

## Financial Monitoring Task Group

Date: 10<sup>th</sup> November 2016

**Subject: Savings**

Lead officer: Paul Dale

Lead member: Mark Allison

### Recommendations:

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- A. That the Financial Monitoring Task Group discuss and comment on the re-analysis of savings presented in this report..
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#### 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report reanalyses savings as requested by the Financial Monitoring Task Group. It reports them by subjective areas of spending.

#### 2. THE SAVINGS PROCESS.

- 2.1 Identifying and delivering savings has become an increasingly important part of the budget process in recent years as resources available reduce. Over the last 2/3 years Merton has experienced difficulties in fully delivering savings or there have been delays in delivering them meaning that they have not been realised until future financial years.
- 2.2. The table below shows the sources of undelivered savings. Community and Housing is the main source of undelivered savings. They total £2,685K of £3,773K (71%). Client related spending in Communities and Housing: Placements, direct payments and contracts total £2,158K, 57% of the overall total.
- 2.3. The table below analyses the detailed pattern of non-achievement of savings and projected shortfall for 2016/17.

## Unachieved savings projected shortfall in 2016/17

	14/15		15/16		16/17			TOTAL
	C&H	E&R	C&H	E&R	C&H	E&R	CS	
<b>Expenditure</b>								
Employees		100	14		81	310	138	643
Premises							150	150
Supplies and Services						90		90
Grant shortfall					56			56
Placements	608				691			1299
Direct payments					577			577
Contracts	50				232			282
<b>GROSS EXPENDITURE</b>	<b>658</b>	<b>100</b>	<b>14</b>	<b>0</b>	<b>1,637</b>	<b>400</b>	<b>288</b>	<b>3,097</b>
<b>Income</b>								
Customer and Client Receipts						70		70
MAE income	176							176
BCF Income					200			200
Greenspaces Income		25		28		107		160
Future Merton Income						70		70
<b>GROSS INCOME</b>	<b>176</b>	<b>25</b>	<b>0</b>	<b>28</b>	<b>200</b>	<b>247</b>	<b>0</b>	<b>676</b>
<b>NET EXPENDITURE</b>	<b>834</b>	<b>125</b>	<b>14</b>	<b>28</b>	<b>1,837</b>	<b>647</b>	<b>288</b>	<b>3,773</b>

### 3. COMMUNITY AND HOUSING

Prior to 2014/15 some savings were not being achieved but were being offset by underspends in other areas of the budget. Provider increases, the national living wage and increased complexity of needs have put pressure on placement related savings.

#### 3.1 2016/17 Savings

##### 3.1.1 Placements

For 5 years Merton have successfully negotiated nil provider increases. However, with the onset of national living wage legislation, nationally providers are now demanding an increase in fees thus putting pressure on the placements budget. Although the number of clients has not increased the cost of packages is increasing and the complexity of packages. The savings targets against placement budgets are now not considered to be achievable.

The forecast in the current year is a projected overspend of £6.6m on gross placements of which £1.3m (placements, and direct payments) is not expected to be achieved in the current year.

To reduce this potential overspend the service has an action plan which includes the following for placements:

- Continue to work to reduce controllable admissions to long term residential and nursing care

- Renegotiate with providers where possible
- Look for frameworks and block purchase to get volume at lower cost and investigate opening new homes in Sutton

### **3.1.2 Salaries**

Due to delays in the submissions of the business case and subsequent staff consultation this savings will not be full realised.

### **3.1.3 Contracts**

This relates to the meals on wheels and crossroads contract. The delay in decommissioning the service has resulted in the saving not being delivered in the current year but is expected to be achieved in 2017/18.

### **3.1.4 Better Care Fund (BCF)**

Merton CCG were expected to provide additional funding from via the BCF in 2016/17 but this has not materialised, due to their financial position.

### **3.1.5 Homelessness Prevention Grant**

The demand for rent deposits has increased in the current year putting pressure on this budget. This is being closely monitored but is a demand led service.

## **3.2 2014/15 Savings**

### **3.2.1 Placements**

Approx. £270k of the placements savings were expected to be achieved through renegotiations with existing service providers. However, market pressures and increases in market prices made negotiating reductions difficult. Although the reduction was not achieved and the saving unmet a price increase was not agreed in 2014/15 which was through successful negotiations by Merton in a market demanding higher prices. As mentioned above this position was not sustainable and prices have increased in 2016/17.

£250k saving was expected from removing day care from residential clients. The number of clients eligible was subsequently found to be too low making this unachievable.

### **3.2.2 MAE Income**

When the MAE service was provided in house this saving was expected through increased income from commercial courses. The demand was not achieved and the saving unmet. The service has now been outsourced and the new model is expected to break even from 2017/18.

## **4 CORPORATE SERVICES**

### **4.1 2016/17 Savings**

4.1.1 £118k of employee related savings are not expected to be achieved in the current year due to the delay in the implementation of projects SCIS ( Social Care Information System) and Customer Contact. The business systems team saving of £88k was expected through efficiencies from new systems and cannot be delivered until the systems go live. The Customer contact programme was expected to deliver a £30k employee saving which will be delayed.

4.1.2 £150k savings in energy has not been achieved due to the invest to save capital investment being deferred to the following year.

## **5 ENVIRONMENT AND REGENERATION**

### **5.1 2016/17 Savings**

#### **5.1.1 Greenspaces**

Around half of the 2016/17 savings forecast to be unachieved relate to Greenspaces (£307k). £143k of this is associated with the ongoing work on Phase C, and it is fully expected to be achieved from 2017/18. £70k relates to the Live at Wimbledon Park event, which was unfortunately cancelled. A delay in implementing pay & display machines at certain car parks is also contributing the forecast shortfall, as is rental opportunities of the section's properties.

#### **5.1.2 Future Merton**

£70k of the expected shortfall relates to income savings within the section, which are not being achieved in full. The Head of Service is currently working on options to mitigate this pressure, including potential alternative savings proposals, which would be presented to Cabinet in due course.

#### **5.1.3 Waste Services**

The section has a £100k employee related saving that is not being achieved at present as the saving is linked to new CRM project and Environmental asset Management Business case. GPS and vehicle tracking will not be delivered this year, meaning that the associated back-office restructure cannot yet be implemented.

### **5.2 2015/16 Savings**

#### **5.2.1 Greenspaces**

The ongoing savings shortfall of £28k relates to income within Greenspaces, and is associated with the ongoing work on Phase C. It is fully expected to be achieved from 2017/18.

### **5.3 2014/15 Savings**

#### **5.3.1 Waste Services**

£100k of the total relates to an unachieved agency usage related saving within Waste Services. Although improved management of the sickness monitoring was put in place, the saving was not achieved. This saving is associated with the ongoing work on Phase C, and it is fully expected to be achieved from 2017/18.

A commercial waste income saving of £250k was also unachievable. An alternative saving proposal was subsequently agreed by Cabinet, which fully mitigated this saving.

#### **5.3.2 Greenspaces**

The remaining shortfall of £25k relates to income within Greenspaces, and is associated with the on-going work on Phase C. It is fully expected to be achieved from 2017/18.

## **6 Children, Schools and Families**

6.1 The department is meeting all savings for the past three years. Where savings became difficult to achieve they were replaced with more achievable options. Where possible proposing savings in areas under budget pressure are avoided, reducing the potential for non achievement. This has meant very large reductions in areas such as Early Years, Youth and other areas where we could reduce or cease services without substantial impact on the most vulnerable. Further options in these areas are now limited so deliverable savings options are much reduced.

6.2 Whilst there are pressures on budgets such as transport and placements, the department work hard to reduce expenditure and secure best value for money. Savings are being achieved in both these areas but, due to demographic growth, increased demand and additional burdens placed on the service through Central Government policy and legislation, there are still overspends in these services. However, the potential overspend has been reduced significantly.

## **7. CONSULTATION UNDERTAKEN OR PROPOSED**

7.1 All relevant bodies have been consulted.

## **8. TIMETABLE**

8.1 In accordance with current financial reporting timetables.

**9. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

9.1 All relevant implications have been addressed in the report.

**10. LEGAL AND STATUTORY IMPLICATIONS**

10.1 All relevant implications have been addressed in the report.

**11. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

11.1 Not applicable

**12. CRIME AND DISORDER IMPLICATIONS**

12.1 Not applicable

**13. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

13.1 The emphasis placed on the delivery of revenue savings within the financial monitoring report will be enhanced during 2016/17, the risk of part non-delivery of savings is already contained on the key strategic risk register and will be kept under review.

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

Appendix 1 Savings Data from Period 6 Monitoring report

**15. BACKGROUND PAPERS**

15.1 Budgetary Control files held in the Corporate Services department.

**16. REPORT AUTHOR**

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## Appendix 1 Savings Data from Period 6 Monitoring report

The period 6 monitoring report provides the detail on the savings not expected to be achieved in the current financial year and the progress on the unachieved savings in the last two financial years and the impact on the current year are shown below

### Progress on savings 2016/17

Department	Target Savings 2016/17	Projected Savings 2016/17	Period 6 Forecast Shortfall	Period 6 Forecast Shortfall	Period 5 Forecast Shortfall	Period 5 Forecast Shortfall
	£000's	£000's	£000's	%	£000's	%
Corporate Services	2,316	2,028	288	12.4%	288	12.4%
Children Schools and Families	2,191	2,191	0	0.0%	0	0.0%
Community and Housing	5,379	3,542	1,837	34.2%	2,191	40.7%
Environment and Regeneration	4,771	4,124	647	13.6%	567	11.9%
<b>Total</b>	<b>14,657</b>	<b>11,885</b>	<b>2,772</b>	<b>18.9%</b>	<b>3,046</b>	<b>20.8%</b>

### Progress on savings 2015/16

Department	Target Savings 2015/16	2015/16 shortfall	2016/17 projected shortfall
	£000's	£000's	£000's
Corporate Services	1,170	0	0
Children Schools and Families	781	0	0
Community and Housing	2,154	14	14
Environment and Regeneration	4,192	3,493	28
<b>Total</b>	<b>8,297</b>	<b>3,507</b>	<b>42</b>

### Progress on savings 2014/15

Department	Target Savings 2014/15	2014/15 shortfall	2015/16 shortfall	2016/17 projected shortfall
	£000's	£000's	£000's	%
Corporate Services	1,650	0	0	0
Children Schools and Families	860	40	0	0
Community and Housing	2,465	1,339	1,339	834
Environment and Regeneration	3,338	129	125	125
<b>Total</b>	<b>8,313</b>	<b>1,508</b>	<b>1,464</b>	<b>959</b>

See Appendices 6-8 from Financial Report 2016/17 – September 2016 for progress on savings detail.

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