

Cabinet

Date: 8 June 2015

Subject Budget out-turn 2014/15

Lead officer: Paul Dale

Lead member: Councillor Mark Allison

Recommendations:

1. That Cabinet note the draft provisional revenue outturn for 2014/15
2. That Cabinet Approve the proposed net slippage into 2015/16 of £7,203k

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

This report outlines the provisional; out-turn position for the last financial year (2014/15) and the issues that arise from it.

Section 2 – Summarises the draft outturn position of the Authority.

Section 3 – Reviews the outturn position for corporate items

Section 4 – Reviews the outturn position for service items

Section 5 – Reviews the detailed outturn position for service departments

Section 6 – Summarises the movement in reserves

Section 7- Provides information on the capital outturn

Section 2 – DRAFT REVENUE OUTTURN 2014/15

The following table summarises the out turn position for 2014/15 and more detail is Provided in Appendix 1

DRAFT OUTTURN	Current Budget 2014/15 £000s	Outturn £000s	Variance at year end £000s
Department			
Corporate Services	29,400	29,128	-272
Children, Schools and Families	44,755	47,203	2,448
Community and Housing	57,632	60,379	2,747
Public Health	255	255	0
Environment & Regeneration	20,526	21,825	1,299
Net Recharges	-599	-373	226
NET SERVICE EXPENDITURE	151,969	158,417	6,448
TOTAL CORPORATE PROVISIONS	10,576	7,964	-2,612
TOTAL GENERAL FUND	162,545	166,381	3,836

Business Rates	-33,253	-33,253	0
Grants	-49,710	-49,864	-154
Council Tax and Collection Fund	-79,578	-79,578	0
FUNDING	-162,541	-162,695	-154

NET	4	3,686	3,682
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2014/15	Budget (Mar)	Outturn (Mar)	OUTTURN Variance (Mar)
Expenditure	£000	£000	£000
Employees	95,450	96,299	849
Premises Related Expenditure	8,876	5,443	(3,433)
Transport Related Expenditure	13,725	15,221	1,496
Supplies and Services	168,705	173,607	4,902
Third Party Payments	84,608	92,077	7,469
Transfer Payments	108,048	112,538	4,490
Support Services	32,421	32,488	67
Depreciation and Impairment Losses	17,768	17,768	(0)
Corporate Provisions	10,576	7,964	(2,612)
GROSS EXPENDITURE	540,177	553,405	13,228
Income			
Government Grants	(263,764)	(260,509)	3,255
Other Grants, Reimbursements and Contribs	(23,311)	(26,341)	(3,030)
Customer and Client Receipts	(56,922)	(64,237)	(7,315)
Interest	(44)	(20)	24
Recharges	(33,020)	(32,852)	168
Balances	(570)	(3,064)	(2,494)
GROSS INCOME	(377,632)	(387,023)	(9,392)
NET EXPENDITURE	162,546	166,381	3,836

Arising from this the issues that need to be examined is;

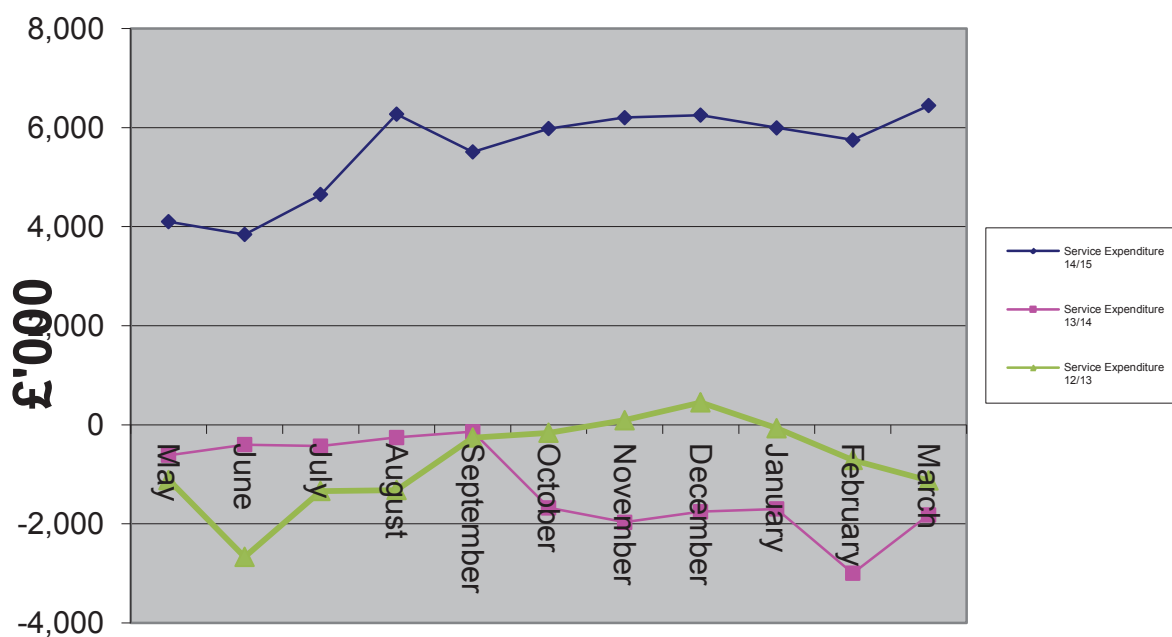
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- The change in underspending in 2013/14 to overspending in 2014/15
- The sources of the overspending
- Comparisons to recent years
- The quality of forecasting.

In 2013/14 the overall under spending was £2.1m million (after movement to and from reserves) or 1.4% of the net budget. This was significantly less than in previous years. In 2014/15 the overall overspending was £3.8m or 2.4% of the net budget.

The net overspend will be met by an appropriation from General Fund balances.

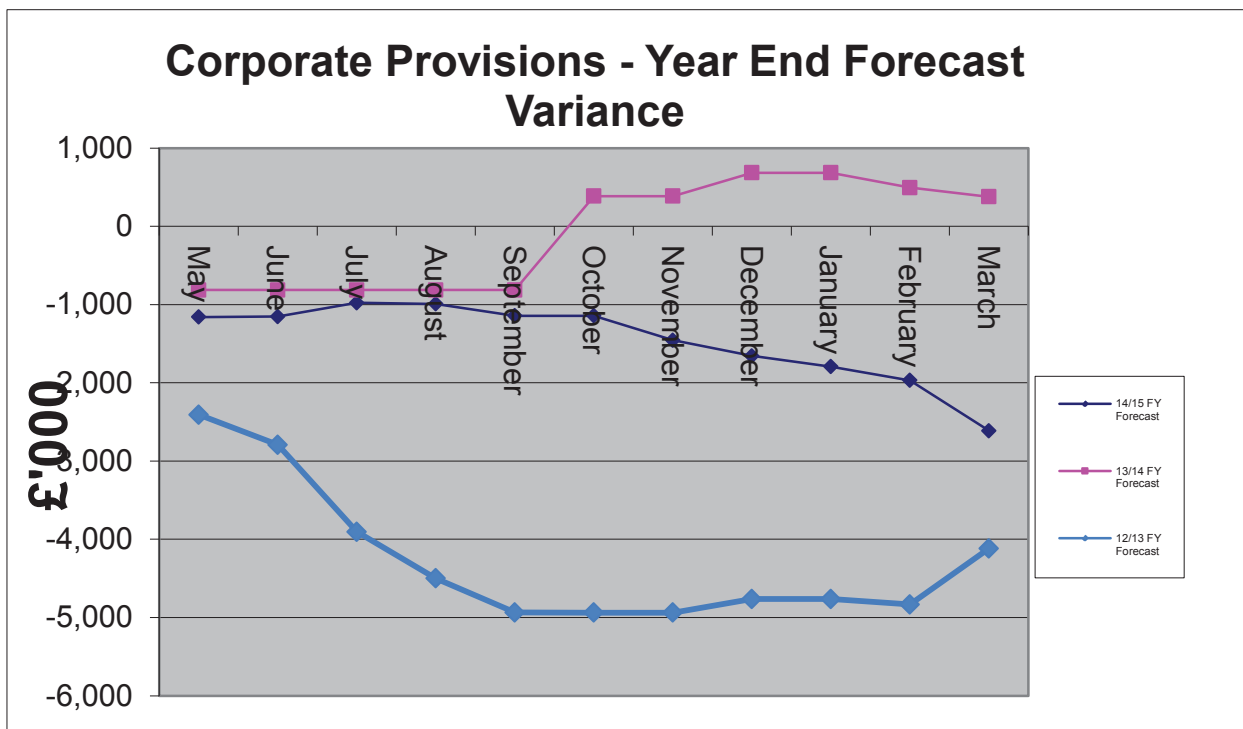
Service Expenditure - Forecast Year End Variance



Section 3 Corporate Items

- These budgets cover a wide range of significant areas including treasury management, contingency, contributions to past service deficiency on the pensions fund and contributions from government grants and use of reserves. The details comparing actual expenditure with budget are contained in Appendix 1 and 2. The summary position is as below.

Corporate Items	Year to Date Budget (Period 12) £000s	Year to Date Budget (Period 12) £000s	t Variance at year end (Period 12) £000s	Forecast Variance at year end (Jan.) £000s	2013/14 Year end Variance £000s
Cost of borrowing	14,012	14,217	205	-71	-166
Use for Capital Programme	0	0	0	71	512
Impact of Capital on revenue budget	14,012	14,217	205	0	346
Investment Income	-522	-907	-385	-154	-346
Pension Fund	15,949	15,649	-300	1,004	21
Pay and Price Inflation	918	35	-883	-250	-314
Contingencies and provisions	3,517	3,581	64	-1,389	845
Income Items	0	-914	-914	0	-177
Appropriations/Transfers	-6,461	-6,860	-399	-1,004	2,051
Central Items	13,401	10,584	-2,817	-1,793	2,080
Levies	931	931	0	0	0
Depreciation and Impairment	-17,768	-17,768	0	0	3
TOTAL CORPORATE PROVISIONS	10,576	7,964	-2,612	-1,793	2,429



2. The monitoring information throughout 2014/15 has been indicating that there will be an underspend in corporate items at outturn. This has been mainly in contingencies which have been held covering anticipated overspends arising from service pressures.

3. Impact of Capital on Revenue Budget
 Throughout 2014/15 a small underspend on the cost of borrowing has been forecast and it has been anticipated that this would be set-aside for use in future funding of the capital programme. However, costs arising from finance leases have led to a net overspend of £0.205m in the cost of borrowing. There will be a review of finance leases and their budgets during 2015/16.

4. Investment Income
 There has been a £0.385m over-achievement of investment income during 2014/15. Although, some additional investment income was forecast in monthly monitoring this has been exceeded. The main reason for the additional income is that the amount of investment has remained higher during the year than estimated when the budget was set. Further work will be undertaken in 2015/16 to improve the forecasting of cash flow and its impact on investment income.

5. Pension Fund
 During 2014/15 the planned contribution to the pension as part of the agreed deficit repayment plan was made as anticipated. The underspend of £0.300m is due to the provision for auto-enrolment not being utilised. These costs have been absorbed within departmental budgets.

6. Pay and Price Inflation
 The 2014/15 budget included provision for the 2014/15 pay award, prior to settlement and allocation to services, provision for potential areas of excess inflation and provision for utilities inflation which have proved volatile in the past. The level of inflation has remained lower than economic forecasts anticipated and has continued to fall in the first two months of 2015/16. This has led to an underspend on these budgets of £0.883m in 2014/15.

7. Contingencies and Provisions

This budget contains budgets for the provision of bad debts, loss of income arising from the P3/P4 site development, direct revenue funding of capital, provision for re-venueisation, Single Status/Equal Pay and general contingency.

The net underspend of £1.389m consists of the following main variations:-

- a) Provision for Bad Debts – Overspend £0.7m: This overspend arises primarily from the provision for HB overpayments which has increased as a result of the DWP's exercise Real Time Initiative with HMRC.
- b) P3/P4 - Underspend £0.4m: The underspend is due to the delay in commencing with the proposed development which means that car parking income has continued on the site.
- c) Single Status/Equal Pay – Underspend £0.1m: All lump sum costs incurred for Single Status/Equal Pay awards agreed in 2014/15 have been charged against the provision set aside for this purpose.
- d) Re-venueisation and Miscellaneous – Overspend £0.4m
- e) Contingency – Underspend £0.5m: A balance of £0.5m was not utilised.

8. Income Items

The underspend is mainly due to £0.8m income relating to CHAS Intellectual Property.

9. Appropriations/Transfers

There have been a number of movements to/from reserves. The £0.4m balance reflects the charge for PFI against the OCPB Reserve as agreed by Cabinet.

Section 4 Overall Service Spending

Major out – turn issues

Prior to 2013/14 there had been major underspending on service activity overwhelmingly in the areas of waste, children’s social care and Adult Social Care. This overspending reduced substantially in 2013/14 mainly as a result of previously overprovided budgets in the areas of waste and adult social care being reduced by offering them up as savings in setting the budget. In 2014/15 services overspent.

In recent years the same 3 areas of the budget had been responsible for the majority of under spending. The scale of this was substantially reduced in 2012/13 and 2013/14.

Service Spending 2014/15	Current Budget	Outturn Variance to budget	Outturn Variance to budget	Budget as % of Council Budget	Overspend as % of Overspend
	£'000	£'000	%	£'000	£'000
Adult Social Care	53,399	2595	4.86%	35.14%	40.25%
Waste	14,486	1440	9.94%	9.53%	22.33%
Social Care , Youth Inclusion and Commissioning	18,794	1867	9.93%	12.37%	28.95%
Total 3 major areas	86,679	5,902	6.81%	57.04%	91.53%
The Rest	65,290	546	0.84%	42.96%	8.47%
Total	151,969	6,448	4.24%	100.00%	100.00%

In 2014/15 the 3 service areas previously with large under-spending all shifted to having large overspendings. The causes of this require further investigation.

Outside these major services, in recent years, there has been a low aggregate variation from the budget. The bottom line position remains so in 2014/15 but there are areas with significant under and overspendings . Most areas of under spending arose from savings being taken early. They were a useful partial counter balance to the overspending areas.

An exercise needs to be completed assessing the impact of under and overspendings on the 2015/16 budget. Specific areas are discussed in the service section below. A further report will be brought to CMT outlining the lessons learnt and detailed actions required.

Section 5 Detailed Service Spending

Corporate Services

14/15	Current Budget £000	Full year Outturn £000	Outturn variance £000	Jan Forecast Variance £000	Outturn variance 13/14 £000
Business Improvement	3,147	2,889	-259	-78	-32
Infrastructure & Transactions	9,669	9,322	-347	-184	-130
Resources	7,430	7,175	-255	-278	-284
Human Resources	2,457	2,431	-26	-25	-46
Corporate Governance	3,083	2,651	-433	-276	-185
Customer Services	2,342	2,070	-273	-104	-752
Corporate Items including redundancy costs	1,272	2,591	1,320	910	696
Total (controllable)	29,400	29,128	-272	-35	-733
Overheads	-16,141	-16,559	-419		
Total	13,260	12,569	-691		

Business Improvement – underspend £259k

The main reasons for the underspend is a £130k underspend on vacant posts in the new systems and development team structure due to the delay in successful recruitment and an overachievement of street naming income of circa £50k.

Infrastructure and Transactions – underspend £347k

The forecast underspend of £185k is due to vacant posts, reduced first quarter's printing costs and future year savings captured early.

Resources – underspend £255k

This underspend is mainly due to vacant posts and future year savings being achieved in the current year.

Human Resources –underspend £26k

There is an underspend on vacant posts being held as future years savings of approx. £90k. This is partly offset by the loss of schools SLA income of £30k due to the pressure from external providers and an overspend on the iTrent payroll function.

Corporate Governance – forecast underspend £433k

There is an underspend of £125k following the transfer of the Benefits Investigation team to the DWP under the Single Fraud Investigation Service.

There is an underspend of approx. £110k on various non salary budgets which are being held as future year savings.

The SLLP achieved an underspend of which Merton's share was £30k.

The electoral registration budget underspent by £40k.

Customer Services – forecast underspend £273k

The Local Welfare Support discretionary scheme continued to underspend in 2014/15. The underspend of £300k was transferred to the local welfare support reserves for use in future years as there is no other funding available for 2015/16.

There was an overachievement of income in the Registrars office of £60k due to demands for the service.

Various vacant posts within the division delivered an underspend of £180k.

The Corporate Communications sponsorship, advertising and filming income target remains an on-going issue and was underachieved by £70k.

Corporate items – forecast overspend £1,320k

The Housing Benefit grant claim (£92.5m) for 2013/14 has been audited and identification of a number of errors within testing of claims has resulted in an initial loss of subsidy. £650k has been provided for this.

There was also a £600k overspend on Housing Benefits. This is due to Non- HRA rent rebates which do not attract subsidy and an increase in the bad debt provision for overpayments based on collection rates due to an increase in overpayment identified by the DWP as part of the Real Time Initiative in conjunction with HMRC.

Environment & Regeneration

Environment & Regeneration	2014/15 Current Budget	Full year Outturn (March)	Outturn Variance (March) £000	Forecast Variance at year end (Jan) £000	2013/14 Variance at year end £000
	£000	£000			
Public Protection	(5,805)	(5,858)	(53)	116	179
Sustainable Communities (Excl. T&H)	3,998	3,859	(139)	(134)	(54)
Traffic & Highways (T&H)	8,497	8,839	343	275	(122)
Waste Services	14,486	15,926	1,440	1,371	(1,116)
Other	(650)	(941)	(292)	(322)	537
Total (Controllable)	20,526	21,825	1,299	1,306	(576)

The Department has a year-end direct **overspend of £1,299k;**

Description	2014/15 Current Budget £000	Outturn Variance (March) £000
Underachievement of income in Parking Services	(12,077)	147
Employee underspend Safer Merton	848	(91)
Overachievement of income Environmental Health	(344)	(41)
Overachievement of other Grants and Contribution within Parking	0	(35)
Other	(5,424)	(33)
Total for Public Protection	(5,805)	(53)
Employee overspend within Building & Development Control	1,594	200
General Supplies & Services underspend within Building & Development Control	211	(64)
Overachievement of income within Building & Development Control	(1,859)	(65)
Overachievement of rental income in Property Management	(4,041)	(181)
Supplies and Services overspend within Property Management	156	57
Employee overspend within Greenspaces	2,273	142
Tree overspend within Greenspaces	737	78
Overachievement of Other Grants & Contributions within Greenspaces	(97)	(160)
Underachievement of Customer & Client Receipts within Greenspaces	(1,792)	79
Overachievement of Other Grants & Contributions within Future Merton	(472)	(91)
Underspend on 3 rd Party Payments within Future Merton	389	(106)
Employee underspend within Senior Mgmt & Support	785	(51)
Other	16,763	43
Employee related underspend within Traffic & Highways	1,819	(234)
General Supplies & Services underspend within Traffic & Highways	263	(93)
Reduction in ability to Capitalise expenditure	(464)	464
Underachievement of Customer & Client Receipts in Traffic & Highways	(1,493)	16
Overspend on third party payments within Traffic & Highways	(2,277)	170
Total for Sustainable Communities	12,495	204
Employee overspend within Waste Services	7,374	316
Transport related underspend within Waste Services	1,962	(155)
General Supplies & Services underspend within Waste Services	1,078	(169)
Overspend on 3 rd Party Payments – principally SLWP	6,763	909
Shortfall in Waste Services income – principally Commercial Waste	(3,067)	527
Other	376	12
Total for Waste Services	14,486	1,440
Transport Services	(650)	(292)
Total for Street Scene & Waste (Excl. Waste Services)	(650)	(292)
Total Excluding Overheads	20,526	1,299

Main Variances

Public Protection

Parking Services overspend of 121k

This is due to a reduction in PCN related income due to improved compliance from motorists and the free parking Christmas scheme in Council car parks (60k).

Safer Merton underspend of £150k

This is due to vacant posts remaining unfilled (91k). There is also an underspend on third party hired services due to delays in commissioning work, which is now due to take place in 15/16.

Sustainable Communities

Building & Development Control (B&DC) overspend of £56k

This is mainly due to an employee overspend of £200k which is the result of the additional temporary staff employed for the agreed 2 year fixed term in order to enhance the service. This is partially offset by an underspend of £64k on supplies and services, and an overachievement of income of £62k.

Greenspaces overspend of £203k

This is largely due to an employee overspend of £142k, caused by cover for annual leave and sickness to maintain service standards (£60k), paddling pools staff (£40k), Wimbledon fortnight staff (£15k), and fireworks staff (£15k). There is also a 79k underachievement of income relating to rents (£25k), and the hiring of open spaces e.g. Wimbledon Park athletics track (£40k). These unbudgeted activities will need to be reviewed in 2015/16.

Added to this is a tree maintenance overspend of £78k. This is due to the 1, 3 and 5 yearly checks all occurring in the same financial year. This is a very rare occurrence and will not be repeated until 2045.

These overspends are being partially mitigated by the reversal of a prior year corporate write-off of £90k. This will not be available in 2015/16 so the budget pressure on this service will be greater. This a service that will need close attention to its budget performance in 2015/16

Traffic & Highways overspend of £343k

This is a result of clearer understanding of guidelines meaning fewer highways maintenance costs are able to be charged to Capital. This has now been addressed and these budgets will no longer appear in 15/16 revenue budgets.

The section also has an income shortfall of £235k, mainly relating to the London Permitting Scheme (LoPS) and street work activities, due to greater compliance.

The overall overspend is partially offset by an employee underspend of £234k.

Property Management underspend of £118k

This is a due additional commercial rental income of £181k as a result of occupancy rate nearing 100%. This is partially offset by slight overspends on premise related R&M costs, and general supplies and services costs.

Future Merton underspend of £179k

This is due to a £90k contribution from Merton Priory Homes for Future Merton staff work on a Local Plan framework to guide the delivery of the estate regeneration project.

There is also an overachievement of grants and contributions of £91k. This is largely a result of European income relating to 'CycleCities' (£84k). The scheme was intended to only recover costs but LBM was also reimbursed for general funded staff time for the project lifespan (3 years). This project ended in 14/15.

Senior Management & Support underspend of £89k

This is a result of leaving vacant posts unfilled to mitigate against the overall E&R overspend (£51k), and an underspend on supplies & services (£24k).

Street Scene & Waste

Waste Services overspend of £1,440k

This is mainly due to a shortfall in Customer & Client receipts of £527k. Commercial activities were the main source of this due to an income shortfall of £658k, which compares to a shortfall of £389k in 2013/14. An agreed saving of £250k was implemented in 2014/15 for Commercial Waste and has not been met.

Following a commercial review of the trade service by Eunomia, the service is currently implementing an agreed action plan. A revised Commercial Waste Strategy is currently being developed by the Head of Commercial Sales. Alternative savings were identified and agreed in 2014/15, which will result in the income target being reduced by £500k in 2015/16.

The section also has an employee related overspend of £316k. This is due to an historic misaligning of budgets with the actual cost of activities undertaken by refuse collection and street cleansing. There is also an element of non-contractual overtime and agency cover for sick leave absences.

Waste has an overspend of £612k relating to the operational and disposal costs associated with the management of the HRRC and transfer station.

Waste is one of the key budgets where improved budgetary control is required in 2015/16 along with measures to deal with any overspends this year.

Transport Services underspend of £292k

This is largely a consequence of an employee underspend (£95k) and an overachievement of external income (£142k). In order to reduce costs and improve efficiency, a restructure was implemented that combined the two manager posts into one. Also, due to difficulty in recruiting suitably skilled vehicle fitters, the section has only recently been able to appoint to one of the two vacant posts.

The overachievement of external income is largely a result of securing additional work, over and above their original expectations. This account should be balance to zero with any surplus being redistributed to users.

On Street Parking Account

Details of the 2014/15 Car Parking Account can be found in Appendix 4 (to follow).

Children Schools and Families

Children, Schools and Families	2014/15 Current Budget £000	Full year Outturn (Mar) £000	Outturn Variance at year end (Mar) £000	Forecast Variance at year end (Jan) £000	2013/14 Variance at year end £000
Commissioning, Strategy and Performance	7,104	8,391	1,287	1,389	449
Education	16,459	17,412	953	1,032	370
Social Care and Youth Inclusion	11,690	12,270	580	770	(268)
Public Health contribution	0	(415)	(415)	(415)	0
PFI	7,429	7,435	6	(12)	29
Redundancy costs	2,073	2,112	39	17	(24)
Total (controllable)	44,755	47,205	2,450	2,781	556

Overview

At the end of March Children Schools and Families had a net overspend of £2.450m on local authority funded services. This has been netted down by one off Public Health money of £415k making the underlying overspend £2.865m, (£3.196m in January) a reduction of £331k.

Along with a 39% increase in birth rate, there were a number of duties placed on the Local Authority which were not fully funded or not funded at all. These include remand costs, no recourse to public funds (NRPF) and the requirement to support care leavers. This was compounded by the Children and Families Act requirements from September 2014.

The department is also facing considerable pressures on staffing costs due to the “social work” market factors. To combat these pressures the department has been taking action to ensure that its services are being accessed through robust and consistent eligibility criteria, that it is procuring services with a strong focus on value for money and that it is working closely with the council’s HR section and E&R department to address staffing and transport pressures.

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	Mar £000	Jan £000
Fostering and residential placements (ART)	4,169	1,052	1,061
Supported lodgings/housing	627	427	420
Procurement & School organisation	953	(128)	(106)
Legal cost	519	(123)	(110)
Other small over and underspends	490	59	124
Subtotal Commissioning, Strategy and Performance	7,104	1,287	1,389

SEN Transport	2,778	1,165	1,177
No Recourse to Public Funds (NRPF)	0	73	66
Staffing underspends across education services	1,791	(280)	(283)
Other small over and underspends	11,890	(5)	72
Subtotal Education	16,459	953	1,032
Social work staffing costs	2,689	315	468
No Recourse to Public Funds (NRPF)	20	368	306
Supported lodgings/housing	13	161	187
Special guardianship orders (SGO)	442	164	137
Independent review and service quality	487	210	215
Setting up home allowances	90	194	155
Family & Adolescent Services	1,384	(179)	(245)
CAMHS	298	(207)	(198)
Serious case review	75	(76)	(66)
Other small over and underspends	6,192	(370)	(189)
Subtotal Children's Social Care and Youth Inclusion	11,690	580	770
Public Health contribution	0	(415)	(415)
Subtotal PFI	7,429	6	(12)
Subtotal Redundancy cost	2,073	39	17
Grand total Children, Schools and Families	44,755	2,450	2,781

Commissioning, Strategy and Performance Division

- While the numbers of Looked After Children (LAC) remain stable, the complexity of a significant proportion of cases is causing the net overspend of £1.052m. This includes on-going pressures on independent agency fostering of £128k, in-house fostering of £324k, residential placements of £686k and £18k on secure accommodation costs which is offset by underspends in mother and baby placements of £104k.
- The budget for semi-independent and supported lodgings/housing placements overspent by £427k. 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 since April 2014 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.
- Procurement and school organisation budgets underspent by £128k as a result of not recruiting to vacancies and a lower spend forecast on re-venueisation budgets.
- The direct charging budgets for the shared legal service underspent by £123k.
- There are various other small over and underspends across the division netting to a £134k underspend. These combine with the items described above to arrive at the total reported divisional overspend of £1.287m.

Education Division

- SEN and FE transport cost overspent by £1.165m due to the increased complexity of cases and higher than anticipated charges from the service provider. The overspend is split between core routes SLA increase (£301k) and taxi usage (£864k). This is due to more children with challenging behaviour requiring individual transport with accompanying escorts as well as the

additional costs of providing cover for transport escorts who are off sick. Work continues to ensure the most cost effective routing for individual young people.

- The No Recourse to Public Funds (NRPF) budgets overspent in total by £441k for the current financial year. These overspends was across education (£73k) and CSC (£368k). 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.
- As part of management action, where possible, recruitment to vacancies have been delayed to reduce the overall departmental overspend. This resulted in an overall underspend of £280k.
- There are various other small over and underspends across the division netting to a £5k underspend. These combine with the items described above to arrive at the total reported divisional overspend of £953k.

Children's Social Care and Youth Inclusion Division

- The green and purple central social work teams and MASH team staffing budgets are overspent by £315k. As highlighted in the budget reports to Cabinet and Council, additional capacity is being kept under regular review and six additional social workers are funded quarterly from the corporate contingency. On top of the additional staff, the teams are also required to cover vacancies with agency staff due to difficulty in recruiting permanent members of staff. This cost fluctuated during the course of the year due to our ability to recruit permanent members of staff to our vacancies. A £74k retention payment to 37 permanent social workers was agreed to be paid. £18k of this has been included in 2014/15 and the remainder will be paid in the new financial year.
- The NRPF budgets are overspent by £368k in CSC for the current financial year. See second bullet point under education division for details.
- The budget for semi-independent and supported lodgings/housing placements in the 14+ team overspent by £161k. This is due to a combination of one-off overspend as a result of CareFirst packages that was not accrued for in the previous financial year, and on-going support cost increasing.
- Special guardianship orders (SGOs), adoption allowances and residence orders overspent by £164k during the current financial year due to an increase in caseload as well as increased fees resulting from case law.
- The independent review and service quality team is overspent by £210k. This is due to the use of agency staff to cover permanent IRO and manager vacancies. 50% of the posts (6 of 12) in the service are currently covered by agency staff.
- The setting up home allowances budget is overspent by £194k. This is due to a historic budget shortfall which used to be offset by underspends on supported lodgings which, due to increased statutory requirement, are now also overspending.
- We have been able to fund some elements of core salaries from specific one-off grants. This combined with management action to delay recruitment to vacant posts resulted in an underspend of £179k in Family and Adolescent services.
- The Children and Adolescent Mental Health Service (CAMHS) underspent by £207k due to vacancies.

- The serious case review budget underspent by £76k because there has been no need to commission reviews during the current financial year
- There are various other small over and underspends across the division netting to a £370k underspend. These combine with the item described above to arrive at the total reported divisional overspend of £580k.

Dedicated Schools Grant

DSG funded services underspent by £1.360m (£573k last month). These budgets are not within the council's general fund and cannot be offset against the local authority funded budgets. This was added to the DSG reserve and it will be applied after consultation with Schools Forum in June 2015. Variances between individual subjectives have been shown in the overall departmental subjective analyses.

The post 16 SEN provision overspent by £586k at year-end. The responsibility of these payments transferred to Authorities in 2013/14. The overspend is due to the DfE not providing sufficient funding to cover the cost of Further Education (FE) colleges and Independent Specialist Providers (ISP).

Due to an increased cost and numbers of children in Independent Day School provision, this budget overspent by £970k. Some of the DSG increase for 2015/16 has been earmarked to cover these two budget pressures in future. This is partially offset by an estimated underspend of £830k in Independent Residential School provision.

The overspends are offset by a two year old offer underspend of £1.194m which will be earmarked to developing this market over the following two years to ensure sufficient capacity. There are various other smaller over and underspends across the DSG which, combined with the items above, equates to the net underspend of £1.360m.

Management Action

Public Health

- Of the £500k public health underspend allocated to CSF, £415k was used to offset Early Years costs relating to improving young children's health and wellbeing which enabled us to use existing general fund money to offset overspends on LAC placements.

Staffing

- We have recruited 7 NQSW who started before Christmas and a further 3 started in February supported and quality assured by a practice assessment manager. As these staff complete their assessed year they will reduce our dependency on agency workers.
- We have recruited 22 permanent staff, the majority of which were in post by 1st April 2015 reducing the effect of agency cost next year.
- We have worked with HR on a retention payment to reduce social worker turnover.
- These will all have a positive impact on 15/16 and we will continue to take action to bring down agency/staffing costs.

Placements

- Our edge of care panel continues to ensure that entry to care thresholds are maintained and we are in particular raising entry to care in the teenage years. The impact of increased numbers of UASC is in particular affecting our LAC 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.

- We have implemented smarter commissioning practices through working with providers to negotiate reductions on PVI placements and supported lodgings/housing placement costs and cost avoidance on proposed fee increases. The implementation of a “Staying Put” policy as required by new legislation which enables young people to remain in their foster placements post 18 is likely to be a cheaper option for those young people who request it rather than moving into semi-independent provision. We are also maximising the uptake of Housing Benefit for young people aged 18+.

Transport

- We are modelling the potential impact of personal budgets from transport for 15/16 to assist in delivering cost reduction solutions to individual children’s transport needs.
- We are monitoring tight eligibility thresholds and defending appeals and we have extended our independence travel training.
- We have been piloting the use of some of CSF staff to transport very complex needs children to establish if this better meets young people’s needs and reduces cost.
- A review of the costs of the provision involves all departments is taking place as part of our Transformation work. Issues regarding the costing methodology are being resolved and departments are working closely together to ensure the buses and taxis are used most cost efficiently. E&R are working hard to reduce staff sickness levels with the aim to reduce the cost of agency cover. Although sickness levels are reducing, it remains higher than the council average. The ability of the in-house service to transport children with very challenging needs remains an issue.

New burdens

- As previously mentioned, there are a considerable number of duties placed on the Local Authority which have not been fully funded or not funded at all. The table below highlights the estimated overspends relating to these duties:

Description	Budget £000	Mar overspend forecast £000	Jan overspend forecast £000
Supported lodgings/housing	627	427	420
No Recourse to Public Funds (NRPF)	20	441	372
Special guardianship orders (SGO) & residence orders	442	164	137
Fostering	0	15	15
Total	1,435	1,047	1,199

- Young people aged between 18 and 21 now have the right to stay in their foster placements beyond 18 including whilst attending university. 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.

- We estimate that the equivalent of 6 social worker posts is currently used to support these additional burdens. This increase the actual cost to Merton to £1.392m.

Community and Housing

As at the end of March, C&H had a net over-spend variance of £2.748m an increase of £802k in the over-spend reported since the January forecast. The main contribution to this variation came from the placements and placements income lines and further work is included below to explain these changes both of which occurred in the department's most volatile budget.

Community and Housing	2014/15 Current Budget £000	Full Year Out-turn (Mar) £000	Variance (Out-turn) £000	Forecast Variance (Jan) £000	2013/14 Variance at year end £000
Access and Assessment	43,213	45,861	2,648	1,805	(1,256)
Commissioning	5,141	4,919	(221)	(104)	(116)
Direct Provision	4,150	5,042	892	826	214
Directorate	896	672	(223)	(186)	70
Contribution from Public Health	0	(500)	(500)	(500)	0
Adult Social Care	53,399	55,995	2,595	1,841	(1,088)
Libraries and Heritage	2,465	2,469	4	(18)	27
Merton Adult Education	(248)	6	254	150	(29)
Housing General Fund	2,015	1,910	(105)	(27)	(32)
Total (controllable)	57,632	60,380	2,748	1,946	(1,122)

This overspending for adult social care has been netted down by one off Public Health money of £500k and a pre-agreed addition of £210k from ASC reserves to meet additional requirements for DOLs assessments brought about by the Cheshire West judgement meaning that the underlying over-spending for ASC is £3.305m.

Access and Assessment - £2.648k over-spend

Access and Assessment	Variance (Mar) £000	Forecast Variance (Jan) £000
Gross Placements overspend	3,689	3,332
Miles –Reablement over-spend	371	345
Other A&A under-spends	(725)	(722)
Sub-total Net over-spend	3,335	2,955
Over achievement of Client Contribution	(612)	(1,075)
Helping People at home grant **	(75)	(75)
Sub-Total over-achievement of Income	(687)	(1,150)
Total A&A Forecast over-spend	2,648	1,805

Description	Budget £000	Variance (Mar £000	Forecast Variance (Jan) £000
Placements			
Gross Placements	37,560	3,689	3,332
Client & CCG Contribution Income	(11,749)	(612)	(1,074)
NHS Social Care Transfer Income	(2,266)	0	0
Helping People at home revenue grant	0	(75)	(75)
Miles Reablement	1,733	371	345
Concessionary Fares & Taxicard	9,045	(45)	(44)
Care-first	124	(117)	(122)
Other Access & Assessment	8,765	(564)	(557)
Total Access & Assessment	43,212	2,648	1,805
Commissioning			
Brokerage, Contracts, Performance & Planning & Comm	1,130	(237)	(172)
Voluntary Organisations - grants	893	138	167
Voluntary Organisations – Contracts	328	(24)	(24)
Voluntary Organisations – Dementia contract	227	11	20
Pollards Hill Contract	171	32	32
Supporting People grant	2,392	(141)	(127)
Sub-total Commissioning	5,141	(221)	(104)
Direct Provision			
Day Centres - Transport	205	604	606
Day Centres	1,990	(58)	(64)
Supported Living	862	109	82
Residential	795	222	203
Mascot	(29)	5	(8)
Other Direct Provision	327	10	7
Subtotal Direct Provision	4,150	892	826
Directorate	896	(223)	(186)
Contribution from Public Health – Ageing Well Grants	0	(500)	(500)
Sub-total Adult Social Care	53,399	2,648	1,841
Libraries	2,465	4	(18)
Merton Adult Education	(248)	254	150
Housing			
Temporary Accommodation	95	84	(4)
Homelessness Prevention	353	(127)	0
Housing Advice & Options	559	(7)	(6)
Housing Needs	279	(43)	(54)
Housing Strategy	137	(18)	(8)
Housing Supply & Development	264	(3)	(5)
Housing Environmental Health	345	(59)	(15)
Merton Action Single Homeless	50	0	(2)
Reserves Funding Adjustment	(67)	67	67
Sub-total Housing	2,015	(106)	(27)
Grand total Community and Housing	57,632	2,748	1,946

Adult Social Care

Adult Social Care is one of the main areas of overspending in the council

Gross Placements Overspend £3.6m

The total gross placement budget for 2014-15 is £37.6m and out-turn total expenditure was £41.2m , this is £357k more variance between February forecast and March out-turn.

Gross expenditure in the placements budget is complex to monitor and depends on CareFirst records and care packages always being up to date.

This placements budget included £2.3m net growth allocated in setting the budget to deal with volume increases and savings of £1.916m through improved efficiency, procurement, service changes, and managing demand.

The table below details the current number of clients and care packages numbers, there was an increase of 35 new packages between February and March mainly in the Older People client group.

Activity Data – Care Package Numbers	No of Care Packages March 2015 (No's)	No of Care Packages January 2015 (No's)	No of Clients March (No's)	No of Clients January (No's)
Service Area				
Mental Health	138	138	123	125
Physical and Sensory	288	281	221	217
Learning Disabilities	381	384	314	313
Older People	1,640	1,608	1,187	1,169
Substance Misuse	6	11	5	11
No recourse to public funds	17	17	10	10
TOTAL	2,470	2,439	1,860	1,845

The table below details the final placements expenditure compared to the February Forecast

Activity Data – Care Package Numbers	Total Actual Commitment March 2015 £000	Total Yearly Commitment January 2015 £000	Variance to Forecast £000
Service Area			
Mental Health	1,621	1,720	(99)
Physical and Sensory	4,215	4,316	(101)
Learning Disabilities	13,394	13,166	228
Older People	21,310	21,071	239
Substance Misuse	241	195	46
No recourse to public funds	202	204	(2)
Transport	238	258	(20)
Other Placement Expenditure	28	77	(49)
TOTAL Gross placement expenditure	£41,249	£40,953	296

Placement Pressures :-

Although there is evidence of success in managing demand and making specific savings, there are pressures in this area which are making it difficult to realise all savings. These include:

- Commitment on Mental Health placements for joint funded placements. It has been agreed that the joint panel arrangements will be reviewed to ensure funding of placements are apportioned on a fair basis with the CCG.
- Transitions costs from children coming through to adult services with greater and more complex needs. For example for those young people attending college, there is an increasing demand for accommodation and support to be arranged for them in holidays rather than their being with their families. This reflects the increased level of disability and challenging behaviour.
- A higher rate of dependency among those being discharged from hospital. One indicator for this is the number of people requiring two members of staff for transfers (e.g. between bed and chair), commonly referred to as “double ups”. The number requiring this has increased.
- Demography (e.g. increase in dementia in customers over 65 and corresponding increase in support needs)
- Greater challenge from the NHS in some cases where they have been funding or co-funding individuals
- The local provider market for social care. Merton has for some time had the benefit of lower than average unit costs and fees, partly through some long standing block contracts. As these block contracts are coming to an end the providers are demanding what they can get on the open market, and are comparing what Merton will pay with the rates they get from other neighbouring local authorities. This is in some cases causing cost increases.
- The Cheshire West judgement for Deprivation of Liberty Safeguards (DOLS). This Supreme Court interpretation of the Mental Capacity Act legislation has led to a much larger number of people in hospitals, care homes and community settings to require assessment as to whether they have the capacity to consent to where they are and, if they don't, whether the arrangement is in their best interests.
- The No Recourse to Public Funds (NRPF) pressures

Placements Income

The income budget was re-aligned as part of budget setting.

The placements income over-achieved by £612k. However this is £463k less than January forecast.

There were fewer clients in residential placements resulting in significantly less client contribution

The monitoring of income is a key budget area where enhancement of the monitoring needs to be further developed.

The effective overspend on net placements costs, taking both income and expenditure together, is therefore c. £3m.

Commissioning under -spend £221k

There is £183k salaries under-spend due to vacancies across the commissioning team.

Supporting People grant is £141k under-spend.

There is an over-spend of £138k on Voluntary organisations grants.

There are other small variances across the commissioning budgets.

Direct Provision over-spend £892k

The main cause of the overspend are Transport and Staffing

Transport SLA (Core-route) - £604k Over-spend

Operational measures have been taken to reduce volumes within the SLA, but this volume reduction has not been matched by a reduction in charges

Supported Living schemes - £109k net overspend

Supported Living use a lot of bank hours , the budgets are to be reviewed and the correct number of posts can be recruited accordingly .

Day Services - £58k net under-spend

Although Day services has a net underspend, salaries budgets were £127k overspent . This is mainly due to a vacancy factor being in place but no staff movement throughout the year. The budget will be re-aligned in 2015/16 and manager and senior positions will be reduced. There are a number of posts at JMC on a fixed term contract which have been kept on that basis to give some flexibility to downsize.

Residential Homes £222 k over-spend

Salaries budget was £187k over-spent.

There has been a need to increase staffing on a temporary basis.

Meadowsweet has an overspend as they provide staff to cover Cliveden Road, which is a Supported Living unit. There is a discrepancy between the amount of clients supported through the Supported Living team and the budget available. This is the historical Haslemere Avenue budget, when the number of clients supported was 12 clients. The complexity of people supported has also increased. The team now supports a total of 32 clients over four sites.

There are other small variances across the Direct Provisions budgets.

Directorate - £223k under-spend

The under-spend includes £125k care act implementation grant received which prevents the need to fund projects from existing resources and reduces the overall over-spend for C&H.

Libraries- £4k over-spend

There was a very small overspend on this service

MAE - £254k over-spend

The over-spend increased by £104k from that predicted in January .

The main cause of the over-spend is due to under-achievement of Income as a result of changes in the SFA funding regime made after budget setting in previous years and the non delivery of savings.

Staff costs increased due to additional payments during handover period of staff leaving and additional costs due to tutor moderation and staff meetings

Grant income reduced by by Clawback relating to Academic year 2013/14 and underachievement of Fee income

Strategic options for the service from 2015 onwards are being implemented and the service commissioned.

Housing - £105k under-spend

There are various small over and underspends across Housing netting to £105k under-spend.

Bed and Breakfast accommodation budget is £84k over-spend .

At the end of March there were a number of cases where Housing benefits had not been calculated and some cases where eligibility issues have been resolved but housing benefits have not been posted. As a result the actual Housing benefit income was less than forecast.

The Homelessness Prevention budget is £127k under-spend mainly as a result of a credit adjustment posted to this budget from balance sheet management reconciliation - £99k

Environmental Health budget is £59k under-spend as additional income was received from recovery of costs and charges for services.

Public Health

Public Health is underspend by £1.075m, an increase of £360k in the under-spend reported in January.

Public Health	2014/15 Budget £000	Final Out-turn (Mar) £000	Out-turn Variance £000	Forecast Variance (Jan) £000	2013/14 Final Out-turn £000
PH - Directorate	1,167	861	(305)	(75)	631
PH- Contraception	706	679	(26)	11	589
PH - STI Testing and Treatment (GUM)	2,060	2,170	110	284	2,275
PH - SH Advice, Prevent and Promotion	360	263	(97)	(79)	301
PH - NHS Health check	232	249	17	(1)	172
PH - Falls Prevention	66	65	(1)	0	55
PH - Obesity	354	327	(28)	(26)	357
PH – Live well (including smoking cessation)	355	320	(35)	(39)	346
PH - Substance Misuse (drugs and alcohol)	2,056	1,635	(422)	(317)	1,837
PH - School Nursing (including National Child Measurement programme)	628	624	(4)	(16)	570
PH - Surveillance and Control of Infectious Diseases	10	1	(9)	(8)	0
PH - Community Services Contract Estates	282	282	0	0	188
PH - New Investments	850	575	(275)	(449)	0
Total Public Health (controllable)	9,126	8,051	(1,075)	(715)	7,321
PH – Non-Recurrent Projects funded from Reserves	1,440	1,440	0	0	0
Total Public Health (including funding from Reserves)	10,566	9,491	(1,075)	(715)	7321

There are a number of reasons for the underspend in 2014-15.

The Public Health team only recruited its final post at the end of September 2014, which not only created an underspend on the staff budget, but also delayed delivery of the prevention portfolio where the main underspends are found. In addition, the Public Health commissioning manager for substance misuse continues to procure a new CCTV contract for LBM, delaying work on the Public Health substance misuse agenda.

Reviews of inherited services are now complete, with the exception of Livewell, which will be complete by end June 2015. This gives the PH team the opportunity to procure a fully integrated health and wellbeing service.

The Public Health team is now up to full capacity, although the size remains a challenge.

£1.440m of the £1.634m 2013-14 underspend in reserves is being spent on the approved non-recurrent projects.

Section 6 Reserves Position

Actual Movement in Reserves 2014/15	Bal at 31/3/14	Net Movt. in year	Bal. at 31/3/15
	£'000	£'000	£'000
General Fund Reserve (including HRA)	18,838	-3,687	15,151
Earmarked Reserves	35,574	-5,852	29,721
Grants & Contributions	5,398	-1,587	3,811
Schools	19,057	-2,120	16,937
Total Available Gen. Fund Rev. Reser	78,867	-13,245	65,622
Fixed to Contracts	1,955	0	1,955
Total General Fund revenue reserves	80,822	-13,245	67,576

Analysis			
Earmarked Reserves			
Outstanding Council Programme Board	11,105	-2,066	9,039
For use in future years for budget	8,252	-2,500	5,752
Revenue Reserves for Capital / Revn.	5,360	702	6,062
Renewable Energy reserve	1,441	0	1,441
Repairs & Renewal Fund	1,424	0	1,424
Transforming families reserve	784	-370	414
Pension Fund additional contribution	1,078	-1,015	63
Local Land Charges Reserve	1,260	159	1,419
Community Care Reserve	1,733	-347	1,385
Performance Reward Grant	265	-265	0
Apprenticeships	949	-301	648
Economic Development Strategy	1,322	-173	1,148
Wimbledon Tennis Courts Renewal	52	25	77
MertonActionSingleHomelessness	50	-50	0
Governor Support Reserve	0	52	52
Local Welfar Support Scheme	315	299	614
Corporate Services Reserve(other)	183	0	183
Earmarked Reserves	35,574	-5,852	29,721
Adult Social care contributions	670	-245	425
Culture and Environment contributions	1,204	-668	536
Culture and Environment grant	747	3	750
Childrens & Education grant	708	-58	650
Adult Social care grants	0	0	0
Housing Planning Development grant	299	-110	189
Housing GF grants	106	0	106
Public Health	1,664	-510	1,154
Grants & Contributions	5,398	-1,587	3,811
Sub-Total	40,972	-7,439	33,533

Insurance Reserve	1,955	0	1,955
Fixed to Contracts	1,955	0	1,955

DSG Reserve	2,728	857	3,585
Schools Reserve	168	-116	52
Schools PFI Fund	4,071	295	4,366
Refund of PFI contributions	0	400	400
Add Schools own reserves	12,090	-3,555	8,535
Schools Reserves	19,057	-2,120	16,937

Capital Grants	7,710	-2,301	5,409
Capital Contributions	466	-160	306
Capital Receipts	26,057	5,206	31,263
Capital Reserves	34,233	2,745	36,978

Earmarked reserves can only be retained for the purposes for which they were approved and a number have been closed and taken to the OCPB reserve for investment in efficiency and transformation. There will be further reviews of the usage of reserves in the year and other reserves that are not being actively used will be treated in a similar manner.

Section 7 CAPITAL

CAPITAL OUTTURN 2014-15

Outturn and Budget Management

The table (a) below shows that Total Capital Expenditure for 2014/15 is £36.9 million compared to the Total Projected by Budget Managers in November 2014 of £42.2 million (this equates to a negative variance of 12.54%) This overall total masks considerable variances on individual schemes and was less accurate than the projected 2012/13 variance of £4.8 million or 10.65% and 2013/14 variance of £1.6 million or 5.49%

Table Capital Outturn Position 2014/15

Department	Total Budget	Adjusted Actual	Outturn Variance to Budget	November Forecast For Year	November Forecast Variance to Outturn	% Variance to November Forecast
Column	(1)	(2)	(3)	(4)	(5)	(6)
			(2)-(1)		(2)-(4)	
Community and Housing	2,715,700	1,257,288	(1,458,412)	2,765,230	(1,507,942)	(54.53%)
Corporate Services**	4,886,601	2,496,862	(2,389,739)	3,622,756	(1,125,894)	(31.08%)
Children Schools and Families*	24,566,189	23,554,331	(1,011,858)	24,576,727	(1,022,396)	(4.40%)
Environment and Regeneration**	11,736,100	9,154,548	(2,581,552)	11,188,474	(2,033,926)	(18.18%)
Total	43,904,590	36,463,029	(7,441,561)	42,153,187	(5,690,158)	(13.50%)
Items Capitalised from Revenue	0	405,829	405,829	0	405,829	N/A
Adjusted Total	43,904,590	36,868,858	(7,035,732)	42,153,187	(5,284,329)	(12.54%)

* Actual Spend Adjusted for School Loans

** Actual spend adjusted for leases which are accounted for separately

Please see below for a description of major variances, slippage and drawn down on 2015/16 for funding of overspends.

Movement in the 2014/15 Original Approved Programme

The Capital Programme for 2014/15 as approved in March 2014 was £54.5 million. Subsequently, slippage from 2012/13 (£2.1m), additional external funding including schools (£2.9m) and internally funded schemes (£1.9m) were added giving an effective opening programme of £61.6m. However, during the financial year £16.8 million was re-profiled (moved) into subsequent financial years and £0.8 m was removed from the programme. These movements are shown below. Coupled with the £7.1million underspend there has been effectively a 40% slippage or reduction in schemes from the initial budget plus new schemes.

Table (b) – Summary Movement in the Capital Programme since Approval March 2014 (£000's)

Depts.	Original Budget 14/15	Slippage 2013/14	Reductions	New External Funding	New Internal Funding	Re-profiling	Final Budget 14/15
Community and Housing	2,603	302	(170)	577	295	(891)	2,716
Corporate Services	8,829	169	(550)	10	0	(3,571)	4,887
Children Schools and Families	27,193	304	0	1,003	0	(3,934)	24,566
Environment and Regeneration	15,920	1,368	(107)	1,356	1,640	(8,441)	11,736
Total	54,545	2,143	(827)	2,946	1,935	(16,837)	43,905

The table (c) below shows that levels of slippage and under spending remain high. In 2013/14 the outturn position of £30 million reflected the lower levels of spend on the primary expansion programme, this year almost 64% of outturn spend is from Children, Schools and Families.

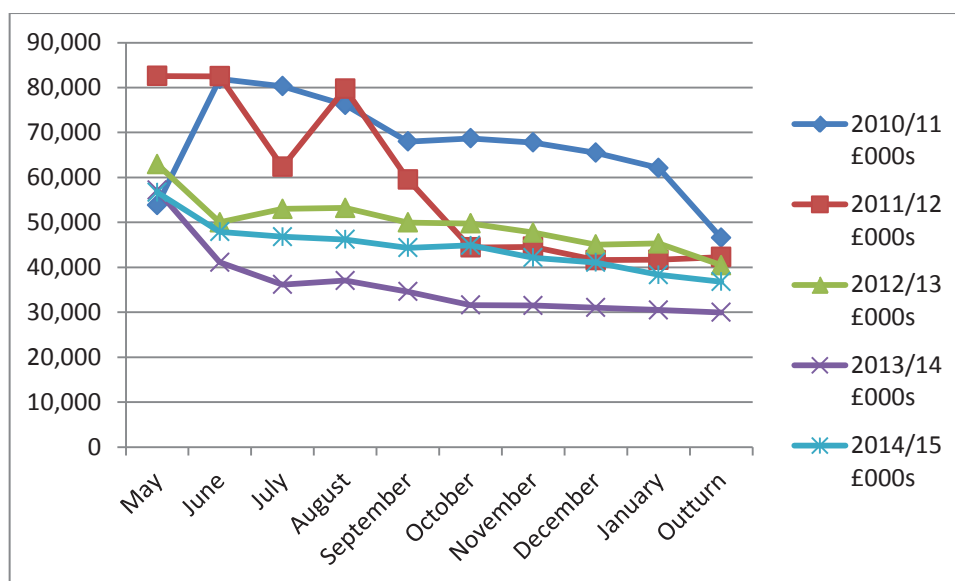
Table (c) – Gross Capital Programme Compared to Final Budget and Outturn 2014/15

Department	Gross Programme £000s	Final Budget £000s	Outturn £000s	Underspend Against			
				Gross Budget		Final Budget	
				£000s	%	£000s	%
Community & Housing	3,777	2,716	1,257	(2,520)	(66.71%)	(1,458)	(53.70%)
Corporate Services	9,008	4,887	2,497	(6,511)	(72.28%)	(2,390)	(48.90%)
Children, Schools & Families	28,500	24,566	23,554	(4,946)	(17.35%)	(1,012)	(4.12%)
Environment & Regeneration	20,284	11,736	9,155	(11,129)	(54.87%)	(2,582)	(22.00%)
Items Capitalised from Revenue	0	0	406	406		406	
Total	61,569	43,905	36,852	(24,717)	(40.15%)	(7,053)	(16.06%)

Capital - Monthly Managers Forecast Spend to Outturn

The graph below shows the overall forecasting by managers of the outturn spend on capital over the last 4 years. There has clearly been an improvement with a much lower overestimate in spending in the earlier part of the year. For the financial years 2010-13 there was a continued problem with the quality of forecasting around December when the revenue budget for the following year is being prepared. The overestimate in spending feeds through into an overestimate of the budget for capital charges in the following year. For 2013/14, the graph shows that reasonably accurate outturn projects were available from October 2013. In 2014/15 budget, despite challenge, budget managers continued to provide unrealistic estimates of spending above £40million until January. This needs to be rectified to give more accurate projections of capital financing costs in the next years budget.

Table (d) – Managers' Forecasts 2010-2015



The 2015/16 Capital Programme is currently almost £48 million after slippage. This will be reviewed to give a more realistic programme that can be delivered

The Level of Re-Profiling / Slippage from 2014/15 - Current proposals for slippage total just over £7.2 million (compared to £2.1 million in 2013/14 and £5 million from 2012/13), this is summarised below. This will increase the budget re-profiled into subsequent financial years from 2014/5 to just under £22.5 million, of which £10.8 million was for Environment and Regeneration.

Table (e) – Current Slippage Position 2014/15

Department	Total Year End Variance 2014/15	Funded From Reserves	Recommend Accept Slippage	Surrender	Fund from 2015/16
Community & Housing	(1,458,412)	0	1,436,380	22,032	0
Corporate Services	(2,389,739)	0	2,407,720	(17,981)	0
Children, Schools & Families	(1,011,858)	0	1,388,040	(2,122)	(374,060)
Environment & Regeneration	(2,581,552)	0	2,382,860	236,412	(37,720)
Items Capitalised from Revenue	405,829	405,829			
Total	(7,035,732)	405,829	7,615,000	238,341	(411,780)

Major Variances

- a) Community and Housing – Budget has been relinquished for JMC Works appropriately charged to revenue. Slippage is required for the Gables £576k, Western Road £760k, Telehealth/social care system developments £79k and disabled facilities grants £20k.
- b) Corporate Services – Slippage has been provided for two corporately held budgets totalling £1,542k (Acquisitions £1,042k and capital bidding fund £500k) and two transformational IT schemes totalling £230k, invest to save £273k, disaster recovery £300k and IT Equipment £46k.

- c) Children, Schools and Families – The major variances are caused within the primary expansion programme where 10 expansions progressed more slowly (slippage of £1,126k) and 4 schools progressed faster resulting in a drawdown of 2015/16 funding of £374k. In addition, devolved formula capital/Raynes Park School £10k, free school meals £63k, secondary school expansion £100k and Schools maintenance £89k and there is concern over the level of expenditure required to apply targeted grant to Dundonald and the SEN Expansions.
- d) Environment and Regeneration - In total the department relinquished £230k of budgets and has drawn down £38k from 2015/16 budgets for 7 schemes that had progressed more quickly

The £2,383k requested as slippage is split as follows:

	£000's
Regeneration	1,035
Transport for London	357
London Road Extension	321
Replacement of Fleet Vehicles	302
Morden Leisure Centre	76
Multi Use Games Area	53
Numerous small Schemes below £30k	239
Total	2,383

The following budgets were overspent and require funding from 2015/16 programme:

Landscaping Coilliers Wood (S106)	3
Dilapidation WH Smith	8
Rowan Road Park Improvements (S106)	3
Wimbledon Library Flat	7
Connecting Coilliers Wood (S106)	4
Street Scene Enhancements	2
Tackling Traffic Congestion	11

Total 38

- e) Items Capitalised from Revenue – This was due to a number invest to save schemes which should technically have been added to the Capital Programme and funded from a revenue contribution rather than simply charged to revenue.

Revised Capital Programme 2015-19: The table below summarises the proposed changes to the approved Capital programme for 2015-19 a summary of the capital programme including slippage is shown as Appendix 3.

Table (f) - Merton's Capital Programme 2015-19 (£000s)

Depts	Original Budget 15/16	Slippage 2014/15	Revised Budget 15/16	Original Budget 16/17	Original Budget 17/18	Original Budget 18/19
Community and Housing	2,161	1,436	3,597	1,334	340	340
Corporate Services	7,428	2,408	9,836	3,862	2,881	2,757
Children Schools and Families	17,105	1,014	18,119	26,084	20,979	20,104
Environment and Regeneration	15,240	2,345	17,585	26,129	10,327	6,379
Total	41,933	7,203	49,136	57,408	34,526	29,579

Summary

The Key observations from capital outturn are:

- a) The projected outturn position in November 2014 was less accurate than 2013/14 apart from Children, Schools and Families. There remain some large variations within individual schemes especially within regeneration and partnerships, Transport for London, and two housing related schemes. There was still considerable re-profiling of budgets from that originally approved by Council.. Schemes will be re-profiled to give greater realism to the programme and a focus placed on improving monitoring.

- b) The Capital Programme for 2015-19 will be reviewed and re-profiled to reduce it to a manageable level - The approved Capital Programme for 2015/16 was £41.933 million. Slippage from 2014/15, overspend adjustments, new funding and re-profiling have resulted in the proposed Capital Programme rising to £47.594 million. Whilst a number of primary expansion projects are currently being progressed it is envisaged that there will be some slippage from the existing profile within Children, Schools and Families and across the Authority.

8 CONSULTATION UNDERTAKEN OR PROPOSED

8.1 All relevant bodies have been consulted.

9 TIMETABLE

9.1 In accordance with current financial reporting timetables.

10. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

10.1 All relevant implications have been addressed in the report.

11. LEGAL AND STATUTORY IMPLICATIONS

11.1 All relevant implications have been addressed in the report.

12 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

12.1 Not applicable

13 CRIME AND DISORDER IMPLICATIONS

13.1 Not applicable

14. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

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

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

Appendix 1 Out turn

Appendix 2 Corporate items

Appendix 3 Current Capital Programme 2015-19 including Slippage

Appendix 4 Car Parking Account 2014/15 (to follow)

16 **BACKGROUND PAPERS**

16.1 Budgetary Control files held in the Corporate Services department.

17. **REPORT AUTHOR**

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

APPENDIX 1

	Original Budget 2014/15 £000s	Budget (Mar) £000s	Outturn (Mar) £000s	Full Year Forecast (Jan) £000s	OUTTURN Variance (Mar) £000s	Forecast Variance at year end (Jan) £000s	Outturn Variance 2013/14 £000
Department							
3A. Corporate Services	11,285	13,259	12,568	13,778	(691)	(35)	(732)
3B. Children, Schools and Families	48,040	49,325	51,988	52,111	2,663	2,781	556
3C. Community and Housing							
Adult Social Care	55,894	57,359	59,952	58,444	2,593	1,842	(1,088)
Libraries & Adult Education	3,232	3,218	3,498	3,369	281	131	(2)
Housing General Fund	2,207	2,292	2,192	2,265	(100)	(27)	(32)
3D. Public Health	0	365	365	1,441	(0)	0	0
3E. Environment & Regeneration	22,853	26,150	27,853	26,195	1,703	1,306	(576)
NET SERVICE EXPENDITURE	143,511	151,969	158,417	157,603	6,448	5,998	(1,820)
3E. Corporate Items							
Impact of Capital on revenue budget	14,103	14,012	14,217	14,103	205	0	0
Other Central items	3,996	-4,367	-7,184	-5,890	(2,817)	-1,793	2,429
Levies	931	931	931	931	0	0	0
TOTAL CORPORATE PROVISIONS	19,030	10,576	7,964	9,144	-2,612	-1,793	2,429
TOTAL GENERAL FUND	162,541	162,545	166,381	166,747	3,836	4,205	610
- Funding							
- Business Rates	-33253	-33253	-33253	-33253	0	0	0
- RSG	-39738	-39738	-39738	-39738	0	0	-249
- Council Tax Freeze Grant 2014/15	-858	-858	-852	-858	6	0	-13
- Section 31 Grant	-1118	-1118	-1278	-1199	-160	-81	-346
- New Homes Bonus	-3199	-3199	-3199	-3199	0	0	0
- PFI Grant	-4797	-4797	-4797	-4797	0	0	0
Grants	-82,963	-82,963	-83,117	-83,044	-154	-81	-610
Collection Fund - Council Tax Surplus(-)/Deficit	-4608	-4608	-4608	-4608	0	0	0
Collection Fund - Business Rates Surplus(-)/Deficit	372	372	372	372	0	0	0
Council Tax							
- General	-75049	-75049	-75049	-75049	0	0	0
- WPC	-293	-293	-293	-293	0	0	0
Council Tax and Collection Fund	-79578	-79578	-79578	-79578	0	0	0
FUNDING	-162,541	-162,541	-162,695	-162,622	-154	-81	-610
NET	0	4	3,686	4,125	3,682	4,124	-1

Outturn by subjective analysis

2014/15	Budget (Mar)	Outturn (Mar)	Full Year Forecast (Jan)	OUTTURN Variance (Mar)	Forecast Variance (Jan)	Outturn variance 2013/14
Expenditure	£000	£000	£000	£000	£000	£000
Employees	95,450	96,299	96,438	849	1,148	275
Premises Related Expenditure	8,876	5,443	9,020	(3,433)	(135)	(891)
Transport Related Expenditure	13,725	15,221	15,091	1,496	1,448	20
Supplies and Services	168,705	173,607	169,012	4,902	(1,423)	1,933
Third Party Payments	84,608	92,077	91,604	7,469	6,465	(2,106)
Transfer Payments	108,048	112,538	104,964	4,490	(3,383)	6,442
Support Services	32,421	32,488	32,421	67	(1)	1,501
Depreciation and Impairment Losses	17,768	17,768	15,226	(0)	(1)	(0)
Corporate Provisions	10,576	7,964	9,144	(2,612)	(1,793)	2,429
GROSS EXPENDITURE	540,177	553,405	542,920	13,228	2,326	9,603
Income						
Government Grants	(263,764)	(260,509)	(259,893)	3,255	4,064	(6,425)
Other Grants, Reimbursements and Contribs	(23,311)	(26,341)	(26,200)	(3,030)	(1,757)	(2,361)
Customer and Client Receipts	(56,922)	(64,237)	(58,268)	(7,315)	(1,736)	(1,141)
Interest	(44)	(20)	(19)	24	25	25
Recharges	(33,020)	(32,852)	(33,019)	168	1	(1,446)
Balances	(570)	(3,064)	1,225	(2,494)	1,281	2,352
GROSS INCOME	(377,632)	(387,023)	(376,174)	(9,392)	1,879	(8,994)
NET EXPENDITURE	162,546	166,381	166,747	3,836	4,205	610

APPENDIX 2

3E. Corporate Items	Council 2014/15 £000s	Original Budget 2014/15 £000s	Current Budget 2014/15 Period 14 £000s	Year to Date Budget (Period 12) £000s	Year to Date Actual (Period 12) £000s	Full Year Forecast (Period 12.) £000s	Forecast Variance at year end (Period 12) £000s	Forecast Variance at year end (Jan.) £000s
Cost of Borrowing	14,103	14,103	19,118	14,012	14,217	14,217	205	-71
Use for Capital Programme	0	0	0	0	0	0	0	71
Impact of Capital on revenue budget	14,103	14,103	19,118	14,012	14,217	14,217	205	0
Investment Income	-522	-522	-522	-522	-907	-907	-385	-154
Pension Fund	13,434	13,434	15,949	15,949	15,649	15,649	-300	1,004
Corporate Provision for Pay Award	807	807	169	169	0	0	-169	0
Provision for inflation in excess of 1.5%	538	538	449	449	0	0	-449	-250
Utilities Inflation Provision	300	300	300	300	35	35	-265	0
Pay and Price Inflation	1,645	1,645	918	918	35	35	-883	-250
Contingency	1,500	1,500	543	543	24	24	-519	-989
Single Status/Equal Pay	100	100	100	100	0	0	-100	0
Bad Debt Provision	500	500	500	500	1,174	1,174	674	0
Loss of income arising from P3/P4	400	400	400	400	0	0	-400	-400
Revenuisation and miscellaneous	2,166	2,166	2,374	1,974	2,383	2,383	409	0
Contingencies and provisions	4,666	4,666	3,917	3,517	3,581	3,581	64	-1,389
Local Services Support Grant	0	0	0	0	-37	-37	-37	0
Other	0	0	0	0	-877	-877	-877	0
Income items	0	0	0	0	-914	-914	-914	0
Appropriations: CS Reserves	0	0	-1,085	-1,085	-1,085	-1,085	0	0
Appropriations: E&R Reserves	0	0	-1,582	-1,582	-1,582	-1,582	0	0
Appropriations: CSF Reserves	0	0	170	170	170	170	0	0
Appropriations: C&H Reserves	0	0	-1,590	-1,590	-1,640	-1,640	-50	0
Appropriations: Public Health Reserves	0	0	-365	-365	-510	-510	-145	0
Appropriations: Corporate Reserves	0	0	-2,409	-2,009	-2,213	-2,213	-204	-1,004
Appropriations/Transfers	0	0	-6,861	-6,461	-6,860	-6,860	-399	-1,004
Depreciation and Impairment	-15,227	-15,227	-17,768	17,768	17,768	-17,768	0	0
Central Items	18,099	18,099	14,751	9,645	7,033	7,033	-2,612	-1,793
Levies	931	931	931	931	931	931	0	0
TOTAL CORPORATE PROVISIONS	19,030	19,030	15,682	10,576	7,964	7,964	-2,612	-1,793

Merton Summary Capital Report - Approved 2015/16 Budget with Slippage

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year
Community and Housing	3,597,150	9,901	277,053	(267,152)	3,597,150
Corporate Services	9,835,580	(35,422)	1,220,475	(1,255,897)	9,835,580
Children Schools and Families	18,118,610	560,988	4,479,568	(3,918,580)	18,118,610
Environment and Regeneration	17,585,010	(75,831)	1,742,250	(1,818,081)	17,585,010
Total Capital	49,136,350	459,636	7,719,346	(7,259,710)	49,136,350

Community & Housing Summary Capital Report - Approved 2015/16 Budget with Slippage

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year
Adult Social Care					
The Gables Mitcham	576,280	0	0	0	576,280
C&H ITOther	133,550	578	0	578	133,550
Libraries					
Self Service	350,000	0	0	0	350,000
Housing					
8 Wilton Road	0	(13,296)	0	(13,296)	0
Western Road	875,000	0	0	0	875,000
Disabled Facilities	1,662,320	22,619	277,053	(254,434)	1,662,320
Community and Housing	3,597,150	9,901	277,053	(267,152)	3,597,150

Corporate Services Summary Capital Report - Approved 2015/16 Budget with Slippage

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year
Business Improvement Total	2,440,570	0	378,918	(378,918)	2,440,570
Corporate Governance	880	0	0	0	880
Corporate Items	2,920,340	0	166,666	(166,666)	2,920,340
Facilities Management Total	2,746,550	30,072	539,351	(509,279)	2,746,550
IT Total	930,550	(65,494)	14,166	(79,660)	930,550
Resources	561,700	0	38,042	(38,042)	561,700
IT Transformation Unallocated	234,990	0	83,332	(83,332)	234,990
Corporate Services	9,835,580	(35,422)	1,220,475	(1,255,897)	9,835,580

Children, Schools & Families Summary Capital Report - Approved 2015/16 Budget with Slippage

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year
Aragon expansion	0	(11,083)	0	(11,083)	0
Beechholme	95,000	0	0	0	95,000
Cranmer expansion	31,260	(3,845)	0	(3,845)	31,260
Joseph Hood Permanent Expansn	3,830	(2,965)	0	(2,965)	3,830
St Mary's expansion*	19,870	2,254	19,870	(17,616)	19,870
All Saints/ South Wim YCC exp	3,550	(4,009)	0	(4,009)	3,550
Gorringe Park expansion	0	(22,646)	0	(22,646)	0
Hillcross School Expansion	1,560,510	200,704	748,595	(547,891)	1,560,510
Merton Abbey Temp Accomodation	1,179,940	192,067	192,885	(818)	1,179,940
Pelham School Expansion	3,135,400	(46,603)	688,945	(735,548)	3,135,400
Dundonald expansion	4,109,910	(41,160)	966,559	(1,007,719)	4,109,910
Poplar Permanent Expansion	249,900	76,698	0	76,698	249,900
Singlegate expansion	2,218,110	(1,288)	548,457	(549,745)	2,218,110
Wimbledon Park expansion	70,530	232,855	0	232,855	70,530
Primary Expansion	12,677,810	570,979	3,165,311	(2,594,332)	12,677,810
Devolved Formula Capital	568,830	30,146	93,964	(63,818)	568,830
Early Years	0	(59,158)	0	(59,158)	0
Free School Meals	173,080	0	27,500	(27,500)	173,080
Cricket Green Site	137,470	(1,200)	32,512	(33,712)	137,470
Primary school autism unit	1,419,200	0	391,628	(391,628)	1,419,200
Breaks-disabled children grant	0	(7,242)	0	(7,242)	0
Perseid	1,239,680	37,034	301,978	(264,944)	1,239,680
Secondary School Autism Unit	250,000	0	51,666	(51,666)	250,000
Schs Cap Maint & Accessibility	738,860	(8,571)	162,500	(171,071)	738,860
B631 - Solar PV Raynes Prk Pav	0	(1,000)	0	(1,000)	0
Raynes Park Sports Pavilion	4,770	0	0	0	4,770
Secondary School expansion	770,000	0	191,669	(191,669)	770,000
Expansion Inflation Contingency	34,460	0	8,615	(8,615)	34,460
Schools Equipment Loans	104,450	0	52,225	(52,225)	104,450
	5,440,800	(9,991)	1,314,257	(1,324,248)	5,440,800
Children Schools and Families	18,118,610	560,988	4,479,568	(3,918,580)	18,118,610

Environment & Regeneration Summary Capital Report - Approved 2015/16 Budget with Slippage

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year
Footways Planned Works	1,060,000	(10,779)	30,000	(40,779)	1,060,000
Greenspaces	1,286,220	46,004	75,126	(29,122)	1,286,220
Highways General Planned Works	458,570	(14,390)	60,585	(74,975)	458,570
Highways Planned Road Works	1,503,890	0	50,000	(50,000)	1,503,890
Leisure Centres	1,328,760	(9,890)	0	(9,890)	1,328,760
Other E&R	93,260	(35)	25,000	(25,035)	93,260
On and Off Street Parking	20,140	10,236	0	10,236	20,140
Plans and Projects	25,740	0	0	0	25,740
Regeneration Partnerships	6,055,610	2,900	993,512	(990,612)	6,055,610
Street Lighting	200,000	0	0	0	200,000
Street Scene	358,370	6,122	12,580	(6,458)	358,370
Transport for London	2,292,230	(31,680)	272,200	(303,880)	2,292,230
Traffic and Parking Management	1,506,130	(21,562)	18,700	(40,262)	1,506,130
Transport and Plant	877,690	(52,757)	97,072	(149,829)	877,690
Safer Merton - CCTV & ASB	300,000	0	50,000	(50,000)	300,000
Waste Operations	218,400	0	57,475	(57,475)	218,400
Environment and Regeneration	17,585,010	(75,831)	1,742,250	(1,818,081)	17,585,010