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OVERVIEW AND SCRUTINY COMMISSION - FINANCIAL MONITORING TASK GROUP

4 APRIL 2019

(7.15 pm - 10.00 pm)

PRESENT Councillors Stephen Crowe(in the Chair), Nigel Benbow, Paul Kohler, Aidan Mundy, Eleanor Stringer, Peter Southgate and David Williams MBE JP

James McGinlay, Managing Director, Merantun Development Ltd

Caroline Holland (Director of Corporate Services), Roger Kershaw (Assistant Director of Resources), Sophie Ellis (Assistant Director of Customers, Policy and Improvement), David Keppler (Head of Revenues and Benefits), Edmund Wildish (Head of Continuous Improvement) and Julia Regan (Head of Democracy Services)

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies were received from Councillor Owen Pritchard.

2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

There were no declarations of pecuniary interest by councillor. In relation to agenda item 7, Roger Kershaw, Assistant Director of Finance, declared that he is a Director of Merantun Development Ltd.

3 MINUTES OF LAST MEETING - 25 FEBRUARY 2019 (Agenda Item 3)

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

Matters arising:

- Page 1 – the business plan booklet will shortly be made available to any councillor who wishes to have a copy
- Page 5 – work programme items identified at the last meeting should be considered as part of item 8 on this agenda

4 UPDATE ON DEBT AND THE USE OF THE SPECIALIST DEBT REVIEW COMPANY (Agenda Item 4)

The Chair invited Michael Turner, Policy and Strategy Manager at Merton Centre for Independent Living (Merton CIL), to address the task group. Merton CLI is a pan-disability user-led deaf and disabled people's organisation that provides advisory and advocacy services.

Michael Turner asked the council to take into consideration the individual situations and needs of people who owe money for social care services and the impact that being in debt may have on their health. He highlighted the requirements of the Care Act 2014 and the findings and recommendations of Merton CIL's 2018 report "choice, control and independent living: putting the Care Act into practice".

Michael Turner said that Merton CIL was keen to work with the council to implement the report's recommendations. He said that the recommendations on charging would help to prevent service users from incurring debt and that Merton CILs ultimate aim is to work towards social care being provided free at the point of use on the same basis as NHS services. He said that Hammersmith and Fulham Council does not charge for home care services.

Task group members agreed on the importance of the council working with Merton CIL to apply not just the rules but also the spirit of the Care Act.

The Director of Corporate Services, Caroline Holland, asked the task group to be mindful that some of the debt had been incurred before the Care Act was passed and that new cases are carefully reviewed by the council to make sure that the requirements of the Care Act has been taken into account.

The Head of Revenues and Benefits, David Keppler, introduced his report and explained the processes in relation to social care debt whereby each client is assessed at the entry point to receiving care, every effort is made to engage with the client to arrange for payment of debts, and assessment is made of individual circumstances prior to taking any legal action or passing the debt to an external company.

David Keppler said that the trial use of a specialist debt collection agency had been successful in collecting £272k out of the £1.8m debts passed to them, that he was assessing the best approach to collecting similar debt in future and that he is currently in discussion about the feasibility of using a company to collect some of the housing benefit and other types of debt. He was satisfied that the debts that had been passed on were the most appropriate ones.

David Keppler and Caroline Holland provided additional information in response to questions from task group members:

- A breakdown of the age of debts is provided in the quarterly report to the task group.
- Social care debts are pursued in-house wherever possible. Older debts and those from deceased clients are passed to external solicitors where appropriate, following careful consideration of circumstances.
- The introduction of Universal Credit and a number of associated initiatives to ensure that the correct level of payment is made has led to a reduction in housing benefit debt. Housing benefit debt is difficult to collect but there is a financial incentive provided by the government.

- There does not appear to be a market for selling council debts to private companies – an inquiry at a Londonwide network recently produced just one company name.

David Keppler undertook to provide an update on discussions with the external company and in-house options for recouping some of the housing benefit debt in his next quarterly report. ACTION: Head of Revenues and Benefits

5 REPORT ON CONTINGENCY FUNDS AND RESERVES (Agenda Item 5)

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

In response to questions, Caroline Holland explained how the accounting rules on reserves and balances have changed and how the level of individual balances would change over time. She drew the task group's attention to information on the calculation of the level of balances required to cover risks each year, as set out in paragraphs 2.5.6 and 2.2.7.

In response to further questions, Caroline Holland said that there was no right or wrong level of reserves, but rather a level that the council is comfortable with. In relation to the comparative data provided on page 28 of the report, she provided some contextual information to explain the levels in some other authorities and said that the forthcoming resilience index from CIPFA may help to provide a starting point.

Caroline Holland said that the figures in Appendix 1 will change over time as new grants come on stream and other movement takes place. She said that the final position on individual reserves could not be confirmed until year end once the revenue budget outturn was known – this information will be set out in the outturn report that is received by the task group following Cabinet and by the Standards and General Purposes Committee.

6 UPDATE ON LEARNING FROM LEAN REVIEWS (Agenda Item 6)

The Head of Continuous Improvement, Edmund Wildish, introduced the report and explained that the responsibility for delivering service improvement rests with service managers, with support provided by the continuous improvement team.

Edmund Wildish and Sophie Ellis (Assistant Director Customers Policy and Improvement) provided additional information in response to questions:

- It is normal practice for a council to use a service improvement tool of some sort. There are a range of tools and approaches available and a choice to be made about the level of resourcing.

- In Merton every effort has been made to embed these to become part of everyday business rather than being an add-on which can be avoided. The aim is continuous service improvement.
- The target operating model (TOM) is a strategic planning tool and Plan Do Check Act is a tool to pilot a small change and evaluate the impact before making a decision on whether to roll out more widely.
- There is a balance to be struck between fully independent external perspective versus cost. Merton uses external expertise for specific projects as required but mainly draws on internal resources as this represents better value for money and makes it more likely that changes are embedded. Internal challenge is provided through oversight of the service improvement programme by the Merton Improvement Board.

7 MERANTUN - PROGRESS UPDATE AND DEEPLIVE ON THE FINANCIAL MONITORING (Agenda Item 7)

James McGinlay, Managing Director of Merantun Development Ltd gave an extensive powerpoint presentation on the background, company objectives, core offer, pilot sites, progress to date and funding detail – the slides have been published alongside these minutes.

Task group members welcomed progress made and looked forward to 77+ new housing units being developed in the borough. They asked questions about the basis for land valuation and the long term financial modelling. James McGinlay said that the land value assumes planning permission, which is standard practice, and that the applications will be submitted to the Planning Applications Committee in due course. Research into the private rented market found that the long term modelling is comparable to that used by Merantun. Price Waterhouse Coopers have advised that the Merantun modelling is comparable.

In response to a question about affordable housing, James McGinlay said that Merantun would not deliver this other than through agreed planning requirements. Although Merantun was not set up to build affordable housing, the intention is to deliver as close to 40% as would be expected from any other developer.

In response to a question about possible conflicts of interest for the council, the Director of Corporate Services, Caroline Holland, said that a lot of thought had been given to this and there was transparency on governance and decision making. In particular, none of the council officers in statutory roles have directorships in Merantun.

8 DATES AND AGENDA ITEMS FOR FUTURE MEETINGS (Agenda Item 8)

Task group members noted their intention, agreed at the last meeting, to meet in July 2019, November 2019, February 2020 and April 2020 at dates to be arranged in consultation with the Director of Corporate Services.

ACTION: Head of Democracy Services.

Members AGREED to include the following items in the task group's 2019/20 work programme:

- a deep dive review of the future capital programme
- report on the allocation of grants through the voluntary sector strategic partners programme
- examination of the 4 largest budget variances (both over and underspends) in the 2018/19 outturn report, question the relevant officers on reasons for this and what is being done to prevent a recurrence in 2019/20

Members also AGREED that the task group Chair, Chair of the overview and Scrutiny Commission, Head of Democracy Services and Director of Corporate Services should work together to identify agenda items for the task group's July meeting. The July agenda should include an item to set the work programme for the year ahead. ACTION: Head of Democracy Services.