

# Agenda Item 9

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## OVERVIEW AND SCRUTINY COMMISSION - FINANCIAL MONITORING TASK GROUP

17 JULY 2019

(7.15 pm - 9.15 pm)

PRESENT: Councillor Stephen Crowe (in the Chair),  
Councillor Nigel Benbow, Councillor Edward Gretton,  
Councillor Natasha Irons, Councillor Paul Kohler,  
Councillor Owen Pritchard and Councillor Peter Southgate

ALSO PRESENT: Caroline Holland (Director of Corporate Services), Roger Kershaw (Assistant Director of Resources), Bindi Lakhani (Head of Accountancy), Zoe Church (Head of Business Planning), David Keppler (Head of Revenues and Benefits) and Julia Regan (Head of Democracy Services)

### 1 ELECTION OF CHAIR (Agenda Item 1)

Councillor Stephen Crowe was unanimously elected as Chair. As Councillor Natasha Irons had joined the task group subsequent to the publication of the agenda, the Chair welcomed her to the meeting.

The task group AGREED to record its thanks to former task group members Councillors Aidan Mundy, Eleanor Stringer and David Williams for their contribution last year.

### 2 APOLOGIES FOR ABSENCE (Agenda Item 2)

There were no apologies for absence.

### 3 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 3)

There were no declarations of pecuniary interest.

### 4 MINUTES OF LAST MEETING - 4 APRIL 2019 (Agenda Item 4)

The minutes were AGREED as an accurate record of the meeting, subject to the following amendments:

Item 7 – penultimate sentence of the second paragraph should read “Research into the private rented market found that the long term modelling is comparable to that used by Merantun”.

Item 7 third paragraph final sentence to be replaced by “Although Merantun was not set up to build affordable housing, the intention is to deliver as close to 40% as would be expected from any other developer.”

ACTION: Head of Democracy Services to amend and re-publish minutes.

## 5 BUDGET OUTTURN REPORT 2018/19 (Agenda Item 5)

The Director of Corporate Services, Caroline Holland, introduced the report and summarised the content.

### **Revenue budgets**

In response to a question about the extent to which overly cautious forecasts by some budget managers are cancelled out by others who put forward unachievable savings, Caroline Holland said that finance officers work closely with budget managers to provide assistance and challenge to improve forecasting and delivery of savings. The Head of Accountancy, Bindi Lakhani, added that there were no significant budget areas in which large budget variances occurred continually and that finance officers question underspends as well as overspends.

Caroline Holland provided additional information in response to questions about service budgets:

#### Environment and Regeneration

The underspend on waste services was partly due to the council's unexpected involvement in the testing phase of the ERF (energy from waste) facility which led to one-off savings of £1.1k.

Work is underway to improve the IT system for residents to report environmental and other issues and this will be integrated with Veolia's IT systems.

The transport services overspend and associated recruitment issues will be examined as part of the officer review of this service.

#### Children Schools and Families

Merton is not alone in experiencing a volatility of demand in placement and SEN transport budgets. Officers are examining the offer being made to young adults as a result of the Care Act requirement for responsibilities to continue until the age of 25. Consideration is also being given to the best way to meet the growing demand for special needs school places.

Officers are looking closely at the children's social care budget to assess whether these pressures can be met within budget or whether there is a case for action similar to that taken for the adult social care budget. The Director reminded members of the requirement for the council to set a balanced budget overall.

The negative balance on the dedicated schools grant (DSG) reserve is likely to increase. A number of councils, including Merton, have jointly written to ask the government for additional funding to meet the DSG budget pressures. If this is not successful, the council may be forced to use the General Fund reserves.

### **Miscellaneous debt update**

The Head of Revenues and benefits, David Keppler, introduced this part of the report and drew members attention to the new table at paragraph 3.24 that shows the value of housing benefit overpayments created and collected by year. David Keppler said that the higher amount collected in 2018/19 was partly due to the provision of improved and more timely data from the Department of Work and Pensions so that adjustments can be made to payments and, where applicable, attachments applied to earnings.

Members were pleased to note that the overall collection rate of sundry debt in 2018/19 now stands at 92%.

### **Reserves**

Caroline Holland and Roger Kershaw, Assistant Director of Finance, provided information and explanation in response to members questions.

The approach taken to each reserve will depend upon its purpose and use. Also, the availability of funds for investment or other use, such as creating revenue streams, will depend on provenance and purpose – for example, government grants are generally given for a specific purpose and remain in the reserves budget until spent.

The draft accounts show that the council has £60m investments and sets out the strategy for use. The council considers options to maximise investment income whilst protecting its capital – the housing property council is one way of doing this. The council also uses cash to reduce debt charges on the capital programme. The financing of the capital programme is set out on page 66 of the 2019/23 Business Plan – copies of which were given to task group members:

<https://www.merton.gov.uk/assets/Documents/Business%20Plan%202019-23%20%28Web%20Version%29.pdf>

The council's approach is reviewed quarterly as part of the treasury management strategy and capital programme.

Caroline Holland undertook to include detailed information on funding as part of the task group's deep dive into the capital programme. ACTION: Director of Corporate Services

### **Narrative Statement**

Task group members praised the clear and helpful language used in the Narrative Statement (Appendix 6) and suggested that the text could be used in wider communication to staff and residents on budget issues.

### **Establishment control and vacancy reporting**

Members noted the stability of the data.

In response to a question about recruitment and the offer made to attract staff to the authority, Caroline Holland said that the offer is set out on the council's website and includes local government pension, flexible working and the employee assistance programme as well as information about the council's ambition and reputation.

## 6 WORK PROGRAMME (Agenda Item 6)

The task group considered the list of suggestions and AGREED to include the following items in its work programme on dates to be advised by the Director of Corporate Services:

- Deep dive review of the future capital programme
- Report on lessons learned from the customer contact contract (report to be circulated in advance of agenda publication so a decision can be taken on whether there would be space for an additional agenda item at that meeting)
- Allocation of grants through the voluntary sector strategic partners programme

**ACTION:** Director of Corporate Services and Head of Democracy Services

The task group also AGREED to hold the following items in reserve in the order of preference set out below:

- Social care charging – Merton Centre for Independent Living to be invited to attend the meeting
- Review of borough's school PFI contracts

The task group noted that the passenger transport service, Clarion, Veolia and idVerde items would be reviewed by other scrutiny bodies during 2019/20 and that Merantun had been scrutinised in April. These were therefore not prioritised for inclusion in the task group's work programme.