

# **Merton Council**

## **Cabinet**

**19 September 2016**

### **Supplementary agenda**

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## Cabinet

**Date: 19 September 2016**

**Subject: Financial Report 2016/17 – July 2016**

Lead officer: Paul Dale

Lead member: Mark Allison

Reason for urgency: The chair has approved the submission of this report as a matter of urgency as it provides the latest available monitoring information for 2016/17. This requires consideration as it has implications for current and future years' budget monitoring and management.

### Recommendations:

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- A. That Cabinet note the financial reporting data relating to revenue budgetary control, showing a forecast net overspend at year end of £5.356million, 1.0% of the gross budget.
- B. That Cabinet ask officers to report back next month after reviewing their budgets and estimated outturn, with the actions necessary to reduce the overspend for 2016/17 and mitigate any on-going overspends in future years.
- C. That Cabinet notes the adjustments made to the Capital Programme in Appendix 5b and approves the following:

Scheme	2016/17 Budget	Adjustment	Revised 2016/17 Budget	2017/18 Budget	June Monitoring Adjustment	July Monitoring Adjustment	Revised 2017/18 Budget
	£	£	£	£	£	£	£
SLWP Contract	0	0	0	0	5,702,000	1,043,000	1,043,000
Replacement Social Care System	554,590	300,000	854,590	0	0	0	0
Improving Financial Systems	191,000	137,000	328,000	0	0	0	0
Full EDRMS Invoice Solution SCIS/FIS	0	41,000	41,000	0	0	0	0

- D. That Cabinet endorse the revised SLWP Contract figure for progression to Council in November 2016 for approval
- E. That Cabinet agree the virement of £25k between E&R and CSF in relation to a notional rent agreement for Pollards Hill Youth Centre.

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## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This is the financial monitoring report for the first four months of 2016/17 presented in line with the financial reporting timetable.

This financial monitoring report provides:-

- The income and expenditure at period 4 and a full year forecast projection.
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2016/17;
- Progress on the delivery of the 2016/17 **Page 4** savings

- Progress on the delivery of 2014/15 and 2015/16 revenue savings

## 2. THE FINANCIAL REPORTING PROCESS

2.1 The budget monitoring process will continue to focus on adult social care and children's social care as these areas are forecasting significant overspends. Urgent mitigating action is required to address the scale of the forecast overspend in period 4.

2.2 Chief Officers, together with Service Financial Advisers and budget managers are responsible for keeping budgets under close scrutiny and ensuring that expenditure within budgets which are overspending is being actively and vigorously controlled and where budgets are under spent, these underspends are retained until year end. Any final overall overspend on the General Fund will result in a call on balances as has been the case for the last two financial years, however this action is not sustainable longer term.

### 2.3 2016/17 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

**Executive summary** – At period 4 to 31<sup>st</sup> July 2016 the year end forecast is a net £5.36m overspend compared to the current budget, 1.0% of the gross budget. This has increased by £2.6m from June.

#### Summary Position as at 31st July 2016

	Original Budget 2015/16	Current Budget 2016/17	Full Year Forecast (July)	Forecast Variance at year end (July)	Forecast Variance at year end (June)	Outturn variance 2015/16
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Department</b>						
3A. Corporate Services	14,025	11,679	11,519	(161)	(106)	(373)
3B. Children, Schools and Families	50,894	50,777	52,425	1,648	1,872	(7)
3C. Community and Housing	61,400	56,764	63,997	7,233	3,742	940
3D. Public Health	320	43	(16)	(59)	(53)	(7)
3E. Environment & Regeneration	23,986	22,448	22,546	97	(72)	3,632
Overheads		0	0	0	0	272
<b>NET SERVICE EXPENDITURE</b>	<b>150,624</b>	<b>141,712</b>	<b>150,471</b>	<b>8,758</b>	<b>5,383</b>	<b>4,457</b>
<b>3E. Corporate Items</b>						
Impact of Capital on revenue budget	14,117	13,643	13,649	6	6	49
Central budgets	(10,651)	(8,669)	(10,871)	(2,202)	(2,602)	(2,846)
Levies	926	928	928	0	0	0
<b>TOTAL CORPORATE PROVISIONS</b>	<b>4,392</b>	<b>5,901</b>	<b>3,705</b>	<b>(2,196)</b>	<b>(2,596)</b>	<b>(2,797)</b>
<b>TOTAL GENERAL FUND</b>	<b>155,016</b>	<b>147,614</b>	<b>154,176</b>	<b>6,562</b>	<b>2,787</b>	<b>1,660</b>
<b>FUNDING</b>						
Revenue Support Grant	(30,425)	(23,156)	(23,156)	0	0	0
Business Rates	(33,686)	(34,230)	(34,230)	0	0	0
Other Grants	(9,434)	(9,811)	(10,353)	(542)	(76)	(954)
Council Tax and Collection Fund	(81,471)	(80,399)	(80,399)	0	0	(6)
<b>FUNDING</b>	<b>(155,016)</b>	<b>(147,597)</b>	<b>(148,139)</b>	<b>(542)</b>	<b>(76)</b>	<b>(960)</b>
Appropriation from reserves			(665)	(665)	0	0
<b>NET</b>	<b>0</b>	<b>17</b>	<b>5,373</b>	<b>5,356</b>	<b>2,711</b>	<b>699</b>

	Current Budget 2016/17	Full Year Forecast at (July)	Forecast Variance at year end (July)	Forecast Variance at year end (June)
<b>Expenditure</b>	£000	£000	£000	£000
Employees	93,219	94,616	1,397	1,001
Premises Related Expenditure	8,233	7,918	(315)	(294)
Transport Related Expenditure	14,517	15,278	761	510
Supplies and Services	167,908	165,894	(2,014)	(1,078)
Third Party Payments	88,965	97,910	8,945	4,895
Transfer Payments	104,224	96,320	(7,904)	(11,466)
Support Services	32,153	32,154	1	0
Depreciation and Impairment Losses	17,638	17,637	(0)	(0)
Corporate Provisions				
<b>GROSS EXPENDITURE</b>	<b>526,856</b>	<b>527,727</b>	<b>870</b>	<b>(6,433)</b>
<b>Income</b>				
Government Grants	(266,780)	(258,605)	8,175	11,283
Other Grants, Reimbursements and Contribs	(22,194)	(23,824)	(1,630)	(959)
Customer and Client Receipts	(63,345)	(62,168)	1,178	1,211
Interest	(46)	(23)	23	23
Recharges	(32,518)	(32,519)	(0)	(0)
Balances	(261)	(118)	143	260
<b>GROSS INCOME</b>	<b>(385,144)</b>	<b>(377,256)</b>	<b>7,888</b>	<b>11,817</b>
<b>NET EXPENDITURE</b>	<b>141,712</b>	<b>150,471</b>	<b>8,758</b>	<b>5,383</b>

The forecast overspend has increased by £2.6m since last month. The adult social care placements forecast has increased by £3m since last period. The overspend from 2015/16 of £3.2m was reported last month whilst further work was being performed. This review is on-going to validate the forecast figures but the main reasons for the increase in forecast is due to an increase in provider fees of £1.5m (full year effect of 2015/16 and 16/17 increases), LD transitions £0.9m and placement savings which are not likely to be achieved of £900k.

The total overspend has been offset by the additional New Homes Bonus expected of £466k and the use of the reserves of £665k from an underspend in 2015/16 bringing the net forecast overspend to £5.4m. Further work is being done on reviewing earmarked reserves to offset against the overspend.

Spending and income from receipts across all departments needs to urgently be reviewed as this level of overspending would reduce General Fund balances to approx. £2.3 m below the minimum balance of £12.01m.

The overspend in the last two years has been funded from either reserves or general fund balance but the forecast overspend for this year cannot be fully funded from general fund balances as this measure is no longer sustainable.

The following actions may need to be taken:

- Recruitment freeze to ensure underspends are retained.
- Further savings and/ or a change in savings profiling to bring savings forward
- A review of earmarked reserves to reallocate some to offset overspending and the impact of this.
- A review of the Capital Programme with a view to reduce revenue impact

### 3. DEPARTMENTAL SUMMARY OF CURRENT POSITION

#### Corporate Services

	2016/17 Current Budget £000	Full year Forecast (July) £000	Forecast Variance at year end (July) £000	Forecast Variance at year end (June) £000	2015/16 Variance at year end £000
Business Improvement	3,280	3,221	-59	-83	-29
Infrastructure & Transactions	9,875	9,860	-15	-35	-249
Resources	6,802	6,791	-11	80	-243
Human Resources	2,231	2,120	-110	0	-55
Corporate Governance	2,663	2,434	-229	-147	-426
Customer Services	2,584	2,436	-149	-130	-479
Corporate Items (including redundancy costs)	981	1,394	412	208	1,109
<b>Total (Controllable)</b>	<b>28,416</b>	<b>28,255</b>	<b>-161</b>	<b>-106</b>	<b>-372</b>

#### Overview

The Corporate Services (CS) department are forecasting an underspend of £161k at year end. This compares to a P3 forecast underspend of £106k.

#### Business Improvement - £59k under

The underspend is due to an overachievement of street naming income.

#### Resources - £11k under

Resources are now forecasting an underspend of £11k compared with a P3 forecast overspend of £80k. This is a consequence of the current review of the Self Insurance Provision.

There are additional costs relating to the delayed implementation of the FIS/E5 finance system but these have been offset by underspends elsewhere in Resources.

#### Human Resources – £110k under

An underspend of £110k is due to unfilled posts within the new HR structure.

### **Customer Services - £149k under**

The bulk of the underspend relates to future years savings captured early.

£40k is an overachievement of translation services income. Of this, two thirds of the overachievement relates to external customers and one third internal customers.

### **Corporate Governance - £229k under**

Corporate Governance are forecasting a £229k underspend. This is in part due to a £52K underspend in Internal Audit as a consequence of an Audit Partnership restructure. £38k relates to Benefits investigation where a 17/18 saving has been captured early.

Merton legal are also forecasting an overachievement of income relating to S106 and Merton Property charges of £84k

### **Corporate Items - £412k over**

Redundancy costs are forecasted to be 300k over budget.

Estimates from Westminster Council regarding the shared coroner court service are £72k greater than budget. The cost of the overall service has increased and, although we have been given the schedule detailing 16/17 costs to Merton, we are still awaiting narrative to explain the increase. It is hoped we will have this information in time for P5 reporting.

The budget monitoring process will focus on pressures to ensure remedial action is taken and underspends can be held to offset any overspends.

## Environment & Regeneration

Environment & Regeneration	2016/17 Current Budget  £000	Full year Forecast (July)  £000	Forecast Variance at year end (July)  £000	Forecast Variance at year end (June)  £000	2015/16 Variance at year end  £000
Public Protection	(10,987)	(11,292)	(305)	(111)	3,709
Sustainable Communities	12,350	12,341	(9)	(178)	(600)
Waste Services	15,283	15,538	255	83	187
Other	(866)	(710)	156	134	336
<b>Total (Controllable)</b>	<b>15,780</b>	<b>15,877</b>	<b>97</b>	<b>(72)</b>	<b>3,632</b>

Description	2016/17 Current Budget £000	Forecast Variance at year end (July) £000	Forecast Variance at year end (June) £000	2015/16 Variance at year end £000
Overachievement of Customer & Client Receipts within Parking Services	(17,194)	(263)	(127)	3,281
Other small over and underspends	6,207	(42)	16	428
<b>Total for Public Protection</b>	<b>(10,987)</b>	<b>(305)</b>	<b>(111)</b>	<b>3,709</b>
Overachievement of rental income within Property Management	(4,065)	(245)	(224)	(430)
Employee overspend within Greenspaces	2,271	97	97	80
Underachievement of Customer & Client Receipts within Greenspaces	(2,053)	190	198	278
Underspend within Senior Management & Support	972	(95)	(91)	(149)
Other small over and underspends	15,225	44	(158)	(379)
<b>Total for Sustainable Communities</b>	<b>12,350</b>	<b>(9)</b>	<b>(178)</b>	<b>(600)</b>
Employee overspend within Waste Services	7,594	199	81	213
Overspend on 3 <sup>rd</sup> party payments within Waste Services	6,756	201	73	346
Overspend within Transport Services	(866)	156	134	336
Other small over and underspends	933	(145)	(71)	(372)
<b>Total for Street Scene &amp; Waste</b>	<b>14,417</b>	<b>411</b>	<b>217</b>	<b>523</b>
<b>Total Excluding Overheads</b>	<b>15,780</b>	<b>97</b>	<b>(72)</b>	<b>3,632</b>



## **Overview**

The department is currently forecasting an overspend of £97k at year end. The main areas of variance are Parking Services, Property Management, Greenspaces, Senior Management & Support, Waste Services, and Transport Services.

## **Pressures**

### **Public Protection**

#### **Parking & CCTV Services – forecasting a total £159k underspend**

The section is forecasting to overachieve on its customer and client receipts by £263k, mainly as a result of an over-recovery in most areas of on-street/ permit / bay suspension revenue (£246k), and off-street parking income (£221k). However, this is being partially offset by the continued funding of CPZ related expenditure (£200k).

The installation of the ANPR cameras across the borough is now almost complete, and the contract has now commenced. The section is awaiting the first set of clear data from the system, which should be received by the end of August, before adjusting the forecast accordingly. It was expected that this data would have been available by the end of July. However, because of initial technical difficulties with data received from some of the cameras, the ANPR data received for July and August would not be truly representative.

### **Sustainable Communities**

#### **Property Management – forecasting a total £185k underspend**

The main reason for the forecast underspend is as a result of exceeding their commercial rental income expectations by £245k mainly due to conducting the back log of rent reviews in line with the tenancy agreements.

#### **Greenspaces – forecasting a total £176k overspend**

The forecast employee overspend of £97k is as a result of overtime payments (Parks), and staffing of the firework displays (before taking into account income received from the event).

The section is also forecasting an underachievement of income of £190k, which is a result of an underachievement of sports income (£100k), and the 'Live at Wimbledon Park' event (£70k). Unfortunately, due to lower than expected ticket sales, the event has been cancelled with a total of c£25k of costs incurred (net of refunds), and although this event was expected to break-even this year, there was a budgeted expectation for it to achieve a surplus of £70k. Work continues to identify how we can generate further income from events in parks.

These pressures are being partially off-set by expected underspends within Premises (£35k), Supplies & Services (£49k), and Grants & Contributions (£55k).

#### **Senior Management & Support – forecasting a total £95k underspend**

An underspend of £95k is being forecast mainly due to not filling vacant posts in order to contribute towards the department's mitigating actions.

## **Street Scene & Waste**

### **Waste Services – forecasting a total £255k overspend**

The section is forecasting an employee related overspend of £199k as a result of covering for absences, sick leave, and in order to maintain the level of service performance. However, as the section's employee establishment is still to be finalised it is not yet possible to confirm how this impacts on their budgeted establishment.

The forecast overspend on 3<sup>rd</sup> party payments of £201k mainly relates to waste disposal costs. Landfill waste has increased by c650 tonnes (1%) compared to the same period last year, at a cost of £92 p/t. A major contributing factor to this increase is the reduction of food waste which has fallen by 3%. In addition to this, Garden waste has increased by 5% which is a positive contributor to the services recycling performance. However this additional waste is subject to a gate fee and haulage cost.

These pressures are being partially offset by expected underspends within Supplies & Services (£36k), Grants & Contributions (£94k), and Customer & Client Receipts (£48k).

### **Transport Services – forecasting a total £156k overspend**

The overspend is mainly as a result of additional agency and overtime requirements due to a number of staffing issues, which are being addressed in line with corporate policy. A recent recruitment process for drivers through the conventional market places yielded only 7 applications and no appointable applicants. We are currently taking advice from one of the commercial bus companies who have had similar issues in the past with a view to identifying other potential market places for recruitment.

### **Virement**

Cabinet are requested to approve a virement of £25k between E&R and CSF departments in relation to a notional rent agreement for Pollards Hill Youth Centre, whereby Commonsense Community Development Trust are managing the property in order that the Authority can continue to provide youth and community services.

## Children Schools and Families

Children, Schools and Families	2016/17 Current Budget £000	Full year Forecast (Jul) £000	Forecast Variance at year end (Jul) £000	Forecast Variance at year end (Jun) £000	2015/16 Variance at year end £000
Commissioning, Strategy and Performance	8,096	9,070	1,110	1,313	677
Education	16,287	16,615	328	296	34
Social Care and Youth Inclusion	11,680	12,386	706	759	309
Public Health contribution	0	0	0	0	(328)
PFI	7,799	7,303	(496)	(496)	(368)
Redundancy costs	2,077	2,077	0	0	(331)
<b>Total (controllable)</b>	<b>45,939</b>	<b>47,451</b>	<b>1,648</b>	<b>1,872</b>	<b>(7)</b>

### Overview

At the end of July Children Schools and Families had a forecast overspend of £1.513m on local authority funded services. Close scrutiny of overspending areas and management action to off set these overspends are on-going by the management team.

### Local Authority Funded Services

There are a number of volatile budgets requiring continuous and careful demand management which will be reflected through fluctuating monthly forecasts. Significant cost pressures and underspends identified to date are detailed below:

Description	Budget £000	Jul £000	Jun £000	2015/16 £000
Fostering and residential placements (ART)	5,057	(30)	206	377
Supported lodgings/housing	634	998	909	546
Un-accompanied asylum seeking children (UASC)	60	455	557	308
Procurement & School organisation	550	(208)	(208)	(276)
Other small over and underspends	1,795	(105)	(151)	(278)
<b>Subtotal Commissioning, Strategy and Performance</b>	<b>8,096</b>	<b>1,110</b>	<b>1,313</b>	<b>677</b>
SEN Transport	3,785	424	447	374
Staffing underspends across Early Years services	2,873	(250)	(250)	(315)
Children with disabilities team (CWD) staffing	541	84	70	8
Other small over and underspends	9,088	70	29	(33)
<b>Subtotal Education</b>	<b>16,287</b>	<b>328</b>	<b>296</b>	<b>34</b>
No Recourse to Public Funds (NRPF)	20	430	430	470
Social Work staffing	3,075	472	447	151
Other small over and underspends	8,585	(196)	(118)	(59)
<b>Subtotal Children's Social Care and Youth Inclusion</b>	<b>11,680</b>	<b>706</b>	<b>759</b>	<b>309</b>

### Commissioning, Strategy and Performance Division

While the numbers of Looked After Children (LAC) remain relatively stable, the complexity of a significant proportion of cases is causing cost pressures as detailed below. Placements are checked on a monthly basis and assumptions reviewed quarterly to ensure that they are as accurate as possible. Our arrangements have been strengthened following a review of the 2015/16 outturn.

Service	Budget £000	Forecast spend £000	Variance		Placements	
			Jul £000	Jun £000	Jul Nr	Jun Nr
Residential Placements	2,127	2,195	68	228	21	23
Independent Agency Fostering	1,762	1,730	(32)	(22)	43	42
In-house Fostering	905	1,063	158	207	56	60
Secure accommodation*	164	22	(142)	(142)	0	1
Mother and baby	99	17	(82)	(65)	0	1
<b>Total</b>	<b>5,057</b>	<b>5,027</b>	<b>(30)</b>	<b>206</b>	<b>120</b>	<b>127</b>

\*Known changes in secure accommodation was included in previous month's forecast.

High cost residential and independent agency fostering placements are only used when all other options have been considered and it is deemed that these are in the best interest for the children involved. The current estimated spend is less than last year and based on the latest available information which will change later on in the year as new cases are presented or cases closed.

The budget for semi-independent and supported lodgings/housing placements is estimated to overspend by £998k. This budget is used to finance an increased number of placements for young people aged 16/17 and above due to the requirements for Staying Put. These young people require semi-independent provision and for Care Leavers through to independence or, in some cases, through to the age of 21, as part of our new statutory duties. There are currently 58 placements which is up from 35 in 2014/15.

The UASC payments are expected to overspend by £455k this year due to an increase in cases. At the end of July there were 23 placements with an increased number of claimant turning 18 later during the year, although this increase has been included in the July forecast.

Procurement and school organisation budgets are expected to underspend by £208k as a result of lower spend forecast on re-venueisation budgets. This budget relates to construction projects that cannot be classified as capital. The majority of this is required for temporary classrooms due to rising pupil demand when it is not viable to provide permanent buildings.

The direct charging budget for the shared legal service is expected to underspend in the current financial year. These costs are being reviewed at the moment with the view to transfer funds between departments to right size these budgets.

There are various other small over and underspends forecast across the division netting to a £105k underspend. These combine with the items described above to arrive at the total reported divisional overspend of £1,110k.

#### Education Division

SEN and FE transport cost are expected to overspend by £424k, £23k less than the forecast last month. This forecast is calculated using a case-by-case costs model and is reviewed monthly. We are reviewing demand management, cost efficiency of supply, and safeguarding of students with E&R who provide the in-house transport and commission the taxi service. Due to the changes in school attendance from the 15/16 to 16/17 academic years, we would expect a the main change in this year's forecast in September/October monitoring while changes in routs are bedded down.

As part of management action, where possible, recruitment to vacancies in some areas will be delayed in preparation for 2017/18 savings with the aim to reduce the overall in-year departmental overspend. This is estimated to result in an overall underspend of £250k.

The CWD team staffing costs is expected to overspend by £84k. As highlighted in the budget reports to Cabinet and Council, additional capacity is being kept under regular review and funded quarterly from the corporate contingency. This amount equates to two additional social workers. For the first quarter an adjustment of £26k have been made towards the overspend for these costs (a maximum of £120k can be adjusted for the year). On top of the additional staff, the team also has to cover vacancies with higher cost agency staff.

There are various other small over and underspends forecast across the division netting to a £70k overspend. These combine with the item described above to arrive at the total reported divisional overspend of £328k.

#### Children's Social Care and Youth Inclusion Division

The NRPF budgets are forecast to overspend by £430k for the current financial year. This forecast is based on the assumption that case levels will stay the same as last year. We expect to receive more successful applications which will increase the level of overspend towards year-end. The new NRPF worker is now in post and working closely with housing colleagues to manage cases as they arise. We continue to use the Connect system to progress cases and have started a process of reviewing all open cases with the aim to limit the cost pressure on the council.

The Central Social Work, MASH and VCT team's staffing costs is expected to overspend by £472k. As highlighted in the budget reports to Cabinet and Council, additional capacity is being kept under regular review and funded quarterly from the corporate contingency. This amount equates to six additional social workers. For the first quarter an adjustment of £83k was made towards the overspend of these costs (a maximum of £360k can be adjusted for the year). On top of the additional staff, the team also has to cover vacancies with agency staff due to difficulty in recruiting permanent members of staff. This cost could fluctuate during the course of the year depending on our ability to recruit permanent members of staff to our vacancies. Two social workers have also been appointed in excess of the budgeted staffing compliment for a time limited period. This was done to address the increased volumes demand in the MASH team and to ensure the safeguarding of children and is reviewed monthly.

There are various other small over and underspends forecast across the division netting to a £196k underspend. These combine with the item described above to arrive at the total reported divisional overspend of £706k.

#### **Dedicated Schools Grant**

DSG funded services is forecast to underspend by £143k. These budgets are not within the council's general fund and cannot be offset against the local authority funded budgets. Any underspend will be added to the DSG reserve and applied after consultation with Schools Forum. Variances between individual subjectives have been shown in the overall departmental analyses.

The Independent Residential School provision is expected to overspend by £158k. This is our best estimate at the moment with the information available as we are still awaiting confirmation on some placements in the new academic year.

Independent Day School provision is estimated to underspend by £233k. It is important to note that new placements which might be required from September onwards could significantly impact on this forecast.

There are various other smaller over and underspends forecast across the DSG netting to a £68k underspend which, combined with the items above, equates to the net underspend of £143k.

## Management Action

### New burdens

There are a considerable number of duties placed on the Local Authority which have not been fully funded or not funded at all. Excluding the cost of these duties would leave a net departmental underspend of £370k. The table below highlights the estimated overspends relating to these duties:

Description	Budget £000	Jul overspend forecast £000	Jun overspend forecast £000
Supported lodgings/housing	634	998	909
Un-accompanied asylum seeking children (UASC)	60	455	557
No Recourse to Public Funds (NRPF)	20	430	430
<b>Total</b>	<b>714</b>	<b>1,883</b>	<b>1,896</b>

### Staffing

Recruitment and retention (R&R) continues to be a priority at Merton, as the national shortage of children's Social Workers persists. Merton has had particular difficulty recruiting and retaining staff in 3 key areas; Multi Agency Safeguarding Hub & First Response (MASH), Safeguarding & Care Planning (S&CP) and the Children with Disabilities Team (CWDT). These three areas have R&R measures in place, which after a recent review will continue until at least March 2017.

There has been a significant reduction in the numbers of agency staff being used and the quarterly expenditure. In June 2016, there were 30.37 (WTE) agency Social Workers, making up 22% of the Children's Social Work Workforce. 69% of agency social workers are undertaking work in MASH, S&CP and CWDT. Strong recruitment to S&CP has led to 23% of Social workers in this area being agency workers and all vacant posts are under offer. MASH has 43% of agency workers (including the two short term over establishment) and CWDT has 42% agency workers.

### Placements

Our edge of care panel continues to ensure that entry to care threshold is maintained. The impact of increased numbers of UASC is in particular affecting our LAC and care leaver numbers and we remain in the lowest rate of care range in London.

Work continues to ensure we lever in appropriate health contribution to children with complex needs and our ART service is driving down placement costs including through regional partnership commissioning. It is difficult to predict these negotiations on a monthly basis as they are often connected with children's progress in placement.

Our ART Fostering Recruitment and Assessment team is continuing to recruit new foster carers who will offer locally based placements. This continues to ensure a reduction in more expensive agency foster placements.

Our ART Placement service is working with providers to establish more local provision and offer better value placements to the Council. There is now an established agreed cost framework for semi-independent providers and this has resulted in more appropriately priced placements for Care Leavers and older LAC.

We ensure that accurate information about changes to placement costs are kept up to date. We are improving our response to invoice queries by having tight timescales in place. The placement reconciliation is completed on a monthly basis and builds in challenge meetings with colleagues in corporate finance.

We have tightened up our processes with YOS for obtaining information about young people remanded into secure accommodation and reviewed our forecast methodology. We will contact respite providers on a monthly basis going forward to ensure more accurate forecasts.

#### Transport

We have continued to develop a number of alternatives to transport and to develop a more cost effective continuum of offer to meet our SEN Transport statutory duties. In the current year to date we have had 1 personal budget taken up providing an annual saving of £6k on top of the 26 takers last year which provided a cost reduction of £101k. In addition 7 young people have been through the independent travel training programme this year providing an on-going cost reduction of £62k on top of the 37 transfers in previous years and 116 now travel with assistance from a Freedom Pass. We are monitoring tight eligibility thresholds with the view to limit any additional cost pressure.

Work continues through the corporate group to re-procure better value taxi arrangements and to pilot initiatives to provide more cost effective answers to our statutory duties with a growing population.

#### General

The department continues to scrutinise all budgets to see how we can offset the above costs pressures and others created by growing demographics and new burdens. Where possible we will use grant and income flexibly and will also implement agreed savings for 2017/18 in year if possible to bring our anticipated spend in line with available budgets.

## **Community and Housing**

Community and Housing was forecasting to over spend by £8.6m as at July 2016.

The Director is working on an action plan to determine the full extent and reasons behind this, but initially has reduced this by £1.4m (£500k over commitment on homecare and £900k savings on placement reviews).

There is a gross underlying over spend in the Adult Services budget of £3.2m in 2015/16, which has been carried forward into the new financial year. In the previous financial year this was partially offset by underspends in other Adult Services budgets, and underspends in other parts of Community and Housing. Current monitoring suggests that offsetting underspends will be at half as much in 2016/17, as under spending budgets in 2015/16 were subject to savings in 16/17. There has also been a £540k adverse movement in the housing forecast due to a change in accounting for costs of temporary accommodation.

Part of this overspend was an under-achievement of income of £1m, so a prudent assumption has been made that there will be a similar under-achievement of income this year, whilst doing further investigation with partners.

<b>Community and Housing</b>	<b>2016/17 Current Budget £000</b>	<b>Full Year Forecast (July) £000</b>	<b>Forecast Variance (July) £000</b>	<b>Forecast Variance (June) £000</b>	<b>2015/16 Variance @ year end £000</b>
Access and Assessment	37,207	44,871	7,664	4,354	3,259
Commissioning	4,264	4,206	(58)	(53)	(50)
Direct Provision	5,753	5,767	14	11	(197)
Directorate	810	436	(374)	(414)	(17)
Care Act Implementation Expenditure	0	0	0	0	(1,230)
Contribution from Public Health	0	0	0	0	(328)
<b>Adult Social Care</b>	<b>48,034</b>	<b>55,280</b>	<b>7,246</b>	<b>3,898</b>	<b>1,437</b>
Libraries and Heritage	2,218	2,099	(118)	(125)	(176)
Merton Adult Education	(238)	(423)	(185)	(263)	218
Housing General Fund	2,052	2,343	291	231	(538)
<b>Total</b>	<b>52,066</b>	<b>59,299</b>	<b>7,233</b>	<b>3,742</b>	<b>940</b>



## Access and Assessment - £7.7m over-spend

Access and Assessment	Variance (Jul'16) £000	Variance ( Jun'16) £'000	2015/16 Variance @ Year end £000
Gross Placements overspend	6,356	3,375	3,146
Other A&A Over-spends/(underspend)	644	340	(526)
<b>Sub-total Net over-spend</b>	<b>7,000</b>	<b>3,715</b>	<b>2,620</b>
Under/Overachievement of income	664	639	639
<b>Total A&amp;A Forecast over-spend</b>	<b>7,664</b>	<b>4,354</b>	<b>3,259</b>

## Adult Social Care

### Placement Activity

The table below details the current number of clients and care packages numbers as at July 2016. Care packages have reduced by 20 between May and July but the commitment has increased due to forecast Learning Disabilities transition clients, and recent provider fee increases.

Activity Data	Care Packages (No's) Jul'16		Care Packages (No's) Jun'16	Clients (No's) Jul'16		Clients (No's) Jun'16
<b>Service Area</b>						
Mental Health	146	↑	141	127	↑	123
Physical & Sensory	324	↑	323	239	↑	238
Learning Disabilities	388	↓	392	319	↓	322
Older People	1,682	↓	1,687	1,186	↓	1,192
Substance Misuse	6	↓	17	6	↓	17
No Recourse to Public Funds	17	↔	17	11	↔	11
LBM own facility	136	↑	132	65	↓	69
<b>TOTAL</b>	<b>2,699</b>	↓	<b>2,709</b>	<b>1,953</b>	↓	<b>1,972</b>
<b>Net (Decrease)</b>	<b>(10)</b>			<b>(19)</b>		

The current projected overspend against placement budgets require a detail investigation which is projected to be completed in September. Adult Social Care is carrying out a detailed review of the total list of customers funded to ensure that there are no inaccuracies which will take time to complete. Key areas for investigation are home care hours and the full year effect of commitments in the second half of 2015/16.

## **Challenges of Adult Social Care in 2016/17:-**

### **Access and Assessment**

Community and Housing will continue to face similar budget pressures in 2016/17 as they did in financial year 2015/16, the main pressures are:-

**Complexity of care needs:** There is a long term trend in complexity of care needs, whereby the amount of care required per client has increased. Examples of this are the number of older people requiring two carers to move them, higher demand for nursing care for people with dementia, and younger people with challenging behaviour in transition from children's services.

**Price pressures:** Nationally the market in social care has shown that providers are successfully demanding increases in fees. This means that to secure supply and sustain a viable market Merton had to negotiate new higher fees in 2015/16 and is facing similar challenges in 2016/17.

A number of placements uplifts have been recently agreed with providers of older people residential and nursing care services which has resulted in a £820k cost pressure. Some of these were prior year's commitments that were made to secure lower inflationary uplifts. Providers are aware of the lack of alternative supply thus tactic has been to demand uplift or move your client knowing this cannot be done easily. Recent comparator data indicates that Merton has been paying less than the average for south west London when placing people in care homes. Given capacity shortfalls in key areas of the care home market, providers have been able to demand higher fees from Merton. There has also been a marked increase in home care hours in the first three months of the current financial year in comparison to 2015/16. An analysis has shown that between April to June 2015 home care hours increased by 4%, for the similar period in the current year it has increased by 9%, this is being investigated to see if there is an over commitment in this area.

There are significant cost pressures in the home care market due to the London Living Wage, low margins leading to some providers recently exiting the market and a high demand for labour. Our contracted providers have been struggling to supply the level of carers needed, which has forced the council to spot purchase care, often at a higher price. Discussions are currently taking place about the potential to set a realistic framework price to encourage more on-contract activity and to stabilise the market, with a number of meetings with providers having taken place last week.

A major re-commissioning exercise is being undertaken this year that will seek to create a more sustainable supply of care, without the need to go off contract. The estimated cost to secure this arrangement is approximately £421k.

### **Savings**

Adult Social Care has a savings target of £5m in 2016/17, of which £3m has been forecast to be achieved to date. £2m remains to be achieved, of which £1.8m relates to the placement budgets. These savings will largely be achieved through reviews as in previous years, and a review programme is in place, however these will require additional resources to complete the process.

### **Transitions**

Learning Disabilities Commitments also includes estimated transition costs for 2016/17 of £916k of which £327k has materialised into actual placements.

### **Income**

Current income forecast is based on the previous year's performance. This area requires more work to analyse the current year's income trends.

### **Deprivation of Liberty Assessment (Cheshire West judgement)**

In 2015/16 the Government provided £80k towards cost of this increased responsibility but to date no announcements of funding for 2016/17. The actual spend on DOLS in 2015/16 was £537k net. Number of cases dealt with during 2015/16 was 651, an increase of more than tenfold since 2013/14. Apart from the need for social workers to complete these assessments, each assessment costs £200 in doctors' fees. Total cost for this service in 2015/16 was £ 162k. The estimated number of assessments for 2016/17 based on activity levels in recent years is 753. Management action has been taken to prioritise the work and this estimate will therefore be subject to review. Adult Safeguarding is currently forecasting an over-spend of £162k.

Emergency measures are currently being worked up to enable the Council to prioritise work in this area, which may involve some risk to the Council if challenged.

### **Commissioning under-spend £58k**

In the Commissioning Service current underspend is forecasted on the Supporting People contract, and planning sections.

### **Direct Provision over- spend £14k**

Staffing costs have increased in this area due to Single Status settlements. One registered manager is responsible for both internal residential homes and it is expected that this will result in the reduction of staffing costs. The aim is to use employees across both internal residential sites where possible, therefore reducing the need for additional bank staff.

### **Libraries- £118k under-spend**

Under spend is due to staff vacancies and reduced expenditure due to building works at the Donald Hope Library. The Art Council project at Wimbledon library has also generated additional income for Merton.

There is however an increase in the administrative cost for processing reminder letters to residents in 2016/17. The head of service will be reviewing this process with a view to amending the number of times reminder letters are distributed.

### **Merton Adult Education - £185k under-spend**

Merton Adult Education (MAE) has moved to a commissioning model, with go live from early September 2016. Current underspend is due to forecasted underspend on staffing and other minor budgets. The current forecast is based on a smooth transfer to the new model. This has been revised from the previous months due to potential additional expenditure.

### **Housing - £ 291k over-spend**

The Housing service is now forecasting to overspend by £291k in July. This has increased by £60k from June's £231k forecast. This is due to increase expenditure on rent deposits and a revised forecast for Housing Benefit subsidy in temporary accommodation.

The accounting change in 2016/17 is to reflect the true cost of temporary accommodation, all related costs and budgets were transferred to Housing Services from Corporate Services in June 2016. An annual budget of £321k was transferred against a forecast commitment of £867k, resulting in a net forecast increase in costs to housing of £546k.

### **Public Health**

Public Health is currently forecasting £59k underspend as at July 2016. This is due to forecasted underspends on staffing, NHS Health check which is based on 2015/16 uptake data. There are also underspends in the substance misuse and health screening budgets.

<b>Public Health</b>	<b>2016/17 Current Budget £000</b>	<b>Full year forecast (July) £000</b>	<b>Forecast Variance (July) £000</b>	<b>Forecast Variance (June) £000</b>	<b>2015/16 Variance @ Yearend £000</b>
PH - Directorate	586	586	0	2	(116)
PH - Admin	26	22	(4)	0	0
PH - Contraception	748	748	0	0	(41)
PH - GUM	2,136	2,136	0	58	(27)
PH-Sexual Health Advice	137	125	(12)	(32)	(9)
PH-NHS Health check	465	450	(15)	(23)	(78)
PH-Falls Prevention	177	177	0	1	0
PH - Obesity	415	415	0	0	(200)
PH - Projects	10	0	0	0	0
PH - Smoking	0	(7)	(7)	0	(16)
PH-Substance Misuse	1,846	1,839	(7)	(121)	(32)
PH - School Nursing	633	633	0	0	(16)
PH-Infectious Diseases	0	0	0	0	(10)
PH - Determinants	338	324	(14)	(3)	(83)
PH-Community	0	0	0	0	(1)
PH-New Investments	20	20	0	0	2
PH-Health Visiting	3,338	3,338	0	65	(15)
<b>Total Public Health</b>	<b>10,875</b>	<b>7,468</b>	<b>(59)</b>	<b>(53)</b>	<b>(642)</b>
<b>PH - Main Grant</b>	<b>(8,046)</b>	<b>(8,046)</b>	<b>0</b>	<b>0</b>	<b>642</b>
<b>PH-Health Visiting Gant</b>	<b>(2,952)</b>	<b>(2,952)</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Corporate Items

The details comparing actual expenditure up to 31 July 2016 against budget are contained in Appendix 2. The main areas of variance as at 31 July 2016 are:-

Corporate Items	Current Budget 2016/17 £000s	Full Year Forecast (July) £000s	Forecast Variance at year end (July) £000s	Forecast Variance at year end (June) £000s	2015/16 Year end Variance £000s
Cost of borrowing	13,643	13,649	6	6	49
Use for Capital Programme	0	0	0	0	0
<b>Impact of Capital on revenue budget</b>	<b>13,643</b>	<b>13,649</b>	<b>6</b>	<b>6</b>	<b>49</b>
Investment Income	(739)	(1,150)	(411)	(411)	(613)
Pension Fund	5,232	4,732	(500)	(500)	(616)
Pay and Price Inflation	752	752	0	0	(654)
Contingencies and provisions	4,406	3,115	(1,291)	(1,691)	(2,716)
Income Items	(948)	(948)	0	0	(667)
Appropriations/Transfers	265	265	0	0	1,727
<b>Central Items</b>	<b>8,968</b>	<b>6,766</b>	<b>(2,202)</b>	<b>(2,602)</b>	<b>(3,539)</b>
Levies	928	928	0	0	0
Depreciation and Impairment	(17,638)	(17,638)	0	0	0
<b>TOTAL CORPORATE PROVISIONS</b>	<b>5,901</b>	<b>3,705</b>	<b>(2,196)</b>	<b>(2,596)</b>	<b>(3,491)</b>

The use of contingency has increased by £400k since June due to a potential late payment to HMRC which is being reviewed. As reported in paragraph 4.3, the additional cost of improving financial systems of £137k is to be funded from the revaluation budget (contingencies and provisions).

As previously reported, there is a forecast additional income on central government funding of £76k arising from the return to local authorities of some top-sliced New Homes Bonus relating to 2014/15. This has been paid as Section 31 grant. Additional New Homes Bonus of £466k is expected relating to 2016/17 as there is no top-slice relating to the Local Enterprise Partnership in 2016/17.

## 4. CAPITAL PROGRAMME 2016-20

4.1 The Table below shows the movement in the 2016/20 corporate capital programme since the June monitoring report elsewhere on this agenda:

Depts	Current Budget 16/17*	Variance	Revised Budget 16/17	Current Budget 17/18	Variance	Revised Budget 17/18	Revised Budget 18/19	Variance	Revised Budget 18/19	Revised Budget 19/20	Variance	Revised Budget 19/20
C&H	2,080	0	2,080	1,205	0	1,205	629	0	629	280	0	280
CS	10,463	478	10,941	6,231	0	6,231	3,052	0	3,052	2,605	0	2,605
CSF	11,055	5,402	16,457	20,089	(5,367)	14,722	11,415	0	11,415	9,934	0	9,934
E&R	17,624	43	17,668	19,165	1,043	20,208	15,294	0	15,294	4,437	0	4,437
<b>TOTAL</b>	<b>41,223</b>	<b>5,923</b>	<b>47,146</b>	<b>46,689</b>	<b>(4,324)</b>	<b>42,365</b>	<b>30,389</b>	<b>0</b>	<b>30,389</b>	<b>17,256</b>	<b>0</b>	<b>17,256</b>

4.2 The table below summarises the position in respect of the Capital Programme as at July 2016 the detail is shown in Appendix 5a

### Merton Summary Capital Report - July 2016 Monitoring

Department	Revised Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Community and Housing	2,079,650	65,175	124,050	(58,875)	1,436,480	(643,170)
Corporate Services	10,941,300	242,477	791,328	(548,851)	7,569,000	(3,372,300)
Children Schools and Families	16,457,050	1,167,130	1,464,352	(297,222)	16,218,201	(238,849)
Environment and Regeneration	17,667,720	3,073,912	2,961,856	112,056	17,602,800	(64,920)
<b>Total Capital</b>	<b>47,145,720</b>	<b>4,548,694</b>	<b>5,341,586</b>	<b>(792,892)</b>	<b>42,826,481</b>	<b>(4,319,239)</b>

- a) Community and Housing – The projected £643k underspend is on one scheme – Disabled Facilities Grants. Although expenditure has increased by nearly £75k this month officers have not reduced the year end projected underspend to that reported last month.
- b) Corporate Services – The projected underspend is caused by two major corporate schemes which are the Acquisition Fund £1,533k, Bidding Fund £1,839k. All other schemes are projecting a full spend at year end in 2016/17. One scheme improving financial systems has increased by £137k, comprising additional technical and project support £104k and additional hosting costs (funded by a contribution from the revenueisation budget). One new scheme has been added totalling £41k for the development of EDRMS solution for FIS/SCIS (funded by Department of Health capital grant. Finally, £300k additional capital resources in order to complete the implementation of Mosaic (Social Care Information System), the finance module must be finalised. This includes configuration of the service structure, interfaces, billing, payments, data migration and reporting, this will also be funded from Department of Health Capital Grant.
- c) Environment and Regeneration – Officers are currently projecting a £65k underspend on two schemes: 20mph Zones £51k and Traffic Schemes £14k. In Appendix 5b the 2017/18 sums to be approved by Council in November 2016 for the South London Waste Partnership (SLWP) have been adjusted this is to take into account the full cost of containers which are depreciated over 15 years. In addition, the internal interest rate has been reduced from 1.25% to 0.5% in the light of recent interest rate changes. The revised debt charges for both these schemes are summarised below and will be added to the savings targets to be achieved from the two SLWP contracts:

#### Calculation of Debt Charges to Revenue - Internal Borrowing

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
MRP @ 7 years - Vehicles	0	565	565	565	565	565	565	565
Reduction in Vehicle Replacement Programme	0	0	(150)	(150)	(150)	(150)	(150)	(150)
MRP @ 15 Years - Containers	0	186	186	186	186	186	186	186
Internal Interest in Model @ 0.5%	34	30	26	22	19	15	11	7
<b>Total</b>	<b>34</b>	<b>781</b>	<b>627</b>	<b>624</b>	<b>620</b>	<b>616</b>	<b>612</b>	<b>609</b>

- d) Children, Schools and Families – Officers are currently projecting a £239k underspend on the Primary Schools Expansion Contingency, however, this forecast may change as the final account for the Pelham expansion is outstanding. Appendix 5b details:
- I. The re-profiling of the new 6fe secondary school scheme budget to reflect the timing of land purchase, and
  - II. The adjustments made to the Schools Maintenance Budget, these changes reflect the funding required by the Rutlish Footpath. Two schemes for Dundonald and The Smart Centre have been re-profiled into 2017/18 and their £20k contribution has also been moved.

4.3 Appendix 5b details the adjustments being made to the Capital Programme this month the Table below summarises the items requiring Cabinet and Council Approval:

Scheme	2016/17 Budget	Adjustment	Revised 2016/17 Budget	2017/18 Budget	June Monitoring Adjustment	July Monitoring Adjustment	Revised 2017/18 Budget
	£	£	£	£	£	£	£
SLWP Contract	0	0	0	0	5,702,000	1,043,000	1,043,000
Replacement Social Care System	554,590	300,000	854,590	0	0	0	0
Improving Financial Systems	191,000	137,000	328,000	0	0	0	0
Full EDRMS Invoice Solution SCIS/FIS	0	41,000	41,000	0	0	0	0

4.4 Appendix 5c details the impact of all the adjustments to the Capital Programme have on the funding of the programme in 2016/17 and 2017/18. The table below summarises the movement in 2016/17 funding since approval in March 2016:

Depts.	Original Budget 16/17	Net Slippage 2015/16	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 16/17
Community & Housing	2,074	271	0	0	(115)	(150)	2,080
Corporate Services	7,565	4,065	(57)	341	137	(1,110)	10,941
Children Schools & Families	13,998	141	0	368	247	1,703	16,457
Environment and Regeneration	15,658	2,176	(20)	309	133	(588)	17,668
<b>Total</b>	<b>39,295</b>	<b>6,653</b>	<b>(77)</b>	<b>1,018</b>	<b>402</b>	<b>(145)</b>	<b>47,146</b>



4.5 The table below compares capital expenditure (£000s) to July 2016 to that achieved over the last few years:

Depts.	Spend To July 2012	Spend To July 2013	Spend To July 2014	Spend To July 2015	Spend To July 2016	Variance 2012 to 2016	Variance 2013 to 2016	Variance 2014 to 2016	Variance 2015 to 2016
<b>C&amp;H</b>	258	774	107	23	65	(193)	(709)	(42)	43
<b>CS</b>	776	613	192	221	242	(533)	(370)	50	21
<b>CSF</b>	6,285	2,038	3,993	4,109	1,167	(5,118)	(871)	(2,826)	(2,942)
<b>E&amp;R</b>	2,808	2,485	1,068	767	3,074	266	589	2,006	2,306
<b>Total Capital</b>	<b>10,127</b>	<b>5,909</b>	<b>5,360</b>	<b>5,121</b>	<b>4,549</b>	<b>(5,578)</b>	<b>(1,361)</b>	<b>(811)</b>	<b>(572)</b>

Outturn £000s	40,487	31,564	36,869	29,327	
Budget £000s					47,146
Projected Spend July 2016 £000s					42,826
Percentage Spend to Budget					9.65%
% Spend to Outturn/Projection	25.01%	18.72%	14.54%	17.46%	10.62%
Monthly Spend to Achieve Projected Outturn £					4,785

4.6 July is one third of the way into the financial year, departments have spent less of their budget than compared to previous financial years. To achieve a projected spend of £42.8m officers will need to spend nearly £4.8 million each month. The table over the page shows that officers spent just over £2.7 million in July 2016.

### Spend During July 2016

Department	Spend To June 2016 £000s	Spend To July 2016 £000s	Increase £000s
<b>C&amp;H</b>	(26)	65	91
<b>CS</b>	79	242	164
<b>CSF</b>	699	1,167	468
<b>E&amp;R</b>	1,051	3,074	2,023
<b>Total Capital</b>	<b>1,803</b>	<b>4,549</b>	<b>2,746</b>

4.7 Based on current spend patterns both 2016/17 to 2018/19 need to be reviewed and realistically profiled. As part of August Monitoring undertaken in September officers will be challenged and further re-profiling undertaken.

## 5. DELIVERY OF SAVINGS FOR 2016/17

### 5.1

Department	Target Savings 2016/17	Projected Savings 2016/17	Period 4 Forecast Shortfall	Period 4 Forecast Shortfall	Period 3 Forecast Shortfall	Period 3 Forecast Shortfall
	£000's	£000's	£000's	%	£000's	%
Corporate Services	2,316	2,028	(288)	(12.4)%	(288)	(12.4)%
Children Schools and Families	2,191	2,191	0	0.0%	0	0.0%
Community and Housing	5,379	3,188	(2,191)	(40.7)%	(2,217)	(41.2)%
Environment and Regeneration	4,771	4,464	(307)	(6.4)%	(337)	(7.1)%
<b>Total</b>	<b>14,657</b>	<b>11,871</b>	<b>(2,786)</b>	<b>(19.0)%</b>	<b>(2,842)</b>	<b>(19.4)%</b>

Appendix 6 details the progress on savings for 2016/17 by department.

### Progress on savings 2015/16

Department	Target Savings 2015/16	2015/16 shortfall	2016/17 projected shortfall
	£000's	£000's	£000's
Corporate Services	1,170	0	0
Children Schools and Families	781	0	0
Community and Housing	2,154	(14)	(14)
Environment and Regeneration	4,192	(3,493)	(28)
<b>Total</b>	<b>8,297</b>	<b>(3,507)</b>	<b>(42)</b>

Appendix 7 details progress on savings for 2015/16. Details of savings achieved and the expected full year affect of these savings in 2016/17 are provided.

### Progress on savings 2014/15

Department	Target Savings 2014/15	2014/15 shortfall	2015/16 shortfall	2016/17 projected shortfall
	£000's	£000's	£000's	%
Corporate Services	1,650	0	0	0
Children Schools and Families	860	(40)	0	0
Community and Housing	2,465	(1,585)	(1,585)	(1,080)
Environment and Regeneration	3,338	(129)	(125)	(125)
<b>Total</b>	<b>8,313</b>	<b>(1,754)</b>	<b>(1,710)</b>	<b>(1,205)</b>

Appendix 8 details progress on savings for 2014/15. Details of savings achieved and the expected full year affect of these savings in 2016/17 are provided.

## **6. CONSULTATION UNDERTAKEN OR PROPOSED**

6.1 All relevant bodies have been consulted.

## **7. TIMETABLE**

7.1 In accordance with current financial reporting timetables.

## **8. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

8.1 All relevant implications have been addressed in the report.

## **9. LEGAL AND STATUTORY IMPLICATIONS**

9.1 All relevant implications have been addressed in the report.

## **10. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

10.1 Not applicable

## **11. CRIME AND DISORDER IMPLICATIONS**

11.1 Not applicable

## **12. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

12.1 The emphasis placed on the delivery of revenue savings within the financial monitoring report will be enhanced during 2016/17, the risk of part non-delivery of savings is already contained on the key strategic risk register and will be kept under review.

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

Appendix 1-	Detailed position table
Appendix 2 –	Detailed Corporate Items table
Appendix 3 –	Pay and Price Inflation
Appendix 4 –	Treasury Management: Outlook
Appendix 5a –	Current Capital Programme 2016/17
Appendix 5b –	Adjustments to the Current Capital Programme 2016/17
Appendix 5c –	Funding Current Capital Programme 2016/17 & 2017/18
Appendix 6 –	Progress on savings 2016/17
Appendix 7 -	Progress on savings 2015/16
Appendix 8 -	Progress on savings 2014/15

## **14. BACKGROUND PAPERS**

14.1 Budgetary Control files held in the Corporate Services department.

## **15. REPORT AUTHOR**

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**Summary Position as at 31st July  
2016**

**APPENDIX 1**

	Original Budget 2016/17	Current Budget 2016/17	Year to Date Budget (July)	Year to Date Actual (July)	Full Year Forecast (July)	Forecast Variance at year end (July)	Forecast Variance at year end (June)	Outturn Variance 2015/16
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000
<b>Department</b>	-	-	-	-	-	-	-	-
3A. Corporate Services	11,357	11,679	9,490	8,722	11,519	-161	(106)	-373
3B. Children, Schools and Families	50,183	50,777	3,557	10,977	52,425	1,648	1,872	-7
<b>3C. Community and Housing</b>	-	-	-	-	-	-	-	0
Adult Social Care	51,413	51,575	16,426	18,218	58,822	7,246	3,898	1,437
Libraries & Adult Education	2,796	2,846	1,197	1,285	2,542	-304	(387)	41
Housing General Fund	2,009	2,343	636	170	2,634	291	232	-538
3D. Public Health	417	43	-1,886	-4,516	-16	-59	(53)	-7
3E. Environment & Regeneration	21,230	22,448	3,306	520	22,546	98	(71)	3,632
Overheads	0	0	0	0	0	0	0	272
<b>NET SERVICE EXPENDITURE</b>	<b>139,405</b>	<b>141,712</b>	<b>32,726</b>	<b>35,377</b>	<b>150,471</b>	<b>8,759</b>	<b>5,384</b>	<b>4,457</b>
<b>3E. Corporate Items</b>	-	-	-	-	-	-	-	-
Impact of Capital on revenue budget	13,643	13,643	2,232	1,549	13,649	6	6	49
Other Central items	-5,962	-8,669	3,414	3,559	-10,871	-2,202	-2,602	-2,846
Levies	928	928	374	374	928	0	0	0
<b>TOTAL CORPORATE PROVISIONS</b>	<b>8,608</b>	<b>5,901</b>	<b>6,020</b>	<b>5,481</b>	<b>3,705</b>	<b>-2,196</b>	<b>-2,596</b>	<b>-2,797</b>
<b>TOTAL GENERAL FUND</b>	<b>148,013</b>	<b>147,614</b>	<b>38,746</b>	<b>40,858</b>	<b>154,176</b>	<b>6,563</b>	<b>2,788</b>	<b>1,660</b>
<b>Funding</b>	-	-	-	-	-	-	-	-
- Business Rates	(34,230)	(34,230)	(2,846)	(2,846)	(34,230)	0	0	0
- RSG	(23,156)	(23,156)	(8,321)	(8,321)	(23,156)	0	0	0
- Council Tax Freeze Grant 2014/15	0	0	0	0	0	0	0	(6)
- Section 31 Grant	(822)	(822)	(115)	(115)	(898)	(76)	(76)	83
- New Homes Bonus	(4,192)	(4,192)	(1,240)	(1,240)	(4,658)	(466)	0	(1,037)
- PFI Grant	(4,797)	(4,797)	(1,199)	(1,199)	(4,797)	0	0	0
<b>Grants</b>	<b>(67,198)</b>	<b>(67,198)</b>	<b>(13,722)</b>	<b>(13,722)</b>	<b>(67,740)</b>	<b>(542)</b>	<b>(76)</b>	<b>(960)</b>
Collection Fund - Council Tax Surplus(-)/Deficit	(3,200)	(3,200)	0	0	(3,200)	0	0	0
Collection Fund - Business Rates Surplus(-)/Deficit	1,721	1,721	0	0	1,721	0	0	(0)
<b>Council Tax</b>	-	-	-	-	-	-	-	0
- General	(78,620)	(78,620)	0	0	(78,620)	0	0	(0)
- WPC	(300)	(300)	0	0	(300)	0	0	(0)
<b>Council Tax and Collection Fund</b>	<b>(80,399)</b>	<b>(80,399)</b>	<b>0</b>	<b>0</b>	<b>(80,399)</b>	<b>0</b>	<b>0</b>	<b>(0)</b>
<b>FUNDING</b>	<b>(147,597)</b>	<b>(147,597)</b>	<b>(13,722)</b>	<b>(13,722)</b>	<b>(148,139)</b>	<b>(542)</b>	<b>(76)</b>	<b>(961)</b>
<b>NET</b>	<b>417</b>	<b>17</b>	<b>25,024</b>	<b>27,136</b>	<b>6,038</b>	<b>6,021</b>	<b>2,712</b>	<b>699</b>
Appropriation from reserves	-418				(665)	(665)		
<b>NET</b>	<b>(1)</b>	<b>17</b>	<b>25,024</b>	<b>27,136</b>	<b>5,373</b>	<b>5,356</b>	<b>2,712</b>	<b>699</b>

	Current Budget 2016/17	Year to Date Budget (July)	Year to Date Actual (July)	Full Year Forecast at (July)	Forecast Variance at year end (July)	Forecast Variance at year end (June)
<b>Expenditure</b>	£000	£000	£000	£000	£000	£000
Employees	93,219	31,052	31,382	94,616	1,397	1,001
Premises Related Expenditure	8,233	3,700	2,843	7,918	(315)	(294)
Transport Related Expenditure	14,517	4,812	4,712	15,278	761	510
Supplies and Services	167,908	50,736	48,753	165,894	(2,014)	(1,078)
Third Party Payments	88,965	28,506	27,134	97,910	8,945	4,895
Transfer Payments	104,224	33,868	30,297	96,320	(7,904)	(11,466)
Support Services	32,153	2	0	32,154	1	0
Depreciation and Impairment Losses	17,638	0	0	17,637	(0)	(0)
<b>GROSS EXPENDITURE</b>	<b>526,856</b>	<b>152,675</b>	<b>145,122</b>	<b>527,727</b>	<b>870</b>	<b>(6,433)</b>
<b>Income</b>						
Government Grants	(266,780)	(94,663)	(86,260)	(258,605)	8,175	11,283
Other Grants, Reimbursements and Contribs	(22,194)	(5,530)	(3,912)	(23,824)	(1,630)	(959)
Customer and Client Receipts	(63,345)	(19,638)	(19,551)	(62,168)	1,178	1,211
Interest	(46)	(15)	0	(23)	23	23
Recharges	(32,518)	0	0	(32,519)	(0)	(0)
Balances	(261)	(102)	(23)	(118)	143	260
<b>GROSS INCOME</b>	<b>(385,144)</b>	<b>(119,949)</b>	<b>(109,746)</b>	<b>(377,256)</b>	<b>7,888</b>	<b>11,817</b>
<b>NET EXPENDITURE</b>	<b>141,712</b>	<b>32,726</b>	<b>35,377</b>	<b>150,471</b>	<b>8,759</b>	<b>5,383</b>

## Appendix 2

3E. Corporate Items	Council 2016/17 £000s	Original Budget 2016/17 £000s	Current Budget 2016/17 £000s	Year to Date Budget (July) £000s	Year to Date Actual (July) £000s	Full Year Forecast (July) £000s	Forecast Variance at year end (July) £000s	Forecast Variance at year end (June) £000s
Cost of Borrowing Use for Capital Programme	13,643	13,643	13,643	2,232	1,549	13,649	6 0	6 0
<b>Impact of Capital on revenue budget</b>	<b>13,643</b>	<b>13,643</b>	<b>13,643</b>	<b>2,232</b>	<b>1,549</b>	<b>13,649</b>	<b>6</b>	<b>6</b>
<b>Investment Income</b>	<b>(739)</b>	<b>(739)</b>	<b>(739)</b>	<b>(246)</b>	<b>(173)</b>	<b>(1,150)</b>	<b>(411)</b>	<b>(411)</b>
<b>Pension Fund</b>	<b>5,232</b>	<b>5,232</b>	<b>5,232</b>	<b>4,395</b>	<b>4,521</b>	<b>4,732</b>	<b>(500)</b>	<b>(500)</b>
Corporate Provision for Pay Award	883	883	0	0	0	0	0	0
Provision for inflation in excess of 1.5%	540	540	452	0	40	452	0	0
Utilities Inflation Provision	300	300	300	0	0	300	0	0
<b>Pay and Price Inflation</b>	<b>1,723</b>	<b>1,723</b>	<b>752</b>	<b>0</b>	<b>40</b>	<b>752</b>	<b>0</b>	<b>0</b>
Contingency	1,500	1,500	1,391	0	0	400	(991)	(1,391)
Single Status/Equal Pay	100	100	100	0	15	0	(100)	(100)
Bad Debt Provision	500	500	500	0	0	500	0	0
Loss of income arising from P3/P4	400	400	400	0	0	200	(200)	(200)
Loss of HB Admin grant	200	200	200	0	0	200	0	0
MAE 1st year redundancies	600	600	600	0	0	600	0	0
Revenuisation and miscellaneous	1,414	1,414	1,215	0	0	1,215	0	0
<b>Contingencies and provisions</b>	<b>4,714</b>	<b>4,714</b>	<b>4,406</b>	<b>0</b>	<b>15</b>	<b>3,115</b>	<b>(1,291)</b>	<b>(1,691)</b>
Local Services Support Grant	204	204	204	68	0	204	0	0
Other	(1,152)	(1,152)	(1,152)	0	(2)	(1,152)	0	0
<b>Income items</b>	<b>(948)</b>	<b>(948)</b>	<b>(948)</b>	<b>68</b>	<b>(2)</b>	<b>(948)</b>	<b>0</b>	<b>0</b>
Appropriations: CS Reserves	(1,371)	(1,371)	(1,883)	0	(40)	(1,883)	0	0
Appropriations: E&R Reserves	(520)	(520)	(1,347)	(715)	(715)	(1,347)	0	0
Appropriations: CSF Reserves	44	44	(16)	(60)	(60)	(16)	0	0
Appropriations: C&H Reserves	1,146	1,146	1,146	0	0	1,146	0	0
Appropriations: Public Health Reserves	0	0	(28)	(28)	(28)	(28)	0	0
Appropriations: Corporate Reserves	2,394	2,394	2,394	0	0	2,394	0	0
<b>Appropriations/Transfers</b>	<b>1,693</b>	<b>1,693</b>	<b>265</b>	<b>(803)</b>	<b>(843)</b>	<b>265</b>	<b>0</b>	<b>0</b>
<b>Depreciation and Impairment</b>	<b>(17,638)</b>	<b>(17,638)</b>	<b>(17,638)</b>	<b>0</b>	<b>0</b>	<b>(17,638)</b>	<b>0</b>	<b>0</b>
<b>Central Items</b>	<b>7,681</b>	<b>7,681</b>	<b>4,974</b>	<b>5,646</b>	<b>5,107</b>	<b>2,778</b>	<b>(2,196)</b>	<b>(2,596)</b>
<b>Levies</b>	<b>928</b>	<b>928</b>	<b>928</b>	<b>374</b>	<b>374</b>	<b>928</b>	<b>0</b>	<b>0</b>
<b>TOTAL CORPORATE PROVISIONS</b>	<b>8,608</b>	<b>8,608</b>	<b>5,901</b>	<b>6,020</b>	<b>5,481</b>	<b>3,705</b>	<b>(2,196)</b>	<b>(2,596)</b>

### Pay and Price Inflation as at July 2016

In 2016/17, the budget includes 1% for increases in pay and 0.5% for increases in general prices, with an additional amount of £0.540m which is held to assist services that may experience price increases greatly in excess of the inflation allowance provided when setting the budget. At present it is not anticipated that there will be a significant call on this budget and it will only be released when it is certain that it will not be required.

### Pay:

The local government pay award for 2016/17 has been agreed and will cover the two years from April 2016. For the lowest paid (those on spinal points 6-17) this means a pay rise of between 6.6% and 1.01% in the first year, and between 3.4% and 1.3% in the second. Those on spinal points 18-49 will receive 1% in year one and the same again the following year. The offer also includes a joint review of the NJC pay spine and term-time working for school support staff. The budget has now been reallocated to services.

### Prices:

The Consumer Prices Index (CPI) rose by 0.6% in the year to July 2016, compared with a 0.5% rise in the year to June. Although the small increase in the rate between June 2016 and July 2016 takes it to the highest seen since November 2014, it is still relatively low in the historic context. The main contributors to the increase in the rate were rising prices for motor fuels, alcoholic beverages and accommodation services, and a smaller fall in food prices than a year ago. These upward pressures were partially offset by falls in social housing rent, and falling prices for certain games and toys.

CPIH, a measure of UK consumer price inflation that includes owner occupiers' housing costs, rose by 0.9% in the year to July 2016, up from 0.8% in June.

The RPI 12-month rate for July 2016 stood at 1.9%, up from 1.6% in June 2016.

### Outlook for inflation:

At its meeting ending on 3 August 2016, the MPC reduced Bank Rate to 0.25% from 0.5%, the first change in rates for six years. The MPC discussed whether to cut Bank Rate immediately to its effective lower bound, close to but a little above zero, or whether to cut Bank Rate by 0.25% at this time. For a majority of Committee members a case could be made for cutting Bank Rate immediately to the effective lower bound. However, most Committee members also thought there was value in delivering the required stimulus via a broad package of measures and recognised that there would be further opportunities to assess economic prospects at coming meetings in the light of new data.

In the ensuing vote, the MPC:-

- voted unanimously to reduce the Bank Rate by 25 basis points to 0.25%



- voted unanimously that the Bank of England introduce a Term Funding Scheme (TFS), financed by the issuance of central bank reserves, that would reinforce the transmission of the cut in Bank Rate. A Term Funding Scheme would provide funding for banks at interest rates close to Bank Rate, calibrated so that any reduction in Bank Rate has a broadly neutral impact on building societies' and banks' margins in aggregate. This monetary policy measure should help reinforce the transmission of the reduction in Bank Rate to the real economy so that households and firms benefit from the MPC's actions.
- Voted by a majority of 8-1 that the Bank of England purchase a stock of sterling non-financial investment-grade corporate bonds, issued by firms making a material contribution to the UK economy, financed by the issuance of central bank reserves, of up to £10 billion. The MPC consider that it is likely that purchases of corporate bonds will provide a greater boost to activity, pound for pound, than purchases of government bonds. In addition, such purchases were judged likely to have fewer implications for the financial system than additional gilt purchases. These purchases should take place over a period of 18 months.
- Voted by a majority of 6-3 that the Bank of England increase the stock of purchased UK government bonds, financed by the issuance of central bank reserves, by £60 billion to a total of £435 billion. The MPC agreed that these purchases should take place over a period of six months.

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment. In the minutes to the meeting, the MPC set out its rationale for the action it proposed, commenting that "following the United Kingdom's vote to leave the European Union, the exchange rate has fallen and the outlook for growth in the short to medium term has weakened markedly. The fall in sterling is likely to push up on CPI inflation in the near term, hastening its return to the 2% target and probably causing it to rise above the target in the latter part of the MPC's forecast period, before the exchange rate effect dissipates thereafter. In the real economy, although the weaker medium-term outlook for activity largely reflects a downward revision to the economy's supply capacity, near-term weakness in demand is likely to open up a margin of spare capacity, including an eventual rise in unemployment. Consistent with this, recent surveys of business activity, confidence and optimism suggest that the United Kingdom is likely to see little growth in GDP in the second half of this year.

These developments present a trade-off for the MPC between delivering inflation at the target and stabilising activity around potential. The MPC's remit requires it to explain how it has balanced that trade-off. Given the extent of the likely weakness in demand relative to supply, the MPC judges it appropriate to provide additional stimulus to the economy, thereby reducing the amount of spare capacity at the cost of a temporary period of above-target inflation. Not only will such action help to eliminate the degree of spare capacity over time, but because a persistent shortfall in aggregate demand would pull down on inflation in the medium term, it should also ensure that inflation does not

fall back below the target beyond the forecast horizon. Thus, in tolerating a temporary period of above-target inflation, the Committee expects the eventual return of inflation to the target to be more sustainable.”

The latest inflation and unemployment forecasts for the UK economy, based on a summary of independent forecasts are set out in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (August 2016)			
	Lowest %	Highest %	Average %
2016 (Quarter 4)			
CPI	0.1	3.0	1.3
RPI	0.9	3.4	2.1
LFS Unemployment Rate	4.9	6.0	5.3
2017 (Quarter 4)			
CPI	1.5	4.0	2.5
RPI	2.3	4.5	3.0
LFS Unemployment Rate	4.8	6.6	5.6

Clearly where the level of inflation during the year exceeds the amount provided for in the budget, this will put pressure on services to stay within budget and will require effective monitoring and control.

Independent medium-term projections for the calendar years 2016 to 2020 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (August 2016)					
	2016	2017	2018	2019	2020
	%	%	%	%	%
CPI	0.7	2.3	2.3	2.0	2.0
RPI	1.7	2.8	3.0	3.1	3.3
LFS Unemployment Rate	5.1	5.5	5.9	5.9	5.8

## Treasury Management: Outlook

At its meeting ending on 3 August 2016, the MPC reduced Bank Rate to 0.25% from 0.5%, the first change in the rate since March 2009. The Committee also voted to introduce a broad package of measures to provide economic stimulus. It was decided:- that the Bank of England should introduce a Term Funding Scheme (TFS), financed by the issuance of central bank reserves, which will reinforce the transmission of the cut in Bank Rate; that the Bank of England will purchase a stock of sterling non-financial investment-grade corporate bonds, issued by firms making a material contribution to the UK economy, financed by the issuance of central bank reserves, of up to £10 billion; and that the Bank of England will increase the stock of purchased UK government bonds, financed by the issuance of central bank reserves, by £60 billion to a total of £435 billion.

In explaining its decision the MPC commented that benchmark interest rates have fallen markedly in the United Kingdom, with much of that decline occurring after the referendum. In the run-up to the August Report, the market-implied path of Bank Rate over the next three years was around 40 basis points lower on average than in May, and suggested expectations of a cut of around 25 basis points at the MPC's August meeting and further reductions by early 2017.

Based on these judgements and the risks around them, and under the path for Bank Rate based on market yields and the MPC's package of additional stimulus measures, four-quarter GDP growth is projected to slow markedly in the near term before rising to around 2¼% further out. That is a lower growth projection for much of the forecast period, but similar by the end, than in the May Report, which was conditioned on a continuation of EU membership. Greater uncertainty and lower supply prospects following the vote to leave the European Union weigh on private domestic demand growth, although the depreciation in sterling supports net trade. Despite the lower central path for growth than three months ago, the MPC judges that risks remain to the downside, largely stemming from the possibility that net trade will provide less support than assumed.

The MPC's forecasts of Bank Base Rate in recent Quarterly Inflation Reports which were made pre-Brexit up to May 2016 are summarised in the following table:-

	End Q.3 2016	End Q.4 2016	End Q.1 2017	End Q.2 2017	End Q.3 2017	End Q.4 2017	End Q.1 2018	End Q.2 2018	End Q.3 2018	End Q.4 2018	End Q.1 2019	End Q.2 2019	End Q.2 2019
Aug.'16	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
May '16	0.4	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.8	
Feb. '16	0.5	0.5	0.5	0.6	0.7	0.8	0.8	0.9	1.0	1.0	1.1		
Nov '15	0.6	0.6	0.7	0.8	0.9	1.0	1.1	1.1	1.2	1.3			
Aug.'15	0.9	1.0	1.2	1.3	1.4	1.5	1.6	1.7	1.7				
May '15	0.8	0.9	1.0	1.1	1.2	1.3	1.3	1.4					
Feb.'15	0.7	0.8	0.9	1.0	1.0	1.1	1.1						
Nov '14	1.2	1.4	1.5	1.5	1.7	1.7							
Aug.'14	1.9	2.0	2.1	2.2	2.3								

Source: Bank of England Inflation Reports

It is interesting to look at how the MPC's key judgements have altered since the May Inflation Report (pre-Brexit vote) and the latest August 2016 (post Brexit decision) Inflation report.

Developments anticipated in May	Developments now anticipated
<b>Household energy prices</b> <ul style="list-style-type: none"> <li>Domestic gas prices to fall by just over 10% in 2016 H2.</li> <li>Domestic electricity prices to remain flat.</li> </ul>	<b>Revised up</b> <ul style="list-style-type: none"> <li>Domestic gas and electricity prices are unchanged in 2016.</li> </ul>
<b>Commodity prices</b> <ul style="list-style-type: none"> <li>Commodity prices to evolve in line with the conditioning assumptions.</li> </ul>	<b>Higher than expected</b> <ul style="list-style-type: none"> <li>US dollar oil prices are around 1½% higher.</li> </ul>
<b>Import prices</b> <ul style="list-style-type: none"> <li>Non-fuel import prices to rise by almost 1% in the year to 2016 Q4.</li> </ul>	<b>Revised up significantly</b> <ul style="list-style-type: none"> <li>Non-fuel import prices expected to rise by 6% in the year to 2017 Q1, on account of recent falls in sterling.</li> </ul>
<b>Earnings growth</b> <ul style="list-style-type: none"> <li>Four-quarter AWE growth to pick up to 3% by the end of the year.</li> </ul>	<b>Revised down slightly</b> <ul style="list-style-type: none"> <li>Four-quarter AWE growth around 2¾% at the turn of the year.</li> </ul>
<b>Unit labour costs</b> <ul style="list-style-type: none"> <li>Four-quarter growth in whole-economy unit labour costs to average 2½% in 2016 H2.</li> </ul>	<b>Revised down slightly</b> <ul style="list-style-type: none"> <li>Weak productivity growth means that four-quarter growth in whole-economy unit labour costs reaches 2¼% by the turn of the year.</li> </ul>
<b>Inflation expectations</b> <ul style="list-style-type: none"> <li>Indicators of inflation expectations continue to be broadly consistent with the 2% target.</li> </ul>	<b>Broadly unchanged</b> <ul style="list-style-type: none"> <li>Household and financial market measures of near-term inflation expectations have increased a little, while longer-term measures have fallen modestly. On balance, measures are broadly consistent with the 2% target.</li> </ul>
Developments anticipated in May	Developments now anticipated
<b>Unemployment</b> <ul style="list-style-type: none"> <li>Headline LFS unemployment rate to reach 5% by end-2016.</li> </ul>	<b>Revised up slightly</b> <ul style="list-style-type: none"> <li>Unemployment rate fell to 4.9% in May, and is expected to rise, reaching just over 5% by 2017 Q1.</li> </ul>
<b>Participation</b> <ul style="list-style-type: none"> <li>Labour market participation rate to remain stable at around 63½%.</li> </ul>	<b>Broadly unchanged</b> <ul style="list-style-type: none"> <li>Labour market participation rate to remain stable at around 63½%.</li> </ul>
<b>Average hours</b> <ul style="list-style-type: none"> <li>Average hours to fall by ¾% during 2016 Q2–Q4.</li> </ul>	<b>Broadly unchanged</b> <ul style="list-style-type: none"> <li>Average hours to fall by ¾% in the year to 2017 Q1.</li> </ul>
<b>Productivity</b> <ul style="list-style-type: none"> <li>Quarterly hourly labour productivity to grow at an average pace of around ½%.</li> </ul>	<b>Revised down</b> <ul style="list-style-type: none"> <li>Quarterly hourly labour productivity growth of around ¼%.</li> </ul>

Source: Bank of England, Inflation Report August 2016

The MPC makes its decisions in the context of the monetary policy forward guidance announced alongside the publication of the August 2013 Inflation Report. This guidance was summarised and reported in the July 2013 monitoring report.

The Inflation Report for February 2014 provided a summary of the Bank of England's approach to its proposed monetary policy as the economy recovers and once the unemployment threshold has been reached:-

- The MPC sets policy to achieve the 2% inflation target, and, subject to that, to support the Government's economic policies, including those for growth and employment.
- Despite the sharp fall in unemployment, there remains scope to absorb spare capacity further before raising Bank Rate.
- When Bank Rate does begin to rise, the appropriate path so as to eliminate slack over the next two to three years and keep inflation close to the target is expected to be gradual.
- The actual path of Bank Rate over the next few years will, however, depend on economic developments.
- Even when the economy has returned to normal levels of capacity and inflation is close to the target, the appropriate level of Bank Rate is likely to be materially below the 5% level set on average by the Committee prior to the financial crisis.
- The MPC intends to maintain the stock of purchased assets at least until the first rise in Bank Rate.
- Monetary policy may have a role to play in mitigating risks to financial stability, but only as a last line of defence if those risks cannot be contained by the substantial range of policy actions available to the Financial Policy Committee and other regulatory authorities.

Changes to the Bank Base Rate will depend on how quickly the economy recovers and will be set to achieve the inflation target of 2%.

The MPC sets monetary policy to meet the 2% target in the medium term and in a way that helps to sustain growth and employment.

## Appendix 5a

### Community & Housing Summary Capital Report - July 2016 Monitoring

Scheme Description	Revised Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
<b>Adult Social Care</b>						
The Gables Mitcham	0	(26,765)	0	(26,765)	0	0
Adult Social Care IT Projects	131,510	569	558	11	131,510	0
<b>Libraries</b>						
Library Self Service	94,970	(42,612)	20,000	(62,612)	94,970	0
Colliers Wood Library Re-Fit	50,000	0	0	0	50,000	0
<b>Housing</b>						
8 Wilton Road	0	(4,371)	0	(4,371)	0	0
Western Road	760,000	0	0	0	760,000	0
Disabled Facilities	1,043,170	138,354	103,492	34,862	400,000	(643,170)
<b>Community and Housing Total</b>	<b>2,079,650</b>	<b>65,175</b>	<b>124,050</b>	<b>(58,875)</b>	<b>1,436,480</b>	<b>(643,170)</b>

### Corporate Services Summary Capital Report - July 2016 Monitoring

Scheme Description	Revised Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Business Improvement	2,451,020	80,500	329,390	(248,890)	2,451,020	0
Corporate Items	3,372,300	0	0	0	0	(3,372,300)
Facilities Management	2,822,020	65,908	234,440	(168,532)	2,822,020	0
IT Total	1,793,190	102,592	150,828	(48,236)	1,793,190	0
Resources	476,100	(27,666)	50,000	(77,666)	476,100	0
IT Transformation Unallocated	26,670	21,143	26,670	(5,527)	26,670	0
<b>Corporate Services Total</b>	<b>10,941,300</b>	<b>242,477</b>	<b>791,328</b>	<b>(548,851)</b>	<b>7,569,000</b>	<b>(3,372,300)</b>

### Children, Schools & Families Summary Capital Report - July 2016 Monitoring

Scheme Description	Revised Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Aragon expansion	0	(11,083)	0	(11,083)	0	0
Joseph Hood Permanent Expansn	3,720	0	0	0	3,720	0
St Mary's expansion	0	(23,722)	0	(23,722)	0	0
Hillcross School Expansion	3,090	(69,767)	3,090	(72,857)	3,090	0
Merton Abbey Temp Accomodation	0	(23,684)	0	(23,684)	0	0
Pelham School Expansion	10,660	(8,117)	10,660	(18,777)	10,660	0
Dundonald expansion	2,694,410	1,220,180	725,000	495,180	2,694,410	0
Poplar Permanent Expansion	1,000	(49,144)	1,000	(50,144)	1,000	0
Singlegate expansion	1,014,020	618,206	472,500	145,706	1,014,020	0
Primary School Exp. Overspen Provision	300,330	(449,866)	0	(449,866)	61,481	(238,849)
Wimbledon Park expansion	0	(27,000)	0	(27,000)	0	0
<b>Primary Expansion</b>	<b>4,027,230</b>	<b>1,176,003</b>	<b>1,212,250</b>	<b>(36,247)</b>	<b>3,788,381</b>	<b>(238,849)</b>

## Appendix 5a

### Children, Schools & Families Summary Capital Report - July 2016 Monitoring Continued ...

Scheme Description	Revised Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Secondary School expansion	30,000	0	0	0	30,000	0
St Marks Expansion	50,000	0	0	0	50,000	0
New School	7,450,000	0	0	0	7,450,000	0
Harris Merton Expansion	2,225,110	84,714	80,000	4,714	2,225,110	0
Harris Morden Expansion	300,000	0	0	0	300,000	0
<b>Secondary Expansion</b>	<b>10,055,110</b>	<b>84,714</b>	<b>80,000</b>	<b>4,714</b>	<b>10,055,110</b>	<b>0</b>
Cricket Green Site	1,560	(1,200)	1,560	(2,760)	1,560	0
Primary school autism unit	70,730	(41,073)	0	(41,073)	70,730	0
Perseid	201,930	(145,055)	41,930	(186,985)	201,930	0
Secondary School Autism Unit	300,000	0	0	0	300,000	0
Futher SEN Units	295,320	0	0	0	295,320	0
<b>SEN Expansion</b>	<b>869,540</b>	<b>(187,328)</b>	<b>43,490</b>	<b>(230,818)</b>	<b>869,540</b>	<b>0</b>
Devolved Formula Capital	367,820	122,612	122,612	0	367,820	0
Free School Meals	0	(24,126)	0	(24,126)	0	0
B698 St Catherines Fields Fencing	47,000	0	0	0	47,000	0
Schs Cap Maint & Accessibility	985,900	(4,745)	6,000	(10,745)	985,900	0
Schools Equipment Loans	104,450	0	0	0	104,450	0
<b>Other</b>	<b>1,505,170</b>	<b>93,741</b>	<b>128,612</b>	<b>(34,871)</b>	<b>1,505,170</b>	<b>0</b>
<b>Children Schools and Families</b>	<b>16,457,050</b>	<b>1,167,130</b>	<b>1,464,352</b>	<b>(297,222)</b>	<b>16,218,201</b>	<b>(238,849)</b>

### Environment & Regeneration Summary Capital Report - July 2016 Monitoring

Scheme Description	Revised Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Footways Planned Works	1,000,000	257,490	200,000	57,490	1,000,000	0
Greenspaces	886,350	131,942	247,586	(115,644)	886,350	0
Highways General Planned Works	479,180	59,171	113,000	(53,829)	479,180	0
Highways Planned Road Works *	1,500,000	568,266	300,000	268,266	1,500,000	0
Leisure Centres	5,146,440	425,503	394,331	31,172	5,146,440	0
Other E&R	199,920	22,400	26,667	(4,267)	199,920	0
On and Off Street Parking	9,900	0	0	0	9,900	0
Regeneration Partnerships	3,263,720	245,895	265,326	(19,431)	3,263,720	0
Street Lighting	662,000	258,792	258,322	470	662,000	0
Street Scene	105,950	47,742	68,750	(21,008)	105,950	0
Transport for London	2,302,620	596,459	380,000	216,459	2,251,620	(51,000)
Traffic and Parking Management	1,394,540	384,598	386,650	(2,052)	1,380,620	(13,920)
Transport and Plant	541,600	66,115	276,058	(209,943)	541,600	0
Waste Operations	175,500	9,539	45,166	(35,627)	175,500	0
<b>Environment and Regeneration</b>	<b>17,667,720</b>	<b>3,073,912</b>	<b>2,961,856</b>	<b>112,056</b>	<b>17,602,800</b>	<b>(64,920)</b>

\* Profile of this budget is currently being reviewed

## Virement, Re-profiling and New Funding - July 2016

Appendix 5b

	2016/17 Budget	Virements	Adjusted & New Funding	Reprofiling	Revised 2016/17 Budget	Adjusted & New Funding	Adjustment	Revised 2017/18 Budget	Narrative
<b>Corporate Services</b>	£	£	£	£	£	£		£	
Improving Financial Systems (1)	191,300		137,000		328,300			0	New Go Live date of 1/11/16 will require additional project £52k, additional technical support £53k and additional hosting costs of £33k.
Full EDRMS Invoice Solution SCIS/FIS(1)	0		41,000		41,000	0		0	Provision of a full EDRMS solution for SCIS/FIS - this is above current contractual commitment
Replacement Social Care System	554,590		300,000		854,590	0		0	Required to develop the IT Solution
<b>Children, Schools and Families</b>									
Schs Cap Maint & Accessibility	970,900		35,000	(20,000)	985,900		20,000	670,000	25k additional contribution from Rutlish school towards security works and 10k contribution from Morden Primary. Schools contributions for Dundonald (10k) and the SMART centre (10k) reprofiled to 17/18.
New 6fe Secondary School	2,063,250			5,386,750	7,450,000		(5,386,750)	4,916,250	Budget re-profiled to reflect timing of land purchase
<b>Environment &amp; Regeneration</b>									
S106 - B706 Boxley Road	0		43,320		43,320			0	s106 funding for resurfacing, lighting columns and kurb replacement works
SLWP Contract (2)	0				0		1,043,000	6,745,000	Correction to the amount included in the June monitoring for SLWP
<b>Total</b>	<b>3,780,040</b>	<b>0</b>	<b>556,320</b>	<b>5,366,750</b>	<b>9,703,110</b>	<b>0</b>	<b>(4,323,750)</b>	<b>12,331,250</b>	

1) Requires Cabinet Approval

2) Requires Council Approval



## Capital Programme Funding Summary 2016/17

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
<b>Cabinet - September - June 2016 Mon.</b>	<b>27,027</b>	<b>14,197</b>	<b>41,223</b>
<b><u>Corporate Services</u></b>			
Improving Financial Systems	137	0	137
Full EDRMS Invoice Solution SCIS/FIS	0	41	41
Replacement Social Care System			
<b><u>Children, Schools and Families</u></b>	<b>0</b>	<b>300</b>	<b>300</b>
Schs Cap Maint & Accessibility			
School contributions - Dundonald	0	(10)	(10)
School contributions - SMART Ctre	0	(10)	(10)
School contributions - Rutlish	0	25	25
School contribution - Morden	0	10	10
New 6fe Secondary School	5,387	0	5,387
<b><u>Environment &amp; Regeneration</u></b>			
S106 - B706 Boxley Road	43	0	43
<b>Cabinet - September - July 2016 Mon.</b>	<b>32,594</b>	<b>14,552</b>	<b>47,146</b>

## Capital Programme Funding Summary 2017/18

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
<b>Cabinet - September - June 2016 Mon.</b>	<b>30,380</b>	<b>16,309</b>	<b>46,689</b>
<b><u>Children, Schools and Families</u></b>			
Schs Cap Maint & Accessibility			
School contributions - Dundonald		10	10
School contributions - SMART Ctre		10	10
New 6fe Secondary School	(5,387)	0	(5,387)
<b><u>Environment and Regeneration</u></b>			
SLWP Contract	1,043	0	1,043
<b>Cabinet - September - July 2016 Mon.</b>	<b>26,036</b>	<b>16,329</b>	<b>42,365</b>

## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2016/17- July2016

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend ? Y/N
	<b>Adult Social Care</b>							
CH02	<b>Promoting Independence</b> - Public Value Review - Efficiencies to be found in hospital discharge process and by enabling customers to regain and maintain independence	100	52	49	R	David Slark	Some savings achieved through provider negotiations	Y
CH29	<b>Older People - Managing Crisis (including hospital discharge) admissions to residential care.</b> This would include a number of activities designed to reduce admissions to residential care placements. We would be looking to families to continue to support people at home for longer. This would fit in with our overall approach to enable independence.	125	0	125	R	Kim Carey	Panel. May not be achievable.	Y
CH34	<b>Substance Misuse Placements - Actively manage throughput in residential rehab placements</b> - A reduction in the placements available for Substance misuse clients	6	6	0	G	Henrietta Brown		Y
CH05	<b>Realise benefits of new prevention programme in terms of reduced demand for statutory services, or alternatively if these benefits have not occurred then to reduce investment in the prevention programme through reduced grants to Voluntary Organisations.</b> -Reduced demand for statutory services or reduced level of preventative services. In the latter case people would lose some of the services which make their life fuller.	500	500	0	G	Richard Ellis		Y
CH04	<b>Reduce Management costs and reduction in staffing costs Access &amp; Assessment-</b> Staffing restructure to deliver efficient processes, and building on planned shift of some customers to manage their own processes.	100	75	25	R	Kim Carey	Due to the delays in submitting the staff re-structure Business Case and subsequent staff consultation this saving will not be fully realised.	Y

## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2016/17- July2016

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend ? Y/N
CH20	<b>Access and Assessment Employees - Staff Savings</b> 12 FTE to be deleted in 2016/17 12 FTE in 17/18, 12 FTE in 18/19 - These savings will come from across Access and Assessment, covering all service areas. - Reduction in the ability to carry out assessments and reviews, social work support, safeguarding activities, DOLs responsibilities and financial assessments. (CH20)	511	468	43	A	Kim Carey	Due to the delays in submitting the staff re-structure Business Case and subsequent staff consultation this saving may not be fully realised.	Y
CH58	<b>Access and Assessment Employees - Staff Savings</b>	700	700	0	A	Kim Carey		Y
CH22 Page 41	<b>Commissioning Employees- Staff Savings- 4 FTE to be deleted-</b> Reduced capacity to monitor quality within provider services, reduced capacity to monitor performance within services and a reduced capacity to proactively work to sustain and develop a local provider market.	156	151	5	A	Richard Ellis	Due to the delays in submitting the staff re-structure Business Case and subsequent staff consultation this saving will not be fully realised.	Y
CH21	<b>Direct Provision Employees - Staff Savings 11FTE to be deleted-</b> Less activities available both at day centres and in the community. Clients would spend more time in larger congregated settings with less choice of activities. These savings would be made across the three LD and PD day centres.	274	274	0	A	Andy Ottaway-Searle		Y
CH59	<b>Direct Provision Residential and supported living management -staff reductions-</b> We would expect to keep front line support staff but reduce management. This would mean less resource to provide outreach and the emphasis would primarily on providing core services (Bring forward savings -CH37) 2 FTE's	100	100	0	A	Andy Ottaway-Searle		Y
CH23	<b>Directorate- Staff Savings - 0.46 FTE to be deleted- None, post now funded by Public Health</b>	21	21	0	G	Richard Ellis	Saving to be achieved as change of funding	Y

## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2016/17- July2016

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend ? Y/N
CH64	<b>Directorate- Staff Savings</b> - (Budget contribution to Joint Public Health consultant post to be deleted)- None, post now funded by Public Health	30	30	0	G	Richard Ellis	Saving to be achieved as change of funding	Y
CH24	<b>Learning Disabilities- High Cost Packages - Review of High Cost Packages with a view to promoting independence</b> This would be a holistic review of 17 identified high cost placements (i.e. those receiving packages of care over £1,500 per week and not health funded). We will use promoting Independence as the basis of these reviews. We are designing these figures based on a 6% reduction in support for the identified client group.	100	50	50	R	Kim Carey	Pending finalisation of reseouces for the review team.	Y
CH25	<b>Learning Disabilities- Medium Cost Packages- Review of medium cost packages with a view of promoting independence</b> -This would be a holistic review of identified medium cost placements of care of between £400 -£1,500 per week and not health funded). We will use the promoting independence model as the basis for these reviews. We are designing these figures based on a 10% reduction in support for the relevant clients within the identified group.	400	308	92	R	Kim Carey	Pending finalisation of reseouces for the review team. Expected savings include an estiamte of what is currently believed to be achievable.	Y
CH26	<b>Learning Disabilities - Direct Payments-</b> Review of all Direct Payments in Learning Disabilities with a view to promoting independence .We will review the Direct Payments received by clients to assess whether it is still set at the appropriate level for their needs and whether the full payment is being utilised. We will use the promoting independence model as the basis of these reviews. We anticipate this being a reduction of 7% for the individual support packages within this client group. There are currently 98 packages in this group.	50	0	50	R	Kim Carey	Pending finalisation of reseouces for the review team.	Y

## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2016/17- July2016

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend ? Y/N
CH27	<b>Mental Health- Care Packages - Review of support packages within all areas of Mental Health services.</b> - We anticipate this being a reduction of 5% across all support packages and will include a review of Direct Payments within this area. Options include less use of residential placements and quicker reviews as part of a recovery model.	76	0	76	R	Henrietta Brown	Pending finalisation of resources for the review team.	Y
CH28	<b>Older People- Home Care Review of Home Care within support packages.</b> There are currently 596 Older People within Merton receiving home care within their support packages. This represents an average reduction of 9% in home care support packages.	387	337	50	R	Kim Carey	Pending finalisation of resources for the review team. Expected savings include an estimate of what is currently believed to be achievable.	Y
CH30	<b>Older People - Review of Direct Payments support packages</b> -Review of Direct Payments in Older People using the enablement model. We will review the Direct Payments received by clients to assess whether the full payment is being utilised. We will use the enablement model as the basis of these reviews. We anticipate this being an average reduction of 15% for individual support packages within this client group. There are currently 225 packages.	345	200	145	R	Kim Carey	Pending finalisation of resources for the review team. Expected savings include an estimate of what is currently believed to be achievable.	Y
CH31	<b>Physical Disabilities- Review of all Direct Payments for clients with physical disabilities using promoting independence.</b> -We will review the Direct Payments received by clients to assess whether it is still set at the appropriate level for their needs and whether the full payment is being utilised. We will use the promoting independence model as the basis of these reviews. We anticipate this being a reduction of 10% for the individual support packages within this client group. There are currently 150 packages in this group.	134	100	34	R	Kim Carey	Pending finalisation of resources for the review team. Expected savings include an estimate of what is currently believed to be achievable.	Y

## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2016/17- July2016

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend ? Y/N
CH32	<b>Physical Disabilities - Home Care</b> -The saving would be delivered through a review of home care provision within support packages. There are currently 89 Physical Disabilities clients within Merton receiving home care within their support packages. The proposed savings represents an average reduction of 8% in home care for this group.	48	0	48	R	Kim Carey	Pending finalisation of resources for the review team.	Y
CH33	<b>Physical Disabilities- High Cost Packages - Review of PD Residential and 1-1 packages</b> .This saving would be delivered through a targeted review of a small number of PD customers in residential care. These reviews would look at renegotiating unit costs, transferring users to other types of accommodation in the community and reducing or removing 1-1 costs.	60	0	60	R	Kim Carey	Pending finalisation of resources for the review team.	Y
CH60	<b>South Thames Crossroads</b> : Decommission the crossroads service for carers. Replace with domiciliary care service/ Direct Payment offer and commissioned holistic carers support service from voluntary sector.	294	130	164	A	Richard Ellis		
CH61	<b>Meals on Wheels (Sodexo)</b> : Decommissioning service and embed support within community, neighbourhood and voluntary support infrastructure	153	85	68	G	Richard Ellis	Service to be decommissioned from 31st July 2016	Y
CH62	<b>Supported accommodation mental health</b> : Decommission service as a result of Provider notice to cease service in Merton	106	106	0	G	Richard Ellis	The service has been decommissioned & saving achieved.	Y
CH63	<b>Day support Imagine Independence</b> : Decommission service and recommission cost effective peer led day opportunities for people with mental health	84	84	0	G	Richard Ellis	The tender has been awarded and will commence 4th July (which will achieve the saving)	Y
CH51	<b>NHS Income</b> :Negotiate extra NHS funding for extra costs of Hospital Discharges - Circa £150k on packages, £50k on staff.	200	0	200	R	Richard Ellis	Not achievable	Y
	<b><u>Library &amp; Heritage Service</u></b>							
CH44	Deletion of all administrative support (Deletion of 1 x FTE)	26	26	0	G	Anthony Hopkins	Reorganisation complete and individual has been slotted into a new post in the council.	Y

## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2016/17- July2016

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend ? Y/N
CH45	Reduction in activities programme	2	2	0	G	Anthony Hopkins	Savings identified and budget profiled.	Y
CH46	Withdrawal from annual CIPFA public library user survey (PLUS)	3	3	0	G	Anthony Hopkins	Savings identified and budget profiled. New consultation systems will be in place for autumn 16.	Y
CH47	Reduction in volunteering contract	20	20	0	G	Anthony Hopkins	Contract renegotiated and new arrangements to start from 1 April 2016	Y
CH48	Reduction in media fund	45	45	0	G	Anthony Hopkins	Budget reduction re-profiled to reflect new expenditure.	Y
	<b><u>Merton Adult Education</u></b>							
CH15	MAE :Staffing cost reductions -Delivery utilising the use of Information Technology and other efficiencies	8	8	0	G	Yvonne Tomlin - Miller	Saving unlikely to be delivered due to changes in SFA funding	Y
	<b><u>Housing Needs &amp; Enabling</u></b>							
CH8	Reduction of Homelessness Prevention Grant:	56	0	56	R	Steve Langley		Y
CH19	Rationalisation of admin budget :	30	30	0	G	Steve Langley		Y
CH40	Housing Strategy officer - deletion of 1 FTE :	43	43	0	G	Steve Langley	Post vacant and will be deleted - saving wil	Y
CH41	Environmental health Technical officer deletion of 1 FTE:	33	33	0	G	Steve Langley		Y
CH42	Housing options adviser deletion of 1.5 FTE :	53	53	0	G	Steve Langley	Post vacant and will be deleted - saving wil	Y
	<b>Total Community &amp; Housing Department Savings for 2016/17</b>	<b>5,379</b>	<b>4,040</b>	<b>1,340</b>				

## DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 16-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R / A Included in Forecast Over/Unders pend? Y/N
	<b><u>Commissioning, Strategy and Performance</u></b>							
CSF2012-04	Reduce expenditure on LAC and SEN placements	50	50	0	A	Paul Ballatt	Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Placements are reviewed on a monthly basis and detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter.	Y
CSF2014-02	Reduce the post 16 LAC/CL accommodation.	50	50	0	A	Paul Ballatt	Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Placements are reviewed on a monthly basis and detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter.	Y
CSF2014-03	This will be achieved through a combination of reducing our training for facilitators of parenting programmes and decommissioning a service where the commissioned outcomes are not being delivered.	40	40	0	G	Paul Ballatt		
CSF2014-05	Reduction in commissioning of early intervention and prevention services from the VCS.	300	300	0	G	Paul Ballatt		
	<b><u>Children Social Care</u></b>							
CSF2012-07	Family and Adolescent Services Stream - Transforming Families (TF), Youth Offending Team (YOT) and in Education, Training and Employment (ETE). 2016/17 savings will be achieved by the closure of Insight and deletion of YJ management post.	100	100	0	R	Paul Angeli	Insight was not closed as we were not able to opt out of the lease early. This saving will be delivered in 2017/18 and the short for 2016/17 covered through reduced grant-funded and targeted intervention services.	
CSF2015-01	Serious Case Reviews	77	77	0	G	Paul Angeli		
	<b><u>Early Years</u></b>							



## DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 16-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
CSF2013-01	Substantial reduction in EY budgets whilst retaining existing Children's Centres targeted work in areas of higher deprivation (up to 10% reduction overall to Children's Centre services). Reduction in funding and in kind contributions to voluntary sector organisations	17	17	0	G	Jane McSherry		
CSF2014-09	We are working on the detailed proposals which will in essence reduce the service to paid-for childcare (parents and DSG) with a very limited targeted service for highly vulnerable families.	254	254	0	G	Jane McSherry		
CSF2014-06	<u>Youth Service</u> Young people will be signposted to VCS youth provision. Work continues with RSLs and other possible funders to identify some residual funding.	480	480	0	G	Jane McSherry		
CSF2014-07	<u>Public Health</u> Children's centres deliver the widest outcomes for under fives and getting a good start in life is key to narrowing inequalities in health outcomes.	400	400	0	G	Jane McSherry		
CSF2014-08	<u>Schools</u> Increased income from schools and/or reduced LA service offer to schools.	400	400	0	G	Jane McSherry		
CSF2015-02	<u>Cross cutting</u> Service management review across the CSF dept (2/3 FTE depending on grading of posts )	23	23	0	G	Paul Angeli		
	<b>Total Children, Schools and Families Department Savings for 2015/16</b>	<b>2,191</b>	<b>2,191</b>	<b>0</b>				

CSF2012-04 and CSF2014-02 is shown as amber because, although the savings are met, the overall budgets are overspending due to demographic pressures.

## DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 16-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
<b>Customer Services</b>								
CS13	Reduction in discretionary relief (replacement of CS12 and CS13 which had both been deferred until 2016/17)	81	81	0	G	David Keppler/Sean Cunniffe		N
CS36	Re tendering of Cash Collection Contract	10	10	0	G	David Keppler/Sean Cunniffe		N
CS39	Impact of Customer Service Review	30	0	30	R	David Keppler/Sean Cunniffe	Unlikely to be achieved due to delay in Customer Contact Implementation	N
CS61	Dividend income from CHAS 2013 Limited	58	58	0	G			N
CS62	Recharges to Public Health	70	70	0	G			N
CSD9	Ending of e-Capture Service	9	9	0	G	David Keppler/Sean Cunniffe		N
CSD10	Ending of Risk Based Verification	22	22	0	G	David Keppler/Sean Cunniffe		N
CSD11	Terminate the Experian trace and search system contract	10	10	0	G	David Keppler/Sean Cunniffe		N
CSD14	Reduction of 1 FTE Revenues Officer	30	30	0	G	David Keppler/Sean Cunniffe		N
CSD15	Increase in Court Costs (council tax) - Increase from £110.00 to £115.00	40	40	0	G	David Keppler/Sean Cunniffe		N
CSD16	Reduction in discretionary relief	231	231	0	G	David Keppler/Sean Cunniffe		N
CSD18	My Merton and staff reductions - Renegotiate supplier costs for My Merton	32	32	0	G	Sophie Poole		N
CSD19	My Merton and staff reductions - Delete 1 FTE - Communication Asisstant	25	25	0	G	Sophie Poole		N
<b>Business Improvement</b>								
CS5	Review and challenge of the procurement of Support & Maintenance & Licence Contracts	21	21	0	G	Sophie Ellis		N
CS63	Reorganisation of systems development and support arrangements.	88	0	88	R	Sophie Ellis	Recruitment difficulties in new structure	Y
CSD37	PO Restructure	64	64	0	G	Sophie Ellis		N
CSD38	Reduction in support budget	5	5	0	G	Sophie Ellis		N
CSD39	Business Systems Team Restructure Phase 2	50	50	0	G	Sophie Ellis		N
CSD40	Secure additional income generated through gazetteer maintenance and street naming and numbering	30	30	0	G	Sophie Ellis		N
CSD41	Consolidation of systems support	20	20	0	G	Sophie Ellis		N
<b>IT Service Delivery</b>								
CS5	Review and challenge of the procurement of Support & Maintenance & Licence Contracts	29	29	0	G	Mark Humphries		N
CS7	Reduction of costs through re-procurement of Mobile Telephones Contract against a number of revenue budgets spread across the Council	20	20	0	G	Mark Humphries		N
CS8	Reduction of costs through re-procurement of Wide Area Network(WAN) Links contract. Savings achieved against a number of revenue budgets spread across the Council	20	20	0	G	Mark Humphries		N
CS10	Outsourcing - Service Desk	20	0	20	R	Mark Humphries	Saving found from supplies budget	N
CS12	Information Governance Vacant Post	37	37	0	G	Mark Humphries		N
CS16	Surrender of remainder of ITSD Overtime budget	35	35	0	G	Mark Humphries		N
CS23	Outsourcing - Building Services & Security Service	50	50	0	G	Mark Humphries		N
CS28	M&E Term Contract (Amalgamation) of Intruder Alarms	20	20	0	G	Mark Humphries		N
CSD2	Energy Savings (Subject to agreed investment of £1.5m)	150	0	150	R	Mark Humphries	Full saving unlikely to be achieved due to delay in implementation. Alternative saving in current year to be identified	N
CSD3	Rationalise IT Service Delivery support & maintenance contracts.	86	86	0	G	Mark Humphries		N

## DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 16-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSD4	Rationalise Facilities Management Building Repairs & Maintenance budgets	15	15	0	G	Mark Humphries		N
CSD5	Increase income generation from external bookings at Chaucer centre	40	40	0	G	Mark Humphries		N
CSD6	Reduction in the number of vehicles operated by Infrastructure & Transactions division from three to two	5	5	0	G	Mark Humphries		N
CSD8	Restructure IT Service Delivery section and delete 1 FTE post.	40	40	0	G	Mark Humphries		N
	<b>Resources</b>							
CS46	Resources -Deletion of 3 Posts within the Division	25	25	0	G	Paul Dale		N
CS64	Reduction of treasury running costs through review, improvement and efficiency	20	20	0	G	Paul Dale		N
CS65	Consolidation of various budgets within Resources division	66	66	0	G	Paul Dale		N
CS67	Reduction in bank and giro charges	12	12	0	G	Paul Dale		N
CSD20	Increased income	16	16	0	G	Paul Dale		N
CSD21	Rephase existing Savings	42	42	0	G	Paul Dale		N
CSD23	Cut running costs budgets	30	30	0	G	Paul Dale		N
CSD24	Consultancy budget	100	100	0	G	Paul Dale		N
CSD25	Increased charge to Pension Fund	20	20	0	G	Paul Dale		N
CSD47	Delete 1 Policy post	50	50	0	G	Paul Dale		N
	<b>Human Resources</b>							
CS49	Introduction of new application tracking system	10	10	0	G	Kim Brown		N
CS50	Occupational Health & Employee Assistance programme	40	40	0	G	Kim Brown		N
CS74	Review of L&D spend	69	69	0	G	Kim Brown		N
CSD32	Review of HR business support (printing and stationery)	5	5	0	G	Kim Brown		N
CSD35	Learning and Development Budget	18	18	0	G	Kim Brown		N
	<b>Corporate Governance</b>							
CS73	Saving from 4 borough shared legal service	60	60	0	G	Paul Evans		N
CSD44	Stop web casting meetings, remove scrutiny support fund and reduce other supplies and services	35	35	0	G	Paul Evans		N
CSD45	Share audit and investigation service	60	60	0	G	Paul Evans		N
	<b>Other</b>							
CSD48	CHAS Dividend	145	145	0	G			N
	<b>Total Corporate Services Department Savings for 2016/17</b>	<b>2,316</b>	<b>2,028</b>	<b>288</b>				

## DEPARTMENT: ENVIRONMENT &amp; REGENERATION SAVINGS PROGRESS: 2016-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R / A Included in Forecast Over/Underspend? Y/N
<b>SUSTAINABLE COMMUNITIES</b>								
ER23	Staff savings from 6th month review following the merger of the traffic and highways and the FutureMerton team in to one team and further budget savings/adjustments within the controllable expenditure budgets	130	130	0	G	James McGinlay		N
ER23	Restructure of team to provide more focus on property management and resilience within the team.	52	52	0	R	James McGinlay	Saving will now be achieved by increasing the current rental income budget due to a combination of rent reviews and a continuing high occupancy rate.	Y
EN27	Reduction in the Lining Budget	10	10	0	G	James McGinlay		N
EN30	Reduction in supplies and Services Costs	20	20	0	G	James McGinlay		N
EN31	Reduction in energy costs	30	30	0	G	James McGinlay		N
EN32	Renegotiation of J C Deceaux Contract	10	10	0	G	James McGinlay		N
EN35	Various Budgets - Increased Income through various charging increases where the service provided will still be purchased eg Increases % Commercial uplift from 30% to 50% per hr; increases in charges in halls and at watersports centre, etc	14	14	0	G	James McGinlay		N
EN36	Various Budgets - Increased Income through sale of advice & guidance from senior professional officers and sale of specialist arts & leisure developed service packages to groups and organisations e.g private care homes, etc	10	10	0	G	James McGinlay		N
EN37	Merton Active Plus - Increased Income	5	5	0	G	James McGinlay		N
EN42	Consultancy Income. This is based on an average daily rate of £300 per day (15/16 equates to 7 days per year for each chargeable member of staff and 16 days in 16/17) based on the consultancy project management working practices adopted by FutureMerton team.	50	50	0	G	James McGinlay	Income achieved via Estates Regeneration income from CHMP. However, income is not guaranteed for future years.	N
EN45	Further commercialisation and development of sports and allied parks services (eg. increase in fees and charges (3.75%); cost recovery plus; service bundling; sponsorship of bedding plants,etc), aligned to the emerging strategy for sports.	13	0	13	R	James McGinlay	This saving is not currently being achieved. However, it forms part on the ongoing Phase C procurement exercise, and it is envisaged that the final agreement will result in this saving being met in full from 2017/18.	Y
E&R1	Arts Development - further reduce Polka Theatre core grant	5	5	0	G	James McGinlay		N
E&R2	Water sports Centre - Additional income from new business - Marine College & educational activities.	10	10	0	G	James McGinlay		N
E&R6	Reduced costs incurred as a result of sub-leasing Stouthall until 2024.	39	39	0	G	James McGinlay		N
E&R24	Reduction in current levels of staffing in the Greenspaces grounds maintenance and horticulture and sports teams.	130	130	0	A	James McGinlay		Y
E&R26	Introduction of P&D within certain parks responding to demand for the management of parking and controlling excess demand for spaces/commuter parking	60	10	50	R	James McGinlay	Due to a delay in implementation, this saving will not be achieved this year. It is currently expected to be implemented around January 2017.	Y

## DEPARTMENT: ENVIRONMENT &amp; REGENERATION SAVINGS PROGRESS: 2016-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
E&R27	Additional property rental income	44	0	44	R	James McGinlay	An alternative saving is being worked upon, and will be presented to Cabinet in due course.	N
E&R31	Senior management and support-Deletion of the 2 management support posts and absorption into existing resources.	70	70	0	G	Chris Lee		N
E&R32	Wifi Concessionary Contract-Income from wifi concessionary contract to be let from 2015/16	20	20	0	G	James McGinlay		N
E&R33	Various Budgets - Increase in income from commercialisation of services	250	180	70	R	James McGinlay/ Cormac Stokes	The £70k saving relating to the Live at Wimbledon Park event is not expected to be achieved this year.	Y
E&R35	Reduce street lighting contract costs	25	25	0	G	James McGinlay		N
E&R36	Reduction in reactive work budget	60	60	0	G	James McGinlay		N
E&R38	Income from Section 278/Developers agreements where traffic works are required as part of development . Charging for work currently not charged for	50	50	0	A	James McGinlay		N
E&R39	Pre-application income. This is in addition to any previous pre-app savings proposal.	50	30	20	R	James McGinlay	An alternative saving is being worked upon, and will be presented to Cabinet in due course.	Y
E&R40	Consultancy income. This is in addition to any previous savings proposal.	60	10	50	R	James McGinlay	Income achieved via Estates Regeneration income from CHMP. However, income is not guaranteed for future years.  An alternative saving is being worked upon, and will be presented to Cabinet in due course.	Y
E&R42	Align Vestry Hall income budget with current levels of income being achieved.	20	20	0	G	James McGinlay		N
<b>PUBLIC PROTECTION</b>								
EN02	Introduction of unattended automatic number plate recognition CCTV parking enforcement cameras at fixed locations.	226	226	0	G	John Hill		N
EV11	Increase all pay and display charges for on and off street parking by 10%. it should be noted that no allowance has been made for elasticity of demand this figure could reduce by 25%	125	125	0	G	John Hill		N
E&R7	Due to additional requests from residents, the budget will be adjusted to reflect the demand for and ongoing expansion of Controlled Parking Zone coverage in the borough.	260	260	0	A	John Hill	The current estimates for new CPZ permit income is 170k. No estimates for PCN and P&D income have been made as we have not been advised on the hours of operation. We are also awaiting information on the increase in properties to CPZ extensions to GC, CW and MP1 zones. When we have received the numbers of properties and the hours of operation we will be in a position to provide a more accurate forecast.	N
E&R8	In response to residents concerns about traffic congestion, enforcement of moving traffic contraventions, following the Implementation of ANPR.	1,700	1,700	0	G	John Hill		N
E&R9	Change in on-street bay suspension pricing structure.	500	250	250	R	John Hill	due to elasticity of demand shortfall of £250k expected (will be offset by E&R11)	Y

## DEPARTMENT: ENVIRONMENT &amp; REGENERATION SAVINGS PROGRESS: 2016-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
E&R10	Back office reorganisation	80	50	30	G	John Hill		N
E&R11	Enforcement of pavement parking	60	310	-250	G	John Hill	expected to exceed target by at least £250k and will be used to offset shortfall on E&R9.	Y
E&R12	End lease of Wycliffe Road	14	14	0	G	John Hill		N
E&R13	Increase income from discretionary fees & charges	50	50	0	A	John Hill	Work underway, but potential for slippage and subsequent failure to achieve full year effect.	N
E&R15	Alter funding of post dedicated to investigating potential recovery of funds under the POCA, to be funded from costs recovered.	50	50	0	G	John Hill		N
<b>STREET SCENE &amp; WASTE</b>								
EN14	Mobile technology including GPS and in cab monitors. Once implemented will reduce back office staff numbers as a result of reducing reliance on paper schedules and in addition the GPS vehicle tracking system will lead to improved service and fuel efficiency.	100	100	0	R	Cormac Stokes	This saving is linked to new CRM project and Environmental asset Management Business case. GPS and vehicle tracking will not be delivered this year.	Y
E&R17	To reduce the costs of the service and maintain current standards of cleaning within Merton it is proposed to alter how we deploy our resources by reducing residential solo sweepers and alter the use of mechanical sweepers by investing in electric sweepers	157	157	0	G	Cormac Stokes		N
E&R18	Cease the distribution of food caddy liners	70	70	0	G	Cormac Stokes		N
E&R19	Align income budget to levels of income being generated from the sale of Textiles.	50	50	0	G	Cormac Stokes		N
E&R20	To contribute to a cleaner borough, enforcement of litter dropping under EPA/ ASB legislation with FPN fines for contraventions.	20	20	0	G	Cormac Stokes		N
E&R21	HRRC Site operations procured to external provider. Contractual savings.	30	0	30	R	Cormac Stokes	Although procurement led to significant cost reduction, it was not sufficient enough to reduce below existing budget level. Therefore, an alternative saving will be presented to Cabinet in due course.	Y
E&R22	Removal of borough wide dog bins including Parks	42	42	0	G	Cormac Stokes		N
<b>Total Environment and Regeneration Savings 2014/15</b>		<b>4,771</b>	<b>4,464</b>	<b>307</b>				

July'2016								APPENDIX 7	
<b>DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2015/16</b>									
Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Achieved £000	Shortfall £000	RAG	16/17 RAG	Responsible Officer	Comments	Budget Manager Comments
	<u>Libraries</u>								
	<u>Merton Adult Education</u>			0					
CH15	Increased income and some staff reductions	14	0	14	R	R	Yvonne Tomlin		
	<u>Housing</u>			0					
	<b>Total Community &amp; Housing Department Savings for 2015/16</b>	<b>14</b>	<b>0</b>	<b>14</b>					
<b>Scrutiny Panels</b>									
	C&YP							Income - increase in current level of charges	
	HC&OP							Income - increase arising from expansion of existing service/new service	
	SC							Staffing: reduction in costs due to efficiency	
	O&SC							Staffing: reduction in costs due to deletion/reduction in service	
								Non - Staffing: reduction in costs due to efficiency	
								Non - Staffing: reduction in costs due to deletion/reduction in service	
								Procurement / Third Party arrangements - efficiency	
								Grants: Existing service funded by new grant	
								Grants: Improved Efficiency of existing service currently funded by unringfenced grant	
								Reduction in Property related costs	

DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	15/16 RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	All savings for 2015/16 achieved										



**DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2015-16**

Ref		2015/16 Savings Required £000	2015/16 Savings Achieved £000	Shortfall	15/16 RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
ER10	Merton & Richmond shared regulatory services.	230	89	141	R	230	0	G	John Hill	New structure commenced in October 2015, so only a part-year effect saving was achieved in 2015/16. The shortfall is not expected to repeat in 2016/17.	N
EN29	Re-Structure of Traffic and Highway Services	252	146	106	R	252	0	G	James McGinlay	Due to delay in implementation, the full effect of this saving was not realised in 2015/16.	N
EN45	Further commercialisation and development of sports and allied parks services (eg. increase in fees and charges (3.75%); cost recovery plus; service bundling; sponsorship of bedding plants,etc), aligned to the emerging strategy for sports.	39	11	28	R	11	28	R	James McGinlay	This saving forms part on the ongoing Phase C procurement exercise, and it is envisaged that the final agreement will result in this saving being met in full from 2017/18.	Y
EV02	Increase charges for the following types of parking permits Business £5, Trade £5, Teachers £5. Please note no allowance has been made for elasticity of demand this figure could reduce by 10%.	4	0	4	R	4	0	G	John Hill		N
EV12	Introduction of unattended automatic number plate recognition CCTV parking enforcement cameras at fixed locations.	3,214	0	3,214	R	3,214	0	A	John Hill	The implementation phase of the contract is under way with a start date of early July 2016.	N
<b>Total Environment and Regeneration Savings 2015/16</b>		<b>3,739</b>	<b>246</b>	<b>3,493</b>		<b>3,711</b>	<b>28</b>				

**DEPARTMENT: Corporate Services - PROGRESS ON SAVINGS 15-16**

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	15/16 RAG	Responsible Officer	Comments
All savings for 2015/16 achieved							

## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2014/15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Actuals Savings £000	2014/15 Shortfall £000	2015/16 Savings Achieved £000	2015/16 Shortfall £000	RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
<b>Adult Social Care</b>													
ASC13/ASC34	Brokerage Efficiencies	300	118	182	118	182	R	187	113	R	Julie McCauley	Negotiations are on-going with existing service providers, however savings are dependent on market pressures and the current market is that prices are increasing, making negotiating reductions more difficult.	Y
ASC8	Optimising the use of block and spot contracts-OP&LD	300	141	159	141	159	R	141	159	R	David Slark	Negotiations are on-going with existing service providers, however savings are dependent on market pressures and the current market is that prices are increasing, making negotiating reductions more difficult.	Y
ASC54	Reduction in Mental Health Placement	50	0	50	0	50	R	0	50	R	Henrietta Brown	There was an increase in customers with higher needs, which led to a greater expense of placements. In addition, there were not sufficient opportunities for people to move to a lower level of support, so savings were not achieved.	Y
CH12	Remove day care costs from residential customers	250	0	250	0	250	R	0	250	R	Andy Ottaway-Searle	Due to the small number of residential customers this target was not able to be achieved.	Y
CH14	All Saints Respite extension	36	0	36	0	36	R	0	36	R	Julie McCauley	Building work not started to accommodate suitable environment for customers with physical disabilities, therefore savings not achieved.	Y
CH15	Assistive Technology	70	0	70	0	70	R	70	0	A	Andy Ottaway-Searle	Assisted technology used with new customers but tracking cost avoidance is difficult to demonstrate as previously these customers have not incurred costs. Work needed to review existing customers to identify if any savings can be made.	Y

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Actuals Savings £000	2014/15 Shortfall £000	2015/16 Savings Achieved £000	2015/16 Shortfall £000	RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CH6	Voluntary Organisation- SLA reduction	150	0	150	0	150	R	150	0	A	Simon Williams	Work on-going with voluntary sector to review funding to meet savings targets.	Y
ASC53	Meals on wheels contract	50	0	50	0	50	R	0	50	R	Simon Williams	Meals on Wheels contract will not be renewed, however the saving on the contract cost is a 16/17 saving.	Y
ASC6/ASC 49/ CH8	Transport	246	0	246	0	246	R	0	246	R	Andy Ottaway-Searle	Use of LBM transport has been reduced through using day centre staff driving and escorting on leased vans to save money. However as Transport costs are re-apportioned this saving has not been met.	Y
ASC 53/CH	Staffing savings in Direct Provision	216	0	216	0	216	A	216	0	A	Andy Ottaway-Searle	Posts were deleted and budgets reduced at the start of the year, but, increased volumes from 12 to 38 people at our supported living services, plus the need to back fill long term sickness to meet CQC standards led to other staffing budgets overspending. This offset the planned savings. Since increased activity remains unfunded this overspend will only be recouped in 2015-16 if other savings targets are over achieved.	Y
	<b>Merton Adult Education</b> Increase income from commercial courses and café, reduction in staff. Admin & marketing cost.	176	0	176	0	176	R	0	176	R	Yvonne Tomlin	Saving not delivered due to changes in SFA funding	
	<b>Total Community &amp; Housing Dep't Savings for 2014/15</b>	<b>1,844</b>	<b>259</b>	<b>1,585</b>	<b>259</b>	<b>1,585</b>		<b>764</b>	<b>1,080</b>				

## DEPARTMENT: CHILDREN, SCHOOLS &amp; FAMILIES SAVINGS PROGRESS: 2014-15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	2014/15 Shortfall £000	2015/16 Savings Achieved £000	2015/16 Shortfall £000	RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	RAG	Responsible officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
<b>Education</b>													
CSF2012-08	Introduce new models of fulfilling the council's statutory responsibilities for the provision of SEN transport	140	100	40	140	0	G	140	0	G	Jane McSherry	The full year effect of the travel training programme and the roll-out of personal budgets will result in achieving this saving. During 2015/16 £108k was saved from ITT (£63k in the current year to date) and £111k from PB (£6k in the current year to date). The overall transport budget is expected to overspend due to complexity of caseloads and increased prices. A transport board has been set up to review the various cost reduction actions being implemented.	N

## DEPARTMENT: ENVIRONMENT &amp; REGENERATION SAVINGS PROGRESS: 2014-15

Ref		2014/15 Savings Required £000	2014/15 Savings Achieved £000	2014/15 Shortfall £000	2015/16 Savings Achieved £000	2015/16 Shortfall £000	RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	RAG	Responsible Officer	Comments	R/A Included in Forecast Over/Unders pend? Y/N
EN45	Further commercialisation and development of sports and allied parks services	96	67	29	71	25	R	71	25	R	James McGinlay	This saving forms part on the ongoing Phase C procurement exercise, and it is envisaged that the final agreement will result in this saving being met in full from 2017/18.	Y
EN15	Improved performance management and implementation of the Council's new sickness policy resulting in a reduction in agency staff usage.	100	0	100	0	100	R	0	100	R	Cormac Stokes	Improved management of the sickness monitoring is in place. All LTA being seen by HofS.  The technical establishment is expected to be signed off soon. Once done so, it will be reconciled to the use of temporary staff to confirm if this saving has been met.	Y
<b>Total Environment and Regeneration Savings 2014/15</b>		<b>196</b>	<b>67</b>	<b>129</b>	<b>71</b>	<b>125</b>		<b>71</b>	<b>125</b>				

**DEPARTMENT: Corporate Services - PROGRESS ON SAVINGS 14-15**

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	14/15 RAG	Responsible Officer	Comments
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All savings for 2014/15 achieved

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## Cabinet

**Date:** 19 September 2016

**Subject:** Draft Business Plan 2017-21

**Lead officer:** Caroline Holland – Director of Corporate Services

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

**Contact Officer:** Paul Dale

### **Urgent report:**

Reason for urgency: The chairman has approved the submission of this report as a matter of urgency as it provides the latest available information on the Business Plan and Budget 2017/18 and requires consideration of issues relating to the Budget process and Medium Term Financial Strategy 2017-2021. It is important that this consideration is not delayed in order that the Council can work towards a balanced budget at its meeting on 1 March 2017 and set a Council Tax as appropriate for 2017/18.

### **Recommendations:**

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1. That Cabinet notes the rolled forward MTFs for 2017 - 21.
  - 2 That Cabinet confirm the latest position with regards to savings already in the MTFs.
  - 3 That Cabinet agrees the approach to setting a balanced budget using weighted controllable expenditure for each department as the basis for the setting of targets.
  - 4 That Cabinet agrees the proposed departmental targets to be met from savings and income.
  - 5 That Cabinet review the targets and the MTFs at the next meeting in light of the actions identified in response to the monitoring report recommendations set out elsewhere on this agenda.
  - 6 That Cabinet agrees the timetable for the Business Plan 2017-21 including the revenue budget 2017/18, the MTFs 2017-21 and the Capital Programme for 2017-21.
  - 7 That Cabinet note the process for the Service Plan 2017-21 and the progress made so far.
  - 8 That Cabinet consider and review the draft Efficiency Plan at Appendix 3 and request officers to submit a final version to the DCLG by the deadline of 14 October 2016 in order to qualify for the four year funding offer.
-

## 1. Purpose of report and executive summary

- 1.1 This report presents an initial review of the Medium Term Financial Strategy and updates it for development as part of the business planning process for 2017/18.
- 1.2 The report sets out the approach towards setting a balanced budget for 2017-2021 and a draft timetable for the business planning process for 2017/18. It also proposes initial departmental targets to be met from savings and income over the four year period of the MTFS.

### Details

## 2. Medium Term Financial Strategy 2017-21

### 2.1 Background

Council on 2 March 2016 agreed the Budget 2016/17 and MTFS 2016-20. Whilst a balanced budget was set for 2016/17 and indicated for the following three years requiring the use of reserves, there was a gap remaining in 2019/20 and beyond on the same basis, which needs to be addressed, as shown in the following table:-

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
MTFS gap before savings	9.429	15.173	18.642	35.294
Savings identified	(9.429)	(15.173)	(15.173)	(15.173)
MTFS gap (cumulative)	0	0	3.469	20.121

- 2.2 The initial phase of the business planning process is to re-price the MTFS and roll it forward for an additional year. Development of the MTFS in recent budget processes allowed for various scenarios on a range of key variables to be modelled and it is intended to do the same this year and where feasible, to improve the approach to modelling.

### 2.3 Review of Assumptions

The pay and price calculations have been reviewed using the approved budget for 2016/17.

#### 2.3.1 Pay

The current assumptions regarding pay inflation incorporated into the MTFS are

- 1.0% in each year of the MTFS

The local government pay award for 2016/17 has been agreed and will cover the two years from April 2016. For the lowest paid (those on spinal points 6-17) this means a pay rise of between 6.6% and 1.01% in the first year, and between 3.4% and 1.3% in the second. Those on spinal points 18-49 will

receive 1% in year one and the same again the following year. The offer also includes a joint review of the NJC pay spine and term-time working for school support staff.

As reported to Cabinet on 4 July 2016, in the monitoring report for May 2016, the pay inflation resulting from the agreed award is estimated to be as set out in the following table and these amounts will be incorporated into the updated MTFS

**Provision for Pay Inflation:**

(Cumulative)	2017/18	2018/19	2019/20	2020/21
Pay inflation (%)	1.0%	1.0%	1.0%	1.0%
Original MTFS 2016-19 (cumulative £000)	884	1,767	2,651	3,534
Revised estimate (cumulative £000)	932	1,864	2,796	3,728
Change (cumulative £000)	48	97	145	194

**Prices**

The provision for price inflation in the 2016/17 budget was 0.5%, with 1.5% in subsequent years. The estimates have been reviewed using the Approved Budget 2016/17 and are set out in the following table:-

	2017/18	2018/19	2019/20	2020/21
Price inflation in MTFS (%)	1.5%	1.5%	1.5%	1.5%
Original MTFS 2016-19 (cumulative £000)	2,223	4,446	6,669	8,892
Revised estimate (cumulative £000)	2,190	4,380	6,570	8,760
Change (cumulative £000)	(33)	(66)	(99)	(132)

The annual change in the Consumer Prices Index (CPI) remained at 0.6% in the year to August 2016, unchanged from July. The main upward contributors to the change in the rate were rising food prices and air fares, and a smaller fall in the price of motor fuels than a year ago.

These upward pressures were offset by falls in hotel accommodation prices, in addition to smaller rises in the prices of alcohol, and clothing and footwear than a year ago.

CPIH, a measure of UK consumer price inflation that includes owner occupiers' housing costs, rose by 0.9% in the year to August 2016, unchanged from July.

The RPI 12-month rate for August 2016 stood at 1.8%, down from 1.9% in July 2016.

### Outlook for inflation

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment.

At its meeting ending on 3 August 2016, the MPC reduced Bank Rate to 0.25% from 0.5%, the first change in rates for six years. In the minutes to the meeting, the MPC set out its rationale for the action it proposed, commenting that "following the United Kingdom's vote to leave the European Union, the exchange rate has fallen and the outlook for growth in the short to medium term has weakened markedly. The fall in sterling is likely to push up on CPI inflation in the near term, hastening its return to the 2% target and probably causing it to rise above the target in the latter part of the MPC's forecast period, before the exchange rate effect dissipates thereafter. In the real economy, although the weaker medium-term outlook for activity largely reflects a downward revision to the economy's supply capacity, near-term weakness in demand is likely to open up a margin of spare capacity, including an eventual rise in unemployment. Consistent with this, recent surveys of business activity, confidence and optimism suggest that the United Kingdom is likely to see little growth in GDP in the second half of this year. These developments present a trade-off for the MPC between delivering inflation at the target and stabilising activity around potential. The MPC's remit requires it to explain how it has balanced that trade-off. Given the extent of the likely weakness in demand relative to supply, the MPC judges it appropriate to provide additional stimulus to the economy, thereby reducing the amount of spare capacity at the cost of a temporary period of above-target inflation. Not only will such action help to eliminate the degree of spare capacity over time, but because a persistent shortfall in aggregate demand would pull down on inflation in the medium term, it should also ensure that inflation does not fall back below the target beyond the forecast horizon. Thus, in tolerating a temporary period of above-target inflation, the Committee expects the eventual return of inflation to the target to be more sustainable."

The latest inflation and unemployment forecasts for the UK economy, based on a summary of independent forecasts are set out in the following tables:-

	Lowest %	Highest %	Average %
2016 (Quarter 4)			
CPI	0.1	3.0	1.3
RPI	0.9	3.4	2.1
LFS Unemployment Rate	4.9	6.0	5.3
2017 (Quarter 4)			
CPI	1.5	4.0	2.5
RPI	2.3	4.5	3.0
LFS Unemployment Rate	4.8	6.6	5.6

Source: HM Treasury - Forecasts for the UK Economy (August 2016)					
	2016	2017	2018	2019	2020
	%	%	%	%	%
CPI	0.7	2.3	2.3	2.0	2.0
RPI	1.7	2.8	3.0	3.1	3.3
LFS Unemployment Rate	5.1	5.5	5.9	5.9	5.8

### 2.3.3 Inflation > 1.5%:

There is also a corporate provision which is held to assist services that may experience price increases greatly in excess of the 1.5% inflation allowance provided when setting the budget. This will only be released for specific demonstrable demand. An example of this would be contractors having to pay National Living Wage where the increase is 7.5% over current minimum wage.

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Inflation exceeding 1.5%	536	536	536	536

The cash limiting strategy is not without risks but if the Government's 2% target levels of inflation were applied un-damped across the period then the budget gap would increase by c. £2.8m by 2019/20.

### 2.3.4 Growth

The MTFS does not currently include any provision for growth from 2017/18 to 2020/21.

## 2.4 **Income**

2.4.1 The MTFS does not include any specific provision for inflation on income from fees and charges. However, in the business planning process for last year, service departments were able to identify increased income as part of their savings proposals.

## 2.5 **Pension Fund**

2.5.1 A revaluation will be undertaken using data at 31/3/2016. This will be implemented at 1<sup>st</sup> April 2017. There will be discussions during the current financial year with the actuary Barnett Waddingham LLP who will undertake the revaluation and progress will be reported as part of the Business Planning process later in the financial year.

## 2.6 Forecast of Resources and Local Government Finance Settlement

### 2.6.1 Background

Each year in December, the Department of Communities and Local Government (DCLG) notifies local authorities of their Provisional Local Government Finance Settlement. The final Settlement figures are published the following January/February but are generally unchanged or very similar to the provisional figures. The total amount of funding available for local authorities is essentially determined by the amount of resources that Central Government has allocated as part of its annual Departmental Expenditure Limit.

2.6.2 Following the referendum decision to leave the EU, the new Chancellor of the Exchequer said (22 July 2016) that he would review economic data over the coming months stating that "Over the medium term we will have the opportunity with our Autumn Statement, our regular late year fiscal event, to reset fiscal policy if we deem it necessary to do so in the light of the data that will emerge over the coming months." The date of the Autumn Statement has been announced as 23 November 2016. This will provide details of Government Department Expenditure Limits (DELs) from which the Provisional Local Government Finance Settlement follows in mid-late December 2016.

2.6.3 Officers will be reviewing all available information as part of the business planning process throughout the year as more information becomes available to produce as accurate forecasts of Government funding as possible. At the moment there is potentially a wide margin of variation around the core assumptions used in the forecast as the impact of the referendum result on the economy is currently uncertain.

### 2.6.4 Multi-Year Funding Forecasts

When the Department for Communities and Local Government published the provisional local government finance settlement for English authorities in December 2015, the consultation document also described the offer of a four year funding settlement to any council that wished to take it up, alongside indicative allocations for each year of the Spending Review period, subject to authorities publishing an efficiency plan.

On 10 March 2016, the Secretary of State for Communities and Local Government wrote to all local authorities setting out further details about the offer and the need to publish an efficiency plan.

The Government propose that the production of an efficiency plan should be as straightforward as possible and is not intended to create additional bureaucracy. As stated in the Secretary of State's letter on 10 March the "offer is entirely optional. It is open to any council to continue to work on a year by year basis, but I cannot guarantee future levels of funding to those who prefer not to have a four year settlement."

However, since then the referendum has been held and the UK has opted to leave the European Union. In light of the economic uncertainty that has resulted from this decision it is possible that the Government will have to revisit the proposed funding guarantee. No announcements have yet been made but it is necessary to continue the process in order to keep our options open.

The Council could choose not to take up the offer and continue to receive annual financial settlement announcements as it currently does. It would then not be necessary to publish an Efficiency Plan but as stated in the annex to the Secretary of State's letter of 10 March 2016 :-

“Those councils that chose not to accept the offer, or do not qualify, will be subject to the existing yearly process for determining the local government finance settlement.

Allocations could be subject to additional reductions dependant on the fiscal climate and the need to make further savings to reduce the deficit.

At present we do not expect any further multi-year settlements to be offered over the course of this parliament. “

Given that the referendum result was for Brexit, this may mean that the guarantees previously offered will need to be reviewed. It is important then to be aware of how this is progressing and remain as flexible in our approach as possible.

2.6.5 The MTF5 set out in Appendix 1 includes the latest forecast of resources agreed by Council in March 2016/17. Following the referendum result there is currently uncertainty regarding funding going forward and this will probably continue until after the Autumn Statement has been published on 23 November 2016 and evaluated. Until then, the best available information is the four year funding offer published by the Government as part of the Provisional Settlement 2016/17 and work will continue to prepare a draft Efficiency Plan so that the Council can keep its options open.

#### 2.6.6 Business Rates: 100% Retention

The Government has announced that, by the end of this Parliament (2020), local government will collectively retain 100 per cent of business rate revenue. As a consequence, Revenue Support Grant, the main central government grant for local authorities, is to be phased out and, given that there will be resulting additional local tax revenues, local government will be required to take on new responsibilities. The significance of these reforms should not be underestimated, which, while incentivising councils to promote local growth and economic development, could lead to significant divergences in authorities' spending power. There is a lack of correlation between business rate revenue and local authority need and without Revenue Support Grant, a mechanism to shift resources to authorities in direct response to need across all local authorities is an issue that will need to be resolved.

Redistribution between authorities more and less able to generate revenue will clearly be a crucial aspect of the reformed system, and the challenge for the Government and local authorities is to structure the redistribution mechanism in such a way that preserves strong incentives for authorities to promote growth and success. To ensure funding over the longer-term, this may involve local government being awarded greater control over a wider range of more comprehensive fiscal powers, including greater control over council tax, and the ability for councils to vary business rates. This is critical for councils to be able to meet the continually increasing demands for services, such as social care, in the future.

On 5 July 2016 the Government issued a consultation document “Self-sufficient local government: 100% Business Rates Retention” and a further document “Business Rates Reform Fair Funding Review: Call for Evidence on Needs and Redistribution.” The deadline for responses to the consultation is 26 September 2016.

It is intended that the Government will continue to set the Business Rates multiplier and “propose the same system of revenue neutral revaluations with economic growth cancelled out through a change to the multiplier will continue to apply for the 100% business rates retention scheme. “ although “authorities will have additional flexibilities around the operation of the multiplier”.

The Government is required at the revaluation to reset the multiplier to ensure no more is raised in business rates. So if rateable values increase overall at the revaluation the multiplier will fall (and vice-versa). As a result, at the national level, any increase in the economic value of the tax base does not lead to any additional business rates income.

The Government has announced that the move to 100% business rates retention will be fiscally neutral. To ensure this, the main local government grants will be phased out and additional responsibilities will be devolved to local authorities in order to match the additional funding from business rates.

As announced in the Budget 2016, the Government is taking the opportunity to pilot the approach to 100% business rates retention in Greater Manchester and Liverpool City Region, and will increase the share of business rates retained in London. In summary the setting of multipliers is expected to remain with the Government and therefore Council control on the level of business rates is not expected to change greatly.

Regular updates will be provided as part of the Business Planning process throughout the year.

#### 2.6.7 Business Rates Revaluation

The next business rates revaluation will come into effect on 1st April 2017 and will re-assess all business properties in England and Wales based on rental value as at 1st April 2015. It has been a full seven years since business rates



were last assessed, increasing the difficulty in predicting individual bills. At revaluation, the multipliers are revised so that the overall national business rates bill only changes in line with inflation.

Revaluation is done to maintain fairness in the system by redistributing the total amount payable in business rates, reflecting changes in the property market. Revaluation does not raise extra revenue overall.

The Valuation Office Agency (VOA) uses a wide range of property information and rental and other evidence to compare values across similar types of properties in order to set the rateable value.

#### 2.6.8 Business Rates Appeals

The Government is committed to delivering an improved business rates (non-domestic rates) appeals system. There is widespread agreement that the current system is not working, especially for businesses. Too many appeals are held up for too long, creating costs and uncertainty for businesses and for local authorities. The Department for Communities and Local Government's (DCLG) "Check, challenge, appeal: Reforming business rates appeals" consultation sought views on proposals for a new three-stage approach to business rates appeals. The Government plans to draft regulations for consultation and intend the reformed business rates appeals system to apply to the new rating list when it comes into effect on 1 April 2017.

2.6.9 The current level of Revenue Support Grant and Business Rates income (based on 50:30:20 split between central government: Merton and GLA) assumed in the MTFS is as follows:-

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Revenue Support Grant	(15,520)	(10,071)	(5,076)	0
Business Rates (inc. Section 31 grant)	(34,847)	(35,553)	(36,295)	(36,952)

## 2.7 **Council Tax and Collection Fund**

### 2.7.1 Council Tax

The Council Tax income forecast in the current MTFS agreed by Council in March 2016 assumes that the Council Tax Base will increase by 0.5% per year with a collection rate 97.25%. It also assumes a freeze in Council Tax over the period of the MTFS.

On the basis of these assumptions the Council Tax income included over the period of the MTFS is:-

	2017/2018	2018/2019	2019/2020	2020/2021
Council Tax Base	71,683.5	72,041.9	72,402.1	72,764.1
Council Tax (Band D £)	1,102.25	1,102.25	1,102.25	1,102.25
<b>Council Tax Yield (£m)</b>	<b>79.013</b>	<b>79.408</b>	<b>79.805</b>	<b>80.204</b>

However, in its calculation of core spending power for local authorities in the Local Government Finance Settlement for 2016-20, the Government assumed that Council Tax will rise by an average of 3.75% per year (1.75% CPI + 2% adult social care council tax flexibility).

It is currently the administration's policy to freeze council tax, although the council is currently consulting residents on this. However if, from 2019/20 onwards, after the next election, the government's assumed increase of 3.75% is built into the figures above (1.75% Council Tax inflation, and 2% ASC Council Tax flexibility), the following adjustments to the MTFs would result:-

	2017/2018 £m	2018/2019 £m	2019/2020 £m	2020/2021 £m
Council Tax inflation @ 1.75%	0	0	1.397	2.807
ASC Council Tax flexibility @ 2%	0	0	1.596	3.198
<b>Total increase in Council Tax Yield</b>	<b>0</b>	<b>0</b>	<b>2.993</b>	<b>6.005</b>
Less: Increased budget in Social Care	0	0	(1.596)	(3.198)
<b>Net Increase in Council Tax Funding</b>	<b>0</b>	<b>0</b>	<b>1.397</b>	<b>2.807</b>

#### 2.7.2 Collection Fund

The shares to preceptors of the collection surplus/deficit for Council Tax and NNDR based on the estimated Collection Fund balance at 31 March 2016 are summarised in the following table:-

	Estimated surplus/ (deficit) as at 31/03/16	Estimated surplus/ (deficit) as at 31/03/16	Total surplus/ (deficit) as at 31/03/16
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(2,868)	(2,868)
GLA	853	(1,147)	(294)
Merton	3,200	(1,721)	1,479
<b>Total</b>	<b>4,053</b>	<b>(5,736)</b>	<b>(1,683)</b>

2.7.3 Merton's share of the surplus (council tax) and deficit (NNDR) were built into the MTFS agreed by Council in March 2016.

2.7.4 Since then, the Council has produced its 2015/16 accounts as at 31 March 2016 which have been audited. The accounts for 2015/16 include the following surplus/deficit for Council Tax and NNDR as at 31 March 2016:-

	Surplus/ (deficit) as at 31/03/16 Outturn	Surplus/ (deficit) as at 31/03/16 Outturn	Total surplus/ (deficit) as at 31/03/16
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(2,174)	(2,174)
GLA	803	(869)	(66)
Merton	3,007	(1,304)	1,703
Total	3,810	(4,347)	(537)

2.7.5 The overall change in shares of surpluses/deficits is:-

	Surplus/ (deficit) as at 31/03/15	Surplus/ (deficit) as at 31/03/15	Total surplus/ (deficit) as at 31/03/15
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	694	694
GLA	(50)	278	228
Merton	(193)	417	224
Total	(243)	1,389	1,146

2.7.6 The net change in Merton's share of the surplus/deficit is therefore:-

	Estimated Surplus/ (deficit) as at 31/03/16	Outturn Surplus/ (deficit) as at 31/03/16	Surplus/ (deficit) as at 31/03/16 Change
	£000	£000	£000
Council Tax	3,200	3,007	(193)
NNDR	(1,721)	(1,304)	417
Total	1,479	1,703	224

2.7.7 There is no change to the surplus/deficit figures agreed for 2016/17 as all variations are managed via the Collection Fund. However, the net surplus of £0.224m will need to be taken into account when calculating the Merton General Fund's share of any surplus/deficit due to/from the Collection Fund in 2017/18.

2.7.8 The calculation of the estimated surplus/deficit on the Collection Fund as at 31 March 2017 will be made later in the budget process when key variables are firmed up and council tax base and NNDR returns have been completed. Until this time, the increase in the net surplus carried forward from 2016/17 of £0.224m will be included in the draft MTFS for 2017/18.

## 2.8 Capital Financing.

2.8.1 In setting the 2016/17 budget substantial savings on the revenue budget were achieved by maximising the use of capital receipts on the existing programme. The capital programme will be continually reviewed throughout the financial year. Further details on the Capital Programme are provided in paragraph 4 and options around financing will be considered

## 2.9 Draft Outturn 2015/16 – Change in Reserve for Use in Future Year's Budgets

2.9.1 The overspend as a result of the draft outturn has been charged against the Reserve for use in Future Year's Budgets. As a result the amount budgeted to be credited to the reserve in 2015/16 has reduced from £0.806m to £0.113m.

2.9.2 This means that the use of the Reserve for Use in Future Year's budgets has changed as follows:-

	Balance on Reserve	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000	£000
Budget	6,558	2,394	1,785	(2,919)	(7,817)	0
Draft Outturn	5,865	2,394	1,785	(2,919)	(7,124)	0
Change	693	0	0	0	693	0

## 2.10 Review of Outturn 2015/16 and Current Budget and Spending 2016/17

2.10.1 There may be issues identified during the final accounts process and from monthly monitoring, elsewhere on this agenda, that have on-going financial implications which need to be addressed in setting the budget for 2017-21.

## 2.10.2 Monitoring 2016/17

At period 4 to 31<sup>st</sup> July 2016 the year end forecast is a net £5.36m overspend compared to the current budget. This has increased by £2.6m from June. The budget monitoring process will continue to focus on adult social care and children's social care as these areas are forecasting significant overspends.

## 2.11 **Re-priced MTFS 2017-21**

2.11.1 Taking into account the latest available information as summarised in this report, with revised assumptions

- Updated inflation
- Council Tax increase of 1.75% from 2019/20
- Adult Social Care Council Tax flexibility of 2% from 2019/20
- Capital Programme – July monitoring
- Collection Fund surplus/deficit based on Final Account 2015/16
- Reserve for use in future year's budgets reflects outturn

the opening position for the re-priced MTFS is set out in the following table:-

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Budget Gap	0	0	2,224	15,043
Budget Gap (Cumulative)	0	0	2,224	17,267

2.11.2 A more detailed MTFS is included as Appendix 1. The gap over the four year period is c. £17.3m which is substantial and does not make any revisions to government funding which will not be known until the provisional Local Government Finance Settlement is announced in December 2016 following central government's Autumn Statement which is due to be published on 23 November 2016.

2.11.3 There are risks involved from the current economic situation which may increase the gap and similarly, use of reserves if available to fund the gap only provides one-off funding and there is still a necessity to find ongoing savings in future years to maintain a balanced budget.

2.11.4 The flexibility introduced to enable service departments to look at income increases and savings proposals together should assist in achieving effective planning.

## 2.12 **Summary**

2.12.1 There has been a substantial improvement in the council's strategic approach to business planning in recent years and it is important that this is maintained.

Planning should be targeted towards the achievement of a balanced budget over the four year MTFS period. The progress made in reducing the gap to more manageable levels has to be continued this year.

2.12.2 Progress made in recent years in identifying savings over the whole period of the MTFS has reduced pressure on services to make short-term, non-strategic cuts. However, because there is still a sizeable gap over the four year period, and there is utilisation of the Reserve for Use in Future Year's budgets (amounting to c. £6m in the current MTFS) there is a need to set savings targets aimed at eliminating this gap on an ongoing basis.

### **3. Approach to Setting a Balanced Budget**

3.1 This is the initial report on the business planning process for 2017/18 and there is a great deal of work to be done, including the following key areas that are expected to be at the forefront.

a) Review of Central Items

All central items will be closely reviewed to assess the implications for 2017-2021.

b) Further Departmental Savings/Income Targets

The MTFS 2017-21 includes the full year effect of savings and income proposals amounting to c. £15.2m. Initial targets have been set for departments to identify new savings and/or income proposals for c. £3.5m. Details of the draft targets set are included in paragraph 3.5.2.

Work is currently underway on developing proposals to achieve these targets.

c) Review of funding

It is too soon in the financial year to accurately predict what the ongoing impact, particularly over a four year period in the current economic climate, will be but the information will be updated during the business planning process.

d) Capital Programme 2017-21

Changes in the capital programme may arise due to slippage, re-profiling and addition/deletion of schemes. This will have an impact on the capital financing costs of the programme. There is a more detailed analysis and discussion of capital related issues in Section 4 of this report.

### **3.2 Formula Grant and Business Rates Retention**

3.2.1 Further analysis and review in the current year will be undertaken to try to improve forecasting, particularly over the longer term.

### 3.3 Savings agreed and incorporated into the MTFS

3.3.1 As indicated in paragraphs 2.1 and 2.10.1 , the draft budgets in 2017/18 and 2018/19 are currently balanced assuming that departments achieve the savings/income proposals previously agreed by Council. The MTFS includes the following amounts for previously agreed savings/income proposals:-

	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Savings in MTFS (cumulative)	9,429	15,173	15,173	15,173

3.3.2 However, it is also dependent on pre agreed savings for 2016/17 of c. £14m being achieved and, as reported elsewhere on this agenda, this is not currently the case.

<b>Savings Effect in 2016/17</b>	<b>Estimated 2016/17 Shortfall in 2014/15 Savings target</b>	<b>Estimated 2016/17 Shortfall in 2015/16 Savings target</b>	<b>Estimated 2016/17 Shortfall in 2016/17 Savings target</b>	<b>Estimated Total Shortfall in 2016/17 Savings target</b>
<b>Department</b>	£000's	£000's	£000's	£000's
Corporate Services	0	0	288	288
Children Schools & Families	0	0	0	0
Community & Housing	1,080	14	2,217	3,311
Environment & Regeneration	25	28	337	390
<b>Total</b>	<b>1,105</b>	<b>42</b>	<b>2,842</b>	<b>3,989</b>

It is imperative that firm discipline is maintained in delivering savings and departments should be beginning the planning for delivering 2017/18 savings now. Where difficulties are foreseen with achieving any of the savings currently incorporated into the MTFS, then alternative measures must be identified before the 2017/18 budget is set.

3.4.2 In addition to reviewing savings, the impact of changes in capital financing, potential changes in grant income and adjusting profiling of planned use of reserves will be utilised to assist in balancing the budget. All potential avenues will be reviewed and modelled throughout the Business Planning process.

3.4.4 Some savings will however be required to balance budgets over the period of the MTFS and draft targets are proposed for this. Draft proposals will be brought forward during the budget process and subject to scrutiny as has been the case in previous years.

### 3.5 Savings Targets for 2017-21

3.5.1 The approach to setting savings targets for departments for this year's Business Planning process is again based on using controllable budgets and aimed to protect front-line services and services to the vulnerable in line with the 'July principles'. Weightings for each department; Corporate Services, Environment and Regeneration, Community and Housing, and Children, Schools and Families in the ratio (100%) : (100%) : (67%) : (50%), have been applied which reduces the impact on Adult Social Care, Children's Social Care and vulnerable groups. The targets set also take into account the level to which departments have identified savings against targets set for previous years.

3.5.2 Initial targets to balance the MTFs agreed by Council in March 2016 to 2019/20 at this stage have been calculated for each department based on controllable spend and shortfalls in previously identified targets, and are set out in the following table:-

<b>SERVICE DEPARTMENT'S SAVINGS TARGETS FOR 2017-2021 BUSINESS PLANNING PROCESS</b>	<b>Total £000</b>
Corporate Services	586
Children, Schools & Families	912
Environment & Regeneration	1,659
Community & Housing	312
Total Savings/Income Proposals	3,469

3.5.3 Progress on identifying draft proposals will be included in reports throughout the Business Planning process.

### 3.6 Replacement Savings

3.6.1 Monitoring of the delivery of savings is important and it is essential to recognise as quickly as possible where circumstances change and savings previously agreed are either not achievable in full or in part or are delayed.

3.6.2 If this is the case, departments will need to identify replacement savings from elsewhere within their overall budgets.

## 4. Capital Programme for 2017-21

4.1 Since the capital programme was approved by Council in March 2016 and the revenue implications built into the MTFs, there have been a number of amendments arising from outturn 2015/16, monthly monitoring and a review by project managers. There has been a great deal of effort made to ensure that the capital programme set is realistic, affordable and achievable within the capacity available. This has been accompanied by improved financial monitoring and modelling of the programme's costs over the period of the



MTFS which has enabled the budgets for capital financing costs to be reduced and therefore scarce resources to be utilised more effectively.

- 4.2 It is important to ensure that the revenue and capital budgets are integrated and not considered in isolation. The revenue implications of capital expenditure can quickly grow if the capital programme is not contained within the Council's capacity to fund it over the longer term. For example, assuming external borrowing, the capital financing costs of funding £1m (on longer-life assets and short-life assets financed in 2017/18) for the next four years of the MTFS would be approximately:

Capital financing costs of £1m over the MTFS period	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Longer life Assets	10	53	53	52
Short-life assets	10	216	212	208

- 4.3 The bidding process for 2020/21 was launched on 27 June 2016. The closing date for submission of bids was 5 August 2016. Any resulting revisions to the programme, including further slippage and new schemes, will be reported to Cabinet in October 2016.
- 4.4 The current capital provision and associated revenue implications in the currently approved capital programme including forecast slippage, based on July 2016 monitoring information and maximum use of capital receipts, are as follows:-

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Capital Programme	45,651	32,795	17,502	14,731
Revenue Implications	12,686	11,765	12,800	13,318

- 4.5 The potential change in the capital programme since Council in March 2016 is summarised in the following table:-

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Capital Programme:				
- As approved by Council	38,743	32,070	12,307	14,822
- Revised Position with Slippage revisions	45,651	32,795	17,502	14,731
Change	6,908	725	5,195	(91)
Revenue impact				
As approved by Council	12,370	12,200	13,091	13,426
Revised	12,686	11,765	12,800	13,318
Change	316	(435)	(291)	(108)

## **5. Service Planning for 2017-21**

- 5.1 The Service planning process for 2017-21 was launched in August 2016. A plan has been created for each council service. These plans describe what the service does, its plans for the future linked to the Target Operating Model (TOM), its key performance indicators and how its plans will take place within the budget.
- 5.2 There will be three versions of service plans; First Draft, Second Draft and Final.

## **6. Alternative Options**

- 6.1 The range of options available to the Council relating to the Business Plan 2017-21 and for setting a balanced revenue budget and fully financed capital programme will be presented in reports to Cabinet and Council in accordance with the agreed timetable.

## **7. Consultation Undertaken or Proposed**

- 7.1 All relevant bodies have been consulted.

## **8. Timetable**

- 8.1 In accordance with current financial reporting timetables.
- 8.2 A chart setting out the proposed timetable for developing the business plan and service plans is provided as Appendix 2.

## **9. Financial, resource and property implications**

- 9.1 As contained in the body of the report.

## **10. Legal and statutory implications**

- 10.1 As outlined in the report.

## **11. Human rights, equalities and community cohesion implications**

- 11.1 None for the purposes of this report, these will be dealt with as the budget is developed for 2017 – 2021.

## **12. Crime and Disorder Implications**

- 12.1 Not applicable.

**13. Risk Management and health and safety implications**

- 13.1 There is a specific key strategic risk for the Business Plan, which is monitored in line with the corporate risk monitoring timetable.

**14. Appendices – The following documents are to be published with this Report and form part of the Report.**

Appendix 1 – Draft MTFS 2017-21: Re-priced and rolled forward  
Appendix 2 – Business Plan and Service Planning Timetable 2017-21  
Appendix 3 - Draft Efficiency Plan

**15. Background Papers**

- 15.1 The following documents have been relied on in drawing up this report but do not form part of the report:

2015/16 Budgetary Control and Final Accounts Working Papers in the Corporate Services Department.  
2016/17 Budget Monitoring working papers  
MTFS working papers

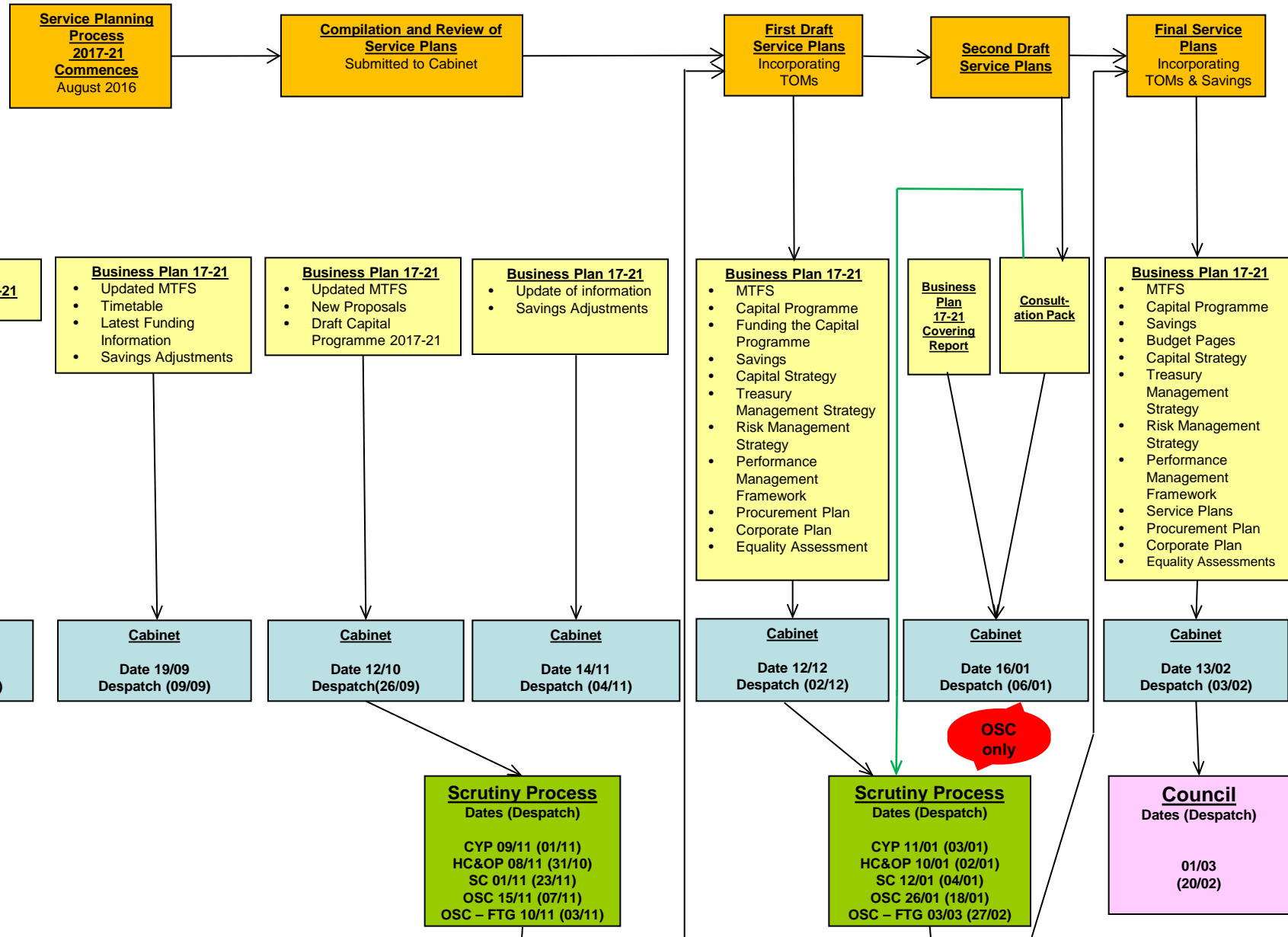
**16. REPORT AUTHOR**

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## APPENDIX 1

<b>DRAFT MTFS 2017-21:</b>				
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Departmental Base Budget 2016/17</b>	<b>139,982</b>	<b>139,982</b>	<b>139,982</b>	<b>139,982</b>
Inflation (Pay, Prices)	3,122	6,244	9,366	12,488
Autoenrolment/Nat. ins changes	857	1,172	1,172	1,172
FYE – Previous Years Savings	(9,429)	(15,173)	(15,173)	(15,173)
Amendments to previously agreed savings	0	0	0	0
Change in Net Appropriations to/(from) Reserves	(1,281)	(1,767)	(1,478)	(1,981)
Taxi card/Concessionary Fares	450	901	1,351	1,801
Other	71	144	1,816	3,470
<b>Re-Priced Departmental Budget</b>	<b>133,772</b>	<b>131,503</b>	<b>137,036</b>	<b>141,758</b>
Treasury/Capital financing	12,686	11,765	12,800	13,318
Pensions	4,592	4,799	5,015	5,015
Other Corporate items	(13,171)	(12,824)	(13,175)	(13,175)
Levies	628	628	628	628
<b>Sub-total: Corporate provisions</b>	<b>4,735</b>	<b>4,368</b>	<b>5,268</b>	<b>5,786</b>
<b>Sub-total: Repriced Departmental Budget + Corporate Provisions</b>	<b>138,507</b>	<b>135,871</b>	<b>142,304</b>	<b>147,544</b>
Savings/Income Proposals 2017/18	0	0	0	0
<b>Sub-total</b>	<b>138,507</b>	<b>135,871</b>	<b>142,304</b>	<b>147,544</b>
Appropriation to/from departmental reserves	(719)	(233)	(522)	(19)
Appropriation to/from Balancing the Budget Reserve	1,676	(2,515)	(7,420)	0
<b>BUDGET REQUIREMENT</b>	<b>139,464</b>	<b>133,123</b>	<b>134,362</b>	<b>147,525</b>
<b>Funded by:</b>				
Revenue Support Grant	(15,520)	(10,071)	(5,076)	0
Business Rates (inc. Section 31 grant)	(34,847)	(35,553)	(36,295)	(36,952)
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(4,763)	(2,993)	(2,871)	(2,000)
Council Tax inc. WPCC	(79,313)	(79,708)	(83,098)	(86,509)
Collection Fund – (Surplus)/Deficit	(224)	0	0	0
<b>TOTAL FUNDING</b>	<b>(139,464)</b>	<b>(133,123)</b>	<b>(132,137)</b>	<b>(130,258)</b>
<b>GAP including Use of Reserves (Cumulative)</b>	<b>0</b>	<b>0</b>	<b>2,224</b>	<b>17,267</b>

# BUSINESS PLANNING TIMETABLE - BUSINESS PLAN 2017-21



## LONDON BOROUGH OF MERTON

## MULTI-YEAR SETTLEMENTS 2016-2020

## EFFICIENCY PLAN

## The Offer

	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>
Revenue Support Grant	22.589	14.963	10.071	5.076
Transition Grant	0.567	0.557	0.000	0.000
<b>Total</b>	<b>23.156</b>	<b>15.520</b>	<b>10.071</b>	<b>5.076</b>

In addition, tariffs and top-ups in 2017-18, 2018-19 and 2019-20 will not be altered for reasons related to the relative needs of local authorities, and in the final year may be subject to the implementation of 100% business rates retention.

Comment by Leader of the Council

Comment by the Chief Executive

DRAFT

Merton Council is an award winning authority and a recent winner of the MJ Council of the Year. We have an ambitious change programme to become London's best council by 2020.

### Medium Term Financial Strategy 2016-20 (MTFS)

Merton's MTFS includes the following assumptions:-

- No Council Tax increase in 2016/17, 2017/18, 2018/19, and 1.75% in 2019/20
- Take up of the 2% adult social care council tax flexibility in 2019/20 only with 2017/18 and 2018/19 currently out for consultation
- Settlement Funding Assessment as set out in the Local Government Finance Settlement 2016-20 including those set out in the offer
- Savings of c.£30m over the period 2016-20, in addition to savings of £69.2m already found over the period 1 April 2009 to 31 March 2016

On the basis of these assumptions, the budget gap Merton is facing over the period 2016-20 is as follows:-

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
MTFS gap before savings	15.686	20.861	22.009	24.081
Savings identified	(15.686)	(20.861)	(22.009)	(22.009)
MTFS gap (cumulative)	0	0	0	2.072

### Residents Satisfaction

In the most recent Annual Residents Survey (2014/15), residents continue to be positive about Merton council, with the proportion of residents agreeing that Merton is doing a good job remaining at 79% for the third consecutive year. This is a significantly higher score than the London average.

The proportion of residents that think Merton is efficient and well run is up from 61% in 2009/10 to 72% in 2014/15.

The proportion of residents that think Merton provides good value for money for the council tax they pay is up from 43% in 2009/10 to 57% in 2014/15.

### The Future

Our top priority will continue to be to provide safe services of the best possible quality within financial constraints and the July 2011 principles. We will deliver services that customers want and need and, where possible, involve our customers in service specification and design.

**The July 2011 Principles** are a set of guiding strategic priorities and principles, as adopted by the council on 13 July 2011:

- Merton should continue to provide a certain level of essential services for residents. The order of priority of 'must' services should be:
  - i) Continue to provide everything that is statutory.
  - ii) Maintain services – within limits – to the vulnerable and elderly.
- After meeting these obligations Merton should do all that it can to help residents who aspire. This means we should address the following as priorities in this order:
  - i) Maintain clean streets and keep council tax low.
  - ii) Keep Merton as a good place for young people to go to school and grow up.
  - iii) Be the best it can for the local environment.
  - iv) All the rest should be open for discussion.

The financial pressures facing Merton mean we should no longer aim to be a 'place-maker' but be a 'place-shaper'. The council should be an enabler, working with partners to provide services.

The Authority is utilising best practice in project management/ transformation to assess the future direction of services and the required staff, process and IT development to deliver this change. Internal decision making structures have been established to maximise Authority wide assessment and development.

The Community Plan has been developed by the Merton Partnership and sets the overall direction and vision for the borough until 2019.

## **Transformation Statement**

By 2020 Merton Council will be transformed by the fruition of a number of change projects which will maximise the use of information technology and streamline processes and service provision. Providing value for money services to our residents is at the heart of our business and we must be able to demonstrate that all of our services represent best value for money. We will do this by continuing to find innovative solutions to maximise future efficiency.

To set the future vision for the Council and its services, we have done a great deal of work on developing a Target Operating Model (TOM). TOM documents set a vision for each of the departments and detail the shape of our future business model, covering all aspects of the organisation, including: services, processes, structures, people and technology.

We are committed to continue making Merton a great place for people to live, work and learn. The Council provides high quality services and we work with the community to enhance resident satisfaction. In the face of the economic climate, we set out to provide excellent value for money and continue to challenge the way we deliver our services to improve outcomes for our residents. We aim to do this by finding innovative solutions to maximise future efficiency. Our customers must be at the heart of our service planning. We will deliver services that customers want and need and involve our customers in service specification and design.

We are continuously reviewing and updating our delivery models and are at the forefront of new developments, such as partnership working including shared



services and flexible working. The financial pressures facing Merton mean we will now take on the role of 'place-shaper' whereby the Council should be an enabler, working with partners to provide services.

Continued delivery of quality and value for money services for our residents has been achieved through reviewing our service delivery models and developing innovative solutions, including shared services, partnership working and the development of volunteering in the borough. Continuous improvement is at the heart of our approach and we have introduced lean methodology to drive out waste from our processes and now work in a highly focused and lean operation.

### **Procurement Plan**

Cost reduction and efficiency targets will not be achieved if the Council fails to approach competition positively, taking full account of the opportunities for innovation and genuine partnerships which are available from working with others in the public, private and Voluntary, Community and Faith Sectors ("VCFS").

The Procurement Plan provides a corporate focus for procurement. It embraces the Council's commitment to strategic procurement and sets out the Council's aspirations. The overarching objectives of this strategy are:-

- To evaluate and improve current procurement practices to achieve better value for money and to ensure customer/client needs are met
- To ensure best practice examples are identified and applied consistently across the organisation.
- To align procurement activities with other strategies adopted and to ensure that corporate objectives are addressed
- To ensure that current and future procurement activities are planned, monitored, and reviewed effectively including identifying opportunities for collaboration with both private and public sector bodies and the VCFS

In taking this strategy forward, the Council expects to realise the following benefits:

- Demonstrate continuous improvement and achieve value for money through the efficient procurement of goods and services
- Encourage communication and interaction with local and national suppliers to understand their views
- Develop relationships between the Council, the business community and the broader voluntary sector which create mutually advantageous, flexible and long term relations
- More efficient procurement processes
- Better risk management
- Strategic procurement planning
- Effective spend analysis and measurable cash savings
- Proactive contract management
- Greater use of standard processes and templates
- Compliance with appropriate legislation
- Compliance with Contract Standing Orders
- Collaboration, including with other authorities, local businesses and the VCFS
- Greater use of the E-Tendering system

Our vision for procurement is to provide a first class service for our residents whilst we build on best practice to ensure value for money in all our procurement exercises. Procurement is not simply about lowest price; instead it is a strategic tool to ensure that we receive best value whilst putting the needs of Merton's residents first.

### **Risk**

The effective management of risk is at the core of our approach to delivering cost effective and efficient services as well as sound corporate governance and is a continuous and evolving process, running through our strategies and service delivery arrangements. As risk is very much concerned with our objectives, the management of it will be closely linked to the creation of our strategic, service, project and partnership objectives and plans. Our risk management process will be continuous and will support internal and external change. The risk management process will be fully integrated with the normal business management processes across the authority.

### **Performance Management**

Merton is committed to delivering customer-focused services. To achieve this, it is essential that we measure our performance, both against our own intentions, and the performance of others, and that we use that information to improve local services. Performance management enables us to ensure that we are constantly meeting our goals, whilst simultaneously allowing us to identify best practice and address areas of concern. It provides the framework for consistently planning and managing improvements to our services to ensure continuous improvement in line with Lean principles. Sustainable improvements in services are unlikely to happen without this framework. Everyone in the organisation has a part to play in monitoring our services and achieving our ambition.

The framework helps us to understand:

- what we are trying to achieve as an organisation
- how we are going to achieve this
- how we will monitor and report progress
- how the contribution of staff, managers, teams and departments relate to each other to help deliver the targets set for the whole organisation

The framework has three parts

- The planning framework
- The planning, monitoring and review cycle
- Taking responsibility for results

### **Reserves**

An analysis of the Council's budget is undertaken and a risk based assessment is used to determine a suitable level of General Fund Reserve. Reserves are under continuous review and reported regularly as part of the Council's budget monitoring procedures.

Merton's General Fund Reserve was £15.151m as at 31/03/2016 and earmarked reserves totalled £28.740m as at 31/03/2016. Current expectations agreed by Merton Council in March 2016 are that the General Fund Reserve will reduce to £12.546m by 31/03/2020 and earmarked reserves will total £6.544m by 31/03/2020.

Although reserves are likely to reduce overall, this is a result of their use for the purposes they were established. The overall level therefore remains adequate, subject to regular review and impacts of financial outturn.

Merton's approach to Medium Term Financial Planning provides a great deal of flexibility in decision making and enables the impact of alternative options to be modeled. This has assisted with progress towards a balanced budget over the four year plan. Part of this approach includes the use of a reserve "For use in future years budgets" which is used to help balance the budget over the MTFFS period, pending the implementation of planned savings. This has enabled the Council to move away from ad hoc annual paring of the budget to more strategic, long-term planned changes to the budget over the life of the MTFFS.

### **Capital Investment**

This Capital Strategy is a fundamental component of our approach to business planning since it reflects our strategic priorities across the council and endeavours to maximise the contribution of the council's limited capital resources to achieving our vision. We will work closely with residents, community organisations and businesses to focus our resources and those of our partners effectively. The strategy also sets out the management arrangements for allocating resources to individual schemes, establishing funding for projects, monitoring progress, managing performance and ensuring that scarce capital resources are allocated efficiently.

Details of major schemes ?? New school, leisure centre, IT investment etc

Asset Management Plan

Links to Business Plan.

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**Committee: Cabinet**

**Date: 19 September 2016**

**Subject: Expansion of Harris Academy Merton – contract award for construction works**

Lead officer: Yvette Stanley, Director Children, Schools and Families Department

Lead member: Councillor Caroline Cooper-Marbiah, Cabinet Member for Education

Contact officer: Tom Procter, Head of Contracts and School Organisation  
020 8545 3306

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**Recommendations:**

- A. The council award the contract for the main phase expansion works for Harris Academy Merton as outlined in the confidential appendix.
- 

**1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 Under the council's constitution all contracts above £2 million should be awarded by Cabinet and the purpose of this report is to award the main construction contract to enable the expansion of Harris Academy Merton by 300 places. Cabinet has previously agreed the principle of expanding the school and Council has agreed the capital budget in the capital programme.
- 1.2 Following a competitive tender process the capital works contract to enable the expansion can be awarded within the approved budget.

**2 DETAILS**

- 2.1. On 18 January 2016 Cabinet agreed that work to expand Harris Academy Merton by 2 forms of entry (300 places across the age 11-16 year groups) should proceed as soon as possible, with the school increasing from 180 places per year to providing 210 year 7 places in September 2016, and 240 in September 2017 and beyond; suitable financial provision was agreed in the council's capital programme.
- 2.2. Officers have worked closely with the school and the Harris Federation to develop a suitable scheme to provide for the additional places and the construction scheme will consist of a two storey stand-alone building containing eight classrooms and ancillary areas, toilets, offices and meeting rooms, together with specific internal remodelling to provide a new servery, classrooms and offices. The scheme was approved by the Planning Application committee in August 2016.
- 2.3. With regard to procurement strategy, experience from recent tenders suggested that medium sized management contractors are currently providing the most competitive prices for this value of work and it was decided that a procurement process that was accessible for these firms

- would provide the best opportunity to enter contract within the quantity surveyor's estimate.
- 2.4. The works were therefore tendered through a two stage procurement process via the ProContract London tenders portal E-tendering system on a Design and Build traditional JCT tender
  - 2.5. The first stage enabled a short list of five suitably experienced construction companies to be shortlisted, and the second stage is on the basis of compliance and price.
  - 2.6. The second stage tender documents were issued to five contractors for return on 5<sup>th</sup> September 2016. The confidential appendix to this report details the tender analysis and recommendation.

### **3 ALTERNATIVE OPTIONS**

- 3.1. The general strategy for school places and agreement to proceed with the expansion of Harris Academy Merton has been previously agreed by Cabinet.
- 3.2. The alternative options therefore relate to the design of the school and the procurement strategy. Various options were considered in the expansion of the school and a design was agreed that met the function of the school and the estimated budget.
- 3.3. With regard to procurement, the alternative strategy would be to use an available framework, and the scheme was initially procured through the SCAPE framework as part of a package of larger works. However, Cabinet in January 2016 only agreed to proceed with the expansion of Harris Merton at this stage which meant that SCAPE was no longer value for money to the council or attractive to the SCAPE contractor.
- 3.4. A review therefore decided that best value for money could be achieved through a design and build two stage competitive tender.

### **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.4. A statutory consultation process for the expansion of an Academy is not required but the council has consulted with other London Borough of Merton headteachers before deciding to expand Harris Academy Merton. The scheme was developed in consultation with the school and Harris Federation and the design was subject to consultation as part of the planning application requirements.

### **5 TIMETABLE**

- 5.1. As this is a design and build project, the tender documents require the contractor to provide a best programme. This will be developed in further detail in conjunction with the school. The anticipated contract start date is the end of October with completion in mid-August 2017, thus enabling the school to have sufficient space at the start of the 2017/18 academic year.

### **6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

- 6.1. Expenditure in 2015-16 for design fees and the council's capital programme provides the budget for the scheme, assisted by "Basic Need" government grant
- 6.2. With regard to revenue funding for school expansion, as schools are funded through the Dedicated Schools Grant (DSG), there are no direct implications to Merton's General Fund of a new academy opening or increasing the published admission number of the three academies to cope with the increased number of pupil.
- 6.3. There will be implications for the DSG as funding is received on a lagged pupil number basis and funding, while the school fills its year groups, from September to March will need to be funded from the DSG growth fund.
- 6.4. Further financial information is contained within the confidential appendix.

## **7 LEGAL AND STATUTORY IMPLICATIONS**

- 7.1. This is a below OJEU threshold works contract and accordingly is not subject to the provisions of the Public Contracts Regulations 2015.
- 7.2. There are no legal implications raised by the content of this report.

## **8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

- 8.1. Additional teaching places at Harris Academy Merton will contribute to the Authority providing access to secondary school places for all its residents who want one. The proposal will help to ensure that children will be able to attend a 'good' local school.

## **9 CRIME AND DISORDER IMPLICATIONS**

- 9.1. There are no specific crime and disorder implications

## **10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

- 10.1. All capital schemes have a financial risk but the scheme is recommended to be awarded within the budget estimate.
- 10.2. Health and safety is being considered carefully to ensure there will be a clear separation between pupils, teachers and parents and construction works, especially in the context of a working school
- 10.3. The project is being managed under project management methodology and a risk log is held and reviewed at project board meetings.

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

- 11.1. Appendix A: (exempt from publication)

## **12 BACKGROUND PAPERS**

- 12.1. Cabinet report 18 January 2016 - Secondary School expansion including new school

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