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OVERVIEW AND SCRUTINY COMMISSION

29 JANUARY 2015

(19.15 - 22.20)

PRESENT Councillors Councillor Peter Southgate (in the Chair), Councillor Peter McCabe, Councillor Hamish Badenoch, Councillor John Dehaney, Councillor Brenda Fraser, Councillor Suzanne Grocott, Councillor Jeff Hanna, Councillor Russell Makin, Councillor Oonagh Moulton, Councillor Dennis Pearce and Denis Popovs

Sophie Ellis (Assistant Director of Business Improvement), Paul Dale (Assistant Director of Resources), Paul Evans (Assistant Director of Corporate Governance), John Hill (Head of Public Protection and Development, ENVR), Caroline Holland (Director of Corporate Services), Mark Humphries (Assistant Director Infrastructure & Transactions), David Keppler (Head of Revenues and Benefits) and Chris Lee (Director of Environment and Regeneration)

1 DECLARATIONS OF PECUNIARY INTEREST - SEE NOTE OVERLEAF (Agenda Item 1)

There were no declarations of pecuniary interests. Councillor Makin informed the Commission that he is on the Board of Merton Community Transport

2 APOLOGIES FOR ABSENCE (Agenda Item 2)

Apologies for absence were received from Colin Powell, Simon Bennett and Peter Connellan.

3 MINUTES OF THE MEETING HELD ON 25 NOVEMBER 2014 (Agenda Item 3)

Agreed.

4 CUSTOMER CONTACT PROGRAMME - UPDATE (Agenda Item 4)

The Chair pointed out that that officers would not be able to discuss detail about specific companies as it is commercially sensitive information.

The Assistant Director of Business Improvement gave an overview of the report stating that we now have two bidders, both whom could deliver the contract, final tenders will be received shortly then the evaluation process will begin.

Councillor Makin queried what support would be available for residents who do not use the internet.

The Assistant Director of Business Improvement said we will retain other channels of access and people will not be disadvantaged if they do not have on-line access but we will encourage as many people to go on line as possible.

Councillor Moulton asked whether the budget for the customer contact project was set aside in 2012-13, if more money will be required and what will be on the website this year.

The Assistant Director of Business Improvement said the bidders will submit an implementation plan and timescale by September; it will include interactive portals on waste, streets and parking services. By April 2016 we expect further services including those relating to parks and leisure, planning and complaints and freedom of information requests to be on the website. We have scheduled in resources, we have asked bidders to state in their tenders what resources they require and this will be taken into consideration during the evaluation.

The Director of Corporate Services said there is an overall price and bidders must come within that.

Councillor Grocott asked for clarification on how bidders will be incentivised to include the maximum number of services in their integration and the link between department savings and how this will feed into the customer contact programme.

The Assistant Director of Business Improvement said the bidders' quality score is weighted by the number of service integrations they include in their tender.

The Customer Contact programme underpins activity set out in the Medium Term Financial Strategy. We also looked at the Target Operating Model for each service to determine where services are looking to move customers on line so that the programme helps departments to meet their savings targets.

The Director of Corporate Services said it may not immediately be apparent which savings are linked to the customer contact programme, for example libraries and the on-line booking system will be delivered through the customer contact programme.

Councillor Badenoch asked officers to clarify if we are spending £3.5 million on the customer contact programme, including the electronic document management system, with the savings embedded although we do not know what they are.

The Director of Corporate Services said it was agreed not to build in savings until we are sure what can be achieved. This was agreed in the 2012 Cabinet paper and once the final solution is selected we can state with confidence the expected savings. The basis on which the programme was agreed by Cabinet was that it was part of making the council more business like and efficient and is being funded from reserves earmarked for this purpose.

Councillor Dehaney asked what provision there will be for customers who go on line but English is not their first language.

The Assistant Director of Business Improvement said as part of the specification both officers and customers will be involved in designing and testing the website to ensure that it is designed in a way that customers will understand.

Councillor Hanna asked what safeguards we have to ensure that the contract is open ended so we can make changes to the website if we need to, and if this will incur an additional cost.

The Assistant Director of Business Improvement said the specification within the contract will include details of financial penalties if there is a failure and we will hold contractors to account. We are also negotiating an upfront competitive day rate with contractors should the need to do additional work arises.

RESOLVED

The Commission thanked officers for their report and would like an update on the progress with this work in due course.

5 BUDGET AND BUSINESS PLAN 2015-19 (Agenda Item 5)

The Chair asked the Director of Corporate Services to give a brief overview of the Business Plan highlighting current changes and risk to deliverability of savings.

The Director of Corporate Services said we currently have a budget gap of £15.3 million if all proposals put forward to members are accepted. To put it into context this could mean a loss of 367 posts if the council choose to make the savings through staffing. We have used capital receipts to fund some short term assets, it takes time for these savings to appear in the funding of the programme. The Budget for 2015-16 is balanced. The budget for 2016-17 is balanced at this stage although the assumptions are based on the current Treasury projections. This could change after the general election.

The level of risk for savings is increasing year on year, some details of deliverability of high risk savings for the future need to be finalised and we will do this closer to the time. We have delivered on high reputational risks so far. We are constantly reviewing and challenging managers regarding delivering savings. The Human Resources and Procurement teams are also helping to manage the change. We are also working with councils across South West London who are dealing with similar issues.

Councillor McCabe asked for clarification on what has happened to the council finances and why are we facing this. What has happened to our support from Central Government, what are our boundaries and flexibilities, should we be increasing council tax and are our level of reserves too high.

The Director of Corporate Services said the government grant funding regime has changed; there has been a separation out of the Business Rates. The council has had a 20% reduction in funding since 2010. We have also lost £12 million a year in area based grants.

Increasing Council Tax is an option available to the council, we currently have a council tax freeze grant, this is reducing over time. If we increase council tax above 2%, it would trigger a local referendum, which would cost £300,000. A 1% increase in council tax would yield £800,000. Therefore a council tax increase cannot close the budget gap over a four year period but an increase is still an option for the future.

Our current levels of reserves are not too high. We currently have £14 million in the general fund reserves, after allowing for the current overspend. Some of our reserves are dedicated to schools which cannot be used by us. We also have monies set aside for the Transforming Families and Apprentices Programmes. There are limits on the way we can use capital receipts but we will be using some which will reduce the reserves.

Councillor Grocott said the majority of savings seemed to come from reduction in service rather than making efficiencies.

The Director of Corporate Services said we are constantly ensuring that we focus on efficiency savings, but it is not always possible. Many councils across the country have closed libraries and children's services but we have not done that.

The Assistant Director of Resources drew Commission members' attention to Page 130 of the agenda pack which highlighted that the majority of the savings are efficiencies rather than service reduction.

Councillor Badenoch asked what percentage of savings in 2015/16 is based on failure to deliver pre-agreed savings.

The Director of Corporate Resources said the savings for which alternatives were brought forward is approximately £500,000.

Councillor McCabe asked for clarification on how much 20% of government funding equates to in monetary terms.

The Assistant Director of Resources said the service specific grants are around £20 million.

Councillor Hanna said Stephen Hammond MP had recently given an interview and said the council has been irresponsible in its failure to use its reserves of £100 million. Councillor Hanna asked the Director of Corporate Services to write to Mr Hammond and confirm her advice to the Commission about the actual level of reserves we hold and that they are not excessive.

The Chair confirmed that we currently have general fund reserves of £18.8 million which will reduce to £14 million by the 31st March.

The Director of Environment and Regeneration gave an overview in regards to savings E&R43. Safer Merton had recently cut the Head of Service post which was totally through efficiencies as there was no reduction in service. The department is

now looking for further savings which will save £70,000 in two years in non- statutory services. The detailed proposals will be worked up over the next two years.

The Head of Public Protection said they are looking for opportunities to bring forward efficiencies before 2017-18.

Councillor Southgate said he is concerned about prolific offenders who are small in number but cause disproportionately high social and economic costs.

The Director of Environment and Regeneration said we are working with Mayor's Office of Police and Crime to tackle this issue.

The Assistant Director of Infrastructure and Transactions gave an overview of the saving proposals in his area (CSD1-CDD8)

Councillor Southgate asked why CSD2 has not been extended to 2016-17

The Assistant Director Infrastructure & Transactions said we cannot extend the programme yet as we do not know the level of government funding for the future.

Councillor Badenoch asked if there are any savings for 2015-16. The Assistant Director of Infrastructure and Transactions confirmed that there is a rolling programme of savings.

The Assistant Director of Corporate Governance introduced the proposed savings in relation to CSD43 - CSD45 highlighting we currently have legal service shared with Richmond, Kingston, and the proposed shared services will allow us to share information across four councils.

The Chair highlighted that the proposed cuts include webcasting costs £15,000 per year and attracts around 1000 views per month. The scrutiny support fund would be cut but training for councillors would be available through the learning and development budget.

The Assistant Director of Corporate Governance clarified that we currently have around 1,500 views per month and most take place after the event, two hundred for planning with the remaining for Full Council.

Councillor Badenoch asked if the following savings can be brought forward: CSD16, CSD17,CSD22.

The Director of Corporate Services said that further investigations would be required to see if this would possible.

RESOLVED

The Commission were concerned about the proposed savings and the impact upon vulnerable residents. Officers have been asked to consider which savings can be brought forward and The Financial Monitoring Task Group will consider alternative sources of revenue.

6 SCRUTINY OF THE BUSINESS PLAN 2015-2019: COMMENTS AND RECOMMENDATIONS FROM THE OVERVIEW AND SCRUTINY PANELS (Agenda Item 6)

The Chair said he is concerned about the savings but has not been able to reject them as it is difficult to find alternative savings. There may be other things we can do and the Financial Monitoring Task Group will be well placed to consider other ideas. Possible alternative sources of funding could include the pension deficit; look at the council's estate, higher values gained from property being converted from office to residential use, inflation, charging a fee for diesel cars. There are some revenue opportunities and if we had had time we could have considered alternative options.

The Director of Corporate Services said we have built in assumptions based on the rise in interest rates. We also need to ensure that we do not reconstitute a housing revenue account if we attempt to change the use of council property.

The Chair asked the Director of Corporate Services to work with the Financial Monitoring Group to look for alternative sources of revenue to fund some of the savings.

Councillor Grocott expressed concern about saving CH13 suggesting that it should be re-considered. Councillor Grocott moved a motion asking for CH13 to be referred back to Cabinet. Councillor Lewis Lavender seconded the motion.

The motion was defeated by 5 votes to 4.

The Commission asked Cabinet to note its concerns in three main areas:
The commission expressed serious concern about the loss of the council's Youth Service. (CSF06)

The Commission had serious concerns about proposed reduction in planning enforcement and ask that officers further develop the proposals and bring back suggestions for further scrutiny. (ER30)

The Commission has serious concerns about the reduction in services in day care centres. (CH13).

Councillor Badenoch said all political parties have said they will maintain the current funding levels for local government after the election. However we do have choices, some councils have cut communications teams to support adult social care. We need to think radically and holistically about changing the way we work to protect services for vulnerable people.

Councillor Badenoch said there were opportunities to bring forward some savings. The Director of Corporate Services said bringing forward savings would only benefit us for one year.

RESOLVED

That a reference is sent to Cabinet highlighting the Commission's areas of concern in regards to the savings.

That the Director of Corporate Services work with the Financial Monitoring Task Group to identify alternative sources of revenue to fund some of the savings.

7 SCRUTINY REVIEW OF PUBLIC SECTOR DELIVERY MODELS - SCOPE AND TERMS OF REFERENCE (Agenda Item 7)

The Chair asked Commission members if they wished to join a task group looking at public sector delivery models.

Councillor Makin expressed an interest in joining the task group. Commission members expressed concern that the scope of the work is very broad. It was agreed that a refined scope should be considered at the March meeting.

RESOLVED

That the scope for a possible task group on public sector delivery models should be refined and brought to the Commission in March 2015.

8 WORK PROGRAMME 2014/15 (Agenda Item 8)

The Commission noted the work programme.