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OVERVIEW AND SCRUTINY COMMISSION - FINANCIAL MONITORING TASK GROUP

26 JULY 2016

(7.15 pm - 9.35 pm)

PRESENT: Councillor Hamish Badenoch (in the Chair),
Councillor Mike Brunt, Councillor Stephen Crowe,
Councillor Suzanne Grocott, Councillor Jeff Hanna,
Councillor Dennis Pearce, Councillor Peter Southgate and
Councillor David Williams

ALSO PRESENT: Councillors Nick Draper

Kim Brown (HR Lead), Zoe Church (Head of Business Planning),
Sophie Ellis (Assistant Director of Business Improvement),
Caroline Holland (Director of Corporate Services), Bindi Lakhani
(Head of Accountancy), James McGinlay (Head of Sustainable
Communities), Doug Napier (Leisure and Culture Greenspaces
Manager) and Julia Regan (Head of Democracy Services)

1 ELECTION OF CHAIR (Agenda Item 1)

Councillor Hamish Badenoch was elected as Chair.

2 APOLOGIES FOR ABSENCE (Agenda Item 2)

There were no apologies for absence.

It was confirmed that Councillors Stephen Crowe and Suzanne Grocott had joined the task group.

3 MINUTES OF MEETING HELD ON 5 JULY 2016 (Agenda Item 3)

AGREED subject to addition of an action point at the end of the item on estate management, to read "ACTION: Task group requested an update report to a future meeting that would categorise assets as discussed and provide detail of yield".

4 2016/17 QUARTER 1 MONITORING REPORT (Agenda Item 4)

Caroline Holland, Director of Corporate Services, provided a brief overview of the report contents. She said that, as the report is still to be presented to Cabinet, there are some items (such as recommendation B) that are subject to Cabinet's approval at its meeting in September. Caroline Holland drew the task group's attention to the overspend that was forecast particularly in adult social care and children's social care.

Members expressed concern at the ongoing overspends in SEN transport and repeated the task group's request for a deepdive report on this service area.

ACTION: Report on SEN transport costs to be received at meeting on 10 November that will be of sufficient quality and detail to explain what is driving the ongoing overspends and what is being done to address this.

Members commented on the shortfall in the delivery of savings and asked why these savings were not being achieved. Caroline Holland said she was not happy with the current position and would continue to track delivery and follow this up with Directors. In response to a specific question about why the Community and Housing savings were not for a full year, Caroline Holland said this was due to the delay in submitting the business case for consultation with staff and the consequent knock-on impact on start date.

In response to a question about under-provision in the budget for unaccompanied asylum seeking children, Caroline Holland said that this was dependent on government funding and that the government was being lobbied to provide funding.

In response to a question about inflation assumptions, Caroline Holland said that some funds had already been released in relation to the corporate cleaning contract, that she had received other requests for release, that this was being reviewed on a monthly basis and that funds would be released at various points during the year.

ACTION: Caroline Holland undertook to provide information on whether the level of debt has increased in proportion to the increased amount of payments due.

ACTION: Members requested that the HR metrics in Appendix 12A be provided on A3 paper in future

5 CUSTOMER CONTACT PROGRAMME - ANALYSIS OF SAVINGS (Agenda Item 5)

Sophie Ellis, Assistant Director of Business Improvement, introduced the report, briefly explaining the purpose of the customer contact programme and outlining progress to date. She drew the task group's attention to the savings information set out in the appendix, as had been requested by the Overview and Scrutiny Commission.

Task group members asked a number of questions about the causes and consequences of the delay that had been experienced. Sophie Ellis said that the delay was chiefly related to technical challenges, difficulties and a degree of over-ambition by the supplier (General Dynamics IT). The impact on the council had been absorbed to date but would be more of a challenge if there were further delay as this may impact on services' ability to make savings and there may be an overspend on internal staff supporting the programme. Sophie Ellis assured the task group that the financial penalties that had been written into the contract had been activated appropriately whilst at the same time maintaining a constructive working relationship with the supplier.

Sophie Ellis said that the number of online transactions had increased since the introduction of the beta website and that feedback from users was being shared with the provider so that adjustments and improvements could be made.

The task group noted that the total of all savings set out in the appendix is round £600,000 and asked what proportion were dependent on delivery of the customer contact programme. Sophie Ellis said that they all had some level of dependency but that this varied - some relate to streamlining processes, others to efficiencies and different ways of working. She added that they are reported monthly to the Programme Board to monitor and to check the relationship to the customer contact programme.

AGREED to request a further update on savings associated with the customer contract programme, including indicative percentage figures showing dependency on the programme.

6 GREENSPACES - BUDGET DEEPDIVE (Agenda Item 6)

Doug Napier, Greenspaces Manager, introduced the report. Councillor Nick Draper, Cabinet Member for Community and Culture, and James McGinlay, Head of Sustainable Communities, were present to answer questions.

Doug Napier drew the task group's attention to the overspends of more than £200k relating to staff costs and service income in each of the last two financial years. He emphasised the seasonal and unpredictable nature of the work and the high proportion of the budget spent on staff. He said that total income from events was substantial and that cemeteries income, which had dipped last year, was increasing this year.

Members asked a number of questions about the benchmarking information that had been provided. Doug Napier said that no two boroughs have directly comparable services and that although he had done his best to adjust the data it was still an imperfect measurement. James McGinlay added that some of the additional expenditure in Merton compared to Sutton reflects income generation work in relation to sports and other events.

Members said that even though the benchmarking does not provide an exact comparison it raises questions about whether the service is providing value for money and whether some of the activities currently provided should continue. Councillor Nick Draper said that he genuinely believed that the service is value for money and that he would ask officers to work on the benchmarking data to provide more robust comparisons.

Members expressed concerns at differences between the 2016/17 budget and budget forecasts in the quarter 1 financial monitoring report. James McGinlay said that the overspend on overtime payments reflects unexpected additional work (for example that caused by rapidly growing grass verges following higher than average rainfall) that had not been included in the baseline budget. In relation to the underachievement of income, James McGinlay said that income fluctuates from year

to year and that the council is in competition with other providers. In response to a question, Doug Napier said that the report captures the main income streams but that there are many others.

James McGinlay said that the Classics in the Park event had made a loss last year and that ticket sales were being monitored against costs for this year's Live at Wimbledon Park event and would be reviewed so that the event would not go forward unless it would break even. Councillor Nick Draper said that he had taken a decision this week to not proceed with the event as he was not confident that it would break even. He said that it was right to be entrepreneurial and that he would be looking for alternative proposals.

Doug Napier said that there has been a decline in overall demand for provision of football pitches and other sport activities nationally as well as locally. He added that the Phase C procurement would enable assets to be sweated. Councillor Nick Draper said that the contract with Greenwich Leisure Limited was an example of what could be achieved.

Task group members discussed concerns that the data in this report and in the quarterly monitoring report do not support the assertion that the service is efficiently run and that, if there were efficiency savings to be made, this should ideally be done prior to outsourcing. In response, James McGinlay said that officers had received external expert support on pricing during the competitive dialogue phase to ensure that the council would get a good commercial deal; that safeguards in relation to profit share had been built into the contract; and that finetuning would take place before the final award of contract. Caroline Holland added that there may be further opportunity for savings when Kingston and Croydon join the contract.

AGREED to receive further report on Greenspaces budget at task group meeting on 10 November so that a clear understanding of the cost base and the benchmarking information could be achieved. The task group requested more detail of the service's revenue and commercialisation strategy.

7 BUDGET DEEPCIVE REPORT BACK TO COMMISSION - DISCUSSION (Agenda Item 7)

Members agreed that the Greenspaces report and data had provided less detail than they would wish to have for "deepdive" purposes. Members wish to strike a balance so that the right level of detail is given to enable them to provide challenge but not so much detail to obscure the overall picture.

AGREED that Councillors Hamish Badenoch and Jeff Hanna would meet with Julia Regan and Caroline Holland to identify a template for use for future deepdive scrutiny of service budgets. Also agreed that deepdive template should include three years of budget data to provide a trendline.

8 DATES AND AGENDAS FOR FUTURE MEETINGS (Agenda Item 8)

AGREED the following agenda items for the meeting on 10 November:

- Quarter 2 monitoring report
- Late delivery of savings – report on causes of delay (with categories) and what is being done to address delivery failure.
- Greenspaces follow up report
- Deepdive on SEN transport
- Proposal for future deep dive scrutiny of service budgets

Members also expressed interest in scrutinising scope for additional savings and pre-decision scrutiny on public consultation on level of council tax.

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