

Agenda Item 6

Council Question:

In each of the Financial Years 2010/11, 2011/12 and 2012/13 what was the reported and audited expenditure (excluding schools) on:

- Payroll
- Agency staff (included in Payroll and/or under a separate budget heading)
- Consultants

Please also advise what steps are taken routinely to verify that payments to suppliers have been correctly coded, to ensure that expenditure on staff covering temporary or permanent post vacancies, which are not filled by employees on permanent contracts (full or part time), can be reported correctly?

Answer

First of all I would like to apologise for the delay in replying to the question and for the complexity of the response, but quite a lot of detail is required to show how the management accounts which are reported throughout the year to Cabinet and Scrutiny, reconcile with the financial accounts presented to General Purposes Committee and the External Auditor.

Overall, expenditure on staff as shown in the Whole of Government Accounts has increased from 2010/11 through to 2012/13, due to the expansion of schools, rising schools population and increasing numbers of teachers and associated support.

Agency costs have been impacted by the Agency Workers Regulations from Oct 2011 which meant that after 12 weeks agency staff had the right to the equivalent pay for the role, which impacted particularly on manual roles. Also, due to the shortage of social care staff in adults' and particularly children's services, agency staff can command a premium over the cost of the role.

Expenditure on consultants has remained largely constant over the three years, although reducing as a proportion of employee costs from 1.21% to 1.06%. Expenditure has reduced compared to a high point in 2009-2010.

Classification

The classification of the Council's expenditure is determined by the professional financial body which oversees the public sector, CIPFA. The CIPFA classification is detailed in Appendix A.

Within this classification the Authority defines payroll, agency and consultancy as follows:

- Payroll expenditure relates to the employment costs of permanent employees – this shows under direct employee costs in CIPFA's Classification
- Agency expenditure relates to temporary staff employed to cover specific posts – this shows as direct employee costs in CIPFA's Classification
- Consultancy expenditure relates to temporary staff who are employed to undertake a specific piece of work - this shows as supplies and services costs in CIPFA's Classification

All staff including non-permanent agency staff covering vacant posts are monitored against employee budgets at a departmental level as part of the monthly budget monitoring process. Budget managers are asked to review their cost centres on a monthly basis to report on variances and also identify mis-postings as part of this review. The Budget management team review budget returns monthly where mis-postings can also be identified and corrected. Departmental

information is then reviewed monthly at a Finance Review Meeting and presented to Departmental Management Teams prior to compilation into the monthly monitoring report. Major service variations are identified in the draft outturn report to Cabinet and investigated during the next financial year to identify one off or ongoing issues which may need further monitoring or resolutions.

Reported and Audited

Attached as Appendix B are the Authority's formal reporting and Auditing requirements. The information published over the last three years in the statement of accounts and whole of government accounts is now shown:

Statement of Accounts

Note 29: (Previously Note 28) – Employee Expenses

The table below provides the information contained in the audited accounts for the last three financial years:

Table 1: Employee Expenses in Statement of Accounts

Year	Corporate Services	Children, Schools & Families*	Adult Social Care	Libraries	Housing	Environment & Regeneration	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2012/13	21,577	119,807	12,913	3,251	1,066	22,000	180,614
2011/12	21,974	104,669	12,465	3,208	1,090	22,046	165,452
2010/11	22,081	105,525	13,519	3,728	1,117	24,147	170,117

* Includes Teachers

Whole of Government Accounts

The whole of government accounts contains two pieces of relevant information which are given below:

Relevant Expenditure

Table 2 below shows the Employee Costs shown in the Whole of Government Accounts. The information submitted is detailed in Appendix C:

Table 2: Employee Costs as Shown in Whole of Government Accounts

Employee Costs	2010/11 £000s	2011/12 £000s	2012/13 £000s
Salaries & Wages	120,726	120,892	134,995
Agency Staff	8,194	9,945	11,279
Other	(7,945)	27,589	31,133
Indirect Costs	5,622	7,391	3,171
Total Employee Costs	126,597	165,817	180,578
Reconciliation to Statement of Accounts			
Employers Pension Past Service Costs	43,518		(345)
Adjustment	170,115	165,817	180,233
Statement of Accounts	170,117	165,452	180,614
Difference	(2)	365	(381)

Table 3: Supplies and Services Costs as Shown in Whole of Government Accounts (this information excludes the Dedicated Schools Grant)

Supplies & Services	2010/11 £000s	2011/12 £000s	2012/13 £000s
Audit Costs	430	369	231
PFI Service Charge	2,144	3,944	3,865
Provisions expense	1,816	2,234	1,235
Other Purchases of Supplies & Services*	17,258	58,420	58,930
Total Supplies & Services	21,648	64,967	64,261

*Consultants Expenditure will be shown in this figure

Reported

Each month (excluding April) officers compile a financial monitoring report which is reported appropriately through the organisation, to committees and scrutiny. The table below shows the last subjective breakdown reported for 2012/13 and was contained in the January 2013 Financial Monitoring Report to March 2013 Cabinet:

**Table 4: Subjective Breakdown and Projection – Financial Monitoring January 2013
Presented to Cabinet March 2013**

	Current Budget 2012/13	Year to Date Budget (Jan)	Year to Date Actual (Jan)	Full Year Forecast * (Jan)	Forecast Variance at year end *(Jan)	Final Outturn
Expenditure	£000	£000	£000	£000	£000	
Employees	88,944	74,551	75,274	90,042	1,098	89,682
Premises Related Expenditure	8,987	7,370	6,109	9,171	184	9,459
Transport Related Expenditure	11,256	8,597	9,178	11,948	692	12,025
Supplies and Services	157,482	128,173	122,437	155,855	(1,627)	157,651
Third Party Payments	84,562	66,093	63,325	85,092	530	83,957
Transfer Payments	112,678	7,004	6,750	112,622	(56)	114,251
Support Services	33,740	578	10	33,743	3	40,374
Depreciation and Impairment Losses	13,920	28	24	13,920	0	13,712
Corporate Provisions	15,071	4,282	1,099	10,307	(4,764)	10,800
GROSS EXPENDITURE	526,641	296,676	284,206	522,700	(3,940)	531,911
Income						
Government Grants	(258,866)	(9,368)	(9,523)	(258,790)	76	(260,557)
Other Grants, Reimbursements and Contribs	(20,462)	(9,616)	(8,804)	(20,444)	18	(24,241)
Customer and Client Receipts	(52,949)	(42,945)	(43,344)	(54,063)	(1,114)	(56,204)
Interest	(44)	0	0	(44)	0	(24)
Recharges	(35,320)	(953)	(899)	(35,323)	(3)	(41,831)
Balances	(3,433)	1,190	1,247	(3,303)	130	1,249
GROSS INCOME	(371,072)	(61,691)	(61,322)	(371,967)	(894)	(381,607)
NET EXPENDITURE	155,569	234,985	222,884	150,733	(4,834)	150,303

* The Dedicated School Grant variance is not reported during monthly monitoring as it results in a net nil impact on the General Fund

Employees

For employee related expenditure, the spend reported each quarter is shown in the table below:

**Table 5: Employees - Actual Spend Contained in
Monitoring Report**

Quarter	2010-11 £000s	2011-12 £000s	2012-13 £000s
Quarter 1	21,693	21,687	20,242
Quarter 2	44,471	43,669	42,946
Quarter 3	67,891	65,178	64,611
Quarter 4	96,421	91,232	89,682

Appendix D(i) reconciles the employee financial management information reported as part of the Statement of Accounts to the information reported monthly as part of our management accounting.

Table 6: Breakdown of Employee Costs P12

Breakdown of employee costs	2010-11 £000s	2011-12 £000s	2012-13 £000s
Payroll	78,586	74,669	72,926
Agency	10,850	9,749	11,820
Redundancy	3,334	4,836	2,789
Other	3,650	1,977	2,147
Total	96,421	91,232	89,682

Appendix D(ii) reconciles the employee financial management information reported as part of the Statement of Accounts to the information reported monthly as part of our management accounting.

Consultants (Supplies and services)

Officers have been asked to report regularly on Consultants. When reporting on consultants reports are drawn from the specific “subjective” code used for these staff which is DF03 and classified as supplies and services.. The table below summarises the information provided over the required period, this is detailed in Appendix E(i) to E(iii):

Table 7: Spend on Consultants

Year	2010-11 £	2011-12 £	2012-13 £
Total	1,767,483	1,541,509	1,685,945

Expenditure has reduced compared to a high point of consultancy expenditure in 2009/10 of £1,814,006.

Introduction

The subjective analysis is the analysis of income and expenditure that is applicable to all Best Value reporting requirements for all accounting periods from 1 April 2008.

We use a set standard subjective analysis for a number of reasons:-

- The subjective analysis is a CIPFA recommended structure.
- It minimises the reporting requirements for Government statistical reporting.
- It provides information in a multi-dimensional format for Best Value
- It improves consistency and therefore helps Authorities to make effective comparisons for Best Value and other financial requirements
- A subjective Analysis provides further information that is useful for benchmarking analysis.
- For analysing costs in reviews.

Glossary of the standard Subjective analysis**Details of Expenditure groups and what is included:**

1 Employees: This group includes the costs of employee expenses, both direct and indirect to the Authority.

Direct employee expenses

- Salaries
- Employer's National Insurance contribution
- Employers retirement benefit costs
- Agency Staff
- Employee expenses

Indirect employee expenses

- Relocation
- Interview
- Training
- Advertising
- Severance payments
- Employee - related schemes

2 Premises: This group includes expenses directly related to the running of the premises and land.

- Energy costs
- Rent
- Rates
- Water Services
- Fixtures and Fittings
- Apportionment of expenses of operating buildings
- Cleaning and Domestic Supplies
- Grounds maintenance costs
- Premises Insurance
- Contribution to premises - related provisions.

3 Transport: This group includes all costs associated with the provision, hire or use of transport, including travelling allowances and home to school transport.

Direct Transport costs

- Repair and maintenance, running costs and contributions to provisions in respect of vehicles.
- Repairs and maintenance of (e.g.) roads included in this heading, but should be included in the relevant subjective headings (such as staff costs, supplies and services etc),
- This could include the write-off in the year if any assets not deemed material by the authority's capital accounting policies i.e. below de minimis thresholds set).

Contract hire and operating leasesPublic Transport

- Staff Travelling expenses

Car allowances

- Contribution to transport related provisions

4 Supplies and Services: This group includes all direct supplies and service expenditure to the authority.

- Equipment, furniture and materials
- Catering Services
- Communications and computing includes
- Expenses
- Grants and subscriptions
- Private Finance Initiatives and Public Private Partnership schemes.
- Contributions to provisions
- Miscellaneous expenses

5 Third Party Payments: Independent units within the council;

- Joint Authorities
- Other Local authorities
- Health authorities
- Government departments
- Voluntary associations
- Other establishments
- Private contractors
- Other agencies
- Debit resulting from soft loans

6 Transfer Payments: This includes the cost of payments to individuals for which no goods or services are received in return by the local authority. Four sub-groups are suggested: However, this list is not exhaustive.

- Schoolchildren and students
- Adult Social Services clients
- Housing benefits
- Debit resulting from soft loans

7 Support Services: Charges for services that support the provision of services to the public.

- Finance
- IT
- Human Resources
- Property Management /Office Accommodation
- Legal services (not included in the definition of Corporate and democratic Core)
- Procurement Services
- Corporate Services not included in the definition of Corporate and democratic Core)
- Transport Functions

8 Depreciation and Impairment losses: This provides the subjective analysis that will record the revenue impact of capital items in the services revenue accounts for the authority

9 Income: This group included all income received by the services from external users or by way of charges or recharges to internal users.

Government Grants

- Specific and special government grants

Other Reimbursements and contributions

- Revenue Income received to finance a function/project jointly or severally undertaken with other bodies.
- Contributions from other local authorities.
- Value of costs recharged to outside bodies including other committees.

Customer and Client Receipts

- Sales products or materials, data technology or surplus products.
- Fee and charges for services, use of facilities, admissions and lettings
- Rents, tithes, acknowledgements, way leaves and other land and property based charges of a non-casual user.

Interest

Recharges

- Value of costs recharged to internal users

Reserves

- All credits resulting from soft loans should be included in this subjective
- (as a corporate entry).

Requirement to Publish and Audit Payroll, Agency and Consultants Information

1. General

The accounting body for the public sector provides guidance on how expenditure should be classified by local authorities, this is called the “Recommended or Standard Subjective Analysis”, this is detailed in Appendix B. This template has been used to configure the Authority’s Accounting System. The CIPFA Recommended Subjective Analysis does not specify consultant as a subjective category. Paragraph 2.13.4 of Sercop (“Service Reporting Code of Practice”) deals with the concept of “Total Cost” It states that “Costs should be included in the relevant subjective group. For example, staff costs relating to architectural plans would be included in Group 1, Employees, but payment to external consultant for those plans would be included in Group 4 “Supplies and Services”.

2. Statement of Accounts

The audited Statement of Accounts contains two disclosures which are relevant-

Note 29 Segmental Reporting:

Contains a high level subjective analysis of the Council’s expenditure. In particular it distinguishes “Employee expenditure” and “Other service expenditure” (i.e. running costs”). Employees and consultants covering substantive posts should be coded to the former (**if correctly coded**) Consultants brought in for specific tasks should be coded to the latter (**if correctly coded**).

The Segmental Reporting disclosure can be reconciled back to the Cabinet report on outturn and we are working to improve this aspect of the disclosure for the 2013/14 accounts

3. The Whole of Government Accounts return

This is an audited document which is sent annually to the CLG. It contains a detailed **subjective** analysis of the Comprehensive Income and Expenditure Statement (one of the four “core” Statements in the accounts) . This includes a breakdown of the employee costs’ figure, including the amount spent on agency staff. It also contains a table showing Employee numbers and agency numbers.

**Whole of Government Accounts
Relevant Expenditure**

Employees	2010/11 £000s	2011/12 £000s	2012/13 £000s
<u>Direct employee expenses</u>			
Salaries & Wages	120,726	120,892	134,995
Employers NICs	9,604	9,540	10,240
<i>IAS19 Defined Benefit Pension Costs</i>			
Employers pension current service costs	15,283	10,350	14,181
Employers pension past service costs*	(43,518)	-	345
Recognition of gain/loss on settlement of pension liability	546	1,371	(381)
Pension contributions defined contribution plans and other external schemes (includes Teachers Pension Scheme)	9,893	6,096	6,463
Agency staff	8,194	9,945	11,279
Employee expenses	247	232	285
<u>Indirect employee expenses</u>			
Other employee expenses	5,622	6,260	3,171
Employee-related provisions expense	-	1,131	
Debits resulting from soft loans to staff	-		
Total Employee Costs	126,597	165,817	180,578
Supplies & Services	2010/11 £000s	2011/12 £000s	2012/13 £000s
Audit Costs	430	369	231
PFI Service Charge	2,144	3,944	3,865
Provisions expense	1,816	2,234	1,235
Other Purchases of Supplies & Services	17,258	58,420	58,930
Total Supplies & Services	21,648	64,967	64,261

* For a defined benefit scheme, the increase in the present value scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement funds. In 2010/11 the valuation of past service costs changed from RPI to CPI requiring a large adjustment to reflect the change in valuation.

**Reconciliation of Financial Accounts to Management Accounts for Employee
Costs**

Narrative	2010-11 £000s	2011-12 £000s	2012-13 £000s
P12 - total expenditure on A subjectives	96,421	91,232	89,682
FRS17 Adjustment (AA99)	5,408	664	4,495
Charge to Non-General Fund (AA98)	0	(573)	279
Severance Payments-officers (AB18)	0	0	(1,227)
Severance-Creditors (AB19)	0	1,008	0
Super Fund Revaluation Costs (AB54)	(463)	(463)	(463)
Traffic and Highways Adjustment	0	14	0
P14 - total expenditure on A subjectives	101,366	91,882	92,766
Less Pooled Budget & MSJCB (2010/11 only)	(3,080)	(2,821)	(2,798)
Less Trading Accounts	(3,645)	(2,848)	(3,123)
Add Schools Salaries	75,470	79,266	93,769
Less Teachers Golden Hello Adjustment	0	(25)	0
SubTotal	170,111	165,453	180,613
Total Note 28 (29 from 2011/12)	170,115	165,452	180,614
Difference	(4)	1	(0)

**Reconciliation of Audited Financial Accounts to Management Accounts for Agency
Costs**

2012/13 Agency Reconciliation	£000's
AA17 Total	11,820
Less Trading Accounts and Pooled Budget	541
WGA Total	11,279

2011/12 Agency Reconciliation	£ 000's
AA17 P14 Total	9,763
Less P14 Capital Adjustment	(14)
AA17 P12 Total	9,749
Less Trading Accounts & Pooled Budget	(448)
Add P14 Capital Adjustment	14
Add Schools Adjustment	601
Add codes no longer shown on AA17 report	29
WGA Total	9,945

2010/11 Agency Reconciliation	£ 000's
AA17 Total	10,850
Less Trading Accounts & Pooled Budget	(846)
Less Balancing Adjustment	(2,624)
Add Supply Teachers' Costs	642
Add codes no longer shown on AA17 report	172
WGA Total	8,194

Council/Corporate Services	£000s	Description (if necessary)
Financial Services	185	£93k specialist accounting advice, £60k financial systems support, £32k other
Information Technology	122	£60k GIS, £62 various IT systems support
Corporately Funded Items	95	£75k Retrolabelling data solution, £20k other
	40	Various small sums spread over expenditure codes
	442	
Children Schools and Families		
Transforming Families	173	Consultancy services to set up the Troubled Families initiative from Central Government to enable in-house management from 2013 onwards.
Schools Standards & Quality	128	Merton Education Partnership, traveller training, Education Otherwise programmes and schools marketing consultation costs.
Premises/Contracts/Procurement	86	Report on potential new Primary School sites, school strategy consultancy and school Procurement Hub development.
Schools Related	54	Support for academy conversion and service reviews.
Social Worker Training	53	Newly Qualified Social Worker program facilitation and complex assessment supervision and training.
LSCB Development	45	local and London children safeguarding board meetings, serious case review investigation and training.
Early Years	36	Preparation, training and annual visits to Early Years settings.
Special Educational Needs	27	School analyses and SEN transport feasibility study
	139	Various small sums spread over expenditure codes
	741	
Environment and Regeneration		
Regeneration	162	Numerous consultants working on the Economic Development Strategy. Including, feasibility studies, Business Support and regenerating Mitcham as part of the Outer London Fund.
Senior Management	80	Work on South London Shared regulatory service
Estate Management	84	Consultants working on the disposal of Capital assets
Street Management	54	Consultants working on the flood risk management
Refuse	25	Review of the commercial waste service
Greenspaces	18	Consultant to co-ordinate South Park Gardens work.
	32	Various small sums spread over expenditure codes
	455	
Community and Housing		
Adult Social Care	34	Libraries feasibility study and work on Self Directed Support
Housing Strategy	10	Consultancy costs for research on Homelessness Pathway
Merton Adult Education	3	Consultancy costs for MAE Review
	47	Various small sums spread over expenditure codes
Overall Total	1,685	

Consultants Spend 2011/12
Appendix E(ii)

Service Area	£000s	Description (if necessary)
Council/Corporate Services		
Financial Services	167	Specialist Accounting Advice (IFRICS, Capital Accounting and Review of MTFS)
Business Improvement	90	
Legal	54	
Payroll	53	
Efficiency Review	23	
	35	Various Small Sums spread over expenditure codes
	422	
Children, Schools and Families		
Education	237	Consultation required for various initiatives and projects including Troubled Families; Procurement Hub; Academy conversion; Early Years; set-up of preschool; managing adventure playground; apprenticeship and school enrichment; 14-19 diploma assessors; and education leadership.
Dedicated Schools Grant	124	Consultation support for schools procurement hub; SSQ marketing services; traveller training and education otherwise programmes; and tribal OFSTED training.
Childrens Social care	150	Consultation for inspection preparation, facilitation, supervision, strategic and service development; training from British Association for Adoption and Fostering; complex assessment supervision and training and local and London children safeguarding board meetings.
Private Finance Initiative	11	Merton life cycle review
	522	
Environment & Regeneration		
Property Management	225	Integrated Project Team costs. Consultants to enable/aid disposal of Capital assets.
Greenspaces	38	Community Park Warden. Leisure and Arts Development options appraisal.
Street Management	33	Flood Risk Management
Parking Enforcement	33	Consultants to aid disposal of P3 car park
Regeneration	28	Energy efficiency and renewable energy audits. Climate change consultant. Business growth consultancy.
Safer Merton	20	ASB consultancy services. Miscellaneous CCTV consultancy services.
	48	Various Small Sums spread over expenditure codes
	425	
Community and Housing		
Housing	84	Cost of closing & transfer of Housing from In-house to external body.
Planning and Commissioning	31	Self-Direct Support- Implementation
Adult Education	35	MIS consultant for skills funding agency for Quality Funding returns work & Curriculum planning.
	23	Various Small Sums spread over expenditure codes
	173	
Overall Total	1,542	

Service Area	£000s	Description (if necessary)
Council/Corporate Services		
Efficiency Review	430	Lean Consultants £267k, Parking Review £100k and Support Services Restructure £84k
Financial Services	215	Specialist Accounting Advice (IFRICS, Capital Accounting and Review of MTFS)
Insurance	48	Specialist Advice
	99	Various Small Sums spread over expenditure codes
	792	
Children, Schools and Families		
Support for specific projects	128	Merton Life Cycle review, Early years, play pathfinders and qualified Social Worker pilot training program
Sensory impairment consultations	17	Sensory impairment consultations
Complex assessments, supervision and training	15	Complex assessments, supervision and training
Local and London Children Safeguarding	19	Local and London Children Safeguarding
School improvement	26	School improvement
Needs Assessment Strategy	32	Needs Assessment Strategy
14-19 Diploma assessors	23	14-19 Diploma assessors
	202	Various Small Sums spread over expenditure codes including standards fund codes
	462	
Environment & Regeneration		
Travel Plan Bursary	43	Two consultants appointed to work on the School Travel Plan (STP) project, which was funded by the STP ABG Grant.
Miles Rd Incubator S106	21	This is work undertaken by Merton Chamber of Commerce in the Generator Business Centre Business Enterprise support as part of Merton Means Business Project.
Suburban Opportunity Zone	29	Project Management of grant from Capital Ambition - South London Opportunity Zone.
Property Management	37	The majority of the £37,562 expenditure on J01422-DF03 for 2010-11 relates to the consultant Alec Mann who was responsible for rent reviews and lease renewals. He was therefore funded from any increased income these reviews and renewals yielded.
River & Cloth Projects	43	Specialist to provide project management and expert delivery to meet funding requirements. Externally Funded.
Client Officers – Civic Centre	132	Specialist legal and leisure consultants employed in the letting of the long-term leisure management contract
	99	Various Small Sums spread over expenditure codes
	404	
Community and Housing		
Stock Transfer	43	Specialist consultants to finalise stock transfer
Adult Education	25	Project Management / IT Consultancy
	41	Various Small Sums spread over expenditure codes
	109	
Overall Total	1,767	

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