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OVERVIEW AND SCRUTINY COMMISSION - FINANCIAL MONITORING TASK GROUP

22 JULY 2014

(19.00 - 20.40)

PRESENT Councillors Suzanne Grocott (in the Chair), Hamish Badenoch, Peter McCabe and Peter Southgate

Zoe Church (Head of Business Planning), Caroline Holland (Director of Corporate Services) and Julia Regan (Head of Democracy Services)

1. APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies for absence were received from Councillor Dennis Pearce and from Paul Dale, Interim Assistant Director of Resources.

2. ELECTION OF CHAIR (Agenda Item 2)

Councillor Suzanne Grocott was elected chair.

3. FINANCIAL MONITORING REPORT - QUARTER 1 (Agenda Item 3)

Caroline Holland, Director of Corporate Services, introduced the report. She said that Cabinet would be receiving the report plus figures for July at its meeting on 15 September. She drew the task group's attention to the year end forecast overspend of £2.69m. This is of concern because at this point last year and the previous year the forecast was for a small underspend so there will be further analysis of budgets in order to understand why the pattern is different this year and what impact this would have on savings targets for this year and subsequent years. An update will be included in the quarter two monitoring report.

In response to questions about reasons for the forecast underspend, Caroline Holland said that it may be due in part to insufficient analysis by budget managers but there may also be services that have given up underlying underspends from previous years and therefore now facing budget pressures.

A task group member commented that the service areas that were on target for the 2014/15 savings had provided a better analysis. Caroline Holland agreed and said that she was not happy with some of the commentary that had been provided on the savings.

Caroline Holland drew the task group's attention to the capital programme, which continues to have low spend compared to the budget and so she has asked officers to review and provide updated profiles.

Corporate Services Department

Caroline Holland provided further detail in response to questions:

- iTrent issues still not resolved
- the customer services forecast underspend will not impact on services residents – the largest component is the underspend on the Local Welfare Support discretionary scheme on which there is no funding for 2015/16 so the underspend will be carried forward

Task group members urged action to address the continuing overspend on corporate communications. Caroline Holland said that there had been some staff reductions and that sponsorship opportunities were being sought.

Children Schools and Families

Cost pressures caused by an increase in spend on supporting care leavers to age 21 (and, in some, cases 25) and on people with “no recourse to public funds” have impacted on this budget and on third party payments (table on page 3) as these are not fully funded by government. Caroline Holland said that detail would be provided to London Councils to help their lobbying position and could also be sent to task group members.

ACTION: Director of Corporate Services

In response to concerns about the use of public health funds, Caroline Holland said that the monies being used were the public health underspend from last year and that these would be used to support public health initiatives in the departments. Caroline Holland said that the Director of Environment and Regeneration is leading a working group to review the cost of the provision of the transport services used by the departments and that further information would be provided in the next quarterly monitoring report.

Community and Housing

A task group member expressed concern that the forecast overspend in adult social care might represent an inability to keep up with pressures caused by increased demand on services. Caroline Holland said that there would be detailed analysis of this budget and associated savings proposals.

Caroline Holland undertook to provide information on:

- where the placements overspend of £3.22m is located in the table on page 9
- what is in the supplies and services budget in the housing underspend on page 12

ACTION: Director of Corporate Services

In response to questions, Caroline Holland provided further detail:

- the Public Health budget was nil because the budgeted expenditure will equal the grant received by the council

- a person might have more than one care package
- the voluntary sector is aware of proposals to reduce transitional payments and there will be further communication
- MAE=Merton Adult Education

The task group noted the forecast overspend in Communities and Housing and that savings had not been achieved in the last two years and AGREED that the Commission and Scrutiny Panels should scrutinise savings proposals carefully this year as well as examining the associated action plans.

The task group also AGREED that the review of the Merton Adult Education service and the subsequent action plan should be scrutinised by the task group if the Sustainable Communities Panel has not already got this on its work programme.
ACTION: Head of Democracy Services

The task group expressed concern about the continuing underspend in the public health budget and AGREED to monitor this.

Environment and Regeneration

The task group expressed concern at the overspend in this department and urged that more analysis of the budget be carried out to tackle this. The task group noted the continued employee overspend in the waste service and expressed surprise that there was a forecast shortfall income from commercial waste as this contradicted information given to the task group by the Waste Operations Manager on 27 February 2014.

Corporate items

Caroline Holland undertook to clarify the appropriations/transfers figures in the table on page 17. ACTION: Director of Corporate Services

Capital programme

Caroline Holland explained the relationship between the capital programme and revenue expenditure, whereby there is a revenue budget to support capital expenditure, therefore an underspend in the current capital programme would result in a minor underspend in that revenue budget in the following year. She drew the task group's attention to the table on page 29-32 that sets out the items in the capital programme, spend to date and forecast spend for year end.

She confirmed that £16m of the £44m capital programme budget would be funded by the council.

Delivery of savings for 2014/15

The task group expressed concern that it is predicted that 47% of the 2014/15 savings will not be achieved and AGREED that the Scrutiny Panels should monitor this closely.

Caroline Holland said that the “red” rating for waste management (on page 40) could be wrong and undertook to check and confirm. She also undertook to provide comments for the commercial waste collection savings item EN13 (page 41)
ACTION: Director of Corporate Services

Customer and client receipts

The task group noted that the current underspend is expected to reverse by the end of the financial year.

Miscellaneous debt update

The task group expressed concern that the underlying level of debt is continuing to rise. Caroline Holland said that housing benefit debt will continue to grow and there is a limit to how much can be recovered.

Reserves

Caroline Holland explained that these are reserves that have been set aside for a specific purpose. They do not include General Fund balances. She undertook to check and confirm the pension fund figures in Appendix 9 (page 54). ACTION: Director of Corporate Services

The task group noted that these reserves have been budgeted to decrease by £13m by the end of the financial year.

Cash flow forecast

Caroline Holland said that a simpler statement would be provided in the second quarterly monitoring report.

Questions from Councillor Suzanne Grocott

Councillor Grocott tabled a list of questions that she had previously emailed to Caroline Holland and asked for responses to be sent to all task group members before 10 September. The questions were:

Questions on Financial Monitoring papers

Page 3

Third party payments. Why has there been a £5.8m turnaround from a £2.1m underspend in 2013/14 to an expected £3.7m overspend this year? Especially as on page 24, YTD actual running below budget. What is expected to change?

What has the Balances account moved from a £1.8m overspend in May to a £1.3m underspend in June?

Why is such a low interest amount being forecast now in June?

Page 4

Business Improvement – forecast overspend of £113k on RPI and general increases in support & maintenance contracts. Please could I get more detail on this – which contract (s) and what RPI increase is stated in contract? Why would this not be taken from Provision for inflation in excess of 1.5%? What does the restructure of the systems and development teams involve?

Page 5

Corporate Communications not met budget for 3 years – what steps have been taken to address this?

Page 8

Post 16 SEN provision – was the same funding amount provided as DfE used to spend, but Merton wishes to do more, or was only a % of previous amount spent given to Merton? If so, what % does the £953k overspend represent?

What steps are E&R taking to reduce staff sickness levels?

Page 9

Why should we believe that Adult Social Care will actually overspend when every year it ultimately underspends?

In which line is the £1.3m Better Care Fund allocation included? Are any other grants expected/ hoped for that have not yet been included in the budget which would help reduce the overspend?

Page 11

What does a DoLS request entail? What will this require Merton to do?

Page 12

Has the stoppage of second half transitional payments to affected Voluntary Organisations been discussed with them? What impact is this going to have?

Why is there budget pressure on salaries in “direct provision”?

MAE – could this review / action plan be brought to Financial Monitoring Task Group when completed?

Page 15

Why is a continued employee overspend forecast? Have any actions been put in place since last year? Is there any impact from the dispute with a solo sweeper who has been emailing Councillors?

Page 26

Supplies and Services £7m below budget to June, but Full Year on budget? What major items in budget, but not yet been spent?

Council agreed in July 2013 that all employees should receive a minimum of the London Living wage. Why is that not mentioned as this is more than 25p above minimum wage?

Page 32

Why is there a negative £1.7m YTD budget in Transport and Plant?

Appendix 6

Why can't these reports be standardised so that same information shown on all? – e.g. Corporate Services shows which R/A included in Forecast over/under which is useful information. This would be especially useful to include in E&R.

Based on the meeting to discuss the Commercial Waste action plan, it was said that a new agreement had been signed in April to reduce cost per tonne. However no expected savings included yet? Is this realistic? Was a new agreement signed?

How much will 8 CEOs cost – when saving to be found is only £48k. This explanation doesn't really make sense.

Appendix 8 – How much debt was written off last year? Is Management concerned about the large increase in debt – whilst majority is <39 days in miscellaneous sundry debt – is this reflecting the increase in spending by the Council?