

Minutes of the meeting of the BUDGET AND RESOURCES SCRUTINY COMMITTEE held on TUESDAY 11 DECEMBER 2018 AT 7.00 pm

**Present:** Councillor R Bradburn (Chair),  
Councillors Cannon, Darlington (until 21.32pm), Ganatra, Gilbert, P Geary (from 7.07pm, until 21:32pm), Rankine, C Wilson (from 19.23pm) and K Wilson

**Apologies:** Councillors P Geary and C Wilson for lateness

**Officers:** S Richardson (Service Director (Finance and Resources)), M Kelleher (Service Director Housing and Regeneration), H Williams (Head of Neighbourhoods), M Smith (Strategic Finance Business Partner (Housing & GEC)), J Zammit (Business Support Assistant – Democratic Services)

**Also Present:** Cllr Long (Cabinet Member for Housing and Regeneration)

**BR29 WELCOME AND INTRODUCTIONS**

The Committee wished to offer condolences to E Richardson (Overview and Scrutiny Officer) who was on compassionate leave.

**BR30 DECLARATIONS OF INTEREST**

There were no Declarations of Interest.

**BR31 MINUTES**

RESOLVED –

That the Minutes of the meeting of the Budget and Resources Scrutiny Committee held on 18 September 2018, 3 October 2018, 9 October 2018, 16 October 2018 and 23 October 2018 be agreed and signed as a correct record subject to the following amendments:

- a) That in respect of the 18 September 2018 minute BR13 that a recommendation be added that budget lines needed to be identified that would be put at risk due to Brexit and the extent to which they were at risk.
- b) That in respect of the 16 October 2018 minutes Cllr Gilbert declared an interest as Microsoft had been a client of his employer and that he would not contribute to any relevant items in the meeting.

**UPDATE ON ERP GOLD IMPLEMENTATION**

The Committee received a presentation from the Service Director (Finance and Resources) on the progress of ERP Gold financial management system following the prior report given to the Committee in July.

The Committee was informed of the background to the initial rollout of ERP Gold and that it was beset with a number of issues involving most of the core modules such as Accounts Payable/Receivable, the General Ledger, HR, Payroll and Council Tax/Rents.

Issues and actions highlighted were as follows:

Accounts Payable

- That there was still a significant backlog in helpdesk queries to resolve but between July and November these had been reduced by more than 60%;
- That the number of outstanding invoices was still significant, especially in the number of invoices being dealt with;
- That there were 62 duplicated invoices totalling £190k, of which only £16k has been recovered;
- That there had been significant staffing issues since the rollout of ERP Gold. However, there had recently been full recruitment of key staff and a Head of Service retained as an MKC member of staff with responsibility for the Accounts Payable module of ERP Gold.

Accounts Receivable

- That business as usual had been anticipated by the end of July. However, staffing issues at Cambridgeshire County Council (where the team was based) had resulted in suspense items not being processed and the backlog stood at 928 (as of 9 October 2018);
- Staff had been re-allocated from the debt team at MKC to income processing in order to clear the backlog by Mid-December;
- Cambridgeshire County Council had trouble recruiting to the 30 positions allocated for the accounts receivable and income teams but 15 people had been hired in the last 2 weeks.
- The invoicing backlog had been resolved; however income issues had delayed further recovery automation – manual overrides were still in place.

HR and Payroll

- The HR system had been rolled out earlier than other systems within ERP Gold and was running at business as usual. However, there had been a higher rate of human error operations than before the system was implemented;

- 168 overpayments to staff had been recorded over the last 7 months. One instance had £15k overpaid to a member of staff; in another case a redundancy payment was allocated to the wrong person. Both faults were due to human error.
- Since July, the Establishment Review had been completed and was now live. Sickness reporting had been available since November and the Payroll Control Accounts had been reconciled.
- Carefree sickness was still not loading into ERP, non-standard working patterns were still not calculating properly and this had a wider impact on leave/sickness monitoring. Furthermore, reporting functions generally were not fully functional.

#### General Ledger

- Financial reporting was working with workarounds in place; however, there were still issues with processing backlogs, reconciliations not being up to date and complete, and accrual posting errors;
- VAT returns had been submitted but there had been under-recovery due to income processing issues, invoice payment delays and posting errors. Under-recovery now exceeds £100K;

The Committee thanked the Service Director (Finance and Resources) for giving the presentation as it was a frank and honest display of the current position of ERP Gold.

The Committee was informed that none of the previously stated areas had returned to business as usual as of the time of the presentation and had missed initial targets to return to business as usual.

The Committee was concerned about the number of overpayments and Councillor K Wilson recalled that this had arisen before as an issue for the Council and that lessons should be learned from how the Council had dealt with it previously.

The Committee asked the Service Director if the original financial plan (and therefore savings predicted) for ERP Gold was predicated on the success of ERP Gold and its eventual release as a marketable product and that these problems prevented that and the subsequent savings. The Service Director (Finance and Resources) agreed that the need to resolve issues arising from the rollout of ERP Gold, the need for hiring extra staff and the lack of a marketable product could affect the predicted savings from using the system. It was noted however that ERP Gold, in his view, was not beyond repair and some issues outside of the system itself, such as the difficulty in recruiting staff in Cambridgeshire, where the software team is based, and the wide scope of the rollout of the system (across 9 locations) had an effect on the speed of improvement in

the service. The Committee agreed that the Chair should convey concerns over the marketability of ERP Gold to the members of the LGSS Joint Group.

RESOLVED -

1. That the Service Director (Finance and Resources) be asked to bring a further progress report to the March 2019 meeting of the Budget and Resources Committee.
2. That the Committee Services and Scrutiny Manager be requested to find the relevant information outlining lessons learned from the last time duplicate payments were reported to the Council, that this information be sent to the Service Director (Finance and Resources) for consideration.
3. That the Chair refers the Budget and Resource Scrutiny Committee's concerns in respect of the performance of ERP Gold and its future potential marketability as a product to the members of the LGSS Joint Group.
4. That the Service Director (Finance and Resources) be thanked for his candid report on the issues with and progress on ERP Gold, and that the Service Director (Finance and Resources) and the Corporate Director (Resources and Commercial Development) be thanked for their work to resolve the issues with ERP Gold.
5. That the evidence in respect of ERP Gold presented to the Budget and Resource Scrutiny Committee be referred to the Cabinet Member (Resources and Innovation) and actions requested on how to move ERP Gold past the reported issues.

**BR33**

### **DRAFT 2019/20 HRA BUDGET**

Councillor Long (Cabinet Member for Housing and Regeneration) introduced the item in respect of the Housing Revenue Account. The Committee was informed that the Housing Revenue Account was a ring-fenced account, which was used for income and expenditure relating to the provision of housing by the Council to tenants and leaseholders. It was funded by rents rather than from Council Tax.

There had been a major change to the financing of the HRA from April 2012, due to the implementation of the "Self-Financing" regime. This change meant the Council took on £170m of debt in exchange for no longer paying negative Housing Subsidy. Income and expenditure of the HRA was now based largely on local, rather than national decisions, and reflected investment informed by the HRA Business Plan and Asset Management Plan

The Government incorporated into the Welfare Reform and Work Act 2016 a reduction in social housing rents of 1% per year for the four years commencing April 2016, until April 2020. 2019/20 was therefore the last year of rent decreases fixed by statute. Rent decreases complying with the 1% cut would continue to decrease

income for the HRA in 2019/20. The average rent would decrease to £86.07 per week, an average decrease of £0.87 per week.

Councillor P Geary asked the Service Director (Housing and Regeneration) if roads and street lighting were a funding responsibility of the HRA Budget. It was confirmed that it was not but they had trouble finding when the original decision was made (by Councillor P Geary as the responsible Cabinet member at the time) as they were interested in the original decision and its circumstances. Councillor P Geary said he would help officers find the minutes of the original decision for their records.

The Committee was informed that YourMK, when it had responsibility for regeneration areas, had not prioritised regeneration of some areas that the Council was now focusing on, given that those responsibilities had come back to the Council following the dissolution of YourMK. The Committee was concerned that the Council had not been made aware of YourMK's priorities before its dissolution and was concerned that regeneration efforts in some areas of Milton Keynes were behind, leading to a surplus of funds that needed to be spent, which should have been spent already.

Councillor Long, in his introduction, outlined that broadly there was a surplus of £75 million, with a backlog of repairs of up to £75 million. That this amount was intended to be spent within the first 5 years of the 30 year regeneration plan. The Committee however, noted that the Medium Term Forecast statistics did not indicate a surplus this large. It was noted by officers that income from various funding streams did add up to the surplus suggested but were complex and explained in other graphs that were presented elsewhere. The Committee felt it would be helpful to see these graphs/breakdowns in the future.

Councillor P Geary expressed concern that Budget Pressures presented to the Committee for the Budget Challenge process may not be as extensive as they should be. He was concerned that some pressures has been omitted or amalgamated into departmental budgets, despite instruction from the Committee in the past to not do this. The Committee felt that this instruction should be maintained and that all efforts should be made to ensure that all Budget Pressures are made available to the Committee during the Budget Challenge process.

**RESOLVED –**

1. That Councillor P Geary liaise with the Service Director (Housing and Regeneration) to find information relating to the decision to remove the responsibilities from the Council in respect of roads and street light funding in the HRA budget.
2. That the Service Director (Housing and Regeneration) to provide the Committee with the estimates of unspent funds following YourMK's decision not to prioritise regeneration of certain areas.

3. That graphs outlining the revenue and spend in respect of Housing Regeneration be provided to the Committee for information.
4. That a review of budget pressures be conducted by the Service Director (Finance and Resources) to ensure that none have been omitted in time for the January challenge meetings of the Budget and Resources Scrutiny Committee.

## **BR34**

### **UPDATE ON COUNCIL RESERVES**

The Service Director (Finance and Resources) introduced the report. The report stated that in preparing the Budget for 2019/20, where a clear financial impact had been identified, this had been dealt with through the actions set out in the report presented to Cabinet on 4 December 2018. Where the impact was not known, this had been highlighted as a risk.

The draft Budget adequately reflected known issues, including the best forecast position at this point in time. The demand pressures and other issues would continue to be reviewed before the Budget was finalised in February and reviewed if necessary.

There remained significant uncertainty over the impact of Brexit on the UK economy and how this might translate locally. Whilst an assessment had been made and was reflected in the view on the level of General Fund reserves this view may change, depending on events leading up to the finalisation of the budget in February 2019.

The Committee noted that the reserve in the HRA Budget was predicted to increase significantly in the near future which then gave rise to questions of what the HRA budget surplus should be spent on and at what rate. The Service Director (Housing and Regeneration) informed the Committee that the HRA budget surplus was due to reduce significantly as earmarked spending occurred in the next few years. The Committee was also informed that plans were underway to spend the money on regenerating specific areas of Milton Keynes, but costings had not been determined yet and therefore no specific plans had been drawn up. The Committee felt that specific plans for the spending needed to be drawn up.

RESOLVED –

1. That the Committee welcomes the briefing note.
2. That the Cabinet Member (Resources and Innovation) and the Service Director (Housing and Regeneration) be requested to draw up specific spending plans for the HRA Budget Surplus.

## **BR35**

### **PREPARATION OF THE 2019/20 DRAFT BUDGET**

The Committee received the work programme for the January 2019 Budget and Resources Committee Budget Challenge Meetings including the dates of those meetings.

The Committee also received responses from the Cabinet Member for Resources and Innovation on behalf of the Cabinet in respect of a report by the Budget and Resources Scrutiny Committee on the identified pressures in the draft 2018/19 budget.

RESOLVED –

1. That the January Challenge meeting dates be noted.
2. That the responses from the Cabinet Member be noted.

THE CHAIR CLOSED THE MEETING AT 22.18pm