

Committee: Cabinet

Date: 9 December 2013

Agenda item:

Wards:

Subject: Reference from the Overview and Scrutiny Commission – pre decision scrutiny of the Business Plan 2014-18

Lead officer: Julia Regan, Head of Democracy Services

Lead member: Councillor Peter Southgate, Chair of the Overview and Scrutiny Commission

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

Recommendations:

- A. That Cabinet, in taking decisions relating to the Business Plan 2014-18, takes into account the comments and recommendations made by the Overview and Scrutiny Commission (including the minutes of the financial monitoring scrutiny task group) and the outcomes of consideration by the Overview and Scrutiny Panels.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. To inform Cabinet of the recommendations and comments resulting from pre decision scrutiny of the Business Plan 2014-18 by the Overview and Scrutiny Commission and Overview and Scrutiny Panels at their November 2013 meetings.

2 DETAILS

- 2.1. Each of the Overview and Scrutiny Panels has examined the budget and business plan proposals relating to the service areas within their remit. The Overview and Scrutiny Commission has received the findings of the Panels as well as minutes of the financial monitoring scrutiny task group's meeting on 29 October 2013..
- 2.2. The Overview and Scrutiny Commission met on 26 November 2013 and agreed to forward to Cabinet the comments and recommendations made by the Overview and Scrutiny Panels and by the financial monitoring task group. These are set out in Appendices 1 and 2.
- 2.3. The Commission agreed to express its concern to Cabinet that the service plans would not be available as contextual information for the final round of budget scrutiny meetings in January. Members asked whether draft service plans could be made available to those meetings (on existing or revised dates to accommodate this).
- 2.4. The Commission also agreed to draw Cabinet's attention to particular comments and recommendations made at its meeting on 26 November:

- A member raised concerns about the increase in the Housing Benefits budget and asked that a report be provided to give more detail on this, including the financial implications for the Council and information on tenant numbers by housing tenure.
- A member asked that the Commission be provided with information about the funding arrangements relating to Free Schools.

2.5. The Commission requested that Cabinet take account of pertinent points made by the financial monitoring task group:

- the task group recommended that councillors' needs should be taken into account in the provision of any document management solution (Document Management and Customer Contact Programme). Cabinet to note that the Director of Corporate Services had agreed to consult with councillors and Councillor Diane Neil Mills volunteered to take part
- the task group suggested that the appointment of an asbestos compliance officer be brought forward (item KSR45/CG03 in the risk register)
- the task group remarked that the capital programme overall is still quite large in comparison with actual spend in previous years

3 ALTERNATIVE OPTIONS

3.1. Cabinet is required under the terms of the constitution to receive, consider and respond to recommendations from Overview and Scrutiny.

4 CONSULTATION UNDERTAKEN OR PROPOSED.

4.1. The Constitution outlines the requirements for consulting scrutiny on the budget.

5 TIMETABLE

5.1. Round one of scrutiny of the 2014-18 Business Plan was undertaken as follows:-

- Children & Young People Overview & Scrutiny Panel: 6 November 2013
- Healthier Communities & Older People Scrutiny Panel: 13 November
- Sustainable Communities Overview & Scrutiny Panel: 12 November
- Overview and Scrutiny Commission: 26 November 2013

5.2. Comments and recommendations from round one will be reported to Cabinet on 9 December 2013.

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

- Sustainable Communities Overview & Scrutiny Panel: 9 January 2014
- Children & Young People Overview & Scrutiny Panel: 14 January 2014
- Healthier Communities & Older People Scrutiny Panel: 15 January 2014
- Overview and Scrutiny Commission: 30 January 2014

- 5.4. The responses from round two will be presented to Cabinet on 17 February 2014. A meeting of full Council will then take place on 5 March 2014.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. These are detailed in the substantive reports elsewhere on this agenda.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. 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.
- 7.2. The legal and statutory implications relating to the budget and business plan are contained in the reports elsewhere on this agenda.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. 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.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. These were examined by the Commission and were taken into account in making their recommendations to Cabinet.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. None for the purposes of this report.

11 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 Overview and Scrutiny Panels at meetings in November 2013
- Appendix 2 – minutes of financial monitoring scrutiny task group 29 October 2013 - extract relating to the Business Plan plus responses to additional information requested by the task group

12 BACKGROUND PAPERS

- 12.1. None

References/Comments from Scrutiny Panels to the Overview & Scrutiny Commission 26 November 2013

Scrutiny of the Business Plan 2014-2018

Children and Young People Overview and Scrutiny Panel: 6 November 2013

Councillor Agatha Akyigyina asked about the controlled expenditure. Caroline Holland explained that this is direct expenditure, of which, the schools grant did not form a part. This included salaries and running expenses. CSF has a lower income in comparison to other departments. There is a lower savings Weighting for CSF.

Councillor Oonagh Moulton enquired about the savings targets. Caroline Holland explained that the base savings for 2014/15 and 2015/16 in the base budget had been rolled forward and would only come back to the Panel if changes were being proposed.

Councillor Peter Walker asked about gearing in comparison with other departments. Caroline Holland explained that for CSF it stood at 0.5, C&H stood at 0.75, and CS stood at 1.5. This is based on expenditure as CSF needs to find fewer saving than other departments. The weightings are designed around the programmes we would like to protect first.

Councillor Peter Walker stated that this should be clear in the report to emphasise the values of the administration. Councillor Maxi Martin stated her commitment to this and noted that this has always been communicated.

Councillor Oonagh Moulton asked what changes there were in the capital programme in relation to primary school expansion and with regard to secondary schools from 2014 onwards, how realistic are these targets.

Caroline Holland explained that this was based on outturn from 2012/13 and regular monitoring was undertaken. In 2013/14 certain schemes have been re-profiled. Budget managers are being asked to regularly review how they are performing.

Paul Ballatt explained that there had been some slippage in some schemes and that the future projected expansion is indicative at this stage. Regular monitoring is undertaken to challenge assumptions. 21 additional permanent forms of entry are being planned for. The Children and Young People Scrutiny Panel agreed the direction of travel for secondary school expansion when consulted. However, a programme based on certainty has not yet been established. The council has written to all secondary schools requesting them to agree to expansion and to indicate their preferred timing. The figures on page 73 represent filling up surplus, expansion, academies and the provision of additional forms of entry in community schools. The council are also looking at new provision and also an element of expansion in faith schools, where there is demand particularly from Merton residents. The council may need further new secondary provision hence the uncertainty at this stage.

Councillor Oonagh Moulton asked how the interest and intake for faith school provision had been established. Paul Ballatt explained that work was underway looking at the pattern of demand for faith schools and a matter of affordability.

Councillor Peter Walker asked what percentage of children are at Wimbledon and Ursuline schools now. Paul Ballatt explained that this data could be circulated after it has been analysed.

Councillor Peter Walker asked when the contract for Dundonald was expected to go ahead. Paul Ballatt explained that this was a decision to be taken by Cabinet in December – alongside decision-making about the land appropriation recently consulted on. Officers are also optimistic that the very long-running issues regarding Sport England's position on the Dundonald proposal may be resolved finally shortly. Were there to be a subsequent JR on the decision-making, the council would need to take a view on either pausing plans for the development or proceeding following a risk assessment.

Councillor James Holmes asked if faith schools were oversubscribed. Paul Ballatt explained that Wimbledon and Ursuline were oversubscribed and that Merton will have to make a decision regarding investment in provision that may be used by children living in other authority boundaries.

Councillor James Holmes enquired about further new school provision. Paul Ballatt explained that 2 new schools may be required with 20-30 additional forms of entry required in the secondary sector. Expansion therefore has to be at the core of the strategy.

Councillor James Holmes asked what time scales were in place to determine what provision would be taken forward. Paul Ballatt explained that it was not easy to state at this point and that there were other factors to consider.

Caroline Holland explained that school expansion proposals would need to be considered when further information was available to determine revenue impact and longer term planning could be undertaken.

Councillor Peter Walker added that we should be learning from primary school expansion which was cheaper and consider expansion and split site provision.

Paul Ballatt offered reassurance that the core values of the expansion strategy are to build upon the existing estate. There is a commitment not to expand beyond 10 forms of entry and all factors are being considered.

RESOLVED: Councillor Jeff Hanna thanked the officers and agreed with the Panel that these comments be forwarded to the Overview and Scrutiny Commission and expressed the Panels desire to see more accurate costs as soon as they can be achieved.

SUSTAINABLE COMMUNITIES OVERVIEW AND SCRUTINY PANEL: 12 NOVEMBER 2013

Councillor John Sargeant queried the context of the indicative Capital Programme, what was significant and what assumptions had been made in the longer term planning. Should the Panel take a view on these assumptions?

Caroline Holland explained that there was an ongoing call on the revenue programme and that the Capital Programme was dominated by school expansion, primary in the first instance and secondary schools later. Highways, Footways and the Street Lighting Replacement Programme would remain as is.

Regeneration programmes are not planned as far in advance as major schemes and are dependent on funding from others, for example, TfL. For example, the Mini Holland Bid to improve our cycling provision.

Councillor Ian Munn asked for clarity on the settlement funding assessment: RSG and Business Rates and the latest central Government funding projections following the 2013 spending review. Caroline Holland explained that refinements are ongoing and that DCLG had undertaken more work in relation to the Council Tax freeze grant and how this would feed into assumptions and impact on the funds available. The settlement is expected from DCLG early/mid December 2013.

Councillor Samantha George asked about the use of reserves to eliminate the budget gap and what cabinet had agreed, and if there was an easier way to show capital and revenue changes from last year's budget. Caroline Holland explained that no new additional savings for 2014/15 had to be found and that there was a savings target of £1.7 million for 2015/16. This is a significant improvement over other boroughs. Revenue monitoring is undertaken on the Capital programme and schemes are being profiled into later years. Each monitoring report shows profiling each year. There are likely, however, to be some slippages into later years, particularly in CSF. The department are keeping this as up to date as possible. Chris Lee added that changes are made clear in the monitoring reports received by Cabinet and the Scrutiny Financial Monitoring Task Group on a quarterly basis.

Councillor John Sargeant felt that it was important for the Panel to take an annual look at the figures and the key changes to enable the Panel's discussion to be more focused. Comparison year on year would be helpful. Furthermore, could the recommendations from last year's budget scrutiny be built into the January report to determine how these have been taken forward?

Councillor Samantha George enquired about the new savings identified for 2016/17 and 2017/18 in the MTFS (page 78 of the report) and when the Panel could have further detail on this. Caroline Holland explained that these new savings were built in to address the budget gap and that these proposals would be brought to December Cabinet and January Scrutiny Panel meetings. In 2014/15 there are no new savings to be found but £1.6 million in savings needs to be found in 2015/16.

Councillor Samantha George asked about leisure centres and savings. Chris Lee explained that there was a £1 million budget for 2014/15 and a substantial budget in 2015/16 available. The department are working to this timetable for the Morden Park Pool scheme and developments will begin in 2015/16.

Councillor Samantha George enquired about the reason for profiling the street lighting replacement programme and enhancement and also about town centre investment. Chris Lee informed the Panel that this should be treated with caution. Regeneration programmes are match funded and the figures outlined are markers to ensure that funds are available to deliver the scheme. The Mitcham Regeneration scheme is largely dependent upon match funding from TfL. The councils input into is outlined in the capital programme but this can be brought forward or slip to make the best use of alternative funding sources. This applies to all schemes.

Cormac Stokes explained that there were pressures in terms of the standard of street lighting and that replacement was required. There is a fairly urgent street lighting replacement programme over the next year and this is why the monthly figures seem higher. There will be investments in terms of energy efficiency which have been front loaded.

Councillor Miles Windsor asked if new items required for renewable energy in this area were being brought into this budget. Cormac Stokes confirmed this was the case.

Councillor Stan Anderson enquired if there were any plans to reduce street lighting for certain periods. Cormac Stokes confirmed that this wasn't the case. Councillor Russell Makin reminded the Panel that they were due to consider street lighting at a future panel meeting.

Councillor Samantha George asked about equipment for parking and why there was a reduction in 2013/14 in DFG. Chris Lee explained that there was a small budget for parking and display machines and that all other parking is captured as revenue. The DFG is under scrutiny from outside of the council. Demand for this grant has increased. Last year there were 110 applications and this year there are a projected 230 applications. There is therefore a pressure on this grant/budget.

RESOLVED: Panel noted the report.

Healthier Communities and Older People O&S Panel: 13 November 2013

The Healthier Communities and Older People Overview and Scrutiny Panel commented that as there is a significant increase in the over eighty age group many of whom will have long term conditions, the care for this vulnerable group should be reflected in the budget. The Council should also be aware that domiciliary care needs to be well resourced to avoid the significant additional costs associated with residential care.

Financial monitoring task group – extract from minutes of meeting held on 29 October, plus additional information requested by the meeting

Business Plan Update 2014-18

The Chair said that this report would be presented to the November meetings of the Overview and Scrutiny Commission and the three Panels. He advised the task group to focus comments on the corporate services aspects of the capital programme and as well as considering progress made against the 2013/14 corporate services savings (set out in the financial monitoring report on this agenda). The Director of Corporate Services added that some alternative and new savings would be taken to Cabinet in December and subsequently to the scrutiny meetings in January.

Medium Term Financial Strategy

Caroline Holland, Director of Corporate Services, and Paul Dale, Assistant Director of Resources, provided additional information in response to questions:

- The departmental savings targets for 2015/16 onwards (paragraph 2.3) are based on weighted controllable expenditure. Weightings are 0.5 for Children, Schools and Families, 0.75 for Community and Housing, 1.5 for Environment and Regeneration, 1.5 for Corporate Services
- The Minimum Revenue Provision (MRP) will be taken into the reserves and used to pay external debt when it becomes due for payment (Paragraph 2.5.1). ACTION: Director of Corporate Services to provide the assumed interest rates for asset life of 5 and 50 years

Table 2.6.1

- Inflation assumptions for pay are 1% in 2014/15 and 2015/16, 1.5% in 2016/17 and 2017/18
- Price inflation assumption is around 1.5% overall, higher for some specific areas such as energy process
- Additional fees and charges assumed 1.5% growth
- Growth item refers to the adult social care growth that has been approved previously
- Other corporate items includes the pension fund additional contributions, level of contingency, items relating to disaster recovery, payments for precepts and levies and other adjustments (more detail in September report to Cabinet)
- Collection Fund items for 2014/15 are for bad debt from 2013/14. This will be subsumed into base budget in future.

Capital programme

A task group member said that it would be helpful to have a short description of each of the items in the capital programme. In response to questions, Caroline Holland and

Paul Dale provided further detail on some of the items in the corporate services capital programme:

- The Acquisitions Budget for 2013/14 has been used for the purchase of a piece of land by the High Path Estate
- The Capital Bidding Fund is used to provide match funding should any suitable schemes funded by the Greater London Authority or English National Heritage become available
- Where there are zero items at present, these may change. Also, monies that aren't used may be moved to future years or removed from the capital programme.
- The Document Management and Customer Contact Programme items are estimated figures at present. Tender documents were sent out last week setting out an ideal "to be" system and asked bidders to come back with proposed solutions. The task group RECOMMENDED that councillors' needs are taken into account in any document management solution. ACTION: Director of Corporate Services to consult with councillors – Councillor Diane Neil Mills volunteered to take part.
- Asbestos safety works item for 2016/17 relates to corporate buildings. The task group suggested that the appointment of an asbestos compliance officer (item KSR45/CG03 in the risk register – page 89 of the agenda) be brought forward
- The IT Strategy-unallocated item relates to monies set aside for the implementation of the strategy that have not yet been used – may be spent, carried forward or removed from capital programme
- Paul Dale undertook to find out why the Invest to save items have zero predicted spend in 2015/16 ACTION: Assistant Director of Resources

Another member said that the capital programme overall was still quite large compared to spend in previous years. Caroline Holland and Paul Dale said that they were working with officers to predict likely spend more accurately and that the programme from 2014/15 onwards is closer to actual spend than previously. The task group agreed that it would be helpful to have a breakdown of 2013/14 spend to date on individual capital projects.

In response to a comment about the level of capital spend on maintenance of the borough's roads, Caroline Holland said that recent road condition surveys had shown sustained improvement in both major and minor roads.

The Task Group AGREED that it would be useful for each of the Overview and Scrutiny Panels to examine the capital programme within their remit.

Financial monitoring report – quarter 2

The task group examined progress made on the 2013/14 corporate services savings. Caroline Holland said that the position on the shared bailiff service was unlikely to change in 2013/14 but options are being explored to increase the number of cases in future and to make it easier to find people who haven't paid (for example through automatic number plate recognition software, a joint piece of work with the Police).

In response to a question about the rationale behind vacant posts, Caroline Holland said that the reasons for this varied and that each vacant post was kept under review.

Paul Dale undertook to provide a breakdown of the Transfer Payments (page 41) to explain the variation between the current budget and the full year forecast.

Councillor Grocott had a number of questions on reserves and cash flow that she said she would raise separately with the Director.

Caroline Holland noted that the 0.58% of gross Council Budget figure given in Recommendation A of the report is misleading as it should relate to net expenditure.

Additional information requested by the financial monitoring task group

Medium Term Financial Strategy

Requested - The Minimum Revenue Provision - provide the assumed interest rates for asset life of 5 and 50 years

Response:

For 2013 to 2016 interest rates are internal assumed at 0.75%

For 2016/17 interest rates are internal assumed at 1%

For 2017 onwards any internal borrowing assumed at 1.25%

The MTFS does not break down interest rates over 5 or 50 years as Merton is not likely to borrow for either of these periods. For 2017 onwards any external borrowing is assumed at an average rate of 4.9%

Current PWLB maturity rates are 2.6% for 5 years and 4.52% for 50 years

Capital programme – corporate services items

Requested - Paul Dale undertook to find out why the Invest to save items have zero predicted spend in 2015/16

Response – “There are several sources of funding for these energy management works split between capital and revenue and CS and E&R departments, at this stage it is assumed that the revenue budgets will be spent but that the capital ones may not be. A meeting is to be held to gain a more accurate picture of likely spend in the current year.”

Financial monitoring report (quarter 2)

Requested - Paul Dale undertook to provide a breakdown of the Transfer Payments (page 41) to explain the variation between the current budget and the full year forecast.

Response – see spreadsheet overleaf

Period 6 subjective analysis

	Original Budget 2013/14	Current Budget 2013/14	Year to Date Budget (Sep)	Year to Date Actual (Sep)	Full Year Forecast (Sep)	Forecast Variance at year end (Sep)
Expenditure	£	£000	£000	£000	£000	£000
Employees	85,766	90,894	44,714	43,786	91,767	873
Premises Related Expenditure	8,153	9,709	5,788	3,370	9,061	(648)
Transport Related Expenditure	10,617	13,171	6,372	5,419	12,495	(676)
Supplies and Services	163,012	161,751	81,314	71,059	162,112	361
Third Party Payments	83,137	87,650	41,541	33,740	87,080	(570)
Transfer Payments	98,995	95,946	4,981	4,870	108,568	12,622
Support Services	34,317	32,417	40	2	32,417	(0)
Depreciation and Impairment Losses	13,990	13,783	(104)	0	13,783	0
Corporate Provisions	13,770	11,799	3,888	673	10,985	(814)
GROSS EXPENDITURE	511,757	517,119	188,535	162,918	528,267	11,148
Income						
Government Grants	(237,082)	(242,551)	(4,607)	(6,535)	(255,342)	(12,791)
Other Grants, Reimbursements and Contribs	(17,646)	(18,584)	(6,418)	(2,116)	(18,822)	(238)
Customer and Client Receipts	(55,695)	(53,654)	(24,086)	(24,065)	(52,749)	905
Interest	(44)	(44)	(22)	0	(24)	20
Recharges	(36,047)	(34,296)	0	(578)	(34,295)	1
Balances	(980)	(3,729)	(1,969)	(2,023)	(3,729)	0
GROSS INCOME	(347,494)	(352,857)	(37,102)	(35,317)	(364,960)	(12,103)
NET EXPENDITURE	164,262	164,262	151,435	127,601	163,307	(954)

Analysis of transfer payments	Current Budget 2013/14	Full Year Forecast (Sep)	Forecast Variance at year end (Sep)	Notes
<u>Corporate services</u>	£000	£000	£000	
Housing Benefits	85,556	98,323	12,767	forecast based on DWP mid year estimate offset by government grant Welfare fund number of claims lower than anticipated
Local welfare support	366	100	(266)	
Adult Social Care				
Concessionary Fares	8,614	8,580	(34)	
Taxicard Scheme	165	194	29	
ICES -Contribution to pooled budget	341	341	0	
Property adapt-PD	37	44	7	
Housing				
Homelessness Prevention	430	429	(1)	
CSF				
Section 17, no recourse to public funds	195	305	110	
Adoption allowances	238	238	0	
Other	4	15	11	
Transfer Payments	95,946	108,568	12,622	