

Merton Council

Standards and General Purposes Committee Agenda

Membership

Councillors:

Peter McCabe (Chair)
Adam Bush (Vice-Chair)
Agatha Mary Akyigyina OBE
Eloise Bailey
Thomas Barlow
Ben Butler
Pauline Cowper
John Dehaney
Brenda Fraser
Joan Henry
Dickie Wilkinson
David Williams

Substitute Members:

Paul Kohler
Marsie Skeete
Peter Southgate
Dave Ward
Omar Bush
Oonagh Moulton

Date: Thursday 14 March 2019

Time: 7.15 pm

**Venue: Committee Rooms C, D & E - Merton Civic Centre, London Road,
Morden SM4 5DX**

This is a public meeting and attendance by the public is encouraged and welcomed.
For more information about this agenda please contact 0208 545 3357 .

All Press contacts: communications@merton.gov.uk, 020 8545 3181

Standards and General Purposes Committee Agenda

14 March 2019

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Note on declarations of interest

Members are advised to declare any Disclosable Pecuniary Interest in any matter to be considered at the meeting. If a pecuniary interest is declared they should withdraw from the meeting room during the whole of the consideration of that matter and must not participate in any vote on that matter. If members consider they should not participate because of a non-pecuniary interest which may give

rise to a perception of bias, they should declare this, .withdraw and not participate in consideration of the item. For further advice please speak with the Assistant Director of Corporate Governance.

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Agenda Item 3

STANDARDS AND GENERAL PURPOSES COMMITTEE 8 NOVEMBER 2018

(7.16 pm - 8.30 pm)

PRESENT Councillors Councillor Peter McCabe (in the Chair),
Councillor Adam Bush, Councillor Eloise Bailey,
Councillor Thomas Barlow, Councillor Ben Butler,
Councillor Brenda Fraser, Councillor Joan Henry,
Councillor Dickie Wilkinson, Councillor Dave Ward, Councillor
Marsie Skeete and Councillor David Williams

ALSO PRESENT Suresh Patel (Ernst and Young)
Simon Mathers (Ernst and Young)
Pam Donovan (Independent Person)

Caroline Holland (Director of Corporate Services), Paul Evans
(Assistant Director of Corporate Governance), James McGinlay
(Assistant Director for Sustainable Communities), Roger
Kershaw (Assistant Director of Resources), Kevin Holland (Head
of South West London Fraud Partnership), Andrew Hamilton
(Audit Manager), Karin Lane (Head of Information Governance),
Steve Bowsher (Chief Accountant), Meijia Ling (Senior
Accountant, General Fund), Kim Brown (HR Lead), Amy
Dumitrescu (Democratic Services Officer)

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies for absence were received from Councillors Pauline Cowper, Agatha Akyigyina and John Dehaney. Councillors Dave Ward and Marsie Skeete attended as substitutes.

2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

There were no declarations of interest.

3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

RESOLVED

That the minutes of the meeting held on 6 September 2018 were agreed as a correct record subject to the following amendment at the request of Councillor Adam Bush:

That Councillor Omar Bush and Oonagh Moulton who attended as substitutes be added to the members present list at the start of the minutes.

4 FINAL ACCOUNTS 2017/18 (Agenda Item 4)

The External Auditors presented their report, advising the Committee that, subject to discussion at the meeting, the audit had now been concluded and if agreed, the accounts would be signed the following day. The External Auditor outlined two unadjusted audit differences as mentioned in the report, however noted that they agreed with the Director of Corporate Service that these were not material to the accounts. The External Auditor also highlighted the amendments that had been made to the asset values following the audit of the property, plant and equipment balance.

The External Auditor had also made four other observations and advised the Committee that they were content with the responses they had received from officers on these.

The External Auditor gave an overview of the final fees, which had been agreed with the Director of Corporate Services, and also advised on an additional three recommendations which had been made, noting they were happy with the management response and would be looking at actions for 2018/19, with a meeting planned with the Finance department in early December.

In response to member questions, the External Auditor advised that the additional fees reflected the additional work which had been undertaken due to the issues which had been reported, however if the suggested actions were implemented, this should not re-occur for the 2018/19 accounts and External Audit were working closely with officers on the 18/19 accounts.

The Committee expressed that this should not re-occur, and were assured in response to further questions that there was sufficient resource to complete the work required.

In response to further questions to the issues arising on property, plant and equipment, the External Auditor advised that a more granular approach had been taken this year which had found the material errors which led to adjustments being made. The External Auditor also advised that the £9,000 spend responding to a member of the public was in relation to questions they asked about the Council's transaction with the Elim Church. The auditor had determined no issues with that transaction in relation to the questions asked by the member of the public.

RESOLVED:

1. That Committee approved the audited Statement of Accounts, including the Group Accounts and the Pension Fund Accounts (Appendix 2), subject to any further comments from the External Auditor.
2. That Committee noted any comments made by the Pensions Fund Advisory Panel regarding the Pension Fund Accounts.
3. That Committee noted EY's Audit Results Report (Appendix 4) for the Pension Fund accounts under the International Standard on Auditing (ISA) 260.
4. That Committee noted EY's Audit Results Report (Appendix 3) for the Statement of Accounts under the ISA 260.
5. That the Chair signed the Statement of Responsibilities for the Statement of Accounts (Appendix 2).

6. That the Chair signed Letters of Representation (Appendices 3 and 4) for the Statement of Accounts and Pension Fund Accounts.

5 INTERNAL AUDIT PROGRESS REPORT ON ANNUAL AUDIT PLAN (Agenda Item 5)

The Audit Manager presented the report noting that just over 50% of the work had been completed, with 15 audits resulting in substantial assurance and 2 with limited assurance and 7 additional reviews also having taken place. In regards to the 6 overdue actions these had been escalated to directors.

Members expressed concern that the areas of limited assurance were areas which had been re-occurring issues previously and officers advised that a report would be brought to a future Committee to advise members how this re-occurrence would be prevented going forward.

RESOLVED: That members noted the report and commented upon matters arising from the Internal Audit Progress Report.

6 FRAUD AND INVESTIGATIONS UPDATE REPORT (Agenda Item 6)

The Head of South West London Fraud Partnership presented the report, advising that as well as the reactive work the team also had been providing training and that there was currently online fraud training for officers being undertaken across the Council, which might produce an increase in referrals.

In response to member questions, the Head of South West London Fraud Partnership advised that in regards to blue badge fraud, proactive work was being undertaken in hotspots such as stations and colleges.

RESOLVED: That members noted the Fraud Progress Report and commented on the matters arising from it.

7 ANNUAL COMPLAINTS REPORT (Agenda Item 7)

The Head of Information Governance presented the report and invited questions from members.

In response to questions, the Head of Information Governance advised that in relation to complaints for this year, there had been a significant increase in contact the last month in relation to a whole range of issues relating to the new Waste Collection Service roll-out. It was confirmed there was a standard procedure for dealing with these complaints and that there had been meetings to learn from the London Borough of Sutton experience in 2017. The Complaints team have an extra member of staff and to help with the increase and additional staff had been placed in the Contact Centre ahead of the Merton roll-out.

In response to further questions, the Director of Corporate Services advised that officers were looking to make it easier to find the appropriate information and

reporting channels on the Council website and the number of abandoned calls was also being monitored.

RESOLVED: That the Committee noted the report.

8 ANNUAL GIFTS AND HOSPITALITY REPORT (MEMBERS) (Agenda Item 8)

The Assistant Director for Corporate Governance presented the annual report and the Committee noted the extract from the register.

RESOLVED:

- A. That the Committee noted the report
- B. That members were reminded of their responsibility to complete declarations of gifts and hospitality including reasons for acceptance.

9 ANNUAL GIFTS AND HOSPITALITY REPORT (OFFICERS) (Agenda Item 9)

The Assistant Director for Corporate Governance presented the report and the Committee noted the extract from the register.

In response to questions, the Assistant Director advised that staff were reminded of their responsibilities to complete declarations once a year via information cascades.

RESOLVED:

- A. That the Committee considered the extract from the register.

10 RISK MANAGEMENT (Agenda Item 10)

The Director of Corporate Services presented the report advising that regular updates were provided by officers.

RESOLVED:

- A. That the Standards and General Purposes Committee reviews the adequacy of the risk management framework and the associated control environment.
- B. To consider the Key Strategic Risks and Issues faced by the Council and determine whether these are being actively managed.

11 APPOINTMENT OF INDEPENDENT PERSON (Agenda Item 11)

The Democratic Services Officer presented the report and highlighted the recommendations.

RESOLVED:

That the Standards and General Purposes Committee noted the progress of the process to appoint an independent person and agreed that an interview panel comprising one councillor from each political group should be appointed to interview and to recommend to Council the appointment of one Independent Person to serve for a period of three years.

12 COMPLAINTS AGAINST MEMBERS (Agenda Item 12)

The Committee noted a verbal update from the Monitoring Officer who advised that one complaint had been considered by the Monitoring Officer and Independent Person concerning an enquiry to a Councillor from a member of the public relating to Council Policy. The enquiry had been forwarded to a Council Officer however a response had not been received. The Monitoring Officer considered that this was not a conduct matter for the Councillor concerned however a response was required to be sent to the resident and this had been actioned however there was no need to further investigate the Councillor.

13 WORK PROGRAMME (Agenda Item 13)

The Work Programme was noted and agreed.

14 EXCLUSION OF THE PRESS AND PUBLIC (Agenda Item 14)

RESOLVED: That the public were excluded from the meeting during consideration of item 15 on the grounds that it is exempt from disclosure for the reasons stated in the report.

15 TEMPORARY AND CONTRACT STAFF UPDATE (Agenda Item 15)

The HR Lead presented the report advising that staff were continuing to review usage and work with departments to reduce numbers of temporary workers and consultants. The HR Lead noted that the number of interim staff had reduced and that 49 staff temporary staff had now transferred to permanent employment.

RESOLVED:

That members noted the progress made to monitor and control the use of temporary workers and consultants.

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Certification of claims and returns annual report 2017-18

London Borough of Merton

7 February 2019

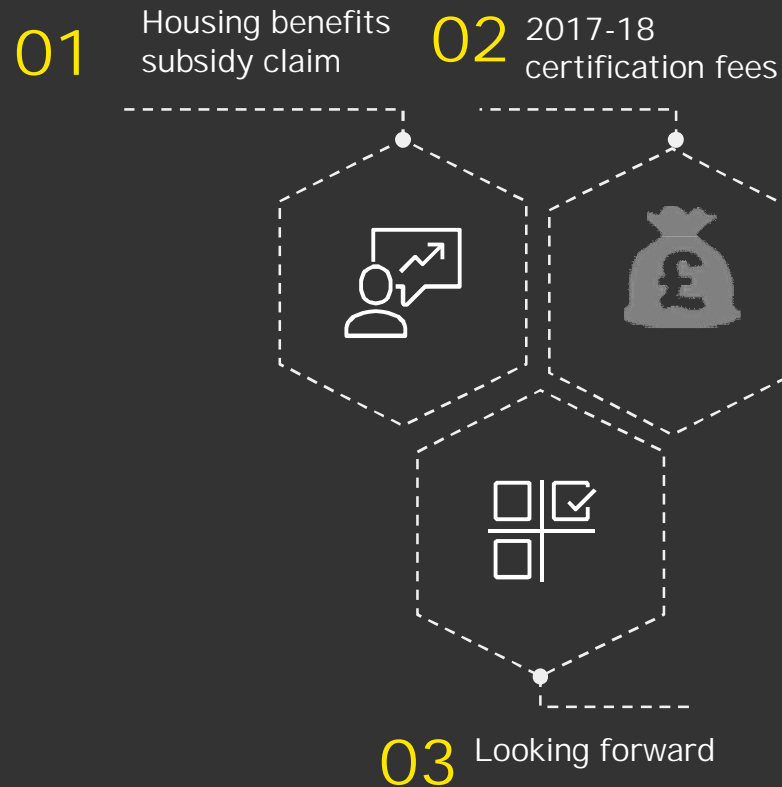
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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the top right corner of the logo.

Building a better
working world

Agenda Item 4

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This report is made solely to the Standards and General Purposes Committee and management of the London Borough of Merton. Our work has been undertaken so that we might state to the Standards and General Purposes Committee and management of the London Borough of Merton those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Standards and General Purposes Committee and management of the London Borough of Merton for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 - Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£82,294,568
Amended/Not amended	Amended – subsidy reduced by £9,342 (final certified value £82,285,226)
Qualification letter	Yes
Fee – 2017-18	£51,227 (to be agreed)
Fee – 2016-17	£30,555

Findings

The Council administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid. The certification guidance requires reporting accountants to follow a programme of work specified by DWP. Detailed case testing is carried out on an initial sample of 20 cases per benefit type. More extensive '40+' or extended testing is undertaken if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the certification of previous years claims.

We found a relatively large number of errors and needed to undertake significant amount of additional work. In particular issues relating to a software bug with the CIVICA housing benefit system used by the Council resulted in neither us or the Council being able to balance a significant number of the cases we selected for detailed testing. Significant time was spent by both us and the Council trying to understand and balance these cases prior to the Council and its software supplier being able to identify the root cause of the problem. This issue is considered in more detail below.

Extended and other testing identified errors, some of which the Council amended and some of which were reported in our qualification letter.

We have reported underpayments, uncertainties and the extrapolated value of other errors resulting in overpayments in our qualification letter. We also reported an estimate of the potential number and value of claims impacted by the CIVICA bug issue based on the results of the work we had undertaken. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. We include in this report a summary of the main issues we reported in our qualification letter, or which led to agreed amendments to the final subsidy claim, as follows:

Cross-cutting issue: CIVICA software bug

Testing of both the discovery and extended testing samples was significantly delayed by neither us or the Council being able to balance detailed cell expenditure for cases tested to the amount shown as appearing in the headline cell for a proportion of the cases tested. For impacted cases we were therefore unable to conclude that benefit expenditure was correctly classified on the claim and therefore that benefit subsidy due to the Council was correctly reported in the claim. We were also unable to specifically quantify the value of any over or under-payment arising from any failure in respect of the attribute tested as part of the extended testing undertaken.

After significant further investigation by the Council in late October 2018, 6 months after work on the claim had commenced, it became clear that the issue was caused by a known bug in the CIVICA benefits software which appeared to effect more complex claims where multiple prior year adjustments to benefit entitlement had been made by the Council. The issue was not resolved by late November 2018. As we were not able to report results for impacted cases a decision was taken jointly with the Council that the claim would not be certified by the deadline of 30 November 2018 to allow time for the issue to be resolved by CIVICA through updates to the housing benefit software.

01- Housing benefits subsidy claim (continued)

As a result of the issue outlined the Council applied to the Department for Work and Pension (DWP) to extend the deadline for certification of the claim. This application was refused and the DWP determined that a proportion of the cash payment of interim benefit subsidy due to the Council in the current year (2018/19) would be withheld until the claim was certified. Although our understanding is that the issue has now been resolved by CIVICA and the Council for some of the cases impacted, the Council is not satisfied that the problem has been fully corrected at February 2019. Given that, and the decision by DWP to withhold current year cash payments of subsidy, we concluded after consultation with the Council that we would report the findings of our work excluding cases effected by the CIVICA bug. We have explained this approach to the DWP as part of our qualification letter and, based on the results of our work, estimated the current proportion of the Council's housing benefit caseload impacted by the bug. Based on the results of our work we have reported that approximately 10 per cent of total cases by number and 11 per cent of total cases by financial value are effected by this issue. See Recommendation 1 below

Cross-cutting issue: Version of benefits software used to generate the claim

As part our work we detected that the Council had been using an out of date version of the CIVICA housing benefit software to produce the draft claim submitted for audit in April 2018. The Council prepared a revised version of the claim based on the correct up to date version of the software in late August 2018. Although the overall financial impact was not significant this resulted in some claims and related expenditure being re-classified in the updated claim. As a result of this:

- We needed to review our original discovery samples and re-select and test any cases that had been impacted by the reclassification of claim and related expenditure.
- The Council needed to re-work manual adjustments made to the claim, which we then needed to re-audit.

See Recommendation 2 below

Rent Allowances: Incorrect classification of expenditure

Testing of the initial sample identified one case where the Council had classified expenditure incurred as within Local Housing Allowance (LHA) rules when the landlord was a provider of social housing. Although this resulted in an underpayment of benefit we concluded that expenditure misclassification could result in an overpayment of subsidy and therefore tested an additional sample of 40 cases. This identified no further failures and it was therefore not necessary to report this issue as part of our qualification letter.

Rent Allowances: Incorrect assessment of weekly rent liability

Testing of the initial sample identified two cases where benefit entitlement had been assessed using an incorrect weekly rent liability, one of which resulted in the overpayment of benefit. We therefore determined it was necessary to test an additional sample of 40 cases. For both of the failed cases the claimant was accommodated by the same housing association, Clarion Housing. We were only able to test 39 case due to the impact of the CIVICA bug. (continued overleaf)

01- Housing benefits subsidy claim (continued)

Rent Allowances: Incorrect assessment of weekly rent liability (continued)

We shared the results of our initial testing with the Council. The potential cause of the issue was identified as result of the method used by the Council to update rents on the CIVICA HB system for Clarion cases. An electronic data file of rent increases for the period is uploaded to CIVICA to update the rent liability. However, where there is no rent reference on the system for a given case the system is unable to match the updated rent liability to the case resulting in the rent liability is not updated and is therefore not correct. This then results in an error in the calculation of benefit entitlement and a corresponding unrecorded over or under-payment of benefit dependent on whether the rent liability should have increased or decreased.

As a result of this a decision was taken jointly with the Council that it should extract a listing of all Clarion cases with a missing rent reference, manually update the rent liability on the system and determine the impact of the change on the assessment of entitlement so that a complete amendment could be made to the claim. This work was undertaken by the Council and audited by us. Errors were detected in the initial work undertaken which were corrected and we ultimately were able to agree an adjustment to the claim. This has the impact of increasing local authority overpayment errors recorded in the claim by approximately £27,000.

Following completion of this exercise we excluded all Clarion cases with missing rent reference numbers from the results of our work. This left two remaining failed cases where an incorrect weekly rent liability had been used to calculate benefit entitlement leading to an overpayment that were not Clarion cases with missing rent reference numbers. We extrapolated these results as part of our qualification letter.

The extrapolated impact of these errors was £10,290, resulting in understatement of the relevant Local Authority Error cell and overstatement of the relevant eligible expenditure cell.

We understand that the Council has now take action to ensure that all Clarion Housing cases now have a valid rent reference number on the CIVICA system to avoid a recurrence of this problem, but have not tested this.

See Recommendation 3 below

Rent Allowances: Self-employed income

No relevant failures were identified in our initial testing. However, based on our prior year experience of the claim where errors of the type were detected we were required to test an extended sample of 40 cases to determine whether claimant earned income had been correctly assessed in the calculation of benefit entitlement. The same sample covered two issues detected in the prior year:

- Instances where self-employed income had been incorrectly calculated.
- Instances where start date of self-employed income had been incorrectly applied.

We were only able to test 33 cases because of the impact of the CIVICA bug.

Our testing identified 18 cases where earned income had not been correctly assessed in the determination of benefit entitlement, four of which resulted in the overpayment of benefit. We extrapolated these results as part of our qualification letter.

The extrapolated impact of these errors was £41,674, resulting in understatement of the Local Authority Error cell and overstatement of the relevant eligible expenditure cell.

01 - Housing benefits subsidy claim (continued)

Rent Allowances: Student loan income

No relevant failures were identified in our initial testing. However, based on our prior year experience of the claim where errors of the type were detected we were required to test an extended sample of 40 cases to determine whether student loan income had been correctly assessed in the calculation of benefit entitlement. We were only able to test 31 cases because of the impact of the CIVICA bug.

Our testing identified 17 cases where student loan income had not been correctly assessed in the determination of benefit entitlement, eight of which resulted in the overpayment of benefit. We extrapolated these results as part of our qualification letter.

The extrapolated impact of these errors was £7,453, resulting in understatement of the Local Authority Error cell and overstatement of the relevant eligible expenditure cell.

Rent Allowances: Non-dependant income

No relevant failures were identified in our initial testing. However, based on our prior year experience of the claim where errors of the type were detected we were required to test an extended sample of 40 cases to determine whether non-dependant income had been correctly assessed in the calculation of benefit entitlement. We were only able to test 39 cases because of the impact of the CIVICA bug.

Our testing identified six cases where non-dependant income had not been correctly assessed in the determination of benefit entitlement, one of which resulted in the overpayment of benefit. We extrapolated these results as part of our qualification letter.

The extrapolated impact of these errors was £5,807, resulting in understatement of the Local Authority Error cell and overstatement of the relevant eligible expenditure cells.

See Recommendation 4 below

Recommendations

1. Work with CIVICA to resolve all remaining cases impacted by the CIVICA bug issue as a matter of priority. The Council should also seek to better understand and address the root cause of the problem given the scale of impact to avoid any recurrence in the future.
2. Ensure that all required software updates have been run on the CIVICA housing benefit system prior to the production of the draft 2018/19 Housing Benefit claim.
3. Ensure that all Clarion Housing cases have a valid rent reference on the CIVICA housing benefit system so that the upload of updated weekly rent liability data for Clarion Housing cases in 2018/19 is complete.
4. Continue to work to improve the overall control environment within the Housing Benefit Department to reduce the relatively high level of error in the assessment of benefit and claiming of subsidy

02 - 2017-18 certification fees

PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017-18, these scale fees were published by the PSAA and are available on their website (www.psaa.co.uk).

Claim or return	2017-18 Actual fee	2017-18 Indicative fee	2016-17 Actual fee
Housing benefits subsidy claim	£51,227	£41,242	£30,555

The indicative scale fee for 2017/18 of £41,242 is based on the final fee charged in 2015/16.

Our proposed final fee for 2017/18 is £51,227, an increase of £9,985, arising from a comparison of the total quantum of work undertaken in 2017/18 compared with 2015/16. In 2017/18, three more lots of extended testing were undertaken compared to 2015/16, either as a result of errors identified in the year, or as a result of prior year errors which the methodology required to be followed up in 2017/18. The following issues also required us to undertake significantly more work in 2017/18:

➤ The CIVICA bug issue and the amount of time spent trying to balance cases that ultimately could not be balanced. The Council was not able to identify the root cause of this issue until approximately 6 months after submission of the draft claim for audit.

➤ The failure to produce the claim using the required up to date version of the benefits software and the consequential need to re-produce the claim, re-process and audit manual adjustments and identify and replace cases from our initial testing that were effected by reclassification caused by the need to re-produce the claim.

- Deficiencies in testing work undertaken by the Council and the need to improve the quality of the documentation and re-perform the work.
- The amount of time spent on the Clarion Housing issue to determine and audit a complete adjustment to the claim, which culminated in the Council needing to re-perform the exercise a number of times due to error.
- The number of amendments made to the claim and the need for the Council to re-prepare an amended claim a number of times because of errors in the adjustments made and/or required adjustments not being made at all.

The additional fee is based on the additional auditor hours required in respect of the extended testing, and hourly rates which are stipulated by PSAA. We will discuss and agreed the overall fee increase with the Director of Corporate Resources. The final fee is subject to agreement by PSAA.

03 – Looking forward

From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their housing benefit subsidy claims in accordance with the instructions determined by the DWP. We are pleased that for 2018-19 the Council has appointed us to act as reporting accountants in relation to the housing benefit scheme. We welcome this opportunity to continue undertaking this work for the Council providing a quality service, drawing on vast array of experienced and knowledgeable public sector professionals in these areas, whilst realising the synergies and efficiencies that are achieved by undertaking both the audit and grant work.

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ED None

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**London Borough of
Merton**
Audit planning report
Year ended 31 March 2019

February 2019

28 February 2019



Dear Committee Members

Audit planning report

We are pleased to attach our audit planning report for the forthcoming meeting of the Standards and General Purposes Committee. The purpose of this report is provide the Committee with a basis to review our proposed audit approach and scope for the 2018-19 audit, in accordance with the requirements of the auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for the London Borough of Merton. We have aligned our audit approach and scope with these.

This report is intended solely for the information and use of the Standards and General Purposes Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 14 March 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S Patel'.

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Standards and General Purposes Committee and management of the London Borough of Merton in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Standards and General Purposes Committee, and management of the London Borough of Merton those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Committee and management of the London Borough of Merton for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2018-19 audit strategy



Overview of our 2018-19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Inappropriate capitalisation of revenue expenditure	Fraud risk	A more clearly defined risk for 2018/19.	Linking to our fraud risk identified above, we have determined that the way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements.
Valuation of Land and Buildings	Significant Risk	No change in risk or focus.	The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. In 2017/18 we identified significant weaknesses in the approach taken by management to the valuation of assets carried at depreciated replacement cost (DRC). Our findings led to the carrying value of PPE being increased by approximately £163 million. We considered the weaknesses in arrangements for the valuation of land and buildings assets to be a significant deficiency in internal control at the Council.
Pension Liability and Asset Valuation	Inherent Risk	No change in risk or focus.	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme which it administers. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Overview of our 2018-19 audit strategy

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
New Accounting Standards	Inherent risk	New risk identified this year.	IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts) apply from 1 April 2018. We will assess the impact of these new standards to determine whether they have been appropriately implemented by the Council.
Private Finance Initiative (PFI)	Inherent Risk	No change in risk, but the focus of our work has been updated to reflect issues relevant to the year of account.	The Council has a material PFI arrangement. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal expert in 2016/17 and followed-up in 2017/18. We will review the accounting entries and disclosures in relation to PFI in detail in 2018/19, with a focus on any significant changes since the previous year.

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Materiality

Planning materiality
£9.5m

We have set materiality at £9.537 million for the group financial statements which represents 1.8% of the prior years gross revenue expenditure of the Council and CHAS 2013 Ltd. Materiality for the single entity Council financial statements is £9,426 million. In the prior year we calculated materiality by applying the maximum threshold possible, 2% of gross expenditure. We have reduced the maximum threshold for all local authorities to 1.8%, reflecting the higher profile of local government financial resilience and financial reporting.

Performance materiality
£4.7m

We have set performance materiality at £4.768 million for the group financial statements and £4,713 million for the single entity Council financial statements. This represents 50% of materiality reflecting the high level of error detected in our 2017/18 financial statements audit. We determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group. We consider the wholly owned subsidiary, CHAS 2013 Limited, to be a significant component with a performance materiality level of £1.91 million.

Audit differences
£476k

We will report all uncorrected misstatements relating to the group financial statements over £476,000. We will communicate other misstatements identified to the extent that they merit the attention of the Standards and General Purposes Committee.

Overview of our 2017/18 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of the London Borough of Merton give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.



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02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error *

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

We will undertake our standard procedures to address fraud risk, which include:

- Identifying fraud risks during the planning stages.
- Inquiring of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Considering the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

We undertake similar procedures on all of our audit engagements.

Our response to significant risks (continued)

Inappropriate capitalisation of revenue expenditure*

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.

▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating PPE additions and/or Revenue Expenditure Financed as Capital Under Statute (REFCUS) in the financial statements.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of its annual capital programme which is many times out materiality level.

This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

What will we do?

We will:

- ▶ Test PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries more generally for evidence of management bias and evaluate for business rationale.

Our response to significant risks

Valuation of land and buildings

Financial statement impact

The net book value of other land and buildings in the 2017/18 audited accounts was £582.8 million.

What is the risk?

The fair value of land and buildings represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

In 2017/18 we identified significant weaknesses in the approach taken by management to the valuation of assets carried at depreciated replacement cost (DRC) and issues with assets valued using the Existing Use Valuation (EUV) approach. Our findings led to the carrying value of PPE being increased by approximately £163 million. We considered the weaknesses in arrangements for the valuation of land and buildings assets to be a significant deficiency in internal control at the Council. There is a risk that the value of land and buildings in the Council's accounts is materially misstated for 2018/19.

What will we do?

We will disaggregate the Council's other land and buildings and adopt different testing strategies for specialised assets the Council values using DRC and non-specialist assets valued using EUV.

- ▶ For DRC we will confirm that the Council has used the methodology it revised in the prior year following our audit which include the work of our expert. We will also test a sample of valuations, challenging the Council on key assumptions and base data such as agreeing floor areas back to original documentation.
- ▶ For EUV, due to the extent of subjectivity and professional judgement that management's expert applies we will engage our own expert to enable us to audit a sample of valuations, challenging management on key assumptions and judgements.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £350.1 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Pension Fund.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

PFI

The Council has a material PFI arrangement in relation to schools. PFI accounting is a complex area, and a detailed review of these arrangements was undertaken by our internal expert in 2016/17 and followed-up in 2017/18.

What will we do?

We will:

- ▶ Liaise with the auditors of Merton Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the London Borough of Merton.
- ▶ Assess the work of the pension fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

We will review the accounting entries and disclosures in relation to PFI in detail in 2018/19, with a focus on any significant changes since the expert's follow-up review in the previous year. Specifically, the Council is making changes to the detailed accounting model for its PFI in light of our points raised in the previous year and the unadjusted misstatement identified late in our 2017/18 audit and reported in the Audit Results Report. These amendments are currently being considered by our internal expert in discussion with the Council.

We will also undertake testing of in-year inputs to the accounting models and agree relevant entries in the financial statements to year-end output from the accounting model.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
<p><u>IFRS 9 Financial instruments</u></p> <p>This new accounting standard will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial instruments. <p>There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of Practice on Local Authority Accounting provides guidance on the application of IFRS 9. A statutory override is available for certain classes of financial assets.</p> <p>The Council is yet to undertake and document its assessment of the impact of IFRS9.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Assess the Council's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. ▶ Consider the classification and valuation of financial instrument assets. ▶ Review the implementation of the new expected credit loss model impairment calculations for assets. ▶ Check additional disclosure requirements for compliance with the CIPFA Code.
<p><u>IFRS 15 Revenue from contracts with customers</u></p> <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.</p> <p>The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue may change and new disclosure requirements introduced.</p> <p>The Council is yet to undertake and document its assessment of the impact of IFRS15.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. ▶ Consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and ▶ Check additional disclosure requirements.



03

Value for Money Risks





Background

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion. For 2018/19 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

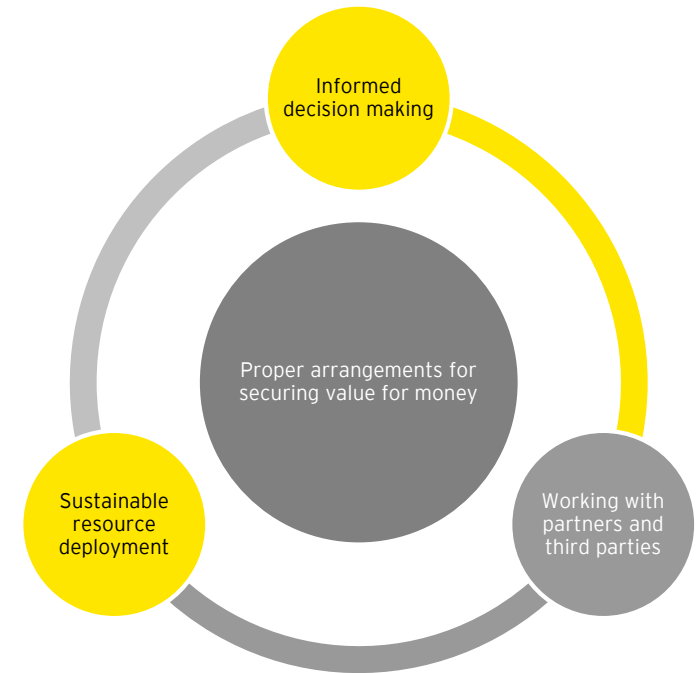
- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

When considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.





Value for Money Risks

What is the significant value for money risk?

The Council continues to have a challenging financial outlook. Based on the February Cabinet report, to balance the budget over the next four years it is planning to deliver cumulative agreed savings of approximately £9.5 million with further savings of approximately £10.3 million needing to be found to fully balance the budget and avoid further dependence on its reserves.

As at 18 February, the current draft business plan 2019-23 shows a cumulative budget gap, including the use of reserves, and assuming no Adult Social Care grant but that Council Tax hypothecation can be used, as follows over the next four years:

- No budget gap in 2019/20.
- £1,112,000 in 2020/21.
- £5,411,000 in 2021/22.
- £6,078,000 in 2022/23.

What arrangements does the risk affect?

Sustainable resource deployment

What will we do?

Our approach will focus on reviewing the robustness of the Council's plans and arrangements to address budget pressures in Children, Schools and Families, and to achieve its savings targets and address budget gaps to deliver sustainable financial balance over the medium term. This will include follow-up of the issues we highlighted as part of our 2017-18 programme of value for money work.



04

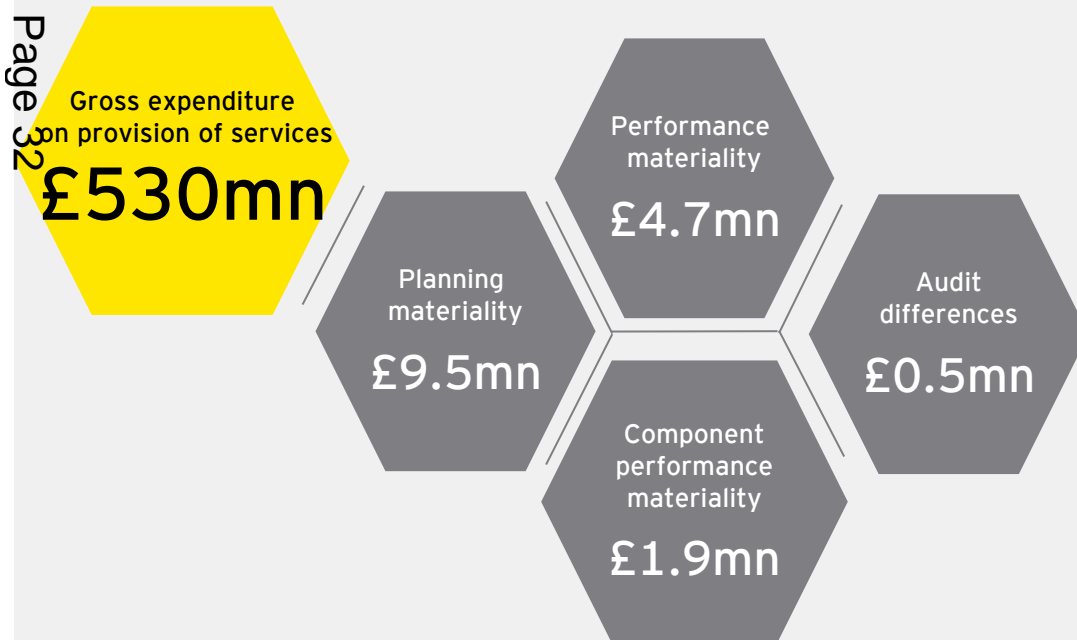
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £9.536 million for the group financial statements. This represents 1.8% of the Council's prior year gross expenditure on provision of services plus the expenditure of CHAS 2013 Limited. It will be reassessed throughout the audit process. We consider that gross expenditure on the provision of services is the area of biggest interest to the users of the Council's accounts.



We request that the Standards and General Purposes Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £4.768mn for the group financial statements which represents 50% of planning materiality. This reflects the relatively high level of error detected in our 2017/18 financial statements audit.

Component performance materiality range - we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold - we propose that misstatements identified below this threshold of £476,000 are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Standards and General Purposes Committee, or are important from a qualitative perspective.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2018/19, we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will review internal audit plans and the results of their work and meet with the Head of Internal Audit as necessary. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements, the Narrative Statement and the Annual Governance Statement.

Scope of our audit

Group scoping

For 2018/19 the Council has determined that it should consolidate CHAS 2013 Ltd and prepare group accounts. Our audit strategy for performing an audit of an entity components is risk based. We identify components as:

- 1. Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- 2. Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

We have determined that CHAS 2013 Ltd is a significant component due to risk. We have also determined our approach will be to apply a specific scope to our work on CHAS 2013 Ltd based on the nature of the transactions between the Council and the company. We are the auditors of CHAS 2013 Ltd but will not undertake the audit until later in the year. We have also considered the Council's other wholly owned subsidiary, Merantun Development Limited, as part of our group scoping assessment but based on information available at the planning stage of the audit do not consider its financial activity in the period will be material to the Group.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details for the component within Appendix D.

0	A	Full scope audits
1	B	Specific scope audits
0	C	Review scope audits
0	D	Specified procedures
0	E	Other procedures

Scope definitions

Full scope: where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit.

Specific scope: where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: Where we do not consider it material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.



06

Audit team



Audit team

Audit team structure:

Suresh Patel
Associate Partner

Simon Mathers
Senior Manager

Simon Luk
Senior

Adam Le-Huray Baker
Senior

Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2018-19 audit.

We will continue to keep our audit approach under review to streamline it where possible.

EY Real
Estates (EYRE)

PFI Specialist

PwC (consulting
actuary) and EY
Actuaries

Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where specialists are expected to provide input for the current year audit are:

Area	Specialists
Pensions disclosure	EY Actuaries Barnett Waddingham - Actuary to Merton Pension Fund
PPE	The Council's own internal valuer is engaged by the Council for valuation of its PPE. EY Real Estates
PFI	EY Internal PFI Specialist

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018-19. From time to time matters may arise that require immediate communication with the Standards and General Purposes Committee and we will discuss them with the Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Standards and General Purposes Committee Meeting timetable	Deliverables
Initial Planning: Risk assessment and setting of scopes and walkthrough of key systems and processes	November		
	December		
Completion of initial planning	January		
	February		
Interim audit testing and completion of walkthroughs	March	Standards and General Purposes Committee Meeting	Audit Planning Report and verbal update on interim work.
Interim audit testing and completion of walkthroughs	April		
	May		
	June		
Year end audit Audit Completion procedures	July	Standards and General Purposes Committee Meeting	Audit Results Report Audit opinions and completion certificates
	August		Annual Audit Letter



08

Independence

Independence

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.
- ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm is independent;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider the safeguards that have been adopted appropriately mitigate the principal threats identified and we confirm that EY is independent and that Suresh Patel, your audit engagement partner, and the audit engagement team have not compromised their objectivity and independence

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work. There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

Other communications

EY Transparency Report 2018

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2018/19 (£)	Final Fee 2017/18 (£)
Scale Fee - Code work	110,493	143,498
Additional fees		
- Additional work on PPE	5,000-15,000*	20,000**
- MRP review	-	4,500
- Letter from member of the public	-	9,000
- Additional work arising from change in materiality and clearance of audit queries	15,000-25,000*	52,000**
Total audit	130,493-150,493	228,998
Non-audit services - Housing Benefits	TBC	51,227***
Non-audit services - Teachers' Pensions limited assurance	TBC	8,500
Total other non-audit services	TBC	59,727
Total fees	TBC	288,725

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

All fees exclude VAT

Notes:

* We include a range of additional fees to reflect the additional work we will need to undertake in respect of the risks we have reported in this plan. We will confirm the exact additional fees as the audit progresses and seek agreement with management and PSAA.





** This remains subject to approval by PSAA.

*** The 2017/18 Housing Benefit certification work includes a proposed scale fee variation of £9,985 for additional testing. This fee has been agreed by management but remains subject to approval by PSAA.



Appendix B

Required communications with the Standards and General Purposes Committee

We have detailed the communications that we must provide to the Standards and General Purposes Committee.





		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Standards and General Purposes Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit Planning Report, 14 March 2019 meeting of the Standards and General Purposes Committee.
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report, 25 July 2019 meeting of the Standards and General Purposes Committee.

Required communications with the Standards and General Purposes Committee (continued)

Required communications	 What is reported?	 When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the Audit Committee include:</p> <ul style="list-style-type: none"> ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Actual or suspected non-compliance with laws and regulations identified relevant to the Audit Committee ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant 	<p>Audit planning report, March 2019 and Audit results report, July 2019</p>



Appendix B

Required communications with the Standards and General Purposes Committee (continued)

 Our Reporting to you			
Required communications	 What is reported?	  When and where	
Page 50	Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report, 25 July 2019 meeting of the Standards and General Purposes Committee.
	Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report, 25 July 2019 meeting of the Standards and General Purposes Committee.
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report, 25 July 2019 meeting of the Standards and General Purposes Committee.	
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report, 25 July 2019 meeting of the Standards and General Purposes Committee.	

Required communications with the General Purposes and Standards Committee (continued)

 Our Reporting to you



Required communications	 What is reported?	 When and where
<p>Independence</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 51</p>	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the Council and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence and related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Details of any contingent fee arrangements for non-audit services ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The Audit Committee should also be provided an opportunity to discuss matters affecting auditor independence 	<p>Audit planning report, March 2019 and Audit results report, July 2019</p>

Appendix B

Required communications with the Standards and General Purposes Committee (continued)



Our Reporting to you

Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report, 25 July 2019 meeting of the Standards and General Purposes Committee.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	Audit Results Report, 25 July 2019 meeting of the Standards and General Purposes Committee.
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report, 25 July 2019 meeting of the Standards and General Purposes Committee.
Representations	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Assurance Letter to be received shortly after year-end.
Material inconsistencies and misstatements	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report, 25 July 2019 meeting of the Standards and General Purposes Committee.
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report, 25 July 2019 meeting of the Standards and General Purposes Committee.

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council’s internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management’s use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board’s statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and Maintaining auditor independence.

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Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the locations at which we conduct audit procedures to support the opinion given on the financial statements; and the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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ED None

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Committee: Standards and General Purposes Committee

Date: 14th March 2019

Wards: All

Subject: Audited Final Accounts 2018/19

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Mark Allison- Cabinet Member for Finance

Contact officer: Roger Kershaw, Interim AD of Resources

Recommendations:

1. That the Committee note the work undertaken by officers' to prepare for the closure of the 2018/19 Statement of Accounts.
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. To advise that officers have undertaken an extensive review of the closing of accounts' process in preparation for the "faster closing" deadlines required for the 2018/19 Statement of Accounts.

2 DETAILS

- 2.1. At the Standards and General Purposes Committee meeting on the 8th November 2018, the external auditors (EY) advised that they had completed the audit of the 2017/18 Statement of Accounts. These accounts have been published on the Council's website.
- 2.2. Members will recall that the Accounts and Audit Regulations 2015 require that the Statement of Accounts for 2017/18 and thereafter are prepared by the 31st May and audited by the 31st July.
- 2.3. Members will also recall that the Council experienced some challenges in closing the 2017/18 accounts, primarily due to the problems faced in valuing our PPE assets. This resulted in additional external audit effort and cost.
- 2.4. Officers have been working extensively during the year to prepare for the closure of 2018/19 Accounts in particular to ensure that the problems in valuing our assets does not re-occur this audit.
- 2.5. In addition, officers have been working closely with our external auditors to run a series of analytical checks in advance of their audit to ensure as much practical work is cleared in good time to ensure a more efficient audit process. This includes an extended interim audit period of over 6 weeks (normally 2 weeks), due to commence 4 March 2019. This will enable a significant amount of sample testing to be undertaken during this interim period so that any issues are resolved in good time before the main audit starts late June 2019.
- 2.6. We have also reviewed the lessons learnt from the 2017/18 closedown process and implemented changes to our processes and team, including:

- Reviewing thoroughly the closing of accounts' timetable.
- Ensuring external auditor requirements have been met. Including improving our working papers, and providing a comprehensive data analytics file for our auditors to sample from.
- A route and branch review of our Statement of Accounts to streamline the content.
- Tightening up our closing timetable and accounting processes.
- Recruiting an extra member of staff to the closing team with extensive Chief Accountant experience.

2.7. The key dates in the 2018/19 Closing of Accounts' timetable have been added to the Council's Intranet, together with the full timetable, general guidance notes for departments and accounting guidance for finance teams. These deadlines have also been shared with Kingston, as the provider of our Shared HR and Payroll service, as payroll information has a significant effect on the Council's and Pension Fund accounts. These key dates, covering the period to the production of the draft accounts, are set out below:

2018/19 Closing – Key Dates to production of draft accounts

Task	2018/19
E5 (financial system) year-end processes run e.g. to produce automatic accruals	1 April
Posting of accounting entries to ensure completeness and accuracy of e5 general ledger.	2 April to 18 April
Review of revenue outturn (including formal meetings with DCS)	18 April- 25 April
Draft Statement of Accounts (SoA) ready (including Group Accounts in 2017/18)	10 May
Draft SoA reviewed including review by DCS	10 May - 20 May
Draft SoA complete	24 May
Publish Accounts on Website	31 May

3 ALTERNATIVE OPTIONS

3.1. None for the purposes of this report.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. None for the purposes of this report

5 TIMETABLE

5.1. The 2018/19 closing of accounts' timetable provides for the accounts to be prepared and then audited within statutory deadlines. These are that the Statement of Accounts must be prepared by the 31st May 2019 and must be audited by the 31st July 2019.

- 6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**
- 6.1. Officers will be working to minimise any additional Audit costs throughout the Audit.
- 7 LEGAL AND STATUTORY IMPLICATIONS**
- 7.1. Members are referred to the Council's constitution and in particular to the Financial Regulations which are in Part 4f.
- 8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**
- 8.1. None for the purposes of this report.
- 9 CRIME AND DISORDER IMPLICATIONS**
- 9.1. None for the purposes of this report
- 10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**
- 10.1. None for the purposes of this report
- 11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**
- 11.1. None
- 12 BACKGROUND PAPERS**
- 12.1. The papers which were used to compile this report are held within the Corporate Services Department.
- 12.2. Statement of Accounts 2017/18
- 12.3. Guidance Notes for Closing of Accounts 2018/19
- 12.4. Closing of Accounts timetable 2018/19

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Committee: Standards and General Purposes

Date: 14 March 2019

Wards:

Subject: Internal Audit Progress Report

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Peter McCabe Chair of the Standards and GP Committee

Contact officer: Margaret Culleton Head of Internal Audit

Tel. 020 8545 3149 margaret.culleton@merton.gov.uk

Recommendation:

That Members note the report and comment upon matters arising from the Internal Audit Progress Report

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report summarises the work carried out by Internal Audit up to March 2019 and the key areas of activity planned for the remainder of the year.
- 1.2 Internal Audit seeks to ensure that Merton's financial and other systems adhere to recognised standards and that public accountability can be demonstrated and is transparent.
- 1.3 Internal Audit is responsible for conducting an independent appraisal of all the Council's activities, financial and otherwise. It provides a service to the whole Council, including Members and all levels of management. It is not an extension of, nor a substitute for, good management. The Internal Audit Service is responsible for giving assurance on all control arrangements to the Standards and General Purposes Committee and the Director of Corporate Services (also known as the Section 151 Officer); it also assists management by evaluating and reporting to them the effectiveness of the controls for which they are responsible.

2 DETAILS

- 2.1 Since April 2018 we have finalised 28 audit reviews.
- 2.2 In order to contribute to the Annual Governance Statement all Internal Audit reports give an audit assurance as follows:
 - a) Full Assurance
 - b) Substantial Assurance
 - c) Limited Assurance
 - d) No assurance

- 2.3 In addition each recommendation is given a high, medium or low risk priority. All recommendations are followed up by Internal Audit to ensure that they have been implemented.

3 Progress against the Plan

- 3.1 Progress against the 2018/19 plan as at 28 February is as follows

	Audits	Days
Number of audits in the 2018/19 plan (+ 5 audits from 2017/18)	47	
Audit Days delivered*		714
Number of audits finalised	28	
Number of audits at draft report stage	1	
Number of audits in progress	16	

* audit plan days is 765

- 3.2 At the time of this report, approximately 93% of the plan has been completed on the basis of number of days delivered. The plan days are expected to be delivered by year end.

Planned Audit Reviews

- 3.3 Since the April 2018, there have been 21 reports issued with a substantial assurance and 5 reports issued with a limited assurance. (There have also been 2 accounts signed off)
- 3.4 A summary of the findings and agreed actions are detailed further in Appendix B for all those receiving a limited assurance report (Declaration of Interest and Corporate Procurement) since the last progress report to committee in October 2018.

Table 1 – Audit Reviews with a limited assurance

Audit Title	Department	Progress against implementation
CM2000	CH	6/14 completed
Service Tenancies follow up	ER	8/18 completed
School Meals Contract	CSF	6/11 completed
Declaration of Interests	All	0/4 completed
Corporate Procurement	All	0/3 completed

- 3.5 The actions recommended are all either implemented or in progress to be implemented. Follow-up of audit actions are always undertaken to seek assurance that the weaknesses in controls have been strengthened.

Procurement/contract

- 3.6 There are eight procurement audits undertaken this year, five have been finalised:-

- two with a substantial assurance, Management of taxi contract and Commissioning of SEN placements,
- three with a limited assurance CM2000, School Meal contract, Corporate Procurement.

- 3.7 Three audits are in progress: Contract Monitoring of Commissioned Services, SLWP-waste and SLWP –parks.

IT systems

- 3.8 There have been two IT audits completed this year, IT asset Management and Software licence audit, both of these have a substantial assurance.

Financial systems

- 3.9 There are four audits completed this year for the main financial systems, all with a substantial assurance (Payroll, General Ledger, fixed assets, treasury management). Corelogic Mosaic, Budget setting & control and petty cash imprests are in progress.

Schools

- 3.10 To date we have finalised six school audit reports and one draft with substantial assurance and three due to be undertaken shortly.

- 3.11 Where schools have received a limited assurance report, a copy is sent to the Chair of Governors and to the finance team supporting schools so that they can offer additional support. Internal Audit carry out a follow up audit six months later to review the effect of the changes.

Service Specific

- 3.12 Other audits undertaken have been grouped into 'service specific' type audits. Eight reviews have been finalised,

- Seven with a substantial assurance Section 106/CIL, school insurance, purchasing card expenditure, corporate asset plan, commercial rent, market and street traders, adult social care debt)
- one with a limited assurance (Service Tenancies follow up).

Governance

- 3.13 There has been one governance type review carried out this year on Declaration of Interest (officers), which received a limited assurance. A review is in progress on GDPR.

Additional audit reviews

- 3.14 Internal audit attends Department Management Teams a number of times throughout the year to discuss progress against the plan and to review the audits which are still to be undertaken to ensure they are still relevant and timely. Additional requests for work are also received from managers and reviews are undertaken in areas where fraud has occurred to ensure that controls are sufficient.
- 3.15 Internal Audit has undertaken seven additional reviews this year; which means that some planned audits for 2018/19 will move to 2019/20. The additional work this year covers the following areas:-
- Review of controls in place for cash, card and laptops (final).
 - Planning decision (final)
 - Mobile phone contracts- schools (final)
 - Insurance arrangements – Schools (final)
 - Financial audit – care home fees (final)
 - Commissioning review (final)
 - Planning process (in progress)

4. Following up on the Implementation of Agreed Actions and responses to Draft Reports

- 4.1. The agreed actions for audits completed in 2018/19 have been followed up. At the time of this report 94% of audit actions had been implemented at the due date, 6% were due to be implemented.
- 4.2 Follow up reminders are sent out monthly to officers responsible for implementing the agreed actions when the due date is reached, to ascertain whether the actions have been implemented.
- 4.3 If the actions have not been implemented by the following month reminders are escalated to Heads of Service/ Assistant Director Level. Once they reach 3 months overdue a report is then sent to Directors for those actions.
- 4.4 As at the 28th February there were 11 audit actions overdue by more than 3 months. Responses to these actions are actively being sought.
- 4.5 Where there are overdue actions Internal Audit contacts the manager to seek explanations for the delays in implementing these recommendations. If an

action remains outstanding, these audit areas are considered for a follow up audit review.

5. ALTERNATIVE OPTIONS

5.1 None for the purposes of this report.

6 CONSULTATION UNDERTAKEN OR PROPOSED

6.1 The Internal Audit Plan has been agreed with Chief Officers who have consulted with their Management Teams. Service Level Agreements are in place. The Head of Internal Audit has periodic meetings with the Directors to report upon progress against the Plan.

6.2 All audit reports are discussed with the relevant manager prior to issuing as a draft, further meetings are held if required and comments from the Manager and Head of Service/Assistant Directors are included in the final report.

7 TIMETABLE

7.1. None for the purposes of this report.

8 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

8.1 The planned work and unplanned work is undertaken within the budget allocated.

8.2 As at the end of January (period 10) there was a forecast overspend for the year of £7k on internal audit.

9 LEGAL AND STATUTORY IMPLICATIONS

9.1 This report sets out a framework for Internal Audit to provide a summary of internal audit work for 2018/19. The Local Government Act 1972 and subsequent legislation sets out a duty for Merton and other councils to make arrangements for the proper administration of their financial affairs. The provision of an Internal Audit service is integral to the financial management at Merton and assists in the discharge of these statutory duties.

10. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

10.1 Effective and timely auditing and advice enables Departments, Voluntary Organisations and Schools to provide quality services to their clients. These client groups are often vulnerable members of the community, e.g. elderly people, disabled people, asylum seekers, members of staff and voluntary organisations. The audit service helps to identify weak financial management and sometimes reflects weaknesses in other operational systems such as quality and ethnic monitoring. Audit, therefore, has a crucial role in ensuring that Council resources are used to enable a fair access to quality services.

11 CRIME AND DISORDER IMPLICATIONS

- 11.1 There are no specific crime and disorder implications arising from this report.
- 11.2 The report does however include brief details of potential fraud investigations in progress.

11 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 11.1. The Audit Plan has a risk assessment formula built into the process. This takes such aspects as expenditure, income, and previous audit findings into account and calculates priorities and the frequency of the audit.
- 11.2. In addition to the audit risk assessment formula the Corporate Risk Register is consulted during the production of the Internal Audit Plan.
- 11.3. The audit brief at the beginning of the audit, and the internal audit reports at the end of the audit also identify risks. Audit Recommendations are categorised high, medium or low priority in relation to the level of risk involved.

APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- Appendix A – Audit reports issued since April 2018
- Appendix B - Audit Report summary (limited assurance)

BACKGROUND PAPERS

- i. Documents held in Internal Audit Files

Internal Audit Plan progress 2018/19

Audit Name	status	Opinion
2017/18 completion of plan		
West Wimbledon primary school 17/18	final	Substantial Assurance
Fixed Assets 2017-18	final	Substantial Assurance
General Ledger (Main accounting system) 2017-18	final	Substantial Assurance
Section 106-CIL	final	Substantial Assurance
School Meals Contract	final	Limited Assurance
2018/19 plan		
Corporate Procurement 2018-19	final	Limited Assurance
Declaration of Interests 2018-19	final	Limited Assurance
Service Tenancies	final	Limited Assurance
CM2000 Home Care Monitoring	final	Limited Assurance
School Insurance	final	Substantial Assurance
Treasury Management 2018-19	final	Substantial Assurance
Purchasing Cards Expenditure	final	Substantial Assurance
Corporate Asset Management Plan	final	Substantial Assurance
LBM Shared iTrent 2018-19	final	Substantial Assurance
IT Asset Management 2018-19	final	Substantial Assurance
Software Licenses 2018-19	final	Substantial Assurance
St Mary Primary School 2018	final	Substantial Assurance

Commissioning of Special Education Placements (SEN)	final	Substantial Assurance
Holy Trinity CofE Primary School 2018	final	Substantial Assurance
St John Fisher Primary School 2018	final	Substantial Assurance
All Saints Primary School 2018	final	Substantial Assurance
Commercial Rent 2018-19	final	Substantial Assurance
Management of taxi contract	final	Substantial Assurance
Market & Street Traders 18-19	final	Substantial Assurance
Adult Social Care Debt Management	final	Substantial Assurance
Mayors Office (Charitable Trust)	final	n/a
Merton & Sutton Joint Cemetery Board 2018-19	final	n/a
Dundonald Primary School 2018	final	Substantial Assurance
Sacred Heart Primary Schools 2018	draft	Substantial Assurance
Abbotsbury Primary Schools 2018	wip	
Monitoring of School Returns 2018-19	wip	
GDPR 2018-19	wip	
Budget Setting and Control 2018-19	wip-review	
Petty Cash Imprests 2018-19	wip	
Interims Staff Review 18-19	wip	
Troubled Families Grant 2018-19	wip	
Singlegate Primary School 2018-19	wip	

Garfield Primary School 2018-19	wip	
Unaccompanied Asylum Seeking Children 18-19	wip	
Planning Application	wip	
LBM SLWP - refuse and parks contract 18-19	wip	
Corelogic Mosaic (Stage 2)	wip	
Financial Assessments	wip	
Contract Monitoring of Commissioned Services 18-19	wip	
Deprivation of liberty safeguards assessments 2018-19	wip	

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Internal Audit Report Summary- Limited Assurances

Service	Declaration of Interests (Officers)		
Date of Final Audit Report	27 th December 2018		
Audit actions	4	Completed Audit Actions	0
Audit Objectives	To review the Policy, Guidance and process in place for officers declarations of interest.		
Summary of Audit Findings	<ul style="list-style-type: none"> • Testing of employees at Head of Service level and above found that in 66 per cent (11 out of 15) of the sample tested, there was no evidence of a completed Declarations of Interest form between April 2016 and March 2018 on the register. • Testing of employees involved in the procurement of contracts (or employed in a procurement post) also found no evidence of a completed Declarations of Interest form for 47 per cent (7 out of 15) of cases. • In the 53 per cent (8 out of 15) where evidence of completed Declarations of Interest form was found, the date of the declaration would suggest these were annual renewals rather than a declaration in relation to the contract that they were involved in procuring. • The guidance in relation to Declarations of Interest was found to be somewhat fragmented and split across a number of policies and documents and there is a risk that if these documents are read in isolation it could be open to misinterpretation. (the employee Code of Conduct for example refers to potential conflicts such as “Managers’ relationships with their staff”, “Relationships with Contractors/Consultants” and “Officers involved in contracts”. On the other hand, the Declarations of Interest form does not address Managers’ relationships with their staff and includes other interest such as Secondary employment; Directorships; Shareholdings; Interest in Property or Land owned by Merton; Membership of Secret Organisations). • Our review also noted that the Declarations of Interest form makes reference to an accompanying explanatory note which employees must acknowledged that they have read before completing the form. However, a search on the Merton intranet site (Merton Hub) at the time of the review did not find the accompanying explanatory notes. 		

Internal Audit Report Summary- Limited Assurances

Service	Declaration of Interests (Officers)
	<p>There is a requirement for all “senior officers” to make a declaration every year (even if there is nothing to declare) or where there is a change in circumstances. However, the term “senior officers” is not defined and again could be subject to interpretation.</p> <p>The current process for declaring an interest is that details of the interest must be declared on the “Declarations of Interest Form”. The completed form is then approved by the respective departmental Directors and held on a departmental “Register”.</p> <p>Our review found evidence of a central register that holds Declarations of Interest forms completed by employees in all four departments. There was also evidence to support the approval of declarations by respective departmental Directors, and forms had been annotated with reasoning where necessary.</p>
<p>Summary Response Managers</p>	<p>from</p> <p>A review will be undertaken on the declaration form and guidance by the 31st March 2019.</p> <p>A reminder will be sent to staff via a Managers Bulletin to complete the declaration forms by 31st March 2019</p>

Internal Audit Report Summary- Limited Assurances

Service	Corporate Procurement					
Date of Final Audit Report	6 th February 2019					
Objective of the audit: To ensure that the council has robust procedures and guideline for procuring goods and services and that these are adhered to.						
Audit Actions	3	Completed Audit Actions	0			
Main issues	<p>Based on the work performed during this audit, we can provide overall Limited assurance that there are effective controls in operation for those elements of the risk management process covered by this review. Testing covered the period October and early November 2018. There are significant weaknesses in key control areas, which put the system objectives at risk. The most significant points arising from the audit were as follows:</p> <ul style="list-style-type: none"> • Sample testing found that 25 out of 32 (78%) of quotes or bids had not gone through the e-tendering portal Pro Contract as required by CSO's and the Procurement Toolkit. • Audit sample testing identified 28 out of 32 (88%) whereby details of suppliers and contracts had not been published on the Council's Contract Register. • Department OPG minutes have confirmed that Forward Plans are not up to date and not all fields had been completed. • There was a lack of information, clarity and transparency around the reporting of extensions including the number of extensions allowed under the contract. • Internal audit reviewed all four departmental Operational Procurement Groups (OPGs) minutes. The summary below shows that there is a significant number and value of contract spend that has not been included on the Contracts Register. There is a risk that LBM cannot demonstrate value for money to residents and this could impact on the reputation and vision to be London's Best Council. <table border="1" data-bbox="533 1289 2042 1318"> <tr> <td>Department</td> <td>% of spend over £ 5,000 that</td> <td>Total of Department spend NOT on the Contracts</td> </tr> </table>			Department	% of spend over £ 5,000 that	Total of Department spend NOT on the Contracts
Department	% of spend over £ 5,000 that	Total of Department spend NOT on the Contracts				

Internal Audit Report Summary- Limited Assurances

Service	Corporate Procurement		
		was NOT on the Contracts Register. (It was noted that Merton only reviews spend that can be influenced)	Register presented to October OPG Department meetings.
	ER	6%	£ 852,781.
	CS	17%	£ 584,953.
	CSF	40%	£ 3,023,176.
	C and H	29%	£ 4,842,786.
	Total of LBM spend NOT on the Contracts Register.		£ 9,303,696.
Summary Response from Managers	<p>The minutes of each department OPG meeting will record actions agreed to ensure that all contracts over £ 5,000 in their area, are published on the Council's Contract Register in line with the Procurement Toolkit.</p> <p>Chairs of each OPG to ensure that progress against agreed actions are discussed at their respective DMTs on a monthly basis and that Senior officers take responsibility for ensuring that their contracts are captured on the Contract Register. Managers to encourage staff in their area to attend Procurement training sessions. This will help ensure that quotes or bids are correctly placed through the e-tendering portal.</p> <p>The Budget Manager or nominated officer for the contract will be reminded to update all the required fields in the Departmental Procurement Forward Plan including the notes, in order to clarify the current status of the contract and actions planned such as going out to tender or extending the contract.</p> <p>The Budget Manager or nominated officer for the contract will be reminded to ensure that all fields have been completed on the Departmental Procurement Forward Plan, so that extension options allowed under the contracts are fully disclosed on the Forward Plan to allow monitoring, scrutiny and challenge of plans going forward. Delays in completing fields on the Forward Plan will be fed back to the respective DMT.</p>		

Committee: Standards and General Purposes Committee

Date: 14 March 2019

Agenda item:

Wards:

Subject: Internal Audit Plan, Strategy and Charter 2019/20

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Peter McCabe -Chair of the Standards and General Purposes Committee

Forward Plan reference number: N/A

Contact officer: Margaret Culleton – Head of Internal Audit

Tel. 0208 545 3149

[Email: margaret.culleton@merton.gov.uk](mailto:margaret.culleton@merton.gov.uk)

Recommendation:

- A. That members review and comment upon the 2019/20 Draft Internal Audit Plan, Strategy and Charter.**
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The Draft Internal Audit Plan, Strategy and Charter 2019/20 are included in Appendix 1.

2 DETAILS

- 2.1. The Internal Audit Plan has been compiled using the following planning mechanism:
- The Corporate Risk Register
 - Financial systems audit reviews
 - Strategic audit plan and audit previously identified as limited
 - Areas of concern arising from fraud investigations across the Partnership and Whistleblowing concerns.
 - Departmental requests
 - Best Practice
 - The Contracts Register
 - The Capital Programme
 - Service Plans
 - Annual Governance Statement
 - New IT systems
- 2.2 The Head of Audit provides copies of the draft plan to department directors and attends the departmental management teams where they may request audits to be added to provide assurance on their areas of risk. Comments are also obtained from their Heads of Services and key managers, departmental finance advisors.

- 2.3 Final Audit reports are sent to Directors and Heads of service in order to improve efficiencies.

Anti-fraud work

- 2.4 Audit days are included in the audit plan for Council-wide anti-fraud initiatives, for 2019/20 proactive fraud reviews cover CHAPS payments, procurement cards and No Recourse to Public Funds (NRTPF)
- 2.5 Other anti-fraud work is, as far as possible, integrated into individual audits, e.g. an audit of payments would evaluate the controls in place that mitigate the risk of fraud and error. Fraud alerts and information provided by London Audit Group provide areas of potential fraud risk to the authority. Audits are included in the plan where risk is considered high.

Information Technology audits

- 2.6 The Internal Audit service will cover non specialist IT work, such as reviewing the controls in place on the main financial systems.
- 2.7 Where IT audits are of a specialist nature, they require the detailed technical knowledge and expertise of a skilled IT practitioner; the framework contract with Mazars is used.

3 ALTERNATIVE OPTIONS

- 3.1. None for the purpose of this report.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. The draft Audit Plan has been sent to all Chief Officers who have consulted with their management teams. The Head of Audit has met with the members of each departmental management team to discuss the audit coverage.

5 TIMETABLE

- 5.1. The Internal Audit Plan will be the basis of Internal Audit's programme of work throughout the 2019/20 financial year. The timing of individual audits is considered in consultation with the Departments where possible.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. The audit plan is completed within the provision of existing resources.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. The requirement to maintain an Internal Audit function is defined within legislation, some of which is outlined below:-
- a) Section 151 of the **Local Government Act 1972** requires each Local Authority to *make arrangements for the proper administration of their financial affairs and to ensure that one of their officers is made responsible for the administration of those affairs.*

- b) The **Accounts and Audit Regulations 2015** 3 (a) relevant authority must ensure that it has a sound system of internal control which—
- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk.
- 5 (1) 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

7.2. The Director of Corporate Services is the designated officer responsible for ensuring compliance with these pieces of legislation. In a similar manner to a private company:-

- a) Elected Members will look to the Director of Corporate Services to provide them with an assurance as to the adequacy of the Authority's financial systems and system of internal audit.
- b) Chief Officers will also seek an assurance that the financial dealings within their departments meet the standard required.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. Effective and timely auditing and advice enables Departments, Voluntary Organisations and Schools to provide quality services to their clients. These client groups are often vulnerable members of the community, e.g. elderly people, disabled people, asylum seekers and members of staff and voluntary organisations. The audit service helps to identify weak financial management and sometimes reflects weaknesses in other operational systems such as quality and ethnic monitoring. Audit, therefore, has a crucial role in ensuring that Council resources are used to enable a fair access to quality services.

9 CRIME AND DISORDER IMPLICATIONS

9.1. There are no specific crime and disorder implications arising from this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. The Audit Plan has a risk assessment formula built into the processing. This takes such aspects as expenditure, income, and previous audit findings into account and calculates priorities and the frequency of the audit.

10.2. In addition to the audit risk assessment formula the Corporate Risk Register is consulted during the production of the Draft Plan.

11. APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- Appendix 1 - Merton's Draft Internal Audit Plan, Strategy and Charter 2019/20

12 BACKGROUND PAPERS

12.1. Papers held within the Internal Audit Service.

INTERNAL AUDIT PLAN, STRATEGY AND CHARTER 2019/20



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Introduction

This document sets out the council's Internal Audit Plan, Strategy and Charter for the year 2019/20

The purpose of the Internal Audit Plan, Strategy and Charter is to:

- Ensure effective audit coverage and a mechanism to provide independent and objective overall assurance to Members, Director of Corporate Services and the Corporate Management Team (CMT);
- Optimise the use of audit resources available, given that they are limited;
- Add value and support senior management in providing effective control and identifying opportunities for improving value for money;
- Deliver an internal audit service that meets the requirements of the Accounts & Audit Regulations 2015

Responsibilities and Objectives of Internal Audit

As an independent appraisal function within the authority, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of the control environment comprising the systems of governance, risk management and internal control as a contribution to achieving the council's objectives and the proper, economic, efficient and effective use of resources.

In addition, the other objectives of the function are to:

- Support the Director of Corporate Services to discharge "Proper Officer duties" (S151 responsibilities)
- Provide an Anti-Fraud function
- Contribute to the overall effectiveness of corporate governance in the council's activities
- Promote the council's anti-fraud policies
- To provide assurance to management on the integrity, effectiveness and operation of the council's internal control system;
- Delivery of the Annual Audit Plan
- To continue to meet the requirements of the council's external auditors;
- To follow up on agreed actions to ensure agreed they have been fully implemented;
- To continue to develop and have a lead in the council's corporate governance arrangements including production of the 'Annual Governance Statement' to provide assurance on the council's governance arrangements and any areas for improvement.

Internal Audits Role in the Risk, Internal Control and Assurance Framework

The Accounts and Audit Regulation 2015 require an annual review of the effectiveness of its system of internal control to be reported to the Standards and General Purposes committee for consideration. The system of internal control is broader than just the work of the internal audit section and includes the framework of assurance covering how the risks to the authority are identified with effective managed controls. Assurances are provided by a range of internal and external providers. The Head of Internal Audit will assess whether the overall framework of assurances is adequately designed and effectively operated through a plan of internal audit work.

In addition to the above, the Director of Corporate Services has a statutory duty under Section 151 of the Local Government Act 1972, to establish a clear framework for the proper administration of the local authority's affairs. To perform that duty the Section 151 Officer relies on, amongst other things the internal audit work for reviewing systems of internal control, financial management and other assurance processes.

The standards for 'proper practice' in relation to internal audit are laid down in Public Sector Internal Audit Standards. We continually ensure compliance with these professional standards and reflected in our terms of reference contained in our Terms of Reference, shown at Appendix B.

An overall assurance on the adequacy of internal controls within the Council is provided in the Annual Report and the Annual Governance Statement.

In order to give such an assurance, a balanced programme of Internal Audit review is constructed each year. This Audit Plan contains elements of all audit work assessed by a "Risk Based" approach. There are many elements to this including undertaking systems reviews, regularity audits (e.g. schools), contract and computer audit, and an Annual Review of major financial systems such as Council Tax, the General Ledger and debtors/creditors systems.

In order to contribute to the Annual Governance Statement all Internal Audit reports give an audit assurance as follows:

- Full
- Substantial Assurance
- Limited Assurance
- No assurance

In addition each recommendation is given a priority 1 (high), 2 (medium) or 3 (low). All recommendations are followed up by Internal Audit to ensure that they have been implemented.

Anti-Fraud and Corruption

The Internal Audit service will review areas of high fraud risk to recommend improvements in controls.

Related Documents

This document is one of a series that, together, constitute the policies of the authority in relation to anti-fraud and corruption. The other documents are:

- Anti-fraud and Corruption Strategy
- Anti-Money Laundering Policy
- Whistle-blowing policy

Internal Audit's Role Providing Advice

Internal Audit can provide support and advice to managers, particularly regarding the interpretation and application of Council Policies and Procedures.

Internal Audit advice and recommendations are given without prejudice to the right of Internal Audit to review the relevant policies, procedures and operations at a later date.

We provide advice, support and training to schools. We provide templates for schools to improve controls and share best practice. We also issue a guidance manual to schools called 'On the Right Track 5' which covers guidance on all areas of good financial practice.

Audit Resources and Skills

The staffing structure of the partnership (SWLAP) comprises a mix of qualified, experienced, technician, trainee auditors and apprentices, with a mix of professional expertise to reflect the varied functions of the section. There is a sum available to buy in some expertise from a framework agreement set up by Croydon Council to use Mazars.

As far as is practicable, Internal Audit will not participate in the day-to-day operation of any systems of internal financial control. However, in strict emergency situations only, audit personnel may be called upon to carry out non-audit work on a short-life basis.

Members of the internal audit partnership will be expected to contribute to the general management and conduct of business through membership of working groups and participation in ad hoc exercises. Upon request from the Director of Corporate Services, appropriate specialists from departments other than Corporate Services should be made available to take part in any audit or review requiring specialist knowledge.

The Head of Audit will carry out a continuous review of the development and training needs of all audit personnel and will arrange through the audit partnership in-service training covering both internal and external courses.

Protocol for Audit Reviews

For each audit review carried out, the responsible Head of Service/Assistant Director

will be consulted in the scoping to ensure that the audit is appropriately focused on current key perceived risks and issues. A terms of reference (Audit Brief) will be produced for each audit review and agreed to ensure the scope, objectives, approach, timetable are understood and agreed.

Draft internal audit reports will be issued for discussion with the appropriate levels of management and normally set-out in the terms of reference.

Final internal audit reports will be issued after the agreement of draft reports and contain completed management actions plans that will identify those responsible for implementation and timescales. The final reports will always be issued to the 'Lead Client' responsible for the area reviewed.

Implementation of Agreed Audit Recommendations

At the end of each audit review, an audit report will be produced containing agreed management actions to audit recommendations made. We will ensure these agreed actions to audit recommendations are fully implemented to ensure improvements to the council's control environment and value for money. We will follow-up on all audit recommendations. We will get confirmation from officers responsible for implementation that required actions have taken place.

Developing the Annual Audit Plan 2019/20

The methodology used for developing the Annual Audit Plan focuses upon the quantification of the risks associated with achieving corporate and departmental objectives. Auditable areas have been selected and prioritised on a rational and objective basis following a systematic assessment using the following predictive factors:

- Control and previous assurance;
- Corporate importance including criticality to the achievement of priorities, legislative and regulatory impact;
- Materiality;
- Value for money and service delivery; and
- Corporate sensitivity and management concern.

The predictive factors are used to determine a risk rating of high, medium or low (priority 1, 2 and 3) to reflect the inherent risk or vulnerability. We ensure our coverage is proportionate and appropriately aligned.

Based on past experience and good practice, the Annual Audit Plan includes a contingency for unplanned work requirements to ensure we are able to respond to changing needs and demands.

The Annual Audit Plan will be indicative and it is inevitable that changes will be made during the year as the risk profile of the council changes. This will be achieved through ongoing review and amendment, in consultation with the relevant lead clients and service managers to reflect the changing needs of the council and to add maximum value.

The Standard and General Purposes Committee will be kept informed of progress against the Annual Audit Plan and agree any significant changes during the year.

The Three Lines of Defence

There are three lines of defence in place on controls in the council. The first line of defence is the day to day operational controls, the second line is the management controls which include trend analysis, budget monitoring etc. The third line of defence is independent inspection such as Internal Audit or other assurance providers.

Internal audit provides assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines of defence achieve risk management and control objectives

Annual Audit Plan 2019/20

Appendix A shows the detailed Annual Audit Plan and provides a brief summary of each review under thematic areas.

Contingency has been provided for unplanned reactive work. This will be used to respond to emerging issues, risks and to have the capacity to respond to requests from senior managers.

Timing of the audit review will be agreed with management during the planning process. There is however flexibility to respond for example to pressures on services audited and audit resource availability.

In addition to the Standards and General Purposes Committee receiving regular progress reports against the plan, Corporate Management Team will be provided with progress reports as necessary through the year summarising the outcome of reviews and other audit work for the quarter and planned for the quarter ahead. The Head of Internal Audit will also attend Management Team meetings as required, to discuss audit coverage and outcomes.

Internal Audit Plan 2019/20

Summary of days per department	2019/20
Cross cutting	54
Corporate Services	170
Children's Schools and Families	115
Community and Housing	113
Environment and Regeneration	109
Support	204
Total	765

Cross cutting

Corporate Procurement follow up	To follow up audit from 2018/19 to gain assurance on corporate procurement strategy, contract register, exemptions, to ensure adhere to public contract regulations 2015 and Contract Standing Orders	8
Procurement compliance	To review a sample of contract across the councils to ensure compliance with CSO	15
Foi's and Subject Access Requests	To review and test the councils arrangements for compliance with freedom of information and subject access requests	15
Brexit (Business Continuity)	To provide advice and input in the councils arrangements for Business Continuity in relation to Brexit	6
Risk Management Process	To review the risk management processes across the partnership	10
	Total cross cutting	54

Corporate Services

Itrent	Joint review of the controls on Itrent (Sutton, Merton and Kingston)	8
Insurance	To review the arrangements in place for schools to submit returns in line with scheme for financing schools	10
Council Tax Systems Based	Review of key financial system	15
Pensions	Review of arrangements with Wandsworth	15
Procurement cards	To carry out substantive testing on a sample of procurement card expenditure	5
Translators/Interpreters	To review procurement/appointment process and recharges.	8
Duplicate payment check	Duplicate payment testing on the councils payments to suppliers	6

Accounts Receivable	Key financial audit to include a review of reconciliation to Civica ICON	15
Capital Programme	Review of key financial system, review of budgeting and accounting arrangements	15
Cash and Bank	To review the controls on cash and bank, including reconciliations (to include new Civica)	15
IT disaster recovery	To review the councils arrangements in place for disaster recovery preparation	12
Customer Contact	Advisory work	3
Staff recruitment	To ensure that recruitment to established posts are in compliance with the Councils recruitment policy and procedures	15
Mayors Account	Annual review of mayors accounts	10
MSJCB	To audit annual accounts	8
BACS/CHAPS	To review controls for BACS and CHAPS payments	10
	Total Corporate Services	170

Community and Housing

Deferred payments and adult debt management	To review and test the arrangements in place for deferred payments in respect of adult care-collection of client contributions including charges against properties	15
Block and Spot Contracts	To review the arrangement in place for awarding, monitoring and payment of block and spot contracts	15
Joint Funded Arrangements	To review the joint arrangements with the CCG- to review invoicing and charging for joint funded clients	15
Direct Payments	To review the processes and monitoring arrangements for direct payments.	15
Public Health Contracts	To review compliance with CSO	15
CM2000 follow up	To review progress on the previous limited assurance audit	8
Supported Living	To review compliance with council processes, monitoring and review	15
Adult Safeguarding	To review strategy, policies, training, roles and responsibilities in relation to safeguarding	15
	Total Community and Housing	113

Children, Schools and Families

Pre paid cards	The review the arrangements in place for pre paid cards, including issuing cards and monitoring usage.	15
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Intervention/prevention commissioning	To review the commissioning arrangements for the intervention and prevention commissioning	15
Troubled families grant	To review a sample of submissions for the TFG to ensure that that claims are clearly supported by evidence.	12
Leaving care	Review commissioning arrangements for 16+ to include support and placements.	15
No Resource to Public Funds	To review the assessment and review process for NRTPF. To undertake proactive fraud checks.	12
Schools Probity Audit	The school visits will cover areas of Leadership and Governance; Budget Management; Procurement; Income and Expenditure controls; Payroll and Personnel; Asset Management; and other key areas of schools' business.	48
Total Children, Schools and Families		115

Environment and Regeneration

Housing Company	To review the councils governance arrangements in relation to the council owned housing company	15
Tree Maintenance	To review the arrangements in place for inspecting and maintaining trees	15
Valuations	To review the councils arrangements for valuation of asset	15
3Sixty FPN application system	To review the IT system controls for littering	12
Highway Maintenance contract	To review the monitoring arrangements for this contract	15
Penalty Charge Notices	To review the controls and process for the issuing of PCN's including reconciliation to income collection, cancellations and write off's	15
Events in Parks	To review the governance, and income generation process for events in parks	12
SLWP	Review of waste disposal contract	10
Total Environment and Regeneration		109

Support

Consultancy and advice	Audit has an important role to play in advising management on an ad-hoc basis on a range of issues affecting services. This provision is used to offer advice and assistance throughout the year.	25
Committee and member support	Providing support including advice and reporting to Committee	20

Audit Planning / Monitoring	allocation of time for audit planning and monitoring	20
Follow up audits	follow up of reviews carried out in 18/19 to ensure implementation of recommendations	15
Carry over of 18/19 audit plan	To finalise all draft reports from 2018/19	60
Contingency	To cover additional request for audit work	29
Corporate Governance/Annual Governance statement	Advice and guidance on corporate governance issues including attendance at risk management group and preparing the AGS	25
Fraud Management and reactive work	Allocation of time for managing the fraud partnership. Updating whistleblowing and referring cases.	15
	Total support	204

**INTERNAL AUDIT CHARTER and STRATEGY
2019-20**

This Charter and Strategy sets out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards. It also sets out how the South West London Audit Partnership (SWLAP) will be developed and delivered in accordance with these standards.

The Charter and Strategy will be reviewed annually and presented to the Audit Governance and Standards Committee¹ for approval.

PURPOSE

Internal Audit is defined by the Institute of Internal Auditors' International Professional Practices Framework as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

In a local authority, internal audit provides independent and objective assurance to the organisation, its members, the senior management board (Directors Board in Wandsworth and Richmond's Shared Staffing Arrangement (SSA), Strategic Leadership Team at Kingston, Corporate Management Teams at Merton and Sutton), and in particular the Directors of Finance to help them discharge their responsibilities under s151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs. For AfC, internal audit provides assurance to its Strategic Leadership Team and Audit and Risk Committee.

In addition, the Accounts and Audit Regulations 2015, Regulation 6 (1), requires that:

"A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector Internal audit standards and guidance". Internal Audit proper practices is defined as compliance with the Public Sector Internal Audit Standards and the CIPFA application note.

Within an organisation, there are 3 lines of defence in place to effect controls. The first line of defence is the day to day operational controls, the second is the management controls (budget & performance monitoring, trend analysis) and the third is independent inspection, both internal & external.

Internal audit forms part of the third line of defence and provides assurance on the effectiveness of governance arrangements, risk management and internal controls, and this includes an assessment of the effectiveness of the first two lines of defence. Internal audit can place reliance on assurances provided by third parties, although depending on the source, this may require some independent validation.

MISSION

The Mission of the SWLAP is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight across the 5 Borough partnership.

AUTHORITY and ACCESS TO RECORDS

¹ References to 'Audit Committee' throughout the Charter and Strategy document includes Standards/General Purposes Committee at LB Merton, the Audit and Governance Committee at LB Sutton, the Audit, Governance and Standards Committee at RB Kingston and Audit Committees at LB Richmond and AfC.

In carrying out their duties and responsibilities, Internal Audit shall be entitled to have full and unrestricted access to all of the Council's activities, records, assets, cash, stores, property, personnel and information (both manual or computerised) which they consider to be necessary to properly fulfil its function. Internal audit may enter Council property and has unrestricted access to all locations and officers where necessary on demand and without prior notice. Council staff are expected to provide every possible assistance to facilitate the progress of audits.

Access rights also apply to other third parties / organisations as permitted through contract and partnering arrangements.

Internal audit have the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

Internal audit will consider all requests from the external auditor for access to any information, files or working papers obtained or prepared during audit work that has been finalised, and which external audit need to discharge their responsibilities.

All records, documentation and information accessed in the course of undertaking internal audit activities shall be used solely for that purpose. All internal audit staff are responsible and accountable for maintaining the confidentiality of the information they receive in the course of their work. Any information shared will be shared in accordance with the Shared Service Data Sharing Protocol.

RESPONSIBILITY

The Head of Internal Audit ²is required to provide the Council, via the S151 officer and the Audit Committee, with an annual opinion on the adequacy and effectiveness of the internal control system for the whole council. To achieve this, the internal audit function has the following objectives:

- To provide a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves processes and helps protect public resources
- To provide assurance that the Council's operations are being conducted in accordance with legislation, and relevant external and internal regulations, policies and procedures
- To provide assurance that significant risks to the Council's objectives are being managed
- To support management through the provision of advice and guidance on the overall control environment, and where new systems and / or procedures are implemented
- To provide independent assurance over the corporate governance arrangements in place across the Council
- To promote an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud. The corporate fraud function will be undertaken by the South West London Fraud Partnership (SWLFP) but will be overseen by the Heads of Internal Audit (see Counter Fraud below).
- To undertake investigations where there is suspected fraud, bribery and corruption. This function will be undertaken by the SWLFP but will be overseen by the Heads of Internal Audit.

² In respect to any references to the Head of Internal Audit within the Charter and Strategy document, the statutory Head of Internal Audit roles across the 5 Boroughs and AfC will be delivered by the Assistant Director of Resources (Financial Services) Head, Deputy Head and Audit Manager of the SWLAP.

These audit responsibilities are exercised with the aim of assisting the Council to deliver services in the most efficient and effective manner possible.

There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by internal audit's work. When carrying out its work, internal audit will provide management with comments and report on breakdowns, failures or weaknesses of internal control systems together with recommendations for remedial action. However, internal audit cannot absolve line management of responsibility for internal controls.

Where appropriate, internal audit will undertake audit or consulting work for the benefit of the Council and / or organisations that are wholly owned by the Council (such as Achieving for Children). Where services are provided to bodies separate from the Council, this will be subject to approval by the Shared Service Board and will be provided under the terms of a Service Level Agreement (SLA).

Internal audit may also provide assurance to the Council on third party operations where this is provided for as part of the agreement or contract.

In some instances, internal audit may rely on assurances provided by other providers of assurance but this will be dependent on the level of associated risk and some degree of independent verification may be required.

Counter Fraud

Internal Audit's planned work includes evaluating controls for their effectiveness in preventing or detecting fraud. Managing the risk of fraud is the responsibility of management however Internal Audit will consider the risks and exposures which may allow fraud or corruption to occur.

Fraud work is undertaken by the South West London Fraud Partnership which is a five Borough Shared Service led by the SSA. This service is overseen by the Shared Service Board which includes the Directors of Finance from each of the partners or their delegated representatives. Work will be undertaken in accordance with an agreed Fraud Plan which includes a mix of proactive and reactive fraud work in the following main areas:

- Housing tenancy
- Internal fraud
- Procurement
- Business Rates
- Council Tax Reduction
- Blue Badge
- Social Care
- Schools

REPORTING

The UK Public Sector Internal Audit Standards require the Head of Internal Audit to report directly to the top of the organisation and those charged with governance. This will be done as follows:

- The Audit Charter will be agreed with the senior management team (Directors Board at the SSA, Corporate Management Teams at Sutton and Merton, and Strategic Leadership Team at Kingston)
- The Shared Service Board will agree the number of audit days to be commissioned each year, and the resource required to deliver this. The internal audit budget is

agreed each year by the Shared Service Board.

- The annual audit plan will be compiled by the Head of Internal Audit following discussions with senior managers at their Directorate Management Team (DMT) meetings, and sign off by the senior management team (Directors Board at the SSA, Corporate Management Teams at Sutton and Merton, and Strategic Leadership Team at Kingston and AfC). It will then be reported to the Audit Committee for approval
- Performance against the annual internal audit plan, together with any significant risk exposures and control issues arising, will be reported to the Shared Service Board on a quarterly basis. Progress reports will be made to Directorate Management Teams on a quarterly basis and to Audit Committee at least twice a year.
- Changes to the plan during the year will be reported to the Shared Service Board quarterly and where significant, to Audit Committee
- Any significant consultancy activity not already included in the risk based plan and which might affect the level of assurance work undertaken will be reported to the Audit Committee
- The annual opinion report will be presented to Audit Committee annually
- Any instances of non-conformance with the Public Sector Internal Audit Standards will be reported to the Shared Service Board and Audit Committee, and will be included in the Head of Internal Audit's annual report. Any significant failings will be included in the Annual Governance Statement
- Any external review of the internal audit function will be agreed by, and reported to the Shared Service Board and the Audit Committee

INDEPENDENCE

The Head of Internal Audit has full and unrestricted access to the following:

- The Director of Finance/Resources/Corporate Services/Strategic Director Resources/Corporate and Commercial (S151 officer)
- Chief Executive
- Chair of the Audit Committee (including AfC)
- The Council's Monitoring Officer
- The Head of Law and Governance (Kingston)
- Head of Finance Operations and Resident Support (Sutton)
- The Assistant Director of Corporate Governance (Merton)
- The Managing Director and Directors of Children's Services (AfC)
- All members of the senior management team (Directors Board at the SSA, Corporate Management teams at Sutton and Merton, and Strategic Leadership Team at Kingston and AfC)
- Each authority's External Auditors

The Head of the SWLAP is line managed by the Assistant Director of Resources (Financial Services)(SSA), who is responsible for carrying out the Head of Audit's annual appraisal. The Director of Corporate and Commercial and / or the Head of Law and Governance, Kingston; and Head of Finance Operations and Resident Support (Sutton) and Assistant Director of Corporate Governance and Head of Legal Services (Merton), can participate in this appraisal review. The standards require that the Chief Executive, SSA, reviews, provides feedback and signs off this appraisal, also that the Chair of the Audit Committee (Richmond and Kingston) must give feedback.

The Deputy Head of the SWLAP who also takes on a statutory Head of Internal Audit role is line managed by the Head of the SWLAP. As lead for Sutton and Merton, both the Director of Corporate Services / Assistant Director of Corporate Governance and Head of Legal Services (Merton) and the Strategic Director Resources and Head of Finance Operations and Resident

Support (Sutton) Chair of Audit and Governance Committee (Sutton) and Chair of Standards and General Purposes Committee (Merton) can participate in this appraisal review.

The Assistant Director of Resources (Financial Services) is line managed by the Director of Resources and Assistant Chief Executive who will undertake the annual appraisal and this will be signed off by the SSA's Chief Executive.

The Audit Manager who performs the statutory Head of Internal Audit role for AfC is line managed by the Head of the SWLAP who will undertake the annual appraisal and the Director of Finance and Resources for AfC can participate in this appraisal review.

All staff (including agency and contract staff) in the Internal Audit Partnership are required to make annual declarations of any potential conflicts of interest and adhere to confidentiality requirements. As far as resources permit, auditor rotation will be implemented to ensure auditors' objectivity is not impaired.

Internal audit must ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice. Where Internal Audit do provide consultancy services, any audit staff involved in this consulting activity will not be involved in the audit of that area for at least 12 months.

Internal Audit must remain independent of the activities that it audits to enable auditors to make impartial and effective professional judgements and recommendations. Within the SSA, the service does have operational responsibilities for Procurement and Pensions (these functions are overseen by the Assistant Director of Resources (Financial Services) in his role of Statutory Head of IA for Wandsworth) and for Risk Management and Insurance. Risk Management work is also undertaken across a number of the other partners. Since these roles may involve establishing and maintaining the control environment, these functions will be audited independently by Mazars. Internal auditors have no other operational responsibilities towards the systems and functions audited.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Head of Internal Audit has the freedom to report without fear or favour to all officers and Members, and particularly to those charged with governance.

Accountability for the response to the advice and recommendations of Internal Audit lies with management. Managers must either accept and implement the advice and recommendations, or formally reject them accepting responsibility and accountability for doing so.

EXTERNAL AUDITORS

The external auditors fulfill a statutory duty. Effective collaboration between internal and external audit will help ensure effective and efficient audit coverage and resolution of issues of mutual concern. Internal and external audit will meet periodically to discuss respective work plans and coverage, and potential issues arising from work completed.

DUE PROFESSIONAL CARE

The internal audit function will adhere to / comply with the following:

- Institute of Internal Auditor's International Code of Ethics
- Seven Principles of Public Life (Nolan Principles)
- UK Public Sector Internal Audit Standards
- All Council policies and procedures

- All legislation

All audit work is subject to in house quality control procedures whereby each audit review is subject to senior peer review. The audit service will be subject to an annual self-assessment to assess its compliance with the UK Public Sector Internal Audit Standards and an external review and assessment at least once every 5 years by a suitably qualified, independent assessor.

The Head of Internal Audit is required to hold a relevant professional qualification (CCAB or CMIIA) and be suitably experienced. All staff are required to maintain a programme of Continuous Professional development (CPD) to ensure auditors maintain and enhance their knowledge, skills and audit competencies.

INTERNAL AUDIT STRATEGY

Internal Audit Objectives

Internal Audit will provide independent and objective assurance to the organisation, its Members, senior management and in particular to the Directors of Finance/Resources to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

It is the Council's intention to provide a best practice, cost efficient internal audit service through the SWLAP which adds value to the partner organisation's it serves.

Internal Audit Remit

The internal audit service is an assurance function that primarily provides an independent and objective opinion on the degree to which the internal control environment supports and promotes the achievement of the Council's objectives. The work undertaken by Internal Audit is a key part of the Council's Annual Governance Statement (AGS) process and the annual audit opinion forms part of the AGS.

Under the direction of a suitably qualified and experienced Heads of Internal Audit, Internal Audit will:

- Provide management and Members with an independent, objective assurance and consulting activity designed to add value and improve the Council's operations.
- Assist the Audit Committees to reinforce the importance of effective corporate governance and ensure internal control improvements are delivered;
- Drive organisational change to improve processes and service performance;
- Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements;
- Work closely with other assurance providers to share information and provide a value for money assurance service and;
- Participate in local and national bodies and working groups to influence agendas and developments within the profession.

Internal Audit will ensure that it is not involved in the design, installation and operation of controls so as to compromise its independence and objectivity. Internal Audit will however offer advice on the design of new internal controls in accordance with best practice. This type of work is key for our service in ensuring that it works closely with the partner organisations to provide proactive advice and guidance. The ability to bring in knowledge and experience from our other partners is an important way for the service to add value.

Service delivery

The Internal Audit service will be delivered by the South West London Audit Partnership (SWLAP) which is the 5 borough shared internal audit service hosted by the SSA providing internal audit services to LB Wandsworth, LB Richmond, RB Kingston, LB Merton and LB Sutton. This relationship is governed in law through a formal Collaboration Agreement. The arrangement also includes the provision of Internal Audit to Achieving for Children (AfC), the community interest company created by LB Richmond and RB Kingston to provide their children's services.

The SWLAP is an in-house team with contract auditors or agency staff used as required to supplement the in house skills and experience. The SWLAP are part of the Croydon Framework contract with Mazars allowing the service to buy in additional audit resource and expertise.

One of the key objectives of the shared service is the provision of an efficient and cost-effective service to its partners. This is achieved through the review and standardization of audit methodology which takes on board best practice, ensuring staff are properly trained and developed, developing and delivering shared audits across more than one partner and reviewing and restructuring the service where needed to drive out cost savings. Key objectives and performance targets are included within the annual Service Plan.

Quarterly performance reports to the Shared Service Board will provide updates on any staffing changes, issues such as sickness absence levels and whether there is any surplus or shortfall in resources (significant issues will be reported to the Audit Committee at LB Wandsworth, Audit and Risk Committee at AfC, Audit and Governance Committee at LB Sutton, Audit and Standards Committee at LB Richmond, Standards and General Purposes Committee at LB Merton and Audit, Governance and Standards Committee at RB Kingston).

The statutory Head of Internal Audit roles across the 5 Borough's will be undertaken by the Assistant Director of Resources (Financial Services), Head, Deputy Head and Audit Manager of the SWLAP. Unless amended and agreed by the Shared Service Board, the:-

- Head of the SWLAP will take the lead as the statutory Head of Internal Audit for LB Richmond and RB Kingston.
- Deputy Head of the SWLAP will take the lead as statutory Head of Internal Audit for LB Merton and LB Sutton.
- Assistant Director of Resources (Financial Services) will take the lead as the statutory Head of Internal Audit for LB Wandsworth and
- Audit Manager for the SWLAP will fulfill this role for AfC.

All of these officers will support each other in the delivery of these roles.

The Corporate Fraud service will be delivered by the South West London Fraud Partnership, led by the SSA. This is a shared service which is overseen by the Shared Service Board.

Key Performance Targets

Key Performance Targets are established and monitored on a quarterly basis by the Shared Service Board. A Service Plan and Risk Register have also been established and are reported to, and monitored by the Shared Service Board.

Bi-monthly reports on corporate fraud work undertaken by the SWLFP will be provided to the Head of Internal Audit and 6 monthly reports made to Audit Committee (Standards and General Purposes committee).

Audit Planning

The Head of Audit has responsibility for preparing a balanced internal audit plan, ensuring audit maintains its independence, ensuring independence and sufficient coverage to support the annual opinion.

Each year, an audit plan will be discussed and agreed by the respective Directors, Senior Leadership Teams and Audit Committees which will be based on the following:

- Issues identified in the Annual Governance Statement and Action Plan
- Discussions with the Council's Departmental Management teams (DMT).
- Discussions with Council's Corporate Management teams (CMT) if required
- Discussions with the Shared Service Board.
- Review of Corporate and Service Risk Registers
- Outputs from other assurance providers
- Outputs from previous audit or fraud assignments
- Requirements as agreed with External Audit

The Head of Internal Audit will ensure attendance at all DMT meetings as part of the annual planning process to ensure that management views and suggestions are taken into account when producing the audit plan. Key to ensuring that the service adds value is maintaining a dynamic audit plan which responds to changes in the organisation's risk profile. This is managed through quarterly reporting and attendance at DMT meetings during the year to discuss the audit plan and departmental risks.

The Internal Audit Plans are based on the following:

- **Governance Arrangements:** Internal Audit have a key role in assessing the effectiveness of governance arrangements by comparison with principles contained in the CIPFA/SOLACE Governance Framework. A number of audits will support this assessment and will take account of any emerging governance arrangements.
- **Transformation:** Considering the significant financial challenges facing the public sector and the all the council's ambitions, the annual audit plan will need to be flexible enough to respond to emerging issues and risks from change.
- **Risk Based Systems Audit:** Audits of systems, processes or tasks where the internal controls are identified, evaluated and confirmed through a risk assessment process. The internal controls depending on the risk assessment are tested to confirm that they operating correctly. The selection of work in this category is driven by the AGS, Corporate Risk Registers, and Departments' own risk processes and will increasingly include work in areas where the Council services are delivered in partnership with other organisations.
- **Value for money:** This is an integral part of our risk-based audit approach, in particular being alert to opportunities and reporting issues and agreed management actions
- **Key Financial Systems:** The effectiveness of controls and management of risks within key financial systems remain a core part of our audit work. We continue to develop our audit approach to give greater assurance.
- **Probity Audit (schools and other establishments):** Audit of a discrete unit. Compliance with legislation, regulation, policies, procedures or best practice is confirmed. For schools this includes assessment against the Schools Financial Value Standard.
- **Computer Audit:** Information technology is fundamental to the delivery of all the councils services and is an area of rapid change. Due to this high risk, providing assurance on the adequacy of electronic systems and controls is a key part of our Annual audit plan.

- **Contract Audit:** Changing approaches to procurement and contract management are a key part of delivering improved services. This also brings additional inherent risks that need to be managed. Audits of the procedures and processes for the letting and monitoring of contracts, including reviews of completed and current contracts.
- **Special Projects:** Specific areas of Council business which may be subject to change through the development and implementation of new systems, or delivery models, where poor value for money or failing service standards have been identified or where there are new or significant risks will be targeted for review as part of the audit planning process.
- **Risk Management:** Risk management support is provided to some of the partners to facilitate the review and implementation of risk management strategies and to take the lead in compiling the Annual Governance Statement. Where this function is provided by the SWLAP, an independent review is undertaken by the Internal Audit contractor under the Croydon Framework contract to ensure independence. This review will assess the risk management arrangements, including risk strategy, adequacy of strategic and operational risk registers and the extent to which it is embedded.
- **Partnerships:** Councils are increasingly operating and delivering services jointly through partnerships. This brings risks and opportunities to councils and the delivery of services. We will review key partnerships.
- **Provision of advice and support:** Increasingly Internal Audit are involved in providing advice and support on an ad hoc basis. This may involve the provision of general advice on risks and controls or more detailed work with specific business areas where there are significant changes to systems and processes or decisions which require independent due diligence. The Heads of Audit also sit on boards, such as Information governance boards and working groups; corporate governance and risk management.
- **Fraud, Corruption and Financial Irregularities:** The SWLFP will investigate fraud and irregularity arising during the year and may work alongside officers from the SLWAP on cases particularly where there are significant control issues requiring audit and fraud input. The audit plan will also include a programme of pro-active fraud checks.
- **Follow up work:** Follow up work on outstanding audit recommendations will be regularly undertaken. Progress will be reported to Audit Committee and where progress is unsatisfactory or management fail to provide a satisfactory response to follow up requests this will be reported to the relevant Assistant Director, Director or Audit Committee where required.

Policies and Procedures

All audit work will be undertaken in accordance with Council regulations and professional standards. There is an Internal Audit Protocol which sets out the audit process for staff to adhere to, including quality control procedures.

Quality Assurance and Improvement Programme

The Head and Deputy Head of the South West London Audit Partnership continuously reviews the quality and effectiveness of all aspects of the Internal Audit service. This includes:

- Establishing procedures that comply with the Public Sector Internal Audit Standards
- Maintaining a professional audit team with sufficient knowledge, skills and experience to carry out the Audit Plan. This includes undertaking appraisals and ensuring that training needs are identified and addressed
- Undertaking, reviewing and acting on client satisfaction surveys and feedback
- Reviewing audit methodology and benchmarking against best practice.
- Independent review of all audit assignments undertaken.

In line with the Public Sector Internal Audit Standards, Internal Audit has a quality and improvement programme in place. The results of the quality and assurance programme and progress against any improvement plans will be reported in the Annual reports to each Borough's Audit Committees.

Committee: Standards and General Purposes Committee

Date: 14 March 2019

Wards: All

Subject: Merton Electoral Review

Lead officer: Ged Curran, Chief Executive

Lead member: Councillor Stephen Alambritis, Leader of the Council

Contact officer: Andrew Robertson, Head of Electoral Services,
Andrew.robertson@merton.gov.uk 0208 545 3409

Recommendations:

-
1. The Committee is asked to agree the Council's draft council size submission to the Boundary Commission, set out in Appendix 1.
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The Committee is asked to discuss and comment on the attached draft council size submission.
- 1.2. The last electoral review for Merton took place in 1999 which increased the number of councillors from 57 to 60 and resulted in the current pattern of 20 three-member electoral wards.
- 1.3. This report deals with stage one of the electoral review which is to agree the council's submission on council size and the forecast electorate for 2025. Following review by the Boundary Commission this evidence will be used to help determine future warding arrangements to be implemented in time for the next local elections in 2022.
- 1.4. The submission considers the effectiveness of current governance, scrutiny and representational arrangements as well as factors likely to impact on councillor workloads in future. It recommends reducing the number of councillors from 60 to 57 to maintain the effectiveness of current governance and partnership arrangements and to support the councillors' representational role in their wards.
- 1.5. The submission is supported by population projections showing that a reduction in the number of councillors from 60 to 57 would increase the electoral ratio from 2,529 electors per councillor in 2018 to 2,858 electors per councillor in 2025.

2 DETAILS

- 2.1. The Local Government Boundary Commission for England is undertaking a review of the London Borough of Merton's electoral arrangements. The outcome of the review will be implemented for the May 2022 council elections.
- 2.2. The review was initiated in October 2018 through a briefing to all councillors. The preliminary stage of the review will determine the future council size (the total number of councillors). The provisional decision on council size by the Boundary Commission will then inform the next stage of the review, which

will consider the size and numbers of wards, ward boundaries and the number of councillors to represent each ward.

- 2.3. This is a periodic electoral review as the last review of Merton Council was completed in 1999.
- 2.4. By the end of the preliminary stage of the review, the Boundary Commission expects the council and/or its political groups, to present the Commission with a case for a council size that they believe is right for their authority.
- 2.5. The Boundary Commission will form its view about the right council size for an authority by considering the three following areas:
 - the governance arrangements of the council and how it takes decisions across the broad range of its responsibilities;
 - the council's scrutiny functions relating to its own decision making and the council's responsibilities to outside bodies;
 - the representational role of councillors in the local community and how they engage with people, conduct casework and represent the council on local partner organisations.
- 2.6. The attached draft submission presents evidence in relation to each of those criteria and its proposal to reduce the number of councillors from the current number of 60 to 57. The Committee is asked to consider and comment on the draft submission.

Next steps

- 2.7. The deadline for council size submissions to the Boundary Commission is 29 March 2019.
- 2.8. The Boundary Commission will carry out two phases of public consultation. The first round of consultation, to be launched on 23 April 2019, will ask for proposals on new ward boundaries. The Boundary Commission will use responses to that consultation to draw up draft recommendations for new ward boundaries across the borough. They will hold a second round of consultation, to be launched on 1 October 2019, on those proposals asking for comments on the proposals and receiving alternative proposals.
- 2.9. The Boundary Commission will publish its final recommendations on 11 February 2020.

3 ALTERNATIVE OPTIONS

- 3.1. Standards and General Purposes Committee is invited to discuss and comment on the draft submission.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. The Boundary Commission held a briefing for all councillors in October 2018.
- 4.2. The Leader of the Council has met with all Group Leaders to discuss the council size proposal.
- 4.3. The Merton Park Ward Independent Residents Group are in support of the Council's draft submission.

- 4.4. The Liberal Democrat Group have provided the following response: “The Liberal Democrat Group have reviewed the evidence and arguments put forward by the council recommending 57 councillors. We believe that the evidence put forward is comprehensive and reasonably robust and we support the analysis of the issues. However, on the basis of the report’s own analysis and further reasons to be set out in our own direct submission to the Boundary Commission, we feel this supports retaining 60 councillors.”
- 4.5. It is anticipated that the Conservative Group will also make a direct submission to the Boundary Commission, proposing a significant reduction in the number of councillors.

5 TIMETABLE

Stage	Review Stage	Council	LGBCE	Key Dates
Preliminary	Initial meetings	Leader, Chief Executive	Chair, Chief Executive	22 October 2018
	Officer Briefings	Council officers involved in review	Review Manager, Review Officer	31 October 2018
	Group Leader Briefings	Council group leaders	Lead Commissioner, Review Manager, Review Officer	
	Full Council Briefings	All councillors	Lead Commissioner, Review Manager, Review Officer	
	Community group Briefings	-	Review Manager, Review Officer	TBC
Council Size	Develop council size proposal	Council/groups	-	October 2018 – March 2019
	Commission Meeting – council size decision	-	Commission	16 April 2019
Warding patterns	Develop warding/division patterns proposal	Council / groups / public	-	23 April 2019 – 1 July 2019
	Commission Meeting – draft recommendations	-	Commission	17 September 2019

	Consultation on draft recommendations	Council / groups / public	-	1 October 2019 – 9 December 2019
	Commission Meeting – final recommendations	-	Commission	21 January 2020
	Final recommendations published	-	Commission	11 February 2020
	Order laid	-	Commission	April 2020
	Implementation	Council	-	2022

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. Currently, the members allowance budget covers allowances for 60 councillors. A reduction in the number of councillors to 57 would result in a decreased budget requirement of £26,000 based on the current allowances.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. The Local Government Boundary Commission for England is a statutory body accountable to Parliament that conducts reviews of local authority electoral arrangements in England. It is independent of government and political parties, and is directly accountable to the Speaker's Committee of the House of Commons. Its statutory obligations are set out in the Local Democracy, Economic Development and Construction Act 2009.
- 7.2. The Boundary Commission must from time to time conduct a review of the area of each council and recommend whether a change should be made to the electoral arrangements for that area.
- 7.3. In conducting a review the Boundary Commission must prepare and publish draft recommendations and before publishing such draft recommendations may consult such persons as it considers appropriate. Final recommendations will follow and are implemented by way of order made by statutory instrument.
- 7.4. In making recommendations the Boundary Commission must have regard to:
- 7.4.1 The need to secure that the ratio of the number of local government electors to the number of members of the London Borough council to be elected is, as nearly as possible, the same in every electoral area of the Council;
- 7.4.2 The need to reflect the identities and interests of local communities and in particular
- (i) The desirability of fixing boundaries which are and will remain easily identifiable, and
 - (ii) The desirability of fixing boundaries so as not to break any local ties and
 - (iii) the need to secure effective and convenient local government.
- 7.4.3 The Commission must have regard to any change in the number or distribution of local government electors in the area which is likely to take place within the period of five years immediately following the making of the recommendations.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. The framework for carrying out the boundary review is set by the Boundary Commission for England and the purpose of the review is to ensure electoral equality in terms of representation for all Merton residents, a fundamental democratic principle.

- 8.2. The submission will be available to all residents through the Council's web site and on the Boundary Commission website. Community groups and individual residents will be able to make their own formal submissions on future warding arrangements should they wish or to comment on the Boundary Commission's recommendations.
- 8.3. The second stage of the review will seek to make adjustments to ward boundaries that reflect local communities and ensure that the numbers of electors in each ward are approximately equal in terms of the elector / councillor ratio.
- 8.4. Following the Boundary Commission Review the Council will need to consider changes to Polling Districts and Stations which will address more specific access issues. In addition analysis has identified that electoral registration is lower in certain areas and groups and specific activity will be carried out to address this going forward to ensure that all groups are encouraged to register and take part in the electoral process.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. There are no crime and disorder implications arising from this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. There are no risk management or health and safety implications arising from this report.

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- Merton Electoral Review – draft submission from Merton Council

12 BACKGROUND PAPERS

- 12.1. None

Merton Electoral Review – Draft Submission from Merton Council (06.03.19)

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Introduction

1. Merton Council welcomes the review of its electoral boundaries and the opportunity to submit representations to the Boundary Commission. This report has been produced by an officer working group and submitted to the council's Standards and General Purposes Committee for approval on 14 March 2019. Comments and recommendations from this cross-party committee have been incorporated into the report.
2. The working group reported to the Chief Executive and comprised the council's Monitoring Officer, Head of Electoral Services, Head of Democracy Services, Head of Policy, Strategy and Partnerships, Head of Future Merton, as well as IT and planning officers and the council's lead member on consultation and engagement.

Recommendations

3. Merton Council recommends that the number of councillors should be reduced from 60 to 57. The council considers that it can fulfil all of its required functions with a reduction of 3 councillors, whilst retaining the existing high standard of governance, scrutiny, partnership working and casework support to residents.
4. A reduction to 57 councillors would equate to an electoral ratio of 2,662 electors for each councillor in 2018, which is projected to increase to 2,858 electors per councillor in 2025. This would keep Merton in line with the electoral ratio in neighbouring boroughs, Kingston upon Thames (2,405), Richmond upon Thames (2,580) and Sutton (2,783). Croydon, which is a much larger borough, would be an exception at 4,028 electors per councillor.
5. Furthermore, the rate of predicted population growth in Merton is faster than that predicted for its neighbouring boroughs, so that the electoral ratio of those boroughs is likely to converge with Merton's (assuming those boroughs do not dramatically reduce the number of councillors). The population growth data is set out in Appendix 1.
6. In reaching this recommendation on the optimum size, the Council has considered all options, from retaining the existing number of 60 councillors, reducing to 57 and reducing to 54 or further. Full details of these projections are included in Appendix 1.
7. The council would not recommend a reduction of more than 3 councillors. One of the reasons for this is the impact that population growth and the changing demographics within the borough will have on the workload of both executive and non-executive councillors. Merton has a more mobile population than previously, new black and minority ethnic groups settling in the borough, an increase in social renters, an increased number of vulnerable older people as well as growing numbers of children and young people. Furthermore, the

increasingly challenging financial context will require the executive to continue to take difficult and sometimes controversial decisions that will need to be closely scrutinised by their councillor colleagues as well as by the thriving and active local resident population both individually and through community groups.

8. The council and local political parties have worked hard to attract high calibre prospective councillors that reflect the ethnic, socio-economic, gender and age profile of the borough. An increase in the workload of councillors would be likely to deter those who have employment and caring responsibilities and therefore would result in councillors being drawn from a smaller, less representative pool.

Summary of evidence

9. Supporting evidence for the council's recommendation on the number of councillors is set out in the main body of the report and is summarised thematically below.

Workload

10. National research by De Montfort University, published in July 2017¹, found that the workload of councillors is increasing and that they face greater demands on their time, greater weight and complexity of work and an increasing need to respond to demands placed on them by the council and by local communities.
11. This is certainly the case in Merton. Councillors already have a high workload in terms of attendance at meetings, representation on external bodies, involvement in partnership working, casework and community leadership within their wards:
 - councillors serve on an average of 3.4 council committees; 28 of the 60 councillors sit on 4 or more committees
 - in May 2018, councillors were appointed to 34 seats to represent the council on 17 external bodies. The councillors' register of interests shows that many more councillors also sit on the boards of local community organisations in a range of voluntary capacities
 - councillors are involved in a number of formal partnership bodies and attend regular partnership meetings during the year. All councillors attend their relevant community forum meetings
 - reduction in council budgets has resulted in reduced support for councillors from the council and an expectation that councillors should be self-servicing and deal with their own casework and other administrative tasks.

¹ The Voice of the Councillor, 2017, Final report of the De Montfort University and Municipal Journal Councillor Commission. <https://www.dmu.ac.uk/documents/business-and-law-documents/2017/the-voice-of-the-councillor-2017-final-version-cc-rw-2.pdf>

Partnership

12. The Merton Partnership (the Local Strategic Partnership) co-ordinates the delivery of services and other activities in the borough to improve the quality of life and physical environment experienced by Merton residents and visitors to the borough. Councillors have a central role to play in the Merton Partnership. The Leader of the Council chairs the partnership and its Executive Board. Councillors are also represented at senior levels on each of the four thematic boards and their sub-groups: Safer and Stronger; Sustainable Communities and Transport; Health and Wellbeing, and; the Children's Trust. In addition, to these thematic boards, Merton has an active Compact Board chaired by the Cabinet Member for Community Safety, Engagement and Equalities, with other councillors regularly attending.

Overview and scrutiny

13. Merton has an active overview and scrutiny function that has been able to successfully hold the executive and other local service providers to account as well as influencing policy development through task group reviews and through pre-decision scrutiny.
14. The scrutiny function is widely respected, as demonstrated through the annual members survey and the inclusion of an example of good practice from Merton in the Communities and Local Government House of Commons Select Committee review presented to Parliament in 2018².
15. More than half of Merton's councillors are actively involved in scrutiny panels and task group work, including visits to local services, examination of good practice in Merton and elsewhere, plus engagement activities with service users and local residents.
16. The 2017/18 annual report of overview and scrutiny (in Appendix 6) sets out the activity undertaken by Merton's scrutiny councillors and the outcomes achieved.

Policy challenges and financial pressures

17. The financial pressures facing the borough means the council is looking to be an enabler; to build resilient communities and work with partners and the voluntary sector to provide services. There will be a greater emphasis on councillors to help drive this process. Many councillors in Merton are involved with local community groups and are trustees of local charities, working with them in their wards and referring residents to them for support and advice.

²Effectiveness of local authority overview and scrutiny committees, Report of the Communities and Local Government House of Commons Select Committee, 2018.

<https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/369/369.pdf>

18. The way the council operates is changing significantly to maximise the use of information technology in the way it provides its services. Enabling and encouraging contact through digital channels makes it easier for residents to interact with and engage with their councillors. This has increased the number of interactions that councillors now have with residents, increasing the number of cases they take forward on behalf of their ward constituents.
19. Since the last ward boundary review 19 years ago, the role and responsibilities of local government have changed considerably, as has the role that councillors play in this. The Local Government Act 2000, the Localism Act 2011 and the Care Act 2014 all set out new responsibilities, but also new freedoms, meaning councillors have been enabled to take on a more active role in decision making. The far-reaching changes to the UK welfare system since 2010 and the associated legislative changes have contributed to an increase in the volume, and complexity, of the casework that councillors are undertaking on behalf of their ward constituents.

Demographic change

20. Merton has a diverse and growing population. Overall numbers of residents are projected to increase by 6.3% from 209,421 in 2018 to 222,714 in 2025. This is a faster rate of growth than for neighbouring boroughs (see Appendix 1). The age profile is predicted to shift over this time, with notable growth in the proportions of older people (65 years and older) and of 5-17 year olds.
21. The proportion of Merton's population) from a Black, Asian, or Minority Ethnic (BAME) group is expected to increase from 37% to 38% by 2025. Currently, English, Polish and Tamil are the most commonly spoken languages in Merton. Children and young people from BAME backgrounds make up 67.9% of those attending a Merton school.
22. There is a gap of 6.2 years in life expectancy for men between the 30% most deprived and 30% least deprived areas in Merton. The gap is 3.9 years for women.
23. Changing patterns of housing tenure are expected to continue, notably with an increase in the number of tenants in the private rented sector.
24. These changes in the number and profile of the population will have an impact on councillor workload in terms of policy development, casework and community involvement activities.

Borough Profile

Merton - the place

25. Comprising of 20 wards, the borough of Merton covers an area of approximately 14.7 square miles and has a population at 2018 of just over 209,000 residents living in 84,000 properties. The borough has five main commercial centres (Colliers Wood, Mitcham, Morden, Raynes Park and Wimbledon), each with well-developed characteristics of their own. The borough is predominantly suburban in character, with high levels of commuter flows in and out of central London.
26. Merton is well connected with both central London and neighbouring boroughs, with 15 mainline stations and 28 bus routes. Wimbledon is a central transport hub in the South London area while the suburban station at Mitcham Eastfields connects the east of the borough. Both the District and Northern underground lines run through the borough while the Tramlink provides connections between Wimbledon and Croydon via Mitcham and Morden.
27. Crossrail 2 is set to come to Wimbledon by 2031, and the Council has started masterplanning the expected changes in the town centre and the wider area. It has been announced that Raynes Park will also be a Crossrail 2 station and that this will double the current service towards central London by 2030. The changes to these two town centres is likely to include with them a number of new housing developments.
28. Population density is higher in the wards of the east of the borough compared to the wards in the west. In terms of its household makeup, 23.5% of households are private renters, with 10.4% of properties socially rented. 58% of social housing and 63% of private rented homes are flats, compared with only 24% in the owner-occupied sector. 9.2% of households in Merton are overcrowded.
29. There has been an increase in the number of homes in multiple occupation in Merton in recent years. Changes in the law in 2018 have increased the number of properties that now need to be licenced with additional resources required to ensure compliance and investigations. The council's HMO register in October 2018 had 161 HMOs with a Mandatory Licence, with more than 100 applications received since then. Issues relating to the rising number of HMO applications has been a key contributor in an increase in councillor case work.
30. The recommended default population projection to use for general London population projections is the Greater London Authority (GLA) Housing led projection. This model reconciles population growth with available housing supply and includes information about planned housing development.
31. The GLA housing led projection estimates that Merton's population will increase to 222,717 by 2025 and 232,473 by 2030.

Merton – the people

32. Currently 12.4% of the population is aged 65 or over, higher than the London average of 11.7%. The age profile of the borough is predicted to shift with a notable growth in the proportion of the population that are under the age of 16 and those over 50. By 2025, Merton's population of those aged 65-84 and 85+ are both set to increase, while the percentage of the working age population (18-64) is set to decrease.
33. The number of households is projected to rise to 99,000 by 2021, an average annual household growth of 2.2%, with much of the increase expected to be in single person households.
34. Merton has a rich mix of ethnicity, culture, and languages. GLA data at 2018 puts Merton's Black, Asian and Minority Ethnic (BAME) population at 76,800, meaning BAME groups make up just under 37% of the population. The 2011 Census showed that the largest migrant groups in the population by country of birth are Polish, Sri Lankan and South African. Merton's BAME population is set to increase by 1% by 2025, whereas the White British/White Irish population is set to decrease from 45% to 42%.
35. In absolute terms the largest migration flows between Merton and other local authorities involve the surrounding boroughs. Migration inwards is typically younger families and couples moving in from Wandsworth, Lambeth and Kingston due to better affordability. Those that settle in Morden/Mitcham do not tend to move out of their area. Areas such as Colliers Wood/South Wimbledon are more transient due to the urban and suburban character of each area and the household type that these areas attract.

Deprivation and health and wellbeing

36. There are significant inequalities and extremes in the borough in terms of the level of deprivation in some wards. The more deprived areas are primarily in the east of the borough, which includes some of the top 15% most income-deprived in the country. Some of the wards in the west of the borough are amongst the top 5% most affluent in the country. Three wards are more deprived than the average for London: Cricket Green, Figge's Marsh and Pollards Hill.
37. Life expectancy at birth in Merton is 80.8 years for males and 84.2 years for females. Within the borough there are significant inequalities in health outcomes, aligned with deprivation. There is a gap of 6.2 years in life expectancy for men between the most deprived and least deprived areas in Merton. The gap is 3.9 years for women.

Policy Context

Challenges and Priorities

38. The council's emerging four cross cutting themes reflect the priorities for the organisation going forward:
- Resilient Merton - helping individuals and communities to work together and to help themselves
 - Collaborative Merton - actively collaborate across Council departments, partners and other sectors to provide the most efficient services for our customers
 - Smart Merton - adapt our ways of working and equip the organisation to meet increasing demand within reduced budgets
 - Ambitious Merton – maximising the opportunities and raising the profile of Merton, as a choice for Londoners
39. Merton's Community Plan sets the vision for how the council and the wider Merton Partnership works together to strengthen communities and improve the social wellbeing of the borough's residents. The Community Plan is in the process of being reviewed to shape the long term priorities for the Merton Partnership up to 2025. Councillors have an important role to play in the development of the new plan and in the various streams of engagement activity, to ensure that they are aware of the views of their ward constituents, particularly those whose voice is not always heard.
40. The current priorities for the council are ensuring that it is looking after the most vulnerable including adults, children and low income families, as well as securing affordable housing in the borough, improving air quality, increasing the number of school places, and the regeneration of Morden town centre.
41. Councillors play a key role in both the development of priorities and their delivery. They bring the views of their communities and their priorities to the debate either through consultation in Community Forums, policy development in Overview and Scrutiny or decision making at Cabinet and Council. They subsequently play a key role in monitoring performance of the council and its partners in delivering those priorities through Overview and Scrutiny. Further detail can be found in the section on governance and decision making.

Financial challenge and transforming the organisation

42. Local government continues to be affected by reductions in the level of funding that it receives from central government. Local Government Association analysis demonstrates that government grants to local government have fallen by nearly 40% since 2010 and that by 2020 local authorities will have lost 75 pence out of every £1 of core central government funding that it had to spend in 2015. Over the last five years in Merton, the council's revenue spend has reduced from £155.905m in 2013/14 to £135.05m in 2018/19.

43. The financial reality facing local government is central to the choices councillors make on how it continues to deliver its services. The organisation's strategic direction is based on a set of guiding principles that says the council should continue to provide essential services for residents and maintain, within limits, services to the vulnerable and elderly.
44. Councillors already have a key role to play in setting the council's budget, but as the financial challenges for local government continue to be impacted by increasing demand for services, there will be an even greater requirement for councillors to be fully informed and engaged around the tough choices they will need to make. Merton's Constitution requires Cabinet to consult with overview and scrutiny on the budget – this is currently conducted through two rounds of meetings, one in November and the second in January to enable scrutiny councillors to fully contribute to budget proposals and to refer comments and recommendations back for consideration by Cabinet.
45. Since 2010 the Government has sought to make the local government funding system more locally based. Whilst there still is a formula approach to distributing money based on need, more additional funding is being retained and decided on locally. One of the key implications is that decisions affecting the local economy now have a much greater impact on the council's income and expenditure, therefore the decision making of councillors will play a far more significant role in the council's ability to manage its budget than ever before. This will further increase from 2020/21 when revenue support grant will be phased out and local government will be reliant on council tax and business rate receipts.
46. The financial pressures facing Merton mean the council is aiming not just to be a 'place-maker' but a 'place-shaper'. The council is looking to be an enabler, working with partners, including the voluntary sector, to provide services, and there will be a greater emphasis on councillors to help drive this process. In looking to address the significant financial challenges the borough faces, Merton continues to support its vibrant and active voluntary and community sector recognising its importance as a strong asset in providing a range of services, particularly to vulnerable citizens. Many councillors in Merton are trustees of local charities, working with them in their wards and local communities, and referring residents to them for support and advice.
47. Merton Council continues to drive the use of information technology to streamline processes. Providing value for money services to residents by finding innovative solutions to increase efficiency is at the heart of the council's business model.
48. The greater use of technology and social media, and encouraging contact with the council to be through digital channels has also made it easier for residents

to interact with and engage with their councillors. This has increased the number of interactions that councillors now have with members of the local community, increasing the number of cases they take forward on behalf of their constituents. Further detail on councillor casework is provided in the section on the representational role of councillors.

Impact of national and local policy changes

49. The last boundary review in Merton was carried out in 1998, with the final results published in 1999. The Boundary Commission recommended that Merton should be served by 60 councillors – an increase from 57 - representing 20 wards, and that changes should be made to ward boundaries in order to improve electoral equality. The recommendations sought to ensure that the number of electors represented by each councillor was ‘nearly as possible’ the same, having regard to local circumstances and that across the 20 wards the number of electors per councillor would vary by no more than 6 per cent from the borough average.
50. Since the last review 19 years ago, the role and responsibilities of local government have changed considerably, as has the role that councillors play in this. The Local Government Act 2000 resulted in an overhaul of the way decision making is made by local authorities - Merton moved from a committee system to a Leader and Executive model of governance with Overview and Scrutiny, significantly increasing the work of councillors in decision making.
51. The Localism Act 2011 contained a number of proposals that gave local authorities new freedoms and flexibility, most notably including a ‘general power of competence’ that gave councils the legal capacity to do anything that an individual can do that is not specifically prohibited. This included giving councils more freedom to work together and encouraging them to seek more creative and innovative approaches. The Localism Act emphasised that by removing some of the boundaries and devolving power to a more local level, councillors would be much more enabled to take on a more active role in decision making.
52. Other key policy changes or legislation that have had an impact on the role of councillors include the Care Act 2014 that defines the primary responsibility of local authorities in the promotion of individual wellbeing. The Act enshrines the responsibility for adult safeguarding. The Local Government Association (LGA) highlights the crucial roles for councillors in examining how safeguarding is experienced by local people, how people are consulted and involved in developing policies and monitoring services, and how they can be involved in their own safeguarding plans and procedures. According to the LGA³: “Growing awareness of the prevalence of abuse makes it all the more urgent and

³ Councillors briefing 2015, Safeguarding adults, Local Government Association
<https://www.local.gov.uk/sites/default/files/documents/councillors-briefing-safe-5fc.pdf>

necessary for councillors to take action locally to ensure that everyone, including professionals, the voluntary sector and the general public are made aware of abuse and neglect, how to recognise and report it, who is responsible for intervening, and what people's rights are to protection, support, choice and advocacy".

53. The Care Act 2014 also requires local authorities to promote integration with the NHS and work with other key health partners to improve services locally. The Health and Social Care Act 2012 transferred responsibilities for public health services to local authorities plus a range of other services previously provided by the NHS including sexual health services and services to address drug or alcohol misuse. The Health and Social Care Act established Health and Wellbeing Boards as statutory bodies. Three councillors in Merton are members of the Health and Wellbeing Board.
54. Since 2010, the UK welfare system has experienced far-reaching changes, and councils have been required to implement the significant welfare reforms that have been introduced. These reforms have resulted in changes around eligibility and payments as well as delivery and implementation. Most notably has been the replacement of six key benefits with Universal Credit, claimants being required to meet certain conditions or face losing access to benefits, changes to assessment and entitlement to incapacity and disability-related benefits. The reforms to welfare provision have seen an increase in the amount, and complexity, of the casework that councillors are undertaking on behalf of their ward constituents.
55. The decision for the United Kingdom to leave the European Union in March 2019 will also have a range of significant effects on local government and the communities they serve. Merton launched its Hate Crime Strategy shortly after the EU vote which references that 74% of Londoners say they are concerned about hate crime and that recorded figures saw an increase after the referendum result, with more than 3000 allegations of hate crime made to UK police. Councillors have a vital role to play as community leaders and shapers of place and building cohesive communities.
56. According to the Census data from the Office of National Statistics, as at 2011 there were 18,690 EU nationals in the borough. This is 9.3% of the borough's population. Of this total number, 7,649 are from EU member states as of 2001, while 11,041 are from the EU Accession countries that became member states between April 2001 and March 2011. Since the last census, information from the council's electoral roll shows that the total number of EU residents in the borough has increased to 20,146.
57. A Cabinet role has been created to assess the impact of Brexit and ensure that actions are being taken as appropriate. The council has also set up a cross departmental task group to direct actions being taken in relation to Brexit. Work

is continuing within the scrutiny process to look at the ways the council can better support residents that are EU nationals as Brexit progresses. All councillors will be called upon to provide community leadership during the period of uncertainty following Brexit and, specifically, to support EU residents in order to achieve the optimum outcome for that individual, including to secure settled status if desired.

Electoral registration

58. Since the introduction of individual electoral registration (IER) in June 2014, the number of electors on the Merton electoral register initially decreased, before increasing to record levels after the occurrence of national polls from 2015 to 2017. Since 2017 the electorate has remained stable.
59. The fact that the electorate is now higher than pre IER levels show that Merton has successfully managed the transition to the new registration system. However, challenges remain, particularly around those electors that are classed as hard to reach, such as private renters, 18-24 year olds and students.
60. Merton has so far trialled tablet canvassing in 20% of canvass areas across the borough, to discover whether this is a viable way of increasing registration rates. A variety of canvass areas from both the east and the west of the borough were selected for the trial in order to have a cross section of communities involved. In 2017 the canvassers using tablets were responsible for 42% of all new registrations across the borough during the canvass. It is estimated that if tablet canvassing was introduced across the whole borough then registrations during the canvass could increase by over 30%.
61. Further reform of the registration system, in the form of changes to the annual canvass, (currently scheduled for 2020) will increase the use of data led solutions and make it easier and cheaper for electoral registration officers to engage in targeted activity aimed at those properties where officers believe that changes have taken place. This reform will also enable tablet canvassing to be introduced across the whole borough from 2020, therefore potentially increasing registration rates.
62. Merton has an electorate to adult population ratio of 93% based on 2018 figures. It is expected that the planned changes to the registration system will enable Merton to increase registration rates after 2020, which will in theory also increase this ratio. It is projected that the electorate will rise to around 162,915 by 2025, which based on an adult population of 170,818, is an electorate to population ratio of 95%. If in 2025 Merton is operating with 57 councillors, this means that the electorate to councillor ratio will have increased from 2529 in 2018 to 2858 in 2025.
63. Reducing to 57 Cllrs would return Merton to the same number of Cllrs that the council operated with from 1978-1998, prior to the previous boundary review in 1999.

Governance and decision making

64. Merton is made up of 20 three member wards, comprising a total of 60 councillors from four political groups. The political balance of the council is currently 34 Labour, 17 Conservative, 6 Liberal Democrat and 3 Merton Park Ward Independent Resident councillors.
65. The council and local political parties are committed to attracting prospective councillors who are as representative of the local population as possible. Merton's councillors are a diverse group, including many younger councillors who work full time, those with caring responsibilities, a wide age range, 35% women and approximately 25% from visible BAME communities.
66. Merton has operated the Leader and Cabinet model since October 2001.

Full Council

67. The full Council comprises all 60 councillors, is chaired by the Mayor of Merton and meets 7 times a year plus additional special meetings as required. The responsibilities of full Council include electing the Mayor of Merton and the Leader of the Council, appointing the Chief Executive and for agreeing the Council's budget and policy framework. There are a number of plans and strategies which make up the policy framework that are reserved to full Council to approve or adopt, which are listed in the Council's Constitution. The full Council also has responsibility for adopting or changing the Council's Constitution, making appointments to committees and panels of the Council and agreeing the terms of reference of those bodies.
68. The council's constitution provides that the responsibility for the adoption and alteration of policy documents within the council's strategy framework lies with the Full Council. New policies and proposed changes are considered in the first instance by the Standards and General Purposes Committee, and are also subject to scrutiny.
69. Council is used as an opportunity to hold the executive to account. At each ordinary meeting questions are put to cabinet members by the public and by non-executive councillors from each of the four political groups. Questions are submitted in writing before the meeting, and then each questioner is given the opportunity to ask a supplementary question at the meeting. The number of public questions has increased in recent years and averages 29 per meeting, with more than 40 received for the Council's meeting in February 2019. Motions from councillors provoke vigorous debate and all actions agreed are monitored to ensure that these are implemented.

70. A strategic theme report that focusses on one of the aspects of the Community Plan is presented to each ordinary meeting. This is a detailed report that includes an update on policy and service provision in that area, as well as performance management information and a report on scrutiny work that has been undertaken. There are councillor questions put to Cabinet Members and motions tabled on the strategic theme.

Appointments to committees

71. Appointments are governed by the requirements of Section 15(1) of the Local Government and Housing Act 1989 and allocation of seats to political groups on each committee is made in accordance with the statutory requirements and principles.
72. There is a total of 122 seats on council committees distributed as set out in the table below:

Group	No. Councillors	% councillors	No. committee seats Dec 2018	% committee seats Dec 2018
Labour	34	56.7%	74	60.7%
Conservative	17	28.3%	32	26.2%
Liberal Democrat	6	10.0%	11	9.0%
MPWIR	3	5.0%	5	4.1%
TOTAL	60	100%	122	100%

73. The number of seats for each committee is set out in Appendix 2 and Council appointments to external bodies is set out in Appendix 3.
74. At present councillors serve on an average of 3.4 committees, including Council. 18 councillors serve on 4 committees, five on 4 committees, 4 on six committees and 1 on seven committees.
75. A total of 163 meetings are listed in the council's corporate calendar, including meetings of the executive, scrutiny, quasi-judicial bodies, advisory and consultative bodies plus community forums.

Cabinet

76. Cabinet consists of the Leader of the Council plus eight Cabinet members appointed by the Leader, each with specific portfolios aligned to the themes of the Community Plan and to the Administration's priorities. Cabinet leads on the preparation of the council's policies and budget, and makes recommendations

to the full council on the major policy plans and the budget and council tax. Where there is a relevant policy, Cabinet takes collective decisions within the adopted framework of plans and the procedural rules to implement them.

77. Individual Cabinet Members take an active role in policy formulation within their portfolios and have regular meetings with the Directors to provide political leadership. The Leader of the Council takes an active role in London wide and sub-regional policy development through bodies such as London Councils, the Local Government Association and the South London Partnership.
78. The Cabinet Member for Regeneration, Housing and Transport has delegated authority to approve the making of any order relating to traffic management or car parking.
79. Merton's Cabinet has a single sub-committee, the Merantun Development Ltd Sub-Committee, established in 2017. It has delegated authority to exercise the Council's rights and responsibilities as shareholder of the Merantun Development Ltd company. The sub-committee membership is made up of the Leader of the Council and the two Cabinet Members with responsibility for regeneration, housing and asset management.
80. The South London Waste Partnership Joint Management Committee, established in 2007, advises Cabinet on the operation of the waste management services provided by the South London Waste Partnership. It has two executive members from each of the member authorities (Merton, Sutton, Croydon and Kingston), appointed by Cabinet at its AGM.
81. The Joint Regulatory Service Committee, joint with Richmond and Wandsworth, advises Cabinet on the operation of the joint regulatory services partnership – licensing, trading standards, environmental health services.
82. It is expected that there will be an increase in joint committees and other forms of governance committees/boards to support to increasingly diverse models of service delivery used by Merton and its partners. The growing complexity and diversification of governance models will require a significant time input from executive councillors in future.

Planning Applications Committee

83. The ten member Planning Applications Committee meets at least once a month to consider major and contested planning applications. There were 12 meetings in 2016/17 at which over 100 applications were considered and 13 in 2017/18, with almost 100 applications considered. In 2018/19 there have been 10 meetings and 42 applications to date.
84. Planning committee meetings are lengthy and demanding. Members are required to absorb complex written information and assess conflicting

representations made by the applicant and a range of objectors. In recent years the committee has dealt with a variety of contentious issues, the most high profile of which has been a decision on the location of AFC Wimbledon's football stadium (attended by so many members of the public that it was necessary to provide a screen outside the Council Chamber so that they could watch the proceedings). Other significant and contentious issues have included basements and extensions, the partial demolition of Merton Hall (a locally listed building), new school in SW19, school expansion and a multi-million pound regeneration programme for local Clarion housing estates.

85. Members of the Planning Applications Committee often carry out site visits to increase their understanding of the locality and the issues involved in the planning application.
86. Local ward councillors are also involved in providing written evidence and speaking at planning committee meetings on behalf of their constituents. When there are planning appeals hearings held by the Planning Inspectorate, councillors who made representations will attend to give further evidence.
87. It is expected that the council's ambitious regeneration programmes and plans for Crossrail2 will increase the number of significant and contentious applications that the committee will be required to deal with over the next ten years.

Licensing Committee

88. The Licensing Act 2003 transferred the responsibility for alcohol and late night entertainment licensing from the Magistrates Courts to local authorities. The Act requires each licensing authority to establish a licensing committee of at least ten, but not more than fifteen, members to discharge the authority's licensing functions. Merton's Licensing Committee comprises 12 members.
89. The licensing functions covered include street trading, licensing of premises, gambling and controlled drinking zones. The Licensing Committee also considers and recommends 'statements of policy' to full Council with regard to the exercise of its statutory functions
90. Licensing sub-committees, comprising any three members of the committee, meet as required to consider specific applications for personal and premises licences relating to the provision of food and alcohol, and to consider gambling applications.
91. The number of licensing applications considered by licensing sub-committees has increased in recent years. In 2016/17 they met on 10 occasions to consider a total of 12 applications. In 2017/18 they met on 13 occasions to consider a total of 17 applications and in 2018/19 they have met 12 times so far to consider a total of 14 applications.

92. Licensing sub-committee meetings usually take place in the daytime to enable licensees to attend. This limits the number of councillors who can serve on the sub-committees to those who are available during the daytime. Meetings can go on for a number of hours, due to their complex nature and significant level of interest some applications can generate.

Standards and General Purposes Committee

93. The 12 member Standards and General Purposes Committee has overall responsibility for corporate governance. The Committee is also concerned with the promotion and maintenance of high standards of conduct within the council; the enforcement of the Member Code of Conduct; and advising the council on ethical governance matters. The Committee monitors the registers maintained in relation to gifts and hospitality received by councillors and offered to and accepted by staff. The Council's two Independent Persons regularly attend as observers.
94. This committee also fulfils the role of an Audit Committee in accordance with CIPFA recommended best practice, and this committee has overall responsibility for ensuring controls are adequate and working effectively.
95. This Committee is responsible for a range of non-executive functions, including electoral matters and personnel issues. It also has responsibility for considering and making recommendations to Full Council on any changes to the council's Constitution. Its functions include ensuring compliance with relevant laws and regulations, internal policies and procedures, and overseeing council accounts and audit activity.
96. A review was carried out on the effectiveness of the Standards and General Purposes Committee against CIPFA's guidance, Audit Committees: Practical Guidance for Local Authorities. This found that the Committee was meeting regularly and covered the range of governance issues, except risk management. Risk is however reported to Cabinet and Overview and Scrutiny on a regular basis as well as to Council on an annual basis as part of the business plan, therefore reliance could be placed on this.

Overview and Scrutiny

97. The overview and scrutiny function in Merton is well regarded, robust and has been successful in shaping local policy development and service provision as well as providing a critical friend challenge to the council's cabinet and to external service providers including the police and the NHS. Public involvement

is an intrinsic part of the function and it draws on councillors' existing networks as well as reaching out to other parts of Merton's diverse communities.

98. The Overview and Scrutiny Commission scrutinises corporate and cross-cutting issues and is the responsible committee for the scrutiny of crime and disorder under the Police and Justice Act 2006. The Commission is responsible for ensuring that the council has an effective overview and scrutiny function and for co-ordinating and supporting the work of three overview and scrutiny panels, aligned to the strategic themes in the current Community Plan:
 - Children and Young People Overview and Scrutiny Panel – responsibilities include education, children's social care, child protection and youth services.
 - Healthier Communities and Older People Overview and Scrutiny Panel – responsibilities include health, public health and adult social care.
 - Sustainable Communities Overview and Scrutiny Panel – responsibilities include housing, waste management, environmental sustainability, culture, enterprise and skills, libraries and transport.

99. Merton is a member of a standing South West London Joint Health Overview and Scrutiny Committee, which takes an active role in holding local NHS providers to account and examining the Sustainable Transformation Partnership (proposals for new ways to provide efficient and modern services to meet future patient need). The JHOSC has established a sub-committee to scrutinise the plans for acute services, including controversial plans to reconfigure acute services at Epsom and St Helier NHS Trust.

100. Each of Merton's scrutiny bodies usually has one time limited task and finish group in operation at any one time to focus in depth on a particular policy or service. Membership is drawn from all non-executive councillors, not just those on the parent body, so that anyone with a particular interest in the issue under review has an opportunity to contribute.

101. Five scrutiny task groups have been established for the 2018/19 municipal year to examine:
 - single use plastics
 - the transition from children's to adults' services for young people using health or social care services
 - mental health of children and young people in Merton
 - road safety around schools
 - financial monitoring

102. Each of the task groups will typically meet 6 to 8 times as well as carrying out visits to view services, consultation activities with service users and local residents, and visits to view good practice elsewhere. The task group will then

review all the evidence collected and will identify recommendations aimed at improving services and enhancing the customer experience.

103. The task group will produce a comprehensive report that is received first by the parent scrutiny body and then referred to Cabinet for a formal response and implementation. Merton's constitution requires Cabinet to provide a response within two months of the matter being considered. The vast majority of task group recommendations are accepted and implemented by Cabinet.
104. Call-in is used judiciously in Merton, with an average of 3.6 per year since 2013/14 (ranging from 0 in 15/16 to 7 in 2016/17). This reflects the extent to which pre-decision scrutiny is carried out, with discussion at the start of each municipal year between the scrutiny bodies and their respective Cabinet Members of important forthcoming issues and how best to scrutinise them.
105. The Overview and Scrutiny Commission is chaired by the Leader of the Merton Park Ward Independent Resident Group. The Panels currently each have Labour Chairs and Conservative Vice Chairs. The Chairs and Vice Chairs work together collaboratively to provide leadership and to ensure that scrutiny operates in a non-party political manner as far as possible.
106. The Chair is responsible for developing constructive relationships with the appropriate Cabinet Member(s) and with senior officers in the services being scrutinised. The Chair is also responsible for presenting recommendations from the panel to the appropriate body or person (e.g. Cabinet, Council, NHS Trust Board) and for ensuring that implementation of the recommendations is monitored by the scrutiny panel.
107. The Scrutiny Handbook sets out the council's expectations of scrutiny members at and between meetings. Members of scrutiny panels have a collective and individual responsibility for ensuring that scrutiny is Member led. This includes reading agenda reports and task group papers in advance of the meeting, asking relevant and timely questions at meetings and participating in activities that the panel has agreed to pursue outside of its formal meetings.
108. The activities that scrutiny members may be expected to take part in outside of formal meetings include:
 - becoming an active member of a time-limited task group
 - becoming a performance management or budget lead for the panel
 - visits to services in Merton and elsewhere
 - meeting with service users, local residents and other stakeholders to hear their views
 - taking part in training and development events.
109. The key principles of scrutiny in Merton, set out in the scrutiny handbook, are that it should always be member-led and evidence-based. The handbook also

contains advice for councillors and officers on their respective roles, guidance and practical steps on how to achieve successful scrutiny. It is based on experience of scrutiny in Merton, best practice research and examples from other local authorities.

110. Each year a survey of all councillors is undertaken to seek their views on the effectiveness of the scrutiny function and suggestions for improvement. The results are reported to the Overview and Scrutiny Commission together with an action plan containing measures for innovation and improvements over the coming year. The most recent survey was in March 2018. 90% of respondents responded that scrutiny was effective, with task group work rated the most effective element of scrutiny (85% rated this as effective), closely followed by pre-decision scrutiny (82%).
111. The council's constitution requires an annual report to be presented to Council, outlining the work of the overview and scrutiny function over the course of the municipal year. The Chair of the Overview and Scrutiny Commission uses this as an opportunity not only to showcase the work carried out but also to demonstrate some of the outcomes achieved and the ways in which local residents have been involved in scrutiny. (The 2017/18 annual report is attached as Appendix 6).
112. In December 2017 the Communities and Local Government Select Committee published a report entitled "Effectiveness of local authority overview and scrutiny committees"(op cit – see footnote 1), which was the first national assessment in many years to consider how scrutiny committees operate. A large number of submissions were received from local authorities across the country. Amongst these, Merton was highlighted as a good practice example for its work on pre-decision scrutiny:

"Pre-decision scrutiny is also a vital part of a committee's role. By commenting on and contributing to a decision before it has been made, scrutiny committees are able to offer executives the benefit of their ability to focus on an issue in greater depth over a longer period of time. For example, the **London Borough of Merton's Children and Young People Overview and Scrutiny Panel** considered a site proposal for a new secondary school. As a result of its work, the Panel was able to provide a detailed reference to Cabinet focussing on how to optimise use of the selected site and mitigate any negative impact, helping the Cabinet to make a more informed and considered decision."

Effectiveness of local authority overview and scrutiny committees, Report of the Communities and Local Government House of Commons Select Committee, 2018.

Partnership working

113. The Merton Partnership was established in January 2002 as the overarching strategic partnership for the borough. Its aim is to work together with all partners on issues that are key to local people – including residents, workers and visitors – as reflected in the Community Plan.
114. Councillors have a central role to play in the Merton Partnership. The Leader of the Council chairs the partnership and its Executive Board. Councillors are also represented at senior levels on each of the four thematic boards and their sub-groups: Safer and Stronger; Sustainable Communities and Transport; Health and Wellbeing, and; the Children’s Trust. In addition, to these thematic boards, Merton has an active Compact Board chaired by the Cabinet Member for Community Safety, Engagement and Equalities, with other councillors also nominated to attend.
115. In addition to formal representation on Boards, councillors are well represented at the Merton Partnership’s annual conference. The conference provides a platform for a wide range of local stakeholders, some of which do not have the capacity to engage in regular formal meetings, to address key issues of concern for the borough.
116. In Merton there is strong councillor engagement in promoting community cohesion in the borough. Councillors play an integral role in community engagement and supporting and encouraging community organisations that promote the interest of disadvantaged communities, to get involved in decision making and civic life.
117. Councillors have helped voluntary organisations (particularly in East Merton) representing seldom heard communities to have a voice, including Black and Minority Ethnic Communities, disability groups, Lesbian, Gay, Bisexual and Transgender (LGBT) communities and the Armed Forces. Councillors are also actively involved in working with the Faith and Belief community and they participate in events such as Inter Faith Week activities and Holocaust Memorial Day.
118. There are numerous activities that the council is committed to supporting on an on-going basis that contribute to promoting community cohesion, including Black History Month, LGBT History Month and the Celebrating Age Festival. Councillors take an active part in bringing people of different backgrounds together to celebrate the borough’s diversity on these and many other occasions. Armed Forces Day is organised by a councillor-led working group.

Representational role of councillors in the community

Casework

119. Ward councillors in Merton take a very active role to represent the interests of local residents. In addition to attending community meetings, this will involve the councillors in identifying and acting on local issues that affect the communities that they represent. Ward councillors will also provide advice and support to individual residents who request assistance with a matter, known as casework.
120. Casework will often require the councillor to act as a mediator between the council and the public as well as often between neighbours. Councillors are expected to be a liaison point between the people they represent and other organisations such as utility companies, NHS bodies and businesses whose actions may affect their residents' daily lives.
121. In Merton ward councillors largely manage and progress their own casework. Some support can be provided by their Group Offices, but the number of staff in these offices is small so councillors have to be self-sufficient at all times.
122. Councillors may be contacted at surgeries, by phone or in person whilst out in the ward but the bulk of their casework is received through email. A number of councillors also communicate with residents through social media.
123. The greater use of technology and social media, and encouraging contact with the council to be through digital channels has made it easier for residents to interact with and engage with their councillors. This has increased the number of interactions that councillors now have with members of the local community and increased the number of cases they take forward on behalf of their constituents. Furthermore, The extensive and growing use of email and social media has resulted in an expectation that councillors will respond with ever increasing speed.
124. Councillors have to be up-to-date on the issues affecting their wards and to be contactable and respond to their residents in an appropriate way. For example, some wards may have an older population who prefer letter or face to face contact, whereas a ward with a younger population may expect a social media presence.
125. When councillors require information from the council in order to progress casework or other enquiries they are advised to log these through a centralised member enquiry system so that the enquiry can be forwarded to the right team. Additionally, some councillors continue to contact individual council officers direct rather than through the member enquiry system. This means that the data collected by the team under-represents the full extent of casework and

other enquiries raised by councillors. Furthermore, experienced councillors will often be able to resolve the issue themselves without recourse to the member enquiry system and therefore this aspect of casework is not recorded centrally.

126. Data on number of member enquiries in each of the past two years and the current year shows a large increase this year (note – this data also includes enquiries received from the two local MPs):

Department	2016/17	2017/18	2018/19 (9 months)
Corporate Services	304	295	263
Children Schools and Families	124	128	149
Environment and Regeneration	1,495	1,677	2,354
Community and Housing	1,049	849	1,602
TOTAL	2,972	2,949	4,368

127. The main issues of concern raised through Member Enquiries are revenues and benefits (including council tax collection and arrears), school admissions, children’s social care, traffic and highways, waste services and housing needs.

Community Forums

128. Merton Council holds five Community Forums based on the main town centres of Colliers Wood, Mitcham, Morden, Raynes Park and Wimbledon. The Forums are public meetings that are open to anyone who lives, works or learns in the area. The Forums meet with different frequency, generally in relation to the number of attendees, with the more well attended Raynes Park and Wimbledon Forums meeting four times a year, Mitcham and Morden meeting twice a year and Colliers Wood once. This makes a total of 13 Community Forum meetings each year.
129. The meetings are chaired by a local ward councillor, appointed by full council. Other local ward councillors also attend, along with the Leader or other Cabinet Members to address particular agenda items. Meetings cover a wide range of local issues such as planning, regeneration, community safety, and updates from the MPs, Assembly Member and Council Leader. A range of local specific projects are also discussed and at every meeting there is an opportunity for attendees to raise any local issue they like. A summary report of each meeting is then presented by the Chair to the next full Council meeting.

Neighbourhood Community Infrastructure Levy

130. In January 2018 Cabinet resolved to award each of Merton’s 20 wards £5,000 from the Neighbourhood Community Infrastructure Levy to spend on public realm improvements proposed by the ward councillors. Issues put forward by

the ward councillors included highway repairs, environmental spending, new benches, plants and money passed on to community groups to spend.

131. Cabinet reviewed this pilot project in January 2019 and agreed to continue the ward allocation scheme to make £15k available for each ward to bid for/spend across the remaining three years of the current electoral cycle. Councillors will work with residents and council officers to identify, prioritise and put forward applications for funding.

Appointments to outside bodies

132. Merton councillors are appointed to a total of 37 seats on 19 local, Londonwide and national organisations. These are bodies of strategic importance to local government (such as the Local Government Association and the Local Government Information Unit), to the governance of London (such as London Councils, London Road Safety Council and the London Home and Water Safety Council) and local communities (such as Safer Merton, Pollards Hill Community Committee, Merton Community Panel – Clarion Housing). The full list of outside bodies is set out in Appendix 3.
133. In addition, many councillors are also school governors, which is a complex and increasingly demanding role. Many are also actively involved in supporting a variety of community and voluntary organisations, including as board members.

The Mayor

134. Merton has a ceremonial mayor who is the first citizen of the borough and the official representative of the Crown. This is a high profile and non political role. The Mayor is elected at Annual Council for a period of 12 months. The Mayor then appoints a Deputy Mayor for the same period. The Mayor chairs full Council meetings.
135. The office of the Mayor of Merton is a busy one. Each year the Mayor represents Merton at more than 500 public engagements and civic and ceremonial events. The Mayor also entertains guests in the Mayor's Parlour at the Civic Centre for both formal and informal events.
136. The Mayor also becomes one of the Trustees on the Mayor of Merton's Charitable Trust, a registered charity, the purpose of which is to collect and distribute charitable donations for the benefit of the residents of the borough. Each year the Mayor will nominate one or more local organisations that s/he will support through fundraising events and other activities. The Trust may also choose to make donations to other specific organisations from time to time. The Trust Board usually meets at least three times a year.
137. Merton's councillors are very supportive of the mayoralty and take an active part in planning and attending civic and fundraising events. Furthermore, a

cross party group of councillors have worked with this year's Mayor and Deputy Mayor to review and revise the service level agreement that provides guidance on the role and activities undertaken by the Mayor.

Member development and training

138. Merton Council has a learning culture that views continuous development for all its staff and councillors as vital to its success. Provision is based upon the identified and agreed needs of the individual councillor, with an acknowledgement that they may have transferable skills from their work place and/or life experiences that they will be able to draw on.
139. The member development and training programme has been endorsed by the Standards and General Purposes Committee and is delivered through a variety of methods and at times that ensure equality of access for councillors' diverse personal circumstances, backgrounds and learning styles.
140. Appendix 4 contains a list of activities provided between May 2014 and May 2018 and the number of councillors attending.

Conclusion on council size

142. In carrying out this review the council has sought to identify the optimum number of councillors to ensure that it can retain its existing high standards of governance, scrutiny, partnership working and casework support to local residents.
143. The council has been mindful of the projected increases in population size to 2025 and beyond, and of recent and projected future changes in the age, ethnic and socio-economic profile of that population. These changes will pose challenges that will require open and transparent decision making processes that will enable the voice of local residents, community groups and other stakeholders to be heard. Having a sufficient number of councillors will be key to ensuring that good decisions are made and that these can be robustly challenged through overview and scrutiny as well as through wider democratic processes.
144. In the light of ongoing financial pressures facing local government and the declining size of the officer corps, the council has concluded that it would not be appropriate to retain the existing number of 60 councillors.
145. This review has concluded that a reduction of more than 3 councillors would increase councillor workload to a level that would put decision making and scrutiny processes under undue pressure. In a council that has four political groups, meeting the statutory requirements for political proportionality on council committees has resulted in most committees having 10 or 12 members. Councillors currently serve on an average of 3.4 committees; a reduction to 57 would increase this average to 3.5; reduction to 54 would increase this to 3.7.
146. The council believes that the increased councillor workload resulting from a reduction to 54 or fewer councillors would be likely to deter prospective councillors who work full time and/or who have caring responsibilities.
147. Data set out in Appendix 1 shows that a reduction to 57 councillors would equate to an electoral ratio of 2,662 electors for each councillor in 2018, which is projected to increase to 2,858 electors per councillor in 2025. This would keep Merton in line with the electoral ratio in neighbouring boroughs, Kingston upon Thames (2,405), Richmond upon Thames (2,580) and Sutton (2,783). Croydon, which is a much larger borough, would be an exception at 4,028 electors per councillor.
- 148. Merton Council therefore recommends that the number of councillors should be reduced from 60 to 57. The council considers that it can fulfil all of its required functions with a reduction of 3 councillors, whilst retaining existing high standards.**

APPENDIX 1 - ELECTORATE RATIOS AND POPULATION PROJECTIONS

Current arrangements – South West London

Local Authority	Electorate (3 September 2018)	No. of councillors	Avg. Electorate per Cllr
Croydon	281,944	70	4,028
Kingston upon Thames	115,451	48	2,405
Merton	151,765	60	2,529
Richmond upon Thames	139,321	54	2,580
Sutton	150,302	54	2,783

Merton Projections

Year	Electorate	No of councillors	Av. Electorate per councillor
2018 (3 Sept)	151,765	60	2,529
2018 (3 Sept)	151,765	57	2,662
2018 (3 Sept)	151,765	54	2,810
2025	162,915	60	2,715
2025	162,915	57	2,858
2025	162,915	54	3,017

**Population projections for CIPFA “near neighbours”
– GLA housing led model**

	No. Cllrs	2018	2020	% increase between 2018 - 2020	2025	% increase between 2018 - 2025
Ealing	69	350,784	361,833	3.1	397,010	13.2
Havering	54	257,511	261,830	1.7	284,971	10.7
Wandsworth	60	324,400	332,731	2.6	357,242	10.1
Croydon	70	391,296	400,272	2.3	421,090	7.6
Redbridge	63	305,910	312,264	2.1	328,279	7.3
Barnet	63	397,049	407,148	2.5	422,894	6.5
Merton	60	209,421	212,658	1.5	222,714	6.3
Brent	63	336,859	343,853	2.1	358,170	6.3
Hillingdon	65	309,926	316,253	2.0	329,302	6.3
Bexley	45	249,999	254,970	2.0	265,249	6.1
Kingston	48	179,581	182,728	1.8	190,330	6.0
Waltham Forest	60	283,524	290,024	2.3	300,284	5.9
Hounslow	60	278,264	284,358	2.2	294,459	5.8
Sutton	54	207,378	211,297	1.9	219,275	5.7
Enfield	63	337,697	342,993	1.6	356,949	5.7
Harrow	63	255,369	261,348	2.3	269,422	5.5
Richmond*	54	199,419	201,713	1.2	209,625	5.1

*Not a CIPFA near neighbour, included for comparative purposes as close geographical and other links

APPENDIX 2– Allocation of seats for each committee

Committees subject to Statutory proportionality					
	Seats	Labour	Conservative	Liberal Democrat	Merton Park Ward Indep Residents
Scrutiny committees					
Overview and Scrutiny Commission	10	6	2	1	1
Healthier Communities and Older People	8	5	2	1	0
Children and Young People	10	6	3	0	1
Sustainable Communities	8	5	2	1	0
SW London Joint Health Overview and Scrutiny Cttee	2	1	1	0	0
Committees					
Appointments	10	6	3	1	0
Licensing	12	7	4	1	0
Licensing misc	12	7	4	1	0
Planning	10	6	2	1	1
Standards and General Purposes	12	7	3	1	1
Appeals	6	4	1	1	0
Advisory Committees established by the Council					
Pension Fund Advisory Committee	3	2	1	0	0
Borough Plan Advisory Committee	6	4	1	1	0
Joint Consultative Committee with Ethnic Minority Organisations	5	3	1	1	0
Merton Heritage Forum	5	3	1	0	1
Member School Standards Panel	3	2	1	0	0
Total seats	122	74	32	11	5

APPENDIX 3**ALLOCATION OF SEATS TO CONSULTATIVE FORUMS AND OTHER BODIES**

ORGANISATION	Number of seats
Compact Working Group	2
Greater London Enterprise	1
Local Government Association	4
LGIU – Local Government Information Unit	1
London Councils – Greater London Employment forum	1
London Councils Leaders' Committee	1
London Councils Transport and Environment Committee	1
London Councils Grants Committee	1
London Councils Pensions CIV (Common Investment Vehicle) (Sectoral) Joint Committee	1
London Road Safety Council	2
London Home and Water Safety Council	1
London Youth Games	1
Merton Community Panel (Clarion Housing)	2
Merton and Sutton Joint Cemetery Board	5
Mitcham Common Conservators	4
North East Surrey Crematorium Board	3
Pollards Hill Community Committee	3
Groundwork London's Local Authority Strategic Input Board	1
Safer Merton	2

APPENDIX 4
MEMBER LEARNING AND DEVELOPMENT PROGRAMME, 2014-2018

Event Title

Budget Scrutiny
Briefing on the New Website
Chairing Skills
Child Protection
Dementia
Effective Opposition
Health Champions
Health in All Polices- Prevention Matters Workshop
Induction- Overview and Scrutiny
Induction- The role of a Councillor Part 1
Induction- The role of a Councillor Part 2
Induction- Keeping our people safe (Corporate Parenting, Safeguarding)
Induction- Community Leadership
Licensing for committee members
Licensing for ward members
Mind Mapping and Speed reading
Planning for committee members
Planning for Ward Members
Protecting yourself and your constituents
Public Speaking
Tools and Techniques to cope with paperwork
Understanding Budgets
Universal Credit and Housing

APPENDIX 5

ELECTORAL FORECAST METHODOLOGY

1. Introduction

1.1 The council has followed one of the suggested approaches by the Local Government Boundary Commission (LGBCE) to produce an electoral forecast. This approach has used the LGBCE's preferred methodology as a baseline, with further work undertaken to ensure that there can be a high degree of confidence in the projected number of electors being forecast for 2025.

1.2 The following sections outline the steps that have been taken to produce the forecast and the assumptions that have been made.

2. Population Projections

2.1 The LGBCE offers a tool to assist authorities with the polling district level electoral projections (any of the polling district forecasts may be overridden with an explanation). The forecasting tool works in three steps.

- i. The LGBCE collects from authorities the number of local government electors per polling district for the last three years. For each polling district in each year, they then calculate the percentage of total electors registered to vote and average this across all available years.
- ii. Next, authority level registration ratios are calculated by dividing the number of registered electors in each year by the total adult population, and averaging this across all years. Office of National Statistics (ONS) Sub-National Population Projections (SNPP) are used of those aged 17 and above, with the category containing 17, 18 and 19 year olds multiplied by 0.6 to remove (approximately) those younger than 17 from the data. The LGBCE then multiply this average ratio by the ONS' authority level population forecast in the target year, which provides a predicted number of electors.
- iii. Finally, each individual polling districts percentage is multiplied by the total predicted electorate. This provides a localised elector count that is constrained by average authority-level population changes and ONS population forecasts.

2.2 The council is of the opinion that, as the methodology above essentially uses the past share of the electorate by polling district to share out the forecasted borough level electorate, this will not reflect the fact that certain parts of the borough are undergoing much more development than others, and are therefore likely to receive the larger share of the growth in electorate.

2.3 Instead the council considers that a development driven methodology based on the LGBCE's own methodology will better distribute the growth in the electorate across polling districts.

2.4 Therefore the council chooses to use the Greater London Authority's (GLA) population projections. Population estimates from the GLA estimate population based on the same variables as ONS, plus information regarding new housing developments and different scenarios of future migration. The GLA also produces several different projections (housing linked, central trend, long term, short term) that each give a different estimate.

2.5 The GLA's housing-led projection incorporates a housing trajectory taken from the Strategic Housing Availability Assessment (SHLAA). This model reconciles population growth with available housing supply. Through consultation with the councils Analysts Network – established to manage the Merton Data project - this model is recommended as the most likely and accurate scenario to use for future population growth in London. It is also the projections model recommended for use at borough level by the GLA.

3. Local Authority Electorate Forecast

3.1 Once the council had decided on what projections to use, the next step was to calculate the electorate to adult population ratio, which reflects the total amount of electors that are registered to vote from the adult population of the borough. Here the current number of electors was applied to the GLA 2016 housing led adult population projection for 2019 to give an overall percentage. This resulted in an overall electorate to adult population ratio of 93% for 2019. This contrasted to ratios of 94% in 2018 and 95% in 2017, which were partly the results of registration surges caused by national polls from 2016-2017.

Table 1: Local Authority Electorate 2017-19

Register publication date	Number of local government electors (inc. attainers)	Resident population aged 18 or over (GLA Housing Led)	Electorate to population ratio
1 January 2017	152,174	160,211	95%
1 January 2018	152,594	161,400	94%
1 January 2019	151,605	163,957	93%

3.2 The council recognises that the LGBCE cautions against calculating an adult to population ratio from data from a single year, and recommends that an average of the previous 3 years is used. This is to mitigate against risk that the ratio calculated may not be representative, as changes to the electorate can be much more volatile than in the population as a whole.

3.3 The council made the decision to use the latest electorate because when calculating electorate to population ratios on a ward by ward basis, using an average over 3 years would not accurately reflect those polling districts

where new development has occurred. The electorate in Merton has also been very stable during the previous 3 years, illustrated by Table 1 (above).

4. Ward level forecasts

4.1 After the overall population to electorate ratio was calculated, the next step was to calculate ward level forecasts. The current ratio of electors to adult population has been calculated for each ward and applied to the projected adult population for 2025 (this was considered to be a more accurate way of projecting electorate as opposed to using the overall electorate to population ratio of 93% across all wards). Adjustments were then made to the projected electorate figures for planned new developments.

Table 2: Ward Forecast Figures (Electorate ratio by ward)

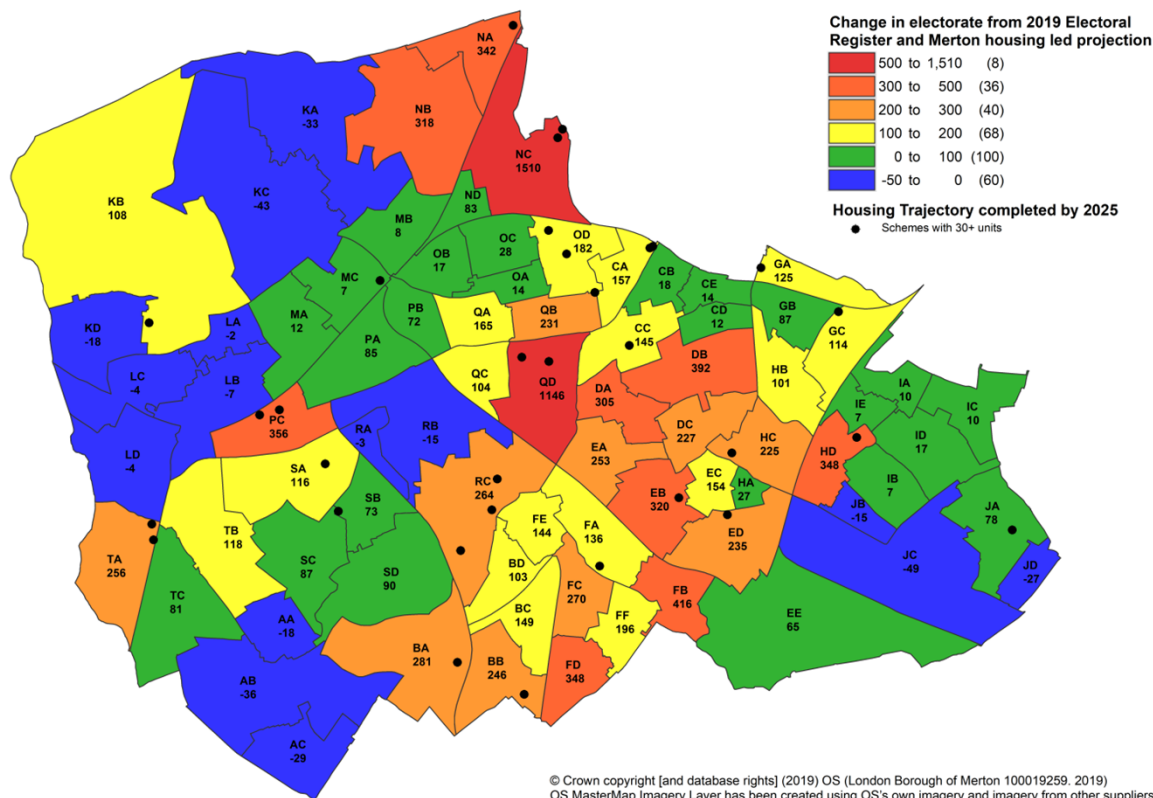
Ward	2019 estimated adult population (17-85+)	1 Jan 2019 local electorate	2019 ratio of electors/ adult population	2025 estimated adult population (17-85+)	2025 Council electorate forecast	2025 Council electorate forecast adjusted for development	2025 Electorate forecast LGBCE (for comparison)
Abbey	8834	7823	89%	9488	8402	9469	8225
Cannon Hill	7644	7208	94%	7973	7518	7575	7801
Colliers Wood	9499	8274	87%	9589	8352	8619	8629
Cricket Green	8962	8486	95%	9847	9324	9514	9087
Dundonald	7871	6928	88%	8187	7206	7442	7375
Figges Marsh	8968	8449	94%	9348	8807	9149	9088
Graveney	8000	7226	90%	8244	7446	7553	7770
Hillside	7760	6416	83%	7793	6443	6443	6927
Lavender Fields	8570	7847	92%	9579	8771	8771	8432
Longthornton	8205	7946	97%	8258	7997	7997	8574
Lower Morden	7297	7102	97%	7211	7018	7018	7642
Merton Park	7608	7132	94%	7573	7099	7377	7685
Pollards Hill	8050	8094	101%	7908	7951	8081	8777
Ravensbury	7774	7668	99%	9160	9035	9178	8197
Raynes Park	7890	7343	93%	7871	7325	7325	7873
St Helier	8527	8160	96%	9085	8694	8940	8716
Trinity	8215	7323	89%	8321	7417	7563	7938
Village	6943	6314	91%	6807	6190	6327	6777
West Barnes	8256	7601	92%	8568	7888	8056	8170
Wimbledon Park	9084	8265	91%	10008	9106	10518	8887
Total	163957	151605	93%	170818	157993	162915	162570

- 4.2 Once adjustments were made to the projected ward electorate figures for planned new developments, the overall borough electorate to adult population ratio increased to 95%, the same ratio as the LGBCE forecast. It is expected that planned changes to the electoral registration system will enable Merton to increase registration rates after 2020, and with a national poll currently scheduled for 2022, it is very likely that registration rates will again hit a ratio of 95%.
- 4.3 Electorate to population ratios are impacted by different registration rates in some areas, but also by the proportion of the adult population who are eligible to vote.
- 4.4 Attention is drawn to the electorate to adult population ratio for Pollards Hill ward, which is a statistical outlier at 101%. Here the council believes that the GLA ward based population projection is underestimating the true numbers of people that are living in Pollards Hill ward. Analysing historical electorate figures from 2016-19, the numbers for this ward are consistently higher than the population projections for the corresponding time period. Therefore, the 101% ratio has been used for the 2025 electorate projections for this ward.
- 4.5 Ravensbury ward and Wimbledon Park wards also have an electorate ratio of 100% or over as a result of planned new developments. These are now expected to increase population by greater numbers than the 2016 housing led population projections anticipated.
- 4.6 Crucially, the council's total projected electorate figure for 2025 of 162,915 was very similar to the LGBCE's projected figure of 162,570, which demonstrates that the council's projections are sufficiently robust.

Table 3: Council projections vs LGBCE projections

LGBCE projected electorate using forecasting tool	162,570
Council projected electorate	162,915

- 4.7 The figure below illustrates the estimated change in electorate by polling district from the 1 Jan 2019 electorate to the 2025 electorate forecasts.



Abbey (QA-QD)	Hillside (MA-MC)	Raynes Park (LA-LD)
Cannon Hill (SA-SD)	Lavender Fields (DA-DC)	St Helier (BA-BD)
Colliers Wood (CA-CE)	Longthornton (IA-IE)	Trinity (OA-OD)
Cricket Green (EA-EE)	Lower Morden (AA-AC)	Village (KA-KD)
Dundonald (PA-PC)	Merton Park (RA-RC)	West Barnes (TA-TC)
Figges Marsh (HA-HD)	Pollards Hill (JA-JD)	Wimbledon Park (NA-ND)
Graveney (GA-GC)	Ravensbury (FA-FF)	

5. Polling district forecasts

5.1 Merton's polling districts do not align with other statistical geographies that are used for population projections. Therefore, the first stage in developing polling district forecasts was to divide the total ward electorate population proportionally to the existing split per polling district using the 2019 electorate.

5.2 GLA 2016 housing-led population projections by ward and age was used to forecast the 2025 electorate in each polling district. The 2016 GLA housing-led population projection has been adopted by the council as the most accurate forecast for the borough.

5.3 The next step involved identifying the polling districts where new developments containing more than 30 units are scheduled to be completed and occupied by 2025 that were not already included in the 2016 housing-led population projections.

5.4 The following developments from Merton's housing trajectory were considered for inclusion in the forecasts.

- Development currently under construction
- Development with a current planning permission
- Development sites identified by the local plan with a high level of confidence they will be delivered by 2025.

5.5 The council uses set development rates to calculate how many units are likely to be delivered each year from developments currently under construction as part of its standard forecasting work. These are based on historic completion/build out rates and have been applied to the developments currently under construction to determine the total number of units that would be completed by 2025.

5.6 Similarly, the council has a standard methodology for identifying the conversion rate for developments where there is a current planning permission but work has not commenced.

5.7 The sites included in the Local Plan which were included in the forecasts were identified as follows:

- where there is planning permission plus developer interest and no significant obstructions to the site being developed
- those that had already been granted planning permission

5.8 The total number of units to be constructed by 2025 was estimated by combining the build out rate from the developments under construction, and those with planning permission. All of the development data had site addresses that allowed each site to be allocated to a specific polling district.

5.9 The number of units in these new developments expected to be completed by 2025 was then multiplied by the average household size in Merton (2.5⁴). However, because these estimates include adults and children, it was assumed that for each household there would be an increase of 2 adults⁵, so instead of multiplying by 2.5, the total number of units was multiplied by 2. The ward electorate to adult population ratio was then applied to each polling district where new developments were identified, and the housing development and baseline data were added together to give an adjusted forecast.

⁴ Average household size in Merton 2012 ONS Integrated Household Survey

⁵ DC1109EW 2011 Census data for household composition aged 16+

6. Other considerations

- 6.1 The LGBCE advises that electorate forecasts distinguish between student accommodation and all other types of accommodation. However, Merton does not have a significant student population and no halls of residence, so no adjustments have had to be made for this group of electors.
- 6.2 The LGBCE also advises that councils treat attainers (i.e 17 year olds) separately from the 18+ population. The number of young attainers is also low in Merton. Therefore the resident population aged 18 and over has been used as the basis of the projections.
- 6.3 Finally, the LGBCE recommend accounting for the fact that not all residential accommodation will be occupied, and that even if they are occupied the residents may not be eligible to register or may not have done so for other reasons.
- 6.4 As the population growth used for these projections are not constrained by development no specific adjustments have been made for empty properties as these are likely to have minimal impact on the electoral projections. There is insufficient historic evidence to accurately predict which properties are likely to be empty in 2025 across Merton.

APPENDIX 6

2017/18 ANNUAL REPORT OF OVERVIEW AND SCRUTINY

Overview and Scrutiny Annual Report 2017/18

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Foreword

In December 2017, the Select Committee for the Department of Communities and Local Government published its report into the effectiveness of scrutiny in local government. It makes interesting reading (and not just for the positive reference to pre-decision scrutiny undertaken by Merton's Children and Young People panel into the site proposal for a new secondary school on p.9). The Committee concluded that the *organisational culture of the council* is the main determinant of whether scrutiny is effective or not, and adds: "In extreme cases, ineffective scrutiny can contribute to severe service failures " -witness the excessive death rate at Mid Staffs, and child sexual exploitation in Rotherham.

The DCLG report provides a benchmark against which to assess the effectiveness of scrutiny here in Merton, and in this annual report you can read about what we have been doing:

1. The Commission investigated difficulties with the recruitment and retention of teachers (at the request of headteachers), and visited the Merton Refuge to see for themselves the help and support given to victims of domestic abuse.
2. The Children and Young People panel contributed to the achievement of a very successful outcome to the Ofsted inspection of Children's Services.
3. The Healthier Communities and Older People panel kept up their scrutiny of our health partners (Epsom & St Helier NHS Trust, Merton CCG, and St George's and SW London Mental Health Trust) and contributed to improved outcomes for their patients eg. with traumatic brain injuries.
4. The Sustainable Communities panel established a task group to investigate air quality, and robustly scrutinised the quality of services provided by Veolia and Clarion.

We have experimented with different ways of conducting scrutiny this year, by bringing in expert witnesses, paying site visits and conducting "deep dive" enquiries to understand how individual services work in detail.

No doubt there is more we could do, for example to attract greater public involvement in scrutiny reviews where appropriate. We will be reviewing the DCLG report in more detail next year to see what we can learn from it. But to go back to its starting point, I think we can be confident that the *organisational culture of the council* is conducive to effective scrutiny here in Merton.

For that we have to thank our hard working scrutiny team, headed up by Julia Regan and ably supported by Stella Akintan and Annette Wiles. They manage to work harmoniously with members, officers and other stakeholders to achieve effective outcomes for our residents – which is what good scrutiny is all about.

Councillor Peter Southgate
Chair, Overview & Scrutiny Commission

What is overview and scrutiny?

Overview and Scrutiny was introduced by the Local Government Act 2000. Merton operates a Leader and Cabinet model, where the Cabinet makes the executive decisions of the authority on behalf of local residents.

Overview and Scrutiny's main roles are:

- holding the Cabinet to account
- improving and developing council policies
- examining decisions before they are implemented
- engaging with members of the public
- monitoring performance of the council and its partners

Scrutiny can look into services provided by other agencies and other matters of importance to the people of the borough. Scrutiny has legal powers to monitor and hold to account local health services (Health and Social Care Act 2001) and to scrutinise crime reduction and community safety issues (Police and Justice Act 2006).

Principles

Overview and Scrutiny at Merton is:

- open to the public
- informed by methodically gathered evidence
- based on careful deliberation and discussion
- conducted in an appropriate manner

How Overview and Scrutiny works in Merton

Merton Council has an Overview and Scrutiny Commission, which acts as a coordinating body supporting three Overview and Scrutiny Panels with individual areas of responsibility:

- Children and Young People
- Healthier Communities and Older People
- Sustainable Communities

Commission and Panel meetings take place throughout the year and members of the public are welcome to attend. Dates, agendas and minutes for these meetings can be found on the council website:

<https://democracy.merton.gov.uk/ieDocHome.aspx?bcr=1>

More information about Scrutiny at Merton can be found at

<https://www2.merton.gov.uk/council/decision-making/scrutiny.htm>

or by phoning the scrutiny team on 020 8545 3864 or emailing scrutiny@merton.gov.uk.

Scrutiny achievements 2014-2018

Councillors involved in scrutiny have indicated that they have found this to be a rewarding and influential role, as highlighted from feedback from our last survey (2018) of scrutiny councillors, co-opted members and Cabinet members:

“I believe the overview and scrutiny function gives me the opportunity to learn from others by way of practice, policy, communication and link working, also an opportunity to identify where changes need to be made and practice and habits need to be changed.”

“The Task Groups are very good and enable in depth discussion on potential policy direction.”

“Cabinet continues to be responsive to suggestions from scrutiny when reviewing the budget”

Scrutiny has resulted in real changes in policies, service provision and council budgets over the last four years. Some of the highlights are set out below:

Improvements to local services

Over the last four years scrutiny has made recommendations that have had a significant impact on services provided by the council, its partners and other external organisations:

Care leaver accommodation

The recommendation of the Sustainable Communities Panel that a *House of Multiple Occupation* be piloted as an alternative option for care leaver accommodation has now been realised. This resulted from the Panel taking a workshop approach to focus exclusively on the issue of housing and specifically care leaver accommodation working in partnership with members of the Children and Young People Panel.

Energy Supply Company updates

Council officers continue to pursue the scrutiny task group recommendation that Merton should establish an energy supply company (ESCO). Discussions are ongoing with a housing scheme provider and as part of these setting up an ESCO is still being explored. It has been established that the business case for an ESCO is dependent on having a housing development opportunity as well as the necessary level of demand for energy and heating. Proving the business case therefore cannot be achieved until the development is more advanced.

Type Two Diabetes

The task group review on tackling type two diabetes in the South Asian community led to culturally appropriate services being provided for this group. This includes education sessions and ensuring NHS health checks are provided at a younger age.

The task group review also raised the profile of this important issue. This has contributed to the Health and Wellbeing Board identifying tackling type two diabetes as a priority area.

Brain injury

The Healthier Communities and Older People Overview and Scrutiny Panel considered the services available for people who had experienced traumatic brain injury. It became apparent during the scrutiny process that Merton had lower provision than its neighbours, which led to a decision by the Merton Clinical Commissioning Group to provide additional services in the Borough.

Childhood immunisations

A cross cutting scrutiny review on improving the rates of childhood immunisations in the 0-5 age group has led to successful outcomes. The review was conducted because Sutton and Merton had the worst immunisations rates in London and key partners including NHS England, the local authorities and the clinical commissioning groups did not have a joint approach to tackling this issue but worked in silos. As a result of the recommendations arising from the review and the positive manner in which they were received a strong partnership approach with regular meetings and a joint action plan was in place and overall there has been an increase in immunisations rates amongst the 0-5 age group

Holding external bodies to account

The Sustainable Communities Overview and Scrutiny Panel is pleased that it successfully managed to scrutinise two key external bodies during this municipal year: Clarion Housing and Veolia UK. Merton transferred its social housing stock to Clarion in 2010 which was subject to an agreement lasting five years. Now that this has concluded, there is no obligation on Clarion to continue to participate in Merton's scrutiny process. Therefore, the Panel is pleased that it secured the commitment to attend this year and in future years.

Merton's waste, recycling and street cleaning services are now provided through the South London Waste Partnership by Veolia UK. It was therefore important that when faced with performance issues it was willing to participate in the scrutiny process with its representative having appeared at two of the Panel's meetings. A Veolia manager also attended and answered questions at the Commission's call-in meeting on the size of the residual waste containers.

Overview and Scrutiny Commission

The Overview and Scrutiny Commission is responsible for the scrutiny of cross cutting and strategic issues, crime and disorder and issues relating to the council's "corporate capacity". The Commission acts as a coordinating body in supporting the three Overview and Scrutiny Panels and has responsibility for developing and keeping scrutiny under review.

Scrutiny reviews

Recruitment and retention of teachers

The task group was set up in order to investigate the difficulties that schools in Merton were experiencing with the recruitment and retention of teachers and how Merton Council and its partners could assist with this. The task group heard from local headteachers, newly qualified teachers and council officers as well as examining information about teacher recruitment and retention nationally.

The task group noted that good school performance has a positive impact on both recruitment and retention and were therefore encouraged by evidence of sustained improvement in performance in Merton schools and the high proportion of schools that have been rated "good" or "outstanding" by Ofsted.

The task group found that the council already has appropriate systems and structures in place for teacher recruitment. It has made recommendations aimed at using these more effectively and promoting them more widely to headteachers. Similarly, there is a range of benefits already on offer to teachers, so the task group has made recommendations to re-invigorate their promotion as well as encouraging governing bodies to organise activities that would promote staff health and wellbeing.

The cost of local accommodation was found to be a key factor affecting both recruitment and retention. The task group has made a number of recommendations that are intended to improve teachers' experience of the private rented sector, including the proposed introduction of an interest free loan to assist teachers with payment of rent deposits.

Shared and outsourced services

The Commission has continued to receive reports on progress made by Cabinet in responding to recommendations made by the scrutiny review of shared and outsourced services. The recommendations were intended to stimulate a more consistent and rigorous approach to selecting delivery models and challenging officers on the most appropriate model for each service.

The Commission has welcomed progress made on identifying different service models for a number of services and on the development of a draft toolkit and business case pro-forma. Members expressed disappointment that more had not

been done to bring proposals for large or strategically important outsourced services to scrutiny at an early stage when there was still time to have some influence on their development.

Strategic issues and pre-decision scrutiny

The Leader of the Council and the Chief Executive attended to set out their priorities for 2017/18, pressures on services and on housing supply in London and the financial challenges facing the council. The Commission asked them questions on issues including emergency procedures and building safety, commercial activity undertaken and planned by the council and how service performance was being addressed with Clarion.

The Commission commented on the annual report from Merton Partnership, particularly in relationship to use of the government's apprenticeship levy, SEN funding and the night time economy. Members suggested that all priority areas in the action plan should have measurable targets and a full set of data.

A presentation on the findings of the residents' survey 2017 showed a positive shift against many of the measures. A notable concern was street cleanliness. Members agreed that they wished to see the survey continue on a biennial basis.

The Commission was pleased to hear that significant progress had been made against wide-ranging objectives in the council's equality and community cohesion strategy action plan. It will continue to review the action plan on an annual basis.

The Commission has continued to receive updates on the customer contact programme and has been pleased with the increased level of use of online services. The Commission noted the delay in completion and the budget overspend. Members were assured that various Apps for reporting streetscene issues could still be used. Members were informed of the commercial discussions with the supplier and the options that were being considered for ongoing support and hosting for the technology.

The Commission was pleased to hear that the Registration Services had received positive feedback from the General Register Office. Members also welcomed the completion of works at Morden Park House that would enable the council to maximise income from its use for ceremonial and other functions.

Scrutiny of crime and disorder

The Borough Commander attended twice during the year to present the latest figures on crime and answer questions about policing in the borough. The Commission expressed concern about the 4.1% increase in total notifiable crimes in March and

noted that the context for this was one of crime reduction previously since 2011 and a low base compared to other boroughs.

Questions to the Borough Commander have focused on operational changes and how the new 4-borough Borough Command Unit would work. Members also asked questions about safeguarding, knife crime, Traveller encampments and the Eastern Electrics festival in Morden Park.

The Commission sent a response to the MOPAC Public Access and Engagement Strategy in order to express its support for the retention of a front office in Wimbledon, agreeing the need to debate the best way to resource policing in the borough but questioning the wisdom of such large cuts to police budgets at a time of increasing terrorism and civil unrest.

The Manager of Merton Refuge outlined the services and support provided by the Refuge. The Commission also received a report setting out progress that had been made on tackling violence against women and girls, including domestic violence. Members who subsequently visited the Refuge to speak to service users, their children and staff were impressed by the facilities and services provided.

Safer Merton and Merton Centre for Independent Living provided an update on the hate crime strategy and associated action plan. The Commission resolved to continue to support the partnership work on hate crime and requested a more detailed analysis of next year's figures.

Call-in

One call-in request was received by the Commission in 2017/18:

Residual waste container size

The Commission heard a call-in further to pre decision scrutiny on this issue by the Sustainable Communities Scrutiny Panel, in January 2018. Cabinet's decision was that the standard size of wheeled bins for both residual waste and paper/card should be 180 litres, with 240 litre and 140 litre alternatives to be an option for larger and smaller households respectively.

The call-in signatories and invited witnesses raised considerations relating to consultation processes, resident views, the consideration of different options and the assisted collection scheme. Commission members expressed varying views about whether the proposals were sufficiently flexible and whether consultation specifically on size should have been undertaken. The Commission voted to uphold Cabinet's decision.

Finance and performance monitoring

The financial monitoring task group has continued to monitor quarterly financial management reports. In particular, it has scrutinised the forecast overspend, capital programme and lack of progress on achieving savings in some service areas. It has scrutinised a number of areas in depth including asset management, the Wimbledon tennis championship, the council's approach to commercialisation, and the service and financial position of the council's CHAS company.

Scrutiny of the budget

The draft business plan, medium term financial strategy and proposed budget savings proposals were examined in detail, alongside equality impact assessments for each of the savings. The Commission examined progress made with savings that had been agreed in previous years and commented on the size of the capital budget, given that it was underspent in the past.

The Commission made a recommendation to Cabinet in November 2017 in relation to the proposed use of reserves to balance the budget, the predicted shortfall in savings from previous years, the vacancy rate and use of agency staff, and the longstanding and persistent pressures in adult social care as well as the unfunded costs of supporting unaccompanied asylum seeking children and those with no recourse to public funds.

A further recommendation was made to Cabinet in January 2018 noting the substantial budget gap predicted for 2020/21 and beyond, recommending that officers should be encouraged to be entrepreneurial and pursue innovative solutions (subject to an acceptable level of risk), and that Cabinet recognize the importance of effective and appropriately planned project management to ensure projects are achieved on time and maximize potential savings from those projects.

Children and Young People Overview and Scrutiny Panel

Areas of responsibility: scrutiny of issues relating to children and young people. This includes education, children's social care, child protection and youth services.

Councillor Dennis Pearce, Panel Chair: "It has been a pleasure this year to scrutinise a service that has received such a positive outcome from its Ofsted inspection and it is good to note that the cross party working of this Panel was complimented as part of Ofsted's report. It is also important to note that this year we have worked in partnership with the Sustainable Communities Overview and Scrutiny Panel to bring attention to the issue of care leaver accommodation, reflecting that this is an issue that needs to be addressed across Departments. It is important to acknowledge this valuable way of working. We have also continued to grow in our role of scrutinising child and family health and wellbeing. This remains new to the remit of the Panel but one in which we are growing in confidence".

Scrutiny reviews

Prevent task group

The decision to form this task group was set against the background of the four terror attacks that happened between March and June 2017; the Panel wanted to reassure itself that Merton's schools are successfully implementing the duty and doing everything possible to prevent Merton's young people from becoming radicalised and doing so in a way that doesn't cause stigmatisation of individuals or communities. Recommendations include looking at the role of the wider Merton community in helping prevent radicalisation amongst Merton's young people and Merton's schools continuing to share their best practice to support each other in fulfilling the duty. The report will be presented to Cabinet in the new municipal year before the action plan comes to the Panel.

Care leaver accommodation

Members of the Children and Young People Panel were pleased to support the work of their colleagues on the Sustainable Communities Overview and Scrutiny Panel when it took an in-depth look at accommodation for care leavers. It is evident that there are issues that sit across Panels and it is beneficial for us to work collectively and in partnership with officers from several departments across the Council. The officer response to the detailed reference that resulted from the workshop was welcomed by the Panel and has already resulted in a *House of Multiple Occupation* being piloted to provide alternative accommodation for care leavers.

Routes into employment for vulnerable cohorts

This task group reported in February 2017 with the action plan for the implementation of the recommendations being presented to the Panel this year. Members have asked officers to clarify why it is not possible to ensure through standard terms that contractors and service providers offer apprenticeships for Merton residents. A further review of progress against the recommendations is due

within six months.

Strategic issues and pre-decision scrutiny

Ofsted inspection

The Panel dedicated a whole meeting to looking at the outcome of the Ofsted single framework inspection and comparing this to the performance of other London boroughs. This emphasised that Merton is in the top 10 of local authorities nationally for its provision of children's services. Highlights include that managers and social workers know their children well, Merton's systematic model and approach to safeguarding is regarded as robust by Ofsted, the approach to care proceedings is credited with being the best out of the boroughs using the South West London courts and the adoption service receiving a rare outstanding judgement.

With the help of Kathy Bundred, Children's Improvement Adviser for the Local Government Association, Merton's success was quantified and highlighted as one of a small number of authorities judged to be doing well in the provision of children's services. The session also focused on features of authorities with children's services judged good or higher providing the Panel with a framework for future scrutiny of the service.

Harris Wimbledon Secondary Academy

Following its reference to Cabinet in July 2016 on the new secondary school, the Panel has continued to work with officers to review progress on the delivery of Harris Wimbledon and to understand the associated issues. This has been achieved through regular updates from the Cabinet Member for Education, information in the Department Update Report, member questions asked through matters arising and through a dedicated item. Members have focused on admission criteria, demand for the new school and how the needs of Merton Abbey Primary are being accommodated through the shared use of the site. Members resolved to ask Cabinet to seek formal written reassurance from the Elim Church that under its management Merton Hall lettings will enable the venue to remain for the use of all the community and will be fully compliant with equality legislation. It was reported to the Panel, at its meeting in January 2018, that Elim had confirmed in writing it will be offering the church site to the local community for groups and individuals to hire when it is available and that there would be no restriction on those groups accessing services, meetings and clubs etc. No bookings will be taken that conflict with the Constitution of Elim's charity.

Merton Safeguarding Children Board

The Panel received the annual report of the Merton Safeguarding Children Board (MSCB). Members used the session to understand how the board will sustain its focus on improvement, what support is provided to young people with a custodial sentence, what is being done to address knife crime and how the service ensures the child's voice is heard.

Corporate parenting

The corporate parenting annual report was received by the Panel with the focus on improving placement stability for Merton's very complex young people highlighted

along with the challenge of child sexual exploitation.

Health and wellbeing strategies for children and families

Officers from Public Health and colleagues from the Clinical Commissioning Group provided the Panel with an update report on health and wellbeing strategies for children and families. This focused on activity to address and progress being made on childhood obesity as well as looking at Child and Adolescent Mental Health Services (CAMHS). Members sought to understand satisfaction with the CAMHS service. This is a new area of responsibility for the Panel and one in which it is growing in confidence. During this year, training has been provided for Panel members on those areas of the public health strategy that relate to children and young people.

Think Family

The Panel benefited from a briefing on the *Think Family* initiative which recognises and promotes the importance of a whole-family approach, working across children's and adult's services.

Performance monitoring

Performance monitoring data

The Panel has continued to review progress against a basket of agreed key targets (Key Performance Indicators) with Councillor Mike Brunt continuing in the role of performance monitoring lead for the Panel. However, access to this data has been limited this year by the implementation of the new Mosaic information management system by the Children, Schools and Families Department. This situation has been carefully monitored by the performance monitoring lead and the Panel. Data started to become available again for the last Panel meeting of this municipal year.

Education, Health and Care Plans

Having carefully monitored performance in provision of Education, Health and Care Plans (EHCPs), the Panel requested a deep dive session to improve its understanding of why the 20 week statutory target wasn't being met and what further work was in hand to improve performance. This established that whilst the target wasn't being met, the number of tribunals had notably decreased and that performance was on track to transfer all existing SEN statement to EHCPs by March 2018. The Panel also learned how the EHCP process was being streamlined to achieve the 20 week target including getting requests to the assessment panel quicker. At its final meeting of the year, it was noted that good progress had been made in transferring SEN statements to EHCPs (with only 20 outstanding). Also, between March 2017 and March 2018, there had been an increase in the number of plans being achieved in the 20 week timescale from 19% to 37%.

Schools annual report

The Panel took its annual schools report, dedicating almost an entire meeting to look in depth at the performance of Merton's schools from September 2016 to August 2017. This covered achievement at each stage of education in addition to looking at attendance, exclusions and elective home education. It was highlighted that 93% of Merton's schools are now judged good or outstanding with 95% of Merton's pupils

attending good or outstanding schools. Based on its key stage 4 results, Merton is placed first in England, above both London and national averages whilst progress in maths and reading at Key Stage 2 places Merton 10th in the country. School attendance has improved (moving Merton from 10th to 8th nationally) and numbers of those not in education, employment or training are very low. Members noted the need to focus on the achievement of pupils in receipt of SEN support at all stages of education whilst officers were questioned on elective home education given this has increase by 174% over the last decade.

Financial monitoring

Members used the two budget and business planning sessions this year to explore how the costs of Harris Wimbledon will be covered, look at how budgetary pressures are monitored, explore how efficiencies are being achieved by keeping staff sickness and the use of agency staff to the lowest possible level and discussed additional opportunities for the Children, Schools and Families Department to generate income.

The Panel resolved that it wishes to receive financial information on a more regular basis through the Department update report. This is to allow any significant financial items to be understood earlier (to be picked up in the next municipal year through the work programme). The Panel passed a reference on the budget and business plan: 'Recognising the excellent progress already made by the Children, Schools and Families Department in revenue generation, officers should explore additional opportunities for revenue generation in the same way as they are exploring opportunities for cost savings'.

Call-in

No call-in requests were received by the Panel in 2017/18.

Healthier Communities and Older People Overview and Scrutiny Panel

This Panel has responsibility for the scrutiny of issues relating to health, public health and adult social care. This includes promoting good health and healthy lifestyles, mental health issues, and reducing health inequalities for people of all ages.

Councillor Peter McCabe said *"The role of this Panel is crucial in bringing democratic accountability to the local health economy. Over the past year this panel played an important role in speaking up on behalf of local people and most importantly seen changes to local services as a result."*

Responding to local issues

South West London and St Georges Mental Health Trust - proposed change to diagnostic autism spectrum disorder service.

The Chief Executive of South West London and St Georges Mental Health Trust attended the Panel to address public concerns that they would no longer provide diagnostic Autism Spectrum Disorder Services for children. The Panel were informed that there had been a significant increase in the demand for this service therefore it was under review but no immediate changes would be made to the current provision.

Personal Independent Payment process

The Chief Executive of Merton Centre for Independent Living (Merton CIL) and Merton and Lambeth Citizens advice reported a number of re-occurring issues when supporting people through the Personal Independent Payments process (PIP) . This included

- Many medical centres are inaccessible for wheelchair users or those with limited mobility.
- There are no assessment Centres in Merton therefore people are required to travel out of the borough.
- Many people are struggling to complete the application forms especially vulnerable people and those with mental health issues.

The Partnership Support Manager from DWP accepted the Panel's concerns and reported that service had been contracted out to the Independent Assessment Service, home visits are available for those who are not able to get assessment centres. After a robust discussion it was agreed that a meeting will be held with the chair and vice chair, independent assessment teams client champions, Merton CiL, Merton and Lambeth Citizens Advice and Adults First carers organisation to address these issues. The outcomes from the meeting which is due to be held in May will be reported back to the panel.

Merton Clinical Commissioning Group – changes to some services

Last year Merton Clinical Commissioning Group (MCCG) consulted with the Panel about proposed changes to some services. It was reported that they were facing significant financial challenges meant that they had to review current provision. Proposed changes included ending availability of gluten free products on prescription. The Panel expressed concern about plans to restrict the provision of IVF services and asked MCCG to conduct a full 90 day consultation. However having consulted with scrutiny committees across South West London MCCG decided not to go ahead with the proposal.

Financial Monitoring

The Panel considered the budget for 2017-18. The Chief Executive of Merton Centre for Independent Living (Merton CIL) addressed the Panel in regards to the Adult Social Care Budget. She expressed concern that not all the proposals had been subject to consultation. The Director for Community and Housing reported that many of the draft savings were still under review and a consultation would take place if significant service changes were proposed.

Scrutiny of key partners

South West London and St Georges NHS Trust – update following CQC inspection

The Acting Medical Director from South West London and St Georges NHS Trust attended the Panel to discuss progress with making improvements since the Care Quality Commission (CQC) inspection rated the Trust as Inadequate. The Panel were informed that significant progress had been made. The Panel asked a number of questions about specific services as well as areas of concerns expressed by their residents. The Panel were satisfied that the Trust were addressing the issues raised by the CQC inspection

Epsom and St Helier University NHS – 2020-2030 vision

Epsom and St Helier University NHS Trust attended the Panel to discuss their vision for 2020-2030. The Trust highlighted that there are significant challenges with their current estate which is spread across two sites and requires significant rebuilding and regeneration. The Panel were keen to emphasise their support for maintaining all services on the St Helier site.

Services for people who have experienced traumatic brain injury

The Panel considered the services Merton provide for people who need support and rehabilitation after an incidence of brain injury. The Panel met with clinicians at St George's Neuro-rehabilitation Centre, Merton Clinical Commissioning Group, Merton Safeguarding Adults Manager and the Assistant Director for Adult Social Care. The Panel were informed that while there were areas of good practice, provision for Merton residents was lower than neighbouring boroughs, especially within the psychological services. As a result of the scrutiny by this Panel, MCCG agreed to increase service provision in the borough.

Scrutiny Reviews

Tackling Loneliness in Merton

The Panel commissioned a review to look at how to tackle loneliness amongst older people. The topic was suggested by the school council at Abbotsbury Primary School.

The task group met with the British Red Cross, Libraries Manager, Merton Clinical Commissioning Group, Street Pastors, Voluntary Sector Organisations and Adult Social Care colleagues. The task group found that there are services available but it can be difficult to identify people who are lonely. Recommendations sought to try and raise the profile of this issue across existing strategies and to develop an agreed list of organisations that people who are facing loneliness can be referred to. The Panel were pleased that all the recommendations were implemented by March 2018. They have also asked for a further update in six months time to consider the impact of the changes that have been made.

Tackling Type Two Diabetes in the South Asian Community

The Panel conducted a task group review looking at how to reduce the high levels of type two diabetes in the South Asian community, of which there is a higher prevalence than in other ethnic groups. Since this task group has been completed, the Health and Wellbeing Board has identified type two diabetes as a priority. The Panel received an update on the progress with implementing the recommendations and were pleased to find that there has been significant progress and a range of projects will be taking place in the community as part of the wider strategic framework for diabetes.

Scrutiny Review of Homeshare Schemes

The Panel commissioned a task group to consider if a Homeshare scheme would be beneficial in the borough. Homeshare brokers a relationship between older people who have a spare room with a younger person who will give around ten hours of support with tasks around the home. The task group found that although Homeshare schemes exist in Merton, they do not have any links or referral arrangements with the council.

A Homeshare scheme could help to address some of the council's priorities such as tackling loneliness amongst older people and access to housing for young people. The task group found if there are stringent safeguarding measures in place, a scheme of this nature could be beneficial for Merton residents. Adult Social Care was asked to lead on taking this work forward.

Sustainable Communities Overview and Scrutiny Panel
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Areas of responsibility: scrutiny of issues relating to housing, environmental sustainability, culture, enterprise and skills, libraries and transport.

Councillor Abby Jones, Panel Chair: "It has been another extremely busy year for

the Sustainable Communities Panel to such an extent that it has necessitated our adding two further meetings to our schedule. However, I am pleased that as I come to the end of my time as chair, this Panel has achieved some notable successes. It was brave of the Panel to devote so much time to looking at the issue of care leaver accommodation but this has paid off; a pilot scheme using a *House of Multiple Occupation* to offer care leavers a different type of accommodation has been achieved. Additionally, at a time when more and more council services are being contracted out to external bodies, we have continued to effectively scrutinise both Clarion Housing and Veolia UK. In this year, we have also successfully piloted some new ways of working; using Twitter for resident engagement and working cross party to plan some items and more effectively use the time available to us. Both approaches have proved profitable and the Panel should consider how it uses these in the future”.

Graeme Kane, Assistant Director, Public Spaces, Contracts and

Commissioning: “Participation in the scrutiny process has been valuable for the Public Space team this year. It has afforded us the opportunity to engage with residents on the performance of the new waste and street cleaning contract, to listen to concerns and to allow us to explain the action being taken and demonstrate how this is beginning to improve the service. It has also given us the opportunity to engage with Councillors in the run up to introducing the new waste and recycling service, to consult on key aspects such as the size of wheeled bins, demonstrate the thorough preparation that is underway to rollout the new service and hear Councillors’ own ideas on aspects of the rollout such as how this can best be communicated to residents”.

Scrutiny reviews

Air Quality Task Group

This task group focused on air quality issues around building sites and fed into the review of the Council’s air quality action plan. Recommendations include that the Sustainable Communities Panel conduct pre-decision scrutiny of the scope of any review of parking levies which are a key way to influence decisions about vehicle purchases. The action plan to achieve the task group’s recommendations will be reviewed every six months.

Crossover Task Group

This task group was focused on a topic of great interest to Merton residents as it sought to balance the risks to flooding and street scene caused by crossovers with the desire of residents to park close to their properties at a time when the number of Controlled Parking Zones is growing. A recommendation is to address parking stress in controlled areas by limiting the number of annual permits issued per bay. Once this is reached no further crossovers should be allowed. Cabinet has requested to see the action plan before it comes to the Panel meaning this is now scheduled for the June 2018 meeting.

Commercialisation Task Group

This task group initially reported in November 2016 with the Panel now taking updates on progress against the recommendations. Panel members noted the

review of the Council's property portfolio that has been commissioned, progress on the redevelopment of Morden town center and the advice received that the development of an energy supply company can only be realised alongside a major housing development.

Housing Supply Task Group

This task group reported in September 2015. However, given its importance, the Panel has continued to receive regular updates on progress against the recommendations taking two this year at a six month interval. Panel members noted the consultation being conducted on designation change to allow for small scale developments and the progress being made with the Local Authority Property Company. The Panel has requested to receive a summative and final report on this task group during the next municipal year.

Strategic issues and pre-decision scrutiny

The Panel has undertaken pre-decision scrutiny on a range of strategic issues and Council priorities. These include:

Care leaver accommodation

At its meeting in September 2017, the Panel took the decision to use a workshop approach to focus exclusively on the issue of housing and specifically care leaver accommodation. Working in partnership with members of the Children and Young People Overview and Scrutiny Panel, an introductory presentation from officers on housing and homelessness was provided before participants were split into two workshops to focus on:

- the issues care leavers face with accommodation (supported by Grenfell Housing and Training that works with care leavers and supports them in their accommodation needs); and
- different approaches to care leaver accommodation (supported by Paul Chadwick, the former Director of Children's Services at Croydon).

This resulted in a detailed reference to Cabinet focusing on issues such as increasing the range of independent accommodation options, piloting the use of *Houses of Multiple Occupation*, the 'lead tenant model', greater use of the *Shared Lives* model and exploration of *Housing First*. The Panel was pleased to learn recently that a *House of Multiple Occupation* is now being piloted for care leaver accommodation.

New waste and recycling service

Prior to the rollout of the new waste and recycling service in October 2018, the Panel has been involved in scrutinising key aspects of the service (including the decision on the size of wheeled bin to be used) and the planning being undertaken to realise the change in service delivery. Given the degree of change involved, the Panel has resolved to receive a further update on the new service prior to rollout in the next municipal year.

Morden redevelopment

The Panel received a briefing on the Morden redevelopment from officers and Transport for London. This resulted in a reference to Cabinet recommending that

Merton Council should maintain sufficient control of the project. Panel members believe that merely retaining planning authority status, without an active share in the Joint Venture itself, would not be sufficient.

During this year, the Panel has also looked at Public Space Protection Orders, facilities for physical activity in playgrounds, plans to conduct a consultation on the local plan and safety issues arising from the Grenfell Tower fire and their implications for all high rise buildings in Merton.

Performance monitoring

Performance monitoring data

The Panel has continued to review progress against agreed key targets (Key Performance Indicators) for both the Environment and Regeneration and the Community and Housing Departments. This forms a key part of every meeting.

Additionally, this year the Panel has appointed a lead member for performance monitoring for the first time (Councillor Holden). Regular pre-meets have been held between the performance lead and officers to allow further time to be given to the scrutiny of the data and for key points to then be highlighted at the subsequent Panel meeting. This has worked well, allowing for greater discussion and understanding of the data that is presented.

Waste, recycling and street cleaning

Monitoring the performance of the waste, recycling and street cleaning contract has formed a key part of the Panel's work this year. At its meeting in November 2017, considerable time was devoted to looking at performance under the contract six months after it commenced. Following a number of submissions and representations from Merton residents, the Panel resolved a reference to Cabinet which sought its support for the Panel to sustain its scrutiny of performance under the contract. This was gained and the Panel has received detailed updates on performance at each of its meetings for the remainder of the municipal year. There has been further input from residents and the direct involvement of Veolia representatives allowing the Panel to highlight key concerns and look at how these are being addressed.

Clarion Housing

The Panel was pleased that Merton's largest social housing provider returned this year to answer questions on repairs and estates regeneration. As happened previously, the opportunity was taken to seek questions from all Councillors and not just Panel members. These were sent to Clarion in advance with its responses being published in the agenda pack. This allowed the Panel to explore a number of issues in much greater depth than might otherwise have been the case. It also showed, as reflected in member case loads, that there has been a welcome improvement in Clarion's performance on repairs.

Adult learning

The Panel scrutinised the performance of the adult learning service which has been inspected by Ofsted receiving a requires improvement judgement despite being on an

upward trajectory. The Panel resolved to look more at the *Prevent* duty to understand the requirements given this had been highlighted in Ofsted's recommendations.

Libraries and heritage annual report

Another strong annual report from libraries and heritage gave Panel members the opportunity to thank and congratulate officers and to specifically highlight the opening of the new Colliers Wood Library. It was also noted that the required savings are being achieved whilst all library sites and existing opening hours have been retained.

Automatic number plate recognition

Introduced to the borough in 2016, the Panel heard how there has been a 200% increase in the number moving motoring contraventions caught as a result of ANPR. The rate of appeals lodged since has also halved. This is because for each contravention captured an evidence package is provided which can be shared with the driver making it much more difficult to appeal. Members were also interested to hear how it is intended to trial the use of ANPR outside schools to see if this can enforce parking restrictions.

Planning enforcement

Members received a detailed update on the performance of planning enforcement learning that the backlog of cases has again built-up. Officers explained their plans to change working practices in order to address this backlog including beginning work with Capita to provide additional resource. Longer term plans include utilising technology to improve productivity. Panel members resolved to receive trend data on the number of planning enforcement cases that are more than six months old.

Town centre regeneration

The Panel was pleased to receive its annual presentation highlighting all that has been achieved in delivering work to date on the programme of town centre regeneration. The Panel congratulated officers on the success of these schemes, particularly Mitcham and Colliers Wood.

During this year, the Panel has also received updates on the Christmas Parking Scheme (to be reviewed during the next municipal year) the Eastern Electric event and the Local Authority Property Company.

Financial monitoring

The Panel used the two sessions on budget and business planning to focus on the reasons why planned savings haven't been realised, how the resulting funding gap is going to be addressed, new savings proposals, opportunities to increase commercial income from the regulatory service and to question officers on the content of the service plans.

Scrutiny of external bodies

The Panel is pleased that during this year it successfully managed to scrutinise two key external bodies: Clarion Housing and Veolia UK. Merton transferred its social

housing stock to Clarion in 2010 which was subject to an agreement lasting five years. Now that this has concluded, there is no obligation on Clarion to continue to participate in Merton's scrutiny process. Therefore, it was a notable success that a commitment to attend this year and in future years was gained.

Merton's waste, recycling and street cleaning services are now provided through the South London Waste Partnership by Veolia UK. It was therefore important that when faced with performance issues it was willing to participate in the scrutiny process with its representatives having appeared at two Panel meetings.

Different approaches

During the municipal year the Panel has piloted a number of different approaches to support it in achieving effective scrutiny. Keen to reach out and engage Merton residents in the scrutiny process, Panel members have taken to social media (Twitter) to promote upcoming items at scrutiny and to encourage resident involvement. This was specifically used at the November 2017 meeting for the item on Veolia's performance resulting in numerous submissions from residents which were used to inform Panel members and support their questioning of both officers from the Public Space team and the Veolia representative. Additionally, it resulted in a higher level of residents attending the meeting and representations to the Panel on Veolia's performance.

Following the visit to the Communities and Local Government Committee in December 2016, this year the Panel piloted cross party planning of session to maximise impact. This was specifically used at the November 2017 meeting for the item on Clarion Housing and enabled the Panel to use the available time more effectively. This resulted in a more systematic approach, allowing a broader breadth of questioning to be achieved.

Visits

Veolia ride-along

Conducted by Councillor Sargeant in June 2017, this was undertaken to identify issues to be addressed in preparing for the new service rollout in Merton in autumn 2018. The ride-along took place in Kingston and involved the Councillor talking to two waste teams and riding along with a third. The success of real time reporting and monitoring of the Veolia on-board computer (the Echo system) was noted as was the adaptation in the service provided for the 5% of residents requiring assistance. As a result of the visit, Councillor Sargeant highlighted that planning for the new service rollout as key. The Panel scrutinised plans for the new service rollout at its meeting in February 2018 with the intention that this will return to the Panel early in the new municipal year.

Merton College Adult Learning

The Panel had been involved in scrutinising the then plans to change both the venue and commissioning model for Merton's adult learning. In January 2018, Councillors Anderson, Holden, Jones and Makin visited Merton College to see the service for themselves following these changes. Members noted the quality of the facilities

available, the breadth of provision and the level of participation.

Call-in

The Panel has heard two call-ins during this municipal year:

Call-in	Outcome
Proposal for improving parking facilities in selected borough parks	The Panel resolved to accept all proposals within the report and asked the Cabinet Member to conduct a review in 12 months to ensure the changes are delivering the intended outcomes. This recommendation has been accepted by the Cabinet Member (due October 2018 onwards).
Decision to award the construction works for Merton Hall	The Panel resolved not to refer the decision back to Cabinet and therefore the decision was upheld and took immediate effect.

Get involved

The involvement of local residents, community organisations and partners is an important part of the scrutiny process and councillors are committed to responding to the views and concerns of residents.

Getting involved in scrutiny is one of the best ways to influence decision making at the council, as councillors will hear your experiences first hand. There are a number of ways you can get involved in the work of scrutiny at the council:

Suggesting an issue for scrutiny

The council's website contains an online form which can be used to make suggestions on issues and topics for future scrutiny:

<http://www.merton.gov.uk/council/scrutiny/scrutiny-getinvolved.htm>

Suggestions may also be made in writing, by email or by phone to the Scrutiny Team – contact details overleaf.

All suggestions received will be discussed by the relevant scrutiny Panel and the person who made the suggestion will be contacted to let them know what has happened to it.

Attending meetings

All scrutiny meetings are open to the public except where confidential information has to be discussed. A list of meeting dates and agenda items can be found on the council's website. <http://www.merton.gov.uk/council/committee.htm>

If you would like to attend a meeting simply come along to the meeting venue or, if you want more information, contact the Scrutiny Team – details overleaf.

Providing information and views

Members of the public can send in written views or speak on issues that are under discussion at the Overview and Scrutiny Commission or one of the Overview and Scrutiny Panels.

Information on current task group reviews and any deadlines for submission on information can be found on <http://www.merton.gov.uk/scrutiny> or by contacting the Scrutiny Team – details overleaf.

Contact the Scrutiny Team

The Scrutiny Team provides independent and professional support and advice to the Members of the Overview and Scrutiny Commission and the three standing Overview and Scrutiny Panels.

You can contact the Scrutiny Team using one of the following methods: -

In writing:

Scrutiny Team
Corporate Services
Merton Civic Centre
London Road
Morden
Surrey SM4 5DX

By emailing:

scrutiny@merton.gov.uk

By phoning:

Julia Regan – Head of Democracy Services
020 8545 3864

Stella Akintan –Scrutiny Officer
020 8545 3390

Annette Wiles – Scrutiny Officer
020 8545 4035

For further information about overview and scrutiny at Merton please access our web pages using the following address <http://www.merton.gov.uk/scrutiny>

Committee: Standards and General Purposes Committee

Date: 14 March 2019

Wards: ALL

Subject: Regulation of Investigatory Powers Act Authorisations

Lead officer: Paul Evans

Lead member: Councillor Mark Allison

Contact officer: paul.evans@merton.gov.uk

Recommendations:

1. That members note the purposes for which investigations have been authorised under the Regulation of Investigatory Powers Act (RIPA) 2000.
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. To inform members about investigations authorised since September 2018 under RIPA.

2 DETAILS

- 2.1. The council has a number of statutory functions that involve officers investigating the conduct of others with a view to bringing legal action against them. These functions include investigating anti-social behaviour, fly tipping, noise nuisance control, planning (contraventions), benefit fraud, contraventions of trading standards, licensing and food safety legislation.
- 2.2. Whilst the majority of investigations are carried out openly, some investigations must be carried out using covert surveillance techniques or involve the acquisition of communications data. Communications data is information about the times of calls or internet use and the location and identity of the callers, but not the content of the calls or details of the websites viewed.
- 2.3. RIPA regulates the authorisation and monitoring of these investigations to safeguard the public from unwarranted intrusion of privacy.
- 2.4. With effect from 1 November 2012, the Protection of Freedoms Act 2012 requires local authorities to obtain the approval of a magistrate for the use of covert surveillance.
- 2.5. In line with the revised Code of Practice, reports detailing the use of RIPA are submitted to Standards and General Purposes Committee on a regular basis.
- 2.6. Since September 2018, one request for directed surveillance has been authorised in relation to flytipping. This resulted in 14 cases, of which nine received Fixed Penalty Notices of £400; one Home Office caution; one investigation pending and three cases that were cancelled.

- 2.7. Since September 2018, there have been no requests for CCTV footage for RIPA investigations.
- 2.8. No RIPA authorisations have been rejected by the Magistrates Court.
- 2.9. Since September 2018, no applications have been made for the acquisition of communications data.

3 ALTERNATIVE OPTIONS

- 3.1. The report is for information only.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. No consultation has been undertaken regarding this report.

5 TIMETABLE

- 5.1. N/A.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. None.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. All investigation using covert surveillance techniques or involving the acquisition of communications data is in line with the Regulation of Investigatory Powers Act 2000.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. RIPA was introduced to regulate existing surveillance and investigations in order that they meet the requirements of Article 8 of the Human Rights Act. Article 8 states:

1) Everyone has the right for his private and family life, his home and his correspondence.

(2) There shall be no interference by a public authority with the exercise of this right except such as is in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others.

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. RIPA investigations are authorised for the prevention or detection of crime or the prevention of disorder.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. None.

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- None.

12 BACKGROUND PAPERS

- 12.1. None.

Standards and General Purposes Committee Forward work plan 2019-2020

July

- Annual Governance Statement
- Internal Audit Annual Report
- External Audit – Fee Letters for the Council and Pension Fund Accounts
- External Audit of the Council and Pension Fund Accounts
- Final Accounts
- Appointment of Independent Person
- Complaints against Members
- Temporary and Contract Staff update
- Work Programme

September

- Internal Audit progress report on Annual Audit Plan
- Update on RIPA authorisations (March and September)
- Complaints against Members
- Temporary and Contract Staff update
- Work programme

November

- External Audit Annual Letter
- Internal Audit progress report on annual audit plan
- Annual Gifts and Hospitality report (members)
- Annual Gifts and Hospitality report (officers)
- Annual Complaints report
- Risk management
- Complaints against Members
- Temporary and Contract Staff update
- Work programme

March 2020

- External Audit Certification of Claims report
- External Audit progress report

- External Audit Plans for Council and Pension Fund accounts
- Internal Audit Plan
- Internal Audit progress report
- Update on RIPA authorisations (March and September)
- Complaints against Members
- Temporary and Contract Staff update
- Work programme

Add as required:

- Polling Places
- Constitutional amendments
- Review of members' interests
- Independent / co-opted members
- Reports on dispensations issued by Monitoring Officer
- Report on payment exceeding £1000 as a result of maladministration as directed by the LGO.

Committee: Standards and General Purposes Committee

Date: 14th March 2019

Subject: Report on the use of temporary workers and consultants

Lead officer: Kim Brown, HR Lead

Lead member: Councillor Mark Allison, Deputy Leader and Cabinet Member for Finance

Contact officer: Kim Brown, HR Lead, 0208 545 3152

Recommendations:

- A. To note progress made to monitor and control the use of temporary workers and consultants
-

1. Purpose of report and executive summary

- 1.1. The Committee has received regular progress reports in relation to the number of interim appointments in the council and the mechanisms in place to monitor the use of such workers.

2. Details

- 2.1 The central monitoring database consists of all types of interim/temporary placement (over £30 pounds per hour).
- 2.2 The database is updated on a monthly basis and double-checked with departmental management teams (DMTs) for accuracy, with quarterly reports as at the end of June, September, December and March being reported to this committee.
- 2.3 As at the end of December 2018, the Council employed 121 interim/temporary workers at £30 per hour (or more) compared to 143 in December 17, which is a decrease of 22 workers. Appendix 1 refers to the detail and composition of the interim workforce. Where possible, corporate contracts are used as they provide better value for the Council.
- 2.4 The committee on 30th July 2018 requested additional information for interims/temporary worker placements (as defined in para 2.1):
- the costs and numbers over a three year period

- the number of temporary workers who have converted to permanent roles with the Council also known as 'temp to perm'.
- 2.5 The engaging of most interim workers is via Comensura or the LGRP, which is a London wide contract for interim appointments. Even within the aforesaid existing contracts the Council has sought to get the best 'price' and in doing so have attracted high quality interims at 10% of the mark-up price. There have been instances due to market supply issues, although very few, when the Council has not used either of these contracts and has had to go 'off contract'. There are robust processes in place to manage this process, which requires a business case and financial checks to ensure there is a budget to pay for the assignment, as well as sign off by the Director of Corporate Services.
- 2.6 The Council is currently exploring a framework agreement with a designated supplier for the provision of Professional services for project related work. Each project will be evaluated on an individual basis to determine its needs, establish key milestones and deliverables upon which payments will be made on successfully meeting these targets. Adopting this approach to managing projects would generate greater Value for Money and deliver on project objectives. It is recognised that this is a skill set that we do not have sufficient resources of in the organisation because of the technical skills required.
- 2.7 The previously reported situation continues with by far the largest group of temporary workers being "on contract" agency and temporary staff appointed through the Council's corporate contract with Comensura for the supply of agency staff. Whilst there is an increase in the costs of interims via Comensura this represents a reduction in appointments, which are off contract or through LGRP. Interims are engaged with the involvement and oversight of the HR function by way of a database that supplies monthly spend and usage reports to Council managers, DMTs and the Corporate Management Team.
- 2.8 The Council has different delivery models to ensure services are able to realise efficiencies, become more resilient and effective by sharing services with other London Boroughs. In October 2016, the Legal shared services expanded to include Wandsworth and a year later Regulatory Services followed. As a result of the expansions a number of interims with pay rates over £30 per an hour transferred to Merton – the costs of these appointments are shared across the service and rechargeable to partner boroughs.
- 2.9 The Council introduced a temp to perm procedure to reduce the reliance on agency workers and allowed conversions from agency to permanent staff when certain conditions were met. Fifty-seven (57) agency workers have transferred to permanent employment from September 2017 to 31st December 2018 of this number, nine (9) alone in the quarter from October 18 to December 18. Temp to perm conversion rates will continued to be reported to this Committee on a quarterly basis.

2.10 Within the services career pathways are being developed through the creation of apprenticeships schemes (where standards are available) and ensuring that that the apprenticeship levy is used to meet the development element.

2.11 The total spend for interim and temporary workers from 2015 to date are listed below: interims via Comensura Graph 1 and Table 1, LGRP and off contract Graph 2 and Table 2

Graph 1 – List totals for 15/16, 16/17, 17/18 and year to date for interim and temporary workers – Comensura

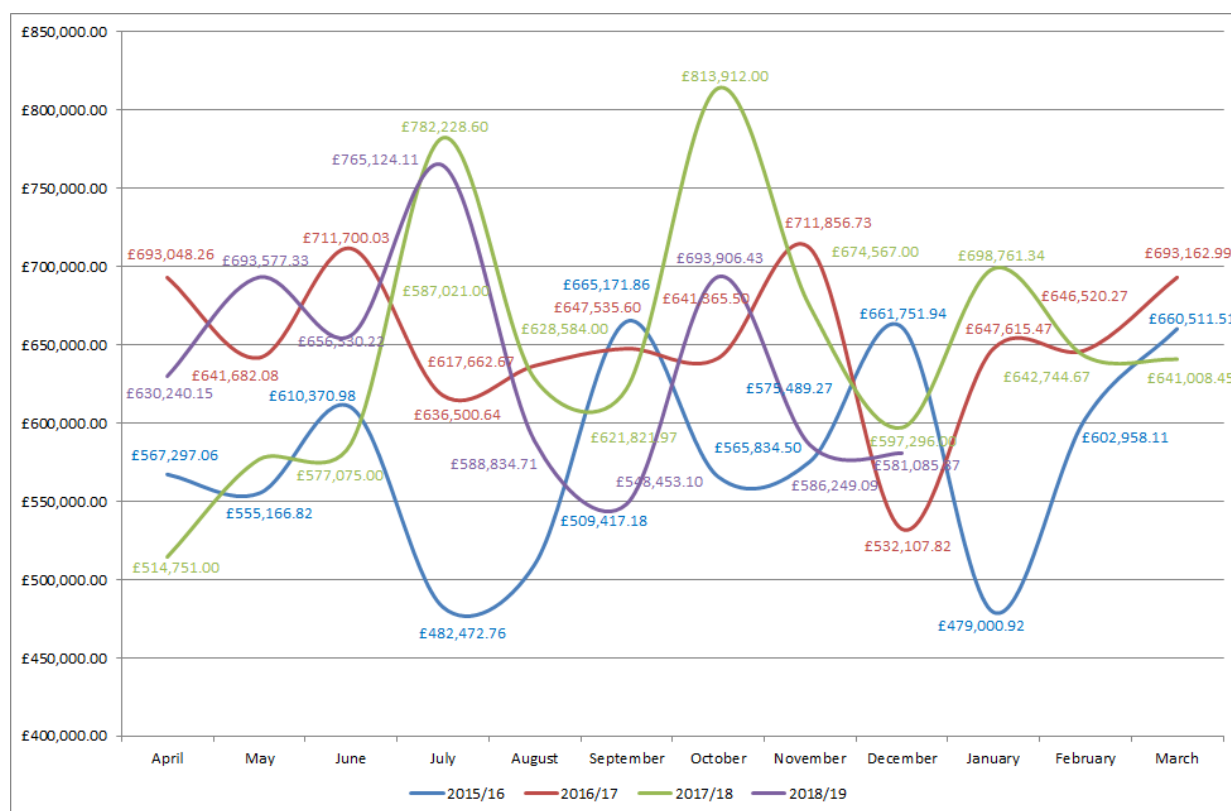


Table 1 - List totals for 15/16, 16/17, 17/18 and year to date for Interim and temporary workers – Comensura

	2015/16	2016/17	2017/18	2018/19
April	£567,297.06	£693,048.26	£514,751.00	£630,240.15
May	£555,166.82	£641,682.08	£577,075.00	£693,577.33
June	£610,370.98	£711,700.03	£587,021.00	£656,330.22
July	£482,472.76	£617,662.67	£782,228.60	£765,124.11
August	£509,417.18	£636,500.64	£628,584.00	£588,834.71
September	£665,171.86	£647,535.60	£621,821.97	£548,453.10
October	£565,834.50	£641,365.50	£813,912.00	£693,906.43
November	£575,489.27	£711,856.73	£674,567.00	£586,249.09
December	£661,751.94	£532,107.82	£597,296.00	£581,085.87
January	£479,000.92	£647,615.47	£698,761.34	
February	£602,958.11	£646,520.27	£642,744.67	
March	£660,511.51	£693,162.99	£641,008.45	

Graph 2 - Total of LGRP and Off Contract assignments over £30 for each financial year

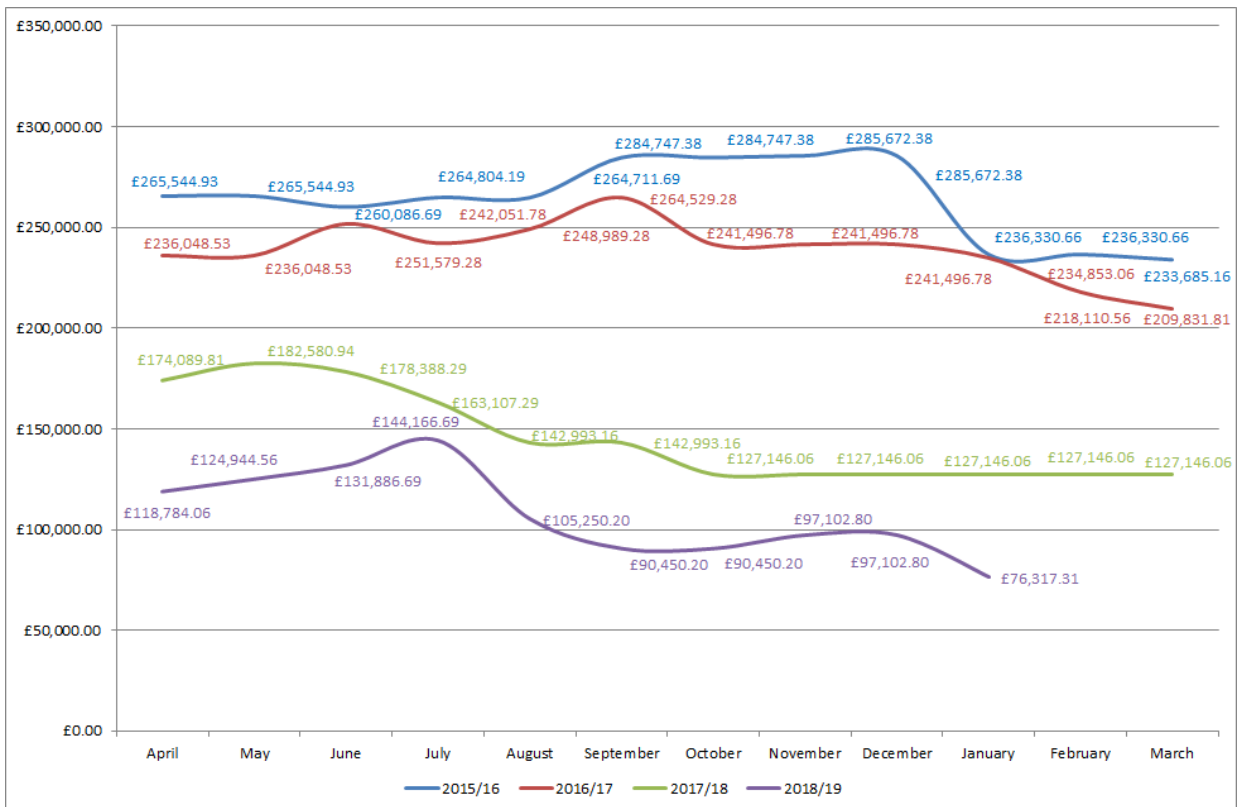


Table 2 - Total of LGRP and Off Contract assignments over £30 for each financial year

2015/16				2016/17			
	LGRP	Off Contract	Total		LGRP	Off Contract	Total
Apr-15	£100,325.50	£165,219.43	£265,544.93	Apr-16	£60,027.88	£176,020.66	£236,048.53
May-15	£100,325.50	£165,219.43	£265,544.93	May-16	£60,027.88	£176,020.66	£236,048.53
Jun-15	£100,325.50	£159,761.19	£260,086.69	Jun-16	£82,551.63	£169,027.66	£251,579.28
Jul-15	£107,633.00	£157,171.19	£264,804.19	Jul-16	£82,551.63	£159,500.16	£242,051.78
Aug-15	£107,540.50	£157,171.19	£264,711.69	Aug-16	£93,559.13	£155,430.16	£248,989.28
Sep-15	£115,902.50	£168,844.88	£284,747.38	Sep-16	£81,349.13	£183,180.16	£264,529.28
Oct-15	£115,902.50	£168,844.88	£284,747.38	Oct-16	£70,526.63	£170,970.16	£241,496.78
Nov-15	£115,902.50	£169,769.88	£285,672.38	Nov-16	£70,526.63	£170,970.16	£241,496.78
Dec-15	£115,902.50	£169,769.88	£285,672.38	Dec-16	£70,526.63	£170,970.16	£241,496.78
Jan-16	£92,259.50	£144,071.16	£236,330.66	Jan-17	£70,526.63	£164,326.44	£234,853.06
Feb-16	£92,259.50	£144,071.16	£236,330.66	Feb-17	£70,526.63	£147,583.94	£218,110.56
Mar-16	£75,369.00	£158,316.16	£233,685.16	Mar-17	£70,526.63	£139,305.19	£209,831.81
2017/18				2018/19			
	LGRP	Off Contract	Total		LGRP	Off Contract	Total
Apr-17	£60,869.63	£113,220.19	£174,089.81	Apr-18	£33,961.38	£84,822.69	£118,784.06
May-17	£80,368.26	£102,212.69	£182,580.94	May-18	£49,371.88	£75,572.69	£124,944.56
Jun-17	£83,205.60	£95,182.69	£178,388.29	Jun-18	£56,314.00	£75,572.69	£131,886.69
Jul-17	£67,924.60	£95,182.69	£163,107.29	Jul-18	£72,594.00	£75,572.69	£144,166.69
Aug-17	£58,170.48	£84,822.69	£142,993.16	Aug-18	£71,950.20	£33,300.00	£105,250.20
Sep-17	£58,170.48	£84,822.69	£142,993.16	Sep-18	£71,950.20	£18,500.00	£90,450.20
Oct-17	£42,323.38	£84,822.69	£127,146.06	Oct-18	£71,950.20	£18,500.00	£90,450.20
Nov-17	£42,323.38	£84,822.69	£127,146.06	Nov-18	£78,602.80	£18,500.00	£97,102.80
Dec-17	£42,323.38	£84,822.69	£127,146.06	Dec-18	£78,602.80	£18,500.00	£97,102.80
Jan-18	£42,323.38	£84,822.69	£127,146.06	Jan-19			
Feb-18	£42,323.38	£84,822.69	£127,146.06	Feb-19			
Mar-18	£42,323.38	£84,822.69	£127,146.06	Mar-19			

2.12 Year on year since 2015/16 there has been a reduction in the number of staff paid £30 per hour and above (Graph 3/Table 3). There are a number of factors such as the scrutiny of interim appointments by senior officers and elected members (DMTs, CMT and this committee); completion of projects; associated checks/authorisation levels in the recruitment process as well as the reasons already detailed in paras 2.4, 2.5, 2.7 and 2.8.

Graph 3 - Total no. of interim workers over £30 in each financial year

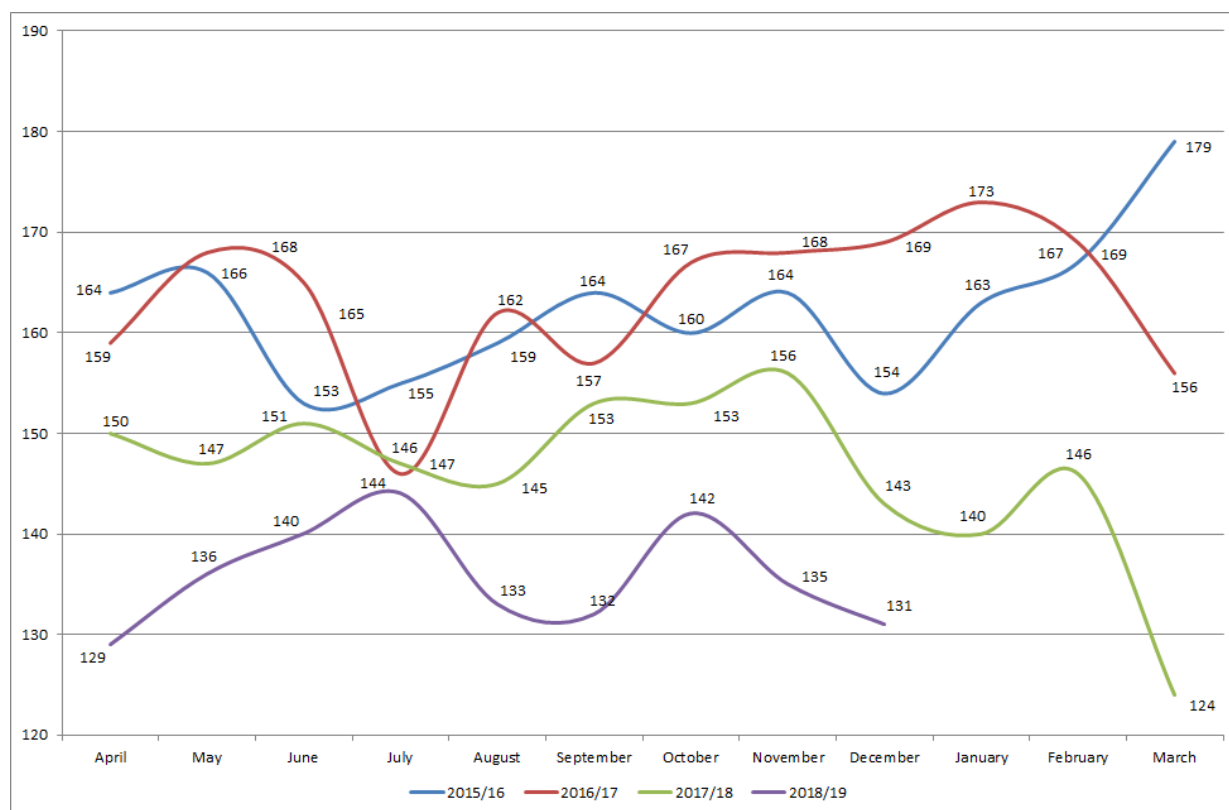


Table 3 - Total no. of interim workers over £30 in each financial year

No. of workers over £30/hr					No. of workers over £30/hr				
Month	Comensura	LGRP	Off Contract	Total	Month	Comensura	LGRP	Off Contract	Total
Apr-15	122	10	32	164	Apr-16	125	8	26	159
May-15	123	10	33	166	May-16	134	8	26	168
Jun-15	110	10	33	153	Jun-16	129	8	28	165
Jul-15	111	10	34	155	Jul-16	108	8	30	146
Aug-15	115	12	32	159	Aug-16	124	9	29	162
Sep-15	118	12	34	164	Sep-16	119	9	29	157
Oct-15	114	12	34	160	Oct-16	131	7	29	167
Nov-15	117	12	35	164	Nov-16	132	7	29	168
Dec-15	107	12	35	154	Dec-16	133	7	29	169
Jan-16	123	10	30	163	Jan-17	138	7	28	173
Feb-16	128	9	30	167	Feb-17	135	7	27	169
Mar-16	141	7	31	179	Mar-17	128	7	21	156
No. of workers over £30/hr					No. of workers over £30/hr				
Month	Comensura	LGRP	Off Contract	Total	Month	Comensura	LGRP	Off Contract	Total
Apr-17	124	8	18	150	Apr-18	112	2	15	129
May-17	123	8	16	147	May-18	119	3	14	136
Jun-17	128	7	16	151	Jun-18	122	4	14	140
Jul-17	126	5	16	147	Jul-18	129	5	10	144
Aug-17	124	5	16	145	Aug-18	117	7	9	133
Sep-17	131	6	16	153	Sep-18	120	7	5	132
Oct-17	132	5	16	153	Oct-18	130	7	5	142
Nov-17	135	5	16	156	Nov-18	122	8	5	135
Dec-17	122	5	16	143	Dec-18	118	8	5	131
Jan-18	120	4	16	140					
Feb-18	127	4	15	146					
Mar-18	105	4	15	124					

- 2.13 Directors have been invited to provide short overall summary comments on agency/consultant usage and action being taken in their area and these are:

Children, Schools and Families

CSF currently have 3 agency workers via Comensura, which have been here over 24 months and 1 consultant over 24 months.

Positive action has been taken to reduce the CSF reliance on agency workers. The spend in CSF has decreased this year, because 17 agency workers have been converted onto permanent Contracts. This reflects the “good” Ofsted judgement acting as an attraction for social workers and other staff.

Agency costs since April 2018 have been consistently lower than at any time in the previous two years.

CSF continues to actively recruit to permanent roles, with over 30 roles currently being recruited to.

In all but a few exceptions, the CSF agency workers and consultants are covering social work posts including frontline social workers and other social workers have to have professionally manageable caseloads, currently of c15 children per social worker, is in line with the London average. The others are for specialist posts such as speech and language therapy which are also statutorily required as part of children’s Education, Health and Care Plans.

Information is provided monthly to DMT on the usage, costs, hourly rates and length of engagement of agency workers so that management action can be taken in any case where the use of an agency worker can no longer be justified.

HR has worked closely with the social care management team to review and update the retention packages to ensure that we are able to recruit the right talent but also being able to retain them to provide continuity of service to some of our most vulnerable clients. Our retention measures have been submitted for benchmarking against other London boroughs.

We expect the reduction in the use of interim and temporary workers to continue

Community and Housing

C&H currently have 6 agency workers via Comensura, which have been here over 24 months and 1 Consultant over 24 months.

Within Community and Housing, use of agency staff is predominantly within adult social care and in specialist, hard to recruit to posts. Targeted recruitment is in progress and this is outlined in detail in the appendix. A principal social worker post is now in post. Her role will focus on recruiting new staff, retention and developing new opportunities for career development

We have reviewed and amended payments for Approved Mental Health Social Workers (AMHPS) to bring it into line with south west London. This is a particularly hard to recruit to statutory function. The aim is to increase the number of permanent AMPHS and reduce the use of agency staff. We are also reviewing access to AMHP training for existing staff.

Social Work posts are difficult to recruit too across London and nationally. The Department of Health & Social Care and Skills for Care have launched a national recruitment campaign for roles across social care.
(<http://www.everydayisdifferent.com/home>)

Corporate Services

CS currently have 8 agency workers via Comensura, which have been here over 24 months.

Of the 8 agency workers, 7 are lawyers in the Shared Legal Service paid for by the five participatory boroughs; mainly in the property and procurement team where we compete with the private sector. There are a number of posts that are in the process of being recruited to in the Legal Shared Service; we await to see if we are successful in attracting permanent staff. For the final agency worker, we are still to carry out a make or buy review to determine the future provision of the service and therefore resources required. Three agency workers are linked to projects and therefore no permanent roles exist.

Environment and Regeneration

E&R currently have 8 agency workers via Comensura, which have been here over 24 months and 1 Consultant over 24 months.

Usage is relatively low in E&R and reducing. A number of workers are covering positions, which are subject to a service review in particular the Regulatory Service Partnership where a new management structure came into effect on 1st November 2018. This has temporarily increased the number of agency staff whilst the consultation and reorganisation was concluded. Further work will be undertaken to review the non-management staff over the coming months and this again may temporarily increase agency staff use

Others are providing specialist skills or are covering [often short term] externally funded roles including capital schemes. There are a number of professional areas where there is an extremely competitive market in which all London

boroughs are struggling to recruit and retain permanent staff. This includes Traffic engineers, Planning officers and Building control surveyors where the emergence of a strong interim market as well as private sector competition [in building control particularly] has changed employment patterns and our ability to recruit and retain staff.

E&R DMT reviews this matter on a regular basis in order to manage risk including the financial impact.

- 2.14 There has been a reduction in the use of off contract appointments due to monitoring and the introduction of IR35 tax legislation in April 2017. IR35 is tax legislation designed to combat tax avoidance by workers supplying their services to clients via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used.
- 2.15 The purpose of IR35 is to prevent contractors, consultants and freelancers from trading via their own limited company in order to pay less tax and national insurance contributions (NIC) than if they were employed directly by their end client or agency. This has only been rolled out to the Public sector; the rollout to the Private sector has been delayed.
- 2.16 HR monitors suppliers and contractors to ensure they are IR35 compliant.

3 Timetable

- 3.1 Regular monthly reports of all interim/temporary placements are sent to departments and suitable “challenge” meetings are held with DMTs on a monthly basis. Agency spend and number of agency staff forming part of the workforce are reported to CMT on a monthly basis as part of the HR Metrics.
- 3.2 Quarterly updates will be provided to this committee. September information (Quarter 2) will be reported to 8th November meeting.

4 Financial, resource and property implications

- 4.1 The aim is to challenge hiring managers’ interim/temporary placements and reduce overall costs associated with interim workers where possible, noting that in many cases the Council has to cover statutory functions.

5 Legal and statutory implications

- 5.1 There are no specific legal implications arising from the report

6 Human rights, equalities and community cohesion implications

- 6.1 The amendments that have been made to the Council’s HR policies and processes will improve confidence in the Council’s HR recruitment procedure and

the maintenance of the interim position database to provide the means to ensure compliance with Members' requirements.

7 Crime and Disorder implications

7.1 None

8 Risk management and health and safety implications

8.1 These are detailed in the Ernst and Young report of 12 March 2014 and subsequent reports.

9 Appendices – the following documents are to be published with this report and form part of the report

9.1 None

10 Background papers

10.1 None

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