

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

+++ INTEGRATED EFFICIENCY PLAN +++

Fairer Future Vision									
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.									
Fairer Future Principles									
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									
Fairer Future Promises									
Promise 1	Promise 2	Promise 3	Promise 4	Promise 5	Promise 6	Promise 7	Promise 8	Promise 9	Promise 10
Council Plan									
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;"> Policy and Resources Strategy Fairer Future Budget Principles </div> <div style="font-size: 2em; color: #00a0e3;">↓</div> </div>									
Service Strategies									
Children's Services Adults' Services Public Health Environment services Leisure Services Housing services Modernisation services									
Medium Term Resources Strategy									
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.



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Or if you prefer, email councilnews@southwark.gov.uk or call 020 7525 7251.