

SOUTHEND-ON-SEA BOROUGH COUNCIL **EFFICIENCY PLAN**

1. Introduction

- 1.1 Southend-on-Sea Council continues to face significant cuts in Government funding. Since 2010, Southend-on Sea has had to make savings and efficiencies of £66m to deal with the Government's cuts to its funding over the period 2011/12 to 2016/17 – 6 financial years and these cuts are set to continue until at least 2020. These unprecedented budget reductions have set the context for how the Council has managed its finances during the past few years.
- 1.2 The offer made by the Government as part of the Spending Review of a four-year funding settlement will help the Council to prepare for the move to a more self-sufficient resource base by 2020. A multi-year settlement will provide a degree of funding certainty and stability and enable more proactive planning of service delivery for the Council over the medium term.
- 1.3 With a significant proportion of the Council's funding coming through the Government's grant formula, and with local Council Tax income potential continuing to be restricted and controlled by the Government, the ability of the Council to sustain current funding levels is very limited. Without major changes in the Borough's population and business growth base, the only effective option for addressing budget shortfalls is to reduce the Council's costs and service levels.
- 1.4 This concern escalates as the Government moves towards a new local government finance system in 2020 whereby Revenue Support Grant will be ended completely and replaced by 100% retention of locally collected Business Rates. Any new system of Business Rates retention needs to be based upon a national redistribution of resources so that more deprived areas are not worse off financially.
- 1.5 The Council has developed a number of policies and initiatives to make Southend-on-Sea a sustainable borough. The Authority aims to reduce dependency and demand for services, increase the Council Tax Base, achieve business growth and consequently Business Rates yield and deliver effective services at a lower efficient cost basis. These are all key components of ensuring that Southend-on-Sea is sustainable in the long-term.
- 1.6 The Council is also using earmarked reserves for invest to save schemes, which aim to reduce the need for savings to bridge the budget gap and/or which aim to contribute to the longer-term sustainability of the Borough.

Key Aspects of the Council's Efficiency Plan

2.1 In February each year, the Council approves a suite of reports which together represent the components of the overarching Efficiency Plan which the Government has requested in order to be eligible to receive multi-year funding settlements:-

- Corporate Plan;
- Medium Term Financial Strategy;
- General Fund Revenue Budget ;
- Housing Revenue Account;
- Capital Programme (5 years);
- Treasury Management & Prudential Indicators

2.2 Full details of the Council's approach are set out in these reports, which were most recently approved by Budget Council on 25 February 2016 and Cabinets in January and February 2016.

2.3 Based on these reports, the key components of the Council's Efficiency Plan for the period 2016/17 to 2019/20 are set out below:-

1) Core Principles of the Efficiency Plan

The Council's Financial Strategy will continue to focus on the following core features:-

- a) Generation of income on a local basis - particularly through increased Business Rates and Council Tax flowing from the Council's policy of encouraging and enabling increased numbers of businesses and houses in the Borough. Additional funding through fees and charges, partner organisation contributions, and external funding must also be maximized;
- b) Continued challenge of the inequality of the Government's approach to funding local government;
- c) Reductions in costs – ideally by reducing the need for and dependency on Council services. The scale of the cuts required will continue to require significant reductions in service provision and the Council must accept that some services will not be sustainable in their current form and may have to cease, and that some current priority areas will not be affordable in future years; Additionally that services will need to be provided on a targeted basis rather than universal basis;
- d) Invest to sale – Using earmarked reserves to pump prime initial investment for transformation, procurement efficiencies, efficiencies in budgets and capital schemes.

2) Annual Budget Setting Process

The Authority's 2016/17 Budget focused mainly on savings and efficiencies in the way in which Adult and Children's Social Care is provided. These were complemented by contributions from other service areas, a range of Council-wide savings and efficiencies, procurement, savings and one-off Council reserves for investment.

Going forward savings will be identified through the corporate and transformational approach to budget setting and service planning. The budget and service planning process during 2016 will identify a three year plan to deliver the Council's estimated £28m budget gap over the years 2017/18 to 2019/20.

The Government's multi-year settlement offer will be an essential part of this process, as it allows the Council's financial forecasts to be determined with much greater certainty over the medium-term.

3) Use of Reserves in the Council's Medium Term Financial Strategy

It is important to note that that reserves and balances are one-off in nature and are therefore not a permanent solution to the permanent budget shortfalls set out in the Council's Medium Term Financial Strategy. While the Government's ongoing cuts to local authority funding have been and will continue to be permanent, reserves can only be used once. If the Council decided to use all of its reserves to balance its budget in one year, it would be storing up problems for the future as it would only delay rather than reduce or address the need to make future savings. It may also mean that the Council would no longer be able to meet the costs of its existing projects.

However, given the significant pressure on the Council's finances, the Cabinet has agreed to use earmarked reserves to:-

- 1) Use as invest to save to generate revenue efficiency savings
- 2) To smooth out the budget gap across these years as the biggest impact of cuts is in 2017/18 (£12.4m).

This will assist the impact of the significant funding reductions over the medium-term. This approach therefore forms part of the Council's Financial 2017/18 Strategy.

The Council will also seek opportunities to use reserves for a limited period to fund budget pressures which will reduce over time and are therefore not permanent in nature.

4) Approach to Prudential Borrowing

The Council will continue to identify new ways of ensuring financial sustainability beyond simply cutting costs. One new option is to extend the use of prudential borrowing. Over recent years, emphasis has been placed

on the proactive use of one-off resources to secure long-term financial savings. An example of this has been the LED street lighting project where all 13,000 lampposts are being replaced to LED lighting. The £13m project will deliver estimated savings of £0.5m pa to the revenue budget on street lighting costs and maintenance costs.

To provide greater scope for this approach, it has been approved in principle for the use of borrowing as an alternative source of funding for major priority capital investments. A key example here is the Queensway Regeneration Project (£320m plus). Where investment from this Council could generate significant potential income and capital receipts return over a substantial period.

5) *Capital Strategy*

The Council's Medium Term Financial Strategy underpins how the Authority manages its revenue expenditure and income. The Council also has a Capital Strategy which sets out its approach to capital investment by providing a framework for the allocation and management of capital resources within the Council.

Effective capital investment is essential to the delivery of the Council's financial strategy and the prosperity and well-being of the Borough. For over 10 years, the Council has operated a rolling Medium-Term Financial Strategy, supported by a Capital Strategy. The integrated planning of both capital and revenue resources has allowed Southend-on-Sea to allocate funds to ensure that service priorities are met.

The Council continues to challenge the way services are delivered, and how those services can be made more accessible. In addition, the further development of an approach to sharing facilities will be pursued with a view to achieving more efficient service delivery. It is anticipated that revenue savings may be accrued through the use of fewer sites and that surplus assets could be released to provide capital resources for future investment.

Wherever possible, the Council also operates on "invest to save" principles, which allows capital investment to be directed towards efficiency and sustainability projects, thereby improving the Council's capacity to manage future spending.

Southend-on-Sea Borough Council

Efficiency Plan Documents

NB. The links below relate to the main reports only – Appendices relating to each of these reports can be found on the Councils main website at the following link:
<http://democracy.southend.gov.uk/ieDocHome.aspx?Categories=>

1. Council Budget 2016/17 – Council 25th February 2016
<http://democracy.southend.gov.uk/documents/s3155/Council%20Budget%202016-17%20250216%20Master.pdf>
2. The General Fund Revenue Budget 2016/2017 (including Medium Term Financial Strategy) – Cabinet 11th February 2016
<http://democracy.southend.gov.uk/documents/s3019/CS33%20Master%20-%20GF%20Revenue%20Budget%202016-17%20Cabinet%20110216.pdf>
3. Fees & Charges 2016/17 – Cabinet 11th February 2016
<http://democracy.southend.gov.uk/documents/s2974/CS29%20Fees%20Charges%20Report%202016-17%20Feb%20Cabinet.pdf>
4. Housing Revenue Budget Account – Cabinet 11th February 2016/17
<http://democracy.southend.gov.uk/documents/s2977/CS32%20HRA%20Budget%202016-17%20Feb%20Cabinet.pdf>
5. Capital Programme 2016/17 – 2019/20
<http://democracy.southend.gov.uk/documents/s2956/CS%2031%20Capital%20Programme%20report%20-%202014-15%20to%202018-19%20-%202011%20February%202016.pdf>
6. Treasury Management and Prudential Indicators 2016/17 – Cabinet 11th February 2016
http://democracy.southend.gov.uk/documents/s2973/CS30%20Treasury%20Management%20and%20Prudential%20Indicators%20report%20-%202016_17%20-%20Cabinet%2011-Feb-16.pdf

7. Corporate Performance Management – 2016/17
<http://democracy.southend.gov.uk/documents/s2157/01%20-%20Report%20for%20Cabinet%20Corporate%20Indicators%20Actions%2016-17%2019.01.16.pdf>

8. Corporate Plan and Annual Report 2016
<http://democracy.southend.gov.uk/documents/s5409/01%20-%20Cover%20Report%20Cabinet28.6.16.pdf>