

**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.

In response to a question about the Better Care Fund (BCF) Simon Williams said that the Merton Clinical Commissioning Group (CCG) provided about £2m above the statutory requirement this year, which was about average for London. He confirmed

that the CCG was not obliged to pass on increases in funding from government ( approx. £200k) and had not done so due to funding pressures within the NHS.

Simon Williams said that there were difficult negotiations regarding the BCF going on across the country. In Merton, the council is in negotiation with the CCG regarding the level of BCF funding for 2017/18. The CCG has indicated that it is not minded to continue the current level of funding if the council does not take the adult social care precept for 2017/18. Caroline Holland added that three London CCGs had indicated they were reducing the BCF funding to councils and that one of these councils had successfully challenged this. However, NHS London may have a stronger role to play in Merton's CCGs finances.

### **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.