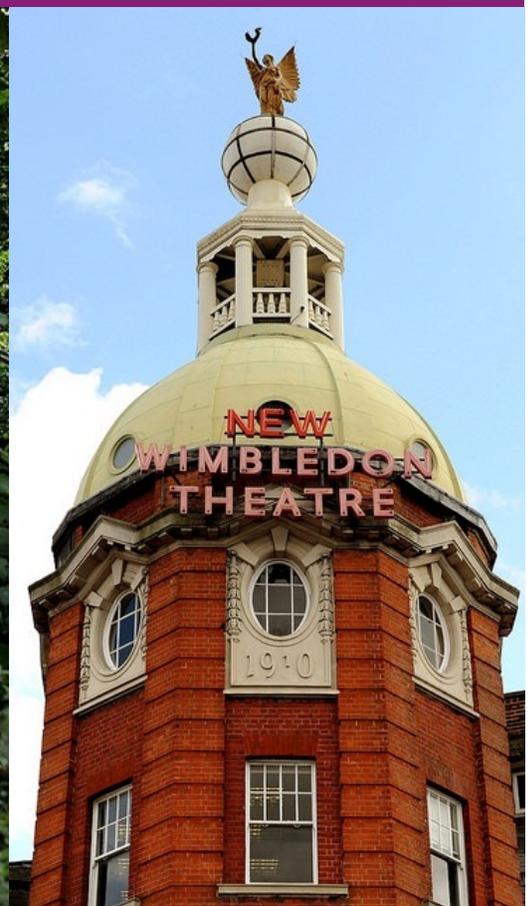


MERTON COUNCIL

Merton Efficiency Plan

2016 - 2020



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LONDON BOROUGH OF MERTON

MULTI-YEAR SETTLEMENTS 2016-2020

EFFICIENCY PLAN

The Offer of a Four Year Settlement:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	22.589	14.963	10.071	5.076
Transition Grant	0.567	0.557	0.000	0.000
Total	23.156	15.520	10.071	5.076

In addition, tariffs and top-ups in 2017-18, 2018-19 and 2019-20 will not be altered for reasons related to the relative needs of local authorities, and in the final year may be subject to the implementation of 100% business rates retention.

Ambition

Merton Council is an award winning authority and a recent winner of the MJ Council of the Year. We have an ambitious change programme to become London's best council by 2020.

Medium Term Financial Strategy 2016-20 (MTFS)

Merton's MTFS is a dynamic and flexible working document that presents Merton's financial outlook over a four year period. It is continually updated to reflect the Council's financial position based on the latest financial information. The latest MTFS considered by Merton's Cabinet on 19 September 2016 (Appendix 1) includes the following assumptions:-

- No Council Tax increase in 2016/17, 2017/18, 2018/19, and 1.75% in 2019/20
- Take up of the 2% adult social care council tax flexibility in 2019/20 only
- currently out for consultation on 2% flexibility precept and 1.99% general council tax increase in 2017/18 and 2018/19
- Settlement Funding Assessment as set out in the Local Government Finance Settlement 2016-20 including those set out in the offer
- Savings of c.£30m over the period 2016-20, in addition to savings of £69.2m already found over the period 1 April 2009 to 31 March 2016

On the basis of these assumptions, the budget gap Merton is facing over the period 2016-20 is as follows:-

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
MTFS gap before savings	15.686	20.861	22.009	24.233
Savings identified	(15.686)	(20.861)	(22.009)	(22.009)
MTFS gap (cumulative)	0	0	0	2.224

Residents Satisfaction

In the most recent Annual Residents Survey (2014/15), residents continue to be positive about Merton council, with the proportion of residents agreeing that Merton is doing a good job remaining at 79% for the third consecutive year. This is a significantly higher score than the London average.

The proportion of residents that think Merton is efficient and well run is up from 61% in 2009/10 to 72% in 2014/15.

The proportion of residents that think Merton provides good value for money for the council tax they pay is up from 43% in 2009/10 to 57% in 2014/15.

The Future

Our top priority will continue to be to provide safe services of the best possible quality within financial constraints and the July 2011 principles. We will deliver services that customers want and need and, where possible, involve our customers in service specification and design.

The July 2011 Principles are a set of guiding strategic priorities and principles, as adopted by the council on 13 July 2011:

- Merton should continue to provide a certain level of essential services for residents. The order of priority of 'must' services should be:
 - i) Continue to provide everything that is statutory.
 - ii) Maintain services – within limits – to the vulnerable and elderly.

- After meeting these obligations Merton should do all that it can to help residents who aspire. This means we should address the following as priorities in this order:
 - i) Maintain clean streets and keep council tax low.
 - ii) Keep Merton as a good place for young people to go to school and grow up.
 - iii) Be the best it can for the local environment.
 - iv) All the rest should be open for discussion.

The financial pressures facing Merton mean we should no longer aim to be a 'place-maker' but be a 'place-shaper'. The council should be an enabler, working with partners to provide services.

The Authority is utilising best practice in project management/ transformation to assess the future direction of services and the required staff, process and IT development to deliver this change. Internal decision making structures have been established to maximise Authority wide assessment and development.

The Community Plan has been developed by the Merton Partnership and sets the overall direction and vision for the borough until 2019.

Transformation Statement

By 2020 Merton Council will be transformed by the fruition of a number of change projects which will maximise the use of information technology and streamline processes and service provision. Providing value for money services to our residents is at the heart of our business and we must be able to demonstrate that all of our services represent best value for money. We will do this by continuing to find innovative solutions to maximise future efficiency.

To set the future vision for the Council and its services, we have done a great deal of work on developing a Target Operating Model (TOM). TOM documents set a vision for each of the departments and detail the shape of our future business model, covering all aspects of the organisation, including: services, processes, structures, people and technology.

We are committed to continue making Merton a great place for people to live, work and learn. The Council provides high quality services and we work with the community to enhance resident satisfaction. In the face of the economic climate, we set out to provide excellent value for money and continue to challenge the way we deliver our services to improve outcomes for our residents. We aim to do this by finding innovative solutions to maximise future efficiency. Our customers must be at the heart of our service planning. We will deliver services that customers want and need and involve our customers in service specification and design.

We are continuously reviewing and updating our delivery models and are at the forefront of new developments, such as partnership working including shared services and flexible working. The financial pressures facing Merton mean we will now take on the role of 'place-shaper' whereby the Council should be an enabler, working with partners to provide services.

Continued delivery of quality and value for money services for our residents has been achieved through reviewing our service delivery models and developing innovative solutions, including shared services, partnership working and the development of volunteering in the borough. Continuous improvement is at the heart of our approach and we have introduced lean methodology to drive out waste from our processes and now work in a highly focused and lean operation.

Procurement Plan

Cost reduction and efficiency targets will not be achieved if the Council fails to approach competition positively, taking full account of the opportunities for innovation and genuine partnerships which are available from working with others in the public, private and Voluntary, Community and Faith Sectors ("VCFS").

The Procurement Plan provides a corporate focus for procurement. It embraces the Council's commitment to strategic procurement and sets out the Council's aspirations. The overarching objectives of this strategy are:-

- To evaluate and improve current procurement practices to achieve better value for money and to ensure customer/client needs are met
- To ensure best practice examples are identified and applied consistently across the organisation.
- To align procurement activities with other strategies adopted and to ensure that corporate objectives are addressed

- To ensure that current and future procurement activities are planned, monitored, and reviewed effectively including identifying opportunities for collaboration with both private and public sector bodies and the VCFS

In taking this strategy forward, the Council expects to realise the following benefits:

- Demonstrate continuous improvement and achieve value for money through the efficient procurement of goods and services
- Encourage communication and interaction with local and national suppliers to understand their views
- Develop relationships between the Council, the business community and the broader voluntary sector which create mutually advantageous, flexible and long term relations
- More efficient procurement processes
- Better risk management
- Strategic procurement planning
- Effective spend analysis and measurable cash savings
- Proactive contract management
- Greater use of standard processes and templates
- Compliance with appropriate legislation
- Compliance with Contract Standing Orders
- Collaboration, including with other authorities, local businesses and the VCFS
- Greater use of the E-Tendering system

Our vision for procurement is to provide a first class service for our residents whilst we build on best practice to ensure value for money in all our procurement exercises. Procurement is not simply about lowest price; instead it is a strategic tool to ensure that we receive best value whilst putting the needs of Merton's residents first.

Risk

The effective management of risk is at the core of our approach to delivering cost effective and efficient services as well as sound corporate governance and is a continuous and evolving process, running through our strategies and service delivery arrangements. As risk is very much concerned with our objectives, the management of it will be closely linked to the creation of our strategic, service, project and partnership objectives and plans. Our risk management process will be continuous and will support internal and external change. The risk management process will be fully integrated with the normal business management processes across the authority.

Performance Management

Merton is committed to delivering customer-focused services. To achieve this, it is essential that we measure our performance, both against our own intentions, and the performance of others, and that we use that information to improve local services. Performance management enables us to ensure that we are constantly meeting our goals, whilst simultaneously allowing us to identify best practice and address areas of concern. It provides the framework for consistently planning and managing improvements to our services to ensure continuous improvement in line with Lean principles. Sustainable improvements in services are unlikely to happen without this

framework. Everyone in the organisation has a part to play in monitoring our services and achieving our ambition.

The framework helps us to understand:

- what we are trying to achieve as an organisation
- how we are going to achieve this
- how we will monitor and report progress
- how the contribution of staff, managers, teams and departments relate to each other to help deliver the targets set for the whole organisation

The framework has three parts

- The planning framework
- The planning, monitoring and review cycle
- Taking responsibility for results

Reserves

An analysis of the Council's budget is undertaken and a risk based assessment is used to determine a suitable level of General Fund Reserve. Reserves are under continuous review and reported regularly as part of the Council's budget monitoring procedures.

Merton's General Fund Reserve was £15.151m as at 31/03/2016 and earmarked reserves totalled £28.740m as at 31/03/2016. Current expectations agreed by Merton Council in March 2016 are that the General Fund Reserve will reduce to £12.546m by 31/03/2020 and earmarked reserves will total £6.544m by 31/03/2020. Although reserves are likely to reduce overall, this is a result of their use for the purposes they were established. The overall level therefore remains adequate, subject to regular review and impacts of financial outturn.

Merton's approach to Medium Term Financial Planning provides a great deal of flexibility in decision making and enables the impact of alternative options to be modeled. This has assisted with progress towards a balanced budget over the four year plan. Part of this approach includes the use of a reserve "For use in future years budgets" which is used to help balance the budget over the MTFS period, pending the implementation of planned savings. This has enabled the Council to move away from ad hoc annual paring of the budget to more strategic, long-term planned changes to the budget over the life of the MTFS.

Capital Investment

This Capital Strategy is a fundamental component of our approach to business planning since it reflects our strategic priorities across the council and endeavours to maximise the contribution of the council's limited capital resources to achieving our vision. We will work closely with residents, community organisations and businesses to focus our resources and those of our partners effectively. The strategy also sets out the management arrangements for allocating resources to individual schemes, establishing funding for projects, monitoring progress, managing performance and ensuring that scarce capital resources are allocated efficiently.

The major schemes in Merton's Programme include a new secondary school, numerous school expansions, a new leisure centre, and investment in IT to improve efficiency:-

Major Schemes	2016-17 £000s	2017-18 £000s	2018-19 £000s	2019-20 £000s
South London Waste Partnership	0	6,630	0	0
Town Centre Redevelopment (incl TfL)	3,155	920	7,000	0
New Leisure Centre	4,444	5,692	332	0
Wimbledon Park De-silting	0	250	1,250	0
Traffic and Highways (incl TfL)	6,184	5,114	5,356	3,027
Primary Expansion	3,859	0	0	0
Secondary Expansion	9,755	10,103	7,115	8,179
SEN Expansion	549	4,394	3,650	1,000
IT Investment	4,244	2,556	1,602	820
Acquisitions Budget	1,533	0	0	0
Capital Bidding Fund	1,839	0	0	0
Total	35,562	35,659	26,305	13,026
Total Programme	45,106	43,390	30,189	17,181
Other	9,544	7,731	3,884	4,155

Asset Management Plan

Merton's Asset Management Plan 2016-2020 has been reviewed and will be considered by Merton's Cabinet on 14 November 2016.

Links to Business Plan.

As part of the bidding process, individual schemes are required to link through to corporate priorities and highlight the benefits that will be obtained from undertaking the scheme.

LONDON BOROUGH OF MERTON CABINET 19 SEPTEMBER 2016

DRAFT MTFS 2017-21:				
	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000
Departmental Base Budget 2016/17	139,982	139,982	139,982	139,982
Inflation (Pay, Prices)	3,122	6,244	9,366	12,488
Autoenrolment/Nat. ins changes	857	1,172	1,172	1,172
FYE – Previous Years Savings	(9,429)	(15,173)	(15,173)	(15,173)
Amendments to previously agreed savings	0	0	0	0
Change in Net Appropriations to/(from) Reserves	(1,281)	(1,767)	(1,478)	(1,981)
Taxi card/Concessionary Fares	450	901	1,351	1,801
Other	71	144	1,816	3,470
Re-Priced Departmental Budget	133,772	131,503	137,036	141,758
Treasury/Capital financing	12,686	11,765	12,800	13,318
Pensions	4,592	4,799	5,015	5,015
Other Corporate items	(13,171)	(12,824)	(13,175)	(13,175)
Levies	628	628	628	628
Sub-total: Corporate provisions	4,735	4,368	5,268	5,786
Sub-total: Repriced Departmental Budget + Corporate Provisions	138,507	135,871	142,304	147,544
Savings/Income Proposals 2017/18	0	0	0	0
Sub-total	138,507	135,871	142,304	147,544
Appropriation to/from departmental reserves	(719)	(233)	(522)	(19)
Appropriation to/from Balancing the Budget Reserve	1,676	(2,515)	(7,420)	0
BUDGET REQUIREMENT	139,464	133,123	134,362	147,525
Funded by:				
Revenue Support Grant	(15,520)	(10,071)	(5,076)	0
Business Rates (inc. Section 31 grant)	(34,847)	(35,553)	(36,295)	(36,952)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(4,763)	(2,993)	(2,871)	(2,000)
Council Tax inc. WPC	(79,313)	(79,708)	(83,098)	(86,509)
Collection Fund – (Surplus)/Deficit	(224)	0	0	0
TOTAL FUNDING	(139,464)	(133,123)	(132,137)	(130,258)
GAP including Use of Reserves (Cumulative)	0	0	2,224	17,267