

MEDIUM TERM RESOURCES STRATEGY

2009/10 TO 2011/12

“Shaping Southwark Together”

MEDIUM TERM RESOURCES STRATEGY (MTRS): 2009/10 -2011/12
Shaping Southwark Together

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Introduction and aim of the MTRS

The council is clear about its priorities for the future to make the borough one of the best in the country, a place that people are proud to live in. The effective and efficient management of resources is central to delivering that ambition and the long term policy outcomes as set out in Southwark 2016, the sustainable community strategy.

Southwark 2016, the sustainable community strategy sets out the long term vision with partners for improving outcomes for people, places and delivering quality services. Effective partnership arrangements underpin the delivery of the vision for the borough principally through the Southwark Alliance and a sophisticated network of partnerships across children's services, health, community safety, the environment and wider community development. Southwark's Local Area Agreement acts as the key action plan for delivery of Southwark 2016. The corporate plan highlights the council's key objectives over the medium term for supporting delivery of Southwark 2016 and achieving value for money outcomes. Plans for regeneration are among the largest in the country and this, alongside investment in schools, the environment, housing, leisure and ongoing infrastructure improvements, outline the scale of our ambition. At the same time, the squeeze on public sector resources requires the council to ensure that value for money is achieved through delivering improved service performance at an efficient cost to the taxpayer.

The **medium term resources strategy** creates the strategic resource framework within which key objectives as set out in the corporate plan can be delivered and value for money achieved with supporting business and budget plans setting out the detailed plans for action.

The MTRS aligns financial priorities of the council with key strategies for asset management, human resources and information technology to create a strategic resource framework to support delivery of local priorities. The MTRS creates the framework for the maximisation of resource opportunities in order to achieve long-term policy outcomes. The MTRS will therefore further embed the achievement and improvement of value for money outcomes.

The aim of the MTRS is to:

- ensure best use of limited resources for maximum gain both in performance and in achieving value for money to deliver local priority outcomes.

The unprecedented changes in the global financial environment from the "credit crunch" crisis and the deepening recession that has followed the crisis further underlines the need for an alignment of key resource strategies through the MTRS. The scale and impact of the deepening recession will have a profound impact on London as a global financial centre. The impact has gone well beyond the financial sector towards other sectors of the London economy. This coupled with the downturn in the housing market and related impact on local land and property values, will affect localities, communities and individuals across the London region. It is within this context that the council is setting out a MTRS that will deliver a sound basis upon which to continue to secure and deliver improvement.

Taken together the medium term resources strategy will better support the delivery of continuous service improvement at the frontline to achieve improved outcomes for people, place and services across the borough.

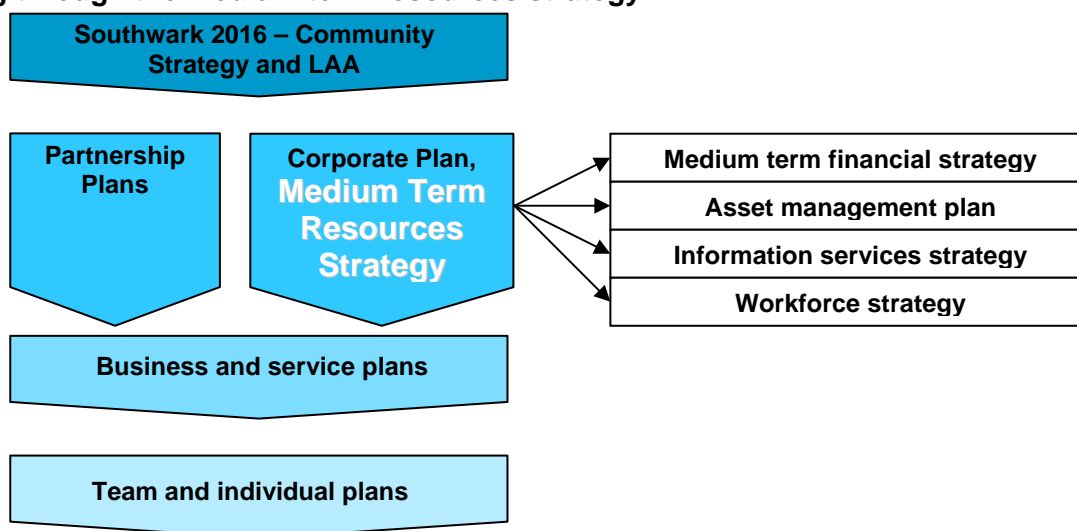
Sound management of resources through modernisation and improvement

The council's programme of modernisation and improvement will help achieve more flexible and modern ways of working and support improved delivery of outcomes at the front-line. To maximise delivery of outcomes the programme will be supported by a comprehensive medium term resources strategy.

The council has a solid track record in the delivery of sound management of resources. In the last four years value for money has continued to be improved with some £38m savings generated (of which £22m are efficiency savings) and redirected to front line service pressures and priorities. Moving forward, savings and efficiencies of some £35m will be achieved by 2010/11.

The key platform for achieving this stretched level of saving is the consolidation of office accommodation to a single site at 160 Tooley Street as part of the council's broader modernisation and improvement programme. Moving to a single site will enhance the opportunities for more efficient ways of working and help to further rationalise and improve back office delivery. This will include through modern ways of working, making best use of IT and delivering flexible strategies towards human resources, organisational development and workforce planning. The management of assets will be consolidated to achieve the most efficient outcomes that deliver long term improvement. At the same time the council will progress a programme of improvements that will focus on continuing to achieve cost-effective local service delivery in line with priorities and needs. This will therefore ensure that the council, through the move to 160 Tooley Street, maximises improvements in back office and strategic functions whilst ensuring a focus on local service improvement for localities, communities and individuals at the front-line.

Working through the medium term resources strategy



The diagram describes how the medium term resource strategy fits into the council's overall policy and performance management framework.

The MTRS is the strategic framework within which future plans (as described through the corporate plan) can be resourced and delivered and ultimately supports the achievement of outcomes in line with Southwark 2016, the sustainable community strategy. The MTRS also ensures that in setting out future plans the council give due consideration to ensuring best use of limited resources for maximum gain both in performance and in achieving value for money and local priority outcomes.

More specifically, the MTRS brings together the four principal resource strategies across the council. By bringing the resource strategies together the council is able to more fully understand the totality of the resource base within which it operates. The MTRS therefore more fully aligns the entirety of the council resources to key priorities to achieve improved, value for money outcomes in delivery.

The MTRS therefore comprises of:

- The medium term financial strategy or MTFS.

The MTFS sets out the financial priorities of the council that support the delivery of the corporate plan and the council's contribution to partnership priorities through Southwark

2016, the sustainable community strategy. The MTFs sets out the clear financial remit within which the council business plans are developed and agreed. The MTFs is annually reviewed and refreshed to ensure we have the right priorities to deliver sound financial management and value for money outcomes so we continue to effectively shape Southwark together with our partners into the future.

- Asset management plan or AMP.

The AMP sets out the strategic priorities for the delivery of effective asset management and planning across the borough. The strategy, updated and agreed by Executive in May 2008, creates the framework for maximising best use of resources and achieving value for money through effective management of the council estate. The AMP is aligned to Southwark 2016, the sustainable community strategy and incorporates the council's arrangements for supporting delivery of effective asset management through partnerships into the future.

- Information services strategy.

The information services strategy sets out the strategic approach to the development of information and communications technology based on delivery of value for money outcomes against three core priorities of keeping services operational, enabling organisational modernisation and underpinning future success. It is being updated for the 2009-12 period to reflect the rapid changes taking place across the council, as well as the possibilities being offered by changes in information and communication technology. The council is committed to a major programme of modernisation and improvement, much of which is enabled by the application of information technology in the workplace. Furthermore, as the council continue to progress complex partnership arrangements the benefits of information technology will need to be maximised through a strategic approach to delivery through the strategy.

- Workforce strategy.

Southwark's workforce plan was comprehensively reviewed in 2008 leading to the Southwark's Workforce Strategy. The plan will be reviewed annually. 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. It is based on five key themes of: recruitment & retention, pay & reward, skills development, leadership and organisational development. The workforce strategy supports the delivery of the modernisation and improvement programme to ensure the council continues to have a fit for purpose workforce with the right balance of skills to achieve continuous service improvement and value for money outcomes in delivery.

The next sections set out each resource strategy in turn, describing the context in which the strategy was developed and the key priorities for delivery. Signposting related to more detail within each strategy is given, where appropriate.

As part of the MTRs each strategy will be kept under regular review to ensure continued fitness 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 local priority outcomes.**

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 achieve long-term policy outcomes. The MTFS specifically aligns the financial priorities of the council with Southwark 2016, the LAA, and corporate plan, delivery of which is assessed externally, including through the Use of Resources.

The MTFS set out the clear financial remit within which the council's business plans are developed and agreed and supports the borough's broader partnership ambition. With the backdrop of limited and increasingly squeezed resources alongside the impact and consequences of the deepening recession the need to keep the MTFS under regular review is of paramount importance to the continued delivery of value for money and local priority outcomes.

The MTFS addresses financial issues in respect of the following key priority themes, updated for the 2009/10 and 2011/12 planning period:

- financial management
- value for money and the management of performance
- reserves, balances and central contingency
- savings and efficiency
- income and investments
- capital programming and strategic projects
- governance and partnerships

Key priorities

Financial Management

- To promote 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
- Containing unavoidable commitments to the absolute minimum
- To carry out a rigorous review of all proposed commitments to ensure that all possible avenues for delivery and funding have been explored and that the costs have been kept to the minimum required to meet statutory and contractual requirements
- To undertake a fundamental review, including risk planning, of policy supporting requirements above this level in order to control the impact across all council services and to present real options for consideration and approval by the Executive
- Subject to the availability of alternative funding (including grant and council tax) to fund additional commitments through additional savings and efficiencies
- To keep track of developments across all services, including those delivered through strategic partnerships, and fund new service growth from further additional departmental savings
- Subject to the discretion of the Finance Director, 100% of departmental outturn overspends and 50% of underspends to be carried forward into the new financial year
- To underpin all council resource allocation decisions with financial reality and health checks
- To undertake sensitivity analysis to forward manage key projects over a minimum four year period
- To integrate capital and revenue planning with the councils strategic priorities

Value for money and the management of performance

- To further embed and sustain a value for money culture through effective business and budget planning, monitoring and challenge
- To monitor the consequences of the economic slowdown across all council services to ensure that value for money is sustained and impact on service performance and quality is mitigated

- To monitor and benchmark service performance relative to costs against other councils, nationally and locally, to ensure the council delivers value for money outcomes
- To enhance organisational capacity through the alignment of the MTFs to wider resource management strategies and ensure equalities outcomes are achieved through effective performance management.
- To monitor the achievement of effective resource management of the council's finances, assets, information technology and workforce to ensure appropriate capacity, sustained and improved value for money and delivery against local priority outcomes
- 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 councils overall cashflow position
- To continually improve council tax and NNDR collection rates as measured by inner London quartiles
- 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 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. To facilitate this any money received from relevant short-term funding streams (e.g. Local Authority Business Growth Initiative) be allocated to reserves to meet the implementation costs of major projects

Savings and Efficiencies

- To produce a prioritised range of efficiency and other savings options for each year totalling up to 5% of the council's net budget requirement for approval. This will ensure the continued support to key priorities and address service pressures within the context of the deepening recession whilst maintaining performance levels
- To commit to an annual programme of efficiency savings of at least 3% of net service budgets, in line with Government targets and within the overall 5% target
- To commit to the modernisation, improvement and efficient performance of council services that will assist in the generation of savings to meet ambitious and stretching efficiency targets
- 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 being provided in the context of service priorities and resources available, and to bring forward options for the cessation or reduction of expenditure on these services which are not of a high priority

Income and Investments

- To maintain council tax increases within inflation levels over a medium term planning horizon
- To make appropriate representations to the government and local authority associations in order to protect and enhance the level of formula grant and specific grant entitlements from year-to year

- To maximise external funding opportunities whilst ensuring the continuance of and further investment in key priorities
- To maximise the council's income generation by seeking income streams in line with council policies and priorities
- To generally increase discretionary fees and charges by 2% above the current rate of inflation for the type of service being provided with the objective of ensuring Southwark's fees and charges are at a minimum at least equal to most appropriate London average (e.g. inner London, family, groupings etc) except where this conflicts with council policy or would lead to adverse revenue implications
- All fees and charges capped by statute to be increased to the maximum level the cap allows
- To increase housing rents by the government guideline and progress towards the formula rent target by 2011/12
- To secure increased funding levels of the pensions fund over time to achieve 100% funding within period recommended by actuaries

Capital Programming and Strategic Projects

- To ensure the alignment of the major strategic projects into the 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 build and sustain appropriate capacity and expertise to plan and implement major capital projects
- 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 ensure the alignment of the capital programme with the council's asset management plans
- To review uncommitted budgets within 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 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 potential from planning gains and associated benefits in accordance with agreements and strategic priorities while at the same time evaluating the opportunity costs of taking these gains and benefits
- To use capital receipts as the preferred source of funding for the capital programme
- To pool corporately all capital receipts without any specific earmarking unless so directed by the Executive
- To consider the use of prudential borrowing where the business case is agreed, and it is advantageous for the efficient delivery of projects or enables the bridging of any funding gaps within the projected income and costs of an approved project
- To effectively target investment in information technology to achieves medium term efficiency through modernisation and the adoption of modern ways of working across the organisation.
- To ensure that the possibilities offered by the adoption of emerging, advanced information technology are adopted where appropriate, as a function of business need and following robust investment appraisal, balancing the potential benefits with implementation risks.
- To recommend for the agreement of Community Councils the use of the Cleaner, Greener, Safer budgets to fund service investment needs where appropriate
- 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 Executive Member for Resources

- To maintain a base capital provision for annual recurring expenditure on highways and street lighting infrastructure of £5m and Cleaner Greener Safer schemes of £3.25m – schemes of works to be submitted to the Finance Director for prior approval on an annual basis

Governance and Partnerships

- To continue to promote sound governance and accountability in respect of all council resources and assets
- 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 establish full governance arrangements for all partnership agreements relating to the shared use of resources
- To continue to integrate the MTFs of the council with the financial strategies of the council's strategic partners and 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
- To ensure, in consultation with our partners that the decisions on the allocation of area based grant continue to meet the policy objectives of the council over the medium term

ASSET MANAGEMENT PLAN

Context

Southwark Council is a major inner-city landowner. It holds these assets in order to make a positive contribution to service delivery performance, and through this ownership it has a significant impact on the quality of domestic and working life across the borough. As the landlord of 40,000+ dwellings, 10,000+ residential leaseholds and more than 5,000 other interests including commercial, industrial, and operational property the council owns in the region of half of all the freehold land situated within its boundaries.

The aggregate value of these interests is £3.5 billion on the basis of valuations conducted for disposal, and Asset Register purposes. Approximately 96% of this value is concentrated in operational assets (primarily housing stock). The remainder is invested in shops, business premises and other non-operational properties to produce an annual rental income of £10.3 million. A number of properties that are no longer appropriate to the council's portfolio will be released into an ongoing disposal programme which this year will generate estimated receipts of £30 million to fund the council's capital investment programmes.

The council's property portfolio is key in driving forward efficiency savings, improving services, and in raising our organisation's capacity to respond fully to the challenges of the present, and in the future. The size and diversity of the council's portfolio, coupled with the transformation of local property markets over the past decade, today provides Southwark with real opportunities to deploy its asset base to secure sustainable benefits for its whole community by participating as a key player both locally, and at regional level. Nowhere is this better demonstrated than in the council's £4 billion regeneration programme, and other property based investment strategies - £911 million in housing, schools, waste, libraries and leisure provisions; £20 million in waste management to improve recycling rates, and £200 million building schools for the future.

Understanding the dynamics and strategic potential of our asset base is a key part of understanding how Southwark Council can realise its corporate ambitions of improving life chances and achieving value for money outcomes for its whole community. This is a challenging proposition that must respond fully to the borough's complexity and its diversity of people and place, in order to

determine how the property estate should be aligned in support of the services that are geared to delivering the change for the better to which the council and partners aspires.

Key priorities

The aligned priorities of the MTFS and AMP are:

- 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 ensure that investment and disposal decisions are based on option appraisal and whole life costing
- To ensure the alignment of the Capital Programme with the council's asset management plans

Supporting those priorities, the wider strategic themes of the AMP are:

- Ensure the alignment of the major strategic projects into the mainstream capital programme
- 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
- Build and sustain appropriate capacity and expertise to plan and implement major capital projects
- Profile capital schemes realistically over their lifetime and apply full whole life costing principles to all major capital projects
- Review uncommitted budgets within existing approved programme annually and reprioritise as necessary
- Identify, review and select the procurement strategies and partnerships arrangements (where appropriate) for all major capital projects
- Maximise and accelerate 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
- Maximise potential from planning gains and associated benefits in accordance with agreements and strategic priorities while at the same time evaluating the opportunity costs of taking these gains and benefits
- Use capital receipts as the preferred source of funding for the capital programme
- Pool corporately all capital receipts without any specific earmarking unless so directed by the Executive
- Consider the use of prudential borrowing where the business case is agreed, and it is advantageous for the efficient delivery of projects or enables the bridging of any funding gaps within the projected income and costs of an approved project
- Recommend for the agreement of Community Councils the use of the Cleaner, Greener, Safer budgets to fund service investment needs where appropriate
- 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 Executive Member for Resources
- Maintain a base capital provision for annual recurring expenditure on highways and street lighting infrastructure of £5m and Cleaner Greener Safer schemes of £3.25m – schemes of works to be submitted to the Finance Director for prior approval on an annual basis

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

Context

A strategic approach to the development of information and communications technology, now more often referred to simply as 'information services', is essential if the council is to deliver its corporate aims as set out in the corporate plan and Southwark 2016, the sustainable community strategy. At the same time, the council needs to achieve the best possible value for money from its information services expenditure. The council needs to ensure information services support the improvement of the management of information in line with the key principles underpinning better data quality.

The council has committed itself to a major programme of modernisation, much of which is enabled by the application of information technology in the workplace. The future success of our organisation as a whole will be underpinned by the effective exploitation of information and communication technology, wherever it will enable us to provide excellent services that achieve value for money to the residents of the borough.

The council's existing ICT strategy was created in 2006 to cover the period up to 2009. It is a mark of both the pace of change of technology and of the organisation's rapidly evolving business requirements that this strategy must now be updated. The strategy focuses on maximising efficiency in the delivery of essential services, and on supporting the council's modernisation and improvement programme, including the move to Tooley Street, adoption of modern ways of working, and the wider adoption of technology-enabled flexible working practices. Judicious investments in ICT are seen as vital in enabling the council to meet the financial challenges it is facing, by unlocking efficiencies, value for money and quality in service delivery. The strategy is designed to cover the period to 2012, and will be kept under regular review.

Key priorities

There are three key priorities underpinning the development of the information services strategy are:

- **The Successful Delivery of Operational Services**

The all-pervasive 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. This capability has to be maintained and updated if it is to function properly, and requires both expert support and continuing investment. The key developments that will underpin this capability are defined.

- **The Achievement of Organisational Modernisation**

The council's modernisation strategy is essential to achieving efficiency improvements, and has many facets which depend on the successful introduction of new technology. For instance, the introduction of 'modern ways of working' from 2009 will bring together currently dispersed back-office staff onto a single site, and will involve:

- hot-desking - so that staff can be accommodated using less office space than in the past
- occasional home-working - which cuts down on unnecessary travel, enhances productivity, and contributes positively to work-life balance
- mobile working - which lets staff complete operational tasks without returning to the office

Throughout the modernisation agenda, the effective use of technology – along with change management, process redesign and training - is fundamental to achieving improvement.

- **The Underpinning of Future Success**

Technology continues to develop rapidly, and will make an increasing contribution to organisational efficiency and effectiveness in the future. 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's needs to deliver service excellence dictate. The potential that technology offers to achieve efficiency savings (while always being matched with the 'people' and 'process' elements) is considerable, and is of the highest importance to the organisation's future. The technological developments that will enable future success are outlined within this strategy.

For further information and the detailed action planning refer to the draft **Southwark's information services strategy**.

WORKFORCE STRATEGY

Context

Southwark's workforce plan was comprehensively reviewed in 2008 leading to the production of Southwark's workforce strategy. This explains how we will recruit, retain and develop the right staff to deliver efficient and high quality services to our community. Linked to the Corporate Plan and aware of external drivers, the strategy looks at 5 key themes; recruitment & retention, pay & reward, skills development, leadership and organisational development. The strategy will be reviewed annually. Whilst ambitious in our aims, Southwark has firm foundations in people management. The council invests heavily in learning and development and has achieved IIP status across its workforce; this is planned for re-accreditation in the current year. The current performance management scheme has been in place since 1999/2000. The council has comprehensive and robust HR policies and procedures.

The organisation has recognised the importance placed on changing the shape and make up of its workforce. Using initiatives such as "modernise" and efficiency reviews will create significant challenge, in the medium term, to both the type and numbers of staff employed and the structures and processes they operate under. The drive for efficiency will have a major impact on Southwark council employment. All business activities will be reviewed, including the need for agency staff, and management structures streamlined. We will look at what is done, how and where this will be achieved, who is employed and the skills and knowledge required to deliver the council's business. The council's accommodation strategy supports this programme, with a major relocation to modern accommodation at 160 Tooley Street.

Engaging managers and staff in this process will be vital and the council will make use of existing consultation processes, (e.g. the trade unions and special staff groups for disabled employees, BME employees etc), and new communication routes; on line surveys, IT developments for collaborative working and engagement. Specific resources have been put in place within the modernisation programme for a broad and comprehensive internal communications strategy and for a special training programme to assist in the successful delivery of this complex change.

To achieve the council's objectives, as set out in the corporate plan, recognising the national context and local influences, Southwark must ensure that there are sufficient numbers of staff delivering services. These employees must have the right skills, knowledge and commitment to meet the changing needs and expectations of the community. The workforce will be efficient, well supported and led, reflect the population they serve, enjoying appropriate conditions of employment in a modern working environment.

Key priorities

Our workforce strategy is group under five key priority themes:

- **Recruitment & Retention**

Ensure the organisation attracts, develops, motivates and retains staff of sufficient numbers and talent to deliver ambitious aims

- **Pay & Rewards**

Deliver a total reward package which is fair, modern, affordable and what people want

- **Skills Development**

In a multi-agency environment, develop people's skills and knowledge so that they enjoy productive careers and deliver innovative, high performing services

- **Identifying & Developing Leadership Capacity**

Employ and build leaders who can demonstrate the courage, energy and capability to deliver organisational goals and work in partnership with others

- **Organisational Development**

Manage change to establish a modern learning organisation that welcomes innovation and embraces new ways of working

The workforce strategy will be supported by a HR infrastructure that encourages modernisation and supports ambitious people management objectives, delivered through action planning.

For further information and the detailed action planning refer to **Southwark's workforce strategy**.