

Agenda Item 3

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OVERVIEW AND SCRUTINY COMMISSION - FINANCIAL MONITORING TASK GROUP

5 JULY 2016

(7.00 pm - 8.30 pm)

PRESENT: Councillor Stephen Crowe, Councillor Suzanne Grocott, Councillor Peter McCabe and Councillor Dennis Pearce

ALSO PRESENT: Caroline Holland (Director of Corporate Services), Bindi Lakhani (Head of Accountancy), Howard Joy (Property Management and Review Manager), James McGinlay (Head of Sustainable Communities) and Julia Regan (Head of Democracy Services)

1 APOLOGIES FOR ABSENCE (Agenda Item)

Apologies were received from Councillors Hamish Badenoch (Chair), Adam Bush and Peter Southgate.

Members agreed that Councillor Peter McCabe would chair the meeting.

2 MINUTES OF MEETING HELD ON 23 FEBRUARY 2016 (Agenda Item 1)

Agreed.

3 2015-16 FINANCIAL OUTTURN REPORT (Agenda Item 2)

Caroline Holland, Director of Corporate Services, introduced the report. She drew the task group's attention to the draft revenue outturn position of £699,000 overspend; swings in forecasts during the year particularly for adult social care, parking and children's services; capital programme not fully spent but improved performance compared to previous years; use of reserve fund for the revenue overspend and increase in debt arrears shown in Appendix 4.

In response to questions about why the overspend in street scene and waste was higher than predicted Caroline Holland said that this was partly due to some unanticipated expenditure late in the year arising from the termination of a shared services contract that Kingston Council had now taken over the responsibility of from the contractor who had gone into liquidation. Members expressed concern at the element of surprise involved. Bindi Lakhani, Head of Accountancy, said that in relation to the South London Legal Partnership (where Merton is the host borough) the finance managers have responded by holding joint meetings with the other boroughs to improve communication and joint working.

Members asked a number of questions about arrears and debt management. Caroline Holland described the council's approach to debt collection and the role of the in-house bailiff service as well as the shared service with Sutton. She said that she anticipated an improvement in collection of overdue parking fines through the

automatic number plate recognition software now being used as this had been programmed to detect the relevant vehicle registration numbers.

Caroline Holland undertook to:

- check whether the level of debt has increased in proportion to increased amount of payments due. ACTION: Director of Corporate Services.
- confirm the arrangements for the collection of business rate debts

RESOLVED: to note the report.

4 ESTATE MANAGEMENT - SCHEDULE OF RENT REVIEWS AND ASSET VALUES (Agenda Item 3)

Howard Joy, Property Management and Review Manager, introduced the schedule that lists individual commercial properties owned by Merton together with details of the valuation and annual rent. He said that rent levels are mainly changed either at rent review dates specified in the lease or when the lease itself ends and is renewed. He explained the factors that are taken into account in relation to rent review, including market values and the terms of the rent review clause.

Members asked for more detail about the processes involved. Howard Joy said that officers run reports regularly from a database so that those due for lease renewal are identified 18 months prior to the due date because the council has to give a 6-12 month notice period to terminate a lease. He said that there is a shorter timeframe for rent reviews as there is no required notice period so reports are run six months in advance of the due date.

In response to questions about the profitability of renegotiating rents, Howard Joy said that the council had to strike a balance on this for the smaller units to take into account the social value of the use of the property, for example local shopping parades or building used by community groups.

James McGinlay, Head of Sustainable Communities, added that officers were about to embark on a major review, to conclude next spring, of all commercial property owned by the council to identify which properties to keep, invest in or sell and opportunities for generating more income either through capital receipts, revenue generation or property development.

Task group members welcomed the review, endorsed the aim of maximising value from the council's assets and urged officers to be creative. Task group members' suggestion that the schedule could be sub-divided into categories (such as retail, commercial, social, ground rent) to help with the review was agreed by James McGinlay and Howard Joy.