Response to the Questions Raised on the Financial Monitoring Report Presented to the Financial Monitoring Task Group 22 July 2014

Response Introduction: This document is the formal response to the questions submitted by Councillor Grocott (CSG), the Chair of the Financial Task Group (FMTG) and subsequent questions raised at the meeting. References supplied in the document refer to the published document for the FTG on 22 July 2014.

Three amendments will be made to the June Monitoring report for Cabinet in September as follows:

1) Overall percentage overspend to be stated as part of Recommendation A in subsequent monitoring reports.
2) The graphs attached as Appendix A will be added to this and subsequent monitoring reports.
3) The delivery of Savings attached as Appendix 6 will be re-formatted to be consistent across departments and all departments appendices will contain a column indicating whether or not it is reflected in outturn projections.

The response to questions will quote all numbers in £m. Questions are shown in blue text and the formal response in black

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Question: 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?

Response: The table below splits this variance over the various departments within the Council, departmental variances are explained in the narrative below the table:

Service Area	Total Budget £	Latest Forecast £	Forecast Variance £	2013/14 Full year Variance	Current Yr. -v-Last Yr. Variance
CS	1,333,010	1,119,887	-213,123	-82,715	-130,408
C&H	42,014,000	44,696,000	2,682,000	1,133,000	1,549,000
CSF	27,354,000	28,403,000	1,049,000	-1,813,000	2,862,000
E&R	9,654,000	10,094,000	440,000	-1,303,000	1,743,000
TOTAL	**80,355,010**	**84,312,887**	**3,957,877**	**-2,065,715**	**6,023,592**

Explanation:
Corporate Services -£0.13m
There were two major causes of this variance
1) £0.062m due to reduced 2014 Contract payment for Catering services and
2) £0.062m unbudgeted 2013-pension payments.

Both of these were matched against recharges to other sections.

Community and Housing +£1.6m
In 2013/14 the department's third party budgets was £1.1m over-spent, there were two main causes of this overspend, these were placements (£0.866m) and Housing B&B Temp accommodation (£0.269m).
In 2014/15 the departments third party budgets are forecast to overspend by £2.7m mainly on placements.
The housing B&B temporary accommodation overspend was off-set by housing benefits income

Environment and Regeneration +£1.7m
The departments 2013/14 overspend of £1.7m is due to £1.0m South London Waste Partnership contract renegotiation that the authority was able to achieve in 2013/14, whereas the associated budget reduction was implemented in 2014/15. Further third party payment savings of £0.697m were also implemented in 2014/15, and additional Flood Risk management costs of c£0.065m compared to 2013/14 are also being incurred this financial year.

Children, Schools and Families +£2.8m
The £2,862k change on this department is split between general fund (£0.4m increase) and Dedicated Schools Grant (DSG) (£2.4m increase).

The majority of the general fund increase relates to the overspend on Supported lodgings/housing (£0.337m) due to additional demand and cost increases.
The DSG increase is due to two main areas:

1) The underspend on independent residential care has gone down by £1m due to increase in numbers as well as using some of this funding to mitigate the changes in DSG funding arrangements.
2) £0.8m to post 16 high needs funding where the Education Funding Agency has not provided sufficient funding to cover the cost.

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

Response: The reason for this variance is the recognition in June monitoring of the DSG overspend and the change in treatment of the Public Health Earmarked Reserve from 2013/14.

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

Response: This interest item is not the full interest on all reserves, but only relates to Merton's PFI reserve. The long term PFI model assumes a 1% interest rate on the average reserve balance. The estimate as at June assumes a 0.5% interest rate based on the current rate which is why the amount is lower.

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Question: 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?

Response: This predicted overspend arises because of delays in delivering savings against the total contracts for software support related to two factors: The majority of contracts have an RPI increase of c.3% and the IT strategy should deliver reductions in the number of products supported. The financial position has now been fully reviewed to incorporate both under and overspends and will reduce in subsequent monitoring reports.

Question: 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?

Response: This is for consideration later in the year. The provision is needed to offset overspending at this stage.

Question: What does the restructure of the systems and development teams involve?

Response: A restructure of 25.45 FTEs which enables the team to introduce a structure and job descriptions that relate more directly to organisational demand and the business model . It will also introduce a wider range of skills and experience within the team in order to ensure resources are deployed more efficiently as well as reducing the operating budget in line with the Medium Term Financial Strategy savings.

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

Response: An income target was introduced in 2009 based on a report produced by PWC which assessed the potential income generation levels for advertising and sponsorship in Merton. The report was written before the economic downturn, and the levels have not proven to be deliverable. To offset this, a number of reductions have taken place. Three posts have been deleted reducing the comms team to 5 full time members of staff. In addition, savings were identified to reduce the cost of My Merton by a third, as well as reducing the council's overall marketing budget by a quarter. The team has also introduced two revenue streams – roundabout advertising and lamppost advertising.

Question: Will the underspend on Customer Services impact on residents?

Response: The forecast underspend on this service will not impact on 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 is currently proposed to be carried forward.

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Question: 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?

Response: The responsibility was transferred to Local Authorities from the 2013/14 academic year which started in September 2013. This meant that 7/12ths of the cost and funding for the first academic year was transferred to Merton. Merton continues to pay based on the same level as the EFA used to pay and are not trying to provide a higher level of service.
Following representation to the Education Funding Agency last year, they increased Merton's funding for the 7 months by £0.706m to £1.356m. The actual cost for the 7 months was £1.426m. For the 2014/15 financial year Merton needs to fund the full year equivalent of these costs. We received £1.360m for the full year. We again made representations that the funding was not sufficient, but the EFA refused the request for additional funding. The estimated cost of the service for the full year is

£2.313m which £0.953m above the funding provided and represents a 70% shortfall on the budget.

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

Response: There had been a tendency to overestimate spending in the early months of the financial year. However, in 2013/14 Adult social Care forecast an underspend throughout the year and the June forecast was only £0.750 higher than the out-turn a reduction in spending largely explained by late grant income.

Question: 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?

Response: The BCF is included in Access & Assessment Placements and Directorate Project costs. All grant allocations that have been announced are included in the budget. Winter pressures allocation may be announced later in the year.

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

Response: The Deprivation of Liberty Safeguards (DoLS) is part of the Mental Capacity Act 2005. It's purpose is to prevent breaches of the European Convention on Human Rights (ECHR). They ensure that people accommodated in care homes and hospitals, who lack capacity to consent to arrangements for their care, can only deprived of their liberty if it is in their own best interests.
Care homes or hospitals must ask the local authority if they can deprive a person of their liberty.
Operational responsibility for the DoLS falls to the Safeguarding Adults Team. Each referral requires assessment by 2 independent assessors. The mental health assessor must be a section 12 doctor (usually a Psychiatrist), and the Best interests assessor (BIA) must be a social worker, OT, Nurse or Clinical Psychologist with 2 years post-qualification experience, who has undertaken accredited training.
The DOH has estimated that Merton may have 400 Dols assessment request this financial year. The assessments are estimated to cost of £0.290m.

Estimated cost	£000
400 DoLs assessments @ £250 per case (Mental Health Assessors £250 per assessment inc travel, Nil for BIA).	100
Backfill for 4 social work posts & PA support & Senior Administrator for production/coordination of Court of Protection papers	187
3 sessions of mandatory refresher training for BIAS 1000 per session	3
Total	**290**

The President of the Association of Directors of Adult Social Services, on the 6th June detailed the national impact of DOLS on Local authorities.

Question: Where the placements overspend of £3.22m is located in the table on page 9?

Response: The placements overspend of £3.22m in the FMTG report was an error and the correct figure of £2.549m is now reported in the Month 3 Cabinet report.

Page 12

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

Response: The proposal is to taper out the transitional support by offering 50% of current allocation between 1 October and 31 March 2015 and then nothing between 1 April 2015 and 31 March 2016. It is also intended to review with the voluntary sector the process of funding them to deliver services, starting this autumn and in time for the next round of decision making around autumn of 2015.
The Head of Commissioning will write to Voluntary Organisations asking them to come in to a meeting and at the meeting the above position will be explained.
Vol Orgs will be invited to share their plans for managing this, on the basis that they have had 18 months to plan for a withdrawal of funding. They will be encouraged to look at their staffing resource as the most expensive item. The process will be reviewed for the next round, but with no promises to anyone (however successful or unsuccessful they have been in this round) about funding.

Question: Why is there budget pressure on salaries in "direct provision"?

Response: There is a client with complex medication management needs at Riverside residential home that now requires additional support.
Staff at Meadosweet Residential home are also providing support to Cliveden Supported Living service, budget is not sufficient to cover the additional costs.

The budget for the Senior Food Service assistant at Highpath Day centre café was reduced as part of savings; however the post has not yet been deleted.

Question: What constitutes the Housing supplies and services budgets?

Response: Supplies & services constitute Equipment, Furniture & Materials, Catering, Printing, Stationery & General office expenses, Services, Communication and Computing

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Question: What are the asterisks for on the Table?

Response: Asterisks indicate “Mandatory Public Health Services”

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Question: 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?

Response: This has been a perennial matter and has been reduced significantly through reducing agency cover for sickness particularly amongst street cleaners during 13 / 14 and more so in 14/15. We are also looking to amend shift patters and bank holiday working arrangements in order to reduce pressure on this budget further.
The person emailing councillors is an ex-employee and this has no impact on the budget.

Page 16

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

Response: The department is rigorously pursuing the council’s staff sickness policy. It must be recognised that the physical nature of much of the work the department will inevitably have a higher sickness level than the council average.

Page 17

Question: to clarify the appropriations/transfers figures in the table

Response: The appropriations/ transfers totalling £2.409m are in relation to the transfers from reserves. The detail for these is shown in Appendix 9, page 54. As at Month 3, £1.417m has been transferred with timing accounting for the further transfers to come forward in Environment & Regeneration, particularly in relation to the Economic Development Strategy of £0.811m.

Page 26

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

Response: This is a profiling issue relating to Dedicated Schools Grants Payments to schools.

Question: 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?

Response: It is not mentioned as it does not form part of the national pay claim or offer. The impact of the LLLW is low as was reported at the time of agreement. The minimum wage was set at £6.31 in October 2013. LLW was set at £8.80 in November 2013. The Mayor of London will review it in November 2014.

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

Response: This relates specifically to the scheme for "Transportation Enhancements" which had an original approved budget of £2.5 million in 2014/15. This sum was re-profiled into 2015/16 as part of the report to Cabinet on 30 June 2014. There is a quirk in the capital financial monitoring report which relates back to the original budget to undertake the calculation and then compares it to the current budget creating an anomaly. Normally a manual adjustment is made to override this anomaly; it was omitted in this case, but has been amended for the Month 3 Cabinet report.

Appendix 6

Question: 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.

Response: We will seek to standardise in future reports.

Question: 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?

Response: Yes we have agreed revised waste gate fee and this has been assumed in the estimates. Commercial waste had ambitious income targets set and we work towards getting more business but the market remains extremely competitive. There is a projected o/spend but this is mainly down to increased waste volumes this year as we recover from recession.

Page 40

Question: to check and confirm the "red" rating for waste management.

Response: This has been amended for the Month 3 Cabinet report and now shows Green.

Page 41

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

Response: The 8 CEOs will not be full time or work all year. They will help mitigate impact of short term sickness. The £48k at risk remains at risk due to higher levels of compliance by motorists although income against estimates has improved slightly in June

Question: Can comments be provided for the commercial waste collection savings item EN13?

Response:
Unfortunately this was incorrectly reported as 'Red'. In fact this saving has been met and has now been updated on the 'Progress on Savings' sheet to show as 'Green' for the Month 3 Cabinet report.

Appendix 8

Question: 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?

Response: In 2013/14 we wrote off £184,000 in sundry debt and £518,000 in housing benefit overpayments. In 2012/13 we wrote off £389,000 in sundry debt and £278,000 in housing benefit overpayments
There are robust processes in place to collect monies owed to the Council. Much of this is paid before the debt reaches 39 days old and only at this stage do we commence recovery action. There has been an increase in housing benefit overpayments, partly due to the large increase in benefit that is paid out. There is also an increase in community care debt – more detailed information on the actions being taken to recover this debt is detailed in the report.
Over the past three years we have raised sundry debts to the value of:
11/12 - £36.8 million
12/13 - £48.7 million

13/14 - £44.8 million

Appendix 9 (page 54).

Question: Can the pension fund figures be checked and confirmed?

Response: The amount has been checked and the use of the reserve is being reviewed in light of the Pension Fund revaluation and the proposed review of the arrangements.

END