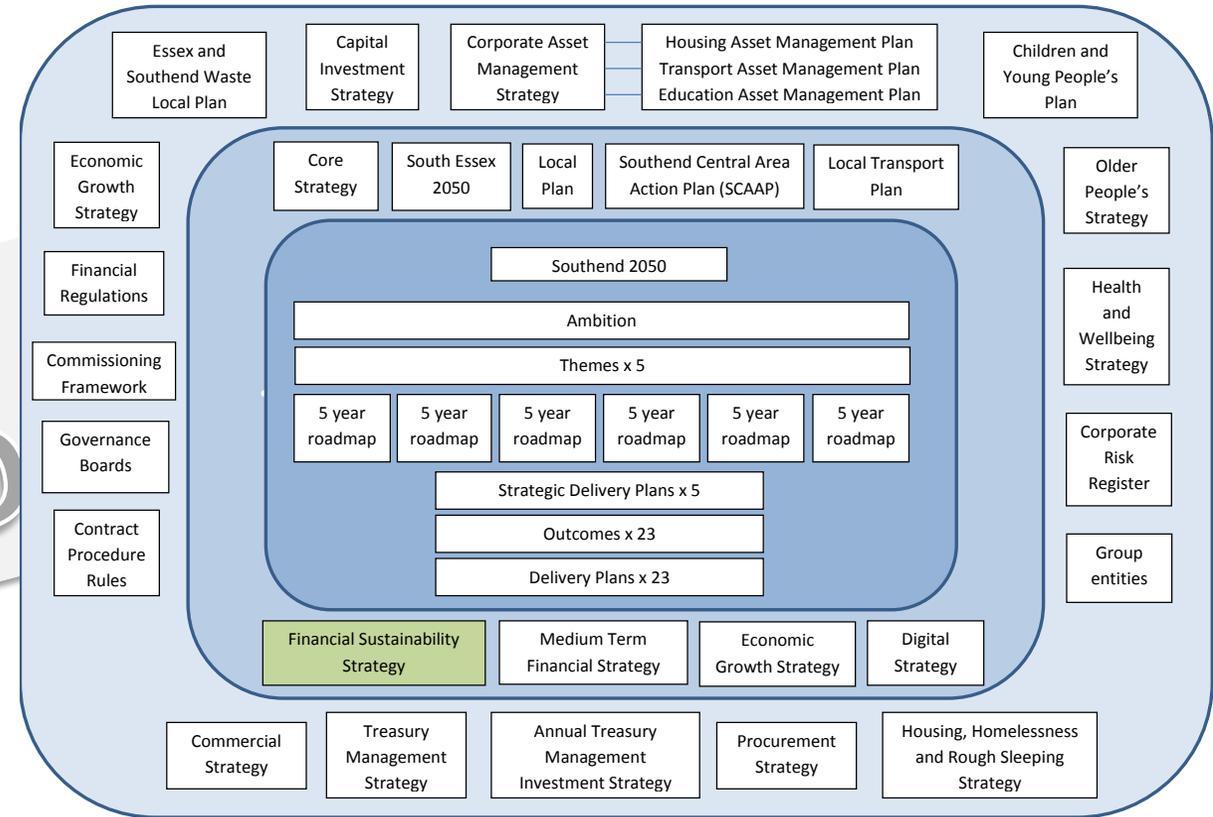


- Embracing Southend's economic potential by creating great conditions for businesses
- Enabling others to do more for themselves through asset based community development – people taking responsibility and enable them to live fulfilling lives.
- Proactively using reserves to better effect whilst maintaining adequate levels to deal with risks and fund opportunities.
- Being more commercial and business focussed
- Taking an outcome based investment approach
- Making the most of opportunities for improvement through capital projects and grant funding
- Being clear about our appetite for risk
- Taking a long term financial strategic approach
- Applying customer-led 'Design Thinking' approach to our services
- Being an organisation that is financially aware and has a business mind set
- Creating the right conditions for the private sector to invest

A clear and robust strategy is required to ensure we are financially resilient. This will

- Set out our **strategic priorities** for financing which in turn will allow us to achieve our outcomes.
- Frame the financial future, commitment and intentions for the Council.
- Set the overall context for the rolling Medium Term Financial Plan and the effective targeting of resources to deliver the ambitions and outcomes contained within the Southend 2050 programme and roadmap phases.
- Clearly outline our approach, desire and commitment to achieving financial sustainability by embracing Southend’s economic potential, growing our local tax base and maximising our income generating capabilities.
- Enable all staff and councillors to understand the story of “where we are now”, “where we would like to be” and “how can we get there”.
- Extend understanding, ownership and engagement within the local area amongst our citizens and partners.
- Use reserves to smooth funding over time and provide capacity to respond to one-off events.

FINANCIAL SUSTAINABILITY STRATEGY – LINKS TO OTHER STRATEGIES AND PLANS



Economic & demographic developments

Digitalisation, automation and artificial intelligence (AI) are likely to impact on a number of jobs in sectors like transportation, hotels and restaurants, manufacturing, trade and construction. Digital technology is anticipated to change traditional employment structures changing the nature of demand on office space. The Council will encourage and embrace digital change within its own activities.

Demographic change and an aging population will create demand for products, services and technologies and a shift in public expenditure to meet rising health and social care costs. The declining workforce will have implications on the labour market with recruitment difficulties causing a potential rise in investment in technologies which reduce the dependence on labour. Where demographic change is impacting on Council activities it will seek to mitigate through prevention and early intervention stages.

This financial sustainability strategy spans what will be a major economic transition period both on a macro and micro scale, with new technologies and changing population profiles, investing in the right things is at the heart of this strategy and our ability to meet the increasing local service pressures will be influenced by the success in taking the opportunities.

Accessing external funding is a key enabler for increasing the amount of funding that can be invested in services. It can be both revenue and capital. The principal objective is to optimise the amount of external resources that support the shared ambition for the borough. The Government has made announcements in relation to post Brexit capital investment programmes including the Shared Prosperity Fund and Stronger Towns Fund.

Southend Council works across borders on strategic issues such as infrastructure, planning and growth, skills, housing and transport connectivity through the Association of South Essex Local Authorities (ASELA). This consists of Basildon, Brentwood, Castle Point, Essex County, Rochford and Thurrock Councils.

Medium Term Financial Strategy

Our Medium Term Financial Strategy (MTFS) gives a five year view of how the council will deliver the outcomes identified in the Southend 2050 ambition, in an affordable and sustainable way.

It also shows how the Council intends to match finances to the 2050 ambition, five year roadmap and desired outcomes.

It aids robust and methodical planning as it forecasts the Council's financial position, taking into account known pressures, major issues affecting the Council's finances, including international, national, sub regional and local economic influences as well as local priorities and factors.

The MTFS 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 MTFS allows the council to take a longer term view to budget planning, ensuring that annual budgets are not set in isolation to future years and so that an outcome based approach can be taken, and is aligned with the Financial Sustainability Strategy.

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.

Being commercial and business focussed

Being commercial is a mind-set about being more business-like, whilst retaining a strong public service ethos: delivering the best fit to ensure both a financial and social return. This means achieving both a financial and social return. Seeking to grow our income base and make efficiency savings in a variety of ways in order to be able to both commission universal delivery for all and also offer optional traded services for residents and businesses that are ready to buy.

The introduction of a commercial vision will identify and present opportunities for the Council, with due consideration of the risks. The key test around risk appetite – security of investment is paramount, yield/return a secondary key consideration. We need to consider commercial drivers that have a direct revenue benefit but also wider economic/social benefit felt locally. Examples include business rate generation, jobs (higher paid?), 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 a possibility. Importantly we will always look to secure social as well as financial returns where appropriate.

Knowing our Business

As an organisation we are more effective, understand 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.

Smarter Commissioning & Maximise Social Value

The Council's social value policy will maximise the wider community benefits of the Council's procurement 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.

Maximise wider community benefits (Social Value Policy) from the Council's procurement activity and proactively manage contracts. Increasing levels of local spend, build in skills and local employment clauses and opportunities, and support/enable SMEs and voluntary/community organisations.

By utilising the Community Infrastructure Levy, (a charge that can be levied by local authorities on new development in their areas), the Authority will be able to deliver the infrastructure needed to support development in the area. This levy only applies in areas where a local authority has consulted on, and approved, a charging schedule which sets out its levy rates and it has published the schedule on its website.

Most new development which creates net additional floor space of 100 square metres or more, or creates a new dwelling, is potentially liable for the levy. Some developments may be eligible for relief or exemption from the levy. This includes residential annexes and extensions, and houses and flats which are built by 'self-builders'. There are strict criteria that must be met, and procedures that must be followed, to obtain the relief or exemption.

Financial sustainability will be achieved by developing a stronger commercial approach and delivering public services at maximum efficiency.

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

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