

# Financial Sustainability Strategy

2022-2032

Southend-on-Sea Borough Council



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## Foreword

**It is important to reassess, understand, and take responsibility for determining our financial future as a new City. We must continue to be proactive in the delivery of our agreed Southend 2050 ambition, key priorities, evaluation of the local economic recovery progress and to provide the best possible value for money services to our residents, businesses, and visitors.**

Responsible, innovative and outcome based financial management in the medium- to long-term will provide the platform to help to secure the future financial viability of the council. This is essential so that we can continue to deliver critical services to our residents, businesses and visitors within the resources that will be available for our new City.

A clear and robust financial strategy is vital to identify the likely level of resources available each year to the council, as well as the anticipated level of demand for, and cost of, providing services. Given the recent and anticipated funding pressures facing all councils, as well as the continuing implications of the pandemic, it is also important to identify how we intend to respond to these pressures, and particularly how we will meet projected future funding gaps.

Outlining our intentions and key principles this Strategy focusses on securing the future sustainability of the soon to be Southend-on-Sea City Council and how we intend to remain financially resilient, in the face of ever-increasing service demands. The council needs to deliver value for money services, maximise the use of local assets, and deliver targeted levels of community-based services that meet local need over the long term.

## Our Financial Strategy

- Frames our longer term financial, intentions, and principles for the council.
- Sets the overall context for the rolling Medium Term Financial Strategy (MTFS) and the effective targeting of resources to deliver the ambitions and outcomes contained within our overarching Southend 2050 ambition.
- Outlines our approach, desire, and commitment to achieving financial sustainability by embracing Southend's economic potential, growing our local tax base, improving efficiency in service delivery, and increasing our income generating capabilities.
- Is designed to enable all staff and councillors within the organisation, together with our stakeholders to realise our route to achieving long term financial sustainability. This will help to maximise understanding, ownership, and engagement within the local area.

**We want to direct our investment, resources and business planning towards activity that will achieve better outcomes for local people, changing the conversation to “where to prioritise” rather than “what to cut”.**

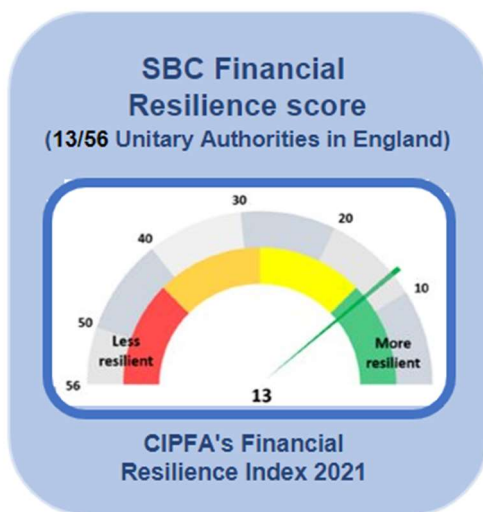
In response to future financial uncertainties within the Local Government Sector, the Council is committed to achieving long-term financial sustainability by embracing the area's economic potential, sustaining our local tax base and being commercial and business-like in the way we operate. This will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

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

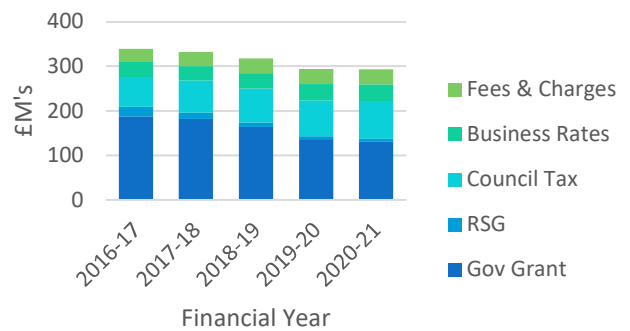
## Where we are now

We have developed a shared vision for Southend which instils boldness, creativity, and strong, place-based leadership. The vision establishes a set of outcomes against which we can measure and communicate progress, bringing partners and budgets together. It helps shift the mind-set from managing decline to place shaping and developing a more prosperous future for our new City. Given the challenges ahead, the importance of a 'can do' culture and positive behaviours within our authority is going to be critical.

Despite the pressures presented by the reduced level of central government funding and therefore Core Spending Power, the council's resilience score is in the top quartile of all upper tier local authorities in the country and our aim is to maintain this level of resilience. This is based on many factors including evidence presented by CIPFA's Resilience Toolkit, which was launched in December 2019.



The following resources graph shows the changing nature of our funding sources. There has been a clear decline in the overall level of funds and a shift from central to more local funding streams. This is expected to continue throughout the life of this strategy.



## The headline external challenges that will impact on our financial resilience for Southend:

- National funding reform and legislative changes
- Deprivation, aging population & rising birth rates leading to an increased demand for services
- The impact of pandemic on our local economy and community

## National funding reform and legislative changes

Major national funding reform is planned in 2022/23 as part of the Government's Levelling Up agenda and major changes for Adult Social Care have been announced.

Like all Local Authorities, Southend-on-Sea Borough Council has seen a decline in the amount of funding it receives from central government grant. Compared to our statistical neighbours for 2018/19, our Spending Power per dwelling was ranked as 13<sup>th</sup> out of 16. This represents a significant challenge to our ambitions and service delivery intentions.

**Climate Change** - In the UK, the Committee on Climate Change (CCC) sets legally binding science-based carbon budgets and recommends policies and actions to drive change. The CCC estimates that UK emissions will need to be reduced by at least 3% per year from now on.

Financial sustainability and climate sustainability are interlinked, and meeting carbon reduction commitments will require investment from the Council. In both circumstances we must ensure we do not create irreversible impacts by consuming too many resources, so that others in the future suffer at our expense. Done well, we can ensure that our actions are cost effective, delivering economic and public health benefits, creating jobs, and cutting spending on energy.

As a council we have an important part to play in acting on climate change and becoming more sustainable through our role as community leader, service provider and estate manager.

Adult Social Care reform – From October 2023 the government will be significantly adjusting the thresholds for full or partial payments for adult social care. In addition, there will also be a cap introduced whereby a service user does not exceed a certain % of their income or assets. The Local Authority will be responsible for the care account and monitoring clients who are reaching the care cap for those that meet eligible needs.

The Council's Housing, Homelessness & Rough Sleeping Strategy runs from 2018-28 and sets out several strategic priorities such as prioritising the supply of safe, locally affordable homes, encouraging good quality housing design & management, and supporting people to live independently in their own homes and avoid homelessness.

These priorities are supported by Southend 2050 Safe & Well ambition that 'everyone has a good quality, sustainable home that meets their needs'. To meet these priorities, the Council will continue to bring forward plans for the development and acquisition of property for Council Housing via the Council's in house teams and via pipeline opportunities and major investment that has been approved from the Housing Revenue Account capital reserves.

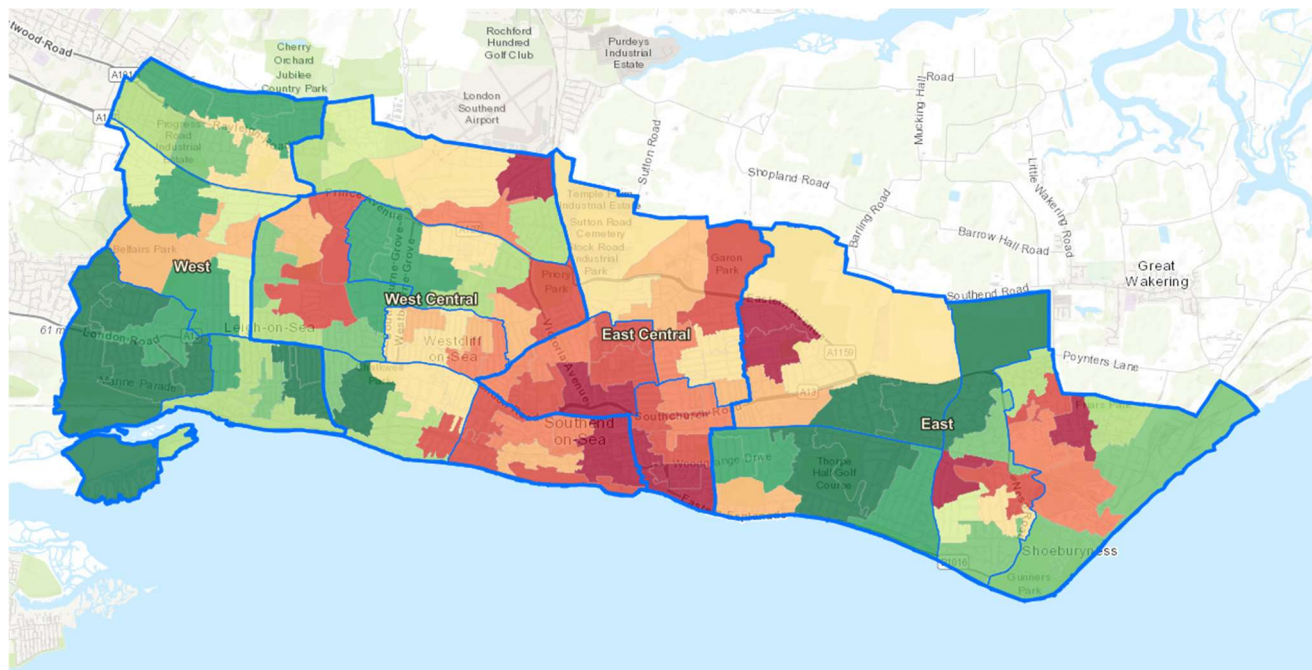
The Council in partnership with South Essex Homes, continues to support improvement in the quality of the existing housing stock to achieve decent, healthy, and environmentally sustainable homes. Emerging priorities include ensuring compliance with the Fire Safety Act and Building Safety Bill and planning for the decarbonisation of the Council's housing stock to meet the Climate Emergency timescales.

In terms of the Council's ongoing commitments to reducing homelessness and rough sleeping, the Council will continue to bid for available external grant funding with the next round available in 2025.

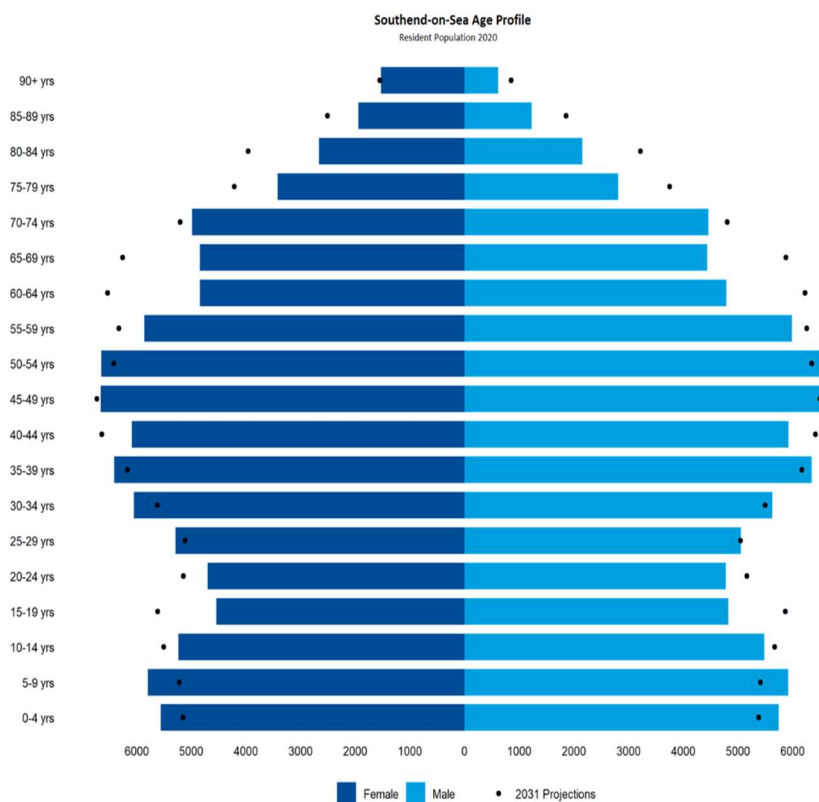
Future priorities will include the development of several strategies and policies to assist in this priority including improving the choice of temporary accommodation, older peoples housing, transitional supported housing, that will guide the Council to longer term thinking on provision and potential savings and increased sustainability over the next 10 years.

## Deprivation, ageing population & rising birth rate leading to an increased demand for services

Southend has varying levels of deprivation across the borough as illustrated in the map below. We use this data to target resources and services based on need. There is a direct correlation between deprivation and life expectancy, whereby those living in more deprived areas have a significantly lower life expectancy. Southend is one of the most densely populated areas in the country and includes some of the most affluent and deprived wards near each other when compared nationally.



The adjacent graph illustrates projected population changes in Southend between 2020 and 2030. Whilst the proportion of some middle aged and young people as reduced, those aged 65+ will increase significantly. The change in demographics reinforces the need to prioritise and target resources effectively to deliver better outcomes and invest in activities that have the most positive community-based impact. It also provides an insight into the changing nature and likely demand patterns of residents in Southend, particularly demand from the older population and the importance of ensuring that the Council is and remains financially sustainable.



## The impact of Covid on our economy and community

The medium and long-term impacts of Covid are unknown. Currently Southend is a vibrant town, employing approximately 66,200 people, who work in over 6,600 businesses. There is a recognised strong entrepreneurial culture in the area. Most businesses within Southend are small, with 85.5% of companies employing 10 people or fewer.

Pre Covid, Southend attracted around 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 of choice. Tourism gives the town its identity centred on its iconic Pier and other seaside city attractions.

The projected economic downturn of the pandemic is likely to have a persistent effect upon investment income and innovation nationally. There are a set of deeper unknown projections on health, wellbeing, communities and cohesion, skills, employment, and the economy which could have profound effects upon the UK for years to come.

There are likely to be additional pressures on Government spending in the medium to long term, because of increasing levels of borrowing and possible falling tax revenues due to risks around unemployment, failing businesses, decreased consumption, and significant shifts in the structure of the economy. The direct impact of increasing inflation and higher interest rates will also compound this challenge.

It will be increasingly important to address the balance of revenue generation and weigh up expenditure against non-economic impacts, considering a diversity of mechanisms to meet societal goals.

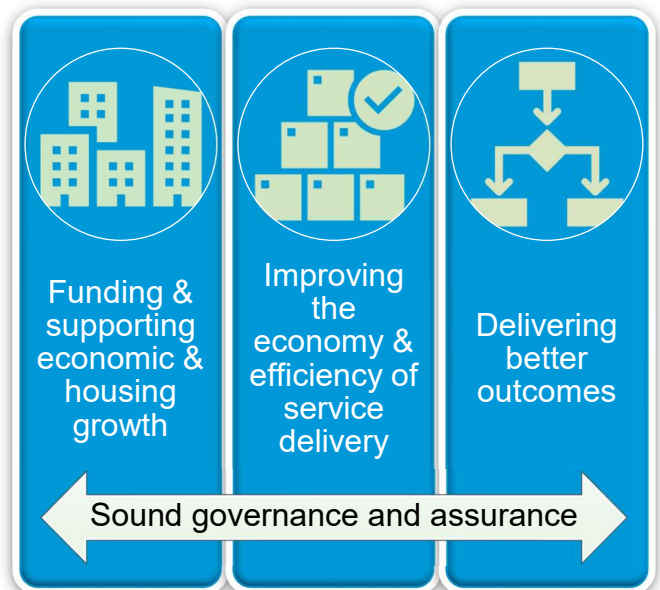
As an organisation we are investing in transformative and innovative service re-design so that we can deliver our 2050 outcome pledges effectively and efficiently.

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

Southend does have a very strong Voluntary and Community Sector (VCS) that has played a huge important role during the pandemic. We are keen to continue to build and nurture this relationship post pandemic.

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

## What Financial Sustainability Looks Like for Southend



## Delivering Financial Sustainability

To achieve financial sustainability, it is important to recognise and overcome the challenges that face Local Government generally and Southend specifically.

Locally, the council has seen sustained reductions in its core Central Government funding and over the same period experienced increased and more complex demand across a range of services. This is likely to continue for the foreseeable future.

Achieving greater financial independence will enable us to shape services to meet local needs. The council will be required to move towards resident empowerment, rather than being a universal and direct provider of services.

The headline areas for delivering financial sustainability are:

- What resident empowerment and community resilience means.
- Commercial Opportunities and Income Generation.
- Planning Policy.
- Knowing our business.
- Future Ways of Working.
- Capital Investment.
- Smarter Commissioning & Maximise Social Value.



### What resident empowerment and community resilience means

- Embracing Southend's economic potential and creating positive conditions for businesses.

- Enabling others to do more for themselves through asset-based community development – people taking personal responsibility and enabling them to live fulfilling lives.
- Proactively using reserves to invest in areas that will provide longer term improvements whilst maintaining adequate levels to deal with risks and exploit opportunities.
- Taking an outcome-based investment approach.
- Making the most of opportunities for improvement through capital projects and maximising external grant funding.
- Open channels of communication with key customer groups to monitor financial health against recent performance.
- Establishing an active flow of monitoring data as quickly as possible to be able to identify and monitor the critical third parties that are most likely to require support.
- Being clear and decisive about our appetite for risk.
- Taking a measured strategic and planned approach to resourcing.
- Applying customer-led 'Design Thinking' methodology to our services.
- Being an organisation that is well run, creative and financially aware and focused on delivering value for money.
- Creating the right conditions for the private sector to invest locally.
- Maximising the use and opportunity to drive efficiencies and improve productivity via technology.
- Maximising community capacity.



- Delivering sustainable and place-based housing.
- Delivering sustainable, inclusive place-based growth and housing.



## Commercial Opportunities and Income Generation

Having a commercial mind-set is about outcome-based data-led decisions whilst ensuring that we retain a strong public service ethos:

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

The development of a more commercial outlook will identify and present opportunities for the Council, with due consideration of the risks.

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

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



## Planning Policy

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



## Knowing our business

A key intention is that as an organisation we will become more effective and accountable in understanding key cost and income drivers across all our services. We need to invest in the right areas to make the most impact.

We want this insight and challenge not just to be driven by service and outcome leads but all staff being accountable for how and where we spend our money, how we drive delivery (or not) of our outcomes; and what investment/disinvestment options this might give the Council as we move to longer term outcome based financial planning.

We committed in 2021 that all staff with financial responsibility will include in their Annual Conversation an action relating to becoming more financially accountable. We will be carrying out a survey with these staff to measure the impact and what changes they have instigated to increase awareness across organisation.



## Future Ways of Working

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

- Clear vision and delivery strategy

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

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

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

The past two years show that technology used properly can be a game changer. The Council started investing to move its arrangements to a ‘cloud based’ arrangement during lockdown. To enhance our transformation capability, a decision has been made to accelerate this process. Technology and data will allow us to work smarter to identify improved ways of working, streamline processes, provide resident self-help, and generate new revenue streams to bolster council resources. We strongly believe that this investment will return a transformation in the way in which resident services are offered, improving security and resilience, and enabling officers to focus their time on those who truly need our help, support, and advice.



## Capital Investment

Successful and timely delivery of our capital investment

programme is a key part in achieving the Southend 2050 ambition and delivering our priority outcomes.

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

Future sustainability will be achieved through:

- A long-term view of capital expenditure plans, where long term is defined by the financing strategy of, and risks faced to the life of the project/assets
- Provision for the repayment of debt over the life of the investment as set out in the Minimum Revenue Provision policy
- An overview of asset management planning including maintenance requirements and planned disposals
- The Capital Investment Strategy provides a high-level overview of how investment decisions take account of stewardship, value for money, proportionality, prudence, sustainability, and affordability
- Capital investment proposals follow a project approval process with the decision making and governance process proportionate to the scale and impact of the project.



## Smarter Commissioning & Maximise Social Value

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

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

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