

# Agenda Item 2

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## OVERVIEW AND SCRUTINY COMMISSION - FINANCIAL MONITORING TASK GROUP

10 NOVEMBER 2016

(7.15 pm - 10.00 pm)

PRESENT Councillors Hamish Badenoch (in the Chair), Mike Brunt, Stephen Crowe, Suzanne Grocott, Jeff Hanna, Peter Southgate and David Williams

Julia Regan (Head of Democracy Services), Paul Dale (Assistant Director of Resources), Caroline Holland (Director of Corporate Services), Bindi Lakhani (Head of Accountancy), Doug Napier (Leisure and Culture Greenspaces Manager), Rachel Mawson (Transport Services Manager) and Jane McSherry (Assistant Director of Education)

### 1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies were received from Councillor Dennis Pearce.

### 2 MINUTES OF MEETING HELD ON 26 JULY 2016 (Agenda Item 2)

The minutes were AGREED as an accurate record of the meeting.

### 3 2016/17 QUARTER 2 MONITORING REPORT (Agenda Item 3)

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.

#### 4 SAVINGS (Agenda Item 4)

Caroline Holland, Director of Corporate Services, said that 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.

Task group members said that the table setting out the subjective category for unachieved savings (on page 8) was very helpful. Caroline Holland undertook to repeat this format in future monitoring reports and to incorporate achieved savings by subjective category either in the same or a separate table.

ACTION: Director of Corporate Services

In response to a question about the unachieved savings in Greenspaces, Caroline Holland confirmed that these would be recouped next year through Phase C.

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.

Task group members asked what calls had been made upon the mitigation fund that had been established. Caroline Holland said that the original purpose of the £1.3m fund was to mitigate unintended consequences of delivering savings. As the savings had not been made there had been no call on this fund so far and it is still available for use, particularly when you look at the current revenue overspend at Month 6.

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.

In response to a question, Caroline Holland confirmed that the council's medium term financial strategy included an assumption of an increase in council tax of 3.75% in 2019/20 and 2020/21.

## 5 TRANSPORT SERVICE - BUDGET DEEPDIVE (Agenda Item 5)

Rachel Mawson, Transport Services Manager, updated the task group on the cross-departmental work that had been carried out to address identified financial and service issues. She highlighted the new approach to the taxi framework and the work being done to reduce demand, including through encouraging increased take-up of direct payments and independent travel training. Jane McSherry, Assistant Director of Education, added that this would reduce costs and had already reduced the forecast overspend.

In response to a question about the decision to use a dynamic purchasing system for the new taxi framework, Rachel Mawson explained that this provided the opportunity to work with taxi operators during the procurement process and that this should lead to a larger pool of providers and thus more flexibility for the service. She confirmed that providers would receive safeguarding training.

Members asked a number of questions about costs. Rachel Mawson said that the benchmarking carried out in 2015 indicated that Merton was "in the right ballpark" on costs and had enabled the council to learn from other local authorities, including new ways of organising pick-up points.

The task group requested updated data on a number of key metrics that had previously been supplied, including the number of children, number of taxi journeys, number of taxi journeys plus detailed costs. ACTION: Transport Services Manager

The task group had previously received a report on transport services in November 2015, at which point there was a projected overspend of approximately £650k. The latest monitoring report (for September 2016) shows that this projected overspend has now reduced to £164k.

The Chair welcomed the progress that had been made to address demand and reduce costs, whilst also expressing disappointment that this had not been achieved sooner. Jane McSherry assured the task group that the work was still ongoing and that every effort was being made to reduce costs but that the increasing number of children with Education Health and Care Plans would make this work increasingly difficult.

The task group AGREED to receive a further update next year.

## 6 GREENSPACES - UPDATE ON BUDGET DEEPDIVE (Agenda Item 6)

Doug Napier, Greenspaces Manager, introduced the update report and said that it provided a greater level of detail about the service than the report presented in July as well as additional budget details set out in the appendices.

The task group noted that there had been an underachievement on income from the car park provision for the Wimbledon Tennis Championship each year and asked whether the income expectation should be adjusted or charges raised to meet the budget expectation. Members discussed the complex relationship between the Council and the All England Lawn Tennis Club (AELTC) and the role of the Lawn Tennis Association.

The task group AGREED to receive a report at a future meeting to set out the overall income and costs for the Council of the Wimbledon Tennis Championship and the approach taken to negotiations with the AELTC regarding these.

In response to questions about how the Phase C procurement would impact on the savings target Caroline Holland, Director of Corporate Services, said that the target of £390k was based on the consequent reduction in staffing and economies of scale as well as a share of income from commercial activity. These will be delivered through the contract price being set £390k lower than the current budget. Doug Napier added that the service specification would be very close to the current service.

In response to a question regarding the music events in Wimbledon Park, Doug Napier said that such event were profitable elsewhere and it was a matter of finding something that would work in Merton.

In conclusion, task group members said that they continued to have concerns about the financial management of the Greenspaces service.

## 7 DRAFT DEEPDIVE TEMPLATE (Agenda Item 7)

The Chair said that he had asked for a template in response to a desire expressed at the Overview and Scrutiny Commission to be able to contextualise and challenge savings proposals and to support the overall process of budget scrutiny. Councillor Jeff Hanna said that he also wished it to be used to guide officers responding to deep dive requests from the task group.

Caroline Holland, Director of Corporate Services, said that much of the contextual information was already available in the service plans. Task group members said that they wished to have the information at a more disaggregated level than that provided by the service plans. Caroline Holland said that, due to the planned implementation of a new financial management system at the start of December, it would not be possible to provide that level of disaggregation in time for the January scrutiny panel meetings. She agreed that it would be possible to add a forecast variance column to the existing service plans this year.

**ACTION:** Chair to discuss with Head of Democracy Services

## 8 DATE AND AGENDA FOR NEXT MEETING (Agenda Item 8)

The date of the next meeting is 2 March 2017 – noted that this is the day after Budget Council. ACTION: Head of Democracy Services to consult on an alternative date..

AGREED agenda items:

- Quarter 3 monitoring report
- Deepdive - Wimbledon Tennis Championship
- Deepdive - CSF budgets for supported lodging/housing, unaccompanied asylum seeking children and no recourse to public funds
- Asset management update

ACTION: Head of Democracy Services to check minutes of previous meetings to identify further agenda items.