

Foreword

The Council continues to face significant financial pressures as central government funding reduces at the same time as demand for our services increases. We have been through over a decade of financial austerity and are now set to face further significant turbulence as a result of the COVID-19 pandemic, the fallout from Brexit and the future funding of local government.

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 Southwark's Borough Plan. The [Borough Plan](#) sets out our core values of supporting and empowering residents by working towards a fairer, more equal and just Southwark

We will continue to develop our workforce, renew our services and maintain excellent financial planning that is fit for the future. We will continue to invest where appropriate and seek value for money and quality customer service in everything we do.

The impact of over 10 years of austerity and the COVID-19 pandemic on our communities, services and finances has been acute; the route and length of recovery remains difficult for us to plot. We will continue to plan effectively to ensure that the financial strategy continues to align with the council's priorities and approach to recovery and renewal.

Not all reductions in funding and resources can be managed through efficiency. The council will face further significant challenges and there will inevitably be a range of interventions required by the council to manage the post pandemic impact and as yet, unquantified demand for services and unquantified financial pressures.

Our financial position sits at the heart of both these core values and financial uncertainties. We will continue to invest our balances and reserves to help manage future financial risks and support the recovery and aftermath of the pandemic.

Despite these challenges, this administration remains determined to keep our fairer future promises, to protect and renew our services and to continue to focus on the delivery of the Borough Plan and to deliver value for money. We will work tirelessly to implement this as we work towards a long term sustainable post pandemic recovery.

COUNCILLOR REBECCA LURY

**CABINET MEMBER FOR FINANCE,
PERFORMANCE AND DEMOCRACY**

Introduction

Council services that support all major policy objectives and priorities as set out in the Borough 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, support service and resources strategies in relation to financial management and the Borough Plan's core values of supporting and empowering residents by working towards a fairer, more equal and just Southwark.

The Fairer Future Medium Term Financial Strategy (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 Borough Plan. These themes are closely linked to the 'Fairer Future' values and promise.

The FFMTFS and Borough Plan form important components of the council's overarching strategy linking the Borough Plan to the performance of departments and individual members of staff within the council. This ensures that there is collective responsibility across the council for achieving the outcomes of the FFMTFS. It is refreshed at regular intervals, to ensure it remains relevant to delivering the Borough Plan and local priorities

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 ten year capital programme.

A ten year housing investment programme secured and maintained.

Maximisation of the collection of all 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.

Fairer Future Budget Principles

The council's "Fairer Future budget principles" will underpin the council's budget decisions and seek to limit the impact of budget cuts on the most vulnerable.

Our budget principles are:

At a time of unprecedented uncertainty, the budget will continue to prioritise the promises we made in the Fairer Future Borough Plan and will seek to protect services for the most vulnerable.

We will continue to manage budgets carefully and keep council tax low, only raising it to protect the most vulnerable.

We will be responsible guardians of public finances and when possible plan ahead by developing a longer term budget.

We will make prudent use of reserves to support the budget to enable the smoothing of impacts over time.

To achieve this:

We will spend money as if it were coming from our own pocket; we will put value for money at the heart of the budget, taking every opportunity to renew and transform working practices 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 the health sector, the voluntary sector, local businesses, other local authorities and other partner organisations.

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 of our current services may stop; many will have to be delivered differently or reduced.

We will be open, honest and accountable.

- We will build on the outcomes of previous budget consultations, 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, 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, with specific reference to the work undertaken as part of our Southwark Stands Together programme.
- We will ensure that climate emergency considerations are properly assessed for all relevant budget options.

A reduced budget will inevitably mean that the size and composition of our workforce will change; we will treat our staff with respect, do all we can to retain staff through redeployment and retraining and when necessary will seek to assist staff leaving the council.

Fairer Future Procurement Framework

Southwark Council's [Fairer Future Procurement Framework](#) (FFPF) sets out how the council will use its procurement to support the delivery of the Borough Plan and Fairer Future Commitments and the processes and practices that are needed to do this. The council expects all of its procurement activity to be undertaken to the highest ethical, sustainable and responsible standards and within a robust and transparent governance and financial framework.

This framework sets out:

- The values that inform the procurement of goods, works and services for high value contracts. For procurement below £100k officers will have regard to the resources available to smaller providers which may bid for lower value contracts.
- The responsibilities of staff when procuring high quality contracts for the residents of Southwark.
- The minimum standards of conduct that external providers, key stakeholders, partners, businesses and organisations who seek to do business with the council should meet.
- The wider ambitions and expectations that we wish our procurement to deliver and how this will influence our decision-making during procurements.

The Financial Context

- Southwark Council spends approximately £650m each year with external contractors for a variety of goods, works and services that allow it to meet its commitments to residents. This spending power means that the council can – and should - use its

financial influence for ethical and sustainable impact and for outcomes that increase social value. This FFPF sets out the council's aim that good procurement can deliver not just high quality contracts and value for money but that it can also support the wider ambitions detailed in the [Borough Plan](#).

- These contracts, together with direct service delivery undertaken by council staff and the council's role in local planning and development, means that the entire sphere of influence of the council is significant for the borough, its residents, businesses and the local economy.

Equality, Diversity and Inclusion

- The council must have due regard to equality issues and community impact under its Public Sector Equality Duty. The council's Approach to Equality policy sets out how equality and human rights considerations will be embedded into our policies on procurement and commissioning.
- The council is aware of the important role that it plays in ensuring that Equality, Diversity and Inclusion are delivered through all parts of its policies and contracts including procurement. Processes to ensure that the outcome of reports such as Southwark Stands Together will be incorporated into guidance for procurement.
- The council will explore how, through use of equalities and other data to be captured, it can best enable Black Asian and Minority Ethnic organisations to participate in procurement opportunities.

Gender pay gap

- Organisations with 250+ employees are required to publish their gender pay gap. The council is committed to seeing the gender pay gap decrease and will therefore request all contractors with 50+ employees commit to publishing their gender pay gap. Contractors with 250+ employees will be required to publish their gap and the council will request this is accompanied by an annual plan that sets out their plans to reduce any gap.

Black Asian and Minority Ethnic pay gap

- The council is committed to seeing the Black, Asian and Minority Ethnic pay gap decrease and will therefore request all contractors with 50+ employees commit to publishing their Black Asian and Minority Ethnic pay gap. Contractors with 250+ employees will be asked to publish their gap and the council will request this is accompanied by an annual plan that sets out their strategies to reduce any gap.
Contracts Register
- The council's [Contracts Register](#) is published online for all live contracts over £5,000 in value in line with the Local Government Transparency Code 2015.

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 comply with statutory and professional frameworks including the CIPFA Financial Management (FM) code.
- To return all windfall benefits not planned within base budgets to central resources for corporate allocation in line with the Borough Plan values and other strategic priorities.

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.

Value for money, efficiency and the management of financial performance

- To ensure that value for money is sustained and the 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 whilst adhering to our investment strategy commitments to achieve net zero carbon.
- 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.

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 to improve the council's overall cash flow position. This will be undertaken in the context of the Covid-19 pandemic, where action will be proportionate to the ability to pay.
- 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.

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 housing and regeneration programme, including setting a target for capital receipts from 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 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 Disability Discrimination Act (DDA) works.

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.

Financial Control and Audit

- 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 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.
- 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.

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 enable the smoothing of impacts over time.
- 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, such as housing developments, 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.

Contact us

We would like to hear what you think about this Fairer Future Medium Term Financial Plan and if you have questions, we are here to answer them.

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



@lbs_southwark



/southwarkcouncil

Or if you prefer, email councilnews@southwark.gov.uk