

## Cabinet

**Date: 7 December 2015**

**Subject: Financial Report 2015/16 – October 2015**

Lead officer: Paul Dale

Lead member: Mark Allison

### 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 £3.2million, 0.59% of the gross budget.
- B. That Cabinet approve the virement of £306,720 from the OCPB reserve for the Mapping and Data Improvement (MADI) project. This is for the procurement of services to survey and map electronically the location and condition of the authority's environmental assets, such as street lighting, gullies, bins, tress etc. so as to improve the management of these assets as well as support an electronic user friendly approach for residents to report defects to the service areas.
- C. That Cabinet approve the virement of £182,120 from the OCPB reserve for the Planweb/Stratus replacement project which will replace two mapping solutions with a single modern solution that will allow for both the service areas to manage their assets and information graphically as well as allow residents to view location based information in a graphical manner.
- D. That Cabinet note the adjustments to the capital programme detailed in appendix 5b and approve the following adjustments to the Capital Programme

Schemes	2015-16	2016-17
	£	£
<b>Tackling Traffic Congestion</b>	<b>(100,000)</b>	<b>0</b>
<b>Anti-theft Security Pay and Display Machines</b>	<b>100,00</b>	<b>0</b>
<b>Electronic Asset Management</b>	<b>190,000</b>	
<b>Total</b>	<b>190,000</b>	<b>0</b>

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the financial monitoring report for the seven month period 31<sup>st</sup> October 2015. This financial monitoring report provides:-

- The income and expenditure at period 7 and a full year forecast projection.
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2015/16;
- Progress on the delivery of the 2015/16 revenue savings
- An update on the delivery of 2014/15 savings

## 2. 2015/16 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

**Executive summary** – At the end of period to 31<sup>st</sup> October 2015 the year end forecast is net £3.2m overspend, 0.59% of the gross budget.

	Current Budget 2015/16 £000s	Full Year Forecast (Oct) £000s	Forecast Variance at year end (Oct) £000s	Forecast Variance at year end-previous month (Sept) £000s	Outturn variance 2014/15 £000s
<b>Department</b>					
3A. Corporate Services	14,836	15,191	356	70	(691)
3B. Children, Schools and Families	52,737	53,774	1,036	1,535	2,663
3C. Community and Housing	61,901	62,945	1,044	1,413	2,774
3D. Public Health	1,154	1,322	168	(364)	(0)
3E. Environment & Regeneration	24,174	27,168	2,994	3,295	1,703
Overheads	0	0	0	0	0
<b>NET SERVICE EXPENDITURE</b>	<b>154,801</b>	<b>160,400</b>	<b>5,599</b>	<b>5,950</b>	<b>6,448</b>
<b>3E. Corporate Items</b>					
Impact of Capital on revenue budget	14,117	14,092	(25)	(25)	205
Central budgets	(14,826)	(17,183)	(2,358)	(2,358)	(2,817)
Levies	926	926	0	0	0
<b>TOTAL CORPORATE PROVISIONS</b>	<b>217</b>	<b>(2,166)</b>	<b>(2,383)</b>	<b>(2,383)</b>	<b>(2,612)</b>
<b>TOTAL GENERAL FUND</b>	<b>155,018</b>	<b>158,234</b>	<b>3,216</b>	<b>3,567</b>	<b>3,836</b>
<b>FUNDING</b>					
Revenue Support Grant	(30,425)	(30,425)	0	0	0
Business Rates	(33,686)	(33,686)	0	0	0
Other Grants	(9,434)	(9,434)	0	0	(154)
Council Tax and Collection Fund	(81,471)	(81,471)	0	0	0
<b>FUNDING</b>	<b>(155,016)</b>	<b>(155,016)</b>	<b>0</b>	<b>0</b>	<b>(154)</b>

The forecast overspend has decreased by £0.35m since last month. The delay to the award for tackling traffic congestion of net £3.2m remains one of the significant reasons for the forecast overspends, together with pressures in CSF caused by transport costs and additional burdens from central government, and pressures in C&H caused by delays in achieving 2014/15 and 2015/16 savings.

Spending needs to be reviewed across all departments as if the outturn remains at this level, General Fund balances will reduce to £11.9m, just above the minimum level. Further savings may need to be found if this continues to ensure a minimum level of General Fund balances are maintained.

	Current Budget 2015/16	Full Year Forecast (Oct)	Forecast Variance at year end (Oct)	Forecast Variance at year end (Sept)
<b>Expenditure</b>	£000	£000	£000	£000
Employees	97,714	98,926	1,212	1,679
Premises Related Expenditure	8,779	8,398	(381)	(635)
Transport Related Expenditure	14,689	14,748	59	587
Supplies and Services	175,166	174,006	(1,160)	(872)
Third Party Payments	89,543	93,485	3,942	4,309
Transfer Payments	104,045	101,226	(2,819)	(3,458)
Support Services	31,902	31,901	(1)	(1)
Depreciation and Impairment Losses	16,505	16,505	(0)	0
Corporate Provisions	217	(2,166)	(2,383)	(2,383)
<b>GROSS EXPENDITURE</b>	<b>538,560</b>	<b>537,029</b>	<b>(1,532)</b>	<b>(773)</b>
<b>Income</b>				
Government Grants	(267,201)	(263,847)	3,355	3,015
Other Grants, Reimbursements and Contribs	(22,364)	(24,549)	(2,185)	5
Customer and Client Receipts	(61,315)	(58,155)	3,160	827
Interest	(44)	(20)	24	24
Recharges	(32,547)	(32,546)	1	1
Balances	(70)	323	393	468
<b>GROSS INCOME</b>	<b>(383,542)</b>	<b>(378,794)</b>	<b>4,747</b>	<b>4,340</b>
<b>NET EXPENDITURE</b>	<b>155,018</b>	<b>158,234</b>	<b>3,216</b>	<b>3,567</b>

Chart 1 below shows the forecast year end variance for departmental expenditure with a comparison against prior years.

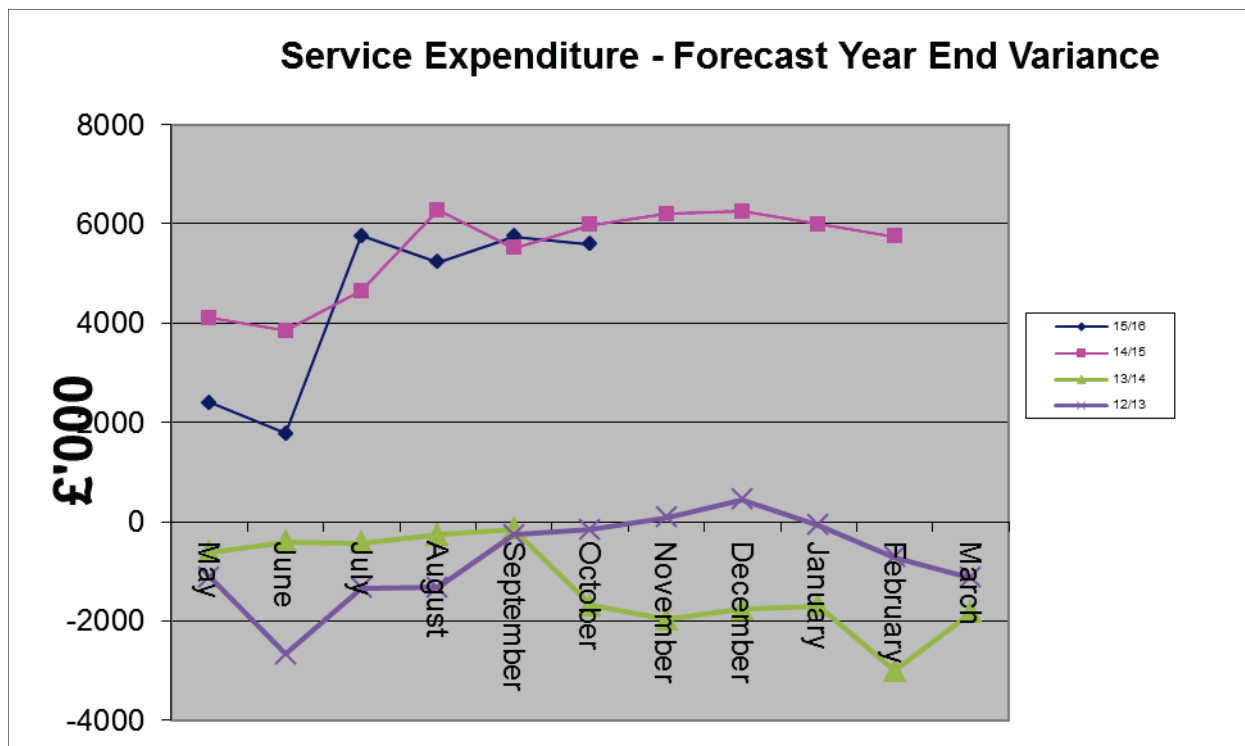
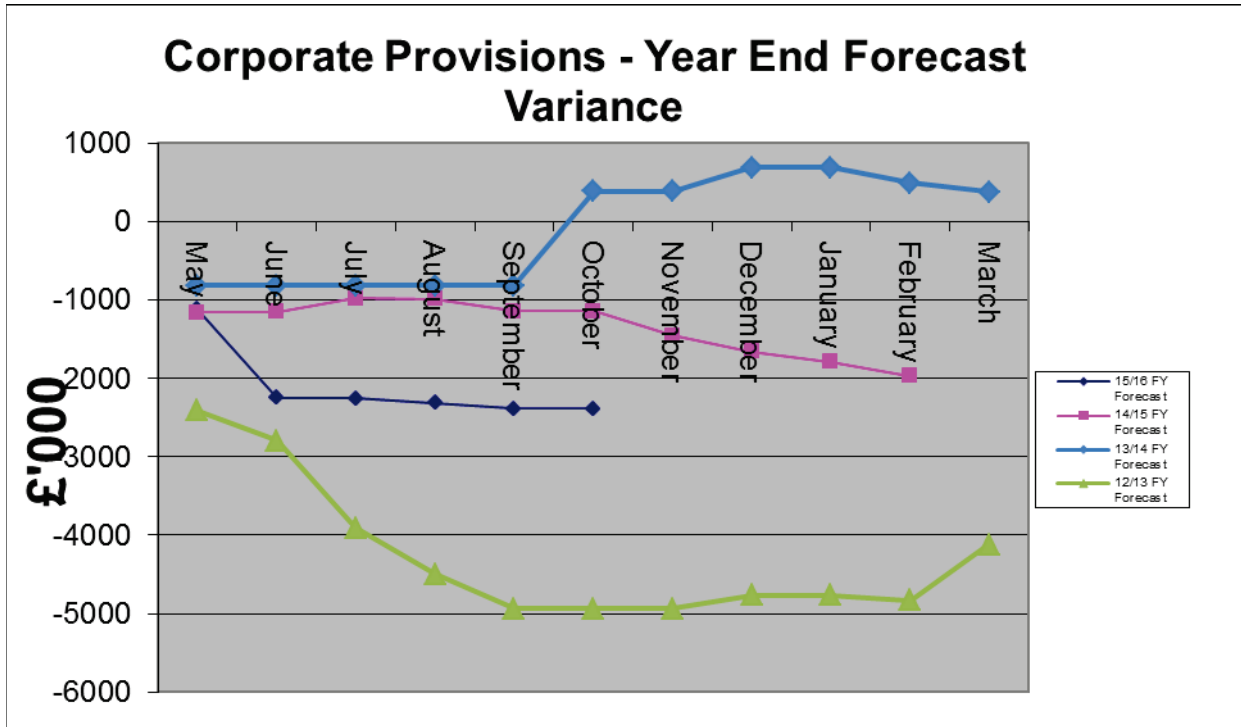


Chart 2 shows the forecast year end variance for corporate provisions with a comparison

against 2014/15, 2013/14 and 2012/13.



### 3. DEPARTMENTAL SUMMARY OF CURRENT POSITION

#### Corporate Services

	2015/16 Current Budget	Full year Forecast Oct	Forecast variance at year end Oct	Forecast variance at year end Sept	2014/15 Outturn Variance
	£000	£000	£000	£000	£000
Business Improvement	4,813	4,654	-159	-116	-259
Infrastructure & Transactions	9,709	9,464	-245	-238	-347
Resources	7,474	7,206	-268	-193	-255
Human Resources	2,367	2,283	-84	-29	-26
Corporate Governance	3,058	2,763	-295	-284	-433
Customer Services	2,633	2,263	-370	-317	-273
Corporate Items including redundancy costs, pension strain and Housing Benefits provision	1,384	3,161	1,777	1,247	1,320
<b>Total (controllable)</b>	<b>31,438</b>	<b>31,794</b>	<b>356</b>	<b>70</b>	<b>-273</b>

## **Overview**

At period 7 (31<sup>st</sup> October 2015) the Corporate Services department are forecasting an overspend of £356k at year end, an adverse movement of 286k from last month.

The movement is due to a forecast increase in Housing Benefits subsidy shortfall and provision required.

## **Business Improvement – underspend £159k**

The reasons for the forecast underspend remain the same, an overachievement of street naming income of approx. £125k and vacant posts in the new systems and development team structure due to a delay in successful recruitment.

## **Infrastructure and Transactions – underspend £245k**

The forecast underspend relates to the revenue generated from the Corporate Print Strategy and an overachievement of income in the Post service following the introduction of Docqticket system and the renegotiation of the postal and print contracts. Some vacant posts are being held and underspends on non salary budgets to offset savings, whilst alternative savings are identified.

## **Resources – underspend £268k**

There is a forecast underspend of £100k due to vacant posts. In addition some future years savings are being captured early.

## **Corporate Governance – forecast underspend £295k**

There is a forecast underspend of approx. £140k following the transfer of the Benefits Investigation team to the DWP under the Single Fraud Investigation Service. There will be an underspend in the current year due to DCLG funding but the cost of this service will increase next year. There is a forecast underspend of £35k for vacant posts and £50k for future year saving captured early.

## **Customer Services – forecast underspend £370k**

There is a forecast underspend of approx. £130k due to vacant posts within the division.

Additional funding received from the DWP for welfare reforms eases the pressure on the benefits and local tax team and an improvement in court costs charged resulting in a forecast underspend of approx. £120k.

The Merton bailiffs' service is forecasting an overachievement of fee income of £170k but this is offset by a shortfall on the shared bailiffs' income target of £130k.

Translation services and Registrars office are forecasting small overachievement of income and there are some forecast underspends on the establishment and parking cash collection contracts of £25k.

## **Corporate items - forecast overspend £1,777k**

Based on year to date payments, there is a forecast overspend of £1.1m for one-off redundancy payments and pension strain.

There is also a £800k shortfall in subsidy for temporary accommodation as the cost of temporary accommodation is significantly higher than the subsidy available which is capped. The cost of temporary accommodation is disclosed in Housing Services within C&H whereas the shortfall is within corporate items in Corporate Services together with Housing Benefits subsidy grant.

Budget managers and Finance staff will work closely to monitor and focus on pressures to ensure any mitigating action to reduce this overspend is taken.

## Environment & Regeneration

Environment & Regeneration	2015/16 Current Budget £000	Full year Forecast (Oct) £000	Forecast Variance at year end (Oct) £000	Forecast Variance at year end (Sept) £000	2014/15 Outturn Variance £000
Public Protection	(9,398)	(6,331)	3,067	3,343	(53)
Sustainable Communities	12,846	12,699	(147)	(84)	203
Waste Services	15,434	15,201	(233)	(267)	1,440
Other	(876)	(569)	307	303	(291)
<b>Total (Controllable)</b>	<b>18,006</b>	<b>21,000</b>	<b>2,994</b>	<b>3,295</b>	<b>1,299</b>

Description	2015/16 Current Budget £000	Forecast Variance at year end (Oct) £000	Forecast Variance at year end (Sept) £000	2014/15 Variance at year end £000
Employee underspend within Parking Services	3,177	(117)	(127)	99
Delay in implementation of measures to tackle traffic congestion	(3,510)	3,510	3,510	0
Overachievement of income in Parking Services	(11,976)	(330)	(96)	110
Employee overspend within Regulatory Services	2,058	142	127	99
Employee overspend within Safer Merton	360	(81)	(17)	
Underspend on third party payments within Safer Merton	251	(109)	(29)	(78)
Other	242	52	(42)	(177)
<b>Total for Public Protection</b>	<b>(9,398)</b>	<b>3,067</b>	<b>3,343</b>	<b>(53)</b>
General Supplies & Services underspend within Building & Development Control (B&DC)	243	(40)	(43)	(64)
Employee overspend within B&DC	1,710	43	5	
Shortfall in B&DC income	(1,893)	110	121	(46)
General 3 <sup>rd</sup> party payments underspend within Future Merton	3,104	(105)	(45)	
Premises related underspend within Property Management	283	(69)	(63)	32
Overachievement of rental income within Property Management	(4,059)	(197)	(164)	(181)
Employee related overspend within Greenspaces	2,374	63	51	142
Underachievement of Customer & Client Receipts within Greenspaces	1,979	298	312	79
General Supplies & Services underspend within Greenspaces	560	(63)	(53)	(10)
Employee underspend within Senior Mgmt & Support	886	(144)	(158)	(51)
Other	7,659	(43)	14	363
<b>Total for Sustainable Communities</b>	<b>12,846</b>	<b>(147)</b>	<b>(84)</b>	<b>203</b>
Employee overspend within Waste Services	7,552	194	147	316
Transport related underspend within Waste Services	1,925	(322)	(318)	(155)
General Supplies & Services underspend within Waste Services	918	(88)	(78)	(169)
Overspend on 3 <sup>rd</sup> Party Payments	6,986	86	145	909
Overachievement of Customer & Client Receipts within Waste Services	(2,357)	(62)	(105)	527
Overspend within Transport Services	(876)	307	303	(291)
Other	410	(41)	(58)	12
<b>Total for Street Scene &amp; Waste</b>	<b>14,558</b>	<b>74</b>	<b>36</b>	<b>1,149</b>
<b>Total Excluding Overheads</b>	<b>18,006</b>	<b>2,994</b>	<b>3,295</b>	<b>1,299</b>

### Overview

The department is currently forecasting an overspend of £2,994k at year end. The main area of variance is Parking Services, but there are variances within several sections within the department. Were it not for the delay in traffic congestion works the department would be projecting an underspend.

### Pressures

#### Public Protection

#### Parking & CCTV Services

The section is currently forecasting an overspend of £3,122k mainly due an unsuccessful legal challenge to the award of the contract for the provision and maintenance of ANPR cameras, resulting in a delay to the contract award. The expected contract start date is now June 2016, whereas the budgeted expectation was for a November 2015 start. It is expected that improved compliance and traffic flow at the locations concerned will be seen within a couple of months of implementation.

In addition, the section is experiencing a continued reduction in existing PCN related income (£149k) due to increased compliance, and the continued funding of CPZ related expenditure (£260k). This is being offset by over-recoveries in most areas of permit / bay suspension revenue (£636k), and off-street parking income (101k). In addition, this outturn position includes allowance for a c£60k loss of income as a result of providing free parking during the Christmas period.

There is also a forecast £117k employee related underspend, which will partly mitigate these budget pressures.

### **Regulatory Services Partnership**

An overspend of £115k is forecast mainly as a result of a delay in implementing the second phase of the shared service staffing structure, which was budgeted to begin in April but was not implemented until October.

### **Safer Merton**

The section is forecasting an underspend on employees (£81k) and third party payments (£109k), mainly as a result of the recent reorganisation within the section.

## **Sustainable Communities**

### **Building & Development Control**

The section is currently forecasting an employee overspend of £43k, and an underachievement of income of £110k. This is partially offset by an underspend of £40k in supplies and services.

### **Property Management**

The section is currently forecasting an underspend of £250k. This is as a result of exceeding their commercial rental income expectations by £197k due to a current high occupancy rate.. There is also an NNDR related underspend of £70k whereby the authority is not currently liable for the fee.

### **Future Merton**

The underspend on third party payments mainly relates to an underspend on the annual payment to TfL for controlling the traffic light signals within the borough (£27k), and other miscellaneous actions taken in order to contribute towards the department's mitigating actions.

### **Greenspaces**

The section is currently forecasting an overspend of £246k, which is mainly as a result of an underachievement of internment income (£95k), sports income (£75k), and income relating to rents (£54k). These pressures are being partially off-set by an expected supplies and services underspend of £63k.

This forecast also includes a loss of £57k (£82k loss overall as £25k marketing costs borne by the OCPB reserve) in relation to the inaugural Classics in the Park event.

### **Senior Management & Support**

An underspend of £144k is being forecast due to not filling vacant posts in order to contribute towards the department's mitigating actions.

## **Street Scene & Waste**



### **Waste Services**

The section is currently forecasting an underspend of £233k, which is mainly due to an underspend on transport (£322k), supplies and services (£88k), and customer and client receipts (£62k). This reflects an improvement in commercial waste business.

However, the section is also forecasting an overspend relating to the ongoing operational and disposal costs associated with the management of the HRRC and transfer station (£251k). Although the site is now under new management, this overspend is due to the part year effect of the current arrangements. However, it is expected that this pressure will not reoccur next year.

Waste services are also working closely with SLWP to manage operational cost associated to both the HRRC and Waste transfer station. In preparation for the second half of the year, the service is looking at the feasibility of the transfer station and undertaking a commercial review to assess its long term viability.

Waste Operations are progressing with the procurement of two additional vehicles to provide greater service resilience and to mitigate the need for overtime to cover mechanical breakdowns.

### **Transport Services**

The section is currently forecasting an overspend of £307k which is mainly as a result of a lower than expected user requirement of the Workshop, external income, additional agency requirements due to staffing issues in the first part of the year, and a delay in the external use of the tachograph centre.

Agency staff usage has been stopped and focus has been put on securing additional work for the Tachograph Centre, and a number of external customers are now signing up to use our services.

### **Management Action**

The E&R Director has required the department to look for further actions and options to mitigate the forecast overspend as far as possible.

## Children Schools and Families

Children, Schools and Families	2015/16 Current Budget £000	Full year Forecast (Oct) £000	Forecast Variance at year end (Oct) £000	Forecast Variance at year end (Sep) £000	2014/15 Variance at year end £000
Commissioning, Strategy and Performance	8,630	9,513	883	956	1,287
Education	17,270	17,532	262	720	953
Social Care and Youth Inclusion	12,016	12,392	376	344	580
Public Health contribution	0	(328)	(328)	(328)	(415)
PFI	7,999	7,842	(157)	(157)	6
Redundancy costs	2,091	2,091	0	0	39
<b>Total (controllable)</b>	<b>48,006</b>	<b>49,042</b>	<b>1,036</b>	<b>1,535</b>	<b>2,450</b>

### Overview

At the end of October Children Schools and Families had a forecast overspend of £1.036m on local authority funded services. Although the department received growth for placements and transport, this was not sufficient to cover to total shortfall caused by the increased birth rate and additional burdens from central government. The overspend has also been netted down by one off Public Health money of £328k making the underlying overspend £1.364m, (£1.863 last month) a reduction of £499k.

### Local Authority Funded Services

There are a number of volatile budgets, which require continuous and careful demand management. Significant cost pressures and underspends identified to date are detailed below:

Description	Budget £000	Oct £000	Sep £000	2014/15 £000
Fostering and residential placements (ART)	5,192	600	611	1,052
Supported lodgings/housing	629	494	499	427
Un-accompanied asylum seeking children (UASC)	60	279	279	193
Procurement & School organisation	547	(263)	(294)	(128)
Other small over and underspends	2,202	(227)	(139)	(257)
<b>Subtotal Commissioning, Strategy and Performance</b>	<b>8,630</b>	<b>883</b>	<b>956</b>	<b>1,287</b>
SEN Transport	3,878	375	646	1,168
Children with disabilities team (CWD) staffing	554	67	65	24
Staffing underspends across Early Years services	2,134	(118)	0	(192)
Other small over and underspends	10,704	(62)	9	(47)
<b>Subtotal Education</b>	<b>17,270</b>	<b>262</b>	<b>720</b>	<b>953</b>
No Recourse to Public Funds (NRPF)	20	459	459	441
Independent review and service quality	530	164	164	210
Social Work staffing	3,394	153	148	315
Serious case review	77	(77)	(77)	(76)
Youth Offending Team	616	(60)	(96)	0
CAMHS	303	(57)	(57)	(207)
Adoption & 14+ teams	1,498	(147)	(111)	0
Other small over and underspends	5,578	(59)	(86)	(103)
<b>Subtotal Children's Social Care and Youth Inclusion</b>	<b>12,016</b>	<b>376</b>	<b>344</b>	<b>580</b>
<b>Public Health contribution</b>	<b>0</b>	<b>(328)</b>	<b>(328)</b>	<b>(415)</b>

<b>Subtotal PFI</b>	<b>7,999</b>	<b>(157)</b>	<b>(157)</b>	<b>6</b>
<b>Subtotal Redundancy cost</b>	<b>2,091</b>	<b>0</b>	<b>0</b>	<b>39</b>
<b>Grand total Children, Schools and Families</b>	<b>48,006</b>	<b>1,036</b>	<b>1,535</b>	<b>2,450</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 the net overspend of £600k. This includes on-going pressures on in-house fostering of £363k and residential placements of £333k which is offset by underspends in mother and baby placements of £3k, independent agency fostering of £42k and secure accommodation costs of £51k.

The budget for semi-independent and supported lodgings/housing placements is estimated to overspend by £494k. This budget is used to finance placements for young people aged 16/17 who require semi-independent provision and for Care Leavers through to independence or, in some cases, through to the age of 21. There has been an increase in forecast expenditure due to increase in caseload as some young people have now reached 18 and funding for their placement has transferred from the LAC placement into this budget. Because of their specific needs, some young people have also needed to move placements and this has resulted in increased expenditure on those placements.

The UASC payments are expected to overspend by £279k this year due to both an increase in cases and an increase in the number of claimants turning 18 which is when central government contribution towards these cases ceases. The number of UASC who have entered and who have been distributed across London has increased from 233 in 2011/12 to 462 in 2014/15.

Procurement and school organisation budgets are expected to underspend by £263k as a result of lower spend forecast on revenue 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. This year demand for reception year places is slightly lower than forecast so there has been no need for temporary classrooms.

There are various other small over and underspends forecast across the division netting to a £227k underspend. These combine with the items described above to arrive at the total reported divisional overspend of £883k.

### Education Division

SEN and FE transport cost are expected to overspend by £375k, £271k less than the forecast last month. The overspend relates to cost on external home to school transport as additional budget was received to balance the internal transport cost. It is due to an increase in complexity of caseload and cost of taxis. We are reviewing demand management, cost efficiency of supply and safeguarding of students with E&R who provide the in-house service and commission the taxi service.

The CWD team staffing costs is expected to overspend by £67k. 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. The funding for the first quarter has been included in the budgets and the forecast for the year adjusted for the second quarter. On top of the additional staff, the team also has to cover vacancies with higher cost agency staff.

As part of management action, where possible, recruitment to vacancies in Early Years have been delayed in preparation for 2016/17 savings and to reduce the overall in-year departmental overspend. This is estimated to result in an overall underspend of £118k.

There are various other small over and underspends forecast across the division netting to a £62k underspend. These combine with the item described above to arrive at the total reported divisional overspend of £262k.

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

The NRPF budgets are forecast to overspend by £459k for the current financial year. This increase in cost is in response to case law regarding housing families with no recourse to public funds (Zambrano & Clue cases). This is an issue across London.

The independent review and service quality team is expected to overspend by £164k. This is due to the use of agency staff to cover permanent IRO vacancies as well as one post above establishment to ensure appropriate caseloads to support the quality assurance function.

The Central Social Work, MASH and Permanency team's staffing costs is expected to overspend by £153k. 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. The funding for the first quarter has been included in the budgets and the forecast for the year adjusted for the second quarter. 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

The serious case review budget is expected to underspend by £77k because there has been no need to commission reviews during the current financial year.

The Youth Offending Team (YOT) is expected to underspend by £60k. This is due to a combination of holding staff vacancies and providing a reduced wraparound service as part of management action to reduce the overall departmental overspend. This planned underspend was reduced due to an in-year reduction in grant.

The Children and Adolescent Mental Health Service (CAMHS) is expecting to underspend by £57k due to vacancies.

The adoption and 14+ teams are expected to underspent by £147k relating to temporarily holding staff vacancies as a result of management action to reduce the overall departmental overspend. There are various other small over and underspends forecast across the division netting to a £59k underspend. These combine with the item described above to arrive at the total reported divisional overspend of £376k.

#### **Dedicated Schools Grant**

DSG funded services is forecast to underspend by £340k. 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 main reasons for the forecast relates to an estimated underspend of £426k in Independent Residential School provision. This figure is expected to reduce towards year-end as additional placements are made throughout the year.

There are various other smaller over and underspends forecast across the DSG netting to a £86k overspend which, combined with the item above, equates to the net underspend of £340k.

## **Management Action**

### Staffing

Agency cost continues to be a cost pressure for the department. The continued recruitment drive including recruitment of NQSWs and retention payments which we started with last year will all have a positive impact on the current financial year and we will continue to take action to bring down anticipated overspends on agency/staffing costs.

### Placements

Our edge of care panel continues to ensure that entry to care thresholds 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.

Our ART Fostering Recruitment and Assessment team is continuing to recruit new foster carers who will offer locally based placements. This is already resulting in 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.

### Transport

We are modelling the potential impact of personal budgets from transport for 2015/16 to assist in delivering cost reduction solutions to individual children's transport needs. 19 personal budgets were approved this financial year providing an on-going cost reduction of £84k.

We are monitoring tight eligibility thresholds and defending appeals and we have extended our independence travel training which has delivered savings of £72k to date.

### 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. This leaves a net departmental underspend of £196k, although £328k of this relates to Public Health contribution. The table below highlights the estimated overspends relating to these duties:

<b>Description</b>	<b>Budget £000</b>	<b>Oct overspend forecast £000</b>	<b>Sep overspend forecast £000</b>
Supported lodgings/housing	629	494	499
Un-accompanied asylum seeking children (UASC)	60	279	279
No Recourse to Public Funds (NRPF)	20	459	459
<b>Total</b>	<b>709</b>	<b>1,232</b>	<b>1,237</b>

These estimates only include services for these children and families including housing cost, they do not include staffing cost. Staff cost related to these clients are estimated to be about £270k.

Young people aged between 18 and 21 now have the right to stay in their foster, residential or other placements beyond 18. This means their fostering placement has to remain open to them and the in-house foster carer or Independent Fostering Agency will have to continue to be paid.

Young People on remand are classed as being LAC and also have access to care leavers' services across a range of budgets. These are in excess of the figures in the table above but included within the overall projections for the department. As the system does not separately identify costs relating to remand cases, it is not possible to identify this separately.

Unaccompanied Asylum Seeking Young People are also required to receive these leaving care services and we have 11 over 18s which is putting pressure on the UASC budget.

The majority of families presenting as NRPF needs are housing. Meetings are on-going to discuss options to reduce cost and strengthen processes and procedures. The work being undertaken by Housing Needs to stimulate supply will assist in reducing these costs. Discussions are on-going regarding the most economic way of procuring housing for families with no recourse to public funds.

# Community and Housing

## Overview

At the end of October 2015 Community and Housing is forecast to overspend by £1.044m as shown in summary table 1 below, a decrease of £369k on previous month. The Department received funding/growth of £3.9m for protecting and modernising social care and increased integration under the Better Care Fund and to manage the new duties arising from the Care Act 2014.

The cost pressures are:

- the new requirements imposed through the Care Act;
- upward price increases from providers nationally in the social care market;
- demographic changes to the population which mean we have more people with higher and complex levels of need eligible for services;
- lack of domiciliary and bed-based capacity in the national and local social care market which has had a significant negative impact on the ability to avoid Delayed Transfer of Care (DToc) charges, which will be further compounded by Winter pressures;
- increasing cost trends resulting from the complexity of support for young people in transition from CSF to Adult Social Care; and
- other new burdens such as the Cheshire West judgement on Deprivation of Liberty (DoLs) Safeguards, significantly increasing the volume of assessments under the DoLs procedure.

This has magnified and compounded the volatility of the 3rd party Placements budget. Due to similar pressures in 2014-15 and delayed implementation, the planned savings target for 2014 -15 was not met. The Department is in parallel trying to recoup the shortfall in savings via the 2015-16 and 2016-17 savings plans.

Table 1 Community and Housing	2015/16 Current Budget £000	2015/16 Full Year Forecast (Oct) £000	2015/16 Forecast Variance (Oct) £000	2015/16 Forecast Variance (Sep) £000	2014/15 Variance at year end £000
Access & Assessment	41,133	42,897	1,764	1,918	2,352
Commissioning	4,674	4,596	(78)	(62)	(221)
Direct Provision	5,924	6,288	364	416	1,188
Directorate	997	929	(68)	(56)	(223)
Care Act Implementation Expd	1,265	665	(600)	(600)	0
Directorate – Care Act Imp Income	(1,265)	(1,265)	0	0	0
**Contribution from Public Health	0	(328)	(328)	(328)	(500)
<b>Adult Social Care</b>	<b>52,728</b>	<b>53,783</b>	<b>1,054</b>	<b>1,288</b>	<b>2,596</b>
Libraries and Heritage	2,436	2,398	(38)	(35)	4
Merton Adult Education	(178)	76	254	256	254
Housing General Fund	1,903	1,677	(226)	(96)	(106)
<b>Total (controllable)</b>	<b>56,889</b>	<b>57,933</b>	<b>1,044</b>	<b>1,413</b>	<b>2,748</b>



The Adult Social Care forecast overspend has been netted down by £328k of one- off Public Health money giving an underlying overspend of £1.382m.

Additionally, a corporate settlement of £262k budget transfer has been approved to reduce the transport forecast over-spend.

The estimated costs of transition from children's to adult services totalling £675k has been included in the Period 7 placements forecast.

**Access and Assessment – £1.764k over-spend**

<b>Access and Assessment</b>	<b>Forecast Variance (Oct) £000</b>	<b>Forecast Variance (Sep) £000</b>
Gross Placements overspend	2,820	2,874
Other A&A under-spends	(950)	(892)
<b>Sub-total Net over-spend</b>	1,870	1,982
Over achievement of Client Contribution	(106)	(64)
<b>Total Access &amp; Assessment</b>	<b>1,764</b>	<b>1,918</b>



Description	2015/16 Budget £000	Forecast Variance (Oct) £000	Forecast Variance (Sep) £000	2014/15 Variance at year end £000
<b>Access &amp; Assessment</b>				
Gross Placements	38,178	2,820	2,874	3,689
Placements - Other	368	(39)	(39)	0
Transport**	180	38	40	0
Client & CCG Contribution Income	(11,875)	(106)	(64)	(612)
Concessionary Fares & Taxi-card	9,203	(160)	(160)	(45)
Care-first	136	(126)	(126)	(117)
Other Access & Assessment	9,370	(663)	(607)	(563)
Better Care Fund – NHS Social Care Transfer Income	(4,427)	0	0	0
<b>Sub-total Access &amp; Assessment</b>	<b>41,133</b>	<b>1,764</b>	<b>1,918</b>	<b>2,352</b>
<b>Commissioning</b>				
Brokerage, Contracts, Performance & Planning & Commissioning	1,118	(140)	(136)	(237)
Voluntary Organisations - grants	756	79	79	138
Voluntary Organisations – Contracts	200	(23)	(23)	(24)
Voluntary Organisations – Dementia contract	230	8	8	11
Pollards Hill Contract (excluding transport)	82	(14)	(14)	0
Transport** (Pollards Hill & Woodlands)	133	0	0	32
LD – LDDF Grant	127	0	0	0
Supporting People Grant	2,128	12	24	(141)
Better Care Fund – NHS Social Care Transfer Income	(100)	0	0	0
<b>Sub-total Commissioning</b>	<b>4,674</b>	<b>(78)</b>	<b>(62)</b>	<b>(221)</b>
<b>Direct Provision</b>				
Transport **	619	6	6	604
Day Centres	1,828	(52)	(28)	(58)
Supported Living	873	532	499	109
Residential (Excluding transport)	806	139	179	222
Mascot	368	9	8	5
Other Direct Provision	262	(2)	0	10
Miles - Reablement	1,568	(243)	(223)	371
Helping People at home revenue grant	0	(25)	(25)	(75)
Better Care Fund – NHS Social Care Transfer Income	(400)	0	0	0
<b>Sub-total Direct Provision</b>	<b>5,924</b>	<b>369</b>	<b>416</b>	<b>1,188</b>
<b>Directorate</b>				
Staffing Costs	934	(68)	(56)	(223)
Adult Social Care Redesign – Projects	244	0	0	0
Better Care Fund – NHS Social Care Transfer Income	(181)	0	0	0
Care Act Implementation	1,265	(600)	(600)	0
Care Act Implementation-Grant	(865)	0	0	0
Better Care Fund – NHS Social Care Transfer	(400)	0	0	0
<b>Subtotal Directorate</b>	<b>997</b>	<b>(668)</b>	<b>(656)</b>	<b>(223)</b>
Contribution from Public Health ( Ageing-Well grants)	0	(328)	(328)	(500)
<b>Sub-total Adult Social Care</b>	<b>Page 197</b>	<b>1,054</b>	<b>1,288</b>	<b>2,595</b>

Description	2015/16 Budget £000	Forecast Variance (Oct) £000	Forecast Variance (Sep) £000	2014/15 Variance at year end £000
<b>Libraries</b>	<b>2,436</b>	<b>(38)</b>	<b>(35)</b>	<b>4</b>
<b>Merton Adult Education</b>	<b>(178)</b>	<b>254</b>	<b>256</b>	<b>254</b>
<b><u>Housing</u></b>				
Temporary Accommodation	1,396	831	857	624
Temporary Accommodation – Housing Benefits	(1,140)	(860)	(860)	(540)
Temporary Accommodation – Client Contribution	(140)	(90)	0	
Homelessness Prevention	320	10	9	(127)
Housing Advice and Options	500	(12)	(14)	(7)
Housing Needs	283	(24)	(11)	(43)
Housing Strategy	139	(10)	(10)	(18)
Housing Supply & Development	266	(31)	(17)	(3)
Housing Environmental Health	228	(40)	(50)	(59)
Merton Action single Homeless	51	0	0	0
Reserves Funding Adjustment	0	0	0	67
<b>Sub-total Housing</b>	<b>1,903</b>	<b>(226)</b>	<b>(96)</b>	<b>(106)</b>
<b>Total Community &amp; Housing</b>	<b>56,889</b>	<b>1,044</b>	<b>1,413</b>	<b>2,748</b>

## **Budget Pressures**

### **Access and Assessment (£1.764m Forecast Overspend)**

Access and Assessment is forecast to overspend by £1.764m in 2015-16. This is the net effect of forecast overspending on the third party placements budget of £2.820m less forecast under spending on other budgets of £1.056m.

The main pressures are:

**Price pressures.** Nationally the market in social care has shown that providers are successfully demanding increases in fees. This is due to pressures such as clarification over the definition of minimum wage and increasing challenges in hiring staff. Merton has in recent years held fees low compared with other boroughs, for example by not offering an increase for inflation for five years. However, providers can now obtain better prices from neighbouring boroughs and/or the NHS. This means that to secure supply and sustain a viable market Merton is having to negotiate new higher fees.

The impact of the negotiations agreed to date is £581k (£387k for Residential and Nursing placements and £194k for Domiciliary care providers).

**New Demographic pressures.** Our best estimate of demographic growth pressures affecting 2015-16 are:

£432k in 2015-16 on older people's budgets due to increased aging of the population based on POPPI (Projecting Older People Population Information System) data. Further risk is being done to assess impact.

£78k in 2015-16 on Working age adults budgets (excluding Learning disabilities) based on PANSI (Projecting Adult Needs and Service Information System) data, and 2015-16 we expect young people who make the transition to adult services will cost ASC £675k to support in 2015-16.

**NHS pressures.** These pressures are from delayed hospital discharge as a result of a lack of capacity in the social care market to support the discharge of a greater volume people at a greater level of dependency, including :

- The number of people needing "double ups" (i.e. two carers at any one time to manage personal care for a customer) increased from 12.1% to 15.3% of domiciliary care customers in 2014/15.
- The average home care hours per week received per person supported in 2014-15 rose from 15.8 to 17.4 hours.
- £95k of DToC fines has been estimated and included in the forecast for impact of delay in transferring clients from hospital. NHS England and Merton CCG are scrutinising the reasons for the delay which will impact on the performance targets agreed in the Better Care Fund agreement and places this at risk.

**New responsibilities arising from the Cheshire West judgement and the Care Act 2014.**

Although the Government has provided some funding to cover the implications of the Care Act (£865k) and the Cheshire West judgement around Deprivation of Liberty Assessments (DOLS) (£80k), risks are that: The costs of the Care Act responsibilities, most notably to sustain a viable care and support market may exceed this funding, and is already clear that the costs of implementing the Cheshire West judgement are well in excess of £80k as DOLS activity has increased by more than 1000% e.g. there were 40 DOLS cases in 2013-14, 526 in 2014-15 and at the end of August 2015 trends suggest there will be more than 600 in 2015-16. The actual cost of implementing this judgement in 2015/16 is estimated at £290k.

**Ordinary Residents.** Three new Ordinary Residence cases costing £193k were passed to Merton by neighbouring boroughs.

**Commissioning (£78k Forecast Underspend):**

There are staff various vacancies across the commissioning team resulting in an under-spend of £140k.

There are planned contract negotiations and efficiencies in Supporting People contracts to ensure the budget does not overspend.

### **Direct Provision (£364k Forecast Overspend)**

The overspend is mainly as a result of the demand for residential and supported living placements.

Direct Provision Residential Care/Supported Living Services (£671k forecast overspend)

There is pressure on the staffing costs of £143k due to the on-going unfunded impact of the Single Status National Agreement.

The original staffing budget for Supported Living was set for a 22 bedded residential unit. The service changed from a residential service to a supported living service where customers live within their own homes with staff supporting them. This not only empowers the customer, but is cheaper at around £470 per week compared to £1,294 per week. Therefore, the service is now supporting 40 customers at various sites, two of these sites provide 24 hour staffing cover.

Glebelands Extra Care Supported Living was transferred to Direct Provision in 2009 with inadequate budget to cover the existing staff team. Since 2011, the client support hours have increased from 169 to 321 per week.

The forecast variance for Direct Provision excludes projected income that is recouped from the Access and Assessment placement budgets to cover the SLA. This is to be reviewed by finance and the budget will be realigned.

### **Directorate – (£668k Forecast underspend)**

The consultancy cost for the ASC staffing restructure has been included in the Directorate forecast spend.

### **Libraries (£38k forecast underspend)**

The underspend is mainly attributable to some staff vacancies and reduction in running costs whilst temporary services are in place at Colliers Wood

### **Merton Adult Education – (£254k forecast over-spend)**

The overspend is caused by £153k in year reductions in SFA funding and the inability to realise savings target of £176K.

This forecast has taken into account funding the new MAE Commissioning Team roles.

The structure commenced has commenced from October 2015 for the remainder of the year.

### **Housing (£226k forecast underspend).**

There are various staff vacancies across the housing teams resulting in the under-spend.

The accounting for Housing benefits relating to Temporary accommodation is to be reviewed to clarify amount received as entitlement v subsidy.

The forecast contribution from clients for temporary accommodation has increased by £90k to £230k. This is based on the increased amount received this period.

## **Adult Social Care - Delivery of Savings**

The savings programme developed for 2014/15 contained a number of savings (£2.265m) which were not delivered in 2014-15. Similarly the 2015/16 savings have not been delivered and urgent action is required for both years to bring the budget back into balance. If savings had been delivered the budget would be underspending.

Actions to mitigate the pressures above and to recoup the savings shortfall from 2014-15 include:

Ones already in place :

- Regular budget monitoring with finance staff and ensuring that forecasts are timely and accurate
- Resources panels twice a week
- Clear programme of reviews
- Continued success from brokerage team to place people in difficult circumstances and negotiate costs down
- Re-ablement flexing role to take more people out of hospital temporarily when we can't place them in agencies
- Successful negotiations with providers to mitigate many requests for increased fees
- Market management/shaping work: Recognising the challenges posed by the market costs we are undertaking a number of individual negotiations with providers looking at what models of delivery we can design that will enable the services to be delivered in partnership with providers for the lowest costs. In addition, there are some areas where we feel we can negotiate even keener prices and we are actively pursuing those as well. So far in these negotiations we have achieved agreed rate increases, on average of just 38% of what was demanded by providers. The estimated cost impact is £581k versus £1,522k demanded by providers.

Further measures:

- New reports on all individual customers to be introduced to show fluctuations in support costs and activity including new ways of procuring access to care home placements, creating a more flexible market for domiciliary care based on personal assistants and investigating how we can use varied tools and techniques to forecast demand even more accurately and reduce void costs.

## Placements Activity Data

The table below details the current number of clients and care packages , placement commitment have reduced by £53k from last month.

<b>Activity Data</b>	<b>Care Packages No's) Oct</b>	<b>Care Packages (No's) Sep</b>	<b>Clients (No's) Sep</b>	<b>Clients (No's) Sep</b>	<b>Total Yearly Commitment @ October £000</b>
<u>Service Area</u>					
Mental Health	131	133	115	120	1,648
Physical and Sensory	332	331	232	225	4,612
Learning Disabilities	425	418	340	337	13,111
Older People	1,760	1,806	1,208	1,229	21,236
Substance Misuse	13	12	10	8	166
No recourse to public funds	18	18	9	9	225
<b>TOTAL Gross placement expenditure</b>	<b>2,679</b>	<b>2,718</b>	<b>1,915</b>	<b>1,928</b>	<b>40,998</b>

The impact of the rate increase negotiations agreed to date is £581k of which £387k is to Residential and Nursing providers and £194k for Domiciliary care providers.

Learning Disability Commitment also includes estimated transition costs of £675k.

Details of the estimated costs are:-

1. At age 18 when the young person comes to ASC - £250k
2. At age 19 when they leave school - £125k
3. At age 21/22 (or possible older with the recent Children and Families Act) when they leave college - £300k

## Public Health

Public Health is forecast to over-spend by £168k , this is mainly due to the grant claw back of £664k.

Public Health	2015/16 Budget £000	Period6 (Oct) Forecast £000	Forecast Variance (Oct) £000	Forecast Variance (Sep) £000	2014/15 Final Out- turn Variance £000
PH - Directorate	1,246	1,066	(180)	(127)	(305)
PH- Contraception	713	713	0	0	(26)
PH - STI Testing and Treatment (GUM)	2,060	2,194	134	134	110
PH - SH Advice, Prevent and Promotion	217	217	0	2	(97)
PH - NHS Health check	322	315	(7)	(7)	17
PH - Falls Prevention	66	66	0	0	(1)
PH – Non Recurrent Project	1,154	1,107	(47)	(47)	0
PH – Obesity	539	525	(14)	(18)	(28)
PH – Live well (including smoking Cessation)	345	331	(14)	(14)	(35)
PH – Substance Misuse (Drugs and Alcohol)	2,098	1,808	(290)	(249)	(422)
PH – School Nursing (including National Child Measurement programme)	849	849	0	0	(4)
PH Surveillance and Control of Infectious Diseases	10	0	(10)	(10)	(9)
PH – Determinants	160	108	(52)	(11)	0
PH – Community Services Contract Estates	285	285	0	0	0
PH – New Investments	154	138	(16)	(16)	(275)
PH – Health Visiting Service***	1,476	1,476	0	0	0
<b>Total Public Health (controllable)</b>	<b>11,694</b>	<b>11,198</b>	<b>(496)</b>	<b>(364)</b>	<b>(1,075)</b>
Public Health Main – Grant Income	(9,236)	(8,663)	573	0	0
Public Health Health Visiting – Grant Income ***	(1,476)	(1,385)	91	0	0
<b>Total Public Health Net Expenditure</b>	<b>982</b>	<b>1,150</b>	<b>168</b>	<b>(364)</b>	<b>(1,075)</b>



The main reason for the PH forecast overspend is due to £664k grant claw back. £573k on the PH Main grant and £91k on the 0-5 Health Visiting service. The fourth quarterly instalment of the grant to be paid in November will be reduced.

The DPH reviewed the remaining uncommitted budget lines and reduced spend on all uncommitted budgets in order to deliver the savings as a result of the grant reduction. There is currently a shortfall of £77k.

It is unclear at this stage if the grant reduction is recurrent.

### 0-5 Health Visiting Service

The commissioning responsibility for Healthy Child 0-5 Services transferred from NHS England on 1<sup>st</sup> October. The service is provided under the Sutton and Merton Community Services Contract (SMCS) between NHS England Commissioning Board and the Royal Marsden Hospital NHS Foundation Trust.

The original grant allocation for Healthy Child 0-5 services in 2015/16 for 6 months is **£1,476,000**, covering both health visiting and Family Nurse Partnership services.

The contract value based on the original grant allocation has been agreed with the Provider.

However the grant has now been reduced by £91k resulting in the forecast overspend.

### **(E) Corporate Items**

The details comparing actual expenditure up to 31 October 2015 against budget are contained in Appendix 2. The main areas of variance as at 31 October 2015 are:-

Corporate Items	Current Budget 2015/16 £000s	Full Year Forecast (Oct.) £000s	Forecast Variance at year end (Oct.) £000s	Forecast Variance at year end (Sep.) £000s	2014/15 Year end Variance £000s
Cost of borrowing	14,117	14,092	(25)	(25)	205
Use for Capital Programme	0	0	0	0	0
<b>Impact of Capital on revenue budget</b>	<b>14,117</b>	<b>14,092</b>	<b>(25)</b>	<b>(25)</b>	<b>205</b>
<b>Investment Income</b>	<b>(559)</b>	<b>(841)</b>	<b>(282)</b>	<b>(282)</b>	<b>(385)</b>
<b>Pension Fund</b>	<b>5,042</b>	<b>5,042</b>	<b>0</b>	<b>0</b>	<b>(300)</b>
<b>Pay and Price Inflation</b>	<b>575</b>	<b>575</b>	<b>0</b>	<b>0</b>	<b>(883)</b>
<b>Contingencies and provisions</b>	<b>4,474</b>	<b>3,024</b>	<b>(1,450)</b>	<b>(1,450)</b>	<b>64</b>
<b>Income Items</b>	<b>(174)</b>	<b>(800)</b>	<b>(626)</b>	<b>(626)</b>	<b>(914)</b>
<b>Appropriations/Transfers</b>	<b>(7,678)</b>	<b>(7,678)</b>	<b>0</b>	<b>0</b>	<b>(399)</b>
<b>Central Items</b>	<b>1,680</b>	<b>(678)</b>	<b>(2,358)</b>	<b>(2,358)</b>	<b>(2,817)</b>
<b>Levies</b>	<b>926</b>	<b>926</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Depreciation and Impairment</b>	<b>(16,506)</b>	<b>(16,506)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL CORPORATE PROVISIONS</b>	<b>217</b>	<b>(2,166)</b>	<b>(2,383)</b>	<b>(2,383)</b>	<b>(2,612)</b>

There have been no significant variations since September 2015.



The £800k income items forecast is the license fee for the use of intellectual property by CHAS 2013 Limited. This is currently under review by Ernst Young, the external auditors.

An update on the miscellaneous debt position at 30<sup>th</sup> September is provided in Appendix 9.

#### 4. CAPITAL PROGRAMME 2015-19

##### 4.1 Capital Expenditure

4.1.1 The table below compares capital expenditure to October over the last four years:

Depts.	Spend To October 2012	Spend To October 2013	Spend To October 2014	Spend To October 2015	Variance 2012 to 2015	Variance 2013 to 2015	Variance 2014 to 2015
C&H	426	832	281	397	(29)	(434)	116
CS	1,179	1,756	645	547	(632)	(1,209)	(98)
CSF	18,752	5,448	10,191	9,097	(9,654)	3,649	(1,093)
E&R	5,144	4,881	2,174	3,470	(1,674)	(1,411)	1,296
<b>Total Capital</b>	<b>25,501</b>	<b>12,917</b>	<b>13,290</b>	<b>13,511</b>	<b>(11,989)</b>	<b>594</b>	<b>221</b>

Outturn £000s	40,487	31,564	36869	
Budget £000s				40,725
Projected Spend October 15 £000s				38,342
Percentage Spend to Budget				33.18%
Percentage Spend to Outturn/Projection	62.98%	40.92%	36.05%	35.24%
Monthly Spend to Achieve Projected Outturn £				4,966

4.1.2 October is seven months into the financial year, departments have spent 33.2% of their budget or 35.2% of their forecast outturn. The Authority almost caught up with 2014/15 spend but is behind that achieved in 2012/13 and 2013/14. To achieve a projected spend of £38.3m officers will need to spend just under £5m per month for the rest of the financial year. The table below shows that in September 2015 departments have managed to spend just under £1.7 million which is much lower than the £3.8 million achieved last month.

Department	Spend To September 2015 £000s	Spend To October 2015 £000s	Increase £000s
C&H	286	397	111
CS	518	547	28
CSF	8,036	9,097	1,061
E&R	2,987	3,470	483
<b>Total Capital</b>	<b>11,827</b>	<b>13,511</b>	<b>1,684</b>

4.2 The Table below shows the movement in the 2015/19 corporate capital programme since the September 2015 financial monitoring report. The proposed programme for 2016/17 remains under review and is expected to reduce as budget is re-profiled into subsequent financial years:

Depts	Current Budget 15/16	Adjustments	Revised Budget 15/16	Current Budget 16/17	Adjustments	Revised Budget 16/17	Current Budget 17/18	Variance	Revised Budget 17/18	Current Budget 18/19	Variance	Revised Budget 18/19
C&H	2,246	(519)	1,727	2,324	44	2,368	340	475	815	340	0	340
CS	8,788	37	8,825	4,890	108	4,998	2,881	0	2,881	2,757	0	2,757
CSF	16,050	(637)	15,413	29,011	212	29,223	20,979	0	20,979	20,104	0	20,104
E&R	15,425	(663)	14,762	24,282	153	24,435	15,327	0	15,327	6,379	0	6,379
<b>TOTAL</b>	<b>42,508</b>	<b>(1,782)</b>	<b>40,726</b>	<b>60,506</b>	<b>517</b>	<b>61,023</b>	<b>39,526</b>	<b>475</b>	<b>40,001</b>	<b>29,579</b>	<b>0</b>	<b>29,579</b>

4.3 The table below summarises the position in respect of the Capital Programme as at August 2015 the detail is shown in Appendix 5a

### Merton Summary Capital Report - October 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Community and Housing	1,726,240	397,338	981,081	(583,743)	1,705,623	(20,617)
Corporate Services	8,825,110	546,712	3,721,220	(3,174,508)	5,710,299	(3,114,811)
Children Schools and Families	15,412,170	9,097,031	11,724,331	(2,627,300)	16,162,299	750,129
Environment and Regeneration	14,761,880	3,470,172	7,213,095	(3,742,923)	14,763,836	1,956
<b>Total Capital</b>	<b>40,725,400</b>	<b>13,511,253</b>	<b>23,639,727</b>	<b>(10,128,474)</b>	<b>38,342,057</b>	<b>(2,383,343)</b>

- a) Community and Housing – Officers have reduced their projected outturn for disabled facilities grants and re-profiled budget to 2017/18
- b) Corporate Services – The majority of the projected variance is caused by five major corporate schemes
  - a. the Acquisition Fund £1,047k - this budget is held corporately and currently has a £450,000 commitment against it for the purchase of a freehold interest of a property on which we have restrictive covenants,
  - b. Bidding Fund £1,357k- this is a centrally held fund to provide match funding to secure external funding there are currently no commitments against this budget
  - c. Transformation Budget £88k – this budget is held corporately and vired as transformation projects are identified.
  - d. Disaster Recovery £181k the remainder of budget was being held as contingency until the first testing is undertaken later this year.
  - e. Customer Contact Programme and Document Management System projects which are being progressed under one contract are currently showing slippage of £420k. Currently this is an estimate of the likely outturn for 2015/16 as the contract milestones for payments have not yet been agreed with the provider and confirmed

- c) Children, Schools and Families – It is currently envisaged that some primary expansion schemes could overspend compared to budget and this is reflected in the outturn projection.
- d) Environment and Regeneration – The revenue contribution towards tackling traffic congestion has been reduced and this will ease the pressure on revenue budgets for this area.

4.3 Appendix 5b details the adjustments being made to the Capital Programme this month. A brief description of the adjustment is provided in this Appendix.

4.4 Appendix 5c details the change in funding the programme 2015-17. The table below shows the movement in the Capital programme for 2015/16 since its approval in March 2015:

Depts.	Original Budget 15/16	Net Slippage 2014/15	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 15/16
Community and Housing	2,161	1,436	189	0		(2,059)	1,727
Corporate Services	7,428	2,408	(171)	0	315	(1,155)	8,825
Children Schools and Families	17,105	1,014	(27)	200	0	(2,879)	15,413
Environment and Regeneration	15,240	2,345	(2,764)	247	296	(602)	14,762
<b>Total</b>	<b>41,933</b>	<b>7,203</b>	<b>(2,773)</b>	<b>447</b>	<b>611</b>	<b>(6,695)</b>	<b>40,726</b>

## 5. DELIVERY OF SAVINGS

Department	Target Savings 2015/16	Projected Savings 2015/16	Period 7 Forecast Shortfall	Period 7 Forecast Shortfall
	£000's	£000's	£000's	%
Corporate Services	1,170	1,099	(71)	(6.1)%
Children Schools and Families	781	781	0	0.0%
Community and Housing	2,154	1,889	(266)	(12.3)%
Environment and Regeneration	4,192	764	(3,428)	(81.8)%
<b>Total</b>	<b>8,297</b>	<b>4,533</b>	<b>(3,765)</b>	<b>(45.4)%</b>

Appendix 7 details the progress on savings for 2015/16 by department.

£3.2m of the E&R savings shortfall relates to the unsuccessful legal challenge to the award of the contract for the provision and maintenance of ANPR camera. This will be met next year. In relation to the remaining shortfalls – these are reviewed regularly by DMT and where it is deemed that the savings cannot be achieved alternative savings have been/ will be proposed to Cabinet.

Mitigating actions continue to be applied wherever possible in order to minimise the in-year pressures.

Adult Social Care have initiated various management actions to recoup the savings shortfall. This includes new innovative commissioning approaches and reviewing the current commissioning strategy. Also working on a number of other innovative ideas to help meet a growing need in a different way to the current process.

**2014/15 Savings not fully achieved**

<b>Department</b>	<b>Savings 2014/15</b>	<b>Savings Achieved 2014/15</b>	<b>14/15 Shortfall</b>	<b>15/16 Shortfall expected</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Corporate Services	975	917	(58)	0
Children Schools and Families	140	100	(40)	0
Community and Housing	2,829	300	(2,529)	1,079
Environment and Regeneration	784	280	(504)	118
<b>Total</b>	<b>4,728</b>	<b>1,597</b>	<b>(3,131)</b>	<b>1,197</b>

Appendix 8 reports the 2014/15 savings not achieved and projects the full year affect of these savings in 2015/16. Further work is being performed to ensure the 2014/15 savings shortfall is addressed in the current year.

**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 and the risk of part non-delivery of savings is 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 monthly position table
Appendix 2 –	Detailed Corporate Items table
Appendix 3 –	Pay and Price Inflation as at September 2015
Appendix 4 –	Treasury Management: Outlook
Appendix 5a –	Current Capital Programme 2015/16
Appendix 5b –	Current Capital Programme 2015/16 – Adjustments September 2015
Appendix 5c –	Funding Current Capital Programme 2015/16 & 2016/17
Appendix 5d	Minutes of the Capital Programme Board on 17 November 2015
Appendix 6 -	Departmental charts
Appendix 7 -	Progress on 2015/16 savings
Appendix 8-	2014/15 savings achieved and expected in 2015/16
Appendix 9-	Debt Report at 30 <sup>th</sup> September 2015

**14. BACKGROUND PAPERS**

14.1 Budgetary Control files held in the Corporate Services department.

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**Summary Position as at 31st October  
2015**

APPENDIX 1

	Original Budget 2015/16	Current Budget 2015/16	Year to Date Budget (Oct)	Year to Date Actual (Oct)	Full Year Forecast (Oct)	Forecast Variance at year end (Oct)	Forecast Variance at year end- previous month (Sept)	Outturn Variance 2014/15
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000
<b>Department</b>	-							
3A. Corporate Services	14,025	14,836	21,459	15,181	15,191	356	70	(691)
3B. Children, Schools and Families	50,894	52,737	111,786	111,485	53,774	1,036	1,535	2,663
<b>3C. Community and Housing</b>	-							0
Adult Social Care	56,080	56,457	32,907	28,651	57,513	1,056	1,288	2,593
Libraries & Adult Education	3,169	3,289	2,166	1,942	3,504	215	221	281
Housing General Fund	2,151	2,155	1,224	270	1,928	(226)	(96)	(100)
3D. Public Health	320	1,154	(1,159)	(3,950)	1,322	168	(364)	(0)
3E. Environment & Regeneration	23,986	24,174	4,181	3,279	27,168	2,994	3,295	1,703
Overheads	0	0	0	0	0	0	0	0
<b>NET SERVICE EXPENDITURE</b>	<b>150,624</b>	<b>154,801</b>	<b>172,565</b>	<b>156,859</b>	<b>160,400</b>	<b>5,599</b>	<b>5,950</b>	<b>6,448</b>
<b>3E. Corporate Items</b>								
Impact of Capital on revenue budget	14,117	14,117	3,906	3,539	14,092	(25)	(25)	205
Other Central items	-10,651	-14,826	-7,164	1,805	-17,183	-2,358	-2,358	(2,817)
Levies	926	926	576	576	926	0	0	0
<b>TOTAL CORPORATE PROVISIONS</b>	<b>4,392</b>	<b>217</b>	<b>-2,682</b>	<b>5,920</b>	<b>-2,166</b>	<b>-2,383</b>	<b>-2,383</b>	<b>-2,612</b>
<b>TOTAL GENERAL FUND</b>	<b>155,016</b>	<b>155,018</b>	<b>169,884</b>	<b>162,778</b>	<b>158,234</b>	<b>3,216</b>	<b>3,567</b>	<b>3,836</b>
<b>- Funding</b>								
- Business Rates	(33,686)	(33,686)	(4,705)	(4,705)	(33,686)	0	0	0
- RSG	(30,425)	(30,425)	(21,204)	(21,204)	(30,425)	0	0	0
- Council Tax Freeze Grant 2014/15	(861)	(861)	(520)	(520)	(861)	0	0	6
- Section 31 Grant	(1,134)	(1,134)	(646)	(646)	(1,134)	0	0	(160)
- New Homes Bonus	(2,642)	(2,642)	(3,063)	(3,063)	(2,642)	0	0	0
- PFI Grant	(4,797)	(4,797)	(2,398)	(2,398)	(4,797)	0	0	0
<b>Grants</b>	<b>(73,545)</b>	<b>(73,545)</b>	<b>(32,537)</b>	<b>(32,537)</b>	<b>(73,545)</b>	<b>0</b>	<b>0</b>	<b>(154)</b>
Collection Fund - Council Tax Surplus(-)/Deficit	(4,813)	(4,813)	0	0	(4,813)	0	0	0
Collection Fund - Business Rates Surplus(-)/Deficit	393	393	0	0	393	0	0	0
<b>Council Tax</b>								
- General	(76,758)	(76,758)	0	0	(76,758)	0	0	0
- WPC	(293)	(293)	0	0	(293)	0	0	0
<b>Council Tax and Collection Fund</b>	<b>(81,471)</b>	<b>(81,471)</b>	<b>0</b>	<b>0</b>	<b>(81,471)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUNDING</b>	<b>(155,016)</b>	<b>(155,016)</b>	<b>(32,537)</b>	<b>(32,537)</b>	<b>(155,016)</b>	<b>0</b>	<b>0</b>	<b>(154)</b>
<b>NET</b>	<b>0</b>	<b>2</b>	<b>137,347</b>	<b>130,241</b>	<b>3,218</b>	<b>3,216</b>	<b>3,567</b>	<b>3,682</b>

	Current Budget 2015/16	Year to Date Budget (Oct)	Year to Date Actual (Oct)	Full Year Forecast (Oct)	Forecast Variance at year end (Oct)	Forecast Variance at year end (Sept)
<b>Expenditure</b>	£000	£000	£000	£000	£000	£000
Employees	97,714	56,926	56,364	98,926	1,212	1,679
Premises Related Expenditure	8,779	5,734	4,455	8,398	(381)	(635)
Transport Related Expenditure	14,689	8,494	7,646	14,748	59	587
Supplies and Services	175,166	97,839	93,699	174,006	(1,160)	(872)
Third Party Payments	89,543	49,002	46,281	93,485	3,942	4,309
Transfer Payments	104,045	60,474	56,322	101,226	(2,819)	(3,458)
Support Services	31,902	0	1	31,901	(1)	(1)
Depreciation and Impairment Losses	16,505	8	0	16,505	(0)	0
Corporate Provisions	217	(2,682)	5,920	(2,166)	(2,383)	(2,383)
<b>GROSS EXPENDITURE</b>	<b>538,560</b>	<b>275,795</b>	<b>270,688</b>	<b>537,029</b>	<b>(1,532)</b>	<b>(773)</b>
<b>Income</b>						
Government Grants	(267,201)	(63,220)	(64,525)	(263,847)	3,355	3,015
Other Grants, Reimbursements and Contribs	(22,364)	(7,411)	(11,014)	(24,549)	(2,185)	5
Customer and Client Receipts	(61,315)	(32,700)	(32,378)	(58,155)	3,160	827
Interest	(44)	0	0	(20)	24	24
Recharges	(32,547)	(2,509)	0	(32,546)	1	1
Balances	(70)	(70)	8	323	393	468
<b>GROSS INCOME</b>	<b>(383,542)</b>	<b>(105,911)</b>	<b>(107,909)</b>	<b>(378,794)</b>	<b>4,747</b>	<b>4,340</b>
<b>NET EXPENDITURE</b>	<b>155,018</b>	<b>169,885</b>	<b>162,778</b>	<b>158,234</b>	<b>3,216</b>	<b>3,567</b>

**APPENDIX 2**

3E. Corporate Items	Council 2015/16 £000s	Original Budget 2015/16 £000s	Current Budget 2015/16 £000s	Year to Date Budget (Oct.) £000s	Year to Date Actual (Oct.) £000s	Full Year Forecast (Oct.) £000s	Forecast Variance at year end (Oct.) £000s	Forecast Variance at year end (Sep) £000s
Cost of Borrowing Use for Capital Programme	14,117	14,117	14,117	3,906	3,539	14,092	(25) 0	(25) 0
<b>Impact of Capital on revenue budget</b>	<b>14,117</b>	<b>14,117</b>	<b>14,117</b>	<b>3,906</b>	<b>3,539</b>	<b>14,092</b>	<b>(25)</b>	<b>(25)</b>
<b>Investment Income</b>	<b>(559)</b>	<b>(559)</b>	<b>(559)</b>	<b>(326)</b>	<b>(490)</b>	<b>(841)</b>	<b>(282)</b>	<b>(282)</b>
<b>Pension Fund</b>	<b>5,042</b>	<b>5,042</b>	<b>5,042</b>	<b>840</b>	<b>4,702</b>	<b>5,042</b>	<b>0</b>	<b>0</b>
Corporate Provision for Pay Award	189	189	0	0	0	0	0	0
Provision for inflation in excess of 1.5%	543	543	475	0	0	475	0	0
Utilities Inflation Provision	100	100	100	0	13	100	0	0
<b>Pay and Price Inflation</b>	<b>832</b>	<b>832</b>	<b>575</b>	<b>0</b>	<b>13</b>	<b>575</b>	<b>0</b>	<b>0</b>
Contingency	1,500	1,500	1,263	0	0	263	(1,000)	(1,000)
Single Status/Equal Pay	100	100	100	0	22	50	(50)	(50)
Bad Debt Provision	500	500	500	0	0	500	0	0
Loss of income arising from P3/P4	400	400	400	0	0	0	(400)	(400)
Revenuisation and miscellaneous	3,525	3,525	2,211	0	0	2,211	0	0
<b>Contingencies and provisions</b>	<b>6,025</b>	<b>6,025</b>	<b>4,474</b>	<b>0</b>	<b>22</b>	<b>3,024</b>	<b>(1,450)</b>	<b>(1,450)</b>
Local Services Support Grant	0	0	0	0	3	0	0	0
Other	(174)	(174)	(174)	0	0	(800)	(626)	(626)
<b>Income items</b>	<b>(174)</b>	<b>(174)</b>	<b>(174)</b>	<b>0</b>	<b>3</b>	<b>(800)</b>	<b>(626)</b>	<b>(626)</b>
Appropriations: CS Reserves	(3,003)	(3,003)	(3,689)	(3,689)	(232)	(3,689)	0	0
Appropriations: E&R Reserves	(1,631)	(1,631)	(1,788)	(1,788)	(13)	(1,788)	0	0
Appropriations: CSF Reserves	(618)	(618)	(1,152)	(1,152)	(1,152)	(1,152)	0	0
Appropriations: C&H Reserves	(545)	(545)	(700)	(700)	(700)	(700)	0	0
Appropriations: Public Health Reserves	(320)	(320)	(1,154)	(1,154)	(1,154)	(1,154)	0	0
Appropriations: Corporate Reserves	806	806	806	806	806	806	0	0
<b>Appropriations/Transfers</b>	<b>(5,311)</b>	<b>(5,311)</b>	<b>(7,678)</b>	<b>(7,678)</b>	<b>(2,445)</b>	<b>(7,678)</b>	<b>0</b>	<b>0</b>
<b>Depreciation and Impairment</b>	<b>(16,506)</b>	<b>(16,506)</b>	<b>(16,506)</b>	<b>0</b>	<b>0</b>	<b>(16,506)</b>	<b>0</b>	<b>0</b>
<b>Central Items</b>	<b>3,466</b>	<b>3,466</b>	<b>(709)</b>	<b>(3,258)</b>	<b>5,344</b>	<b>(3,091)</b>	<b>(2,383)</b>	<b>(2,383)</b>
<b>Levies</b>	<b>926</b>	<b>926</b>	<b>926</b>	<b>576</b>	<b>576</b>	<b>926</b>	<b>0</b>	<b>0</b>
<b>TOTAL CORPORATE PROVISIONS</b>	<b>4,392</b>	<b>4,392</b>	<b>217</b>	<b>(2,682)</b>	<b>5,920</b>	<b>(2,166)</b>	<b>(2,383)</b>	<b>(2,383)</b>



Pay and Price Inflation as at October 2015

In 2015/16, the budget includes 1% for increases in pay and 1.5% for increases in general prices, with an additional amount of £0.543m 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. 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 pay award for 2015/16 was agreed as part of a two year settlement which ends on 31 March 2016

Prices:

The Consumer Prices Index (CPI) fell by 0.1% in the year to October 2015, the same fall as in the year to September 2015. Upward price pressures for clothing and footwear and a range of recreational goods were offset by downward price pressures for university tuition fees, food, alcohol and tobacco, resulting in no change to the overall rate of inflation.

CPIH grew by 0.2% in the year to October 2015, unchanged from September 2015. RPI annual inflation stands at 0.7% in October 2015, down from 0.8% in September 2015.

Outlook for inflation:

On 4 November 2015, the Bank of England's Monetary Policy Committee (MPC) voted by a majority of 8-1 to maintain the Bank Base Rate at 0.5%. The Committee voted unanimously to continue with its programme of asset purchases totalling £375 billion, financed by the issuance of central bank reserves.

The MPC reached its decisions in the context of the monetary policy guidance announced alongside the publication of the August 2013 Inflation Report. In its summary of its decision, the MPC noted that "In September, twelve-month CPI inflation stood at -0.1%, slightly over 2 percentage points below the inflation target. Around four fifths of the deviation from the target reflects falls in energy, food and other imported goods prices, with the remainder reflecting subdued domestic cost growth. The combined weakness in domestic costs and imported goods prices is evident in subdued measures of core inflation, which are currently around 1%.

The outlook for inflation reflects the balance between persistent drags from factors such as sterling and world export prices, and prospective further increases in domestic cost growth. The MPC's objective is to return inflation to target sustainably; that is, without an overshoot once persistent disinflationary forces ultimately wane. Given these considerations, the MPC intends to set monetary policy to ensure that growth is sufficient to absorb remaining spare capacity in a manner that returns inflation to the target in around two years and keeps it there in the absence of further shocks."

The MPC also noted that in its "judgement, the lower path for Bank Rate implied by market yields would provide more than adequate support to domestic demand to bring inflation to target even in the face of global weakness. In that case, the MPC's best collective judgement is for the most likely path for inflation to exceed slightly the 2% target in two years and then rise a little further above it, reflecting modest excess demand. The MPC judges that the risks to this projection lie slightly to the downside in the first two years, reflecting global factors."

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 (November 2015)			
2015 (Quarter 4)	Lowest %	Highest %	Average %
CPI	(0.1)	0.9	0.2
RPI	0.6	1.5	1.0
LFS Unemployment Rate	5.1	5.7	5.3
2016 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.9	2.7	1.6
RPI	0.9	3.9	2.7
LFS Unemployment Rate	4.7	5.7	5.1

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 2015 to 2019 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (November 2015)					
	2015	2016	2017	2018	2019
	%	%	%	%	%
CPI	0.1	1.3	1.9	2.1	2.0
RPI	1.0	2.1	3.0	3.3	3.3
LFS Unemployment Rate	5.5	5.3	5.2	5.1	5.0

## Treasury Management: Outlook

The Bank Base Rate has been kept at its low of 0.5% since March 2009. At its meeting ending on 4 November 2015, the MPC voted by a majority of 8-1 to maintain Bank Rate at 0.5%. The Committee voted unanimously to maintain the stock of purchased assets financed by the issuance of central bank reserves at £375 billion.

In the November Inflation Report it was noted that “CPI inflation has remained close to zero. GDP growth has slowed over the past year to around its past average rate. A weaker global backdrop together with falls in the prices of risky assets are weighing on the outlook for UK growth, but they are counterbalanced by support from falls in market interest rates and commodity prices. Conditioned on a very gently rising path for Bank Rate, the MPC judges that four-quarter growth is likely to remain around current rates and the slack remaining in the economy is likely to be absorbed. Recent falls in oil and other commodity prices mean that inflation is likely to remain lower than previously expected until late 2017 but, on the conditioning path for Bank Rate, the MPC’s best collective judgement is that CPI inflation will return to the 2% target in around two years and rise above it thereafter.”

In the MPC minutes published on 4 November 2015 it was noted that “All members agreed that the likely persistence of the headwinds restraining economic growth following the financial crisis meant that, when Bank Rate did begin to rise, it was expected to do so more gradually and to a lower level than in recent cycles. Such guidance, however, was an expectation and not a promise: the path that Bank Rate would actually follow over the next few years would depend on economic circumstances.

The MPC’s forecasts of Bank Base Rate in recent Quarterly Inflation Reports is summarised in the following table:-

	End Q.3 2015	End Q.4 2015	End Q.1 2016	End Q.2 2016	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.3 2018
November '15		0.5	0.5	0.5	0.6	0.6	0.7	0.8	0.9	1.0	1.1	1.1	1.2	1.3
August 2015	0.5	0.5	0.6	0.7	0.9	1.0	1.2	1.3	1.4	1.5	1.6	1.7	1.7	
May 2015	0.5	0.5	0.6	0.7	0.8	0.9	1.0	1.1	1.2	1.3	1.3	1.4		
February 2015	0.5	0.5	0.6	0.6	0.7	0.8	0.9	1.0	1.0	1.1	1.1			
November '14	0.7	0.8	1.0	1.1	1.2	1.4	1.5	1.5	1.7	1.7				
August 2014	1.1	1.3	1.5	1.7	1.9	2.0	2.1	2.2	2.3					

Source: Bank of England Inflation Report August 2015

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.

## Community &amp; Housing Summary Capital Report - October 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
<b>Adult Social Care</b>						
The Gables Mitcham	576,280	34,446	576,280	(541,834)	576,280	0
Other	89,800	7,678	40,410	(32,732)	89,183	(617)
<b>Libraries</b>						
Library Self Service	350,000	0	0	0	330,000	(20,000)
<b>Housing</b>						
8 Wilton Road	60,160	47,362	60,161	(12,799)	60,160	0
Disabled Facilities	650,000	307,852	304,230	3,622	650,000	0
<b>Community and Housing Total</b>	<b>1,726,240</b>	<b>397,338</b>	<b>981,081</b>	<b>(583,743)</b>	<b>1,705,623</b>	<b>(20,617)</b>

## Corporate Services Summary Capital Report - October 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Business Improvement Total	2,630,570	115,340	1,541,408	(1,426,068)	2,209,940	(420,630)
Corporate Governance	880	0	880	(880)	0	(880)
Corporate Items	2,854,340	0	573,331	(573,331)	450,000	(2,404,340)
Facilities Management Total	1,783,280	314,188	1,167,061	(852,873)	1,764,435	(18,845)
IT Total	847,550	90,789	346,550	(255,761)	665,624	(181,926)
Resources	578,500	24,425	0	24,425	578,500	0
IT Transformation Unallocated	129,990	1,970	91,990	(90,020)	41,800	(88,190)
<b>Corporate Services Total</b>	<b>8,825,110</b>	<b>546,712</b>	<b>3,721,220</b>	<b>(3,174,508)</b>	<b>5,710,299</b>	<b>(3,114,811)</b>

## Children, Schools &amp; Families Summary Capital Report - October 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Aragon expansion	0	(11,083)	0	(11,083)	0	0
Beecholme expansion	0	0	71,250	(71,250)	0	0
Cranmer expansion	31,260	10,030	31,260	(21,230)	31,260	0
Joseph Hood Permanent Expansn	3,830	(2,965)	3,830	(6,795)	3,830	0
St Mary's expansion	157,080	46,975	157,080	(110,105)	157,078	(2)
All Saints/ South Wim YCC exp	3,550	3,547	3,550	(3)	3,550	0
Hillcross School Expansion	1,560,510	1,330,759	1,560,510	(229,751)	1,755,510	195,000
Merton Abbey Temp Accomodation	1,179,940	823,984	825,805	(1,821)	1,505,071	325,131
Pelham School Expansion	3,161,140	2,855,500	2,549,675	305,825	3,391,140	230,000
Dundonald expansion	3,106,710	1,175,643	2,112,745	(937,102)	3,106,710	0
Poplar Permanent Expansion	289,900	222,716	(47,839)	270,555	289,900	0
Singlegate expansion	1,212,810	326,962	1,065,676	(738,714)	1,212,810	0
Wimbledon Park expansion	70,530	(48,863)	70,530	(119,393)	70,530	0
<b>Primary Expansion</b>	<b>10,777,260</b>	<b>6,733,205</b>	<b>8,404,072</b>	<b>(1,670,867)</b>	<b>11,527,389</b>	<b>750,129</b>

## Children, Schools &amp; Families Summary Capital Report - October 2015 Monitoring Continued ...

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Devolved Formula Capital	568,830	211,022	333,914	(122,892)	568,830	0
Early Years	0	(59,158)	0	(59,158)	0	0
Free School Meals	193,080	163,142	165,580	(2,438)	193,080	0
Cricket Green Site	65,000	21,720	104,956	(83,236)	65,000	0
Primary school autism unit	1,145,240	671,022	982,565	(311,543)	1,145,240	0
Breaks-disabled children grant	0	(7,242)	0	(7,242)	0	0
Perseid	1,139,680	773,194	852,114	(78,920)	1,139,680	0
Schs Cap Maint & Accessibility	878,860	499,251	646,360	(147,109)	878,860	0
B631 - Solar PV Raynes Prk Pav	0	(1,000)	0	(1,000)	0	0
Raynes Park Sports Pavilion	4,770	0	4,770	(4,770)	4,770	0
Secondary School expansion	430,000	0	230,000	(230,000)	430,000	0
Schools Equipment Loans	104,450	0	0	0	104,450	0
ICT Harnessing Technolgy Grant	0	0	0	0	0	0
Admissions IT System	105,000	91,875	0	91,875	105,000	0
	<b>4,634,910</b>	<b>2,363,826</b>	<b>3,320,259</b>	<b>(956,433)</b>	<b>4,634,910</b>	<b>0</b>
<b>Children Schools and Families</b>	<b>15,412,170</b>	<b>9,097,031</b>	<b>11,724,331</b>	<b>(2,627,300)</b>	<b>16,162,299</b>	<b>750,129</b>

## Environment &amp; Regeneration Summary Capital Report - October 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Footways Planned Works	1,060,000	572,170	284,180	287,990	1,060,000	0
Greenspaces	1,055,840	533,552	467,851	65,701	1,059,769	3,929
Highways General Planned Works	484,230	18,256	231,003	(212,747)	484,230	0
Highways Planned Road Works	1,500,000	967,064	722,150	244,914	1,500,000	0
Leisure Centres	1,328,760	32,571	198,760	(166,189)	1,328,760	0
Other E&R	93,260	28,283	68,260	(39,977)	93,260	0
On and Off Street Parking	20,140	10,236	20,140	(9,904)	20,140	0
Plans and Projects	0	0	0	0	0	0
Regeneration Partnerships	3,732,110	199,267	1,589,080	(1,389,813)	3,732,110	0
Street Lighting	600,000	42,330	133,333	(91,003)	600,000	0
Street Scene	190,690	29,078	110,660	(81,582)	190,690	0
Transport for London	2,834,200	836,591	1,637,600	(801,009)	2,834,200	0
Traffic and Parking Management	316,560	37,519	1,313,710	(1,276,191)	314,587	(1,973)
Transport and Plant	877,690	2,946	69,623	(66,677)	877,690	0
Safer Merton - CCTV & ASB	300,000	0	80,000	(80,000)	300,000	0
Environmental Health	0	0	0	0	0	0
Waste Operations	368,400	160,309	286,745	(126,436)	368,400	0
<b>Environment and Regeneration</b>	<b>14,761,880</b>	<b>3,470,172</b>	<b>7,213,095</b>	<b>(3,742,923)</b>	<b>14,763,836</b>	<b>1,956</b>

**Virement, Re-profiling and New Funding - October**

Appendix 5b

	2015/16 Budget	Virements	Adjusted & New Funding	Reprofiling	Revised 2015/16 Budget	2016/17 Budget	Reprofiling	Revised 2016/17 Budget	Narrative
	£	£	£	£	£	£		£	
<b>Corporate Services</b>									
New Financial System	561,700			(108,200)	453,500	0	108,200	108,200	Go Live Date now July 2016 expenditure re-profiled accordingly
Electronic Asset Management	0		190,000		190,000				
Acquisitions Budget	1,542,340	(45,000)			1,497,340	500,000		500,000	To fund the Refurbishment of 23 Mostyn Road
<b>Community &amp; Housing</b>									
Telehealth	43,750			(43,750)	0	0	43,750	43,750	New Telecare Platform project delayed due to legal reasons - Project to start June 2016
Disabled Facilities Grant	1,125,000			(475,000)	650,000	1,188,000		1,188,000	Reprofiled to 2017/18
<b>Children, Schools and Families</b>									
Cricket Green	137,470			(72,470)	65,000	1,959,740	72,470	2,032,210	Reprofiled to 16/17
Secondary Expansion	770,000			(340,000)	430,000	1,900,000	340,000	2,240,000	Reprofiled to 16/17
Singlegate Primary Expansion	1,412,810		(200,000)		1,212,810	932,000	(200,000)	732,000	Vired to Inflation Contingency to offset any contractual overspend
Beecholme	95,000		(95,000)		0	2,575,000		2,575,000	Budget for 2015/16 removed.
Schs Cap Maint & Accessibility (2)	808,860		70,000		878,860	650,000		650,000	Contributions from a further 7 schools towards schemes undertaken at their schools
<b>Environment &amp; Regeneration</b>									
B694 - Windmill Road	0		32,000		32,000	0		0	s106 funding - approved bid for drainage and footway works at Windmill Road.
Lombard Industrial Estat	23,970		12,370		36,340	0		0	s106 funding - approved bid for lighting and CCTV improvements in the Lombard Road area
Tackling Traffic Congestion (1)	1,288,570	(100,000)	(613,570)	(532,500)	42,500	0	532,500	532,500	Scheme funding adjusted to reflect contractual commitments and virement to fund anti-theft measures on 319 older pay and display machines
Pollards Hill Play Space	0			5,000	0			0	To fund projected overspend this year
Parks Investment	237,000			50,000	287,000	331,000	(55,000)	276,000	To fund projected overspend this year
23 Mostyn Road	0	45,000			45,000	0		0	Complete refurbishment after cessation of a service tenancy. To be re-let on the open market
Anti-theft Security Pay & Display Machines (1)	0	100,000			100,000	0		0	Scheme projected to underpend. Virement to fund anti-theft measures on 319 older pay and display machines
Croydon Rd/Mitcham Rd Shrd Use Path	0			325,000	325,000	325,000	(325,000)	0	TFL Funding for Croydon/Mitcham Rd Shared Cycle Path
Biking Borough Programme	0		14,000		14,000	0		0	TFL funding for Biking Borough Programme (15k total funding for 15/16, 14k of which is available)
<b>Total</b>	<b>8,046,470</b>	<b>0</b>	<b>(590,200)</b>	<b>(1,191,920)</b>	<b>6,259,350</b>	<b>#####</b>	<b>516,920</b>	<b>#####</b>	
<b>1) Requires Cabinet Approval</b>									
<b>2) Schools Contributions</b>									
	2017/18 Budget	Reprofiling	Revised 2017/18 Budget	Narrative					
	£		£						
<b>Community &amp; Housing</b>									
Disabled Facilities Grant	280,000	475,000	755,000	Reprofiled to 2017/18					
<b>Total</b>	<b>280,000</b>	<b>475,000</b>	<b>755,000</b>						

## Capital Programme Funding Summary 2015/16

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
<b>September Monitoring - October Cabinet</b>	<b>21,109</b>	<b>21,398</b>	<b>42,507</b>
<b>Corporate Services</b>			
New Financial Systems	(108)	0	(108)
Electronic Asset Management	190	0	190
<b>Community and Housing</b>			
Telehealth	0	(44)	(44)
Disabled Facilities Grant	(213)	(262)	(475)
<b>Children, Schools and Families</b>			
Cricket Green	0	(72)	(72)
Secondary Expansions	(340)	0	(340)
Beecholme	(95)	0	(95)
Singlegate	(200)	0	(200)
Schs Cap Maint & Accessibility	0	70	70
<b>Environment and Regeneration</b>			
Tackling Traffic Congestion	(1,146)	0	(1,146)
B694 - Windmill Road	0	32	32
Lombard Industrial Estat	0	12	12
Parks Investment	50	0	50
Pollards Hill Play Space	5	0	5
TfL Funding for Croydon Rd Shared Cycle Path	0	325	325
Biking Borough Programme	0	14	14
<b>October Monitoring - December Cabinet</b>	<b>19,252</b>	<b>21,473</b>	<b>40,725</b>

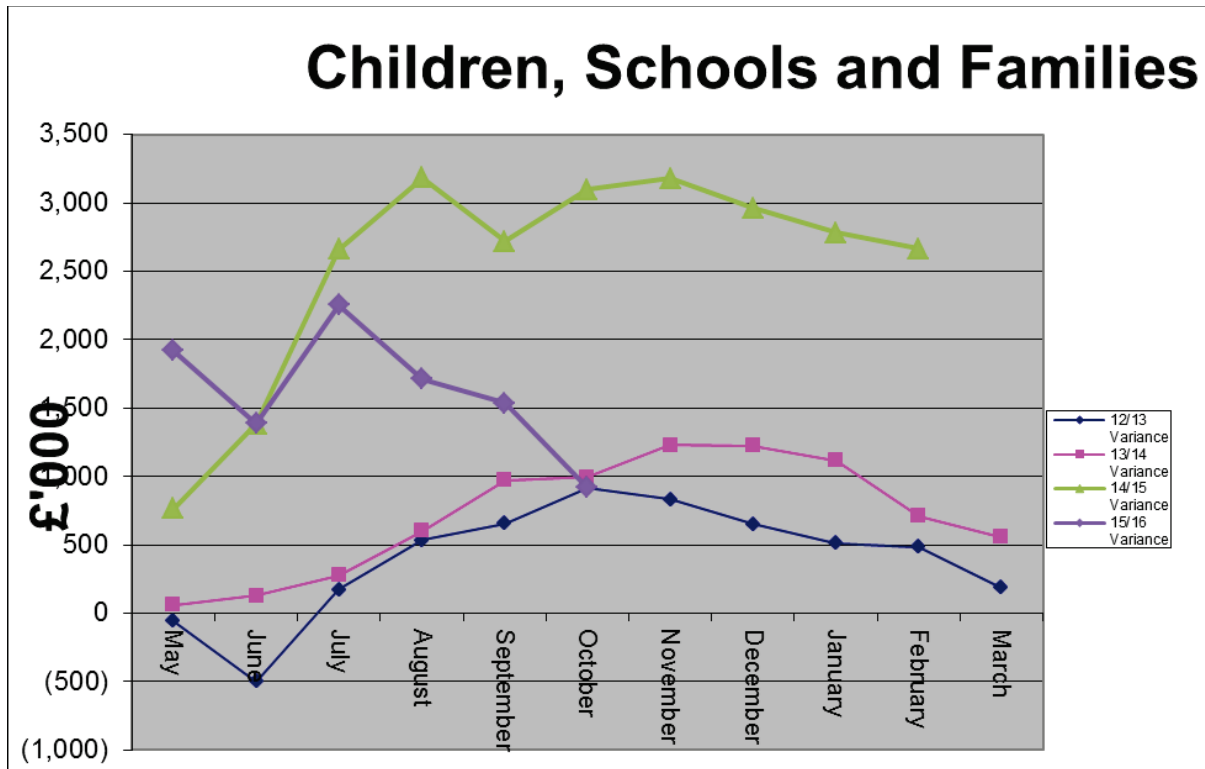
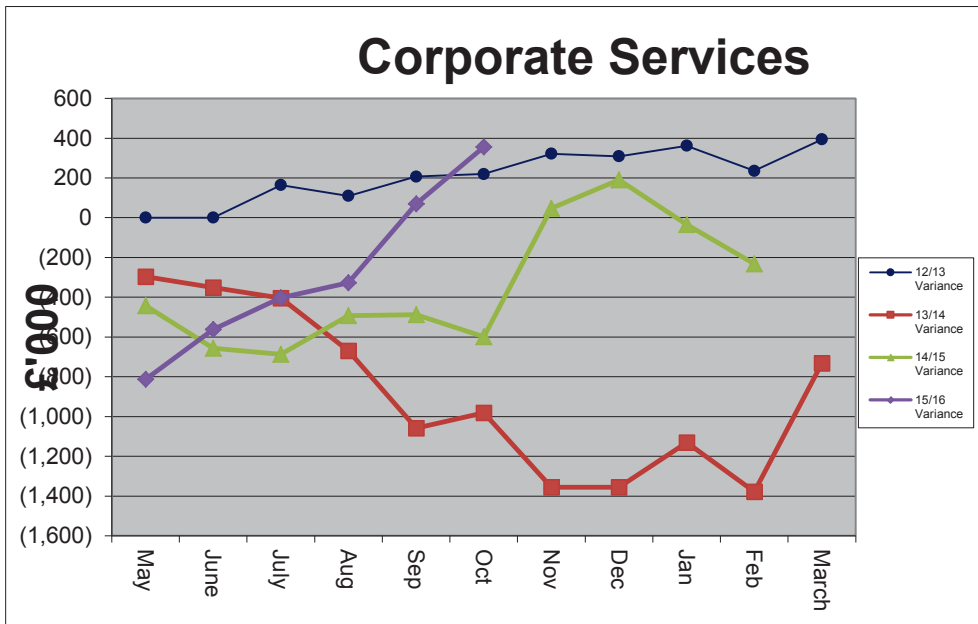


## Capital Programme Funding Summary 2016/17

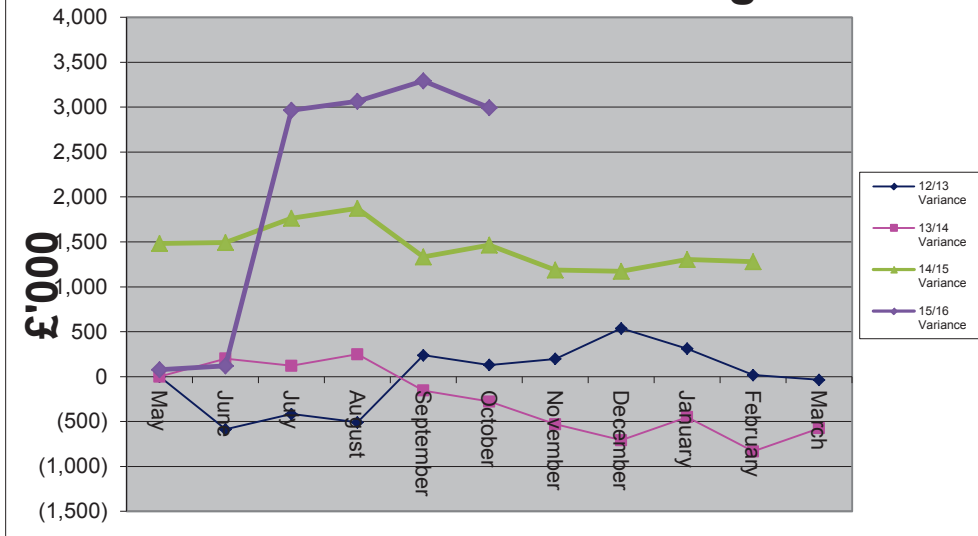
	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
<b>September Monitoring</b>	<b>44,834</b>	<b>15,672</b>	<b>60,506</b>
Improving Information Systems	108		108
Telehealth		44	44
Disabled Facilities Grant	(262)	262	0
Cricket Green		72	72
Singlegate	(200)	0	(200)
Tackling Traffic Congestion	533	0	533
Croydon Rd/Mitcham Rd Shrd Use Path	0	(325)	(325)
Secondary Expansion	340	0	340
Parks Investment	(55)	0	(55)
<b>October Monitoring</b>	<b>45,298</b>	<b>15,725</b>	<b>61,023</b>

APPENDIX 6

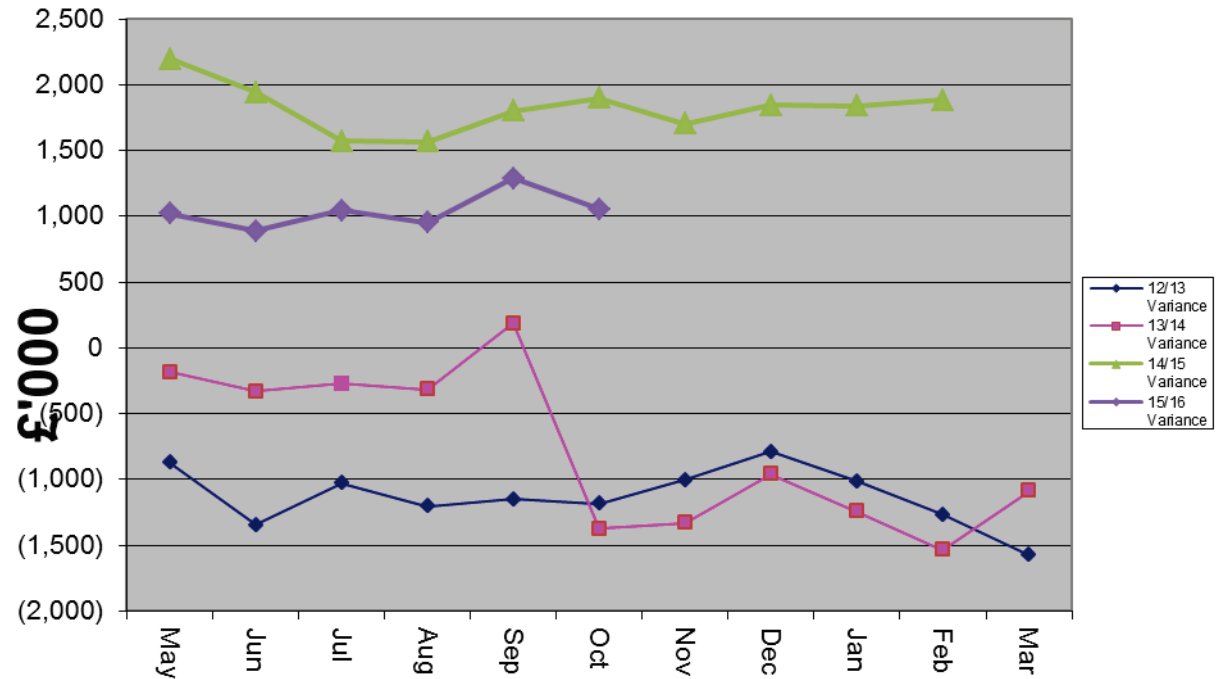
The following charts show the forecast year end variance by department with a comparison for 2012/13, 2013/14 and 2014/15:

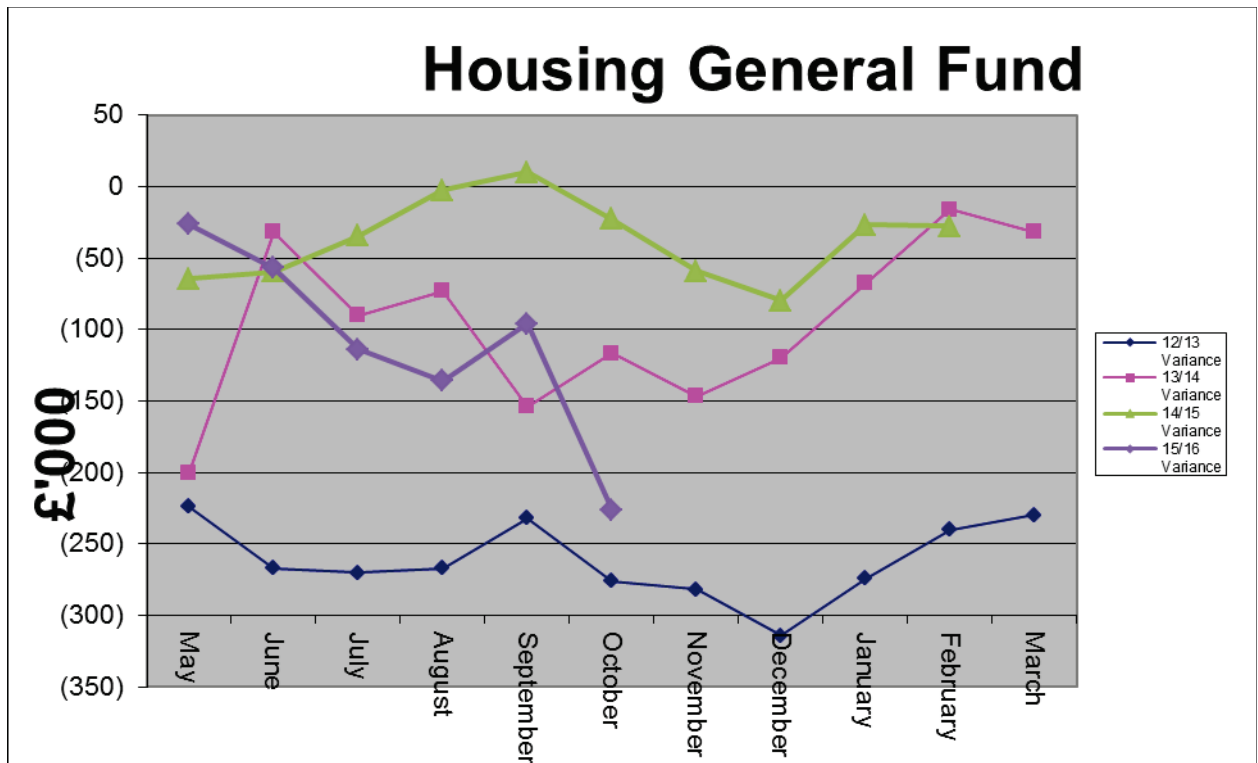
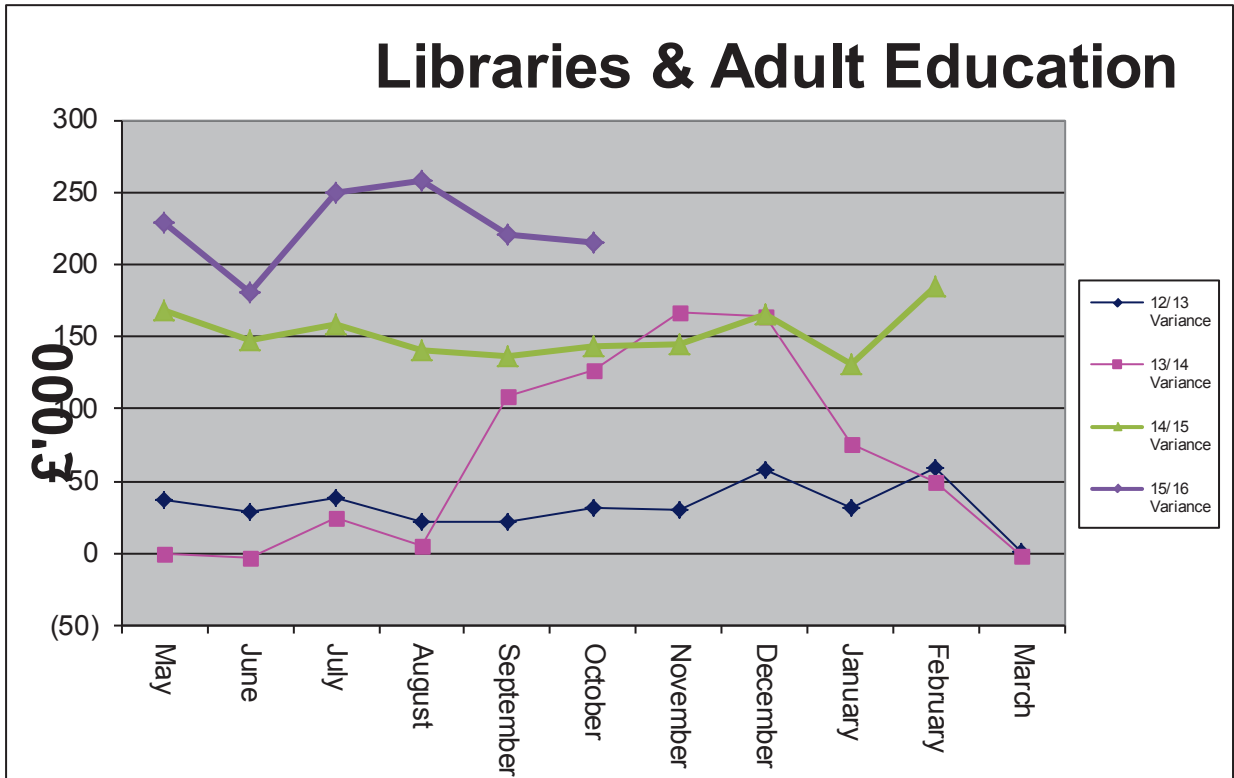


## Environment and Regeneration



## Adult Social Care





## 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	RAG	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
CSF2012-04	<u>CSF Commissioning Function and Commissioning Budgets</u> Reduce expenditure on LAC and SEN placements	100	100	0	A	A	Paul Ballatt	Base budgets were reduced for the savings target. Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter.	Y
CSF2012-07	<u>CSF Children Social Care &amp; Youth Inclusion</u> Family and Adolescent Services Stream - Transforming Families (TF), Youth Offending Team (YOT) and in Education, Training and Employment (ETE)	220	220	0	G	G	Paul Angeli		
CSF2013-01	<u>CSF Early Years</u> 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	160	160	0	G	G	Jane McSherry		
CSF2014-01	<u>School Standards and Quality</u> This is a re-profiling of the budgeted savings for 2015-17 agreed by Council on 5 March 2014. Instead of spreading the income generation and management efficiencies saving of £80k over two years, we propose bringing the total saving forward to 2015/16.	80	80	0	G	G	Jane McSherry		
CSF2014-02	<u>Commissioning, Strategy and Performance</u> This is a re-profiling of the budgeted saving agreed by Council for 2015-17 on 5 March 2014. Due to demographic pressures on the budget we reduced the post 16 LAC/CL accommodation saving for 2015/16 from £100k to £58k.	58	58	0	A	A	Paul Ballatt	Base budgets were reduced for the savings target. Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter.	Y
CSF2014-03	<u>Commissioning, Strategy and Performance</u> 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.	63	63	0	G	G	Paul Ballatt		

## 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	RAG	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
	<u>Youth Services</u>								
CSF2014-04	Reduced investment in commissioned and in-house youth services.	100	100	0	G	G	Jane McSherry		
	<b>Total Children, Schools and Families Department Savings for 2015/16</b>	<b>781</b>	<b>781</b>	<b>0</b>					

APPENDIX 7

**DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2015/16**

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	16/17 RAG	Responsible Officer	Comments	Budget Manager Comments	R /A Included in Forecast Over/Undersp end? Y/N
	<b>Adult Social Care</b>									
ASC7	Below Inflation Uplift to third party suppliers	350	138	212	<b>R</b>	<b>R</b>	Rahat Ahmed-Man	The 2015-2016 budget allowed inflation growth of £550k i.e. if actual contract price increases were restricted to £200k or less this saving would be achieved. However, market pressures not envisaged when this target was set and beyond our control means this saving is no longer realistic. To date the commissioning team has only negotiated increased rates where absolutely necessary and overall has negotiated rate increases well below that asked for by providers. The financial impact of negotiations completed to date is estimated at £412k in 2015-16. This compares to requested increases of £1.083m, but means the £350k savings target will not be achieved and it looks likely that actual savings will be around £138k, but this could increase/reduce as and when new price increases are agreed and at least one large contract (Eltandia) is ongoing.	Expected shortfall - (Details as per ASC market report)	
CH1	Brokerage efficiency savings	31	100	(69)	<b>G</b>	<b>G</b>	Rahat Ahmed-Man	Based on actual savings in previous years which exceeded £100k the Brokerage Manager is confident that this is a feasible savings target from better sourcing/renegotiations in 2015-16 . Projected savings have already gone above the £31k target by £25k and <u>there is a high probability that this target can be substantially exceeded</u> to help recoup 2014-15 savings shortfalls.	Over-achieving target - currently £98k	

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APPENDIX 7

**DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2015/16**

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	16/17 RAG	Responsible Officer	Comments	Budget Manager Comments	R /A Included in Forecast Over/Undersp end? Y/N
ASC9	Remodelling and re-procuring the domiciliary care service, following the end of the 3 year contract starting in 2012.	250	(169)	419	R	R	Rahat Ahmed-Man	Like ASC7 above market pressures beyond our control have resulted in domiciliary care rates increasing rather than decreasing as envisaged when savings targets were originally set. To date the commissioning team has only negotiated increased rates where absolutely necessary and overall has negotiated rate increases well below that asked for by providers. The financial impact of negotiations completed to date is estimated at £169k in 2015-16. This compares to requested increases of £439k and means the £250k savings target will not be achieved.	Expected shortfall - see tabs ASC market - details and ASC markets - summary for further details	
CH10 Page 228	Procurement Opportunities	250	362	(112)	G	G	Rahat Ahmed-Man	The Orchard Hill LD Supported Living Contract was relet from 16th February 2015. The new price assuming care hours do not exceed 1,350 in a year is £980k p.a. This compares to an annual cost under the old contract of £1.391m i.e. whole year savings forecast is £411k. The pro rata savings in 2015-16 are therefore £362k, so the £250k target <u>will be over-achieved in 2015-16 by £112k</u> . This will help compensate for the dom care savings (above) unlikely to be achieved.		
ASC10A	Review of care packages with a view to an overall average reduction in line with promoting independence	100	225	(125)	G	G	Rahat Ahmed-Man	In 2015-16 reviews will focus on mid-range packages of £400-£1500 p.w. (excl. Dir Payments as these were reviewed in 2014-15). The combined £206k savings target from the reviews in these three savings targets represents just 1% of the annual cost of these packages and reviews between Apr - Aug 2015	Over-recovering on 15/16 reviews by a further <b>£125k</b> - counted against 14/15 savings not	



**APPENDIX 7**

**DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2015/16**

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	16/17 RAG	Responsible Officer	Comments	Budget Manager Comments	R /A Included in Forecast Over/Undersp end? Y/N
*ASC18	* Review of care packages	75	75	0	G	G	Rahat Ahmed-Man	have already identified savings of £161k (78% of the target) so we are on track to achieve and in all probability exceed this target. This will help to compensate for any savings shortfalls related to contract price increases. The £161k savings identified so far include £45K identified in 2014-15 but relating to 2015-16 + £42k identified by reviews in Apr-June + £39k identified by reviews in July + £34k identified by reviews in August. RAG rating for CH2 remains amber until cumulative savings identified from all review activity equals or exceeds the £206k target. Anticipated over achievement will help offset dom care savings (above) unlikely to be achieved.	Savings not achieved	
CH2	Domiciliary care service	31	100	(69)	A	G	Rahat Ahmed-Man			
CH2	Procurement Opportunities (Placement budget)	32	23	10	A	G	Rahat Ahmed-Man	So far possible annual savings of £20k to £25k have been identified from changes to night cover arrangements and overhead reduction programmes at Crescent Road and Woodland Way LD Supported Livings Services i.e. £7k to £12k of saving still need to be identified.	Expected shortfall	
ASC2A	Outsource Reablement Service & realise benefits / efficiencies of the remodelled service	100	100	0	G	G	Sarah Wells	Required restructuring has taken place and the budget has been adjusted i.e. the projected savings will be realised.	Target to be achieved	
*CH1	* First Contact Service .Reduce in-house provision of a first contact screening and assessment service, and have this provided within the voluntary sector within the overall costs the sector currently operate within.	125	125	0	G	G	Rahat Ahmed-Man	Required restructuring has taken place i.e. projected savings will be realised. MAAT closed and its role is now fulfilled a new Information, Advice and Support Hub will be operated in partnership with the Voluntary Sector.	Target to be achieved	
*ASC18	*Supporting People	300	300	0	A	G	Rahat Ahmed-Man	£212k identified so far so there is still a further £88k to be achieved. This is likely to be achieved through a reduction of the number of subsidy payment customers.	Target to be achieved	

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APPENDIX 7

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	16/17 RAG	Responsible Officer	Comments	Budget Manager Comments	R /A Included in Forecast Over/Undersp end? Y/N
CH4	Staffing reductions within the Commissioning Team	71	71	0	A	G	Rahat Ahmed-Man	This saving will be delivered by holding staff vacancies in Commissioning. Budget monitor shows this is being achieved.	Target to be achieved	
CH4	Staffing reductions across Direct Provision	99	99	0	G	G	Andy Ottaway-Searle	The required staff restructuring has already taken place so these savings will be fully achieved.	Target to be achieved	
*CH3	* Day Care Sevices -Change the day services offer for learning and physically disabled customers who currently use in house day services, mainly High Path and All Saints.	200	200	0	G	G	Andy Ottaway-Searle	Staffing reductions have been made to achieve the savings. This has led to a re-organised day service offer, with the emphasis on a safe and secure service, with fewer activities on offer for customers. We are refining the offer to ensure each customer has as much choice as possible and will continue to seek volunteers to assist in the centres.	Target to be achieved	
	<b>Libraries</b>									
CH5	Reduction in Media Fund	12	12	0	G	G	Anthony Hopkins			
CH6	Increase income - Libraries	10	10	0	G	G	Anthony Hopkins			
	<b>Merton Adult Education</b>			0						
CH15	Increased income and some staff reductions	14	14	0	R	R	Yvonne Tomlin			
	<b>Housing</b>			0						
CH8	Homelessness Prevention Grant	35	35	0	G	G	Steve Langley			
Trf from F&P	Enviromental Health Salaries	69	69	0	G	G	Steve Langley			
	<b>Total Community &amp; Housing Department Savings for 2015/16</b>	<b>2,154</b>	<b>1,889</b>	<b>266</b>						

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## DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	<b><u>Business Improvement</u></b>								
CS1	Rationalisation of management costs	50	50	0	G	G	Sophie Ellis		
CS3	Generate income through training	5	0	5	R	G	Sophie Ellis	Alternate saving identified	Y
CSD36	Business Systems Team Restructure Phase 1	10	10	0	G	G	Sophie Ellis		
	<b><u>IT Service Delivery</u></b>								
CS5	Review and challenge of the procurement of Support & Maintenance & Licence Contracts	60	60	0	G	G	Mark Humphries		
CS7	Reduction of costs through re-procurement of Mobile Telephones Contract against a number of revenue budgets spread across the Council	10	10	0	G	G	Mark Humphries		
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.	10	10	0	G	G	Mark Humphries		
CS14	Asset and Change Analyst Vacant Part Post (0.8)	24	24	0	G	G	Mark Humphries		
CS17	Delete one Transactional Services Assistant Post (Compulsory Redundancy)	30	30	0	G	G	Mark Humphries		
CS18	Delete Assistant Vendor Maintenance - Part Post 0.7 FTE (Compulsory Redundancy)	24	24	0	G	G	Mark Humphries		
CS20	Energy ReFit Savings (Subject to agreed investment) - Phase 2	100	100	0	G	G	Mark Humphries		
CS21	Increase income targets for building repairs and maintenance works	45	45	0	G	G	Mark Humphries		
CS22	Restructure of Archive Store	15	15	0	A	G	Mark Humphries	Alternate to be identified	Y
CS23	Outsourcing Buildings Services and Security Service	35	35	0	G	G	Mark Humphries		
CS25	Delete one post from the Building Repair and Maintenance team (Compulsory Redundancy)	30	30	0	G	G	Mark Humphries		

## DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CS27	Consolidation of Utilities budgets	50	50	0	G	G	Mark Humphries		
CS28	M&E Term Contract (Amalgamation) of Intruder Alarms	20	20	0	G	G	Mark Humphries		
CS31	Rationalise Health and Safety and Business Continuity Planning - if possible explore shared service	35	0	35	G	G	Mark Humphries		
CSD1	Increase FM's external fee income target associated with schools service level agreements and associated project works	31	0	31	R	A	Mark Humphries	Saving unlikely to be delivered in 2015/16 but alternate has been identified	Y
<b>Corporate Governance</b>									
CS30	Rationalise Benefits and Corporate Investigation team - possible shared resources	30	30	0	G	G	Paul Evans		
CS33	Rationalise Internal Audit teams - possible shared service	40	40	0	G	G	Paul Evans		
CS34	Services and suppliers savings within Corporate Governance	86	86	0	G	G	Paul Evans		
<b>Customer Services</b>									
CS36	Re tendering of Cash Collection Contract	10	10	0	G	G	Sean Cunniffe	Achieved from commencement of 2015/16	
CS39	Impact of Customer Service Review	30	30	0	G	G	David Keppler	Achieved from commencement of 2015/16	
CSD12	Rationalisation of Divisional Budgets	15	15	0	G	G	David Keppler	Achieved from commencement of 2015/16	
CSD13	Reduce Customer Access Point Assistant by 0.6FTE	15	15	0	G	G	Sean Cunniffe	Achieved from commencement of 2015/16.	
CSD17	Reduce Marketing budget - Increase self service by using Panacea - marketing solution software in order to reduce designer costs for smaller marketing jobs.	3	3	0	G	G	Sophie Poole		
<b>Resources</b>									
CS42	Resources -Fall Out of Pay Protection Arrangement	5	5	0	G	G	Paul Dale		
CSD20	Increased income	14	14	0	G	G	Paul Dale		

## DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSD46	Reduce budget for LCGS to match actual contribution	3	3	0	G	G	Paul Dale		
	<b><u>Human Resources</u></b>								
CS49	Introduction of new application tracking system	5	5	0	G	G	Dean Shoesmith	On target for achievement	
CSD31	Review of HR business support	19	19	0	G	G	Dean Shoesmith	Change already completed and the associated post deleted	
CSD33	HR transactional service income generation	20	20	0	G	G	Dean Shoesmith	Discussions progressing with Kingston to obtain costs for i-Trent service	
	<b><u>Corporate Items</u></b>								
	Dividend income from CHAS 2013 Limited	174	174	0	G	G	Paul Dale	Alternative saving found due to CHAS IP payment.	
	Reduction in interest charges through cash management	117	117	0	G	G	Paul Dale		
	<b>Total Corporate Services Department Savings for 2015/16</b>	<b>1,170</b>	<b>1,099</b>	<b>71</b>					

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

Ref		2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
<b>LEISURE &amp; CULTURE</b>									
EN35	Various Budgets - Increased Income through various charging increases.	14	14	0	G	G	James McGinlay		N
EN36	Various Budgets - Increased Income through sale of advice & guidance.	10	10	0	G	G	James McGinlay		N
EN37	Merton Active Plus - Increased Income	5	5	0	G	G	James McGinlay		N
EV09	Renegotiation of contract with GLL for management of Leisure Centres	120	120	0	G	G	James McGinlay		N
<b>TRAFFIC &amp; HIGHWAYS</b>									
EN29	Re-Structure of Traffic and Highway Services	252	196	56	R	G	James McGinlay	Due to delay in implementation, the full effect of this saving will not be realised this year.	Y
<b>FUTURE MERTON</b>									
EN42	Consultancy Income.	40	40	0	A	A	James McGinlay	No definitive income streams identified as yet.	Y
<b>GREENSPACES</b>									
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	5	34	R	A	James McGinlay	Shortfall based on P6 forecast.	Y
<b>WASTE SERVICES</b>									
EN16	Deletion of a vacant post within our Sheltered Placement team (£20k), and a reduction in transport related budgets.	66	66	0	G	G	Cormac Stokes		N
<b>SAFER MERTON</b>									
EV01	Reprocurement of CCTV maintenance contract leading to efficiency savings.	36	36	0	G	G	John Hill		N
<b>REGULATORY SERVICES</b>									
ER10	Merton & Richmond shared regulatory services.	230	110	120	R	G	John Hill	New structure estimated to commence in October 2015, so only a part-year effect saving will be achieved this year.	Y
<b>PARKING SERVICES</b>									
EN05	Introduction of mobile phone payments for parking	37	37	0	G	G	John Hill		N
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	R	John Hill		Y
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	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	G	John Hill	The legal challenge to the award of the contract for the provision and maintenance of ANPR cameras received from one of the losing bidders was unsuccessful.	Y
<b>Total Environment and Regeneration Savings 2014/15</b>		<b>4,192</b>	<b>764</b>	<b>3,428</b>					

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

APPENDIX 8

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible officer	Comments	R /A Included in Forecast Over/Underspend? 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	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. To date £72k has been met from ITT and £84k from PB. The overall transport budget is expected to overspend due to complexity of caseloads and increased prices..	

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

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Actuals Savings £000	Shortfall £000	RAG	2015/16 Savings Expected	2015/16 Expected Shortfall	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
<b>Adult Social Care</b>										
ASC13/ASC34	Brokerage Efficiencies	300	118	182	A	182	0	Julie McCauley	Savings not or partially delivered in 14/15 but we expect to pull this back in 15/16 - as at end of September Brokerage negotiations have resulted in savings of <b>£98k</b>	Y
ASC8	Optimising the use of block and spot contracts-OP&LD	300	141	159	R	112	47	David Slark	Savings not or partially delivered in 14/15 but we expect to pull this back in 15/16 - <b>£112k</b> from over-achievement of Orchard Hill contract will offset	Y
Page 236 ASC54	Reduction in Mental Health Placement	50	0	50	R	0	50	Kamla Sumbhoolual	Expected shortfall	Y
CH12	Remove day care costs from residential customers	250	0	250	R	0	250	Andy Ottaway-Searle	Expected shortfall	Y
CH14	All Saints Respite extension	36	0	36	R	0	36	Julie McCauley	Savings not or partially delivered in 14/15 but we expect to pull this back in 15/16 if building work is completed so building can be used for respite care	Y
CH15	Assistive Technology	70	0	70	R	0	70	Andy Ottaway-Searle	Expected shortfall	Y



Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Actuals Savings £000	Shortfall £000	RAG	2015/16 Savings Expected	2015/16 Expected Shortfall	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CH6	Voluntary Organisation- SLA reduction	150	0	150	R	0	150	Rahat Ahmed-Man	Expected shortfall	Y
ASC51	Voluntary Sector Grants-reduction in infrastructure	98	0	98	G	98	0	Rahat Ahmed-Man	Grants were reduced from circa £1m in 2013-14 to circa £830k in 2014-15. Due to a decision to provide transitional funding to various voluntary organisations the saving was not achieved in 2014-15. Transitional arrangements end in 2015-16 so savings will be achieved going forward.	Y
ASC53	Meals on wheels contract	50	0	50	R	0	50	Rahat Ahmed-Man	A new (joint arrangement with Croydon) was due to commence in July 2015, but, non-compliant bids meant the process failed. A new contract to save £100k p.a. will be let in 2015-16. The service will no longer be provided from 2016/17. Expected shortfall as forecasting to overspend in 15/16.	Y
ASC44	Remodelling of reablement service	282	0	282	R	282	0	Sarah Wells	The MILES service has been remodelled and Reablement staff structure has been adjusted. At the end of Septemeber the Reablement budget is forecast to underspend by £242k . Full Savings should be achieved by year end.	
ASC48	Staff Vacancy Factor	105	41	64	G	64	(0)	ALL	The staffing budgets were underspent, but not by as much as planned. A restructuring exercise in 2015-16 will ensure future staffing establishments are affordable and recovers this shortfall from 2014-15	
CH2	Promoting independence	500	0	500	G	500	0		The delay in implementing the reablement model meant these savings were not fully achieved. Reablement is now in place so savings in 2015-16 will be achieved and will be evidenced by comparing support hours at the start and end of reablement.Target to be achieved.	
ASC6/ASC49/CH8	Transport	246	0	246	R	0	246	Andy Ottaway-Searle	Savings were dependent on SLA re-charging - report going to CMT on impact of re-charges on service provision and savings / charging	Y

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Actuals Savings £000	Shortfall £000	RAG	2015/16 Savings Expected	2015/16 Expected Shortfall	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ASC50/CH 7	Staffing savings in Direct Provision	216	0	216	R	216	0	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 . Savings not or partially delivered in 14/15 but we expect to pull some of this back in 15/16	Y
Page 238	<b>Merton Adult Education</b> Increase income from commercial courses and café, reduction in staff. Admin & marketing cost.	176	0	176	R	0	176	Yvonne Tomlin	MAE is forecasting to overspend and is unlikely to achieve this savings target .	
	<b>Total Community &amp; Housing Dep't Savings for 2014/15</b>	2,829	300	2,529	0	1,454	1,075			

## DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 14-15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible Officer	Comments	R/A Included in Forecast Over/Under
	<b><u>Corporate Governance</u></b>									
CS32	Integrate the FOI and Complaints functions	40	0	40	40	0	G	Paul Evans	Alternate savings within division identified and implemented	Y
	<b><u>I&amp;T</u></b>									
CS37	Introduce a charge for the Archive Service Facility (approximately 0.39p per month - commercial rates x 3300 boxes) to produce income - E02243	15	0	15	15	0	G	Mark Humphries	Saving achieved from the wider consolidated facilities management budgets	Y
CS47	CRB Income generation via sales to PVI	30	27	3	30	0	G	Dean Shoesmith	Income shortfall in 14/15	Y

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

Ref		2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
<b>GREENSPACES</b>										
EN45	Further commercialisation and development of sports and allied parks services	96	67	29	81	15	R	James McGinlay	Based on P6 forecast.	Y

<b>WASTE SERVICES</b>											
<b>ER17</b>	Consultancy and legal costs cease in relation to new partnership contracts	213	188	25		213	0	<b>G</b>	Cormac Stokes	On track to be delivered in 15/16	<b>N</b>
<b>ER25</b>	Commercial Waste and Recycling	250	0	250		250	0	<b>G</b>	Cormac Stokes	Saving replaced for 2015/16 by EV12.	<b>N</b>
<b>EN15</b>	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	<b>R</b>	Cormac Stokes	Improved management of the sickness monitoring is in place. All LTA being seen by HofS.  However, until such time as the technical establishment has been signed off, it is not possible to confirm if this saving has been met.	<b>Y</b>
<b>PARKING SERVICES</b>											
<b>EN03</b>	Enforcement of new CPZ's (Controlled Parking Zones)	50	10	40		50	0	<b>G</b>	John Hill		<b>Y</b>
<b>EN04</b>	Implementation of Pay & Display machines in new CPZ's (Controlled Parking Zones)	75	15	60		75	0	<b>G</b>	John Hill		<b>Y</b>
<b>Total Environment and Regeneration Savings 2014/15</b>		<b>784</b>	<b>280</b>	<b>504</b>		<b>669</b>	<b>115</b>				

## Appendix 9

### Subject: Miscellaneous Debt Update September 2015

#### 1. LATEST ARREARS POSITION – MERTON'S AGED DEBTORS REPORT

1.1 A breakdown of departmental net miscellaneous debt arrears, as at 30 September 2015, is shown in column F of Table 1 below.

**Table 1** – Debtors aged balance – 30 September 2015 – not including debt that is less than 39 days old

Department a	39 days to 6 months b	6 months to 1 year c	1 to 2 years d	Over 2 years e	Sept 15 arrears f	June 15 Arrears	Direction of travel
	£	£	£	£	£	£	
Env & Regeneration	900,743	131,833	109,078	177,250	1,318,904	896,994	↑
Corporate Services	321,053	64,914	13,635	159,788	559,390	290,128	↑
Housing Benefits	693,721	547,826	593,434	1,250,581	3,085,562	3,196,008	↓
Children, Schools & Families	127,164	34,225	172,783	9,038	343,210	995,833	↓
Community & Housing	1,218,142	686,637	1,228,908	1,627,033	4,760,720	5,076,718	↓
Chief Executive's	3,000	-60	-60	0	2,880	0	↑
CHAS 2013	90,364	17,142	18,864	7,723	134,093	153,984	↓
<b>Total</b>	<b>3,354,187</b>	<b>1,482,517</b>	<b>2,136,642</b>	<b>3,231,413</b>	<b>10,204,759</b>	<b>10,609,665</b>	↓
<i>Sep-14</i>	2,750,419	1,692,686	2,192,651	3,112,876	9,748,632		
<i>Variance Sept 14 to Sept 15</i>	603,768	-210,169	-56,009	118,537	456,127		↑

1.2 Since the position was last reported in June 2015, the net level of arrears, i.e. invoices over 39 days old, has reduced by £404,906.

1.3 The net level of level of arrears has increased by £456,127 when compared to the position at the end of September 2014.

- 1.4 The above table shows the separate debt owed to CHAS 2013 Ltd.
- 1.5 The increase in debt for Corporate Services is again outstanding re-charges for Legal Services. This debt is being pursued by the Debt Recovery team and Legal Services.
- 1.6 The increase in debt for Environmental Services is mainly down to outstanding invoices for Community Infrastructure Levy, although the majority has been paid in October.
- 1.7 Table 2 below shows the total net level of arrears for the last five years – not including debt that is less than 39 days old

**Table 2 – net miscellaneous debt September 2011 to September 2015 – not including debt that is less than 39 days old**

Department	Sept 2011	Sept 2012	Sept 2013	Sept 2014	Sept 2015
	£	£	£		£
Env & Regeneration	463,650	680,980	793,107	839,287	1,318,904
Corporate Services	257,398	375,091	368,730	628,537	559,390
Housing Benefits	2,563,016	3,086,410	2,950,651	2,857,391	3,085,562
Children, Schools & Families	153,253	271,244	121,140	407,783	343,210
Community & Housing	2,656,934	3,514,938	4,213,449	4,861,456	4,760,720
Chief Executive's	2,280	180	500	500	2,880
CHAS 2013	0	0	0	181,542	134,093
<b>Total</b>	<b>6,096,531</b>	<b>7,928,843</b>	<b>8,447,577</b>	<b>9,776,496</b>	<b>10,204,759</b>

- 1.6 The figures in table 2 (above) show that the major area of increase in debt over the four year period is housing benefit overpayments and Community and Housing. It should be noted that the amount of housing benefit paid out has increased over this period. In 2008/09 £61.3 million was paid out and just under £100 million was paid in 2014/15. The level of Community and Housing debt over 39 days has increased by just under £2.1 million in the four year period.
- 1.7 The action being taken to recover the largest debts is outlined below.

## 2 THE PROCESS FOR COLLECTION OF MISCELLANEOUS DEBT

- 2.1 In considering the current levels of debt, it is important to outline the general process Merton currently has in place to collect its arrears. In general terms the process has 5 stages, as detailed below, although processes employed vary by debt type. It is important to note that most debtors can not pay their outstanding liabilities other than by payment arrangements. Once a payment arrangement has been made it can not be changed without the debtors consent.

**Table 3 – the process for collecting debt**

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Invoice issued to debtor with 30 days allowed for payment.	After 30 days and following two requests for payment, a final warning notice is issued and the case passed to the Debt Recovery team.	The debt and debtor is evaluated to ensure the most effective recovery action is taken to attempt recovery. This will include contacting debtors' direct and collecting payment or agreeing repayment plans and passing the debt to collection agents to collect on our behalf, bankruptcy proceedings, attachment to benefit etc.	If the debt remains unpaid then County Court action is taken by the Debt Recovery team's solicitor who administers this process.	The final stage is consideration of the debt for write-off if all other attempts to collect the debt have failed.

## 3 DEBT OVER ONE YEAR OLD

- 3.1 Debt over 1 year old has increased by £59,565 since the end of September 2014, an increase of just 1.11%.

**Table 4 – Debt over 1 year old compared to September 2014**

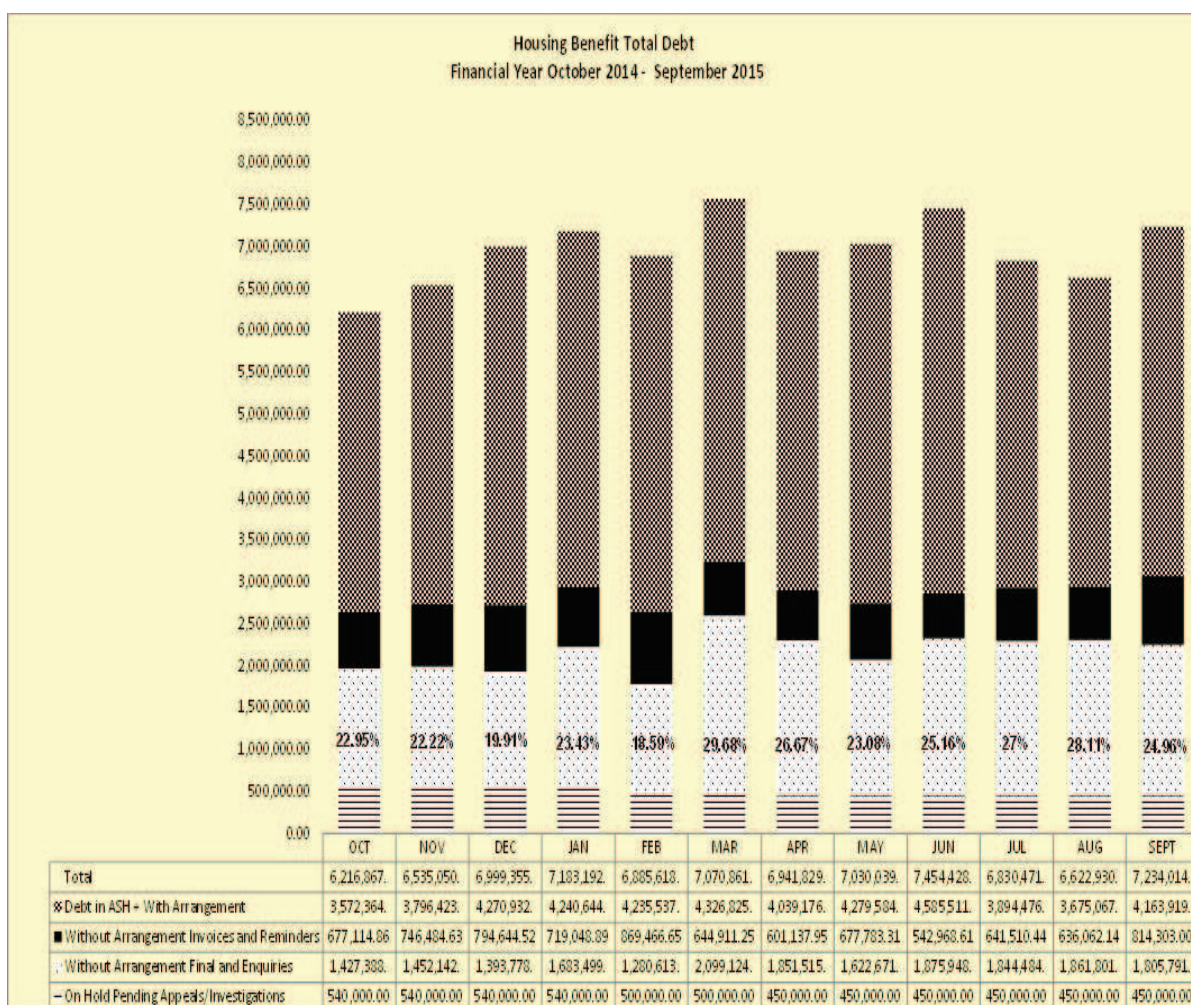
Department	Sept 2014	Sept 2015	Variance	% Variance
Env & Regeneration	£419,841	£286,328	-£133,513	<b>-46.63</b>
Corporate Services	£328,588	£173,423	-£155,165	<b>-89.47</b>
Housing Benefits	£1,909,533	£1,844,016	-£65,517	<b>-3.55</b>
Childrens, Schools & Families	£23,831	£181,822	£157,991	<b>86.89</b>
Community & Housing	£2,626,200	£2,855,942	£229,742	<b>8.04</b>
Chief Executives	£500	-£60	-£560	<b>0.00</b>
CHAS 2013	£0	£26,587	£26,587	
<b>Total</b>	<b>£5,308,493</b>	<b>£5,368,058</b>	<b>£59,565</b>	<b>1.11</b>



- 3.2 The majority of debt over 1 year old is for Community and Housing debts and housing benefit overpayments.
- 3.3 The debt for Community and Housing over a year old has increased by £299,742 since September 2014.
- 3.4 Over the past few years council staff have been working closely and following new processes to manage this debt. This work involves regular joint meetings between the financial assessments, social services, client financial affairs and debt recovery teams to review the debts of individual clients and establish action plans for each one.
- 3.5 These actions include, but are not limited to: early intervention from social workers to prevent debts from getting out of control and to ensure that clients are supported earlier to get their finances in order; as part of their induction all new Social Workers spend time with the Financial Assessment Team, to understand how financial assessments are carried out; social workers also check to see if there any safeguarding issues around non-payment of bills and work very closely with the Welfare Benefits Officer; there is more use of credit checks and land registry checks when assessing/investigating debt issues; increased involvement from the client financial affairs team to take appointeeship for those without capacity or appropriate deputyship; Increased identification of cases where we will consider legal action to secure the debt and generally to share information and support each other in the collection and prevention of this debt. Although the debt has grown the actions being taken are mitigating the impact.
- 3.6 The total debt figure for Community and Housing, including debt that is less than 39 days old, is £5.3 million. Of this debt £0.55 million is under 39 days and therefore no formal recovery action has taken place other than issuing an invoice and reminder. Of the remaining £4.75 million debt which is older than 39 days just over £1.0 million is secured debts against charging orders or where the council has deputyship. In addition a further £0.65 million has repayment arrangements in place. We are actively working on securing the remaining £3.1million debt by similar means.
- 3.7 The total amount of housing benefit debt is £7.23 million, a reduction of £0.22 million since last reported in June 2015.
- 3.8 It has been previously reported that the Department of Work and Pensions commenced a “Real Time” Information initiative at the end of September 2014 which was aimed at identifying overpayments of housing benefit. The DWP have compared housing benefit claim data and HMRC data and over the six month life of the initiative highlighted 900 cases for Merton where there were data discrepancies.
- 3.9 In May 2015 the second phase of the initiative commenced and we are receiving approximately 150 cases per month.

- 3.10 As at the end of October 2015 just under £2.1 million of overpayments have been identified and created. A number of cases have resulted in overpayments of over £10,000 and have been referred to the Internal Audit team and the new joint DWP Fraud team.
- 3.11 Where possible these overpayments are being recovered from on-going benefit payments. We are entitled to deduct between £10.95 and £23.35 per week from on-going housing benefit dependant on circumstances. Where the change has resulted in housing benefit being cancelled or nil entitlement we contact the claimants employer and are paid a percentage deduction of their salary each month. So far we have over £140,000 set up to recover in this way.
- 3.12 The Department of Work and Pensions commenced another initiative in the final quarter of 2014/15. This initiative is where council's are encouraged to identify fraud and error within the system and have been awarded set up funding and on-going funding based on achieving performance targets. This initiative will run until at least March 2016.
- 3.13 The Council met its target for December 2014 to March 2015 and obtained £22,000 in additional funding and exceeded the upper target for the first quarter of 2015/16 and received £23,000 in additional funding.
- 3.14 These two initiatives and the normal churn of claims has resulted in the level of housing benefits debt increasing and it is very likely that it will continue to increase.
- 3.15 Although the overall housing benefit debt has increased there has been an increase in the amount of debt either being recovered from on-going benefit or on arrangements. £2.9million is being recovered from on going by reducing current housing benefit payments. Just under £4.1 million is on a payment arrangement or recovery from on going benefit.
- 3.16 The graph below shows breakdown of all housing benefit overpayments by recovery action.

**Graph 1 – Total Housing Benefit Debt by recovery action from October 2014**



3.17 We have continued to review and target all housing benefit debt. We have tried to improve the procedures at the beginning of the process when a debt is first identified by ensuring that invoices are raised as soon as possible to give the best chance of recovery, we are targeting debtors who are now in work and we will be applying to recover the overpayments from their employers and we are looking at the oldest debts to consider if they are still collectable. However, it should be noted that a lot of the housing benefit debt is very difficult to recover as the Council's powers of recovery are very limited unless the debtor works or owns their own property.

3.18 The table below shows the amount of debt written off in accordance with financial regulations and scheme of management in 2014/15 and the first quarter of 2015/16.

**Table 5 - Debt written off in 2014/15 and 2015/16 by debt type**

	2014/15	2015/16				
	Total	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
<b>Debt type</b>						
<b>Sundry Debt</b>	£347,726	£0	£223,528			<b>£223,528</b>
<b>Housing benefit overpayments</b>	£1,050,105	£194,200	£98,421			<b>£292,621</b>
<b>Council Tax</b>	£526,881	£177,455	£252,263			<b>£429,718</b>
<b>Business Rates</b>	£790,373	£0	£0			<b>£0</b>
<b>Total</b>	<b>£2,715,085</b>	<b>£371,655</b>	<b>£574,212</b>	<b>£0</b>	<b>£0</b>	<b>£429,718</b>

- 3.19 Of the business rates debt written off in 2014/15 just over £400,000 related to businesses that went into liquidation and therefore it was not possible to collect the rates.
- 3.20 Towards the end of 2014/15 an exercise was commenced targeting the highest housing benefit debts with the aim of agreeing payment arrangements where possible and where appropriate writing debts off. This included many large overpayments, some identified through fraud activity where the prospect of collecting the debt was minimal. In some instances payment arrangements were put in place for 5 years and the remainder of the debt written off. If circumstances change of the debtors or after 5 years all payments are made there is the option of writing part or all of the debt back to collect.
- 3.21 Although the debt written off within 2014/15 does not relate to one specific year it should be noted that in 2014/15 the council was collecting a net debt of £101 million in council tax (this includes the GLA portion), a net debt of £87.8 million in business rates (this includes Business Rates Supplement) and approximately £44 million raised through sundry debts.
- 3.22 Every effort is made to collect all outstanding debts and debts are only written off as a last resort. The council is still collecting some council tax debts that are greater than 6 years old or will have secured the debts against properties where possible.

#### **4. PROVISION FOR BAD AND DOUBTFUL DEBTS**

- 4.1 Provision has been made available for writing off bad and doubtful debts held within the ASH and Housing benefits systems. These provisions are £2.85m for ASH miscellaneous debt and £6.34m for debt held in the Housing Benefits system, making a total General Fund

provision for bad and doubtful debts of £9.19m. Clearly, every attempt is made to collect debts before write-off is considered. The current level of provision is analysed in the table below.

- 4.3 The Council adheres to the requirements of the SORP when calculating its provisions. Merton's methodology is to provide on the basis of expected non collection using the collection rates for individual departmental debt, and the age of the debt.

#### **Provision for Bad and Doubtful Debts**

Department	Total Provision	
	At 31/03/2014	At 31/03/2015
	£000's	£000's
Env & Regeneration	335	332
Corporate Services	498	432
Housing Benefits	3,981	6,344
Children, Schools & Families	54	90
Community & Housing	1,782	1,996
<b>Total</b>	<b>6,650</b>	<b>9,194</b>

- 4.4 The £2.363m increase in the Housing Benefit debt provision is due to:

- an increase of £1.7m in outstanding Housing Benefit debt itself, to £7.07m (see Graph 1 at Paragraph 3.16)
- advice received from the Council's external auditors, EY, recommending that the provision be set at 90% of outstanding debt, to reflect that much Housing Benefit debt is very difficult to recover.

## **5. EXECUTIVE SUMMARY / CONCLUSION**

- 5.1.1 Merton's total level of miscellaneous debt arrears i.e. invoices over 39 days old, as at 30 September 2015 is £10,204,759. The net level of arrears, when the matter was last reported in June 2015 was £10,609,665.



## 6. TOTAL DEBT DUE TO MERTON

The total amount due to Merton as at 30 September 2015 is detailed in table 6 below.

**Table 6 – Total debt outstanding as at 30 September 2015 and compared with previous periods over the past 12 months**

	<b>Sep-14</b>	<b>Dec-14</b>	<b>Mar-15</b>	<b>Jun-15</b>	<b>Sep-15</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Miscellaneous sundry debt Note 1	14,437,902	14,039,675	14,417,437	14,211,557	13,757,316
HB debt in Benefit system Note 2	2,818,432	3,339,481	3,679,980	4,144,016	4,003,642
Housing Rent Note 3	101,388	101,253	24,174	23,027	13,710
Parking Services	2,388,584	2,240,338	2,143,597	2,197,074	2,120,147
Council Tax Note 4	4,444,360	4,100,330	3,730,152	5,281,972	4,554,084
Business Rates Note 5	2,635,958	1,351,593	638,077	1,758,523	1,741,972
<b>Total</b>	<b>26,826,624</b>	<b>25,172,670</b>	<b>24,633,417</b>	<b>27,616,169</b>	<b>26,190,871</b>

Note 1 This figure differs from the amount shown in Table 1 as it shows all debt, including that which is less than 39 days old.

Note 2 This is the housing benefit debt within the benefits system

Note 3 This is former tenants rent arrears – leaseholder debts are included in miscellaneous sundry debt

Note 4 Council tax debt does not include the current year council tax collection.

Note 5 Business rates debt does not include the current year business rates collection

- 6.1 The overall debt outstanding has reduced by £0.636million in the past 12 months compared to the end of September 2014.
- 6.2 The areas where there has been the largest increase since September 2014 is housing benefit debt within the benefit system (£1.6 million). The action being taken has been detailed earlier in this report.
- 6.3 Detailed breakdowns of the Council Car Parking figures are shown in the Table 7 below:



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