

Committee: Council

Date: 10 July 2013

Agenda item: 7

Wards: ALL

Subject: Strategic Objective Review –Corporate Capacity with a Focus on Local Government Finance

Lead officer: Caroline Holland – Director of Corporate Services

Lead member(s): Cllr Mark Allison - Cabinet Member for Finance

Cllr Mark Betteridge Deputy Leader and Cabinet Member for Performance and Improvement

Forward Plan reference number: N/A

Contact officer: Paul Dale Interim Assistant Director of Resources

Urgent report:

Reason for urgency: The mayor has approved the submission of this report as a matter of urgency as it provides the latest available information on Merton's Corporate Capacity Strategic Theme "Our Finances: we will manage our financial resources effectively and with integrity" with a focus on Local Government Finance which will inform development of the Council's Business Plan for 2014-18.

Recommendations:

- A. That Council consider the content of the report.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Council at its meeting on 6 March 2013 approved the Business Plan 2013-2016.
- 1.2 The Business Plan represents the way in which the council will deliver the Community Strategy, which is grouped into five strategic themes (sustainable communities, safer and stronger communities, healthier communities, older people, children and young people). Performance against these themes, plus an additional theme of corporate capacity, is monitored by Council.
- 1.3 Each meeting of Council will receive a report updating on progress against one of these strategic themes. This report provides Council with an opportunity to consider progress against the priorities that are to be delivered under the Corporate Capacity theme (with a Focus on Local Government Finance).
- 1.4 The ambition for the theme is that Merton will be a council which focuses on the outcomes for its customers, by delivering the same or improved service levels whilst reducing costs, providing value for money services. We will improve customer access to our services, set high standards of customer care and take advantage of new technology. We will manage our resources to provide value for money, high standards of governance, financial control and budget management. We will recruit and develop our workforce so that it is equipped and motivated to deliver effective services.

- 1.5 The key portfolio holders are the Deputy Leader and Cabinet Member for Performance and Improvement, Cllr Mark Betteridge and the Cabinet Member for Finance, Cllr Mark Allison.
- 1.6 The Business Plan can be viewed at www.merton.gov.uk/businessplan.

2. DETAILS

Background to the Corporate Capacity theme.

- 2.1 The Corporate Capacity theme is crucial to our ability to deliver against the business plan. The main work areas that fall under this theme relate to those delivered by the Corporate Services Department.
 - 2.2 The main priorities under the theme are:
 - our customers: we will engage with our customers to continuously improve and deliver services driven by their need;
 - our people: we will have the right people, in the right job, doing the right things at the right time;
 - our internal processes: we will work smarter to deliver sustainable performance and service improvements in a risk based environment; and
 - our finances: we will manage our financial resources and with integrity
 - 2.3 This report focuses on the 4th of these priorities:
 - 2.4 Local Government Finance means the financial well-being and effective financial management and accountability of local authorities and the promotion of value for money principles in the sector. This requires the Authority to adhere to a plethora of legislation, regulation and guidance.
 - 2.5 For example, Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. The Section 151 officer is usually the local authority's treasurer and must be a qualified accountant belonging to one of the recognised chartered accountancy bodies. The Section 151 officer has a number of statutory duties, including the duty to report any unlawful financial activity involving the authority (past, present or proposed) or failure to set or keep to a balanced budget. The Section 151 officer has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit. There is also a fiduciary duty of the Section 151 officer to residents as set out in case law.
- ## **3. COUNCIL STRATEGY**
- 3.1 The Council's overall approach to finance has to be set in the context of the external environment that it faces and its strategic priorities. The former is discussed in section 4 and beyond.

3.2 In July 2011 the council agreed an approach to strategically planning its services in the response to the pressures it faced response to the recession and Government's funding to Local Authorities.

There would be priority for "must" services

- Continue to provide everything that is statutory
- Maintain services – within limits- to the vulnerable and elderly

After this priorities would be in this order

- Maintain clean streets and keep council tax low
- Keep Merton as a good place for young people to go to school and grow up
- Be the best it can for the local environment
- All the rest should be open for discussion.

3.3 In addition to this overview the council had already embarked upon a "front line first" response to the position it found itself in.

- There has been substantial growth in key areas of Children's Social Care, Adult Social Care and the Environment totalling £10m from 2010/11 to 2013/14 and lower savings targets have been set for front line services when balancing the budget.
- Deloitte had been commissioned in October 2008 to review efficiency options. Shared services have been implemented around HR and Legal and other areas are currently being actively explored to widen the benefits that can be gained from this. A comprehensive series of Lean reviews of services have been carried out and a new series of Public Value Reviews are being undertaken to extract further efficiencies.

3.4 A comprehensive back office review was implemented as part of the 2011/12 budget. The restructure created five divisions for support services, as follows:

- Corporate Governance covering democracy and electoral services, audit and investigations, legal services (shared service with LB Richmond), information management and safety;
- Infrastructure and Transactions covering IT service delivery, facilities management and financial transaction processing;
- Business Improvement which integrates systems development work with business improvement and lean activity and includes the programme office to oversee the council's change programme;
- Resources covering policy and strategy, procurement, business planning and budgets, accountancy and financial advice; and
- HR which was run as a shared service with Sutton.

- 3.5 The restructure was transformational because it moved away from the traditional professional and functional split and separated professional and technical support from on-going transactional work that is capable of being standardised to improve efficiency. It delivered savings of £2.2 million per annum in a full year and at the same time set out to improve support services so that they are better able to help departments manage change and maximise outputs and outcomes with limited and reducing resources.

4. LOCAL GOVERNMENT FINANCE

4.1 Local Government finance is a complex area and is becoming more complex.

4.2 The council is facing substantial external financial pressures:

- Increasing demands for statutory services from an ageing population, the survival into adulthood of many with high degrees of dependency, rising pupil numbers;
- Inflation, although not running at the very high levels of the 1970's, is consistently above the targets set by the Bank of England;
- Capital investment requirements are growing mainly because of the requirements to provide more school places.

4.3 Alongside these pressures are major constraints on how the council can respond to this.

- The availability of government grant funding has been complex over the recent past but usable funding has fallen sharply since 2010/11. This is explained in section 4 but the best comparable data shows a reduction of 17%;
- The period of austerity has meant that public expectations are that council tax will not be increased significantly or in line with inflation. The current administration has also indicated that this is one of its priorities and has also absorbed the c£1.5m cost of maintaining the current level of Council Tax Benefit, to ensure that those on lowest incomes do not have an increased bill. This cost is likely to increase in future years. The Government has offered short term financial inducements to deliver a council tax freeze. However, this has had the result that this source of income does not keep pace with spending in real terms and once government support grant is withdrawn it is likely that service reductions will have to be made to match this. In 2013/14 despite these pressures, a significant proportion of Councils felt the need to increase Council Tax. In London, almost 20% of councils increased their Council Tax.
- The public has expectations that the quality of services will be maintained in areas such as libraries and the environment. These are the very areas where there is legal flexibility to vary spending, unlike some of the statutory elements where demand has to be met.

These issues are discussed further in Section 6 of this report.

4.4 Government Grant

4.4.1 One of the most complex and contentious issues that requires clarification is the pattern and changes in government grant.

4.4.2 Prior to 2008/9 there were large increases in grant funding. However, these were targeted at central government priorities with limited freedom as to how they could be used. This meant that there were spending pressures elsewhere on council services.

4.4.3 From 2008/9 to 2010/11 grants still increased, but more slowly. There was however, a freeing up of how these grants could be used (but in reality there was substantial pressure from some government departments to spend grants on their priorities).

4.4.4 The pattern of grant changes is far more complex post 2010/11. To understand the movements in government funding the various elements of council spending have to be analysed separately.

- The starting issue is that Merton is frequently described as a £500m p.a. business. However, this does not mean that there is £500m of expenditure over which the council has any control.
- £150m of this expenditure is funded by Dedicated Schools Grant (DSG) which is provided by the Department for Education to be passed directly to schools and related activities.
- Similarly £86m is provided by the Department for Work and Pensions to finance Housing Benefit (and prior to 2013/14 when this was localised a further £15m was provided for Council Tax Benefit)
- Since 2010/11 there have been transfers of grant funding from the Department of Health of c. £17m p.a. but this has been matched with offsetting growth in responsibilities and therefore has had to be matched with growth in spending.
- The position is made more complex by substantial movements from departmental to central grant funding, the injection of one off amounts and NNDR retention.

4.4.5 On a like for like basis government grant to fund services in 2010/11 was £109m and this has been reduced to £90m in 2013/14, a reduction of £19m or 17%.

4.5 Improved Financial Management

4.5.1 A crucial response to the difficult circumstances that the council finds itself in has been to enhance the quality of financial management. Very substantial improvements have been delivered in the last 2/3 years. The new support services structures are far more focussed on meeting the strategic needs of the council for change rather than administering the status quo.

4.6 Review of Business and Service Planning

4.6.1 Service Planning was traditionally a low level function lacking a clear link with the budget process and overall strategy of the council. The council faces

increasing pressure on both its revenue and capital budgets. Clarity on the impacts on outputs and outcomes due to changes in funding is essential. For 2011/2012 a new and more commercial approach was adopted. The reasons for adopting this new approach were:

- to more closely align service planning decisions with the financial reality
- To link inputs (resources) to outputs and outcomes;
- To provide a clearer picture of the direction of travel for a particular service, its planning assumptions, key performance measures, expected changes to delivery models.
- To introduce a four year planning horizon to enable strategic resource allocation and investment decisions to be made.
- To implement more commercial performance indicators

4.6.2 The new plans have been partially successful in achieving this but reviewing them indicates that a refresh will be required as part of the 2014/15 budget process to provide greater clarity and accountability.

4.7. Transparency Agenda

There has been a focus on improving the presentation of data both in clarifying the detailed position and highlighting the strategic financial position. There is a demonstrable quality improvement in recent years.

4.8 Financial Management

There has been a major improvement programme in financial management in recent years.

4.9 Medium Term Financial Strategy

In the past, the budget was set on an annual basis, although there was some limited forecasting of the future years position. There has been a move to multi year budgeting and planning. A sophisticated modelling tool has been developed that allows scenario planning, risk analysis and option appraisal. The council plans budget balancing measures for a 4 year period and was successful in identifying and implementing most of the measures to balance the 2013/14 budget in 2011 when setting the 2012/13 budget. **The approach to budget planning is amongst the best in the public sector.** Once the future grant position becomes clearer then the council will need to build a detailed range of potential responses as it is likely that the scale of savings required could lead to fundamental choices about the nature of the council and its services.

4.10 Capital Programming

The quality of capital programming has been substantially improved. The council spends c. £40m p.a. on capital investment. The approach to planning this has been reviewed and new procedures introduced. This has led to much greater transparency in reporting the situation and tighter management of the spending

position. There has been improved control over slippage and monitoring. This has meant that budgets are realigned effectively at the start of the financial year and the out-turn spending being much closer to the final budget. A major improvement has been improving the quality of the linkage of the impact of the capital programme on the revenue budget. In the past the out-turn for capital charges at year end was significantly less than the amount budgeted for. Improvements in the quality of budgeting for these combined with the improved monitoring of spend have meant that budget and actual are now much closer. The major issue going forward is the domination of the programme by schools expansion. There is a shortfall in government funding and this is creating a significant impact on the affordability of the programme. There is also a need to develop greater certainty about future projections of pupil numbers. Despite the risk of this investment squeezing out other areas, it has proven possible to identify resources for improvement projects.

4.11 Budget Monitoring

As the report to the June 2013 Cabinet meeting makes clear the quality of budget monitoring has substantially improved compared to past years. Service underspending is now limited to a small number of areas, and the most notable of these were largely removed as part of setting the 2013/14 budget.

4.12 Managing Reserves

4.12.1 Over the last 2 years there has been far greater transparency in reporting the availability and use of reserves. The position of the reserves over the period of the MTFs is now reported to Cabinet and Council as part of the budget setting report. The table below was presented to the General Purposes Committee of 27th June 2013 and in an earlier form to the Cabinet of 10th June 2013

Reserves 2012/13	As Per Budget				
	Actual Bal at 31/3/12	Net Movt. in year	Bal. at 31/3/13	Movt. in year	Bal. at 31/3/13
	£'000	£'000	£'000	£'000	£'000
General Fund Reserve (including HRA)	13,975	5,208	19,183	4,313	18,288
Earmarked Reserves	27,385	7,158	34,543	(174)	27,211
Grants & Contributions	4,800	(204)	4,596	(1,264)	3,536
Total Available Gen. Fund Rev. Reser	46,160	12,162	58,322	2,875	49,035
Fixed to Contracts	2,323	0	2,323	0	2,323
Total General Fund revenue reserves	48,483	12,162	60,645	2,875	51,358

Reserves 2012/13	Actual Bal at 31/3/12	Net Movt. in year	Bal. at 31/3/13		Movt. in year	Bal. at 31/3/13
Analysis						
Earmarked Reserves						
Outstanding Council Programme Board	7,703	2,086	9,789		(469)	7,234
For use in future years for budget	2,052	7,700	9,752		5,768	7,820
Revenue Reserves for Capital / Revn.	6,291	(2,022)	4,269		(2,846)	3,445
Energy renewable reserve	841	600	1,441			841
Repairs & Renewal Fund	2,000	(576)	1,424		(450)	1,550
Transforming families reserve	0	1,318	1,318			0
Pension Fund additional contribution	1,251	(173)	1,078		(172)	1,079
Local Land Charges Reserve	850	225	1,075			850
Apprenticeships	1,500	(500)	1,000		(308)	1,192
Community Care Reserve	996	0	996			996
Performance Reward Grant	1,656	(1,005)	651		(618)	1,038
Health Service Transfer	0	794	794			
Economic Development Strategy	339	284	623		(300)	39
Used or Eliminated in 2012/13	1,235	(1,235)	0		(413)	822
Other	671	(338)	333		(366)	305
Earmarked Reserves	27,385	7,158	34,543		(174)	27,211
Adult Social care contributions	724	498	1,222			724
Culture and Environment contributions	1,251	(320)	931			1,251
Culture and Environment grant	991	(139)	852			991
Childrens & Education grant	812	(32)	780			812
Adult Social care grants	800	(440)	360			800
Housing Planning Development grant	0	345	345			0
Housing GF grants	222	(116)	106			222
Budget Assumption					(1,264)	(1,264)
Grants & Contributions	4,800	(204)	4,596		(1,264)	3,536
Total	32,185	6,954	39,139		(1,438)	30,747
Insurance Reserve	2,323	0	2,323		0	2,323
Fixed to Contracts	2,323	0	2,323		0	2,323
DSG Reserve	1,710	667	2,377		(310)	1,400
Schools Reserve	515	545	1,060		(153)	362
Schools PFI Fund	5,161	360	5,521		485	5,646
Add Schools own reserves	12,005	(331)	11,674		0	12,005
Schools Reserves	19,391	1,241	20,632		22	19,413
Capital Receipts	15,199	7,542	22,741		6,222	21,421
Capital Grants	3,635	758	4,393		(1,339)	2,296
Capital Reserves	18,834	8,300	27,134		4,883	23,717

4.12.2 This table shows that the council has £19m of General Fund reserves available that provide a contingency for unexpected events. Councils are required to keep a prudent level of general reserves. There is no explicit regulation. The latest information (based on 2011/12 accounts) available shows approximately 2/3 of London Boroughs have between £13 and £30m of general reserves. There are

£34m of reserves earmarked for specific purposes and these are discussed in more detail below. Grants and Contributions total £4.5m. The net movement includes transfers out of £7.157m from earmarked reserve and transfers in of £14.889m

4.12.3 In addition to these available revenue amounts there are other sums that are earmarked for non general fund purposes. There are £27m of capital receipts and grants. These can only be used towards the capital programme or debt redemption.

Schools own reserves and unspent Dedicated Schools Grant total £14m. This is not available to the council. In addition there is a reserve of £5.5 m. This is to spread the cost of the schools PFI payments to ensure affordability in Future years

Earmarked Reserves	£'000
Outstanding Council Programme Board	9,789
This is set aside for transformation and investments that cannot be charged to capital or would have to be paid back over a very short period. Items such as the customer contact strategy are being funded from here	
For use in future years for budget	9,752
This is to smooth the impact of spending reductions in future years to allow items with a longer lead time to be delivered. £4m is set aside for Adult Social care in 2013/14 and 2014/15. The balance will be used in future years with large shortfalls	
Revenue Reserves for Capital / Revn.	4,269
This is for use to finance revenue items included in the capital programme or to fund assets of a very short life to reduce the impact on the revenue budget.	
Energy renewable reserve	1,441
This is for investment in energy conservation technology via the REFIT scheme. This scheme agreed through the GLA is private sector led and involves the private sector guaranteeing the savings of c.10% from the investment.	
Repairs & Renewal Fund	1,424
This is to fund large one off items of building work on council property that cannot be met from the base revenue budget	
Transforming families reserve	1,318
This is a government scheme to transform the lives of the families in the most difficult situations. The project is one off but spread over several years. This is the funding to support it to completion	
Pension Fund additional contribution	1,078
This is to meet the non pension fund costs of early departure.	
Local Land Charges Reserve	1,075
This is to cover potential legal claims over past land changes	
Apprenticeships	1,000
This is to fund the placement of apprentices with the council	
Community Care Reserve	996
Transferred NHS staff have better severance terms than Merton staff. This was provided as funding on transfer of these staff to meet potential future liabilities.	
Performance Reward Grant	651
The balance of grant received in previous years allocated mainly to the voluntary sector. There is a planned programme of expenditure	

Health Service Transfer	794
This is the balance of a health service grant. It will be applied in 2013/14	
Economic Development Strategy	623
Funds for one off expenditure.	
Other	333
Miscellaneous small reserves	

Grants and contributions totalling £4.5m have been received from, mainly, government departments and will be used for specific schemes.

In 2013/14 there will be an even more rigorous monitoring of the use of reserves and those not used for the planned purposes in year will be transferred to other uses of the general reserves.

5. Changed position

- 5.1 The pressures on the budget and the responses that have had to be made to it mean that there have been significant changes in the nature and pattern of the council's budget
- 5.2 Since 2010/11, on a like for like basis the net mainstream budget of the council (excluding Housing Benefits, Dedicated Schools Grant and transferred Health functions.) has reduced by £14.6m or 8%.
- 5.3 Within this reduced budget £36m of spending pressures from Capital, Pay and Prices inflation and Service growth have been absorbed along with managing the impact of £25.5 government grant losses.
- 5.4 Council tax was reduced by 1.4% in 2010/11 and has been frozen for the following 3 years. The council has effectively forgone a cumulative increase in income of around £12m compared to a notional increase in council tax in line with RPI.
- 5.5 Due to the effects of inflation and the decisions taken by this Council, mean the level of Council Tax is currently over 10% lower than in 2010/11 in real terms, and at its lowest level since 2000.

6. The future

- 6.1 There are 4 big drivers on the budget for the future
 - 6.1.1 **School places.** Over the last 3 years the council has had to spend £41.3m on school places. This pressure is not reducing and the demand is spreading from primary to secondary. Government grant has not covered the costs of this. The gap between funding and expenditure is likely to grow. In addition the cost of funding capital expenditure will increase. In recent years expenditure has been financed by effectively borrowing the council's internal reserves. This source is nearing its end and it is forecast that from 2015/16 that external borrowing will be required. This will be compounded by any spending of reserves and the previous internal borrowing will have to be replaced by external funding at a significantly higher cost.
 - 6.1.2 **Expenditure pressures.** After several years of pay freeze, a pay award is likely to be agreed for 2013/14. Inflation has been running ahead of the Bank of

England target for several years. Merton has been successful in a strategy of cash limiting: setting budget price increases below the real ones experienced by services. This cash limiting cannot carry on forever. Impact on services is likely to be more expensive including social care. In the medium term with the ending of quantitative easing, it is likely that interest rates will rise, increasing the cost of financing capital spending.

6.1.3 **Service pressures.** The level of service spending growth has been restrained in the last 2 years. The pressures around older people and children will however resume in the medium term leading to some very difficult choices.

6.1.4 **Income issues.** At a time when expenditure pressures are rising the council faces a cut in income in both real and absolute terms.

The referendum mechanism means that council tax increase are effectively capped unless a case can be made to increase the tax beyond the government's limit. It is likely that levies will be included within the calculation for 2014/15. The grant system was reformed in 2013/14.

The impact of NNDR retention has still to be fully understood. It is clear that it will increase the volatility of income. Government grant will reduce from the base position.

The 2014/15 proposal was announced at the time of the setting of the 2013/14 grant. This would mean would be a reduction of over 8% of central grants. The full impact of the Chancellor's recent announcement for 2015/16 are still being investigated, but would seem to be in the order of 10%. What will be contained within the remaining 90% of current funding levels is unclear at this stage but the planning assumption must be that any additional amounts e.g. increases in New Homes Bonus or new council tax freeze grant will have to fall within the revised control total. It is also not clear at this stage how the reported net 2.3% grant reduction balances back to the 10% quoted. DCLG and the Treasury have been asked for the detail but have not yet been forthcoming. The most likely answer is additional funding for taking on responsibilities from the Health Service but as in recent years this is likely to be tied to additional expenditure. The Institute for Fiscal Studies suggest that the current spending plans would lead to reductions of 7.6% p.a. in each of 2016/17 and 2017/18. For illustrative purposes if the grant reductions from 2015/16 onwards were 10%, 7.6% and 7.6%. grant would have reduced by approximately £45m or 42%. These figures can only be confirmed once clearer announcements have been made..

6.2 As has been discussed one of the strengths of the council's approach to budgeting has been the forward identification of savings. From 2010/11 to 2013/14 savings of £48m have been made against the budget. Further savings of £16m have been agreed for the period 2014/15 to 2016/17. However, before the changes in the Chancellor's recent statement and the IFS latest view are fed into the budget model, the council still faced a gap of £14m by 2016/17. Officers put forward a further £5m in savings options to reduce this gap but these were not acceptable to members. It needs to be recognised that the medium term budget gap is likely to increase and that efficiency alone will not balance the budget going forward. There has been much success in identifying efficiency measures to minimise the front line impact but that in the future measures are likely to involve reductions or cessation in services that may be difficult for

members. In recent budgets officers have proposed options such as library closure, reducing funding to the Duke of Edinburgh Awards, Youth Projects and Positive Action for Young People and Youth Offending funding, reducing support to families of adopted children and support to care leavers and cutting support to the support to age concern community garden service.

- 6.3 The potential outcome of the squeeze created by growing spending pressure and falling income could be to fundamentally change the pattern of service provision provided by local authorities. Work by the Local Government Association suggests that local government could become mainly a provider of social care at reduced levels with much of the rest of service provision that is currently expected no longer able to be afforded.

7. PERFORMANCE RELATING TO CORPORATE CAPACITY

7.1 Performance relating to Corporate Capacity

- 7.1.1 Attached as Appendix 1 are the 10 corporate performance indicators for 2012/13, as contained in the Business Plan 2012-17. The data contained in the attached appendix indicates performance for the whole of the 2012/13 financial year.
- 7.1.2 As officers are reporting at the end of the financial year targets have either been achieved (green) or not (red). Of the 10 indicators 7 (70%) are green. The remaining 30% are red. Two of the red performance indicators relate to business rates and Council Tax Collection. Business Rates Collection missed its target by 1.43% which equates to £3.8 million (this figure has reduced to £2.1 million as at end of June 2013) and Council Tax collection missed its target by 0.62% which equates to £3.07 million (this figure has reduced to £2.1 million as at end of June 2013). These figures have been built into outturn and the future year impact of the outturn position is being reviewed as part of the Medium Term Financial Strategy refresh.

7.2 Commentary and key achievements relating to Corporate Capacity

- 7.2.1 The Council has performed well in respect of complaint progresses to Level 2 (achieved 9.82 days compared to a target of 16), responding to Ombudsman Complaints and Freedom of Information enquires.
- 7.2.2 Sickness levels were below target and as were CO2 omissions from the Council's Buildings. Officers were also able to obtain positive and neutral coverage of items above their target.
- 7.2.3 The issues identified which were stopping successful website visits have all been rectified.
- 7.2.4 The Authority has just been awarded the "Best Achieving Council", for which the entry submission required considerable input from corporate capacity activities.
- 7.2.5 Resources have been set aside to deliver two key Transformational projects, Customer Contact and document management and these are currently being progressed

7.3 Local Government Finance

- The Authority has developed multi-year budgeting as part of its annual Business Plan update. The Authority is in a very healthy position financially.

- The accounts have just been closed and are being made available to our external auditors for review.
- Officers are currently reviewing the fitness for purpose of the Authority's financial information systems.

8. Reports of Overview and Scrutiny Commission/Panels

8.1 The Overview and Scrutiny Commission's responsibilities include scrutiny of "corporate capacity" issues, financial monitoring and budget scrutiny.

8.2 Local council tax benefit scheme

During 2012/13 the Commission and the financial monitoring task group have examined the local scheme, commented on the principles and costs and compared the scheme to those adopted by neighbouring authorities.

The Commission plans to receive a report on the review of the local scheme undertaken for the full year 2013/14, including information from neighbouring boroughs, as well as the success of exemptions and discount measures in achieving target savings. This will be timetabled to enable the Commission's recommendations to impact on decisions taken in regard to the 2015/16 budget process.

8.3 Customer contact strategy

During 2012/13, the Commission has continued its scrutiny of the development and implementation of the customer contact strategy. The Commission has endorsed the proposals whilst raising some issues and concerns to Cabinet in relation to costs, benefits and impact on residents.

The Commission plans to continue to receive regular updates during 2013/14.

8.4 Financial monitoring

Last year, the Commission established a sub-group to examine financial monitoring reports on a quarterly basis. The sub group has expressed concerns about the predicted overspend on the new payroll service and the lack of data on staffing, questioned the size and use of the contingency budget, and reviewed the capital programme.

The sub-group has also commented on and proposed changes to draft service plans, including financial information and performance indicators for services.

8.5 Budget scrutiny

Budget savings proposals have been examined in detail by the Commission and the three Overview and Scrutiny Panels. Cabinet agreed with the majority of the recommendations made, including not taking savings relating to the Attic Theatre or the council's enforcement team and to defer savings on parks and green spaces until a review of these services has been carried out. In response to concerns raised, Cabinet agreed to re-profile the funding of the Duke of Edinburgh Award scheme to ensure a greater take-up from young people in schools and areas of the borough where there is greatest need. Cabinet also agreed with the Commission's recommendation to use the repatriated funds

from the London Councils Grants Scheme to support local voluntary sector organisations.

9. ALTERNATIVE OPTIONS

9.1 Not applicable – this report is for information only.

10. CONSULTATION UNDERTAKEN OR PROPOSED

10.1 Not Applicable this is an information item

11. TIMETABLE

11.1 Performance information is published on the dashboard each month and is available to view via the Intranet and Internet.

12. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

12.1 These are contained within the body of the report. A summary of spending data and trends is included in Appendix 2.

13. LEGAL AND STATUTORY IMPLICATIONS

13.1 There are no legal or statutory implications arising from this information report.

14. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

14.1 There are no specific human rights, equalities or community cohesion implications arising from this information report.

15. CRIME AND DISORDER IMPLICATIONS

15.1 There are no specific crime and disorder implications arising from this information report.

16. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

16.1 There are no risk management or health and safety implications arising from this information report.

17. APPENDICES – the following documents are to be published with this report and form part of the report

- Appendix 1: Table of Corporate Capacity Business Plan Performance Indicators for 2012/13
- Appendix 2: Spending data and trends 2013/14

BACKGROUND PAPERS

20013-16 Council Business Plan

Corporate Performance Indicators - Performance as at Year End March 2013

Dept	PI code and description	Feb 13 YTD	March 13 YTD	March 13 Target	Annual Target	Polarity	Result	Year end management commentary
CS	CRP 43/SP 301 - % Successful website visits	81.17	81.79	83	83	High	R	Problems with parking self-service pages, Planning Explorer and online payments (all now resolved).
CS	CRP 36/SP 155 - % of Business Rates collected	94.57	95.57	97	97	High	R	In year collection was prioritised and actions taken to review as many cases as possible with recovery action. Additional resources have been allocated to the team. The 2013/14 recovery timetable has been reviewed to ensure a robust strategy is in place to improve collection over a longer period, yet allow more flexibility to help businesses who contact us. Strategy to audit/visit all businesses within borough to verify correct liability has been developed and will commence mid-June.
CS	CRP 18 - % of Council Tax collected	95.98	96.83	97.45	97.45	High	R	The net collectable debt has increased by £200,000 since September 2012 following single person discount review and removal of discounts. Recovery followed similar pattern to previous years. The 2013/14 recovery timetable has been reviewed to ensure a more robust process yet give taxpayers more flexibility if they contact us.
CS	CRP 37 - % of complaints progressed to level 2 (quarterly in arrears)	8.63	9.82	16	16	Low	G	
CS	CRP 42/LCS 95 - Freedom of Information (FOI) requests answered in full (including information already published or not held)	83.84	84.82	80	80	High	G	
CS	CRP 41 / SP 192 - % of Freedom Of Information requests dealt with in time (monthly in arrears).	93.66	93.55	90	90	High	G	
CS	CRP 13 - % of Positive and Neutral Coverage Tone	94.27	94.62	91	91	High	G	

Appendix 2

Spending data and trends 2013/14

Overall Budget 2013/14

Revenue spending
Headline turnover is c.£500m.
2 major areas are essentially ringfenced and virtually 100% funded by central government.

- Housing Benefits
- Schools Revenue Spending

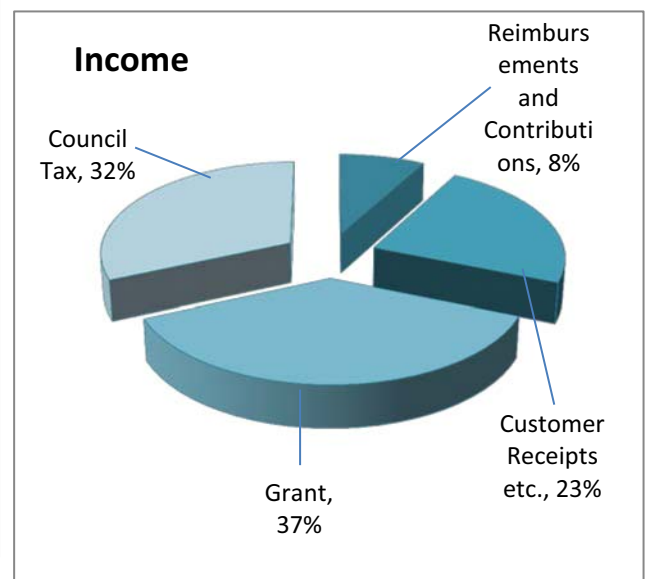
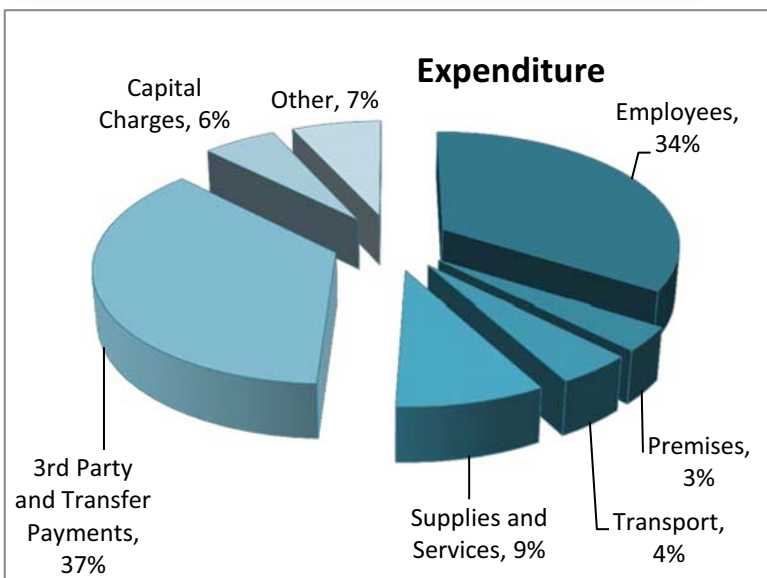
These need to be separated to give a realistic view of the change in service costs

In addition, recent transfers of health activity need to be separated to give a realistic view of changes.

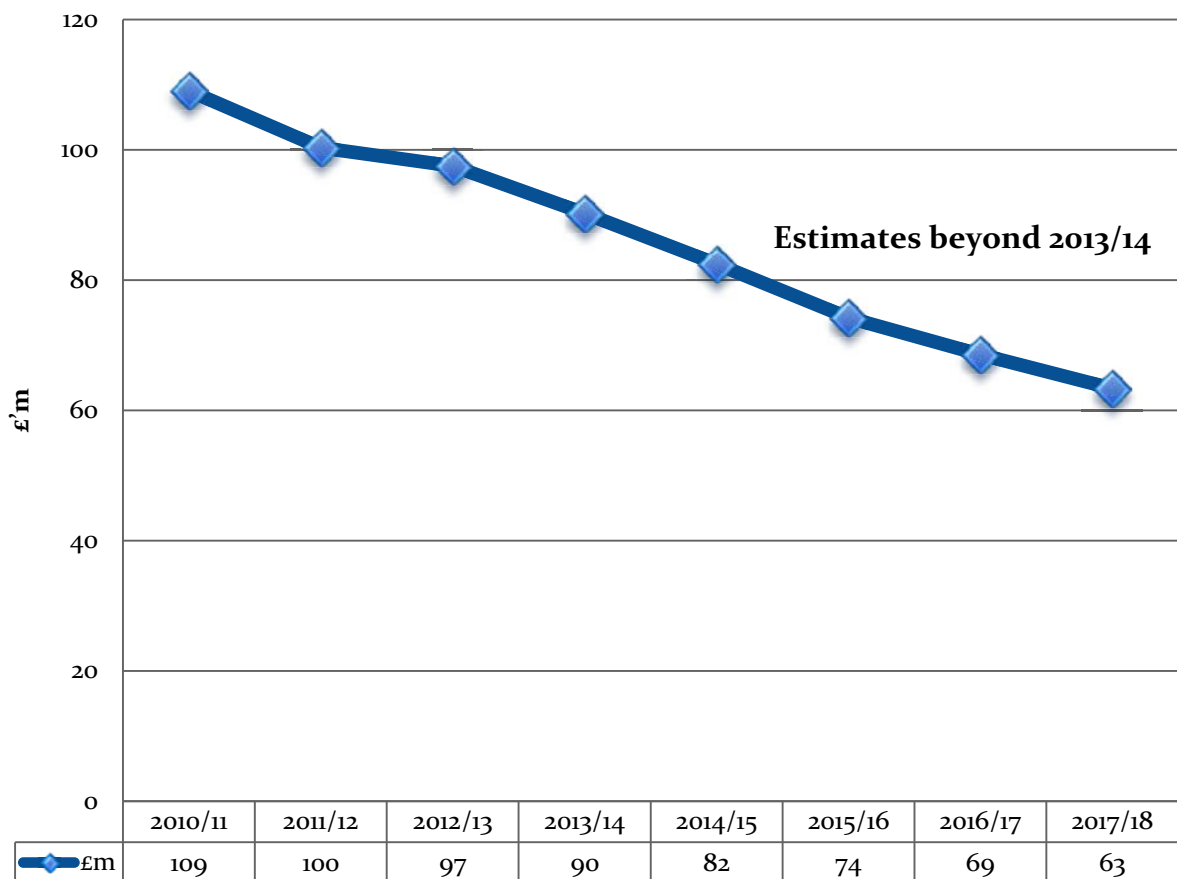
Real turnover is only £240m. giving much less budgetary flexibility.

Adjusted budget 2013/14

	£m	
Employees	83	34%
Premises	8	3%
Transport	11	4%
Supplies and Services	21	9%
3rd Party and Transfer Payments	89	37%
Capital Charges	14	6%
Other	16	7%
Expenditure	242	100%
Reimbursements and Contributions	-19	8%
Customer Receipts etc.	-56	23%
Government Grant	-90	37%
Council Tax	-77	32%
Income	-242	100%



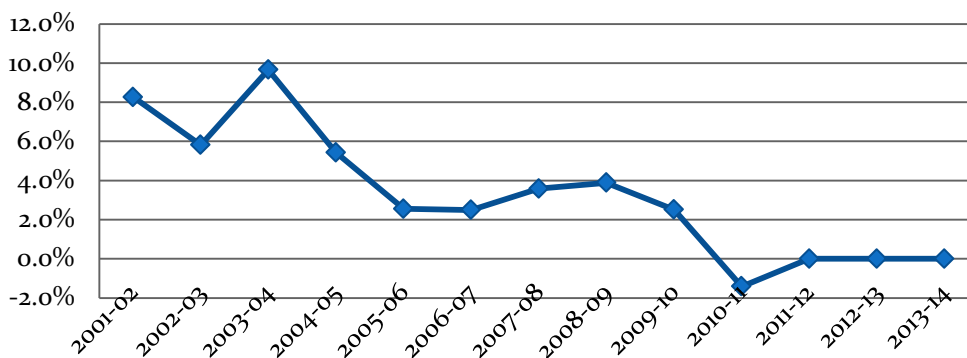
Grant Position – Actual and estimates



The grants exclude DSG, HB subsidy, Council tax benefit subsidy towards the GLA Council Precept and funding for transferred Health Services.

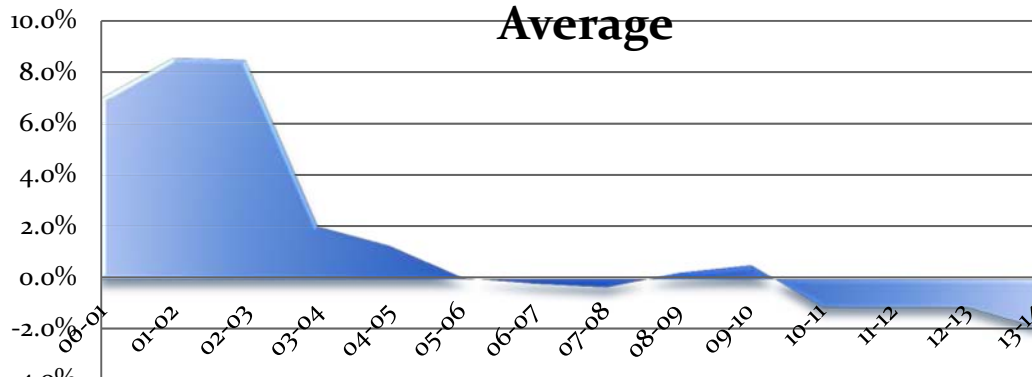
Council Tax

% Council Tax Increase



Above
average

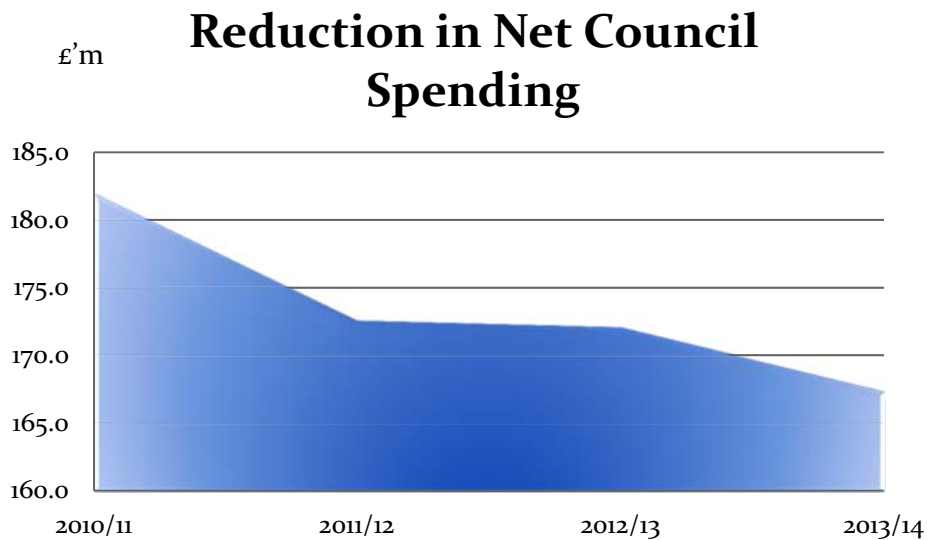
Council Tax Compared to Outer London Average



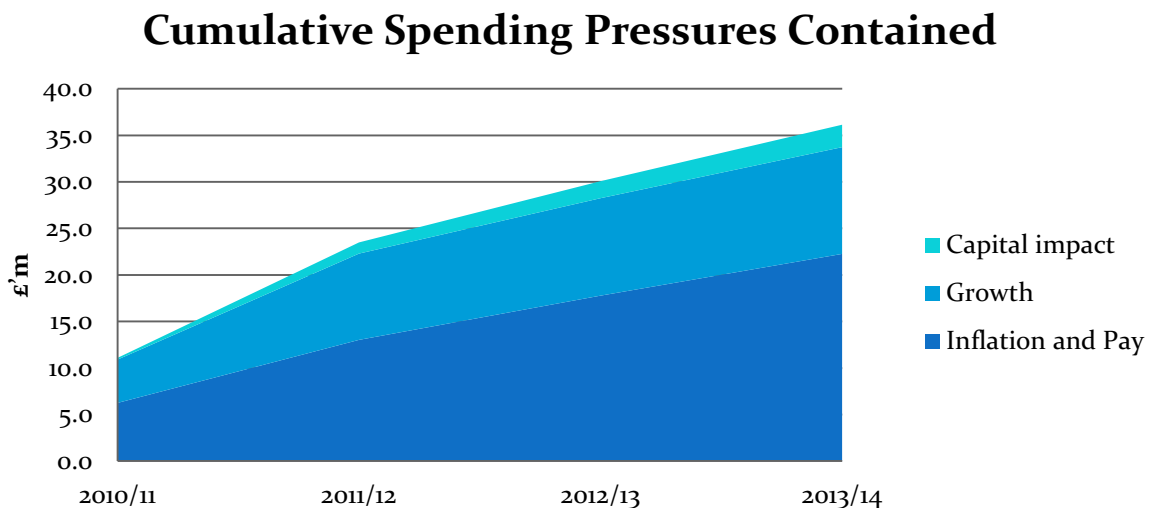
Below

- Council tax has been reduced in relative terms at a time of spending pressure.
- Short term grant has supported this but only temporarily – its removal will compound problems.

Budget Changes 2010/11 to 2013/14



Net Mainstream budget reduced by £14.6m or 8 % since 2010/11



Spending pressures of £36 m have been absorbed in budgets since 2010/11

Medium term financial position

Spending Gap still to be met (prior to June announcements)

	14/15	15/16	16/17
	£m	£m	£m
Expenditure	158.3	161.0	162.6
Income			
RSG	-39.3	-37.0	-32.5
Business Rates	-32.4	-32.4	-32.4
Other grants	-8.4	-8.4	-8.4
Council Tax	-75.4	-75.4	-75.4
Cumulative Savings Needed	<u>2.9</u>	<u>7.9</u>	<u>14.1</u>
In Year Gap Left	2.9	5.0	6.2

