

## LONDON BOROUGH OF MERTON

### Financial monitoring scrutiny task group

Task Group members:

Councillor Peter Southgate (Chair)

Councillor Iain Dysart

Councillor Samantha George

Councillor Suzanne Grocott

Councillor James Holmes

Councillor Diane Neil Mills

Councillor Greg Udeh

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**Thursday 1 November 2012 at 7pm**  
**Merton Civic Centre – Committee Room B**

### AGENDA

1. APOLOGIES FOR ABSENCE
2. NOTE OF MEETING 11.09.12 (pages 2-6)
3. FINANCIAL MONITORING - ROLE OF THE OVERVIEW AND SCRUTINY PANELS  
Budget leads on each of the Overview and Scrutiny Panels to discuss and advise on what financial monitoring information should be reported to the Panels.
4. FINANCIAL MONITORING REPORT – QUARTER 2 (pages 7-end)  
Caroline Holland, Director of Corporate Services
5. DATE OF NEXT MEETING  
7 February, 7pm, Committee Room E  
date in April/May to be agreed

**Contact for further information about the task group meeting:**  
**Julia Regan, Head of Democracy Services, 020 8545 3864;**  
**[Julia.regan@merton.gov.uk](mailto:Julia.regan@merton.gov.uk)**

## **Financial monitoring scrutiny task group - note of meeting 11 September 2012**

### **Present:**

Councillors Iain Dysart, Suzanne Grocott, James Holmes, Diane Neil Mills, Peter Southgate and Greg Udeh.

Caroline Holland, Director of Corporate Services

Paul Dale, Interim Assistant Director of Resources

David Keppler, Head of Revenues and Benefits

Julia Regan, Head of Democracy Services

### **Apologies:**

Councillor Samantha George

### **Membership of the task group**

Julia Regan, Head of Democracy Services, confirmed that Councillors Samantha George and James Holmes, as budget leads on their respective overview and scrutiny panels, had agreed to join the task group.

### **Election of chair**

Councillor Peter Southgate was appointed as chair of the task group.

### **Changes to council tax benefit (localisation)**

David Keppler, Head of Revenues and Benefits, explained how council tax benefit is calculated, a calculation that takes into account income, capital and household composition. Council tax benefit is received in the form of a revised council tax bill rather than a payment made to claimants. If a claimant's circumstances change during the year, the council tax benefit is recalculated and a new council tax bill is sent.

Currently the Council accrues around £14m in council tax benefit and is reimbursed in full by the government.

From April 2013, a new local scheme will be introduced for which the council will receive approximately 90% of the 2011/12 costs. Consultation on the detail of the scheme closes at the end of September. Cabinet has proposed the retention of the existing scheme, with the withdrawal of existing discounts and exemptions for empty homes. David Keppler said that consideration was also being given to making changes to simplify the paperwork to make the process easier both for claimants and officers.

Caroline Holland, Director of Corporate Services, added that the number of claimants is increasing and therefore the funding gap between the costs incurred by the Council and the grant from government is likely to increase in future years. Councillor Diane Neil Mills said that the increase in population and building of new homes would increase the council tax base, thus alleviating the situation to some extent.

In response to a question about whether it would be better to totally redesign the system, David Keppler agreed that the existing system was very complex

and wouldn't necessarily be the starting point in an ideal world but pointed out that significant software costs would be incurred for anything other than relatively minor changes.

Task group members asked about the intentions of neighbouring councils and whether this was likely to cause an influx of claimants to the borough. David Keppler said that other boroughs were also in the process of consultation at present and that some of the options being considered included option whereby all households would have to pay a proportion of the council tax bill (i.e. no-one would get a 100% discount), option to restrict eligibility to certain council tax bands, change the level of capital exemption. Caroline Holland said she understood that no London council had proposals that would enable it to fully recoup the reduction in government funding. She added that the experience of other authorities would be taken into account when the council reviews the 2013/14 scheme.

A member urged that the social implications of any changes to be taken into account as well as the costs of pursuing arrears from people on very low incomes.

In response to a question about how the "common misconceptions" about council tax benefit are being addressed, Caroline Holland said that leaflets would be reviewed and that officers have been working with the Citizens Advice Bureau to improve information and to encourage people to get in touch as soon as they start to have financial difficulties.

**ACTION:** David Keppler undertook to provide more detail on all benefits that might be received and those taken into consideration for the income calculation affecting Council Tax Benefit, including details of passported benefits and the number of claimants who receive a 100% discount, to be made available at the Member training event on 24 September.

**RESOLVED:**

- 1) To note the information provided in the report and in discussion;
- 2) To welcome efforts to simplify the paperwork for council tax benefit claimants;
- 3) To note that the Commission will receive information on what changes other authorities are making when it receives an update on the council tax benefit scheme at its meeting on 12 March 2013.

### **Financial monitoring report 2012/13 – quarter 1**

Caroline Holland, Director of Corporate Services, briefly introduced the report and said that Cabinet would be receiving information for quarter 1 plus month 4 (July) at its meeting on 24 September.

Comments made by task group members and responses to their questions are set out overleaf.

#### 2012/13 forecast outturn (pages 35-38)

Members agreed that, as per previous requests, it would be helpful for the “original budget” as agreed at full Council to be included in the report.

In response to a question asking for more detail on the forecast underspend, Caroline Holland said that the main drivers varied from month to month as circumstances change. Efforts are being made to ensure that managers monitor their budgets well and predict variances more accurately. Paul Dale drew members’ attention to the table on page 38 which shows that a large proportion of the underspend in 2011/12 came from three services (waste, children’s social care and adult social care) and that those budgets were being reviewed. Additionally, there was a large amount of underspend on central costs.

Members asked for clarification of the total underspend, specifically if it included the (approximately) £590,000 that had been rolled forward one year. Caroline Holland confirmed that the amount included in the recommendations was net of this. Members stated that it had previously been agreed that main monitoring table would be explicit on this issue.

**ACTION:** Caroline Holland undertook to investigate whether the variances on the subjective summary table on page 36 could be shown by department.

#### Departmental summary of current position (pages 39-47)

Members requested that the commentary provided by departments should include contextual information that would aid understanding of the point made – for example, on page 47 the extent of the £180k shortfall in rental income can only be understood if the figure for total rental income is also provided.

#### Corporate items (pages 48-49)

Members asked for clarification on use of contingency provision. Caroline Holland said that it was set up to fund one-off costs and be available in the event of overspends and there were no rules regarding its use but that there were procedures for the use of provisions and reserves.

In response to a question about the future of the council tax freeze grant, Caroline Holland said that the 2012/13 payment had been a one-off grant and that if there was to be one for 2013/14 the government would be likely to announce this in December. She added that the grant that is currently based on the 2011/12 figure is likely to reduce.

Caroline Holland confirmed that the LACSAG refund is being treated as a “cash dividend”.

### Cash flow statement (page 57)

In response to questions about the reasons for the cash balance being projected to be £10m lower than that reported in March 2012 but that by year end this position was not expected to materialise, Paul Dale said that this was in part due to the large underspend on the capital budget for the Children, Schools and Families department (shown in table at paragraph 5.1 on page 50) and a revenue underspend. The cash flow statement had not been updated to account for the current projections on the capital and revenue budgets.

Paul Dale and Caroline Holland agreed that the report would be refined to make it easier to understand. In particular, there will be more explanation of the high level adjustments – this information will be provided to task group members shortly. The report was currently showing a deduction of approximately £19 million but it was not clear as to what this covered, as all capital payments should have been included in the cash outflows.

**ACTION:** Caroline Holland to ensure a clear cash flow statement would be included in the next report.

**ACTION:** Caroline Holland undertook to provide information on how the right to buy and the VAT shelter figures in the high level adjustments compares to the amount estimated in the housing transfer business case.

### Capital programme (page 50-51)

Members requested information on which budget holders hadn't submitted budget returns. Caroline Holland undertook to include this information in future reports. **ACTION:** Caroline Holland

Members said that it would be helpful to have more detail on the reasons for underspend, to distinguish between revenueisation, slippage and underspend and, where there is slippage, to provide reasons for this. Caroline Holland said that more detail could be provided in the "narrative column" in future. Paul Dale said that the next quarterly report will show where the underspend is moved to in future years and will provide more detail on specific capital schemes in the area of primary school expansion. He added that the impact on the revenue budget in future years has already been factored in but that the impact of this slippage in spending would be monitored.

**RESOLVED:** that the Director of Corporate Services will:

- 1) ensure that future monitoring reports include the budget figures agreed at Council
- 2) include a table that provides details of full under-spend
- 3) revise the cash flow forecast to make it more clear
- 4) provide a breakdown of client receipts in this report
- 5) provide information on how the right to buy figures in the high level adjustments compares to the amount estimated in the housing transfer business case

- 6) to investigate whether the variances on the subjective summary table on page 36 could be shown by department
- 7) to provide more detail on the reasons for underspend on capital budget items (distinguishing between reversionisation, slippage and underspend) and to provide reasons for any slippage

**Date of next meeting**

Agreed to meet on 1 November and 7 February plus a date in April/May to be confirmed. All meetings will start at 7pm.