

# **Audit, Governance and Standards Committee**

Wednesday 12 September 2018

7.00 pm

Ground Floor Meeting Room G02B - 160 Tooley Street, London SE1  
2QH

## **Supplemental Agenda No. 1**

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Date: 11 September 2018

<b>Item No:</b> 9.	<b>Classification:</b> Open	<b>Date:</b> 12 September 2018	<b>Meeting Name:</b> Audit, Governance and Standards Committee
<b>Report title:</b>		Budget challenge and governance	
<b>Wards or Groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Governance	

## RECOMMENDATIONS

1. That the audit, governance and standards committee consider the governance arrangements with regard to budget setting and monitoring as set out in this report.

## KEY ISSUES FOR CONSIDERATION

2. Local authorities are required by law to have a balanced budget. To avoid an unbalanced budget local authorities have to be financially resilient. Good financial management is fundamental in establishing confidence in the budget and ensuring that the finances can withstand unexpected pressures. Setting a clear medium-term financial plan will help clarify expected income and expenditure and regular monitoring will ensure that any financial issues are identified early and measures can be brought in to realign the budget. These plans must incorporate any financial, operational and strategic risks faced by the authority.
3. The unprecedented financial challenges facing local councils in recent years, as exemplified by the financial issues at Northamptonshire County Council, who have issued successive section 114 notices, have increased concerns nationally about the financial resilience and sustainability of local authority finances.
4. The Chartered Institute of Public Finance Accountants (CIPFA) believes that in the current financial climate there is a need for appropriate and robust independent challenge and support for some councils on financial strategy and trajectories. Accordingly they are consulting on a new resilience index which is intended to provide challenge where needed so that appropriate action can be taken at a local level to address issues and risks.
5. The following paragraphs provide an overview of the council's general fund revenue budget setting and monitoring arrangements in terms of:
  - Statutory requirements
  - Southwark Constitution and Financial Standing Orders
  - Budget Setting arrangements
  - Budget Monitoring arrangements
  - Role of Audit.

### Statutory arrangements

6. The council has a legal obligation to set a balanced budget on an annual basis as prescribed in the Local Government and Finance Act 1992 and associated

Regulations and to set the level of council tax for the forthcoming financial year. The deadline by which all council's must set a balanced budget is the 11 March each year.

7. Section 25 of the Local Government Act 2003 requires the chief finance officer (strategic director of finance and governance) to report to the authority on (a) the robustness of the estimates made for the calculation of the revenue budget, and (b) the adequacy of the proposed financial reserves. The authority is required to have regard to the chief financial officer's report when setting the level of council tax.

#### **The section 151 officer**

8. The strategic director of finance and governance is the Council's responsible officer under section 151 of the local government act 1972, and part VIII of the local government finance act 1988, for the proper administration of its financial affairs. This means that the section 151 officer is legally responsible for ensuring that the council manages its finances properly.
9. The section 151 officer has very specific legal responsibilities to the local tax payer. The role and responsibilities were developed by case law where it was established that the treasurer (section 151 officer) is not merely a servant of the council, but holds a fiduciary responsibility to local tax payers. This means that when s151 officers give advice and carry out their jobs they have to think about what is the best decision not only for the council, but also for local tax payers.
10. The s151 officer has a number of powers to support this responsibility. If the s151 officer judges that the council is unable to set or maintain a balanced budget they must consider the possibility of a Section 114 notice. Such a notice is only given in the gravest of circumstances. The process is governed under legislation and once issued the council has 21 days to consider a response. However, during that time spending and other financial activity is suspended.

#### **Southwark constitution and financial standing orders**

11. The constitution reserves a number of decisions to Council Assembly, including agreeing the budget and determining the level of local taxation. The budget includes the allocation of financial resources to different services and projects, proposed contingency funds including reserves and balances; setting the council tax; decisions relating to the control of the council's borrowing requirement; the treasury management strategy and the setting of virement limits.
12. The budget and policy framework procedure rules state that the council will be responsible for the adoption of the budget and policy framework. Once the framework is in place, it will be the responsibility of the cabinet to implement it within the resources approved by council. The process by which the budget and policy framework shall be developed is summarised below:

Chief Officers are responsible for departmental budgets



Budgets are presented to Cabinet for recommendation to council assembly



Council assembly agrees budget and sets council tax

13. The constitution sets out the responsibilities for Overview and Scrutiny Committee (OSC) with regard to examining and monitoring the performance of services

provided by the council and other agencies. OSC has specific responsibility for scrutinising matters in respect of the policy and budget framework.

14. The constitution also contains the financial standing orders (FSOs) which provide the framework for managing the council's affairs.
15. The strategic director of finance and governance and strategic directors have clear specific roles to play in budget preparation and monitoring which are defined in FSOs.
16. The strategic director of finance and governance is the officer appointed by the council in accordance with Section 151 of the Local Government Act 1972. All matters connected with the financial administration of the council's affairs are the delegated responsibility of the strategic director of finance and governance, except any matters that are delegated or reserved.
17. Strategic directors are responsible for:
  - preparing the revenue budget for the services in his/her departments in consultation with the relevant member of the cabinet, which will have regard to the community strategy, corporate plan, corporate priorities and business plans.
  - ensuring that resources are allocated through a detailed budget on SAP by the deadline set by the chief finance officer.
  - ensuring that reports are submitted to the relevant cabinet member(s),
  - seeking approval of fees and charges in relation to their areas of responsibility.
18. FSOs also include the following sections relating to the budget:
  - Preparation of the revenue budget
  - Setting the annual budget and council tax
  - Monitoring and control of the revenue budget

#### **Revenue budget setting arrangements: an overview**

19. The revenue budget is the term used to describe the amount that the council spends on its day-to-day running of services. This includes wages and salaries, property and transport running costs and payments to suppliers. In addition to the running costs of services, councils have to fund the costs of borrowing money to pay for their capital assets.
20. Once all these things are taken into account, along with specific grants and fees and charges, a figure known as net revenue expenditure is reached. From the net revenue expenditure figure any use of council reserves is subtracted to get to a budget requirement figure that is then funded from general government grant, non-domestic rates and council tax.
21. Objectives of the budget setting process:
  - To set a balanced budget and to set council tax by the statutory deadline
  - To give financial expression to the fairer futures council plan for service delivery in the coming year
  - To make a detailed allocation of available financial resources
  - To set a target against which performance may be monitored

- To provide authority for officers to incur expenditure within the framework of financial regulations, standing orders and the scheme of delegation.
  - To ensure that proper financial control is being exercised.
22. In September 2016, the cabinet approved the Fairer Future Medium Term Financial Strategy (FFMTFS) and Integrated Efficiency Plan noting the relationship to the Council Plan and the theme to be fit for the future (Appendix A). The FFMTFS sets out the financial principles of the council and the remit within which it plans its business. The strategy is set in the context of a number of key themes, each structured to support all major policy objectives and priorities as set out in the council plan. These themes are closely linked to the Fairer Future for all vision and the values and promises linked to it. The refreshed council plan approved by Cabinet in July will be presented to council assembly in November.
23. Equalities impact assessments are undertaken on all budget proposals.

### **2019-20 budget setting process**

24. The following table provides an overview of the 2019-20 budget setting timetable

<b>Date</b>	<b>Task</b>
February 2018	2018-19 budget approved by council assembly
June/July 2018	<p>The 2019-20 budget is developed from the 2018-19 base budget.</p> <p>The base budget is updated for latest assumptions of:</p> <ul style="list-style-type: none"> <li>• resource availability - government funding, retained business rates, council tax, fees and charges. Funding risk is increasingly being transferred to council as most resources generated locally.</li> <li>• unavoidable budget pressures, e.g. inflation, debt financing, government policy changes etc.</li> </ul> <p>At this stage no growth has been assumed, e.g. manifesto commitments, demand etc.</p> <p>The difference between available resources and base budget indicates an initial budget gap</p>
July 2018	Informal Cabinet considered the budget assumptions and agreed next steps and framework for budget discussions to be undertaken during the summer ahead of the budget challenge sessions
August 2018	Budget guidance issued by strategic director of finance and governance
September 2018	Financial Remit report considered by Cabinet
September 2018	Budget challenge and scrutiny sessions commence.
November 2018	Cabinet update on budget
December 2018	Provisional Local Government Finance Settlement
December 2018	OSC agree budget scrutiny
December 2018	Council tax base report approved by Cabinet
December 2018	Draft budget proposals considered by Cabinet
January 2019	Finalised budget proposals considered by Cabinet

January 2019	Budget scrutiny meetings
January 2019	Fees and charges reports agreed by portfolio holders
January 2019	Final Local Government Finance Settlement
January 2019	Group meetings/briefings/consultation
February 2019	Final budgets are presented to Cabinet for approval and recommendation to council assembly
February 2019	Council Assembly approves budget and set council tax
March 2019	Budgets loaded on SAP and budget responsibilities agreed by strategic directors

25. A key element of the budget process is the Budget Challenge Panels. At these sessions Strategic Directors will present their budget options at challenge panels comprising relevant cabinet members, chief executive, strategic director of finance, supporting chief officers and departmental finance managers.
26. The remit of the sessions is to present targeted savings on the net budget. The target being set at slightly above the required level of savings identified in the budget remit report in recognition that some proposals will not be acceptable or may be scaled down as we move through the programme or even moved into future years.
27. The sessions will consider:
- Overview of 2017-18 outturn and 2018-19 updated current forecast (including progress on agreed 2018-19 budget savings targets);
  - Review of 2019-20 saving proposals as set out in schedules including fees and charges;
  - Review of 2019-20 commitments, including the cost of any manifesto commitments;
  - Review the separate higher risk savings options;
  - Beyond 2019-20 – early thoughts on future pressures and opportunities.
28. Budget proposals will consist of:
- Growth and commitments:
- New commitments and growth bids will only be considered where there is full evidence to support any bid, including demonstration that current costs for the service are no higher than average for comparable authorities.
  - All growth bids put forward will be reviewed through the budget planning process using information provided on the proformas issued as part of the budget planning guidance. Where the business case put forward is either insufficient or unjustified it will be returned and not included in estimates.
  - Any resources required to achieve savings proposed (e.g. redundancy costs) will need to be identified in full separately as commitments, not netted off against planned savings and clearly cross referenced to the savings option.
  - Fall-out of grant should also be treated as growth, business cases continued funding should also include the current exit strategy.
  - Growth can only be proposed and considered if matched by additional savings and efficiencies over that required by the financial remit.
- Efficiencies and other savings
- a schedule of efficiency and other savings options to close the departmental budget gap

- benchmarking and comparison with others will be used to review high cost services
- invest to save will be considered on the basis of sound and robust business cases
- a review of the extent and costs of discretionary services being provided in the context of service priorities and resources available; to set out options for the cessation or reduction of expenditure on these services which are not of a high priority

#### Fees and charges

- Corporate policy requires fees and charges are increased to a level, at a minimum, that is equal to the most appropriate London average (e.g. inner London, family, groupings etc.) except where this conflicts with council policy, would lead to adverse revenue implications or would impact adversely on vulnerable clients
  - All fees and charges capped by statute are to be increased to the maximum level the cap allows;
  - External income is maximised and mindful of cost of collection;
  - Increases considered in IDM reports.
29. The outcome of the Budget Challenge Sessions will be the presentation of budget options to Cabinet in November/December.

#### **Capital investment and treasury management**

30. Capital investment and treasury management decisions are fully integrated within the financial planning and budget setting arrangements.
31. Any capital expenditure that is not financed immediately by capital receipts, capital grants or revenue resources will need to be funded by borrowing. The council can temporarily utilise other resources in lieu of external borrowing to fund capital expenditure. This is referred to as internal borrowing and is function of treasury management.
32. In approving the inclusion of schemes and projects within the capital programme, the council ensures all of the capital and investment plans are affordable, prudent and sustainable. In doing so the council will take into account the arrangements for the repayment of debt, through a prudent MRP policy in line with MRP guidance produced by the Ministry of Housing, Communities and Local Government.
33. The capital financing charges, any additional running costs arising from capital investment decisions or additional income from, for example, commercial investments are incorporated within the annual budget and medium term financial plans. This enables members to consider the consequences of capital investment alongside other competing priorities for revenue funding.

#### **Reserves, balances and central contingency**

34. As well as ensuring that sufficient funds are available to finance the ongoing management of the council services, the strategic director of finance and governance needs to be assured that there is an appropriate level of reserves and balances available. The Local Government Act 2003 requires the chief finance officer to report on the adequacy of reserves held, and requires members to have regard to that report in setting the budget. The Act also gives powers to the Secretary of State to specify a minimum of reserves to be held, but those powers have not yet been applied.

35. Maintaining an adequate level of reserves and balances are therefore key factors in the strategic director of finance and governance's assessment of the robustness of the budget. Southwark's relatively low levels of balances and reserves when compared to similar councils in London have been reported to cabinet and more recently to audit, governance and standards committee in the external auditors Audit Findings Report 2017-18.
36. The position remains under close review and the s151 officer will continue to make recommendations as appropriate within the Policy and Resources Strategy.
37. The guiding principles on use of reserves is set out below:
- to present balanced budgets year on year without recourse to reserves and balances except for specific earmarked projects
  - to maintain a central contingency at a sufficient level to cover demand pressures that are volatile, difficult to predict or unforeseen at the time the budget is set
  - to maintain reserves and balances at a level sufficient to manage the potential risks and opportunities of the organisation.
  - to target an increase in general fund balances to £20m over the course of medium term, in line with similar organisations in London
  - to maintain appropriate earmarked reserves to mitigate risk and smooth cost pressures arising from major council projects and priorities, not least regeneration and development and modernisation and service improvement.

#### **Revenue budget monitoring arrangements: an overview**

38. Following approval by the council of the annual budget, strategic directors may spend within the agreed budget for their departments. They must ensure that the net expenditure for their departments does not exceed the approved budget.
39. Strategic directors must:
- Ensure there are adequate systems to monitor and audit the resources allocated to their services
  - Monitor at least monthly the projected income and expenditure outturn for the year
  - Present reports to the relevant cabinet member monthly
40. The strategic director of finance and governance will report on the overall financial position to the cabinet on a regular basis.
41. The council's prime financial system is SAP. Budgets are loaded on the system prior to the start of the financial year. Forecast outturn positions are updated monthly.
42. From time to time specific corporate action is required to address demand and spending pressures outside of the routine budget management arrangements. For example, the Council established a Budget Recovery Board in 2017 to help manage the significant pressures within Children's and Adults social care. The Budget Recovery Board provided the necessary support and scrutiny to help realise savings and to ensure services were able to obtain a secure financial footing. The Budget Recovery Board process continues for Children's Services in 2018-19 to ensure a continued budget improvement trajectory.



## **Role of audit**

### External audit

43. External audit provide an important role in ensuring proper stewardship of public money. External auditors look not only at the financial statements but also at the financial aspects of the council is managed. The external auditor must satisfy themselves that the accounts are prepared in accordance with regulations and accounting rules and that the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### Internal Audit

44. The council's internal audit service evaluates the effectiveness of the councils risk management control and governance processes. The internal auditors focus their efforts on major areas of risk, including strategic and service risks as well as financial risks. Internal audit will periodically review the procedures for setting and monitoring the budget.

## **Community impact statement**

45. This report is not considered to have a direct impact on local people and communities.

## **Resource implications**

46. There are no direct resource implications in this report.

## **Consultation**

47. There has been no consultation on this report.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

48. None required.

## **Reasons for lateness**

49. The report was updated following feedback from consultation between the strategic director of finance and governance and the chair of audit, governance and standards committee.

## **Reasons for urgency**

50. The report sets out the governance procedures for the council's accounts for the committee to consider offering feedback on; and a later meeting would not allow officers time to make any amendments to the process if any were recommended.

## **BACKGROUND DOCUMENTS**

<b>Background Papers</b>	<b>Held at</b>	<b>Contact</b>
Constitution	Council website	Rob Woollatt

## APPENDICES

No.	Title
Appendix A	Fairer Future medium term financial strategy and integrated efficiency plan 2017-18 to 2019-20

## AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Rob Woollatt, Interim Departmental Finance Manager	
<b>Version</b>	Final	
<b>Version Date</b>	11 September 2018	
<b>Key Decision</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments sought</b>	<b>Comments included</b>
Director of Law and Democracy	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
<b>Final Report Sent to Constitutional Team</b>		11 September 2018

## APPENDIX A

# Fairer Future medium term financial strategy and integrated efficiency plan 2017-18 to 2019-20

# Foreword

The Council continues to face significant financial pressures as government funding continues to reduce at the same time as demand for our services increases. Since 2010 Southwark has seen some of the biggest funding reductions across London and indeed the whole country. The scale of these cuts have been unprecedented in local government and our systems have had to be flexible and robust to deal with them.

During this time, we have focused on the delivery of our fairer future promises and values and we have developed fairer future budget principles to support the annual budget setting process. We have consistently promised value for money and stuck with the principle of spending money as if it were from our own pocket.

Everything we do is underpinned by the Fairer Future Council Plan. The Council Plan sets out priorities for the Council and importantly now incorporates the new theme: Fit for the Future. This theme reinforces the Council's commitment to efficiency and modernisation as the resources available to us reduce and as demands increase.

We will continue to develop our workforce, our workspace, our digital services and our technology to create a modern and sustainable council. We will invest through our modernisation programme and seek value for money and high quality customer service in everything we do.

Our financial position sits at the heart of these developments. We will continue to invest our balances and reserves as necessary, not only to support modernisation, but to deliver our huge ambitions for regeneration throughout the borough.

However, there is still much work to be done. Not all of our funding reductions can be managed through efficiency and there will inevitably be services that need to be reduced or stopped altogether. Fees and charges will need constant review.

The success of our approach to date has been clear; more than £120m per annum in efficiency savings since 2011-12 and a further £40m per annum agreed by Council Assembly in February 2016 to be delivered over the next three years. And still the seventh lowest Council Tax in London.

Despite the challenges of our ever reducing funding position, this administration remains determined to keep our Fairer Future promises, to protect and modernise our services and to maintain excellent financial planning that is more than fit for the future.

COUNCILLOR FIONA COLLEY

CABINET MEMBER FOR FINANCE,  
MODERNISATION & PERFORMANCE

# Introduction

Council services that support all major policy objectives and priorities as set out in the Council Plan are delivered using a range of different resources. This document sets out the council's strategy to ensure proper financial management and control and to secure efficiency.

It should be considered in conjunction with all other service and support service strategies and resources strategies in relation to financial management and the Council Plan theme to be Fit for the Future.

The FFMTFS sets out the financial principles of the Council and the remit within which it plans its business. The strategy is set in the context of a number of key themes, each structured to support all major policy objectives and priorities as set out in the Council Plan. These themes are closely linked to the Fairer Future for all vision and the values and promises linked to it.

Over the period of the FFMTFS the Council will seek to achieve the following:

- A balanced three year budget agreed annually, subject to funding certainty.
- A robust ten year capital programme.
- A ten year housing investment programme, secured and maintained.
- Maximisation of the collection income due to the council.
- Maintenance of appropriate levels of general and earmarked balances and contingencies to protect council services and assist in mitigating future risks and delivering committed programmes of work including regeneration and modernisation..
- Maximisation of returns from council investments, within a prudent framework.
- Minimisation of the impact of fraud and corruption on council business.
- Unqualified accounts each year.

# Integrated Efficiency Plan

The integrated efficiency plan links service delivery with the council's funding expectations. It is locally owned and locally driven. The integrated efficiency plan reflects the advice of the Local Government Association and CIPFA that the efficiency plan does not have to require additional reports and documents which are not currently available to the council.

The integrated efficiency plan demonstrates how the greater certainty from a four year funding settlement from government provides a more stable basis on which to plan the level of further efficiencies and savings which will be necessary to continue to meet the council's responsibilities and priorities within a balanced and affordable budget.

The integrated efficiency plan covers the full 4 year period and taken as a whole is open and transparent about the benefits the council will deliver to the council, community, residents, neighbourhoods, and to those partners in the public, voluntary, community and private sector.

The integrated framework is set out below.

# Integrated Efficiency Plan

<b>+++ INTEGRATED EFFICIENCY PLAN +++</b>	<b>Fairer Future Vision</b>										
	<p>The council will create a fairer future for all in Southwark by protecting the most vulnerable; by looking after every penny as if it was our own; by working with local people, communities and businesses to innovate, improve and transform public services; and standing up for everyone's rights.</p>										
	<b>Fairer Future Principles</b>										
	<p>Treating residents as if they were a valued member of our own family          Being open, honest and accountable          Spending money as if it were from our own pocket          Working for everyone to realise their own potential          Making Southwark a place to be proud of</p>										
	<b>Fairer Future Promises</b>										
	Promise 1	Promise 2	Promise 3	Promise 4	Promise 5	Promise 6	Promise 7	Promise 8	Promise 9	Promise 10	
	<b>Council Plan</b>										
	Quality affordable homes	Best start in life	Strong local economy	Health active lives	Cleaner greener safer	Revitalised neighbourhoods	Fit for the future				
	<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="font-size: 2em; color: #00a0e3;">↑</div> <div style="text-align: center;"> <p><b>Policy and Resources Strategy</b></p> <p>Fairer Future Budget Principles</p> </div> <div style="font-size: 2em; color: #00a0e3;">↓</div> </div>										
	<b>Service Strategies</b>										
<p>Children's Services          Adults' Services          Public Health          Environment services          Leisure Services          Housing services          Modernisation services</p>											
<b>Medium Term Resources Strategy</b>											
Fairer future medium term financial strategy	Workforce strategy	Asset Management	Voluntary and Community Sector	Fairer Future Procurement Strategy	Technology (digital strategy)	Facilities Management					

# Fairer Future Budget Principles

Our budget principles are:

At a time of unprecedented cuts imposed by central government, the budget will continue to prioritise the promises we made in the Fairer Future council plan and will seek to protect services for the most vulnerable.

We will keep any council tax increase at or below inflation and take into consideration the wider impact of austerity measures on residents and public services in Southwark.

We will be responsible guardians of public finances and plan ahead by developing a three year balanced budget supported by prudent use of reserves.

*To achieve this*

The council will spend money as if it were coming from our own pocket. We will put value for money at the heart of this budget, taking every opportunity to modernise and transform working practises and to make the council more efficient.

We will continue to find alternative ways of providing services more efficiently and effectively by working jointly with partner organisations such as the health sector, the voluntary sector, local businesses and other local authorities.

We will seek to generate additional income by reviewing fees, charges and contributions and seeking further opportunities to provide commercial services. This may include introducing charges for some discretionary services that are currently free.

Some services currently provided by the council may have to stop, and many will have to be delivered differently or reduced.

We will be open, honest and accountable.

- We will build on the outcomes of budget consultations conducted over the last five years, reflecting the priorities of our residents and stakeholders as we develop proposals.
- We will conduct ongoing consultation on the tough choices we must make and be transparent with any specific group or groups of users or staff who may be affected by any cut, reduction or significant change in service provision as soon as possible and explore with them other ways to provide the service.
- We will conduct an equalities impact assessment for our budget proposals.

A reduced budget will inevitably mean that the size and composition of our workforce will change. We will treat our staff with respect. We will do everything we can to retain staff through redeployment and retraining, to minimise compulsory redundancies and to assisting staff who are leaving the council.



# Financial management

- To restrict spending to within budgeted limits whilst sustaining and achieving performance improvement in line with strategic policies and priorities.
- To recover fees and charges in line with agreed scales that match budget targets
- To rigorously review all proposed unavoidable commitments and ensure that all possible avenues for delivery, including alternative funding, have been explored, and that the costs have been kept to the minimum required to meet statutory and contractual requirements.
- To fund new service growth from additional, identified departmental savings.
- To underpin all council resource allocation decisions with financial reality and health checks.
- To return all windfall benefits not planned within base budgets to central resources for corporate allocation in line with Council Plan and other strategic priorities.

# Value for money, efficiency and the management of financial performance

- To ensure that value for money is sustained and impact of spending reductions on service performance and quality is mitigated as far as effectively possible.
- To monitor and benchmark service performance relative to costs against other councils, nationally and locally.
- To ensure there is an appropriate test of value, efficiency and quality in commissioning arrangements.
- To maximise returns on cash investments while maintaining capital preservation and liquidity.
- To target sustained upper quartile performance for pension fund investments.
- To maintain a robust programme of efficiencies and other savings that minimise the impact on the delivery of local priorities.
- To invest to save on the basis of sound and robust business cases.
- To continually review the extent and costs of discretionary services or activity being provided in the context of service priorities and resources available, and explore alternative ways of providing a discretionary service or activity prior to proposing any cut or reduction.

# Reserves and balances

- To maintain a central contingency at a sufficient level to cover demand pressures that are volatile, difficult to predict or unforeseen and cannot be reliably quantified at the time the budget is set.
- To maintain reserves and balances at a level sufficient to manage the potential risks and opportunities of the council.
- To target the maintenance of a general fund balance that is consistent the average of other similar London Boroughs and that reasonably reflects the council's risk profile.
- To maintain appropriate earmarked reserves to mitigate service and funding risks, allows for smoothing of cost over time, pressures arising from major council projects and priorities, not least regeneration and development, modernisation and service improvement.
- To allocate to reserves any money received from relevant short-term funding streams, to meet the implementation costs of major projects.

# Income and Investments

- To maintain the Southwark element of any council tax increases within consumer price index inflation levels over a medium term planning horizon.
- To maximise billings and improve council tax collection rates and non-domestic rates (NNDR) collection rates eliminating unnecessary waste identified within processes.
- To maximise external funding opportunities whilst ensuring the continuance of and further investment in key priorities.
- To achieve an effective and prioritised forward strategy when specific external funding streams cease.
- To maximise the council's income generation by seeking income streams in line with council policies and priorities.
- To review discretionary fees and charges annually, and to increase to a level, at a minimum, that is equal to the most appropriate London average (e.g. inner London, family, groupings etc) except where this conflicts with council policy, would lead to adverse revenue implications or would impact adversely on vulnerable clients.
- To increase all fees and charges capped by statute to the maximum level the cap allows.
- To act to reduce arrears overall, with particular emphasis on council tax, rent and NNDR, and seek prompt payment or payment in advance so as to improve the council's overall cash flow position.
- To ensure a suitable provision for doubtful debts to cover any eventual write-off of bad, uncollectable debt, with a documented methodology based on known best practice and local knowledge, which is reviewed annually and notified to all relevant staff.

# Treasury Management

- To optimise investment income returns within the principles of "security, liquidity then yield", in line with the risk appetite and counterparty selection as set out in the Treasury Strategy report as approved by Council Assembly each year.
- To manage debt from borrowing in line with the principles of the Prudential Code and within the setting of Prudential Indicators as approved by Council Assembly each year.
- To use prudential borrowing only where business cases are agreed in accordance with the principles of the overall treasury strategy.
- To seek to reduce the cost of borrowing through debt repayment or debt refinancing where it is economically viable and affordable within the budget framework to do so.
- To set aside funds from the revenue budget to meet the cost of the repayment of debt in accordance with statutory provisions or under the requirements of the Prudential Code.
- To secure increased funding levels of the pensions fund over time to achieve 100% funding within the period recommended by actuaries.

# Capital Programming

- To incorporate all major strategic projects in the mainstream capital programme for regular agreement by cabinet and by Council Assembly.
- To exploit opportunities afforded through the regeneration programme, including setting a target for capital receipts from regeneration projects to support the council's future capital programme.
- To profile capital schemes realistically over their lifetime and apply full whole life costing principles to all major capital projects including investment and disposal decisions.
- To establish over the medium term sufficient lifecycle maintenance provision for the council's fixed assets where the assets are essential for service delivery and it is cost effective to maintain them in line with the council's asset management plans.
- To review uncommitted budgets within the existing approved capital programme annually and reprioritise as necessary.
- To identify, review and select the most appropriate procurement strategies and partnerships arrangements (where appropriate) for all major capital projects.
- To maximise and accelerate the programme of capital receipts ensuring best consideration and due regard to service provision, in line with the asset management strategy.
- To maximise use of planning gains and associated benefits in accordance with agreements and strategic priorities, by prioritising the use of external grants and planning gains ahead of corporate receipts.
- To pool corporately all capital receipts without any specific earmarking unless so directed by the cabinet.
- To build and maintain a capital contingency reserve (£5m) to fund urgent and unavoidable works, including health and safety and DDA works.

# Housing Finance

- To ensure the adoption of a balanced Housing Revenue Account (HRA) budget for the medium term and to maintain a business plan for the HRA consistent with self financing requirements.
- To support the provision of landlord services to residents, including planning for balance levels adequate to support the continuing provision of these services.
- To set rents in accordance with legal constraints and to reflect these levels of income in the HRA self financing business plan.
- To calculate service charges for tenants and leaseholders to match relevant costs for services provided.
- To support the delivery of the housing investment programme within the context of self financing.

# Financial Control and anti-fraud

- To review controls, systems and processes and ensure proposals for improvement following fraud loss are robust.
- To promote efficiencies to tackle fraud through collaborative working, including local and regional partnerships.
- To share information and good practice with key stakeholders, within statutory guidelines in the interest of preventing and detecting fraud. This will include continuing to undertake statutory data matching across all relevant service areas.
- To ensure a systematic and comprehensive approach to fraud prevention across all service provision.
- To promote ethical behaviour and raise fraud awareness.
- To promote a zero tolerance approach towards fraud which ensures dishonesty is managed firmly, fairly and consistently.
- To constantly keep under review key fraud risks so that fraud exposure is minimised.
- To enhance the effectiveness of the anti-fraud service through maximising and reinvesting losses recovered.
- To successfully manage operational demand through times of change.
- To conduct professional investigations in line with the changing statutory environment and requirements.
- To minimise fraud risk across all service provision through the effective provision of advice and support.
- To ensure continued fitness for purpose, through regular and rigorous review, of policies, procedures and working practices in relation to the prevention and detection of fraud.



# Contact us

We'd like to hear what you think about this Integrated Efficiency Plan and if you've got questions, we are here to answer them.

There are lots of different ways to get in touch with us and share your views.



@lbs\_southwark



/southwarkcouncil

Or if you prefer, email [councilnews@southwark.gov.uk](mailto:councilnews@southwark.gov.uk) or call 020 7525 7251.

**COMMITTEE: AUDIT, GOVERNANCE AND STANDARDS COMMITTEE (OPEN AGENDA)**

**NOTE:** Original held in Constitutional Team; all amendments/queries to Virginia Wynn-Jones, Constitutional Team on 020 7525 7055 or [virginia.wynn-jones@southwark.gov.uk](mailto:virginia.wynn-jones@southwark.gov.uk)

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Councillor Dora Dixon-Fyle	By email
Councillor Nick Dolezal	1
Councillor Victoria Olisa	By email
Councillor Andy Simmons	1
Councillor Dan Whitehead	By email

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Councillor Hamish McCallum	By email
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Councillor Bill Williams	By email

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