Committee: Overview and Scrutiny Commission

Date: 15 November 2016

Wards: All

Subject: **Scrutiny of the Business Plan 2017-2021: comments and recommendations from the financial monitoring task group**

Lead officer: Julia Regan, Head of Democracy Services

Lead member: Councillor Peter Southgate, Chair of Overview & Scrutiny

Contact officer: Julia Regan; Julia.regan@merton.gov.uk; 020 8545 3864

Recommendations:

A That in determining its response to Cabinet on the business plan 2017-21, the Overview and Scrutiny Commission considers and takes into account the comments and recommendations made by the financial monitoring task group.

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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This report sets out the comments and recommendations of the financial monitoring task group following its consideration of the business plan plus a report on savings at its meeting on 10 November 2016.

1.2 The Overview and Scrutiny Commission is recommended to take these into account when determining its response to Cabinet.

2. DETAILS

2.1 On 12 October 2016, Cabinet received a report on the business plan for 2017-21. These items have been reported to the Overview and Scrutiny Panels and to the Commission so that comments and recommendations from scrutiny can be conveyed to Cabinet at its meeting on 12 December 2016.

2.2 The Overview and Scrutiny Commission has a constitutional duty to coordinate the scrutiny responses on the business plan and budget formulation. There were no references from the Panels this year. The financial monitoring task group discussed a report on progress with previous year's savings as well as scrutinising the six months financial monitoring report at its meeting on 10 November 2016.

2.3 The task group has made a recommendation to the Overview and Scrutiny Commission to propose that it makes a reference to Cabinet asking Cabinet to be mindful of the task group's discussion when reviewing the draft Business Plan 2017-21, in particular:

1. The potential impact of the predicted overspend in 2016/17 service budgets of almost £10m;

2 The statement given to the task group by the Director of Community and Housing in response to a question on whether it would be possible to achieve all of the previously agreed savings. The Director said that it was his professional advice that given the scale of the predicted overspend in 2016/17 he does not believe that it will be possible to retrieve the overspend and achieve all of the previously agreed savings as well as meeting the council's statutory duties in relation to adult social care;

3. Upcoming negotiations between the council and Merton Clinical Commissioning Group about the level of Better Care Funding for 2017/18.

2.4 A draft note of the task group's discussion on the Savings and Business Plan items is set out in Appendix 1..

2.5 The substantive report on the Business Plan 2017-2021 is contained elsewhere on this agenda for the Commission's consideration.

2.6 The Overview and Scrutiny Commission is recommended to consider the comments and recommendations put forward by the scrutiny panels when determining its overall scrutiny response to Cabinet on the Business Plan 2017-21.

4. ALTERNATIVE OPTIONS

4.1 The Constitution requires the Overview and Scrutiny Commission to consider any comments and recommendations put forward by the overview and scrutiny panels and to agree a joint overview and scrutiny response. Cabinet is then required under the terms of the Constitution to receive, consider and respond to references from overview and scrutiny.

5. CONSULTATION UNDERTAKEN OR PROPOSED

5.1 The Constitution contains the requirements for consulting scrutiny on the budget and business plan. There is an initial phase of scrutiny in November each year, with the second round in January/February representing the formal consultation of scrutiny on the proposed Business Plan, Budget and Capital Programme.

6. TIMETABLE

6.1 Round one of scrutiny of the 2017-21Business Plan was undertaken as follows:-

- Children & Young People Overview & Scrutiny Panel: 9 November 2016
- Sustainable Communities Overview & Scrutiny Panel: 1 November 2016
- Healthier Communities & Older People Scrutiny Panel:8 November 2016
- Overview and Scrutiny Commission: 15 November 2016

6.2 Comments and recommendations from round one will be reported to Cabinet on 12 December 2016.

6.3 Round two of scrutiny of the Business Plan is planned as follows:-

- Sustainable Communities Overview & Scrutiny Panel: 12 January 2017
- Children & Young People Overview & Scrutiny Panel: 11 January 2017
- Healthier Communities & Older People Scrutiny Panel:10 January 2017
- Overview and Scrutiny Commission: 26 January 2017

6.4 The responses from round two will be presented to Cabinet on 13 February 2017. A meeting of full Council will then take place on 1 March 2017.

7. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

7.1 These are detailed in the substantive reports elsewhere on this agenda and in the reports considered by Cabinet on 12 October 2016.

8. LEGAL AND STATUTORY IMPLICATIONS

8.1 The process for developing the budget and business plan is set out in Part 4C of the Council's Constitution. The role of the Overview and Scrutiny Commission and panels with regard to the development of the budget and business plan is set out in Part 4E of the Constitution.

8.2 The legal and statutory implications relating to the Business Plan are contained in the reports elsewhere on this agenda.

9. CRIME AND DISORDER IMPLICATIONS

9.1 None directly relating to this report.

10. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

10.1 It is a fundamental aim of the scrutiny process to ensure that there is full and equal access to the democratic process through public involvement and engagement.

11. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

11.1 These implications are detailed in the reports elsewhere on this agenda.

12. APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

Appendix 1: comments and recommendations made by the financial monitoring task group in relation to the Business Plan 2017-21.

13. BACKGROUND PAPERS

13.1 Minutes of the meetings of the Overview & Scrutiny Commission's financial monitoring task group, 10 November 2016.

Extracts from a draft note of discussion at meeting of the Financial Monitoring Task Group, 10 November 2016

Savings

The report provided an analysis of savings categorised by subjective area as requested by the task group, with a brief explanation of the main causes for shortfalls.

Simon Williams, Director of Community and Housing, provided an overview of the approach taken to savings in the department and the reasons why some savings had not been achieved. He said that staffing cost savings had generally been achieved as had savings on contracts for specific services, though some of these savings were delivered late. Savings through generating increased income had become more difficult, particularly for services provided to people in their own homes. There had been successes in reducing procurement costs for support packages in care homes and at home ("placements" - a statutory service) prior to 2014/15 but subsequently there had been cost pressures for providers (such as the minimum wage) and the department had struggled to achieve these savings. The main pressures therefore are the unit costs of care packages rather than increased demand – despite demographic pressures, managed demand has been held down other than in the areas of transitions and, more recently, home care hours.

In response to a question Simon Williams said that around 2,000 people were supported in their own homes at any one time and that reviews of individual care packages were based on an assessment of need. He confirmed that he had considered purchasing places in homes outside London but had found that this would have to be at an unfeasible distance before savings could be made. However his team were assessing whether taking a greater direct stake in the market might lead to lower fee increases: this would be subject to a clear business case if it was progressed.

Task group members asked a number of questions about the achievability of savings and whether a different approach to the budget might be required. Simon Williams said that some of the previously agreed savings in relation to placement costs remain unachievable at present but he is doing everything he can to retrieve the budget situation, including through regular monitoring of a detailed action plan.

Caroline Holland added that, in contrast to Community and Housing, the budget pressures in Children Schools and Families were demand led. She stressed that the expectation is that alternatives would be put in place for savings that could not be achieved through the initial review of the business plan in accordance with the timetable.

In response to a question Simon Williams said that his professional advice was that given the scale of the predicted overspend in 2016/17 he does not believe that it will be possible to retrieve the overspend and achieve all of the previously agreed savings as well as meeting the council's statutory duties in relation to adult social care.

Business Plan 2017-21

Caroline Holland, Director of Corporate Services, briefly introduced the report and drew the task group's attention to the forecast net overspend at year end of £5.7m, including a service overspend of almost £10m which is offset by a number of corporate items as set out in the table on page 24.

Caroline Holland and Paul Dale provided additional information in response to questions:

- Every effort will be made to sustain investment income but the rate of returns to investment have fallen
- Short term borrowing covers the period in February in March when there are very few council tax receipts. Some of this borrowing is for a 12 month period due to advantageous rates
- Overspend in redundancy is due partly to delays in achieving staffing savings and also by a small number of high cost ill health retirements

The task group AGREED to conduct a deep dive review at its next meeting of the CSF budgets for supported lodging/housing, unaccompanied asylum seeking children and no recourse to public funds. The task group wish to understand the causes of overspend and to receive a full analysis of how these budgets are spent.

The task group AGREED to make a recommendation to the Overview and Scrutiny Commission to propose that it makes a reference to Cabinet asking Cabinet to be mindful of the task group's discussion when reviewing the draft business plan 2017-21, in particular:

1. The potential impact of the predicted overspend in 2016/17 service budgets of almost £10m;
2. The statement given to the task group by the Director of Community and Housing in response to a question on whether it would be possible to achieve all of the previously agreed savings. The Director said that it was his professional advice that given the scale of the predicted overspend in 2016/17 he does not believe that it will be possible to retrieve the overspend and achieve all of the previously agreed savings as well as meeting the council's statutory duties in relation to adult social care;
3. Upcoming negotiations between the council and Merton Clinical Commissioning Group about the level of Better Care Funding for 2017/18.

A draft note of the task group's discussion on the Savings and Business Plan items will be appended to the reference.

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