

Merton Council

Cabinet

17 July 2023

Supplementary Agenda

11 Quarter 1 Financial Monitoring Report

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CABINET 17 July 2023

Subject: Financial Report 2023/24 – Period 3, Quarter 1, June 2023

Lead officer: Roger Kershaw

Lead member: Councillor Billy Christie

Recommendations:

- A. That Cabinet note the financial reporting data for quarter 1, June 2023, relating to revenue budgetary control, showing a forecast net adverse variance at 30th June on service expenditure of £8.186m when corporate and funding items are included.
- B. That CMT note the contents of Section 5 and approve the adjustments to the Capital Programme contained in Appendix 5b
That Cabinet note the contents of Section 5 and Appendix 5b of the report and approve the adjustments to the Capital Programme in the Table below:

	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26	Narrative
	£	£	£	£	
<u>Children, Lifelong Learning & Families</u>					
Hillcross - Capital Maintenance	1,950				Virement from the Unallocated Capital Maint. Budget
Wimbledon Park - Capital Maintenance	(67,850)				Virement to the Unallocated Capital Maint. Budget
Abbotsbury - Capital Maintenance	96,980				Virement from the Unallocated Capital Maint. Budget
Malmesbury - Capital Maintenance	(1,990)				Virement to the Unallocated Capital Maint. Budget
Liberty - Capital Maintenance	(430)				Virement to the Unallocated Capital Maint. Budget
St Marks Primary - Capital Maintenance	(650)				Virement to the Unallocated Capital Maint. Budget
Sherwood - Capital Maintenance	(17,200)				Adjustment to Budget as Lighting Scheme not progressed and school contrib reduced
Unallocated - Capital Maintenance	(28,010)				Virement to Various Capital Maint. Schemes
Raynes Park - Capital Maintenance	(36,790)				Virement to the Rutlish Capital Maint. Budget
Rutlish - Capital Maintenance	36,790				Virement from the Raynes Park Capital Maint. Budget
Perseid School Expansion	(50,000)	50,000			Re-profiled in accordance with projected spend
Second school ARP expansion 4	(20,000)	20,000			Re-profiled in accordance with projected spend
Second school ARP expansion 3	(20,000)	20,000			Re-profiled in accordance with projected spend
Primary school ARP expansion	(10,000)	10,000			Re-profiled in accordance with projected spend
Ricards Lodge - 6th Form Expansion(a)	50,000	3,550,000			DfE Post 16 Capacity Funding £3,235,706 and School Contrib £364,294 match funding
<u>Environment and Regeneration</u>					
Parks Investment - New Green Flag	12,000				New Grant from GLA for Schools Suprezones
Sports Facilities - Tennis Big Screens	60,000				Funded from Reserves
Morden Leisure Centre - New Running Track	(350,000)	350,000			Re-profiled in accordance with projected spend
Parks Investment - Abbey Recreation Ground	(7,210)				£7,210 Spent in Revenue
CCTV Investment - CCTV cameras & infrast upgrade	(439,730)	439,730			Re-profiled in accordance with projected spend
Raynes Park Area Roads - Raynes Park Station Pub Realm	5,870				Additional S106 Funding
Highways and Footways - Casualty Reduction & Schools	(9,100)				TfL budget reduced as moved to Revenue Budgets
Parks Investment - Tennis Court Major Resurfacing	185,590	(35,590)	(75,000)	(75,000)	Re-profiled in accordance with projected spend
<u>Housing & Sustainable Development</u>					
Major Projects - Affordable Ho - Affordable Housing Fund	(4,522,490)	4,522,490			Re-profiled in accordance with projected spend
Mitcham Area Regeneration - Knowledge Exchange Mitcham	266,500				Funding from South London Partnerships
Wimbledon Area Regeneration - Wimbledon Hill Rd	92,000				Virement between interlinked schemes
Wimbledon Area Regeneration - Wimb Public Realm Implement	(92,000)				Virement between interlinked schemes
Total	(4,865,770)	8,926,630	(75,000)	(75,000)	

(a) Requires Council Approval

- C. That Cabinet recommends to Council to approve Ricards Lodge Sixth Form Expansion scheme of

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the Period 3, Quarter 1, June 2023 monitoring report presented in line with the financial reporting timetable.

This financial monitoring report provides -

- 1.1.1 A full year forecast projection as at period 3.
- 1.1.2 An update on the capital programme and detailed monitoring information;
- 1.1.3 An update on Corporate Items in the budget 2023/24;

2. THE FINANCIAL REPORTING PROCESS

- 2.1 The Council's services are still under pressure due to the need to support businesses and residents, particularly vulnerable groups in need of social care and there has been a major reduction in the Council's income which is expected to continue for some time.
- 2.2 The Council is also facing significant inflationary pressures in the supply of goods and services to the Council, energy costs, cost of borrowing and potential wage increases against budget add to the Council's financial challenges in 2023/24 and future years. Whereas higher interest rates will have a positive impact on our investment returns these will be overshadowed by the inflationary pressures the Council faces together with the potential for increased demands for some of the Council's services due to the cost of living crisis.
- 2.3 There are also significant pressures on the Dedicated Schools Grant (DSG) which are being monitored. The cumulative deficit at the end of 2022/23 was £34.466m and the deficit is forecast to continue to increase to £41.366m by the end of 2023/24 after the third tranche of Safety Valve funding. The Safety Valve programme is starting to have a positive impact, but progress is currently behind the agreed target.
- 2.4 Chief Officers, together with budget managers with support from Service Financial Advisers are responsible for keeping budgets under scrutiny and ensuring that expenditure within areas which are above budget is being actively and vigorously controlled and where budgets have favourable variances, these are retained until year end. Any final overall adverse variance on the General Fund will result in a call on balances.

3. 2023/24 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

Executive Summary – At Quarter 1, period 3 (to 30th June 2023), the year-end forecast is a net adverse variance of £9.190m on Net Service Expenditure; a favourable variance of £1.005m on Corporate Provisions. Net Forecast Variance at Period 3 is a adverse variance of £8.186m. A summary is provided on the following details and more detailed analysis by Directorate is set out in Section 4 of the report.

The current level of GF balances is £14.0m and the minimum level reported to Council for this is £14.0m.

Summary Position as at 30th June 2023

	Current Budget 2023/24 £000s	Year to Date Budget (June) £000s	Year to Date Actual (June) £000s	Full Year Forecast (June) £000s	Forecast Variance at year end (June) £000s	Outturn Variance 2022/23 £000s
Department						
Finance and Digital	17,522	4,081	5,403	17,975	453	179
Innovation and Change	12,204	2,752	5,164	12,095	-109	618
Children, Lifelong Learning & Families	65,697	12,528	12,628	66,121	424	1,649
Adult Social Care, Integrated Care and Public Health	67,673	18,158	14,580	69,539	1,866	(770)
Environment, Civic Pride and Climate	18,620	3,885	(6,041)	21,867	3,247	5,244
Housing and Sustainable Development	8,133	132	1,308	11,442	3,309	1,282
Overheads	(680)			(680)	0	
NET SERVICE EXPENDITURE	189,169	41,536	33,041	198,360	9,190	8,202
			6			
Corporate Items						
Impact of Capital on revenue budget	10,882	2,721	3,266	10,882	0	(180)
Other Central budgets	(19,037)	1,990	(7,412)	(20,042)	(1,005)	(7,673)
Levies	1,058	265	478	1,058	0	0
TOTAL CORPORATE PROVISIONS	(7,096)	4,975	(3,669)	(8,101)	(1,005)	(7,853)
Covid-19	0	0	1	0	0	46
TOTAL GENERAL FUND	182,073	46,511	29,374	190,258	8,186	395
FUNDING						
Revenue Support Grant	(6,108)	(1,527)	(1,649)	(6,108)	0	0
Business Rates	(35,364)	0	(1,803)	(35,364)	0	0
Other Grants	(28,219)	(7,055)	(9,368)	(28,219)	0	(430)
Council Tax and Collection Fund	(112,382)	0	0	(112,382)	0	0
FUNDING	(182,072)	(8,582)	(12,820)	(182,072)	0	(430)
NET	0	37,929	16,554	8,186	8,186	(35)

Impact

The ongoing situation continues to make forecasting difficult as it is unclear if or when some service areas will see activity return to pre-Covid levels.

Income shortfall

Income budgets are included within departments so the impact of Covid-19 on lost income is reflected in directorate forecasts.

Savings unachieved

Directorate budgets are adjusted for the agreed savings targets for 2023/4 as part of the budget setting process. The savings which are now under pressure due to inflation and other factors are included in the forecast of the directorate.

Cashflow

The Covid-19 outbreak created pressure on the council's cash-flow, but the position has stabilised since the middle of 2021. Through prudent treasury cash flow management, the Council continues to meet any additional expenditure from its cash in balances in the bank and primarily from liquid cash balances held in Money Market Funds (MMFs).

From Summer 2021, with the stability and the confidence seen in the UK economy the fixed deposit rates started to go up and as a result the Council started to return to medium term fixed deposit to earn interest income from any short-term excess cash balances.

The Council still has a strong position on its liquidity and where the opportunity arises places excess cash in short-term deposits to generate income.

Cash flow is monitored daily, and the current forecast shows the Council has sufficient funds to meet its payment needs going forward over the medium term, but there still is a concern over the longer term in the context of the DSG deficit, subject to the use of Safety Valve funding. However, if a cash shortfall occurs, the Council has the option to borrow from the market to meet its needs.

4. DIRECTORATE SUMMARY OF CURRENT POSITION

Finance & Digital

Division	Sum of Current Budget £'000	Sum of Current Forecast £'000	Sum of Forecast Variance £'000	Sum of Last Year Variance £'000
Resources	5,880	6,178	299	-46
Corporate Other	858	918	60	170
Corporate Governance	454	454	0	7
Infrastructure & Technology	10,330	10,425	95	48
Total (Controllable)	17,522	17,975	453	180

Overview

Finance & Digital is currently forecasting an adverse variance of £453k at period 3 (June). Main variances being £299k within Resources, £95k Infrastructure & Technology and Corporate Other £60k. The directorate will be working to reduce overspends.

Resources – adverse variance £299k

The main areas of significant variances within Resources are:

- £73k overspend on staff costs (agency) within Budget Management
- £124k Local taxation bailiffs underachievement of income
- £103k overspend on postage

Corporate Other – adverse variance £60k

The main areas of significant variances within Corporate Other are:

- £492k overspend on Housing Benefit rent subsidy
- (£82k) underspend on Corporately funded items
- (£13k) Staff groups underspend
- (£54k) net income from recharges to CHAS
- (£282k) underspend on redundancy payments and added years pensions.

Infrastructure & Technology – adverse variance £95k

The main areas of significant variances within I&T are:

- (£20k) Transactional Services overachievement of income
- (£15k) Safety Services net underspend.
- £143k Corporate printing strategy – underachievement of income
- £56k IT service delivery overspend for 24/7 Helpdesk support
- (£152k) underspend in Comms & Computing IT Licenses
- (£133k) income overachievement forecasted for Post services
- £65k Printing and paper costs overspend
- (£39k) Procurement staff costs underspend

- £54k overspend - £20k within Client Financial Affairs on staff and £20k income underachievement.
- £146k overspend within Business systems.

Innovation & Change

Division	Sum of Current Budget £'000	Sum of Current Forecast £'000	Sum of Forecast Variance £'000	Sum of Last Year Variance £'000
Resources	764	765	1	130
Customers, Policy and Improvement	5,592	5,320	-273	33
Corporate Other	1,401	1,401	0	0
Corporate Governance	1,944	1,930	-14	101
Human Resources	2,503	2,679	177	354
	12,204	12,095	-109	618

Overview

Innovation & Change is currently forecasting a favourable variance of (£109k) as at period 3 (June). Main variances being (£273k) within CPI, (£177k) withing Human Resources and (£14k) within Corporate Governance.

The directorate will be working to reduce overspends.

Customers Policy and Improvements – favourable variance (£273k)

The main areas of significant variances within CPI are:

- (£73k) Policy & Strategy underspend on staff costs
- (£106k) Staff costs underspend for AD-CPI
- (£88k) Programme Office underspend on staff costs
- £148k overspend within Project management
- (£377k) underspend withing Customer Contact
- £17k Blue Badge income underachievement
- (£27k) net underspend on banking costs for Cash collections team
- £32k Merton Link overspend on staff costs
- (£57k) Registrars income overachievement.
- (£21k) Translations underspend on staff costs
- £67k Complaints team overspend on staff costs
- £207k overspend on staff costs within Press and public relations

Corporate Governance – favourable variance (£14k)

The main areas of significant variances within Corporate Governance are:

- (£111k) net surplus for SLLP
- £48k overspend withing LBM Legal services
- (£82k) underspend on Corporately funded items
- (£13k) Staff groups underspend
- £37k overspend on staff costs for Information Team
- £34k overspend on legal charges within Information governance
- (£20k) underspend on staff cost for Electoral registrations.
- (£15k) underspend on members training
- £15k overspend on staff works within Democracy services.

Human Resources – adverse variance £177k

The main areas of significant variances within HR are:

- £183k overspend on agency staff for Learning & Development
- (£36k) underspend on staff costs for graduates & apprentices
- £29k staff overspend on HR Business partners.

Environment, Civic Pride and Climate (ECPC)

Division	Service	Current Budget £'000	Full Year Forecast June £'000	Forecast Variance £'000	Outturn Variance 2022/23 £'000
Public Protection	Parking Services	-17,732	-14,329	3,403	3,469
	Regulatory Services	763	803	41	186
	Safer Merton & CCTV	1,407	1,192	-215	-153
Public Protection Total		-15,563	-12,334	3,229	3,502
Public Space	Greenspaces	2,416	2,393	-23	357
	Leisure & Culture	1,071	1,064	-6	-68
	Transport Commissioning	-239	-248	-9	-192
	Transport Operations	-360	-272	88	403
	Waste Services	16,256	16,327	70	925
Public Space Total		19,144	19,265	121	1,426
Senior Management	Senior Management & Support	1,072	1,066	-5	39
Sustainable Communities	Future Merton	11,360	11,145	-215	173
Libraries		2,607	2,725	118	104
Environment, Civic Pride and Climate Total		18,620	21,867	3,247	5,244

Overview: Environment, Civic Pride & Climate is forecasting an adverse variance of £3.247m. This is reflected across divisions with Public Protection bearing £3.229m, Public Space £121k, Sustainable Communities (£215k) and Libraries £118k.

The directorate will be working to reduce overspends.

Parking – adverse variance £3,403m

The predicted shortfall on Parking income is just over £3.2 million. This is consistent with forecasts made over the past 12 months, and with the 2022/23 outturn. It is anticipated that the income deficit will fall by £250k in 2024/25, after the proposed permit price increase has been implemented. The forecast 2023/24 income deficit is *made up as follows*:

	Forecast Deficit 2023/24
Traffic PCNs	-£1.4 million
Parking PCNs	-£500k
Car parks and season tickets	-£800k
Permits and visitors	-£650k
On-street and other income	+£150k
Total	-£3.2 million

In respect of expenditure, an overspend of £176k is forecast. Of this, £154k is accounted for by the authorised overspend to fund the successful parking enforcement pilot.

Budgets which are under pressure include transport, forecast to overspend by £36k due to high vehicle maintenance costs and future charges for ULEZ non-compliant vehicles.

Car park maintenance is forecast to overspend by £33k, with limited opportunities to capitalise essential

repairs. IT costs pose a significant risk due to recent price increases above expectation; discussions are continuing on how to fund this unavoidable cost pressure. The salaries budget for the back-office is also under pressure, as some overtime has been needed to meet statutory deadlines for PCN appeals, and for permit issuance.

Regulatory Services – adverse variance £41k

Non Shared service: £84k net overspend made up of £76k underachievement of income, £10k overspend on supplies & services
RSP: (£43k) net underspend made up of
(£90k) underspend on employee costs
(£10k) underspend on transport related costs
£86k overspend on supplies & services
(£22k) overachievement of income.

Saver Merton – favourable variance (£215k)

(£153k) underspend for CCTV
(£47k) underspend for ASB
(£15k) underspend for Crime & Strategy

Greenspaces – favourable variance (£23k)

The net underspend of (£23k) is made up as follows:
(£63k) events
£45k overspend on Canons HLF
£50k underachievement of income for P&D
£19k overspend on Phase C (waste)
£98k underachievement of rental income
(£80k) net underspend for Treeworks
£28k overspend for employee costs
(£88k) underspend on premises
(£16k) underspend in Transport related costs
£49k overspend on supplies & services
(£65k) overachievement of income

Transport – net adverse variance £79k

(£153k) underspend on staff costs
£260k overspend on transport related costs
(£58k) underspend on third party payments
£35k underachievement of income

Waste – adverse variance £70k

(£16k) net underspend on SLWP costs
(£65k) Staff costs underspend
£55k supplies & services underspend
£101k income underachievement.

Future Merton – favourable variance (£215k)

£21k overspend on Bishopsford Bridge
(£113k) underspend on CPZ
£121 highways maintenance overspend
£122k street lighting overspend
(£196k) street works income overachievement
(£241k) temporary orders income overachievement

£124k supplies & services overspent
£19k third party payments overspend
(£76k) income overachievement.

Libraries – adverse variance £118k due to the cost pressures on its cleaning and security costs budget due to the London Living Wage.

Housing and Sustainable Development

Service	Current Budget £'000	Full Year Forecast June £'000	Forecast Variance £'000	Outturn Variance 2022/23 £'000
Selective Licensing	138	138	0	0
Building & Development Control	118	994	876	914
Future Merton Regeneration	1,801	1,764	-36	-63
Property Management	-1,947	-1,986	-39	-594
Facilities	4,015	4,392	377	373
Housing	4,009	6,140	2,131	653
Total Housing & Sust Dev Controllable	8,133	11,442	3,309	1,282

Overview: Housing & Sustainable Development is forecasting an adverse variance of £3.309m with Housing forecasting an adverse variance of £2,131m, Building and Development control £876k, Facilities £377k. Favourable variances withing Future Merton (£36k) and Property Management (£39k). The directorate will be working to reduce overspends.

Selective Licensing project is forecasting nil variance.

Building & Development Control:

BC £76k net income underachievement

DC £578k overspend on staff costs, (£90k) underspend on supplies & services

£312k income underachievement.

Future Merton Regeneration:

(£89k) CIL/S106 net income

£13k Vestry Hall overspend

£28k staff costs overspend

£35k supplies & services overspend

(£16k) net income overachievement

Property Management:

£43k net overspend for Stouthall costs

(£29k) staff costs underspend

£207k premises related costs overspend

£37k supplies & services overspend

(£292k) income overachievement

Facilities:

£45k Staff overspend

(£153k) premises underspend

(£133) supplies and services underspend

(£108k) third party payments underspend

£731k income underachievement

Housing:

The main issues are increasing demand and dropping supply. There has been new research published today which shows a 41 per cent reduction in the number of London properties available for private rent since the Covid-19 pandemic, amid warnings that turbulence and supply constraints in the private rental market is worsening near-record levels of homelessness across the capital.

In February Shelter published a report showing that evictions by s21 notice (which is the biggest cause of homelessness in Merton and London) are up 143% in one year.

There are also demands from people fleeing Ukraine and asylum seekers granted status in the UK and an increase in domestic abuse cases.

Children, Lifelong Learning and Education

The table below shows the quarter 1 forecast for the Directorate, it should be noted that this is first cut and will be developed for submission to Cabinet on the 10th July.

Local Authority Funded Services (£000's)	Budget	June Variance	2022/23 Outturn Variance
Child Social Care and Youth Inclusion			
Senior Management	£ 833	£ 44	£ 72
Head of Help & Family Assessment	£ 3,175	-£ (25)	-£ (41)
Head of Family Support & Safeguarding	£ 4,559	£ 680	£ 1,112
Head of Corporate Parenting	£ 13,041	-£ (241)	-£ (394)
Head of Adolescent and Safeguarding	£ 2,050	£ 645	£ 1,054
CSC & Youth Incl Total	23,658	1,103	1,803
Education			
Contracts, Proc & School Org	£ 9,537	£ 80	£ 1,316
Early Years & Children Centres	£ 4,873	-£ (237)	-£ (237)
Education - School Improvement	£ 86	£ 3	£ 3
Education Inclusion	£ 1,841	-£ (185)	-£ (185)
Schools Delegated Budget	£ -	£ -	£ -
SEN & Disability Integrat Serv	£ 2,741	£ 112	£ 112
Senior Management	£ 1,962	-£ (383)	-£ (383)
Policy, Planning & Performance	£ 634	£ 1	£ 1
Departmental Business Support	£ 227	-£ (70)	-£ (70)
Education Total	£ 21,901	-£ (679)	£ 557
Other CSE			
Joint Commissioning & Partnrsh	£ 952	£ -	-£ (120)
PFI Unitary Charges	£ 8,808	£ -	£ -
Depreciation	£ 10,198	£ -	£ -
Other Education Budgets	£ 120	£ -	-£ (135)
Education Services Grant	-£ (1,062)	£ -	£ -
Pension & Redundancy Costs	£ 1,122	£ -	-£ (456)
Education Total	£ 20,138	£ -	-£ (711)
LA Total	£ 65,697	£ 424	£ 1,649

Local Authority

Overall CLLF is forecasting a new overspend of £424k for the year, made up of pressures of £1.1m in Children's Social Care and underspend of £689k in Education.

Education

Education is forecast to have underspends in early years, education inclusion and senior management budgets. These are managed to offset pressures elsewhere.

There is significant uncertainty in these areas. New duties regarding school attendance commence in September 2023, without any new burdens funding from government. The expansion in early years free provision commences in September 2024, and there is significant work to do to support the sector to be

ready. There is no certainty that the promised funding to support this expansion of free provision will be adequate.

There are 23 agency workers in Education of which 5 are grant funded project roles, 4 are short term staffing to cover in directly provided services (Lavender Nursey and Brightwell) and 2 are sessional therapists.

Meron Adult Learning is funded from a ring-fenced grant and is expected to break even in 2023/24.

Children's Social Care and Youth Inclusion

Currently forecasting an overspend of £1.1m, offset by underspends elsewhere. The pressures through the front door remain significant. Across London, councils are reporting that the costs of new care placements are rising. We are seeing the same pressures, particularly on residential placements.

The premium on agency staff remains a significant factor, and we continue to work hard to reduce our dependency on agency social workers in particular. We reduced the number of agency social workers by 15 over the last year, and as at the end of May we had 42, down from 46 at year end. We have 8 trainees due to start case holding in the autumn, further reducing agency usage. In addition, we have an agency manager leaving shortly following recruitment and several posts where temp to permanent in under discussion.

Strategy & Commissioning

There are 8 agency workers in this division, 5 of whom are grant funded, and 3 of these are due to be filled new permanent staff over the coming months.

Dedicated Schools Grant

The forecast for the DSG is an in-year deficit of £6.9m, which is behind the deficit set out in the Safety Valve plan agreed with DfE. Activity is in line with or better than set out in the plan, but it is proving harder to drive out costs. A key factor is the dependency on independent special schools which are on average £33k a year more expensive than maintained special schools. We are increasing in-borough maintained provision, but this takes time. The high sustained high levels of headline and underlying inflation are also a major factor. As we are reducing our dependency on these independent schools (by 9% in 2022/23), the schools are seeking uplift in existing fees of up to 10%. And the costs of new placements are rising at a greater rate.

Maintaining progress of tempering demand also remains key/ As at May 2023 there were 2460 live EHCPs compared to 2446 at the end of March and 2471 at the end of December. This indicates that the pattern of growth in EHCP numbers has been mitigated. However, we have seen an increase in EHCP referrals, with 217 January to May, compared to 175 in the same period in 2022, and 146 on 2021. The rate of acceptance of referrals has fallen to 74%, compared to 78% in 2022 and 87% in 2021.

Over the five-year life of the plan, we are still expecting to bring the budget back into balance, albeit it slower than anticipated.

Adult Social Care, Integrated Care and Public Health Position- June'23

Overview

Adult Social Care, Integrated Care and Public Health is currently forecasting an unfavourable position as of June of £1.9m and Public Health expects to achieve a breakeven position on their grant.

Adult Social Care, Integrated Care and Public Health	2023/24 Current Budget £ '000	2023/24 Forecast June'23 £'000	2023/24 Variance June'23 £'000	2022/23 Outturn Variance £ (Mar'23)
Adult Social Care	67,838	69,704	1,866	(770)
Public Health	(165)	(165)	0	0
Total Favourable/ Unfavourable	67,673	69,539	1,866	(770)

Summary of Current Position: -

Adult Social Care

The overall current position of Adult Social Care, Integrated Care and Public Health for June 2023 is an unfavourable position of £1.9m. The above is based on current information available to the service. The unfavourable variance for Adult Social Care is due to the inflationary pressures on homecare packages which added an additional cost of £657k to current placements expenditure and figures also includes Adult Social Care £500k contribution to the DSG, and a significant increase in the number of older people placements between March and June. There is also the MTFS savings taken from the budget which is yet to be delivered. The department will be introducing measures to manage the current unfavourable variances.

Discharge activity has remained high and is expected to remain under severe pressure during 2023/24 as general hospital activity is at record levels, compounded by recent strikes and continued Covid admissions, together with an ever-growing backlog of elective procedures.

There is a requirement to maintain the Discharge to Assess model in 2023/24 which is to be part of the Better Care Fund and LBM's allocation increased by £79k.

The tables below show the number of hospital discharges from April to June for 3 years and to date compared to 2022/23 discharges are up by 15.9% as demonstrated by activity numbers in pathway 1 and 3.

Description of Pathways: -

<p>Pathway 0- 50 % of Clients</p> <ul style="list-style-type: none"> • People discharged requiring minimal support, or interventions from health and social care services.
<p>Pathway 1- 45% of clients</p> <ul style="list-style-type: none"> • People who are discharged and able to return home with a new, additional or a restarted package of care.
<p>Pathway 2- 4% of clients</p> <ul style="list-style-type: none"> • People who discharged with a short term intensive support package at a 24 hour bed based setting before returning home.
<p>Pathway 3-1% of clients</p> <ul style="list-style-type: none"> • People who require 24 hours bed based care

Comparison of Discharge Activities

Discharge Activities April to June 2021/22

Discharge Activities April to March 2021/22

Week Commencing	Pathway 1	Pathway 2	Pathway 3	Grand Total
Grand Total	419	104	31	554
Average	32	8	3	43

Discharge Activities April to June 2022/23

Week Commencing	Pathway 1	Pathway 2	Pathway 3	Grand Total
Grand Total	434	119	25	578
Average	33	9	2	44

Discharge Activities April to June 2023/24

Week Commencing	Pathway 1	Pathway 2	Pathway 3	Grand Total
Grand Total	524	104	34	662
Average	40	8	3	51

NB: No data on pathway zero for both years

Adult Social Care- Internal Provision- £128k Favourable Variance

This service favourable variance for quarter 1 (April to June) is £128k which is due to several vacancies in the service due to the re-provision and redesign of the service. Thus, underspending on various budgets in non-pay items such as supply and services, transport, and travel costs.

Public Health and Merton Adult Learning

These services are funded by ringfenced grants and expects to achieve a breakeven position. A non-recurrent payment on the 0-19s contract with Central London Community Healthcare NHS Trust (CLCH) maybe required which will be paid from reserves during 2023.24.

CORPORATE ITEMS

The details comparing actual expenditure up to 30 June 2023 against budget are contained in Appendix 1.

Corporate Items	Current Budget 2023/24 £000s	Full Year Forecast (June) £000s	Forecast Variance at year end (June) £000s	Forecast Variance at year end (Apr.) £000s	Outturn Variance 2022/23 £000s
Impact of Capital on revenue budget	10,882	10,882	0	0	(180)
Investment Income	(6,321)	(7,321)	(1,000)	0	(2,897)
Pension Fund	237	237	0	0	(503)
Pay and Price Inflation	7,489	8,489	1,000	0	(388)
Contingencies and provisions	11,211	10,206	(1,005)	0	(5,387)
Income Items	0	0	0	0	(31)
Appropriations/Transfers	(4,656)	(4,656)	0	0	1,559
Central Items	7,960	6,955	(1,005)	0	(7,647)
Levies	1,058	1,058	0	0	0
Depreciation and Impairment	(26,997)	(26,997)	0	0	20
TOTAL CORPORATE EXPENDITURE	(7,096)	(8,101)	(1,005)	0	(7,807)

Based on expenditure to 30 June 2023 a net favourable variance of £1.005m is forecast for corporate expenditure items. There are three main variances:-

- Investment income: A favourable variance of £1m is forecast due to the higher level of interest rates being achieved on the council's cash balances and investments
- Pay Inflation: A provisional adverse variance of £1m is anticipated for the pay award which is still not settled and this may not be sufficient. The pay award will have an ongoing effect.
- Contingencies and provisions: It is expected that £0.500m from the corporate contingency budget and the budget provision for Income Loss due to Covid of £0.505m will be available to offset the unfavourable variance due to service pressures

In addition, budget has been reallocated from the corporate provision for excess inflation to service departments to alleviate some of the service pressures being experienced due to the current high level of inflation. This budget will be allocated to services utilities budget as follows:-

Department	Total (£000)
CS	653
CSF	423
E&R	1,515
C&H	1,069
Total allocated	3,660

5 Capital Programme 2023-27

5.1 The Table below shows the movement in the 2023-27 corporate capital programme since the outturn report:

Depts	Current Budget 23/24	Variance	Revised Budget 23/24	Current Budget 2024-25	Variance	Revised Budget 24/25	Current Budget 2025-26	Variance	Revised Budget 25/26	Current Budget 2026-27	Variance	Revised Budget 26/27
F&D	18,965	0	18,965	5,126	0	5,126	2,480		2,480	12,596		12,596
ASCIC&PH	0	0	0	0	0	0	0		0	0		0
CLL&F	6,873	(67)	6,805	11,997	3,650	15,647	3,479		3,479	3,400		3,400
ECP&C	16,956	(543)	16,413	14,127	754	14,881	30,018	(75)	29,943	8,389	(75)	8,314
I&C	45	0	45	0	0	0	0		0	0		0
H&SD	14,642	(4,256)	10,386	10,042	4,522	14,564	22,782		22,782	17,520		17,520
TOTAL	57,480	(4,866)	52,615	41,292	8,927	50,219	58,759	(75)	58,684	41,905	(75)	41,830

5.2 The table below summarises the position in respect of the 2023/24 Capital Programme as at June 2023. The detail is shown in Appendix 5a.

Capital Budget Monitoring - June 2023

Department	Actuals £	Year to Date Budget £	Variance £	Final Budget 2023-24 £	Forecast Outturn 2023-24 £	Forecast Variance 2023-24 £
Finance and Digital (a)	281,621	453,961	(172,340)	18,964,760	18,964,760	0
ASC, Integrated Care & Public Health	0	0	0	0	(0)	(0)
Children, Lifelong Learning & Families (b)	307,597	0	307,597	6,805,300	6,799,400	(5,900)
Environment, Civic Pride & Climate (c)	695,965	2,039,970	(1,344,005)	16,413,260	16,168,700	(244,560)
Innovation & Change (d)	0	45,000	(45,000)	45,000	45,000	0
Housing & Sustainable Development (e)	511,814	728,711	(216,897)	10,386,260	10,386,260	0
Total	1,796,996	3,267,642	(1,470,646)	52,614,580	52,364,120	(250,460)

- a) Finance & Digital – Officers are currently reviewing the IT Budgetary requirements for 2023-24 to deliver agreed priorities, the first quarter of capitalised salaries are also outstanding. Once these have been finalised the budget adjustments required will be progressed as part of a subsequent financial monitoring report. The budgets for Clarion CPO and Westminster Coroners Court are managed externally, whilst updated information is awaited finance officers have forecast full spend.
- b) Children, Lifelong Learning & Families – The table below summarises the proposed budget adjustments for this month:

<u>Children, Lifelong Learning & Families</u>		Budget 2022-23 £	Budget 2023-24 £	Narrative
Hillcross - Capital Maintenance	(1)	1,950		Virement from the Unallocated Capital Maint. Budget
Wimbledon Park - Capital Maintenance	(1)	(67,850)		Virement to the Unallocated Capital Maint. Budget
Abbotsbury - Capital Maintenance	(1)	96,980		Virement from the Unallocated Capital Maint. Budget
Malmesbury - Capital Maintenance	(1)	(1,990)		Virement to the Unallocated Capital Maint. Budget
Liberty - Capital Maintenance	(1)	(430)		Virement to the Unallocated Capital Maint. Budget
St Marks Primary - Capital Maintenance	(1)	(650)		Virement to the Unallocated Capital Maint. Budget
Sherwood - Capital Maintenance	(1)	(17,200)		Adjustment to Budget as Lighting Scheme not progressed and school contrib reduced
Unallocated - Capital Maintenance	(1)	(28,010)		Virement to Various Capital Maint. Schemes
Raynes Park - Capital Maintenance	(1)	(36,790)		Virement to the Rutlish Capital Maint. Budget
Rutlish - Capital Maintenance	(1)	36,790		Virement from the Raynes Park Capital Maint. Budget
Perseid School Expansion	(1)	(50,000)	50,000	Re-profiled in accordance with projected spend
Second school ARP expansion 4	(1)	(20,000)	20,000	Re-profiled in accordance with projected spend
Second school ARP expansion 3	(1)	(20,000)	20,000	Re-profiled in accordance with projected spend
Primary school ARP expansion	(1)	(10,000)	10,000	Re-profiled in accordance with projected spend
Ricards Lodge - 6th Form Expansion	(2)	50,000	3,550,000	DfE Post 16 Capacity Funding £3,235,706 and School Contrib £364,294 match funding
Total		(67,200)	3,650,000	

(1) Requires Cabinet approval (2) Requires Council Approval

- (i) There are a number of forecast under and overspends within the capital maintenance programme for 2023-24, these are schemes for which bid submissions are awaited. As bids are finalised the budgets in the programme will be adjusted to reflect this information. All other budgets are expected to fully spend in 2023-24.
- (ii) The Ricards Lodge Sixth Form expansion is a new scheme where the grant has been awarded directly to the school by the DfE will require cabinet approval, the asset being extended is owned by the Council and appears on our balance sheet. Technical requirements in the accounting for this scheme require it to be added to the Authority's capital programme. Ricards Lodge operates a joint sixth form with Rutlish – the Rutlish Sixth Form Expansion bid, although under appeal, was unsuccessful. Officers within CSF are currently evaluating the impact this will have on the overall joint scheme.
- (iii) There are two major completed schemes that are still subject to final account agreement, at Melrose School and the Harris Academy Wimbledon new school facilitation project (Merton Hall). Accruals were raised last year to reflect the expected outturn on these schemes.
- c) Environment, Civic Pride & Environment – After the adjustments in the Table below, which require Cabinet approval, budget managers are forecasting full spend of budget at year end apart from Peel House Car Park.

	Budget 2022-23	Budget 2023-24	Budget 2024-25	Budget 2025-26	Narrative
	£	£	£	£	
Environment and Regeneration					
Parks Investment - New Green Flag	12,000				New Grant from GLA for Schools Suprezones
Sports Facilities - Tennis Big Screens	60,000				Funded from Reserves
Morden Leisure Centre - New Running Track	(350,000)	350,000			Re-profiled in accordance with projected spend
Parks Investment - Abbey Recreation Ground	(7,210)				£7,210 Spent in Revenue
CCTV Investment - CCTV cameras & infrast upgrade	(439,730)	439,730			Re-profiled in accordance with projected spend
Raynes Park Area Roads - Raynes Park Station Pub Realm	5,870				Additional S106 Funding
Highways and Footways - Casualty Reduction & Schools	(9,100)				TfL budget reduced as moved to Revenue Budgets
Parks Investment - Tennis Court Major Resurfacing	185,590	(35,590)	(75,000)	(75,000)	Re-profiled in accordance with projected spend
Total	(542,580)	754,140	(75,000)	(75,000)	

(b) Requires Council Approval

- i) Peel House Car Park – Officers have refined the works required for the scheme and currently expect an underspend (£422k), budgets will be adjusted once tendering is completed
- ii) The final account is still outstanding with some contractors on Bishopsford (Mitcham) Bridge. Current estimates are that this will need to be at least £25k for which there is sufficient agreed SCIL funding. Budget adjustments will be progressed once additional information is received.
- d) Innovation & Change – The order has been placed for the election booths, the budget is expected to fully spend

- e) Housing & Sustainable Development – After the proposed budget adjustments below, officers are forecasting full spend at financial year end.

Housing & Sustainable Development		Budget 2022-23 £	Budget 2023-24 £	Narrative
Major Projects - Affordable Ho - Affordable Housing Fund	(1)	(4,522,490)	4,522,490	Re-profiled in accordance with projected spend
Mitcham Area Regeneration - Knowledge Exchange Mitcham	(1)	266,500		Funding from South London Partnerships
Wimbledon Area Regeneration - Wimbledon Hill Rd	(1)			
Wimbledon Area Regeneration - Wimb Public Realm Implement	(1)			
Total		(4,255,990)	4,522,490	

(!) Requires Cabinet approval

- 5.5 During June 2023 officers spent nearly £1.35 million, to achieve year end spend officers would need to spend approximately £5.5 million each month to year end. Finance officers will continue to review in detail the projected outturn with budget managers, as based on current and past spend patterns forecasts are currently far too high.
- 5.6 Appendix 5c shows the revised funding of the proposed budget for 2023-27
- 5.7 The table below summarises the movement in the Capital Programme for 2023/24 since its approval in March 2023 (£000s):

Depts.	Original Budget 23/24	Net Slippage 2022/23	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 23/24
Finance and Digital (a)	18,386	1,279				(700)	18,965
ASC, Integrated Care & Public Health	0	0					0
Children, Lifelong Learning & Families (b)	8,033	1,034	(17)	1,115		(3,360)	6,805
Environment, Civic Pride & Climate (c)	12,940	2,083	84	2,044	66	(804)	16,413
Innovation & Change (d)	45	0					45
Housing & Sustainable Development (e)	13,281	1,775	(100)	1,247		(5,816)	10,386
Total	52,685	6,171	(34)	4,406	66	(10,680)	52,615

- 5.8 The table below compares capital expenditure (£000s) to June 2023 to that in previous years':

Depts.	Spend To June 2020	Spend to June 2021	Spend to June 2022	Spend to May 2023	Variance 2020 to 2022	Variance 2021 to 2022	Variance 2022 to 2023
Total Capital	1,220	3,376	1,981	1,797	577	(1,579)	(184)

Outturn £000s	16,930	21,776	23,365	
Budget £000s				52,615
Projected Spend May 2023 £000s				52,364
Percentage Spend to Budget				3.42%
% Spend to Outturn/Projection	7.20%	15.51%	8.48%	3.43%

Monthly Spend to Achieve Projected Outturn £000s 5,485

- 5.9 June is one quarter into the financial year and departments have spent 3.42% of the budget. Spend to date is higher than one of the last three previous financial years. Based on prior year spending patterns in the first quarter of the financial year finance officers estimate that the most likely outturn is around £23m.

6. DELIVERY OF 2023/34 SAVINGS

This is to be updated for the next monitoring report.

7 CONSULTATION UNDERTAKEN OR PROPOSED

- All relevant bodies have been consulted.

8 TIMETABLE

- Following current financial reporting timetables.

9 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- a. All relevant implications have been addressed in the report.

10 LEGAL AND STATUTORY IMPLICATIONS

- a. All relevant implications have been addressed in the report.

11 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- a. Not applicable

12 CRIME AND DISORDER IMPLICATIONS

- a. Not applicable

13 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- a. The risk of part non-delivery of savings is already contained on the key strategic risk register and will be kept under review.

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

Appendix 1-	Detailed Corporate Items table
Appendix 2 –	Pay and Price Inflation
Appendix 3 –	Treasury Management: Outlook
Appendix 4 -	Next update at Q2
Appendix 5a –	Current Capital Programme
Appendix 5b -	Detail of Virements
Appendix 5c -	Summary of Capital Programme Funding

14 BACKGROUND PAPERS

- a. Budgetary Control files held in the Corporate Services department.

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APPENDIX 1

3E. Corporate Items	Council 2023/24 £000s	Current Budget 2023/24 £000s	Year to Date Budget (June) £000s	Year to Date Actual (June) £000s	Full Year Forecast (June) £000s	Forecast Variance at year end (June) £000s	Outturn Variance 2022/23 £000s
Cost of Borrowing	10,882	10,882	2,721	3,266	10,882	0	(180)
Impact of Capital on revenue budget	10,882	10,882	2,721	3,266	10,882	0	(180)
Investment Income	(6,321)	(6,321)	(1,580)	(2,170)	(7,321)	(1,000)	(2,897)
Pension Fund	237	237	59	0	237	0	(503)
Corporate Provision for Pay Award	4,440	4,440	1,110	0	5,440	1,000	2,450
Corporate Provision for National Minimum Wage	1,500	1,500	375	0	1,500	0	(1,500)
Provision for excess inflation	5,208	1,548	387	0	1,548	0	(1,338)
Pay and Price Inflation	11,148	7,489	1,872	0	8,489	1,000	(388)
Contingency	2,500	2,425	606	0	1,925	(500)	(558)
Bad Debt Provision	1,000	1,000	250	23	1,000	0	(1,069)
Loss of income arising from P3/P4	0	0	0	0	0	0	(400)
Loss of HB Admin grant	0	0	0	0	0	0	(23)
Apprenticeship Levy	450	450	113	138	450	0	(220)
Revenuisation and miscellaneous	7,708	4,796	1,199	(64)	4,291	(505)	(146)
Growth - Provision against DSG	2,540	2,540	635	0	2,540	0	(3,017)
Contingencies and provisions	14,198	11,211	2,803	97	10,206	(1,005)	(5,433)
Other income	0	0	0	0	0	0	(31)
Income items	0	0	0	0	0	0	(31)
Appropriations: CS Reserves	(360)	(3,769)	(942)	(3,769)	(3,769)	0	0
Appropriations: E&R Reserves	(286)	(937)	(234)	(937)	(937)	0	0
Appropriations: CSF Reserves	0	(645)	(161)	(633)	(645)	0	0
Appropriations: C&H Reserves	(104)	(104)	(26)	0	(104)	0	0
Appropriations: Public Health Reserves	(93)	(93)	(23)	0	(93)	0	0
Appropriations: Corporate Reserves	892	892	223	0	892	0	1,559
Appropriations/Transfers	50	(4,656)	(1,164)	(5,339)	(4,656)	0	1,559
Depreciation and Impairment	(26,997)	(26,997)	0	0	(26,997)	0	20
Central Items	3,198	(8,155)	4,710	(4,147)	(9,160)	(1,005)	(7,853)
Levies	1,058	1,058	265	478	1,058	0	0
TOTAL CORPORATE PROVISIONS	4,256	(7,096)	4,975	(3,669)	(8,101)	(1,005)	(7,853)
COVID-19 Emergency expenditure	0	0	0	1	0	0	46
TOTAL CORPORATE EXPENDITURE	4,256	(7,096)	4,975	(3,667)	(8,101)	(1,005)	(7,807)

Pay and Price Inflation as at June 2023

In 2023/24, the budget includes 3% for increases in pay and 3% for increases in general prices, with an additional amount of £5.208m which will be held to assist services that may experience price increases greatly in excess of the inflation allowance provided when setting the budget. With CPI inflation currently at 8.7% and RPI at 11.3% and the Council's overall revenue budget under extreme pressure, this budget will be retained as cover and only released in exceptional circumstances.

Pay:

For 20223/24 the final pay award has not been agreed but provision of 3% was included in the MTFS. However, pay negotiations have begun and unions, UNISON, GMB and Unite, representing 1.4 million council and school employees, submitted a pay claim for staff in England, Wales and Northern Ireland as follows:-

- An increase of RPI + 2% on all spinal column points
- Consideration of a flat rate increase to hourly rates of pay in order to bring the minimum rate up to £15 per hour within two years
- A review and improvement of NJC terms for family leave and pay
- A review of job evaluation outcomes for school staff whose day to day work includes working on Special Educational Needs (SEN)
- An additional day of annual leave for personal or well-being purposes
- A homeworking allowance for staff for whom it is a requirement to work from home
- A reduction in the working week by two hours
- A review of the pay spine, including looking at the top end, and discussions about the link between how remuneration can be used to improve retention

The Local Government Employers have responded with an offer of:-

- A one year (1 April 2023 – 31 March 2024) pay increase of £1,925 (pro rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC points 2-43 inclusive.
- An increase of 3.88% on all allowances (as listed in the 2022 NJC Pay Agreement Circular dated 1st November 2022).
NB: Due to London weighting, workers in the inner London area would receive a flat rate increase of £2,352, with those in outer London receiving £2,226)
- In response to the other elements of the pay claim, the employer's position is:
 - National employers propose that exploratory 'without prejudice' informal discussions are undertaken to map out considerations of how and when the pay spine may be reviewed.
 - To enter into discussions on the broader family leave and pay issues raised in the claim.
 - A review of all school support staff role profiles to be undertaken by the Job Evaluation Technical Working Group.

The employers rejected the following elements of the pay claim:-

- Consideration of a flat rate increase to a minimum rate of £15 per hour within two years.
- Establishing model role profiles for school support staff jobs, with advisory banding structures.
- A homeworking allowance for staff for whom it is a requirement to work from home.
- A reduction in the working week by two hours.

Unions will now engage further with employers on this offer.

Once the final pay award has been calculated the cost for Merton will be calculated. Currently it is expected that the cost will exceed the budget provision by at least £1m and this has been included in the forecast.

Prices:

The Consumer Prices Index (CPI) rose by 8.7% in the 12 months to May 2023, unchanged from April. On a monthly basis, CPI rose by 0.7% in May 2023, compared with a rise of 0.7% in May 2022..

Rising prices for air travel, recreational and cultural goods and services, and second-hand cars resulted in the largest upward contributions to the monthly change in both the CPIH and CPI annual rates. Falling prices for motor fuel led to the largest downward contribution to the monthly change in CPIH and CPI annual rates, while prices for food and non-alcoholic beverages rose in May 2023 but by less than in May 2022, also leading to an easing in the annual rates.

Core CPI (excluding energy, food, alcohol and tobacco) rose by 7.1% in the 12 months to May 2023, up from 6.8% in April, and the highest rate since March 1992; the CPI goods annual rate eased from 10.0% to 9.7%, while the CPI services annual rate rose from 6.9% to 7.4%.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 7.9% in the 12 months to May 2023, up from 7.8% in April. On a monthly basis, CPIH rose by 0.6% in May 2023, compared with a rise of 0.6% in May 2022

Core CPIH (excluding energy, food, alcohol and tobacco) rose by 6.5% in the 12 months to May 2023, up from 6.2% in April, and the highest rate for over 30 years; the CPIH goods annual rate eased from 10.0% to 9.7%, while the CPIH services annual rate rose from 6.0% to 6.3%.

The RPI rate for May 2023 was 11.3%, which is down from 11.4% in April 2023.

Outlook for inflation:

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

At its meeting ending on 21 June 2023, the MPC voted by a majority of 7–2 to increase Bank Rate by 0.5 percentage points, to 5%. Two members preferred to maintain Bank Rate at 4.5% The next Bank of England MPC base rate decision is on 22 June 2023.

In the minutes to the June meeting, the MPC stated that in “the previous MPC meeting and May Monetary Policy Report, the market implied path for Bank Rate averaged just over 4% over the next three years. Since then, gilt yields have risen materially, particularly at shorter maturities, now suggesting a path for Bank Rate that averages around 5½%. Mortgage rates have also risen notably. The sterling effective exchange rate has appreciated further.”

There is concern over the level of pay awards and also the level of core inflation. The MC note that “annual growth in private sector regular Average Weekly Earnings (AWE) increased to

7.6% in the three months to April, 0.5 percentage points above the expectation at the time of the May Report. Three-month on three-month growth in this measure of pay has also picked up” whilst “Twelve-month CPI inflation fell from 10.1% in March to 8.7% in April and remained at that rate in May. This is 0.3 percentage points higher than expected in the May Report. Services CPI inflation rose to 7.4% in May, 0.5 percentage points stronger than expected at the time of the May Report, while core goods price inflation has also been much stronger than projected.”

In terms of outlook over the MTF period, “ CPI inflation was expected to fall significantly further during the course of the year, in the main reflecting developments in energy prices. Services CPI inflation was projected to remain broadly unchanged in the near term. Core goods CPI inflation was expected to decline later this year, supported by developments in cost and price indicators earlier in the supply chain. In particular, annual producer output price inflation had fallen very sharply in recent months. Food price inflation was projected to fall further in coming months. ”

There are risks around the projections which are related to inflation in wages and domestic prices which take longer to unwind than they did to emerge.

In the May 2023 Monetary Policy Report the MPC include forecast quarterly CPI inflation rates over the next three years as follows:-

2023	2023	2023	2024	2024	2024	2024	2025	2025	2025	2025	2026	2026
Qtr2	Qtr.3	Qtr.4	Qtr.1	Qtr.2	Qtr.3	Qtr.4	Qtr.1	Qtr.2	Qtr.3	Qtr.4	Qtr.1	Qtr.2
CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %	CPI %
8.2	7.0	5.1	4.4	3.4	2.9	2.3	1.5	1.1	1.0	1.0	1.1	1.2

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

Table: Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (June 2023)

	Lowest %	Highest %	Average %
2023 (Quarter 4)			
CPI	3.0	7.0	4.7
RPI	4.6	11.0	6.4
LFS Unemployment Rate	3.2	4.6	4.1
2024 (Quarter 4)			
CPI	1.0	5.0	2.9
RPI	1.3	5.4	3.6
LFS Unemployment Rate	2.8	5.0	4.4

Note the wide range between highest and lowest forecasts which reflects the volatility and uncertainty arising from volatile fuel and utility costs impacting on the cost of living and the difficulty of forecasting how the situation will evolve. 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 2023 to 2027 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (May 2023)					
	2023	2024	2025	2026	2027
	%	%	%	%	%
CPI	6.8	2.9	2.0	2.1	2.2
RPI	9.1	3.9	2.6	3.0	3.4
LFS Unemployment Rate	4.0	4.2	4.2	4.2	4.2

Treasury Management: Outlook

The Bank's Monetary Policy Committee (MPC) sets monetary policy to keep inflation low and stable, which supports growth and jobs. Subject to maintaining price stability, the MPC is also required to support the Government's economic policy. The Government has set the MPC a target for the 12-month increase in the Consumer Prices Index of 2%.

The MPC currently uses two main monetary policy tools.

1. setting the interest rate that banks and building societies earn on deposits, or 'reserves', placed with the Bank of England — this is Bank Rate.
2. buying government and corporate bonds, financed by the issuance of central bank reserves — this is asset purchases or quantitative easing.

At its meeting ending on 21 June 2023, the MPC voted by a majority of 7–2 to increase Bank Rate by 0.5 percentage points, to 5%.

The MPC made it clear that its “remit is clear that the inflation target applies at all times, reflecting the primacy of price stability in the UK monetary policy framework. The framework recognises that there will be occasions when inflation will depart from the target as a result of shocks and disturbances. Monetary policy will ensure that CPI inflation returns to the 2% target sustainably in the medium term.... The MPC will adjust Bank Rate as necessary to return inflation to the 2% target sustainably in the medium term, in line with its remit.”

In the May 2023 Monetary Policy Report the MPC noted that the greater share of fixed-rate mortgages means that the full impact of the increase in Bank Rate to date will not be felt for some time. It will continue to monitor closely the impact of the significant increases in Bank Rate so far. In conclusion, the MPC stated that it will “continue to monitor closely indications of persistent inflationary pressures in the economy as a whole, including the tightness of labour market conditions and the behaviour of wage growth and services price inflation. If there were to be evidence of more persistent pressures, then further tightening in monetary policy would be required.”

In the May 2023 Monetary Policy report the MPC has used the following projections implied by current data trends:-

	Projections (May 2023)			
	2023 Q.2	2024 Q.2	2025 Q.2	2026 Q.2
GDP	0	0.9	0.7	1.1
CPI Inflation	8.2	3.4	1.1	1.2
LFS Unemployment Rate	3.8	3.9	4.3	4.5
Excess Supply/Excess Demand	0.25	-0.5	-1.0	-1.0
Bank Rate	4.4	4.4	3.8	3.6

The conclusions that the MPC reach in the May 2023 Monetary Policy Report are supported by the following Key Judgements:-

Key judgement 1: global GDP is expected to grow at a moderate pace throughout the forecast period, albeit a little more rapidly than expected previously in the near term. Risks remain but, absent further shocks, there is likely to be only a small impact on GDP from the tightening of credit conditions related to recent global banking sector developments.

Key judgement 2: the Committee judges that UK GDP growth over much of the forecast period will be materially stronger than in the February Report, although past increases in Bank Rate and the path of market interest rates, alongside a waning boost from looser fiscal policy and relatively weak potential supply, weigh on UK GDP in the medium term.

Key judgement 3: the UK economy is judged to have been in excess demand over recent quarters, but a degree of economic slack is expected to emerge from the end of this year.

Key judgement 4: : CPI inflation is expected to fall sharply as energy costs begin to ease. In the modal forecast conditioned on market interest rates, an increasing degree of economic slack and declining external pressures lead inflation to fall to materially below the 2% target in the medium term, but the Committee continues to judge that the risks to that forecast are skewed significantly to the upside. The mean projection for CPI inflation, which incorporates these risks, is at or just below the 2% target in the medium term.

Capital Budget Monitoring – June 2023

	Actuals £	Year to Date Budget £	Variance £	Final Budget 2023-24 £	Forecast Outturn 2023-24 £	Forecast Variance 2023-24 £
Capital	1,796,996	3,267,642	(1,470,646)	52,614,580	52,364,120	(250,460)
Finance and Digital	281,621	453,961	(172,340)	18,964,760	18,964,760	0
Digital	318,926	453,961	(135,035)	4,542,500	4,542,500	0
Customer Contact Programme	178,359	0	178,359	1,219,480	1,219,480	0
Business Systems	0	347,686	(347,686)	1,386,970	1,386,970	0
Social Care IT System	0	0	0	873,300	873,300	0
Planned Replacement Programme	140,567	106,275	34,292	1,062,750	1,062,750	0
Corporate Items	(37,305)	0	(37,305)	14,422,260	14,422,260	0
Westminster Ccl Coroners Court	(37,305)	0	(37,305)	488,610	488,610	0
Compulsory Purchase Order	0	0	0	13,933,650	13,933,650	0
CPO Clarion	0	0	0	13,933,650	13,933,650	0
ASC, Integrated Care & Public Health	0	0	0	0	0	0
Children, Lifelong Learning & Families	307,597	0	307,597	6,805,300	6,799,400	(5,900)
Primary Schools	246,106	0	246,106	2,815,950	2,791,660	(24,290)
Hollymount	96,221	0	96,221	224,740	234,000	9,260
West Wimbledon	(1,126)	0	(1,126)	126,040	126,040	0
Hatfeild	58,714	0	58,714	80,570	70,000	(10,570)
Hillcross	3,009	0	3,009	6,010	6,000	(10)
Joseph Hood	58,725	0	58,725	426,180	360,000	(66,180)
Dundonald	525	0	525	40,280	44,000	3,720
Merton Park	0	0	0	20,870	20,870	0
Pelham	(1,864)	0	(1,864)	11,190	3,000	(8,190)
Poplar	525	0	525	182,440	215,000	32,560
Wimbledon Chase	45,795	0	45,795	263,490	274,000	10,510
Wimbledon Park	4,942	0	4,942	16,000	16,000	0
Abbotsbury	(1,862)	0	(1,862)	120,000	120,000	0
Malmesbury	525	0	525	530	525	(5)
Morden	249	0	249	112,040	112,040	0
Bond	(1,063)	0	(1,063)	64,040	67,000	2,960
Cranmer	3,781	0	3,781	99,660	99,660	0
Gorrington Park	(3,015)	0	(3,015)	55,960	60,000	4,040
Haslemere	(4,597)	0	(4,597)	225,290	225,290	0
Liberty	0	0	0	11,710	11,710	0
Links	(4,898)	0	(4,898)	53,710	53,710	0
Singlegate	(1,969)	0	(1,969)	30,640	61,000	30,360
St Marks	(2,329)	0	(2,329)	410	410	0
Lonesome	(925)	0	(925)	11,440	100	(11,340)
Sherwood	(85)	0	(85)	96,420	75,000	(21,420)
William Morris	(3,170)	0	(3,170)	212,640	212,640	0
Unlocated Primary School Proj	0	0	0	323,650	323,665	15
Secondary School	(82,734)	0	(82,734)	350,960	350,960	0
Harris Academy Morden	(135,000)	0	(135,000)	0	0	0
Raynes Park	(810)	0	(810)	0	0	0
Ricards Lodge	(360)	0	(360)	50,000	50,000	0
Rutlish	(8,462)	0	(8,462)	177,900	177,900	0
Harris Academy Wimbledon	61,899	0	61,899	123,060	123,060	0

Capital Budget Monitoring – June 2023

	Actuals £	Year to Date Budget £	Variance £	Final Budget 2023-24 £	Forecast Outturn 2023-24 £	Forecast Variance 2023-24 £
SEN	7,168	0	7,168	2,631,320	2,649,710	18,390
Perseid	(22,838)	0	(22,838)	113,280	113,280	0
Cricket Green	525	0	525	81,650	100,040	18,390
Melrose	(18,444)	0	(18,444)	305,170	305,170	0
Melrose Whatley Ave SEN	(36,553)	0	(36,553)	279,290	279,290	0
Melbury College - Smart Centre	(1,005)	0	(1,005)	41,410	41,410	0
Perseid Lower	11,513	0	11,513	416,040	416,040	0
Medical PRU	(5,381)	0	(5,381)	117,450	117,450	0
Mainstream SEN (ARP)	79,351	0	79,351	1,277,030	1,277,030	0
Other	137,056	0	137,056	1,007,070	1,007,070	0
CSF Safeguarding	28,500	0	28,500	294,110	294,110	0
Devolved Formula Capital	88,278	0	88,278	353,120	353,120	0
Children's Centres	11,838	0	11,838	63,960	63,960	0
Youth Provision	8,440	0	8,440	295,880	295,880	0
Environment, Civic Pride & Climate	695,965	2,039,970	(1,344,005)	16,413,260	16,168,700	(244,560)
Public Protection and Developm	7,291	342,957	(335,666)	3,250,910	3,006,350	(244,560)
On Street Parking - P&D	100,435	50,561	49,874	505,610	505,610	0
Off Street Parking - P&D	(93,144)	124,600	(217,744)	1,246,000	1,001,440	(244,560)
CCTV Investment	0	143,896	(143,896)	1,129,300	1,129,300	0
Public Protection and Developm	0	23,900	(23,900)	370,000	370,000	0
Street Scene & Waste	(119,173)	36,600	(155,773)	366,000	366,000	0
Fleet Vehicles	0	30,000	(30,000)	300,000	300,000	0
Alley Gating Scheme	0	6,600	(6,600)	66,000	66,000	0
Waste SLWP	(119,173)	0	(119,173)	0	0	0
Sustainable Communities	807,847	1,626,413	(818,566)	12,698,990	12,698,990	0
Street Trees	(12,000)	12,193	(24,193)	121,930	121,930	0
Raynes Park Area Roads	1,422	33,190	(31,768)	39,060	39,060	0
Highways & Footways	374,075	872,460	(498,385)	7,781,540	7,781,540	0
Cycle Route Improvements	42,284	344,190	(301,906)	996,690	996,690	0
Morden Leisure Centre	0	0	0	50,000	50,000	0
Wimbledon Park Lake and Waters	(28,853)	64,190	(93,043)	64,190	64,190	0
Sports Facilities	111,460	49,975	61,485	559,750	559,750	0
Parks	319,460	250,215	69,245	3,085,830	3,085,830	0
Mortuary Provision	0	0	0	0	0	0
Libraries	0	34,000	(34,000)	97,360	97,360	0
Library Enhancement Works	0	0	0	0	0	0
Major Library Projects	0	10,000	(10,000)	73,360	73,360	0
Libraries IT	0	24,000	(24,000)	24,000	24,000	0
Innovation & Change	0	45,000	(45,000)	45,000	45,000	0
Corporate Governance	0	45,000	(45,000)	45,000	45,000	0
Corporate Governance	0	45,000	(45,000)	45,000	45,000	0

Appendix 5a

Capital Budget Monitoring – June 2023

	Actuals £	Year to Date Budget £	Variance £	Final Budget 2023-24 £	Forecast Outturn 2023-24 £	Forecast Variance 2023-24 £
Housing & Sustainable Development	511,814	728,711	(216,897)	10,386,260	10,386,260	0
Housing	204,682	100,463	104,219	1,482,140	1,482,140	0
Disabled Facilities Grant	204,682	87,963	116,719	879,630	879,630	0
Major Projects - Affordable Ho	0	12,500	(12,500)	602,510	602,510	0
Major Projects - Social Care H	0	0	0	0	0	0
Regeneration	216,288	417,345	(201,057)	3,811,010	3,811,010	0
Mitcham Area Regeneration	142,488	0	142,488	1,004,180	1,004,180	0
Wimbledon Area Regeneration	73,161	212,181	(139,020)	1,190,160	1,190,160	0
Morden Area Regeneration	640	184,700	(184,060)	497,000	497,000	0
Borough Regeneration	(1)	20,464	(20,465)	1,084,670	1,084,670	0
Property Management Enhancemen	0	0	0	35,000	35,000	0
Facilities Management	90,844	210,903	(120,059)	5,093,110	5,093,110	0
Works to other buildings	65,699	67,475	(1,776)	674,750	663,991	(10,759)
Civic Centre	15,041	105,414	(90,373)	4,038,220	4,048,979	10,759
Invest to Save schemes	10,104	38,014	(27,910)	380,140	380,140	0

Virement, Re-profiling and New Funding - June 2023

Appendix 5b

		2023/24 Budget	Virements	Funding Adjustments	Reprofiling	Revised 2023/24 Budget	2024/25 Budget	Adjustments	Revised 2024/25 Budget	Narrative
		£	£		£	£				
Children, Lifelong Learning & Families										
Hillcross - Capital Maintenance	(1)	4,060	1,950			6,010			0	Virement from the Unallocated Capital Maint. Budget
Wimbledon Park - Capital Maintenance	(1)	83,850	(67,850)			16,000			0	Virement to the Unallocated Capital Maint. Budget
Abbotsbury - Capital Maintenance	(1)	23,020	96,980			120,000			0	Virement from the Unallocated Capital Maint. Budget
Malmesbury - Capital Maintenance	(1)	2,520	(1,990)			530			0	Virement to the Unallocated Capital Maint. Budget
Liberty - Capital Maintenance	(1)	430	(430)			0			0	Virement to the Unallocated Capital Maint. Budget
St Marks Primary - Capital Maintenance	(1)	1,060	(650)			410			0	Virement to the Unallocated Capital Maint. Budget
Sherwood - Capital Maintenance	(1)	113,620		(17,200)		96,420			0	Adjustment to Budget as Lighting Scheme not progressed and school contrib reduced
Unallocated - Capital Maintenance	(1)	351,660	(28,010)			323,650			0	Virement to Various Capital Maint. Schemes
Raynes Park - Capital Maintenance	(1)	36,790	(36,790)			0			0	Virement to the Rutlish Capital Maint. Budget
Rutlish - Capital Maintenance	(1)	141,110	36,790			177,900			0	Virement from the Raynes Park Capital Maint. Budget
Perseid School Expansion	(1)	250,000			(50,000)	200,000	3,866,860	50,000	3,916,860	Re-profiled in accordance with projected spend
Second school ARP expansion 4	(1)	30,000			(20,000)	10,000	700,000	20,000	720,000	Re-profiled in accordance with projected spend
Second school ARP expansion 3	(1)	30,000			(20,000)	10,000	1,678,850	20,000	1,698,850	Re-profiled in accordance with projected spend
Primary school ARP expansion	(1)	20,000			(10,000)	10,000	395,990	10,000	405,990	Re-profiled in accordance with projected spend
Ricards Lodge - 6th Form Expansion	(2)	0		50,000		50,000	0	3,550,000	3,550,000	DfE Post 16 Capacity Funding £3,235,706 and School Contrib £364,294 match funding
Environment, Civic Pride & Climate										
Parks Investment - New Green Flag	(1)	50,000		12,000		62,000	150,000		150,000	New Grant from GLA for Schools Suprezones
Sports Facilities - Tennis Big Screens	(1)	0		60,000		60,000	0		0	Funded from Reserves
Wentzen Leisure Centre - New Running Track	(1)	400,000			(350,000)	50,000	1,500,000	350,000	1,850,000	Re-profiled in accordance with projected spend
Parks Investment - Abbey Recreation Ground	(1)	14,680		(7,210)		7,470	0		0	£7,210 Spent in Revenue
CCTV Investment - CCTV cameras & infrastr upgrade	(1)	1,139,730			(439,730)	700,000	0	439,730	439,730	Re-profiled in accordance with projected spend
Raynes Park Area Roads - Raynes Park Station Pub Realm	(1)	33,190		5,870		39,060	0		0	Additional S106 Funding
Highways and Footways - Casualty Reduction & Schools	(1)	456,550		(9,100)		447,450	0		0	TfL budget reduced as moved to Revenue Budgets
Parks Investment - Tennis Court Major Resurfacing	(1)	698,060			185,590	883,650	35,590	(35,590)	0	Re-profiled in accordance with projected spend
Housing & Sustainable Development										
Major Projects - Affordable Ho - Affordable Housing Fund	(1)	5,000,000			(4,522,490)	477,510	5,000,000	4,522,490	9,522,490	Re-profiled in accordance with projected spend
Mitcham Area Regeneration - Knowledge Exchange Mitcham	(1)	0		266,500		266,500	0		0	Funding from South London Partnerships
Wimbledon Area Regeneration - Wimbledon Hill Rd	(1)	0	92,000			92,000	0		0	Virement between interlinked schemes
Wimbledon Area Regeneration - Wimb Public Realm Implem	(1)	150,000	(92,000)			58,000	494,880	0	494,880	Virement between interlinked schemes
Total		9,030,330	0	360,860	(5,226,630)	4,164,560	13,822,170	8,926,630	22,748,800	

(1) Requires Cabinet approval

(2) Requires Council Approval

Virement, Re-profiling and New Funding - June 2023

		2025/26 Budget	Movement	Revised 2025/26 Budget	2026/27 Budget	Movement	Revised 2026/27 Budget	Movement
		£	£	£	£	£	£	
Environment, Civic Pride & Climate								
Parks Investment - Tennis Court Major Resurfacing	(1)	75,000	(75,000)	0	75,000	(75,000)	0	Re-profiled in accordance with projected spend
Total		75,000	(75,000)	0	75,000	(75,000)	0	

(1) Requires Cabinet approval

(2) Requires Council Approval

Capital Programme Funding Summary 2023/24

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Approved Outturn	18,385	39,096	57,480
<u>Children, Lifelong Learning & Families</u>			
Sherwood - Capital Maintenance	0	(17)	(17)
Perseid School Expansion	0	(50)	(50)
Second school ARP expansion 4	0	(20)	(20)
Second school ARP expansion 3	0	(20)	(20)
Primary school ARP expansion	0	(10)	(10)
Ricards Lodge - 6th Form Expansion	0	50	50
<u>Environment, Civic Pride & Climate</u>			
Parks Investment - New Green Flag	0	12	12
Sports Facilities - Tennis Big Screens	60	0	60
Morden Leisure Centre - New Running Track	(350)	0	(350)
Parks Investment - Abbey Recreation Ground	0	(7)	(7)
CCTV Investment - CCTV cameras & infrast upgrade	0	(440)	(440)
Raynes Park Area Roads - Raynes Park Station Pub Realm	0	6	6
Highways and Footways - Casualty Reduction & Schools	0	(9)	(9)
Parks Investment - Tennis Court Major Resurfacing	186	0	186
<u>Innovation & Change</u>			
<u>Housing & Sustainable Development</u>			
Mitcham Aea Regeneration - Knowledge Exchange Mitcham	0	267	267
Major Projects - Affordable Ho - Affordable Housing Fund	0	(4,522)	(4,522)
June 23 Monitoring	18,280	34,334	52,615

Capital Programme Funding Summary 2024/25

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Approved Outturn	22,787	18,505	41,292
<u>Children, Lifelong Learning & Families</u>			
Perseid School Expansion	0	50	50
Second school ARP expansion 4	0	20	20
Second school ARP expansion 3	0	20	20
Primary school ARP expansion	0	10	10
Ricards Lodge - 6th Form Expansion	0	3,550	3,550
<u>Environment, Civic Pride & Climate</u>			
Morden Leisure Centre - New Running Track	350	0	350
CCTV Investment - CCTV cameras & infrast upgrade	0	440	440
Parks Investment - Tennis Court Major Resurfacing	(36)	0	(36)
<u>Housing & Sustainable Development</u>			
Major Projects - Affordable Ho - Affordable Housing Fund	0	4,522	4,522
June 23 Monitoring	23,101	27,117	50,219

Capital Programme Funding Summary 2025/26

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Approved Outturn	46,109	12,650	58,759
<u>Environment, Civic Pride & Climate</u>			
Parks Investment - Tennis Court Major Resurfacing	(75)	0	(75)
June 23 Monitoring	46,034	12,650	58,684

Capital Programme Funding Summary 2026/27

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Approved Outturn	35,375	6,530	41,905
<u>Environment, Civic Pride & Climate</u>			
Parks Investment - Tennis Court Major Resurfacing	(75)	0	(75)
June 23 Monitoring	35,300	6,530	41,830

