

Agenda Item 3

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OVERVIEW AND SCRUTINY COMMISSION - FINANCIAL MONITORING TASK GROUP

25 FEBRUARY 2019

(7.15 pm - 9.15 pm)

PRESENT: Councillor Stephen Crowe (in the Chair),
Councillor Nigel Benbow, Councillor Paul Kohler,
Councillor Aidan Mundy, Councillor Owen Pritchard,
Councillor Eleanor Stringer and Councillor Peter Southgate

ALSO PRESENT: Councillor Mike Brunt, Cabinet Member for the Environment and Street Cleanliness
Councillor Nick Draper, Cabinet Member for Community and Culture

Caroline Holland (Director of Corporate Services), Chris Lee (Director of Environment and Regeneration), Roger Kershaw (Assistant Director of Resources), Anita Cacchioli, Annie Baker (SLWP Strategic Partnership Manager), Charles Baker (Waste Strategy and Commissioning Manager), Doug Napier (Leisure and Culture Greenspaces Manager) and Julia Regan (Head of Democracy Services)

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies were received from Councillor David Williams.

2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

There were no declarations of pecuniary interest.

3 MINUTES OF LAST MEETING - 13 NOVEMBER 2018 (Agenda Item 3)

The minutes were AGREED as an accurate record of the meeting.

Matters arising:

- Page 1 – an update on learning from Lean reviews has been added to the agenda for the meeting on 4 April
- Page 1 – Councillor Paul Kohler would like a copy of the new business plan
ACTION: Director of Corporate Service to send once published in March
- Page 4 - trend data on vacancy information has been included in the report on agenda item 4

Councillor Owen Pritchard reported back from the meeting that he and Councillor Stephen Crowe had with Rachael Wardell, Director of Children Schools and families, to discuss the identification and recording of financial risk. Councillor Pritchard said

that there were two approaches to this – enterprise risk management and hypothecated risk management – and that Rachael had worked with both and that each had benefits and drawbacks. He said that when there was a lack of hypothecated risk management this increased the potential for a lack of understanding of the risks being taken as part of the budget setting process and therefore could lead to a lack of mitigating action.

4 FINANCIAL MONITORING REPORT, QUARTER 3, 2018/19 (Agenda Item 4)

The report was introduced by Caroline Holland, Director of Corporate Services. She said that during period 9 the revenue budget had moved from a forecast overspend of £0.2m at year end to a forecast underspend of £1.49m, with improvements in the forecast outturn position for all departments except Community and Housing. She drew the task group's attention to the updated information on the capital programme, progress on savings, debt monitoring and vacancy data.

Caroline Holland, Roger Kershaw (Assistant Director of Resources) and David Keppler (Head of Revenues and Benefits), provided additional information on specific sections in response to questions:

Overview

- The forecast underspend in Environment and Regeneration is unlikely to fully persist into 2019/20. Whether the forecast underspend in Community and Housing persists into 2019/20 will depend on the extent to which the budget is affected by winter pressures.

Corporate Services

- The bailiff service income is forecast to be about £1.5m for Merton and £0.5m for Sutton.
- Contract management is provided by individual contract managers. The procurement board provides strategic overview. The Veolia contract is managed with the Environment and Regeneration Department.

Environment and Regeneration

- It is hoped that the reduction in total waste tonnage will continue but, as it may be linked to the downturn in the economy, it may increase again. The service is working hard to increase recycling rates.

Children Schools and Families

- SEN transport (page 13) is a difficult area to forecast. A review of transport for children and adults is underway.
- The forecast deficit for the Dedicated Schools Grant will not be reflected in the General Fund balance. The council is in discussion with the external auditors regarding the appropriate accounting treatment of the deficit.
- Independent Day School provision (page 17) is for children on EHCPs who are placed out of borough. It is hoped that better rates may be negotiated for new placements.

Community and Housing

- The council will fund temporary accommodation where it has responsibility for doing so. Where the client is in receipt of housing benefit, the council will be able to recoup up to 50% of the temporary accommodation cost.

Debt update

- Car parking debts comprise a combination of one-off debtors, persistent offenders and those with 2-3 unpaid tickets. Once the debt is passed to the bailiffs, they work hard to track down the car owner, one third of which are registered outside the borough.
- The task group AGREED that it would like some information on the potential for raising income from selling debts to be included in the update report to the next meeting. ACTION: Head of Revenues and Benefits

In their discussion of the establishment control and vacancy reporting data, task group members commented that, without information on the level of turnover, it was difficult to interpret changes in the unfilled vacancies and agency workers from month to month. Caroline Holland said that turnover is currently below the council's target of 12% and offered to include the number of posts recruited to in the overall data table (Annex A). ACTION: Head of HR

5 VEOLIA AND IDVERDE - DEEP DIVE INTO FINANCIAL ASPECTS OF THE CONTRACTS (Agenda Item 5)

Chris Lee, Director of Environment and Regeneration, introduced the public and exempt reports. He said that the commercially sensitive information on deductions from the contractors had not been finalised and were therefore subject to change. Some deductions have been calculated ready to be applied and these are now mainly calculated and applied automatically through integrated software between the council and the contractor. Chris Lee added that financial incentives and deductions are part but not the whole of the contractual relationship, that it is importance to get the balance of these right to incentivise performance and financial benefits and that this is subject to an annual review.

In response to a question about the publication of monthly performance information, Chris Lee said that an agreed set of indicators would be agreed across the partnership authorities and these would be published on the South London Waste Partnership (SLWP) website, with links from borough websites. Annie Baker, SLWP Strategic Partnership Manager, explained that Sutton Council had been able to consider publication of some performance information already because entrance in to the new contract service had started earlier.

The task group shared their experiences of using the IT system to report service failures and the difficulties they had experienced in re-reporting a missed collection that hadn't been resolved and a general lack of feedback on what has happened as a result of the report. Annie Baker explained that once a service failure has been reported it remains open until resolved and can not be re-reported until it has been closed on the IT system. This leads to a 'Refresh' of the deduction, where applicable, for each period that it remains unresolved on the system

Chris Lee emphasised that he was not happy with Veolia's performance at the moment and that, although there have been improvements, this has still not reached an acceptable level. He said that the council has taken on some temporary staff to assist with performance monitoring and handling of complaints. Councillor Mike

Brunt, Cabinet Member for the Environment and Street Cleanliness, assured the task group that he would continue to do all he can to bring influence to bear to improve the situation, including improving the feedback mechanism on the online system.

Chris Lee said that it is important that residents continue to log missed collections and other service failures through the online system so that these can be logged and dealt with as well as being used to generate information for use in calculating financial deductions. He added that his main motivation is to obtain a high level of service for residents rather than to collect financial penalties as these were an indicator of poor service.

In response to a question about how service standards are communicated to street cleaning operatives, Chris Lee said that that was a matter for the contractor, that the council is not involved in operational detail or training but rather in ensuring that service levels are high.

The task group RESOLVED to move to a closed session in order to discuss the exempt information that had been provided to them. The rest of this minute is a public record of this discussion, without inclusion of any commercially sensitive information.

Public minute of closed session

Chris Lee outlined the information that had been provided in the confidential appendices, giving examples of the level of financial deduction that might be applied to each of the service performance indicators (SPIs). He re-iterated that deductions had already been made and that these were increasingly being automatically deducted from invoices by Veolia on a monthly basis rather than waiting till the end of the year but that there would be discussion and judgements made regarding the final amounts to be applied for 2017/18 and 2018/19.

In response to a question about the communications plan around deductions, Chris Lee said that there would be a report to the Sustainable Communities Overview and Scrutiny Panel and possibly also to Cabinet on the final position and annually. He undertook to consider the most appropriate way to communicate this to residents.

In response to a question about the level of deductions made, Chris Lee said that it was a significant amount for Veolia and that reputational damage would also likely be a significant concern for the contractor should they be seen to be failing.

Charles Baker, Waste Strategy and Commissioning Manager, responded to a question on garden waste to explain the mechanism by which costs and profits are shared between the council and IdVerde.

In response to questions about litter in parks, Doug Napier (Greenspaces Manager) and Councillor Nick Draper (Cabinet Member for Community and Culture) shared information about the recent project in Wandle Park during which litter bins were removed to assess what impact this would have on the amount of litter dropped.

The task group AGREED the agenda items for the meeting on 4 April:

- Merantun – progress update and deepdive on the financial monitoring
- Report on contingency funds and reserves
- an update on debt and the use of the specialist debt review company
- Update on learning from Lean reviews
- Departmental risk registers (Chair to discuss with Director of Corporate Services to ascertain most appropriate approach)

In relation to its 2019/20 work programme, the task group AGREED the request made by the Overview and Scrutiny Commission to carry out a deep dive review of the future capital programme. Task group members AGREED to add a report on the allocation of grants through the voluntary sector strategic partners programme. Task group members also agreed to email additional work programme suggestions to the Chair and the Head of Democracy Services. ACTION: All

The task group agreed to meet in July 2019, November 2019, February 2020 and April 2020 at dates to be arranged in consultation with the Director of Corporate Services so that the quarterly financial monitoring reports can be considered in July (outturn report 2018/19 and quarter 1 2019/20), November (quarter 2) and February (quarter 3). ACTION: Head of Democracy Services

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