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OVERVIEW AND SCRUTINY COMMISSION - FINANCIAL MONITORING TASK GROUP

6 MARCH 2018

(7.15 pm - 9.10 pm)

PRESENT: Councillor Hamish Badenoch (in the Chair),
Councillor Kelly Braund, Councillor Mike Brunt,
Councillor Stephen Crowe, Councillor Dennis Pearce,
Councillor Peter Southgate and Councillor David Williams

ALSO PRESENT: Ian McKinnon, Managing Director (CHAS)
Julia Regan (Head of Democracy Services), Caroline Holland
(Director of Corporate Services), Bindi Lakhani (Head of
Accountancy), Roger Kershaw (Interim Assistant Director of
Resources) and Chris Lee (Director of Environment and
Regeneration)

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies were received from Councillor Suzanne Grocott.

2 PUBLIC MINUTES OF MEETING HELD ON 14 NOVEMBER 2017 (Agenda Item 2)

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

3 QUARTER 3 FINANCIAL MONITORING REPORT - 2017/18 (Agenda Item 3)

Caroline Holland, Director of Corporate Services, introduced the report. She drew the task group's attention to the reduced predicted overspend at year end, now standing at £0.6m. She also drew attention to the report on the capital programme and the progress made on savings identified for 2016/17 and 2017/18.

Revenue budgets

Caroline Holland provided additional information in response to questions on the departments' revenue budgets:

Corporate Services

- The forecast over-achievement of income by Merton's bailiffs service and the underachievement by the shared service is partly due to the different charging regime when the shared service was set up and subsequent changes to this made by the Ombudsman. The increase in the number of parking warrants and success in recovering outstanding debt has also had an impact on income.

Members commented that the predicted underspend of £533k for Corporate Services seems large.

Environment and Regeneration

- The predicted saving from Phase C next year is £1.9m
- The underachievement of income in the building and development control service is due to a fall in market share. Replacement savings have been identified. There have been difficulties with recruitment to the service and efforts are being made to recruit apprentices as well as contractors to bring in expertise on a short-term basis. Commercialisation of the service remains a possibility.

The task group AGREED that it would be useful to have an update on Phase C costs and savings at its next meeting. This should include a statement from partner boroughs on whether their predicted savings are being realised.

Children, Schools and Families

- The overspend in children's social care is due to a multiplicity of factors including cost pressures and the increase in the number of children with disabilities and special educational needs.
- There is still potential to find additional savings to reduce the level of overspend, including a full review of all the SEN transport routes.

Members had differing views on whether additional funds should be made available to address the predicted spend in children's social care and for the unfunded budgets for un-accompanied asylum seeking children and no recourse to public funds.

Community and Housing

In response to a question, Caroline Holland undertook to provide an update on the figures for the Better Care Fund risk share. ACTION: Director of Corporate Services

Corporate items

In response to a question, Caroline Holland said that further adjustments will be made to the figures on government grants and appropriations from reserves before the accounts are finalised.

Members questioned the underachievement of income items (page 22) in 2016/17. Roger Kershaw, Interim Assistant Director of Resources, said the rate of return had been lower than previously anticipated and that increased spend on the capital programme had reduced the level of cash available to the council. He added that the council followed CIPFA guidelines to minimise the level of risk incurred in the investment of cash.

The task group AGREED to suggest a review of the treasury management strategy as an item for its 2018/19 work programme.

Capital budget

The task group AGREED to suggest a review of the capital programme as an item for its 2018/19 work programme. This should include information on the principles behind which items are capitalised and plans for future capital spend.

The task group RECOMMENDED that a simple explanation of the distinction between revenue and capital items should be included in the induction programme for new councillors. ACTION: Director of Corporate Services

Delivery of savings

Caroline Holland highlighted the projected shortfall in the delivery of savings for 2017/18. She said that some alternatives had been put forward which would reduce the shortfall for subsequent years.

Caroline Holland undertook to provide information categorising savings by type. ACTION: Director of Corporate Services

Reserves

In response to a question about the apprenticeship reserve, Caroline Holland said that it was being used and it was at a lower level than in previous years.

4 EXEMPT MINUTES OF MEETING HELD ON 14 NOVEMBER 2018 (Agenda Item 4)

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

5 COMMERCIALISATION (Agenda Item 5)

The task group RESOLVED that the public are excluded from the meeting during consideration of this item on the grounds that it is exempt from disclosure for the reasons stated in the report.

PUBLIC minutes of exempt session (note - there are no exempt minutes):

Ian McKinnon, Managing Director CHAS, introduced the report and drew the task group's attention to the financial position, business performance and strategic direction set out in the report.

The task group asked questions and discussed the differences between CHAS and its private sector competitors; details of the financial contribution that CHAS makes to the council currently and projections over the next three years; and the opportunities and threats facing CHAS.

Members congratulated Ian McKinnon on CHAS's successes in attracting new customers and increasing dividends in recent years.

In response to a question, Caroline Holland, Director of Corporate Services, said that the council's medium term financial strategy has built in an increased income from

CHAS dividends in 2018/19 and will adjust figures for future years once CHAS's three year plan has been agreed.

Chris Lee, Director of Environment and Regeneration, added that this business model was unique to Merton and therefore there were no other councils with which to share knowledge in the way that Merton has done for other initiatives. Chris Lee said that the council had gained business skills through working with CHAS and that this experience would be used to take forward commercial opportunities elsewhere within the council.

The task group AGREED to suggest a review of the council's progress in adopting commercial best practice as an item for its 2018/19 work programme.