



**MEDIUM TERM  
RESOURCES STRATEGY  
2011/12 to 2013/14**

***“Delivering a fairer future for all by managing  
our resources well”***

# MEDIUM TERM RESOURCES STRATEGY (MTRS): 2011/12-2013/14

## Contents

### Section 1

The aim of the MTRS .....3

The key priorities of the MTRS .....4

### *Section 2 - Supporting plans and strategies within the MTRS*

MEDIUM TERM FINANCIAL STRATEGY (MTFS).....6

PROCUREMENT STRATEGY.....9

ANTI-FRAUD STRATEGY.....10

ASSET MANAGEMENT PLAN .....12

INFORMATION SERVICES STRATEGY .....15

WORKFORCE STRATEGY .....16

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## The aim of the MTRS

The aim of the **medium term resources strategy** (MTRS) is to:

- *ensure best use of limited resources for maximum gain both in performance and in achieving value for money to deliver a fairer future for all in Southwark.*

## Context

'A Fairer Future for Southwark' presented to Cabinet in June 2010 presented the leadership's vision for the future of Southwark.

Fairer future for Southwark sets out Southwark's vision. This vision is underpinned by an acknowledgement that public sector spending is going to fall far and fast and the council's budget will not be protected. The resources the council have are held in trust for the local community and we will manage every penny as carefully as local families look after their own household budgets.

The vision also spells out the council's ambition for change. We will work together with residents, businesses and partners to transform public services for the people of Southwark. This aligns with Southwark 2016, the sustainable community strategy, which sets out the long term vision with partners for improving outcomes for people, places and delivering quality services.

The council is also currently refreshing its organisational business plan (known previously as the 'corporate plan') and a new plan is being developed and drafted alongside the updating of this MTRS. The new plan, to be agreed by April 2011, will highlight the council's key objectives and actions over the medium term for supporting delivery of the fairer future vision.

The scale of the resource challenge in the coming years cannot be understated. Effective and efficient management of resources through a robust MTRS is central to meeting that challenge and delivering our plans for a fairer future for all.

## Budget principles

In September 2010 the Council agreed a set of core principles for budget setting. These principles underpin the MTRS and provide a clear guide for how the council intends to manage resources over the coming years. In summary, the principles are to:

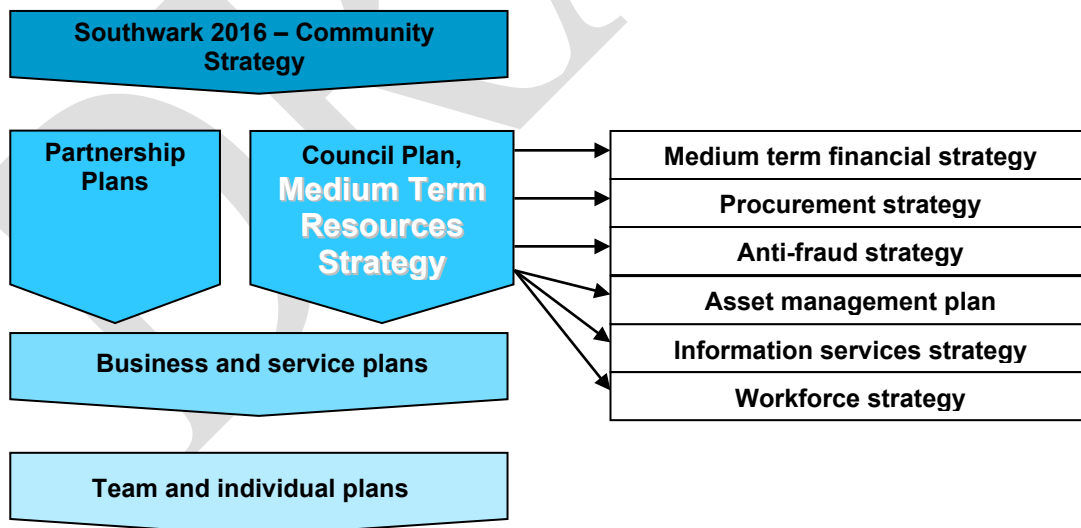
- restate the commitment to the fairer future vision;
- recognise that some services currently provided by the council may be lost, and some may change
- ensure that the services which the council delivers provide value for money
- explore alternative ways of providing a service prior to proposing any cut or reduction
- be transparent and conduct equalities impact assessments for budget proposals
- have a clear and comprehensive explanation for why a service should be cut, reduced or no longer provided by the Council
- take a three year approach and have regard to innovative ways of providing services and maintaining employment in the borough.

## Key priorities of the MTRS

The key priorities of the MTRS are:

- To achieve excellent and robust resource management across the council to deliver a fairer future for all and promote social and economic equality in an economically vibrant borough
- To sustain a value for money culture and secure continued delivery of outcomes through effective business and budget planning, monitoring and challenge
- To ensure equalities and sustainable outcomes are achieved through effective resource and business management
- To seek opportunities to share service provision, including through joint procurement, to support the council's drive for efficiency, better ways of working and smarter use of limited resources
- To optimise the use of the council's anti-fraud resources available to detect, prevent and avoid the re-occurrence of fraud
- To align the council's capital programme with the council's asset management plans
- To deliver sound governance and accountability in respect of all council resources and assets
- To make investment and disposal decisions that are based on option appraisal and whole life costing
- To target investment in information technology to achieve medium term efficiency through modernisation and modern ways of working
- To manage resources to effectively recruit, retain and develop the right staff to deliver efficient and high quality services to our community
- To manage any withdrawal from services by the council in a planned and effective manner, and seek alternative means for delivery working with local business, other providers and partners in the voluntary and community sector
- To ensure fair and reasonable transition arrangements for the implementation of savings that impact on partner organisations, including those within the voluntary and community sector.

## **What is in the MTRS?**



The MTRS comprises of:

- **The medium term financial strategy (MTFS)**

The MTFS sets out the financial priorities of the council and the financial remit within which the council plans its business.

- **Procurement strategy**

The procurement strategy aims to provide a framework for the Council to procure the goods and services it needs to deliver its priorities and achieve value for money.

- **Anti-fraud strategy**

The anti-fraud strategy sets out the framework in which to protect Council's resources and assets.

- **Asset management plan (AMP).**

The AMP sets out the strategic priorities for the delivery of effective asset management planning across the borough.

- **Information services strategy.**

The information services strategy sets out the strategic approach to the development of information and communications technology within the council.

- **Workforce strategy.**

The workforce strategy sets out how the council will recruit, retain and develop the right staff to deliver efficient and high quality services to our community.

### **Keeping the MTRS under review**

In October 2010 the government announced the spending review (SR) for the period 2011/12 to 2014/15. The Chancellor of the Exchequer announced that the revenue grant funding for councils would fall by up to 28% over the four year period to 2014/15. The highest level of reduction in funding will take place in 2011/12. The Chancellor also announced a reduction in the number of grants to local government from 90 to less than 10. Further, the provisional local government settlement was published in December 2010. Southwark will receive an 11.3% reduction in revenue grant in 2011/12 and a further 7.4% reduction in 2012/13. In cash terms this equates to £46.9m revenue over two years to 2012/13.

Capital funding from all government departments will fall by around 45% over the SR period. The government has also signalled their intention to review local government finance, including capital.

The scale of the changes set out for the SR period further underline the need to keep the MTRS under regular review. This will ensure we are continually fit for purpose in meeting the overall aim of ensuring **best use of limited resources for maximum gain both in performance and in achieving value for money to deliver a fairer future for all in Southwark.**

Monitoring of the priorities within the MTRS will be achieved through the regular monitoring reports to Cabinet. Other means of monitoring and review will also be undertaken to ensure the council manages its resources in line with the local priorities.

## **Section 2 – supporting plans and strategies**

### **MEDIUM TERM FINANCIAL STRATEGY (MTFS)**

#### **Context**

The overall aim of the MTFS is to achieve the effective and efficient use of resources and maximisation of resource opportunities in order to deliver a fairer future for all. It sets out a clear financial remit within which the council plans its business and supports the borough's broader partnership ambition.

#### **Key priorities**

##### **Financial Management**

- To achieve excellent financial management across the council
- To spend only within budgeted limits whilst sustaining and achieving performance improvement in line with strategic policies and priorities
- To rigorously review all proposed unavoidable commitments and ensure that all possible avenues for delivery, including alternative funding and delivery, have been explored; and that the costs have been kept to the minimum required to meet statutory and contractual requirements
- To only fund new service growth from additional departmental savings
- To carry forward into the new financial year 100% of departmental outturn overspends and 50% of underspends, subject to the discretion of the Finance Director
- To underpin all council resource allocation decisions with financial reality and health checks

##### **Value for money and the management of 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 continually improve council tax and NNDR collection rates as measured by inner London quartiles
- 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 cashflow position
- To maximise returns on cash investments while maintaining capital preservation and liquidity within the context of the economic slowdown
- To target sustained upper quartile performance for pension fund investments

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

- 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 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 organisation.
- To target an increase in general fund balances to £20m, which represents 6.25% of the council's general fund budget of £320m for 2010/11, 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. To facilitate this any money received from relevant short-term funding streams be allocated to reserves to meet the implementation costs of major projects

### **Savings and efficiencies**

- To maintain a robust programme of efficiencies and other savings that are in line with local priorities
- To invest to save on the basis of sound and robust business cases
- To return all windfall benefits not planned within base budgets to central resources for corporate allocation in line with strategic priorities
- 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 council tax increases within CPI inflation levels over a medium term planning horizon
- To improve council tax collection rates and eliminate unnecessary waste in 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 increase discretionary fees and charges 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 secure increased funding levels of the pensions fund over time to achieve 100% funding within period recommended by actuaries
- To make appropriate representations to government to ensure the council receives the fairest possible level of grant to support Southwark's population and communities

### **Capital Programming and strategic projects**

- To align the major strategic projects into mainstream capital programme
- 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 programme annually and reprioritise as necessary
- To identify, review and select the 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 and to obtain best value from the disposal

- 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 use prudential borrowing where the business case is agreed
- To maintain a capital contingency reserve (£5m) to fund urgent and unavoidable works, including health and safety and DDA works – release of these funds to be subject to the prior approval of the Finance Director in consultation with the Cabinet Member for Resources

### **Housing finance**

- To maintain Housing Revenue Account (HRA) balances at a prudent level, sufficient to meet any unexpected calls on the HRA
- To advise Cabinet on setting dwelling rents and associated charges at a level to optimise central government support and ensure a balanced HRA budget
- To manage the transition from the current HRA subsidy regime to one based on self-financing from April 2012 onward, and to design and ensure adherence to a HRA business plan to maintain a balanced HRA under self-financing
- To support the delivery of the Housing investment programme within the context of self-financing

### **Governance and partnerships**

- To regularly review the financial regulations and contract standing orders to ensure their robustness and continued suitability in order to safeguard the council's assets, maximise its resources and ensure value for money
- To achieve a resources strategy that will in partnership with key stakeholders maximise the benefit to the wider community
- To ensure effective governance arrangements for all partnership agreements relating to the shared use of resources are in place
- To maintain a risk register for joint risks of these partnerships
- To optimise the opportunities for efficiencies afforded by improved partnership working and shared services



## **Procurement Strategy**

The procurement strategy is under development and will be incorporated into later drafts of the MTRS.

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## **ANTI-FRAUD STRATEGY**

### **Context**

The Finance Director has a statutory responsibility under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Council's financial affairs. This includes advising on anti-fraud and corruption strategies and measures to deter, detect and prevent fraud. In addition, Section 5 of the Accounts and Audit Regulations 1996 requires the council to maintain an adequate and effective system of internal audit of the accounting records and control systems.

The core objective of the anti-fraud service is to therefore to protect the council's resources and assets to ensure they are utilised as intended, in line with our statutory duties set out above. Internal audit therefore provides an assurance function that gives an independent and objective opinion on risk management and control and governance, and assists management in supporting and delivering the council's vision of a fairer future for all.

With increasing pressure on the public purse and the council's resources, the strategic view for anti-fraud work is guided by assessing the emerging fraud risks. It is also guided by maximising recovery of losses and assets through proactive and preventative measures. We will do this in the most cost effective way that, wherever possible, reduces waste and duplication.

To minimise the risks and effects of fraud and corruption, the council will work collaboratively to:

- Prevent frauds and reoccurrence of fraud;
- Detect fraudulent activity;
- Provide an effective responsive reactive investigation process;
- Ensure appropriate sanctions; and
- Recover assets and losses.

### **Key Priorities**

There are number of key priorities that will minimise the risks and effects of fraud and corruption.

These will be further developed through the updating of the MTRS. They are:

- To review controls, systems and processes and ensure proposals for improvement following fraud loss are robust.
- To promote efficiencies through collaborative, partnership and regional partnership working to tackle fraud.
- 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 dealt with firmly and consistently.
- To constantly keep under review key fraud risks so that fraud exposure is minimised.

- To enhance the efficacy 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 in the prevention and detection of fraud through regular and rigorous review of policies, procedures and working practices so that there is confidence in how services are delivered.

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## ASSET MANAGEMENT PLAN

### Context

The overriding objective of the Asset Management Plan is to achieve a corporate portfolio that is appropriate, fit for purpose, affordable and which contributes to improving operational and service delivery outcomes through review & challenge processes.

Therefore the AMP assesses the factors influencing the council's asset management decision making, the internal and external operating environment for property, service-side demand for assets, lessons learned from performance monitoring, and resource availability. From this basis it identifies the preferred options we have chosen to pursue in our asset management planning and how they will be delivered.

Much has changed in the public sector resources environment over the last few years, and today the strategic vision for assets in addition to good estate management practice, is shaped by escalating property holding costs, and mounting financial pressures on the public sector purse.

Built around the objective of delivering corporate priorities from available resources as efficiently as possible, Southwark council is refreshing its Asset Management Plan (AMP 2010) to establish a framework for rationalisation across the authority's £3 billion corporate asset base and achieving sustainability in the retained portfolio. The council's estate and those across the public sector (including those of our operating partners) will emerge very significantly altered and our overall vision is to plan for a smaller, sustainable corporate estate.

*What does the refreshed AMP aim to achieve?*

### Strategic Alignment

- Provides an overview of the council's fairer future for all vision and where these impact on the council's property assets;

### Analysis & Forward Planning

- Considers the present and future issues and challenges facing the council in realising the vision of a fairer future for all together with the internal and external drivers and influences impacting on the council's ability to effectively deliver its services; this particularly includes the squeeze on public spending resources, the global economic downturn, and the consequential increasing demand for the council's services;

### Implementation & Review

- Highlights the areas where progress has been made. This includes the continuing transformation of our offices estate, exploiting Tooley Street to achieve maximum savings, the consequential rationalisation of other operational accommodation, major change in how facilities management is handled across the retained estate, a comprehensive review of operational property requirements, a detailed compliance audit and the commissioning of detailed space and condition surveys for the entire operational estate;

### Measuring Outcomes & Improving

- Seeks to further develop benchmarks and key performance indicators which will enable the council to measure progress against its corporate objectives and consequently, more readily identify areas which are performing well and areas where further investment or a change in strategy is required.

## *Southwark's approach to asset management planning*

The council's property holding is a key strategic resource. In view of the size and diversity of the estate and the wide ranging corporate objectives it is essential that a robust asset management planning process is in place to ensure that resources are aligned and prioritised to optimise the use of its property estate in terms of service benefit, financial return and value for money. Underlying this overarching objective is a requirement to ensure that the property estate:

- Is treated as a corporate resource and is managed corporately;
- Supports the delivery of the council business plan and sustainable community strategy;
- Is well maintained and fit for purpose (i.e. delivering services);
- Is fully utilised;
- Is suitably located and accessible;
- Is cost effective and represents a value for money return on the council's investment.

### **Key Priorities**

- To achieve a corporate portfolio that is appropriate, fit for purpose, affordable and which contributes to improving operational and service delivery outcomes (sustainable; efficient; fit for purpose; value for money)
- To ensure strategic planning of the estate is fully integrated into the council's business planning processes
- To proactively mitigate the affects of the market downturn whilst reconciling this with the strategic objectives of the council
- To contribute to key regeneration projects through acquisition and disposal activity and use of CPO powers where appropriate
- To manage our estate in accordance with our obligations as a landlord and with regard to all relevant health and safety / statutory compliance requirements
- To constantly review and monitor the operational estate to achieve portfolio objectives, including the maximisation of opportunities and efficiencies from the council's occupation of 160 Tooley Street
- To successfully manage operational demand for corporate accommodation arising from extensive restructuring across the organisation and the ongoing drive to modernise
- To provide flexible solutions to operational requirements to allow for changing future demands in the operational estate (including through exit strategies)
- To respond to changing demand for property services from all parts of the organisation; balancing those demands against resources available
- To include consideration of external factors in all strategic decision making
- To promote collaborative/partnership working to provide efficiencies, either through occupational, operational or procurement arrangements
- To promote high environmental sustainability in both existing buildings and in procurement of new assets in order to minimise costs in use and emissions
- To deliver challenging capital receipt targets whilst maintaining best consideration principles and balancing revenue requirements
- To improve stock condition and minimise back log maintenance
- To ensure statutory compliance and minimise risk exposure
- To consolidate property management arrangements at strategic and operational levels
- To rationalise and repackage facilities management contracts to achieve management efficiencies, economies of scale and mitigation of corporate landlord compliance risk

- To maintain a sustainable corporate estate and preserve its inherent investment and utility value. This will be delivered through comprehensive facilities management arrangements and a planned preventative maintenance programme.
- To put in place a full condition survey programme for the operational estate
- To align and rationalise facilities management contracted services to provide informed procurement opportunity, efficiencies and minimise management overheads
- To consolidate facilities management budgets providing total cost of occupancy to support strategic asset management
- To undertake informed outsourcing based on fixed price repairs and maintenance bringing significant cost certainty and increasing transfer of risk to the supply side
- To continue the delivery of the corporate compliance programme, working toward best practice allowing effective and transparent management of risk
- To raise the profile of asset management planning corporately and operationally across the authority and reinforce the role of the Corporate Property Officer
- To renew and reinforce structures for asset management planning at a corporate level
- To ensure property strategies in support of corporate objectives are properly resourced and programmed
- To review and refine systems, data, and performance management arrangements in order to fulfil the growing expectations of them
- To safeguard the Council's legal position with regard to its land holdings by completing a comprehensive review and registration of title programmes
- To finalise a detailed Asset Management Plan early in 2011 for the management of Voluntary and Community Sector assets owned by the Council, building on the previous strategy framework that was put in place in 2009
- To manage rent reviews and lease renewals to maximise revenue income
- To take appropriate action to minimise the arrears of rent
- To proactively manage the investment portfolio to ensure compliance with lease terms and protect/enhance value
- To challenge reasons for holding investment property and monitor investment returns and performance
- To ensure the provision of effective, professional property advice in support of departmental strategic objectives

For further information and the detailed action planning refer to **Southwark's asset management plan – AMP 2010**.

## **INFORMATION SERVICES STRATEGY**

### **Context**

Exploiting the opportunities of technology, including through 'e-enabled' solutions, is integral to the council's drive to deliver high quality essential, universal services that get it right first time and reduce waste and duplication.

The use of computer and communications technology in the organisation means that a reliable, effective information service is essential to both front-line service delivery and the supporting administrative functions.

The effective use of technology – along with change management, process redesign and training - is fundamental to achieving service wide improvement in a time of resource restraint.

Southwark is committed to exploiting technology to the advantage of its citizens, wherever the resulting business benefits are justified by the investments required, and wherever the organisation needs to deliver service excellence.

### **Key priorities**

The overarching priorities of the strategy are:

- To keep information services operational and realise the potential of existing systems through the effective implementation of changes to the infrastructure
- To improve the delivery and cost of services through the effective use of technology
- To have the technology which enables the sharing of data and information so that sound decisions can be made and processes can be streamlined
- To bring access to services closer to the residents in the Borough by improved on-line and interactive provision.

Work on these priorities will continue over the coming months. The MTRS will be further updated to reflect these changes.

## **WORKFORCE STRATEGY**

### **Context – an evolving picture**

Due to the medium term impact of the spending review and the uncertainties this throws up for the workforce structure and numbers, it is not yet possible to forward plan with accuracy.

There are some underlying principles that the Council will aim to maintain through this period of significant change whilst trying to meet financial challenges through collective means. These principles will guide the draft updated medium term resources strategy and are:

- To aim to maintain our standing as a good employer and as an employer of choice.
- To continue to provide opportunities to refresh the workforce through apprentices, trainees etc. and employ high quality specialist staff to critical hard to fill roles, particularly as recruitment is curtailed.
- To implement a framework for managing and learning from change process, overcoming barriers and emphasising the positive aspects.
- To undertake equality impact assessments at all critical stages of the change process.
- To encourage innovation and technological opportunities where these best deliver intended outcomes.
- To continue to invest in learning and development; and provide accessible, targeted and high quality corporate learning, targeting skills maximisation, leadership capacity and nurturing career development.
- To sustain a remuneration strategy that supports organisational objectives and is affordable, perceived as fair and retains a diverse motivated workforce.
- To review top pay in line with Hutton inquiry report (due March 2011); and review the application of terms and conditions and discretionary elements to ensure they are contemporary and fit for purpose.
- To promote innovation and voluntary schemes which contribute to the reduction of the overall pay bill for example through flexible working, flexible retirement; and to facilitate fast track approval.
- To continue to make progress in key areas of sickness management and agency controls.
- To maximise opportunities for redeployment utilising the existing workforce positively for future needs.

### **Key priorities**

These will be worked up in due course in line with the principles set out above.