

Agenda Item 2

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OVERVIEW AND SCRUTINY COMMISSION - FINANCIAL MONITORING TASK GROUP

25 JULY 2017

(7.15 pm - 8.45 pm)

PRESENT Councillors Hamish Badenoch(in the Chair), Stephen Crowe, Suzanne Grocott, Dennis Pearce, Peter Southgate and David Williams

Julia Regan (Head of Democracy Services), Caroline Holland (Director of Corporate Services), Bindi Lakhani (Head of Accountancy), James McGinlay (Assistant Director for Sustainable Communities), Howard Joy (Property Management & Review Manager) and David Keppler (Head of Revenues and Benefits)

1 ELECTION OF CHAIR (Agenda Item 1)

Councillor Hamish Badenoch was elected as Chair.

2 APOLOGIES FOR ABSENCE (Agenda Item 2)

Apologies were received from Councillor Mike Brunt.

3 MINUTES OF MEETING HELD ON 20 FEBRUARY 2017 (Agenda Item 3)

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

4 ASSET MANAGEMENT UPDATE REPORT (Agenda Item 4)

James McGinlay, Assistant Director for Sustainable Communities, briefly introduced the report and drew the task group's attention to the further detail on property assets set out in the appendix to the report.

James McGinlay and Howard Joy, Property Management and Review Officer, provided additional information in response to questions:

- Approximately 150 lease renewals and rent reviews remain to be completed this year.
- Each property will be reviewed as they come up for lease renewal and an option appraisal will be presented to the Property Asset Management Board for decision whether to dispose of, keep or invest in. Options will be determined by the nature of the leases.

Members explored the distinction between capital values and asset valuation as well as the comparability of estimated yield. James McGinlay advised that the best measures of performance are void and debt levels.

Howard Joy confirmed that the properties listed on the schedule are those that are owned by the council and generate a rental income for the council. Members expressed interest in receiving information about opportunities to develop and/or increase income streams from sites that are not on the schedule. James McGinlay assured members that there were active discussions at the Property Asset Management Board and elsewhere regarding potential developments, including as part of the council's regeneration work. The acquisitions strategy and the land and property strategy would also address these issues. James McGinlay cited the development of the Local Authority Property Company as an example of an innovative approach to asset management.

In response to a question, James McGinlay said that giving the management of the portfolio to a third party company had been explored a few years ago and rejected as not being cost effective. He added that other London boroughs who have used third party asset management companies have found this to be expensive and that it failed to yield the desired results.

James McGinlay said that there had been a change of emphasis in recent years away from disposals being the default option towards a more productive and aggressive sweating of assets, balanced against social aspects on a property by property basis. Specialist advice is commissioned where this is not available in-house so that the best commercial result can be achieved.

5 2016/17 FINANCIAL OUTTURN REPORT (Agenda Item 5)

Caroline Holland, Director of Corporate Services, introduced the report and drew the task group's attention to the overspend at year end and the detailed reasons given for this in the report, as well as information on reserves and on the capital programme.

Caroline Holland provided additional information in response to questions:

- The backlog on raising new invoices (paragraph 1.4, page 58 of the agenda pack), caused by the introduction of the new financial system, has been reduced.
- The £8.3m gross placement overspend in adult social care was caused by a combination of factors, including growth in the complexity of needs, price pressures and the cost of a number of additional unanticipated short term placements.
- The medium term financial strategy included the intention to put monies raised by the early achievement of savings in to the council's reserves for use in future years.
- the Health and Wellbeing Board received a report on 20 June 2017 on the 2016/17 year end position in relation to performance of the Better Care Fund and an outline of the plans for 2017-19 and progress against those plans.

Caroline Holland undertook to email task group members to provide information on a late invoice for £350k that had been accrued in 2015/16 and accrued again at the end of 2016/17. ACTION: Director of Corporate Services.

In response to a question about housing benefit debt (page 62), David Keppler (Head of Revenues and Benefits) explained that the introduction of “real time” information by the Department of Work and Pensions to compare data and flag discrepancies lead initially to a significant increase in individuals’ overpayments but that the scale of these had now decreased. David Keppler said that the council is incentivised to minimise overpayments and that his team target high risk claims, such as employed and self employed claimants, and review these frequently.

6 QUARTER 1 MONITORING REPORT (2017/18) (Agenda Item 6)

Caroline Holland, Director of Corporate Services, introduced the report and highlighted the forecast net overspend at year end of £1.8m. Explanations for the forecast overspend are set out in the report, together with information on the capital programme, debt and progress on savings. Cabinet will receive this report at its meeting on 18 September.

Members asked questions about the reasons for forecast overspend and measures to offset any actual overspend at year end. Caroline Holland said that a revised medium term financial strategy would be presented to Cabinet in September to model this. She added that departments would be encouraged to get spending under control to address the forecast overspend.

Caroline Holland provided additional information in response to questions:

- the growth built in to the 2017/18 budget had been funded through the council tax precept and the balancing the budget reserve.
- the Environment and Regeneration department has experienced a delay in implementing savings this year but they will all be achieved next year.
- the underspend in parking and CCTV services, mainly caused by delays in the implementation of the ANPR system, is helping to offset the forecast overspend overall in the council’s revenue budget

7 DATES AND AGENDA ITEMS FOR FUTURE MEETINGS (Agenda Item 7)

Task group members agreed that they wished to assist the council in closing the forecast overspend in the revenue budget by encouraging the consideration of commercial and investment opportunities to raise additional funds. Members agreed to receive a report on this at their next meeting. This should include information on investment ideas and commercial opportunities that are under consideration and that could be considered, including the use of all categories of the council’s property

assets. ACTION: Head of Democracy Services to draft a report brief and send to Councillor David Williams for comment.

Members also agreed to receive a report at their next meeting setting out details of the income received and costs incurred by the council in relation to the Wimbledon Tennis Championship (WTC) each year. This should include information about the approach taken to negotiations with the AELTC regarding these. The issue came to the task group's attention last year during discussion of the Greenspaces deepdive report at the task group's last meeting when they noted the underachievement on income for car park provision for the WTC. The task group noted the complex relationship between the council, the AELTC and the role of the Lawn Tennis Association.

The agenda items for the next meeting will therefore be:

- Financial monitoring report, quarter 2, 2017/18
- Wimbledon Tennis Championship and the council
- Potential commercial and investment opportunities for the council

The dates agreed for future meetings were:

- 14 November, 7.15pm
- 6 March 2018, 7.15pm