

# Merton Council

## Cabinet Agenda

### Membership

#### Councillors:

Stephen Alambritis (Chair)  
Mark Allison  
Nick Draper  
Caroline Cooper-Marbiah  
Andrew Judge  
Edith Macauley MBE  
Maxi Martin  
Judy Saunders  
Martin Whelton

**Date: Monday 14 September 2015**

**Time: 7.15 pm**

**Venue: Committee rooms C, D & E - Merton Civic Centre, London Road,  
Morden SM4 5DX**

This is a public meeting and attendance by the public is encouraged and welcomed.  
For more information about the agenda please contact  
[democratic.services@merton.gov.uk](mailto:democratic.services@merton.gov.uk) or telephone [020 8545 3361](tel:02085453361).

All Press contacts: [press@merton.gov.uk](mailto:press@merton.gov.uk), 020 8545 3181

# Cabinet Agenda

## 14 September 2015

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### Note on declarations of interest

Members are advised to declare any Disclosable Pecuniary Interest in any matter to be considered at the meeting. If a pecuniary interest is declared they should withdraw from the meeting room during the whole of the consideration of that matter and must not participate in any vote on that matter. If

members consider they should not participate because of a non-pecuniary interest which may give rise to a perception of bias, they should declare this, .withdraw and not participate in consideration of the item. For further advice please speak with the Assistant Director of Corporate Governance.

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# Agenda Item 3

All minutes are draft until agreed at the next meeting of the committee/panel. To find out the date of the next meeting please check the calendar of events at your local library or online at [www.merton.gov.uk/committee](http://www.merton.gov.uk/committee).

CABINET  
29 JUNE 2015  
(19.15 - 19.26)

PRESENT Councillors Stephen Alambritis (in the Chair), Mark Allison, Nick Draper, Caroline Cooper-Marbiah, Andrew Judge, Edith Macauley, Maxi Martin, Judy Saunders and Martin Whelton

Ged Curran (Chief Executive), Caroline Holland (Director of Corporate Services), Chris Lee (Director of Environment and Regeneration), Yvette Stanley (Director of Children, Schools and Families), Fiona Thomsen (Head of Shared Legal Services), and Chris Pedlow (Senior Democratic Services Officer).

ALSO PRESENT Councillors Suzanne Grocott and Peter Southgate.

## 1 APOLOGIES FOR ABSENCE (Agenda Item 1)

No apologies were received.

## 2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

No pecuniary declarations were made.

## 3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

The Minutes of the meeting held on 8 June 2014 were agreed as a correct record.

## 4 SHARED INTERNAL AUDIT SERVICE AND UPDATE ON HR SHARED SERVICE (Agenda Item 4)

The Cabinet Member for Finance presented the report which was a two part report, one part sought approval for Council's Internal Audit Service, to join the shared Richmond and Kingston Council Audit team. It was explained that the aim of joining the joint service was to improve the efficiency and to expand upon the level of expertise level available to the Council. Also with an ever increasing number of joint services, having combined audit team investigating services made was a logical step to reduce duplication of investigations.

The other part of the report was to inform the Cabinet that notice had been served of the Council's intention to withdraw from the joint HR service with Sutton. It was noted that work had started on investigating further options for the HR services going forward, including a further joint service with other local London authorities.

RESOLVED

That Cabinet

- 1) notes the decision to serve notice of our intention to withdraw from the Sutton – Merton shared HR service and the plans of the council to explore alternative options over the coming months.
- 2) agrees to Merton joining the shared Richmond and Kingston Councils' Internal Audit Service

## 5 FINANCIAL MONITORING 2015-16 (MAY 2015) (Agenda Item 5)

The Cabinet Member for Finance presented the report which provided the regular monthly financial monitoring update for May 2015, the first update for the 2015/2016 financial year. The report detailed

- The income and expenditure at period 2 and a full year forecast projection.
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2015/16;
- Progress on the delivery of the 2015/16 revenue savings
- An update on the delivery of 2014/15 savings

It was noted that currently there was a forecast net overspend at year end of £1.285million.

RESOLVED

That Cabinet

1. notes the financial reporting data relating to revenue budgetary control, showing a forecast net overspend at year end of £1.285million, 0.83% of the net budget.
2. approves the following capital adjustments:

	<b>2015/16</b>	<b>2016/17</b>
St Mary's Expansion VAT Adjustment	£137,210	
Cricket Green Expansion (Grant)		£459,740
Colliers Wood Library Re-Fit	£200,000	
Colliers Wood Library Relocation		(£550,000)
Rediscover Mitcham (S106)	£507,280	
Quietways Cycle Routes (TfL)	£344,000	
Canons Parks for People	£124,000	£113,000
Street Lighting	£400,000	
Industrial Estates	(£200,000)	
Town Centre Investments	(£200,000)	
<b>Total</b>	<b>£1,312,490</b>	<b>£22,740</b>

3. notes:
  - i) the re-profiling from 2015/16 to 2016/17 of £2,366k in Children, Schools and Families and £1,046k in Corporate Services.
  - ii) that a report will be progressed to Council for the addition of Rediscover Mitcham to the capital programme and for the approval of the Education Section 106 funding already utilised to fund the capital programme.
4. approves the alternative revenue saving of £66,000 for Environment and Regeneration detailed in Appendix 6 to replace EN16 (previously agreed in 2013/14).
5. approves the release of up to £100k from the Council Board Issues reserve in relation to the Wimbledon Park Masterplan development.

## 6 EXCLUSION OF THE PUBLIC (Agenda Item 6)

### RESOLVED

That the public were excluded from the meeting during consideration of the following reports on the grounds that they were exempt from disclosure for the reasons stated in the reports.

## 7 SCHOOL CATERING CONTRACT (Agenda Item 7)

The Cabinet Member for Education presented the report which sought approval for the current school catering contract which was scheduled to end on 31 March 2016, to be extended by a further school term until 31 July 2016. The rationale for the extension was so that the contract would end in line with the end of the school year rather than at the end of the spring term. Also it was believed it would be of benefit to the procurement process when the Council goes out for full retendering of the school catering contract in 2016.

It was noted that the all the Head Teachers, who's school receive their school meals through the contract had been contracted on the proposal and were all in support of the proposed approach.

### RESOLVED

That the current contract for the provision of school meals awarded on 21 January 2013 (for an initial period of three years from 1 April 2013 to 31 March 2016) be extended to 31 July 2016.

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**Committee: Cabinet****Date: 14 September 2015**

Agenda item:

Wards: All Wards

**Subject: Draft Final Report of the Online Strategies in Schools Task Group**

Lead officer: Rebecca Redman, Scrutiny Officer

Lead member: Councillor Katy Neep, Chair of the Children and Young People Overview and Scrutiny Panel

Contact Officer: Rebecca Redman, [rebecca.redman@merton.gov.uk](mailto:rebecca.redman@merton.gov.uk); 020 8545 4035

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**Recommendations:**

- A. That Cabinet considers and endorses the report arising from the scrutiny review of school leadership succession planning, attached at Appendix 1.
- B. That Cabinet agree to submit an Executive Response and Action Plan to the Children and Young People Overview and Scrutiny Panel, at their meeting in November 2015, outlining their response to the report and decisions taken regarding the recommendations made, including actions to implement the agreed recommendations.

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**1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 To present the final report and recommendations resulting from the scrutiny review of online strategies in schools for Cabinet consideration.

**2. DETAILS**

- 2.1 At the first meeting of the municipal year 2014/15, the Panel agreed to undertake a task group review looking at online strategies in schools, with a view to making recommendations to ensure that e-safety risks could be managed/mitigated by schools, parents and children

**3. CONSULTATION UNDERTAKEN OR PROPOSED**

- 3.1 In carrying out its review, the task group engaged a range of stakeholders, council officers and cabinet members to ensure that evidence based recommendations could be made that would support the achievement of the aims of this review, as outlined below:
  - To understand modern day challenges, opportunities and risks online experiences are providing to young people and establish how they are managed and mitigated;
  - To ensure that we are safeguarding and promoting the welfare of children when online; and

- To enable children to independently use the internet safely and responsibly
- 3.2 Appendix 1 of the Task Group Report lists those who contributed to the review.
- 4. TIMETABLE**
- 4.1 The Children and Young People Scrutiny Panel should receive an Executive Response and Action Plan from Cabinet at their November 2015 meeting.
- 5. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**
- 5.1 None for the purposes of this covering report.
- 7. LEGAL AND STATUTORY IMPLICATIONS**
- 7.1 None for the purposes of this covering report.
- 8. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**
- 8.1 It is a fundamental aim of the scrutiny process to ensure that there is full and equal access to the democratic process through public involvement and engaging with local partners in scrutiny reviews. Furthermore, the outcomes of reviews are intended to benefit all sections of the local community. An Equalities Impact Assessment was completed as part of the review process and is available on request from the Scrutiny Team.
- 9. CRIME AND DISORDER IMPLICATIONS**
- 9.1 None for the purposes of this covering report.
- 10. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**
- 10.1 None for the purposes of this covering report.
- 11. APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT**
- 11.1 Appendix 1 – task group review report on online strategies in schools
- 12. BACKGROUND PAPERS**
- 12.1 None for the purposes of this covering report.



**London Borough of Merton**

**Report and Recommendations arising from the Scrutiny Review of Online Strategies  
in Schools**

**Children and Young People Overview & Scrutiny Panel**

**September 2015**

## Task Group Members

Cllr Katy Neep (Chair)  
Cllr James Holmes (Vice  
Chair)  
Cllr Joan Henry

## Co-opted members

Peter Connellan  
Denis Popovs

Scrutiny Support  
Rebecca Redman, Scrutiny Officer

For further information relating to the review, please contact:

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## **Acknowledgements**

We would like to thank all the officers and external witnesses who have taken the time to provide written and verbal information and discussed their ideas with us. All contributors are listed in Appendix 1 of this report.

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## **Foreword by Councillor Katy Neep - Chair of the Online Strategies in Schools Task Group**

It is important in this changing world of online technologies and innovations that we ensure our young people access the latest developments and use them to enhance their learning and development.

However it is clear from both the media and this short task group review that there are some lessons to be learnt around the support, advice and guidance that we provide our young people whilst they are online. This was particularly evident when looking at the potential impact that online presence can have on job roles and interviews in later life.

All contributions to the task group have been informative, engaging and insightful. Each one providing us with either a new idea or verification that the recommendations that we had started to form fulfilled their specific needs.

A special thanks should go to the young people who have helped shape this report and provided us with an insight into how they use the online world and the impact it has on them. We all really enjoyed these workshops and hope we have captured their vision in this report.

Our thanks also go to officers at the council who have done a sterling job in pulling together workshops, interviews and the vast reports that have guided and informed us throughout. Specific thanks go to Rebecca Redman without whom this report literally would not be written.

My thanks as Chair of my first task group goes to my fellow contributors and Vice Chair who have supported and encouraged me as I hone my Chairing skills. I look forward to working with officers and the Cabinet member to implement the recommendations and ensure that our young people build successful, safe and inspirational lives both off and online.



## **Executive Summary**

The Children and Young People Scrutiny Panel set up a task group to review the mechanisms in place within schools in the borough to support young people and mitigate any potential risks to their safety when online. This issue was felt to be important because it touched upon a number of issues and challenges which have been made prominent by Government, the media, schools, parents and other organisations.

The task group agreed that this review should be a short piece of work that would focus specifically on the role that schools play in managing young people's exposure to risk when online, and to establish how they might be better supported by the council. The task group engaged a range of stakeholders in this review in order to hear first hand what experiences head teachers, governors, young people and the police had of e-safety and both the positive and negative uses of the internet for children and young people. The task group also sought to establish how e-safety considerations and measures have been embedded into school policy, practice and culture.

Expertise in this area was also sought through accessing research undertaken and guidance and good practice provided by the following organisations/government publications:

- UK Council for Child Internet Safety (UKCCIS)
- London School of Economics (LSE)
- EU Kids Online Network
- London Grid for Learning (LGfL)
- Byron Review – Safer Children in a Digital World (2008)

The focus of the task group's recommendations are on:

- All schools having a robust e-safety strategy that is regularly monitored and refreshed;
- Parents being equipped with the necessary skills to support their children in their online experiences;
- Building young peoples resilience and ability to respond appropriately to e-safety risks;
- Young people being empowered to act responsibly and safely when online to ensure positive use of the internet can be utilised to aid learning, the development of peer

relationships, and promote creativity, so that young people develop skills which lead to employment opportunities;

- An increased role for governors in supporting schools and undertaking a more frequent performance monitoring role in determining the effectiveness of e-safety policies within schools;
- Awareness raising and education for young people and parents, in particular, education earlier on e-safety issues with much younger children; and
- The use of technology, such as apps, that can be employed as an information tool for parents

The task group wishes to take forward these recommendations in consultation with schools, governors and the Merton Safeguarding Children Board.

## List of recommendations

Recommendations	Stakeholder/Responsible Team
Recommendation 1 - That Council work with schools that do not currently have an e-safety strategy to develop this policy, providing advice and guidance and signposting to resources online where appropriate (paragraph 3.6).	Cabinet
Recommendation 2 – That the council and schools provide more regular training for parents and carers to educate them on the risks that young people face, how to manage these and on the safe use of new technologies and discuss what training and awareness raising is required/appropriate, for example, bulletins (paragraph 4.7).	Cabinet/Schools
Recommendation 3 – That schools and the council equip children and their families to remain safe online by signposting to, and providing, information and resources on new and potential risks to young people when online (paragraph 4.7).	Schools
Recommendation 4 – That schools brief new students on the positives and negatives surrounding the use of the internet, for example, profiles on social media sites and potential impact on future employment and educational opportunities, when they sign up to the schools acceptable user agreement (paragraph 4.10).	Cabinet/Schools/MSCB
Recommendation 5 – That Cabinet engage with the council's corporate communications team to consider how best to raise awareness of e-safety issues and how schools and parents can best support young people when online (paragraph 4.10).	Cabinet
Recommendation 6 – That Cabinet explore the use of existing volunteers in libraries being asked to include raising awareness amongst parents and young people on e-safety issues and measures to their role (paragraph 4.10).	Cabinet/MSCB
Recommendation 7 - <b>That</b> Cabinet identify schools that are exemplars of good practice in relation to e-safety to provide peer support to schools that require guidance, advice and support on e-safety issues or policy (paragraph 4.10).	Cabinet/Schools
Recommendation 8 – All schools should be encouraged to undertake the e-safety audit developed by the council annually to ensure that their e-safety strategies and measures are effective (paragraph 4.13).	Cabinet
Recommendation 9 – That schools notify the council's MASH team regarding any safeguarding issues concerning e-safety and that the MASH team analyse that data to determine if any vulnerable groups or demographics require additional support to manage online risks. This should feed into schools e-safety policies and action plans (paragraph 6.18).	Cabinet/MSCB
Recommendation 10 – That the council encourage schools to include e-safety on every school council meeting agenda, as a standard item, to enable young people to raise any issues or concerns and for schools to then respond appropriately (paragraph 7.3).	Schools

<p>Recommendation 11 - That Cabinet explore, with schools, the possibility of rolling out existing mechanisms to enable young people to raise concerns anonymously in the first instance to then allow a decision to be taken on how best to respond (paragraph 7.3).</p>	<p>Cabinet/Schools/MSCB</p>
<p>Recommendation 12 – That schools encourage young people to become e-safety champions and to provide support and/or mentor other pupils to provide advice and guidance on any e-safety issues they are encountering (paragraph 7.8)</p>	<p>Cabinet/Schools/MSCB</p>



## Final Report of the Task Group

### 1. Introduction

- 1.1 The Council's Children and Young People Overview and Scrutiny Panel, at its meeting on 3 July 2014, agreed to establish a Task Group review of online strategies and e-safety in schools. The Panel appointed a small number of Members to the Task Group for a short, very specific review into e-safety that would take 3 months to gather evidence and report accordingly. This length of task group review was being trialled by the Panel to look at how more specific issue and topics might be looked at in greater depth over a shorter time period, to enable the Panel to undertake more work during its annual work programme.

#### *What is e-safety?*

- 1.2 E-Safety is a term which encompasses not only the internet but other ways in which young people communicate using electronic media, for example, smart phones or gaming consoles. It means ensuring that children and young people are protected from harm and supported to achieve the maximum benefit from new and developing technologies, without risk to themselves or others.<sup>1</sup>

#### *Rationale*

- 1.3 As noted in the Byron Review (2008), commissioned by the Government as an independent review of the risks children face on the internet, technology offers extraordinary opportunities for all of society.<sup>2</sup>
- 1.4 It is recognised that technology offers positive opportunities and is constantly evolving. Access is currently becoming universal and increasingly more mobile. However, pupils are using technology at an ever earlier age and older children are spending more time online. OFSTED noted that children aged 12–15 years are also more likely to mostly use the internet in their bedrooms alone. Furthermore, children are going online via a wider range of devices: Internet access via a PC, laptop or netbook is increasingly being supplemented by access via other devices<sup>3</sup>.
- 1.5 Children's online experiences play a crucial role in many developmental aspects of their lives, such as in exploring their identity and sexuality, building relationships with peers or romantic relationships.<sup>4</sup> However, there is also a generational digital divide between parents and children which means that many parents do not feel

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<sup>1</sup> Merton Safeguarding Children Board – Supporting Merton's Young People to stay safe online: An e-Safety Strategy (2014-2015). [http://www.merton.gov.uk/merton\\_e-safety\\_strategy\\_2014-15.pdf](http://www.merton.gov.uk/merton_e-safety_strategy_2014-15.pdf)

<sup>2</sup> The Byron Review (2008) *Safer Children in a Digital World*. <http://webarchive.nationalarchives.gov.uk/20101021152907/http://publications.education.gov.uk/eorderingdownload/dcsf-00334-2008.pdf>

<sup>3</sup> OFSTED (2014) *Inspecting e-safety in schools*. <http://webfronter.com/surreymle/Esafety/other/OFSTED-Inspecting-e-safety-January-2014.pdf>

<sup>4</sup> Vandoninck, S; Leen, d'Haenens & Smahel, D. (2014) *Preventative measures – how youngsters avoid online risks*, EU Kids Online [www.eukidsonline.net](http://www.eukidsonline.net)

empowered to manage risks in the digital world in the same way that they do in the 'real' world<sup>5</sup>.

- 1.6 The UK Council for Child Internet Safety have advocated that sound harm-prevention policies for children's internet use be developed in response to potential areas of vulnerability in the broader context of children's lives and that the focus should be on building protective environments for young people<sup>6</sup>.
- 1.7 Technology use and e-safety issues therefore go hand in hand. Many incidents happen beyond the physical geography of the school and yet can impact on pupils or staff. This makes it vitally important that pupils and staff are fully prepared and supported to use these technologies responsibly<sup>7</sup>.
- 1.8 Members expressed concerns about how best to manage children and young people's experiences of online activities and were keen to explore both the positives and negatives of internet use and how they might be managed or promoted to ensure the safe development of young people in the borough.

### *Purpose*

1.9 The overarching aims for the review were established as follows:

- To understand modern day challenges, opportunities and risks online experiences are providing to young people and establish how they are managed and mitigated;
- To ensure that we are safeguarding and promoting the welfare of children when online;
- To enable children to independently use the internet safely and responsibly

1.10 The following Terms of Reference for the Task Group review were agreed:

- To determine what policies and procedures schools have in place to protect children when online;
- To determine if awareness raising is happening in schools with pupils about online safety;
- To determine how online risks are identified and managed in schools;
- To determine how schools can better educate young people to ensure that they maintain a positive online presence;

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<sup>5</sup> The Byron Review (2008) *Safer Children in a Digital World*.

<http://webarchive.nationalarchives.gov.uk/20101021152907/http://publications.education.gov.uk/eordering/download/dcsf-00334-2008.pdf>

<sup>6</sup> UKCCIS (2013) *What do 17,000 Children in London Tell Us About Online Safety? The London Esafety Report*, [www.saferinternet.org.uk](http://www.saferinternet.org.uk)

<sup>7</sup> OFSTED (2014) *Inspecting e-safety in schools*. <http://webfronter.com/surreymle/Esafety/other/OFSTED-Inspecting-e-safety-January-2014.pdf>

- To identify what training staff receive about their online presence and the reputational impact for schools;
- To identify what action is being taken by schools to tackle and prevent online bullying; and
- To determine how the council can better support schools, parents and young people in this area

## 2. Legal and Inspection framework governing E-safety

2.1 Members reviewed the policy and legislative framework that safeguards children and young people from risk online. E- safety falls within the broad responsibility for safeguarding covered by the following legislation;

- Children’s Act 1989, 2004, 2010; and
- The Children and Families Act 2014

2.2 A more detailed outline of additional national policy that schools and councils must adhere to is outlined in **Appendix 3**. The Byron Review (2008) has also been central to the way that e-safety is legislated for and inspected in schools and other agencies.

2.3 The broadest safeguarding responsibility is integrated into the curriculum and involves parents, starting from key stage two onwards to guide children on basic safety. Schools are therefore held accountable for ensuring a safe online environment for their pupils and educating and raising awareness of risks with children and parents.

2.4 E-safety is governed and inspected in schools by OFSTED and overseen and supported by the Merton Safeguarding Children Board at a local level. OFSTED were made responsible by the Government for evaluating the extent to which schools teach pupils to adopt safe and responsible practices in using new technologies, describing e-safety as the school’s ability:

- To protect and educate pupils and staff in their use of technology; and
- To have the appropriate mechanisms to intervene and support any incident, where appropriate

2.5 OFSTED categorise the issues classified within e-safety into three areas of risk: Content, Contact and Conduct (with examples given as to these types of risk below):

Risk Type	Definition	Examples
Content	Being exposed to illegal, inappropriate or harmful material	<ul style="list-style-type: none"> <li>• exposure to inappropriate content, including online pornography, ignoring age ratings in games (exposure to violence associated with often racist language), substance abuse</li> <li>• lifestyle websites, for example pro-anorexia/self-harm/suicide sites</li> <li>• Hate sites</li> <li>• content validation: how to check authenticity and accuracy of online content</li> </ul>



Contact	Being subjected to harmful online interaction with other users.	<ul style="list-style-type: none"> <li>• grooming</li> <li>• cyber-bullying in all forms</li> <li>• identity theft (including 'frape' (hacking Facebook profiles)) and sharing passwords</li> </ul>
Conduct	Personal online behaviour that increases the likelihood of, or causes, harm	<ul style="list-style-type: none"> <li>• privacy issues, including disclosure of personal information</li> <li>• digital footprint and online reputation</li> <li>• health and well-being (amount of time spent online (internet or gaming))</li> <li>• sexting (sending and receiving of personally intimate images) also referred to as SGII (self generated indecent images)</li> <li>• copyright (little care or consideration for intellectual property and ownership – such as music and film)</li> </ul>

2.6 OFSTED guidance on key features of good and outstanding practice for e-safety is attached as **Appendix 4**.

2.7 Members noted that both the London Grid for Learning and OFSTED have compiled advice for schools on the measures that they should adopt regarding e-safety at schools, and they should encourage at home, on the safe use of new technologies<sup>8</sup>. These measures can be incorporated in to schools e-safety strategies and cover;

- Provision and responsibility for e-safety being shared by all staff in schools and agreement to act responsibly within and outside the school premises;
- School's expectations for parents being articulated clearly;
- Provision of staff safeguarding training and guidance on how to respond to e-safety incidents/disclosures;
- Schools ensuring that children know how to report e-safety concerns;
- Assemblies, tutorial time, personal, social, health and education lessons, and an age-appropriate curriculum for e-safety to help pupils to become safe and responsible users of new technologies;
- 'Managed' systems to ensure young people have a better knowledge and understanding of how to stay safe, assess and manage risk for themselves;
- Senior leaders, governors, staff and families developing that schools strategy for e-safety together which can be reviewed regularly in

<sup>8</sup> *The safe use of new technologies* (2010), OFSTED.

<http://dera.ioe.ac.uk/1098/1/The%20safe%20use%20of%20new%20technologies.pdf>

light of technological developments.

### **3. Local Policy and Safeguarding in Merton**

*What role does the Local Authority play in safeguarding and e-safety?*

3.1 Responsibility for e-safety sits within Merton Anti-bullying and E-safety Operational Group. In line with Merton's e-safety strategy, the council have continued to work with adults, young people and schools to raise awareness of e-safety and cyberbullying. The council have also developed links and worked with:

- Merton Schools Council;
- Head Teachers;
- School Business Managers Forum; and
- Safer Schools Police Team

3.2 Members were pleased to hear that training courses have been developed and now form part of a continuing professional development (CPD) offer delivered in partnership with Sutton and Merton CPD (SAMS). The council, working with the Merton Safeguarding Board (MSCB), have also developed an e-safety audit tool, provide guidance on developing an e-safety strategy and provide IT support to schools.

3.3 The task group heard that other initiatives that the council have supported and jointly delivered with the Merton Safeguarding Children Board include the following:

#### **Internet Matters**

3.4 In May a new child internet safety organisation founded by four of the UK's biggest broadband providers, (BT, Sky, TalkTalk and Virgin) to act as a single authoritative resource for child online safety was launched. Internet Matters will encourage the wider technology industry, experts, policy makers and parents to work together to establish world-leading resources. It is intended as a one-stop hub, directing parents to valuable help and advice from the leading experts at organisations and charities in the child internet safety field. The council, working with the MSCB, will aim to promote this initiative in Merton to equip parents with the information they need to make informed decisions.

#### **Digital Footprint**

3.5 The enforcement of the Right to be forgotten by the European courts has placed an emphasis on individual privacy and young people's management of their digital footprints, particularly in relation to social media. Awareness raising with all young people will take place to make them aware that:

- Employers regularly trawl social media accounts and it is likely that higher education establishments may also undertake this activity;
- Embarrassing posts may incite bullying; and
- Police in several states of the USA have successfully prosecuted students who possess indecent images on mobile devices including self-generated

sexually explicit selfies. There have been no prosecutions in the UK yet but these images can be construed as illegal.

- 3.6 The Local Authority also acts as a specialist adviser to support the work of the Merton Safeguarding Children Board. A small team internally support the Board, all with relevant safeguarding experience.

**Recommendation 1 - That Council work with schools that do not currently have an e-safety strategy to develop this policy, providing advice and guidance and signposting to resources online where appropriate.**

*Merton Safeguarding Children Board*

- 3.7 Helping children and young people to stay safe online is a priority for the MSCB. The role of the MSCB is to provide strategic leadership, guidance and inform front line practitioners in order to:
- Guide children, young people and others to the best sources of information and support and not duplicate the great range of advice and resources already available;
  - Help organisations to develop their own solutions, and incorporate the principles and priorities of the MSCB into their policies;
  - Identify those young people that are potentially vulnerable;
  - Make sure that risk is assessed and managed effectively; and
  - Make sure that young people understand their own risks in using online services
- 3.8 Members considered that as technology changes so new risks appear. The task group also recognised that this can be a source of anxiety to parents and those responsible for the welfare of young people. The MSCB therefore work with a range of partner agencies to keep up with such a rapidly moving scene. The delivery and guidance on e-safety is the responsibility of various groups of professionals and partners that work with schools and in other young people' settings, with the support of, LB Merton Schools ICT Support Team (SMISST), the MSCB and the Anti-Bullying & e-safety working group.
- 3.9 The MSCB have also developed an e-safety strategy which is designed to provide guidance and support to organisations such as schools, youth providers, voluntary and community sector groups in developing their own responses to the risks to the young people they deal with, and to particularly ensure the most vulnerable are protected from harm.
- 3.10 The MSCB e-safety strategy covers the following aspects of e-safety:
- Cyber-bullying, including sexual bullying;
  - Safe use of social networking;
  - Pornography and violent images (accessibility and inappropriate use by young people);
  - Grooming by strangers and ~~fraud~~ **fraud** contacts, including trusted adults;

- Real time communications including texts, e.g. 'sexting', chat rooms, email, instant messaging, video chat etc.;
- Support for parents and carers and their role and responsibilities;
- Support for young people, particularly the more vulnerable; and, ensuring that young people are aware of the risks and do not endanger their 'online reputation' by their activity;
- Training for professionals and practitioners; and
- Communications infrastructure (working to developing managed online environments for young people rather than blanket blocking policies).

3.11 The MSCB also supports and encourages in schools and at home the Zip It, Block It, Flag It initiative – the Click Clever, Click Safe Code for children and young people which encourages privacy, blocking nasty messages and enabled issues to be flagged up:



#### **4. How do schools promote and ensure e-safety?**

- 4.1 Schools and other young people's organisations are encouraged and supported to ensure that e-safety is at the heart of their efforts to safeguard young people, including identification of those who may be vulnerable.
- 4.2 Members met with both primary and secondary school head teachers to explore the role that schools play in educating, informing young people about e-safety and ensuring they are safe when online. Members heard that schools have strong filters in place. There are email filters for all schools across London and children are taught to zip their personal information, block unknown people, and flag issues of concern.
- 4.3 The task group learned that the number of incidents of children being at risk in online settings in schools is low. However, heads stated that this does not necessarily mean that e-safety is not an issue as children have access outside of school and within the home. This also means an increased role for parents in safeguarding and monitoring their children's online activity.
- 4.4 Schools provide a range of training sessions on e-safety for governors, staff, pupils and parents and have e-safety policies in place which are managed and monitored internally. Also, in many schools IT working parties have been set up which involve the provider, heads and governors to ensure e-safety is effectively monitored.
- 4.5 Furthermore, schools put in place an acceptable user agreement which all pupils, parents and staff sign up to and deliver e-safety sessions, both as part of the curriculum and during key periods, such as during anti bullying week. School Staff

are trained on e-safety and when interviewed are asked about their online presence (digital footprint) and the potential impact on the reputation of the school.

- 4.6 Aside from the support received from the council and Merton Safeguarding Children Board, schools utilise a range of resources available online through websites such as CEOP, Childnet, Think you know, NSPCC and London Grid for Learning.
- 4.7 Schools seek to raise awareness of e-safety issues with parents when they come into school and also provide formal training and awareness raising sessions. Heads informed the task group that getting parents involved is key to ensuring that young people remain safe online and that parental controls are utilised within the home.

**Recommendation 2 – That the council and schools provide more regular training for parents and carers to educate them on the risks that young people face, how to manage these and on the safe use of new technologies and discuss what training and awareness raising is required/appropriate, for example, bulletins.**

**Recommendation 3 – That schools and the council equip children and their families to remain safe online by signposting to, and providing, information and resources on new and potential risks to young people when online.**

- 4.8 Heads emphasised the importance of being mindful that children are sharing more online now and parents don't often realise or acknowledge the extent of their online activity and therefore, do not monitor it as proactively as they perhaps should. Children have Facebook accounts and use social media at a very young age and it can be a challenge to get them to understand the risks of sharing information and views online.
- 4.9 Heads advised that children need to be made to feel as though they are being equipped with the knowledge to act responsibly, but also that should they access something they deem to be of concern, that they feel comfortable enough raising it with a teacher or parent.
- 4.10 Heads proposed the following actions needed to be taken to ensure that e-safety messages were reinforced:
- awareness raising at young age with children in schools and with parents;
  - encourage use of parental controls in the home;
  - encourage internet providers to more widely publicise internet controls available on mobile devices; and
  - ensure lines of communication are available for children and parents to raise issues

**Recommendation 4 – That schools brief new students on the positives and negatives surrounding the use of the internet, for example, profiles on social media sites and potential impact on future employment and educational opportunities, when they sign up to the schools acceptable user agreement.**

**Recommendation 5 – That Cabinet engage with the council's corporate communications team to consider how best to raise awareness of e-safety issues and how schools and parents can best support young people when online.**

**Recommendation 6 – That Cabinet explore the use of existing volunteers in libraries being asked to include raising awareness amongst parents and young people on e-safety issues and measures to their role.**

**Recommendation 7 - That Cabinet identify schools that are exemplars of good practice in relation to e-safety to provide peer support to schools that require guidance, advice and support on e-safety issues or policy.**

*How do Governors monitor e-safety and how could they be better supported?*

- 4.9 The task group consulted Governors on their role in ensuring schools had appropriate e-safety measures in place that were robust and effective. Members learned that Governors receive annual training on IT and e-safety from schools and are responsible for approving e-safety and acceptable use policies, as well as ensuring that the correct infrastructure is in place in schools.
- 4.10 Governors can oversee contracts to IT providers and performance monitor IT and e-safety policies within schools. E-safety is a standard agenda item for some school governing bodies and it is viewed as a whole school issue with all staff and governors receiving training and subsequent refresher training, at appropriate intervals.
- 4.11 Governors felt confident that schools were doing all they could to support young people to be safe when online. Emphasis was again placed on the need to shift responsibility to parents to be more involved in preventing, managing and educating young people about online risks. The role that the school could play in supporting parents was also highlighted by governors and felt necessary. It was proposed to the task group that this could be achieved through briefings that promote e-safety or be embedded in other information sessions schools provide to parents.
- 4.12 The task group also heard that communication and education was central to educating young people and parents and that, in some schools, a review of the information made available on the schools website regarding e-safety could be undertaken and the curriculum widened to reinforce e-safety messages, for example, through PSHE and citizenship lessons etc.
- 4.13 The Governors consulted also required further communication and promotion of some of the tools and support that councils provide to schools to ensure that they are utilising this, for example, the use of an annual e-safety audit as developed by the council, with the MSCB.

**Recommendation 8 – All schools should be encouraged to undertake the e-safety audit developed by the council annually to ensure that their e-safety strategies and measures are effective.**

- 4.14 The Governors consulted felt that there was a greater role for schools to play in the following ways:
- To address gender issues in terms of provision of advice, support and guidance on e-safety;
  - Provide an online forum to support young people and parents;
  - Provide more training for parents;

- To raise awareness and educate young people as early as possible about e-safety and potential risks;
- To provide more in-depth training for governors on safeguarding issues

## 5. Parental mediation

- 5.1 Members agreed that parents have a key role to play in managing children's access to online material that may put them at risk or be inappropriate. There is a need to empower parents to support children's online safety from a young age and to ensure that the range of technical tools that can help parents do this, are employed and that parents understand them.
- 5.2 The task group acknowledge that restricting children's access to harmful and inappropriate material is not just a question of what parents can do to protect children but also what children can do to protect themselves.
- 5.3 Parents play many roles to a greater or lesser relation in terms of their children's internet use. Some are restrictive, some share of the online experience, some talk about the internet and are involved in their child's online activities (whether in their presence or later).<sup>9</sup>
- 5.4 A study conducted by the LSE and EU Kids Online found that:
- Parents of children with psychological difficulties feel less able to help;
  - Parents who do not use the internet do not feel able to help; and
  - Children from minority/discriminated groups have parents who are more likely to doubt their ability to support their child
  - Children that have more psychological difficulties have parents who get a little less information on e-safety;
  - Parents who speak a minority language at home get a little less information on e-safety<sup>10</sup>.
- 5.6 EU Kids Online also reported that parents with younger children (9-12 years) are a little more likely to get advice from their child's school. As children get older, parents get less safety information from their child's school and more from their child. Parents who don't use the internet, and those whose children use the internet infrequently, are also unsurprisingly less likely to gain safety information from their Internet Service Provider or from dedicated websites.
- 5.7 Members found that the London E-Safety Report (2013) proposed that parents should be encouraged by schools and the relevant agencies to:
- Talk with their child about what they do online;

<sup>9</sup> Livingstone, S; Gorzig, A & Olafsson, K (2011) *Disadvantaged children and online risk*, EU Kids Online <http://eprints.lse.ac.uk/39385>

<sup>10</sup> Livingstone, S; Gorzig, A & Olafsson, K (2011) *Disadvantaged children and online risk*, EU Kids Online

- Monitor usage of games, videos and social media and check that they are age appropriate;
  - Not assume that there is less risk because children are younger;
  - Enable parental controls; and
  - Seek help from school staff and online parental support<sup>11</sup>
- 5.8 Analysis by EU Kids Online and the LSE shows that when parents actively mediate their child's internet use, this too is associated with lower risk and, most importantly, lower harm.<sup>12</sup>
- 5.9 Active mediation is therefore key and refers to when parents talk to their child about the internet, stay nearby or sit with them while they go online, encourage them to explore the internet, and share online activities with them. These activities, the findings of the EU Kids Online show, tend to reduce children's exposure to online risks without reducing online opportunities, and they also reduce young children's (9-12 years) reports of being upset when they encounter online risks<sup>13</sup>.
- 5.10 However, parents' active mediation of safety (e.g. giving safety or online behaviour advice), and their monitoring of the child's internet use, are generally used after a child has experienced something upsetting online<sup>14</sup>
- 5.11 Given that children's exposure to online risks decreases the more parents use restrictive mediation, it should be actively encouraged by schools and other relevant agencies. New analysis by EU Kids Online also shows that:
- Parental restrictive mediation leads to a significantly smaller probability of being bothered or upset online (at any age);
  - Active mediation of use tends to decrease the experience of harm between 9 and 12 years, though there is no effect for 13 to 16 year olds;
  - Active mediation of safety significantly increases being bothered or upset from online risks among 9-10 year olds and 15-16 year olds (with a similar tendency between these ages which is not statistically significant); and
  - Monitoring is not significantly linked to feeling bothered or upset at 9-10 or 15-16 but is associated with increased harm between 11-14

## 6. What risks do young people face online?

- 6.1 During consultation with young people, teachers and governors, the task group learned that the risks that young people were aware of or had been exposed to in

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<sup>11</sup> UKCCIS (2013) *What do 17,000 Children in London Tell Us About Online Safety? The London Esafety Report*, [www.saferinternet.org.uk](http://www.saferinternet.org.uk)

<sup>12</sup> Duerager, A & Livingstone, S (2012) *How can parents support children's internet safety?* EU Kids Online [www.eukidsonline.net](http://www.eukidsonline.net)

<sup>13</sup> Duerager, A & Livingstone, S (2012) *How can parents support children's internet safety?* EU Kids Online [www.eukidsonline.net](http://www.eukidsonline.net)

<sup>14</sup> Duerager, A & Livingstone, S (2012) *How can parents support children's internet safety?* EU Kids Online [www.eukidsonline.net](http://www.eukidsonline.net)



their use of the internet primarily occurring outside of school systems which has significant safeguards in place. The risks that were apparent resulted from young peoples use of the internet on hand held devices, mobile phones and also in the home. These risks included:

- Online bullying;
- Inappropriate language use and pressure felt when participating in online gaming with people who may not be the same age;
- Being asked to share personal information;
- Receiving or being asked to send inappropriate sexual content, also known as 'sexting'. 'Sexting' is defined as: Swapping sexual images by picture message, email, app or social network<sup>15</sup>.

6.2 Similarly, research into the risks of internet use and how they are perceived, experienced and managed demonstrates that online experiences can be both positive and negative for young people.

*Which children and young people are more vulnerable to online risks?*

6.3 The Byron Review (2008) highlighted the need to take into account children's individual strengths and vulnerabilities in their online activity, because the factors that can discriminate a 'beneficial' from a 'harmful' experience online are often individual. The very same content can be useful to a child at a certain point in their life and development and may be equally damaging to another child. The Byron Review (2008) also acknowledges that there are vast individual differences that will impact on a child's experience when online, especially considering the wider context in which they have developed and in which they experience that technology<sup>16</sup>.

6.4 The UK Council for Child Internet Safety (UKCCIS) also found that many factors combine to render some children vulnerable to online risk, under particular circumstances, and with diverse consequences<sup>17</sup>.

6.5 Members sought to explore which young people were more vulnerable through existing research and reports and through consultation events. The task group met governors, police cadets, teachers, head teachers, safer schools police officers and young people throughout the review. The task group explored vulnerabilities that may be increased by:

- Gender;

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<sup>15</sup> London Grid for Learning (2013) 1 Minute Guide - 'Sexting' <http://www.lgfl.net/esafety/Pages/policies-acceptable-use.aspx?tab=4>

<sup>16</sup> The Byron Review (2008) *Safer Children in a Digital World*. <http://webarchive.nationalarchives.gov.uk/20101021152907/http://publications.education.gov.uk/eorderingdownload/dcsf-00334-2008.pdf>

<sup>17</sup> UKCCIS (2013) *What do 17,000 Children in London Tell Us About Online Safety? The London Esafety Report*, [www.saferinternet.org.uk](http://www.saferinternet.org.uk)

- Disability;
  - Special educational needs; and
  - Socio economic background
- 6.6 The Task Group utilised the findings of an EU Kids Online study of online bullying and disadvantaged children. They found that online bullies and those being bullied online are those children who are mostly also vulnerable offline. This includes children who have psychological difficulties, are socially excluded; engage in unhealthy attention seeking behaviours or are in some way or another, members of a vulnerable group.<sup>18</sup> Among those involved in online bullying, girls, younger children and those from a low socio-demographic background report more often being victims of bullying than those with a higher socio-demographic background.<sup>19</sup>
- 6.7 The Task Group also considered the findings of three Youth Internet Surveys that were undertaken over a 10 year period to examine the online bullying experiences of young people. Online bullying or cyber bullying is when a person or a group of people uses online digital technology to threaten, tease, harass, upset or humiliate someone else. In many cases, a single act can go viral resulting in a feeling of 'repeated' bullying as wider audiences are involved. The victim's privacy can also be invaded at all times<sup>20</sup>.
- 6.8 Members learned and expressed concerns that cyber bullying can cause young people to feel humiliated, to feel isolated from friends, to play truant or self harm and in more severe cases, commit suicide. This highlights the significance of taking the appropriate measures to ensure that young people are safe online and feel comfortable and confident enough to report any issues, concerns or experiences.
- 6.9 The surveys undertaken specifically examined victimisation and perpetration behaviours. The data collected sought to establish how these behaviours changed across the three survey points and whether demographics and internet use patterns had changed for all youth internet users, compared with those that had experienced online bullying.
- 6.10 Members considered the findings from the Surveys which were as follows:
- Those experiencing online bullying increased to 11% in 2010;
  - More serious online bullying or repeated incidents were only experienced by 5% of young people;
  - The rate of female versus male victims of online bullying changed significantly throughout the course of the survey;
  - 13-15 year olds make up the largest proportion of young people bullied in all three cohorts;
  - The percentage of girls engaging in online bullying increased to 48% by 2010;

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<sup>18</sup> Gorzig, A (2011) *Who bullies and who is bullied online? : a study of 9-16 year old internet users in 25 European countries*. EU Kids Online [www.eukidsonline.net](http://www.eukidsonline.net)

<sup>19</sup> Gorzig, A (2011) *Who bullies and who is bullied online? : a study of 9-16 year old internet users in 25 European countries*. EU Kids Online [www.eukidsonline.net](http://www.eukidsonline.net)

<sup>20</sup> London Grid for Learning (2013) *1 Minute Guide – Cyberbullying*. <http://www.lgfl.net/esafety/Pages/policies-acceptable-use.aspx?tab=4>

- Disclosure to school staff increased to 12% by 2010<sup>21</sup>
- 6.11 When consulting with young people about when they felt that online activities could turn into problematic or harmful situations, the survey identified the following risks, which have also been noted in research undertaken by EU Kids Online study in 2014. The types of risk identified related to:
- online bullying;
  - unwelcome contact from strangers;
  - misuse of personal information;
  - issues related to sexual content or communication;
  - commercial content<sup>22</sup>
- 6.12 The prevalence of social networking sites in young people's lives ultimately plays a role in increasing the occurrence of the risks identified above. However, young people will not necessarily stop engaging with these sites as they are a means by which to maintain friendships and to be culturally aware<sup>23</sup>. Social networking has become one of the most popular activities online. However, whilst age restrictions apply, these are only partially effective. By combining chat, messaging, photo albums and blogging, social network sites integrate online activities more seamlessly than ever. This offers children many opportunities but also many risks.<sup>24</sup>
- 6.13 Members acknowledged that, given the possible risks, as well as the many opportunities afforded by social networking, and since much usage occurs away from adult supervision, children's own digital skills are crucial. This includes children's ability to use the safety features embedded in these sites.<sup>25</sup>
- 6.14 The consultation undertaken by the Group found that young people have experienced:
- unwelcome contact on social networking sites;
  - abusive language when online gaming;
  - pressure to engage in 'sexting' (sending images or messages of an explicit nature and sexual content); and
  - Bullying through social media
- 6.15 Members also consulted young people and recent research to explore the impact that gender had on how vulnerable young people were to online risks. The task group

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<sup>21</sup> UKCCIS (2013) *Online Harassment in Context: Trends from Three Youth Internet Safety Surveys (2000-2010)* [www.education.gov.uk/ukccis/](http://www.education.gov.uk/ukccis/)

<sup>22</sup> Vandoninck, S; Leen, d'Haenens & Smahel, D. (2014) *Preventative measures – how youngsters avoid online risks*, EU Kids Online [www.eukidsonline.net](http://www.eukidsonline.net)

<sup>23</sup> Vandoninck, S; Leen, d'Haenens & Smahel, D. (2014) *Preventative measures – how youngsters avoid online risks*, EU Kids Online [www.eukidsonline.net](http://www.eukidsonline.net)

<sup>24</sup> Livingston, S, Olafsson, K & Staksrud, E (2011) *Social Networking, age and privacy*, EU Kids Online [www.eukidsonline.net](http://www.eukidsonline.net)

<sup>25</sup> Livingston, S, Olafsson, K & Staksrud, E (2011) *Social Networking, age and privacy*, EU Kids Online [www.eukidsonline.net](http://www.eukidsonline.net)

found that girls and boys engage and cope with what they encounter online slightly differently<sup>26</sup>. However, many of the young people engaged noted that their ability to cope with such incidents, respond and determine whether to report these was down to individual resilience and peer support/network in school, not gender.

- 6.16 Young people stated that boys and girls were both likely to report incidents and be victims of online bullying or have received inappropriate sexual messages or images on their phones/social networking sites.
- 6.17 Members also raised questions regarding the ability of disadvantaged children to cope with online risks. EU Kids Online and the LSE considered the educational/economic; psychological and social disadvantage that young people faced and the potentially negative impact these factors might have when engaging in online activities.<sup>27</sup>
- 6.18 It was reported by EU Kids Online that when it comes to being bullied online:
- Girls are more likely to tell than boys, often a friend. Boys will still report incidents however;
  - Younger children are more likely to tell a parent or sibling when they are upset because they are being bullied online, while older teenagers are least likely to tell a teacher;
  - Parents who are aware of a child having been upset by something online are, unsurprisingly, more likely to have a child who tells their parents what happened to them; and
  - Those from discriminated against groups or who speak a minority language at home are much more likely to tell someone than are other children, especially a parent.<sup>28</sup>

**Recommendation 9 – That schools notify the council’s MASH team regarding any safeguarding issues concerning e-safety and that the MASH team analyse that data to determine if any vulnerable groups or demographics require additional support to manage online risks. This should feed into schools e-safety policies and action plans.**

## **7. Young peoples knowledge of effective preventative measures**

- 7.1 The task group agreed that digital literacy plays a vital role in children’s use of the internet, both resulting from and further stimulating the range and depth of children’s online activities. It is widely hoped that, as children become more digitally literate,

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<sup>26</sup> Livingstone, S; Gorzig, A & Olafsson, K (2011) *Disadvantaged children and online risk*, EU Kids Online <http://eprints.lse.ac.uk/39385>

<sup>27</sup> Livingstone, S; Gorzig, A & Olafsson, K (2011) *Disadvantaged children and online risk*, EU Kids Online <http://eprints.lse.ac.uk/39385>

<sup>28</sup> Livingstone, S; Gorzig, A & Olafsson, K (2011) *Disadvantaged children and online risk*, EU Kids Online <http://eprints.lse.ac.uk/39385>

the more they will gain from the internet while also being better prepared to avoid or cope with online risks.<sup>29</sup>

- 7.2 The task group learned that young people are less fearful of online risks when they feel they are able to handle them or have appropriate mechanisms that they feel comfortable accessing to raise these issues. Predominantly, young people turn to their peers for support and would talk to a teacher secondly and a parent last. Young people however, do need to know where they can go for confidential advice and support.
- 7.2 The issue of embarrassment and shame was highlighted by some young people when asked why parents are not approached about online risks and incidents. Many young people are concerned that schools will inform parents of any issues which they may prefer them not to know about.
- 7.3 School mechanisms, such as the Youth That Care team (YTC), a service managed by pupils within a school to provide support and advice, are not used often. This is because young people have concerns about confidentiality and issues being reported to parents. It was also suggested that school councils do not spend enough time looking at e-safety and considering issues. Young people engaged stated that teachers need to ensure that they listen and implement recommendations from young people when they report e-safety concerns.

**Recommendation 10 – That the council encourage schools to include e-safety on every school council meeting agenda, as a standard item, to enable young people to raise any issues or concerns and for schools to then respond appropriately.**

**Recommendation 11 - That Cabinet explore, with schools, the possibility of rolling out existing mechanisms to enable young people to raise concerns anonymously in the first instance to then allow a decision to be taken on how best to respond.**

- 7.4 Young people consulted as part of this review also proposed that schools block internet access and remove phones from pupils; others suggested that moderate internet access should be allowed on hand held devices/mobile phones in schools.
- 7.5 The following preventative strategies adopted by young people were identified and captured into the following categories by EU Kids Online:
- Employ problem solving strategies such as speaking to peers to determine how to respond to an incident;
  - Plan and reflect upon how to deal with potential risks;
  - Seek information to increase knowledge or skills about online safety;
  - Seek support to obtain advice or aid that should help prevent an incident<sup>30</sup>

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<sup>29</sup> Livingstone, S; Gorzig, A & Olafsson, K (2011) *Disadvantaged children and online risk*, EU Kids Online <http://eprints.lse.ac.uk/39385>

<sup>30</sup> Vandoninck, S; Leen, d’Haenens & Smahel, D. (2014) *Preventative measures – how youngsters avoid online risks*, EU Kids Online [www.eukidsonline.net](http://www.eukidsonline.net)

7.6 The strategies employed by the young people consulted by the task group fit within those identified by EU Kids Online which are as follows:

**Instrumental action** – deleting, unfriending or blocking certain people;

**Self monitoring** – limiting their online activities;

**Behavioural avoidance** – in situations of unpleasant sexual issues, children do not perceive limiting their online activities as useful. As EU Kids Online have noted, young people avoid unpleasant sexual content or communication by turning away from the situation or making sure one does not get involved.<sup>31</sup>

7.7 Young people also highlighted that they should be involved sooner in meeting with other children and other young people to talk to them about online safety. They noted that young people only tend to hear about extreme experience of e-safety such as when someone is murdered by a stranger or a young person commits suicide because of cyber bullying. There tends to be less information about peoples regular experiences.

7.8 The task group feel that the best people to support young people to be safe online are other young people; as they understand the risks and issues, and know what young people are actually doing online. A forum or mechanism for young people to engage with other young people should be explored.

**Recommendation 12 – That schools encourage young people to become e-safety champions and to provide support and/or mentor other pupils to provide advice and guidance on any e-safety issues they are encountering.**

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<sup>31</sup> Vandoninck, S; Leen, d’Haenens & Smahel, D. (2014) *Preventative measures – how youngsters avoid online risks*, EU Kids Online [www.eukidsonline.net](http://www.eukidsonline.net)

## 5. Concluding Remarks

- 5.1 The task group were very clear at the outset of this review that children have the right to protection and safety online and that the role of safeguarding agencies, the local authority, schools and parents should be further strengthened and effective to achieve this.
- 5.2 The task group also acknowledge that no amount of effort to reduce potential risks to children when online will eliminate those risks completely. The internet cannot be made entirely safe. New means of internet access are also less open to adult supervision and technical solutions are one element of a broader strategy on e safety<sup>32</sup>.
- 5.3 We must therefore work in partnership to build children's *resilience* to the material to which they may be exposed so that they have the confidence and skills to navigate these risks.<sup>33</sup> Children and young people need to be encouraged to develop self governing behaviour and to take greater responsibility. We need to focus on how kids manage their safety in their own personal space and provide guidance to children as both victims and potential perpetrators.
- 5.4 When awareness raising, the council, schools, MSCB and parents should emphasise empowerment rather than restriction, and appropriate, responsible behaviour with regard to technology use. Nevertheless, young people still need to know where to go to report any issues or concerns. This is of the utmost importance.
- 5.5 The task group also felt that communicating online opportunities and positive experiences should be encouraged. Schools should continue to provide educational support for increasing digital literacy and support the mitigation of digital exclusion amongst vulnerable groups. Inequalities in digital skills persist in terms of socio-economic background, age and to a lesser extent and gender. Efforts to overcome these are needed.
- 5.6 A careful balancing act is therefore required in our approach to e-safety across schools, the MSCB and by parents and carers at home. There must be recognition of both the risks and opportunities of online activity and that children's online experiences 'in the round' are vital.
- 5.7 The recommendations of the task group seek to highlight the significance of:
- Appropriate, sensitive responses to online and offline bullying;
  - On-going dialogue about new risks young people are experiencing;
  - Addressing risks associated with peer to peer conduct;
  - Informing parents and young people on effective coping strategies;

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<sup>32</sup> O'Neill, B, Livingstone, S & McLaughlin, S (2011) *Final recommendations for policy, methodology and research*, EU Kids Online. <http://eprints.lse.ac.uk/39410/>

<sup>33</sup> The Byron Review (2008) *Safer Children in a Digital World*.  
<http://webarchive.nationalarchives.gov.uk/20101021152907/http://publications.education.gov.uk/eorderingdownload/dcsf-00334-2008.pdf>

- Enhancing the role that schools and governors play in monitoring and managing e-safety in schools; and
- Practical mediation skills for parents as part of the overall effort to build awareness of risks and safety online.

## **6. What Happens Next?**

- 6.1 This report will be presented to the Children and Young People Overview and Scrutiny Panel meeting on 1 July 2015 for the Panel's approval.
- 6.2 The Panel will then send the report to the Council's Cabinet meeting in September 2015 for discussion and to seek agreement to the recommendations presented.
- 6.3 The Cabinet will be asked to provide a formal Executive Response and Action Plan to the Panel within two months of the submission of the report to its meeting in November 2015. The Cabinet will be asked to respond to each of the task group's recommendations, setting out whether the recommendation is accepted and how and when it will be implemented. If the Cabinet is unable to support and implement some of the recommendations, then it is expected that clearly stated reasons would be provided for each.
- 6.4 The lead Cabinet Member (or officer to whom this work is delegated) should ensure that other organisations, to which recommendations have been directed, are contacted and that their response to those recommendations is included in the Executive Response and Action Plan.
- 6.5 The Panel will seek a further report six months after the Cabinet response has been received, giving an update on progress with implementation of the recommendations.





## **Appendix 1**

### **Whom we spoke to**

#### **External Organisations:**

Gary Hipple – Governor, Ursuline High School  
Tim Mann – Met Police  
Police Cadets: Shiva Hetheecharan, Shane Dye, Sam Watson, Georgia Milner

Members of:  
Scouts  
Girl Guides  
Children in Care council  
Youth Parliament

Primary Heads Group

Secondary Heads Group

Keith Makin – Chair of Merton Safeguarding Children Board

#### **Officers:**

Paul Ballatt  
Lee Hopkins  
Derek Crabtree  
Caroline Land  
Bev Selway

#### **Cabinet Members:**

Councillor Martin Whelton  
Councillor Maxi Martin

**Appendix 2  
Equality Impact Assessment (EqIA) template  
Initial Screening**



This form should be completed in line with the Equality Impact Assessment guidance available on the [intranet](#)  
The blue text below is included to help those completing the template and should be overwritten.

EqIA completed by: (Give name and job title)	Rebecca Redman, Scrutiny Officer
EqIA to be signed off by: (Give name and job title)	<i>Julia Regan, Head of Democracy Services</i>
Department/ Division	Corporate Services, Democracy Services
Team	The Scrutiny Team
EqIA completed on:	23 June 2015
Date of Challenge Review (if you have one):	N/A
Date review of this EqIA is due (no later than 3 years from date of completion):	TBC

What are you assessing? (Tick as appropriate)

**Policy:** A policy is an adopted approach by the Council to a specific issue or position, usually in the long term. It provides a set of ideas or principles that together form a framework for decision making and implementation.<sup>1</sup> A policy may be written or unwritten, formal or informal. For example, the Corporate Equality Scheme.

**Strategy:** A strategy sets out the activities and actions that have been identified as most likely and cost-effective to achieve the aims and objectives of a council policy e.g. the Consultation Strategy.

**Procedure:** A procedure sets out the way in which practices and actions are to be undertaken at an individual level in order to achieve the policy in local situations, for example using a flow chart approach. Procedures also outline who will take responsibility on a day to day basis for decisions in the implementation of the policy.<sup>2</sup> For example, this procedure for carrying out an EqIA.

**Function:** A function is an action or activity that the Council is required to carry out for example emergency planning arrangements.

**Service:** A service is a facility or provision made by the Council for its residents or staff for example the Library service or Translation service.

1. Title of policy, strategy, procedure, function or service

Support for e-safety advice and guidance to schools, role of police and safer schools police officers, role of schools in relation to ensuring e-safety policies are in place and issues managed, as well as awareness raising with governors, parents and pupils./

2. For functions or services only: Does a third party or contractor provide the function or service? If so, who?

Yes. Partner agencies within Merton Safeguarding Children Board.

3. Who is the policy, strategy, procedure, function or service intended to benefit?

Schools, parents, governors, children and young people

4. Who else might be affected?

-

5. What is known about the demographic make up of the people you have included in your answers to questions 4 and 5?

Profiles of children and young people within Merton schools held by the relevant team within CSF.

6. Have you already consulted on this policy, strategy, procedure, function or service? If so, how?

Consultation undertaken throughout task group review.

<sup>1</sup> See the Council's Policy Handbook [http://intranet/policy\\_handbook\\_final\\_agreed\\_nov\\_07-2.doc](http://intranet/policy_handbook_final_agreed_nov_07-2.doc)

<sup>2</sup> As above

7. How will you measure the success of your policy, strategy, procedure, function or service?

Performance monitor delivery of the agreed recommendations through the executive response and action plan and going forward on a six monthly basis at Panel meetings. A Member Champion will also be appointed.

8. How often will the policy, strategy, procedure, function or service be reviewed?

See above.

9. When will the policy, strategy, procedure, function or service next be reviewed?

November 2015 when the Executive Response and Action Plan is received by the Scrutiny Panel.

10. Please complete the following table and give reasons for where:

- (a) The policy function or service could have a positive impact on any of the equality groups.
- (b) The policy function or service could have a potential negative impact on any of the equality groups.

Think about where there is evidence that different groups have different needs, experiences, concerns or priorities in relation to this policy, strategy, procedure, function or service.

Equality group	Positive impact		Potential negative impact		Reason
	Yes	No	Yes	No	
<b>Gender (inc. Transgender)</b>	✓			✓	All of the recommendations seek to both support and empower young people and their parents to manage the child's online activity and associated risks in a supportive environment both in school and at home. Mechanisms are recommended and strengthened in these recommendations to ensure online risks are well managed and responded to and that parental awareness and skills are raised and developed to deal with these risks.
<b>Race/ Ethnicity/ Nationality</b>	✓			✓	
<b>Disability</b>	✓			✓	
<b>Age</b>	✓			✓	
<b>Sexual orientation</b>	✓			✓	
<b>Religion/ belief</b>	✓			✓	
<b>Socio-economic status</b>	✓			✓	

11. Did you have sufficient data to help you answer the above questions?

Yes

No

If there is a potential negative impact on one or more groups, or there was insufficient data to help you answer the above questions, you should complete a full EqIA

12. Is a full Impact Assessment required?

**Yes**

**No**

<b>EqIA signed off by:</b>	Julia Regan, Head of Democracy Services.
<b>Signature:</b>	
<b>Date:</b>	

### **Appendix 3**

#### **The Legal Framework surrounding e-safety**

This section is designed to inform users of legal issues relevant to the use of electronic communications. For older students, discussion of current legislation could be incorporated into the curriculum as part of ICT, PSHE or Citizenship. It might also be useful to make reference to this when dealing with e-safety infringements to reinforce the seriousness of issues arising.

#### **Communications Act (2003) (section 127)**

Sending by means of the internet a message or other matter that is grossly offensive or of an indecent, obscene or menacing character; or sending a false message by means of or persistently making use of the internet for the purpose of causing annoyance, inconvenience or needless anxiety is guilty of an offence liable, on conviction, to imprisonment.

This wording is important because an offence is committed as soon as the message has been sent: there is no need to prove any intent or purpose.

#### **The Computer Misuse Act (1990) (sections 1 – 3)**

Regardless of an individual's motivation, the Act makes it a criminal offence to:

- gain access to computer files or software without permission (for example using someone else's password to access files);
- gain unauthorised access, as above, in order to commit a further criminal act (such as fraud); or
- impair the operation of a computer or program (for example caused by viruses or denial of service attacks).

UK citizens or residents may be extradited to another country if they are suspected of committing any of the above offences.

#### **Copyright, Design and Patents Act (1988)**

Copyright is the right to prevent others from copying or using his or her "work" without permission.

The material to which copyright may attach (known in the business as "work") must be the author's own creation and the result of some skill and judgement. It comes about when an individual expresses an idea in a tangible form. Works such as text, music, sound, film and programs all qualify for copyright protection. The author of the work is usually the copyright owner, but if it was created during the course of employment it belongs to the employer.

It is an infringement of copyright to copy all or a substantial part of anyone's work without obtaining the author's permission. Usually a licence associated with the work will allow a user to copy or use it for limited purposes. It is advisable always to read the terms of a licence before you copy or use someone else's material.

It is also illegal to adapt or use software without a licence or in ways prohibited by the terms of the software licence.

### **Data Protection Act (1998)**

The Act requires anyone who handles personal information to notify the Information Commissioner's Office of the type of processing it administers, and must comply with important data protection principles when treating personal data relating to any living individual. The Act also grants individuals rights of access to their personal data, compensation and prevention of processing.

**Education Act (2011), sections 2 to 4**, provides further clarification on statutory staff powers to discipline pupils for inappropriate behaviour or not for following instructions, both on and off school premises. Further details for Free schools can be found in section 36 and for Academies in Part 6, sections 55 to 65.

**Education and Inspections Act 2006, sections 90 and 91**, provide statutory powers for staff to discipline pupils for inappropriate behaviour or for not following instructions, both on and off school premises. **Section 94** also gives schools the power to confiscate items from pupils as a disciplinary penalty. These powers may be particularly important when dealing with e-safety issues: online bullying may take place both inside and outside school, and this legislation gives schools the legal power to intervene should incidents occur. It also gives teachers the power to confiscate mobile phones, and other personal devices, if they suspect that they are being used to compromise the well-being and safety of others.

### **Malicious Communications Act (1988) (section 1)**

This legislation makes it a criminal offence to send an electronic message (e-mail) that conveys indecent, grossly offensive, threatening material or information that is false; or is of an indecent or grossly offensive nature if the purpose was to cause a recipient to suffer distress or anxiety.

**Obscene Publications Act 1959 and 1964** Publishing an "obscene" article is a criminal offence. Publishing includes electronic transmission.

### **Public Order Act (1986) (sections 17 – 29)**



This Act makes it a criminal offence to stir up racial hatred by displaying, publishing or distributing written material which is threatening. Like the Racial and Religious Hatred Act 2006 it also makes the possession of inflammatory material with a view of releasing it a criminal offence.

### **Protection of Children Act (1978) (Section 1)**

It is an offence to take, permit to be taken, make, possess, show, distribute or advertise indecent images of children in the United Kingdom. A child for these purposes is anyone under the age of 18. Viewing an indecent image of a child on your computer means that you have made a digital image. An image of a child also covers pseudo-photographs (digitally collated or otherwise). A person convicted of such an offence may face up to 10 years in prison.

### **Protection from Harassment Act (1997)**

A person must not pursue a course of conduct, which amounts to harassment of another, and which he knows or ought to know amounts to harassment of the other.

A person whose course of conduct causes another to fear, on at least two occasions, that violence will be used against him is guilty of an offence if he knows or ought to know that his course of conduct will cause the other so to fear on each of those occasions.

### **The Equality Act (2010)**

The Equality Act 2010 provides a single, consolidated source of discrimination law, all the types of discrimination that are unlawful. It defines that schools cannot discriminate against pupils because of their sex, race, disability, religion or belief and orientation. Protection is now extended to pupils who are pregnant or undergoing reassignment. However, schools that are already complying with the law should there be major differences in what they need to do.

This Act makes it a criminal offence to threaten people because of their faith, or to stir up religious hatred by displaying, publishing or distributing written material which is threatening. Other laws already protect people from abuse based on their race, nationality or ethnic background.

### **Regulation of Investigatory Powers Act (2000)**

The Regulation of Investigatory Powers Act 2000 (RIP) regulates the interception of communications and makes it an offence to intercept or monitor communications without

the consent of the parties involved in the communication. The RIP was enacted to comply with the Human Rights Act 1998.

The Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000, however, permit a degree of monitoring and record keeping, for example, to ensure communications are relevant to school activity or to investigate or detect unauthorised use of the network. Nevertheless, any monitoring is subject to informed consent, which means steps must have been taken to ensure that everyone who may use the system is informed that communications may be monitored.

Covert monitoring without informing users that surveillance is taking place risks breaching data protection and privacy legislation.

### **Sexual Offences Act (2003)**

A new grooming offence is committed if you are over 18 and have communicated with a child under 16 at least twice (including by phone or using the internet) and then intentionally meet them or travel with intent to meet them anywhere in the world with the intention of committing a sexual offence.

Causing a child under 16 to watch a sexual act is illegal, including looking at images such as videos, photos or webcams, for your own gratification.

It is also an offence for a person in a position of trust to engage in sexual activity with any person under 18, with whom they are in a position of trust. (Typically, teachers, social workers, health professionals, connexions staff fall in this category of trust).

Any sexual intercourse with a child under the age of 13 commits the offence of rape. Schools should already have a copy of "Children & Families: Safer from Sexual Crime" document, which is available from the Home Office website ([www.homeoffice.gov.uk/documents/children-safer-fr-sex-crime?view=Binary](http://www.homeoffice.gov.uk/documents/children-safer-fr-sex-crime?view=Binary)).

More information about the 2003 Act can be found at [www.teachernet.gov.uk](http://www.teachernet.gov.uk)

## Appendix 4

### OFSTED Guidance on key features of good and outstanding practice for e-safety

Whole school consistent approach	<p>All teaching and non-teaching staff can recognise and are aware of e-safety issues.</p> <p>High quality leadership and management make e-safety a priority across all areas of the school (the school may also have achieved a recognised standard, for example the e-Safety Mark).</p> <p>A high priority given to training in e-safety, extending expertise widely and building internal capacity.</p> <p>The contribution of pupils, parents and the wider school community is valued and integrated.</p>
Robust and integrated reporting routines	<p>School-based online reporting processes that are clearly understood by the whole school, allowing the pupils to report issues to nominated staff, for example SHARP.</p> <p>Report Abuse buttons, for example CEOP. Clear, signposted and respected routes to key members of staff. Effective use of peer mentoring and support.</p>
Staff	<p>All teaching and non-teaching staff receive regular and up-to-date training. At least one staff member has accredited training, for example CEOP, EPICT.</p>
Policies	<p>Rigorous e-safety policies and procedures are in place, written in plain English, contributed to by the whole school, updated regularly and ratified by governors.</p> <p>The e-safety policy should be integrated with other relevant policies such as behaviour, safeguarding and anti-bullying.</p> <p>The e-safety policy should incorporate an Acceptable Usage Policy that is signed by pupils and/or parents as well as all staff and respected by all.</p>
Education	<p>A progressive curriculum that is flexible, relevant and engages pupils' interest; that is used to promote e-safety through teaching pupils how to stay safe, how to protect themselves from harm and how to take responsibility for their own and others' safety.</p> <p>Positive rewards are used to cultivate positive and responsible use. Peer mentoring programmes.</p>
Infrastructure	<p>Recognised Internet Service Provider or RBC together with age/maturity related filtering that is actively monitored.</p>
Monitoring and Evaluation	<p>Risk assessment taken seriously and used to good effect in promoting e-safety.</p> <p>Using data effectively to assess the impact of e-safety practice and how this informs strategy.</p>
Management of Personal Data	<p>The impact level of personal data is understood and data is managed securely and in accordance with the statutory requirements of the Data Protection Act 1998.</p>

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## Committee: Cabinet

Date: 14 September 2015

Wards: All

### Subject: Adult Education Commissioning Update

Lead officer: Simon Williams, Director of Community and Housing

Lead member: Councillor Martin Whelton, Cabinet Member for Education

Contact Officer: Gareth Young / Karin Lane, Community and Housing Business Partner

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#### Recommendations:

- A. That Cabinet note the progress made so far in moving to a commissioning model for adult education and the recent Skills Funding Agency announcement of further in year budget cuts
  - B. That Cabinet agree to the procurement exercise commencing as outlined in this paper
  - C. That the Whatley Avenue site is not made available as part of the procurement process for the newly commissioned adult education service
  - D. That the Integrated Property Team (IPT) looks at alternative uses for the site.
- 

#### 1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. Subsequent to the Cabinet decision on the 16<sup>th</sup> February to move to a commissioning model for adult education, officers have been working to implement that decision.
- 1.2. This paper provides an update of progress made so far and provides details of a soft market testing exercise which has given the council a better sense of the market available to provide these services
- 1.3. The soft market test confirmed that there is a vibrant market for the council to commission adult education services, and that a formal procurement that involves a mix of small procurement lots and a larger lot was reasonable.
- 1.4. As part of this exercise the Council tested whether the market needed the Whatley Avenue site to be included within the tendering process in order to make bids viable.
- 1.5. The results of this exercise, further procurement advice, and other wider considerations lead to the recommendation that officers should launch the formal stage of the procurement process without including the Whatley Avenue site. These are outlined in detail in paragraph 2.23 and in summary are as follows:
  - Through our soft market testing exercise some potential providers acknowledged interest in the site but all bidders confirmed that a decision about the inclusion of the site would not influence their intention to bid.
  - In light of this, undertaking a process where it isn't clear whether a major asset is included or not leads to complications in the fair assessment of the bids
  - The site maintains a considerable cost either to providers or to the council, and including it within the bidding process is likely to make the bids offer less value for money or leave residual cost with the local authority. This is particularly relevant in the context of successive reductions in funding for the service.
  - There are potential wider opportunities from releasing the site for other purposes
- 1.6. Since carrying out the soft market testing the Skills Funding Agency (SFA) have announced a further in year funding cut of £118,540. This further supports the doubts about the financial viability of the in-house service and supports the decision for a commissioned service which can drive financial efficiencies and provide the widest

range of provision for the available funding... This “more for less” principle” is central to the commissioning process.

## **2 DETAILS**

- 2.1. On the 16<sup>th</sup> February Cabinet agreed that the Council move to become a commissioner of adult education.
- 2.2. This decision was subsequently confirmed at the Scrutiny Commission on March 10<sup>th</sup>.
- 2.3. Subsequently, officers have been working to implement this decision.
- 2.4. Activities undertaken since that decision in March include:
  - (i) Appointment of a Project Manager
  - (ii) Launch of a restructure to form a new commissioning function
  - (iii) The establishment of a soft market testing exercise which has engaged with 29 potential providers
- 2.5. Officers are now approaching the point when they intend to launch the formal Invitation to Tenders (ITT) for the various tenders. The intention is to launch these, subject to Cabinet approval, in September.
- 2.6. As part of that tender process we are required to indicate to the market whether or not the Whatley Avenue site is available as part of any provider’s bid. After consideration of the issues we are recommending that the site is not included as part of the tendering process.

### Funding update

- 2.7. On the 20th July the Skills Funding Agency (SFA) announced an in year reduction of funding for Merton Adult Education (MAE) of £118,540. This is in addition to the £71,000 cut made in December 2014.
- 2.8. This reduces the amount of funding that Merton has available to spend on adult education and will impact the amount of services that can be commissioned. It should be noted that these are in year reductions and may be followed by even more reductions when the SFA announces their 2016/17 funding in spring 2016 following the Government’s Comprehensive Spending Review (CSR) in the autumn of this year
- 2.9. As such, officers have taken the following actions:
  - Kept one role within the commissioning team vacant allowing us to keep the costs of commissioning as low as possible whilst still meeting Ofsted requirements
  - Kept a number of vacancies within the MAE structure, thus reducing staff costs and the size of the transferring liability
  - Revisited the tender structure to ensure that the process is delivering as efficient a service mix as possible
- 2.10. The service, and indeed many of the providers within the market from which we are commissioning, is facing an unprecedented funding challenge. We hope that the above actions will help us manage this uncertainty as smoothly as possible.

### Soft Market Testing Exercise

- 2.11. As the first stage in the commissioning process officers conducted a soft market testing exercise. This involved engaging with potential bidders to test the potential approaches and ensure that there is both a robust market for the services we wish to procure and that the market approach is designed to optimise the amount and quality of bids and ensure the best outcome to the procurement process.

- 2.12. In this case, the soft market testing exercise consisted of three elements: an online survey sent to potential providers, a bidders' day held in the Civic Centre and a series of follow up conversations with providers who expressed an interest.
- 2.13. The soft market testing was a successful exercise demonstrating that there was indeed interest from the market in bidding to provide adult education services in Merton. Key findings from the work included:
- Roughly 70% of the potential providers are registered in the UK Registered Learning Providers (UKRLP) list and 25% of that group are local providers already based in the Borough.
  - There is a strong interest from the market in many of the course offerings but particularly around the employability, Adult Skills Budget (ASB), neighbourhood learning and personal community development areas.
  - Likewise, there were no areas of potential curriculum where there was no interest and many providers were interested in all, or nearly all, provision.
  - Approximately 60% of the potential providers acknowledged an interest in utilising the Whatley Avenue site at a commercial rate, but confirmed that unavailability of the site would not be a barrier to bidding. (see 2.27 below)
  - Many of the providers who expressed an interest in the site (all but 3 or 4) were those who were interested in parts of adult education provision and thus likely to be bidding for the smaller lots. This both explains why they were interested and also whilst they were content to proceed with a bid that didn't involve the Whatley Avenue site. The few larger providers who were interested in the site either already had alternative sites in the Borough or were content to investigate alternatives.
  - The market testing also indicated that the proposed approach – which involves a mix of small procurement lots and a larger lot - was reasonable.

#### Engagement with learners

- 2.14. Subsequent to the soft market testing we have been engaging with service users to develop the service requirements that will be used to structure the procurement. User engagement will continue throughout the commissioning process.
- 2.15. Engagement to date has involved:
- Initial meetings with LDD representatives (including Mencap, Adult Social Care, Merton CIL) to discuss the shape and scope of existing provision and to determine the elements that should be retained and developed as far as possible within the new commissioned model. Further meetings to discuss the specification are planned for September including a presentation to the LD Partnership Board on the 8<sup>th</sup> September. The user group with other students will commence after term starts on the 14<sup>th</sup> September.
  - Invitations have been put out to learners through the MAE Newsletter and discussions will take place at the beginning of the new term. Further meetings to discuss the specification are planned for September.
  - Staff have been engaged through a series of briefing and Q&A sessions during July with further planned sessions at the staff conference on 8<sup>th</sup> and 9<sup>th</sup> of September. Staff at risk have had one to one discussions with HR. Finally, staff have also been involved in providing specific inputs to the service specification.
- 2.16. This work has helped us to structure the specifications documents for the procurement and have confirmed the approach proposed in this report.

## Commissioning Principles

- 2.17. When approving the move to a commissioning model of adult education Cabinet agreed a number of commissioning principles. These were:
- (i) That commissioning should look to continue the same breadth of courses currently provided. This does not mean that the courses must be the exact same year to year as needs change but that the breadth and variety should be maintained.
  - (ii) That courses should continue to be delivered within the borough
  - (iii) That the economic development and skills agendas of the council should be prevalent through the commissioning process
  - (iv) That TUPE regulations will be followed and every effort made to retain the highly valued tutors.
  - (v) That the environment and support of each provider should be assessed as part of the commissioning process
  - (vi) That adults with disabilities and their carers should be involved in the commissioning process for courses specifically tailored for them
  - (vii) That discussions about the provision of facilities for art and craft courses should involve user representatives from those courses
  - (viii) That a focus on wellbeing and aging well and on helping learners to gain employment should be key elements of the commissioning process to go alongside any focus on qualifications and learning
  - (ix) That hobbies, crafts and non-vocational skills courses should still be commissioned in line with SFA funding
  - (x) That fees should be set by the council as part of the commissioning process and controlled accordingly
  - (xi) That effort should be made to ensure provision is spread around the borough and not just located at one site, although quality and cost will remain key considerations.
  - (xii) That, where possible, services should be commissioned with not-for profit organisations
  - (xiii) That the outcomes for learners should be closely monitored to ensure that job prospects, well-being, support for vulnerable learners and safeguarding aspects are all considered as part of the commissioning cycle.
- 2.18. The procurement process is taking close consideration of these principles. For example:
- The commissioning principles were provided to all of the interested parties who attended the bidders day and were sent to all those who could not attend as part of the introductory presentation. Officers have made it clear that these will underpin their approach to commissioning both initially and on an ongoing basis. However, members should note that legal advice is that principle (xii) should not be an explicit part of the bid evaluation or selection process because of the requirement for equal treatment.
  - Officers have designed the procurement approach (see 2.20 below) to include a variety of lots, both large and small, enabling providers to develop specialist provision where appropriate for groups identified in the principles as requiring special attention. Officers have also made sure that the specification is set at a level which allows bidders to present new courses within the broad curriculum areas that were previously unavailable through a direct provision model. This ability to broaden the offer is one of the key added value aspects of the commissioning process.



- Officers will commission across both the Adult Skills Budget (qualifications) and Community Learning (non-qualification and hobby courses) areas to ensure a mixed provision.
- This approach will also help the council to provide courses that are not only in the Borough but are also spread around the Merton with different providers.
- As referenced in 2.15 officers are establishing a number of stakeholder groups of students and staff to ensure consideration of the diverse needs of our student community prior to entering into new contract arrangements.
- Considerable work is underway to ensure that officers are following the TUPE regulations and ensuring that providers understand what this means for them through the Invitation to Tender documentation.

2.19. Officers will continue to ensure that the commissioning principles underpin their work both during the procurement process and crucially after award of contracts as they work with the providers to establish the services.

### Procurement Approach

2.20. As mentioned in 2.9, the proposed procurement approach involves multiple procurements - one large tender and another tender with a number of small lots within it.

2.21. Each tender and lot will be for a different area of adult education and taken together will ensure that we are able to access a diverse provision, achieve specialist providers for specific elements of provision and also provide one large tender that provides for economies of scale and will interest and attract larger providers.

2.22. The proposed lots are still being finalised but currently it is intended to go to the market with the following lots in the smaller tender:

- LDD
- Employability
- Family Learning (English and Maths) and Wider Family Learning
- Apprenticeships and Traineeships
- The large tender which will include all other courses

2.23. Due to the changes in SFA funding, we have made the decision to reduce the number of smaller lots and focus just on those elements where smaller lots will enable us to access a wider market commensurate with the degree of specialism.

2.24. The intention is to launch these, subject to Cabinet approval, in September.

2.25. As has previously been committed, the process will ensure that all changes are made by the summer of 2016 ready for the new academic year.

### Whatley Avenue

2.26. The 16<sup>th</sup> February Cabinet paper – in paragraph 2.124 – says that ‘decisions about the site should follow decisions about the model of adult education we wish to pursue.’

2.27. The soft-market testing exercise has confirmed that on the basis that the site, if offered, would be at commercial terms, some providers expressed interest in providing adult education from Whatley Avenue, but none required the site to enable them to bid. It should also be noted that there was no indication of what commercial terms would represent in actual costs in relation to contract value. For example at current contract levels the combined value of the four smaller lots is likely to be approximately £180,000 which would not sustain the fixed overhead cost of the site.

- 2.28. The exercise has also demonstrated that there are a wide variety of alternative sites within the Borough available for the provision of adult education – and many providers keen to use these.
- 2.29. There are three options for how to proceed:
- (i) Include the site, and the cost of it, as a condition of the large lot procurement exercise. This would make all providers use the site, regardless of whether they thought it was the best option for their bid.
  - (ii) Offer the site within the large lot procurement exercise but at a pre-agreed commercial cost made public to the whole market, and invite bids that don't include the site as well as bids that do
  - (iii) Specifically do not include the site
- 2.30. The soft market testing has demonstrated that each of these options is possible but has shown that option iii) is preferable as set out below.
- 2.31. Option i) risks limiting the market. Because we know there are providers who are interested in delivering adult education from their own sites, and indeed, no providers who feel that the site is necessary to enable them to bid, it would be counter-productive to make the site mandatory. This is especially the case as there are potential alternative uses or a capital receipt available for the site, and the costs of the site would have to be factored into any bids making them potentially less good value. Additionally, mandating the use of the site, and associated fixed and semi-fixed costs, in the context of a reducing level of SFA funding presents the Council and/or the provider with increased risk. This option is not recommended.
- 2.32. Option ii) has similar risks to option i) if bidders elected to include the site in their bids. The Council could find itself in a conflicted position as both landlord and primary funder of the tenant. Additionally, including the site within the tendering process on an optional basis would present significant procurement challenges and risks. Evaluating site-inclusive and site- exclusive bids on a fair and open basis would be difficult e.g. setting a market price and demonstrating an absence of bias in the selection process. This could open up the prospect of legal challenge.
- 2.33. In addition, if at any point during or after the procurement exercise we decided that we needed the site for an alternative use we would either a) have to stop the tendering exercise and start again or b) displace the tenant provider. This would incur remedial costs and cause major reputational issues.
- 2.34. Finally option i) or ii) would frustrate one of the key benefits of commissioning as set out in 2.18 above i.e. the introduction of new varied provision through new facilities.
- 2.35. Neither option i) or ii) is optimal and option iii) has many positive reasons to support it. It is the recommended option for the following reasons:
- As mentioned above, including the site within the tendering process on either a mandatory or optional basis adds considerable risk and complexity.
  - The market has indicated that, although some providers are interested in the site, the exclusion of the site from the tender process is not a barrier to bidding.
  - On the basis that the site is not a pre-requisite to the provision of adult education there is an opportunity for the council to consider whether the site could be used for alternative purposes.
  - As mentioned in previous reports the site has substantial backlog maintenance costs of approximately £350,000 in total which, taken together with the revenue costs of the building - £140,000 before we add on a significant commercial rent - and in the context of an annual funding agreement would set a very high cost base for any provider with consequent effects on viability. This would present high risks

for both the provider and Council, particularly in the context of a reducing budget from the SFA.

- The pressures on the council's revenue and capital budgets are familiar and the Whatley Avenue site could, if sold, unlock a substantial capital receipt. The Likely Alternative Use Value (LAUV) is estimated between £1.5m and £3m.
- The site does not necessarily have to be sold and could be repurposed.

2.36. After considering the above options the recommendation is for the council to adopt option iii) and rule out the Whatley Avenue site from the procurement process.

### 3 ALTERNATIVE OPTIONS

3.1. As described above a number of options have been considered to deliver this procurement exercise, and officers have taken procurement advice to ensure that the appropriate decision is made.

3.2. Section 2.17 contains the options as relate to the site.

### 4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. Having already consulted with the public before the Cabinet decision as relates to the model of adult education, officers have now consulted the market through a process of soft-market testing. The results of this are detailed in the report.

4.2. In addition, and as detailed in 2.15 additional engagement has been undertaken with staff at MAE and learners to discuss the content of the specifications.

### 5 TIMETABLE

5.1. Subject to progress on items set out above, officers intend to commence the procurement for all lots in September. It is anticipated that contract award decisions will be presented to Cabinet in January 2016 with the new service launching in summer 2016 in time for the new academic year.

### 6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. There are funding challenges for the service. Skills Funding Agency have made significant in year budget cuts. There could be further cuts in 2016/17 and future years as a result of the outcome of the CSR.

6.2. MAE is currently forecast to over-spend by £278k.

6.3. The summary of Skills funding agency funding for 2015/16 are detailed in table below:-

Maximum Contract Values	Aug 15 - Mar 16	Apr 16 - Jul 16	Total
Adult Skills ASC-2621	£330,326	£223,594	£553,920
<i>of which must be used for 19+ Apprenticeships</i>	£8,845	£5,761	£14,606
Community Learning CL-2400	£525,585	£262,793	£788,378
Discretionary Learner Support DLS-2631	£13,087	£4,538	£17,625
24+ Advanced Learning Loans Bursary ALLC-2141	£13,330	£4,443	£17,773
<b>Total Funding for this contract</b>			<b>£1,377,696</b>

6.4. Depending on the service model of the winning provider and future grant cuts from the Skills Funding Agency there may be further financial impacts if there are redundancies or additional pension liabilities which cannot be quantified at this stage.

6.5. The recommended proposal for the service is not to offer any accommodation currently used by the Council as part of the tender process. In addition to the Whatley Avenue site, this means that the Marlborough Hall site will not be included in any tenders but potentially could continue to be available for providers to let on an ad hoc basis.

## **7 LEGAL AND STATUTORY IMPLICATIONS**

- 7.1. The main statutory basis for the adult education service is section 15B of the Education Act 1996. This section empowers local authorities to secure the provision for their area of full-time or part-time education suitable to the requirements of persons who have attained the age of 19, including provision for persons from other areas. It includes power to secure the provision of training, including vocational, social, physical and recreational training, and of organised leisure time occupation which is provided in connection with the provision of education or training. The authority may do anything which appears to them to be necessary or expedient for the purposes of or in connection with the exercise of their functions under this section. In exercising their functions, the authority must in particular have regard to the needs of persons with learning difficulties or disabilities.
- 7.2. The authority does not therefore have a statutory duty to maintain an adult education service but must in considering whether to provide a service and what service to provide take account in particular of the needs of people with learning difficulties or disabilities.
- 7.3. In considering changes to service provision the council must also have regard to consultation responses and to its Public Sector Equality Duty.
- 7.4. Case law establishes that the Council must not rule out any alternative options prior to consultation and must take the responses to consultation conscientiously into account in finalising any proposals.
- 7.5. The Council's public sector equality duty is set out in section 149 of the Equality Act 2010, which provides that a public authority must, in the exercise of its functions, have due regard to the need to eliminate discrimination, foster good relations and advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to: (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic; (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low. Relevant protected characteristics are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.
- 7.6. To meet the public sector equality duty the authority must assess the risk and extent of any adverse impact of proposals and the ways in which such risk may be eliminated before the adoption of a proposed policy.
- 7.7. When making the decision to move to a commissioning model the council consulted with the public and conducted an Equality Analyses. The outputs from both of these pieces of work were included within the Cabinet report on the 16<sup>th</sup> February and used as part of the decision making process.
- 7.8. The proposed procurement is for services that fall within Schedule 3 of the Public Contracts Regulations 2015 and accordingly are not subject to the full rigours of the Regulations, but given the overall value of the lots, are subject to the Light Touch Regime and the Councils Contract Standing Orders and procurement must be in compliance with these.

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

- 8.1. A detailed Equalities Analysis was included as part of the Cabinet report on the 16<sup>th</sup> February. We are following the action plan agreed within that report.

**9 CRIME AND DISORDER IMPLICATIONS**

9.1. N/A

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

10.1. A detailed risk register is being maintained alongside this procurement project. This is available upon request.

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

11.1. N/A

**12 BACKGROUND PAPERS**

12.1. Adult Education in Merton - evidence and options for achieving a value for money service – Cabinet Report 16/2/15

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**Committee:** Cabinet

**Date:** 14 September 2015

**Agenda item:**

**Wards:** All

**Subject:** **Reference from Sustainable Communities Scrutiny Panel – Adult Education Commissioning Update**

Lead officer: Rebecca Redman, Scrutiny Officer

Lead member: Councillor Abigail Jones, Chair of Sustainable Communities Overview & Scrutiny Panel

Forward Plan reference number:

**Contact officer:** Rebecca Redman, Scrutiny Officer; 4035;  
Rebecca.redman@Merton.gov.uk

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## **Recommendations:**

That Cabinet consider the following recommendations made by the Sustainable Communities O&S Panel, at their meeting on 2<sup>nd</sup> September 2015, further to considering the Adult Education Commissioning Update:

- a) That Cabinet consider providing more detail (at paragraph 2.13 in the report) to explain that expressions of interest from providers in the Whatley Avenue site require further consideration, particularly regarding the scale of providers and curriculum offer, along with the costs of managing the site.
- b) That Cabinet consider all options including maintaining the Whatley Avenue site.
- c) That Cabinet ensure that the user group be appropriately consulted during the commissioning process.

## **1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 To present to Cabinet the recommendations of the Sustainable Communities O&S Panel further to undertaking pre decision scrutiny of the Adult Education Commissioning Update.

## **2. DETAILS**

- 2.1 At its meeting on 2<sup>nd</sup> September 2015, the Sustainable Communities Overview and Scrutiny Panel considered the Adult Education Commissioning Update.
- 2.2 The Sustainable Communities Overview and Scrutiny Panel received a report providing an update on the progress made so far in moving to a commissioning model for adult education and the recent Skills Funding Agency announcement of further in year budget cuts. The report also detailed recommendations for Cabinet consideration regarding the commencement of the procurement exercise, that the Whatley Avenue site no longer be included in the procurement process, and that the Integrated Property Team look at alternative uses for the site.

2.3 Members noted in the report that soft market testing findings demonstrated an interest in the Whatley Avenue site, at a commercial rate, from 60% of providers. However, none reported that the venue was an indispensable element of their tender. Members expressed their concerns regarding the recommendation made to remove Whatley Avenue from the procurement process for the newly commissioned adult education service.

### **3. FINDINGS AND RECOMMENDATIONS OF THE SUSTAINABLE COMMUNITIES OVERVIEW AND SCRUTINY PANEL**

3.1 Members wished to make the following recommendations for Cabinet consideration regarding the next stages of procurement for sites and providers for the adult education service:

- a) That Cabinet consider providing more detail (at paragraph 2.13 in the report) to explain that expressions of interest from providers in the Whatley Avenue site require further consideration, particularly regarding the scale of providers and curriculum offer along with the costs of managing the site.
- b) That Cabinet consider all options including maintaining the Whatley Avenue site.
- c) That Cabinet ensure that the user group be appropriately consulted during the commissioning process.

### **4 ALTERNATIVE OPTIONS**

4.1 Cabinet is required under the terms of the Constitution to receive, consider and respond to references from overview and scrutiny.

### **5. CONSULTATION UNDERTAKEN OR PROPOSED**

5.1 None for the purposes of this report.

### **6. TIMETABLE**

6.1 None for the purposes of this report.

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

7.1 None for the purposes of this report.

### **8. LEGAL AND STATUTORY IMPLICATIONS**

8.1 None for the purposes of this report.

### **9. CRIME AND DISORDER IMPLICATIONS**

9.1 None for the purposes of this report.

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

10.1 None for the purposes of this report.

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

11.1 None for the purposes of this report.



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

12.1 None for the purposes of this report.

**13. BACKGROUND PAPERS**

13.1 Minutes of the meeting of the Sustainable Communities Overview and Scrutiny Panel held on 2<sup>nd</sup> September 2015

Report to the Sustainable Communities Overview and Scrutiny Panel: Adult Education Commissioning Update, presented at the 2<sup>nd</sup> September 2015 meeting.

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## Cabinet

**Date: 14 September 2015**

**Subject: Draft Business Plan 2016-20**

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

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

**Contact Officer:** Paul Dale

### Recommendations:

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1. That Cabinet notes the rolled forward MTFS for 2016 - 20.
- 2 That Cabinet confirm the latest position with regards to savings already in the MTFS
- 3 That Cabinet agrees the approach to setting a balanced budget using weighted controllable expenditure for each department as the basis for the setting of targets
- 4 That Cabinet agrees the proposed departmental targets to be met from savings and income
- 5 That Cabinet agrees the timetable for the Business Plan 2016-20 including the revenue budget 2016/17, the MTFS 2016-20 and the Capital Programme for 2016-20.
- 6 That Cabinet note the process for the Service Plan 2016-20 and the progress made so far.

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### 1. Purpose of report and executive summary

- 1.1 This report presents an initial review of the Medium Term Financial Strategy and updates it for development as part of the business planning process for 2016/17.
- 1.2 The report sets out the approach towards setting a balanced budget for 2016-2020 and a draft timetable for the business planning process for 2016/17. It also proposes initial departmental targets to be met from savings and income over the four year period of the MTFS.
- 1.3 Cabinet are also asked to agree the timetable for the business planning process for 2016/17.

## Details

### 2. Medium Term Financial Strategy 2016-20

#### 2.1 Background

Council on 4 March 2015 agreed the Budget 2015/16 and MTFS 2015-19. Whilst a balanced budget was set for 2015/16 and indicated for the following two years requiring the use of reserves, there were gaps remaining in 2018/19 and beyond which need to be addressed, as shown in the following table:-

(cumulative figures)	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Budget Gap	0	0	0	14,367

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

#### 2.3 Review of Assumptions

The pay and price calculations have been reviewed using the approved budget for 2015/16.

##### 2.3.1 Pay

The current assumptions regarding pay inflation incorporated into the MTFS are

- 1.5% in each year of the MTFS

In the Summer Budget 2015, which the government presented on 8 July 2015, it was announced that public sector pay awards will be funded for a pay award of 1% for 4 years from 2016/17 onwards.

In the light of this, provision for pay inflation has been recalculated using 2015/16 budgets and the following adjustments are required:-

#### **Provision for Pay Inflation:**

	2016/17	2017/18	2018/19	2019/20
Pay inflation in MTFS (%)	1.5%	1.5%	1.5%	1.5%
Pay inflation in MTFS (cumulative £000)	1,256	2,511	3,767	5,022
Revised pay inflation (%)	1.0%	1.0%	1.0%	1.0%
Revised estimate (cumulative £000)	883	1,767	2,650	3,534
Change (cumulative £000)	(373)	(744)	(1,117)	(1,488)

### 2.3.2 Prices

The current assumptions regarding price inflation incorporated into the MTFS are

- 1.5% in each year of the MTFS

The level of inflation has fallen significantly below the Government's 2% target. The Consumer Prices Index (CPI) was unchanged in the year to June 2015 (i.e., a 12-month rate of 0.0%) compared with a 0.1% fall in the year to May 2015. The Consumer Prices Index (CPI) grew by 0.1% in the year to July 2015 up from 0.0% in the year to June 2015. A smaller fall in clothing prices on the month compared with a year ago was the main contributor to the rise in inflation. Falling prices for food and non-alcoholic beverages partially offset the rise.

In the August 2015 Inflation Report it was noted that "CPI inflation was 0.0% in June, well below the MPC's 2% target. That undershoot largely reflects external factors but domestic cost pressures have also been weak. Inflation is projected to rise around the turn of the year as past falls in energy prices begin to drop out of the annual comparison. Thereafter, domestic pressures are likely to build alongside a steady expansion in demand, which absorbs the remaining economic slack. The MPC judges that it is currently appropriate to set policy so that it is likely that inflation will return to the 2% target within two years. Conditional on a gradual rise in Bank Rate, such as that currently implied by market yields, that is judged likely to be achieved."

The provision for price inflation has been reviewed using the budgets for 2015/16. The majority of contracts are based on RPI increases and RPI annual inflation stands at 1.0% in July 2015, unchanged from June 2015. The budget for 2015/16 is therefore currently overprovided for this so it is proposed to reduce the inflation provision in 2016/17 to 0.5%

The latest projections are included in the following table:-

#### **Provision for Price Inflation:**

	2016/17	2017/18	2018/19	2019/20
Price inflation in MTFS (%)	1.5%	1.5%	1.5%	1.5%
Price inflation in MTFS (cumulative £000)	2,344	4,688	7,032	9,376
	0.5%	1.5%	1.5%	1.5%
Revised estimate (cumulative £000)	741	2,964	5,187	7,410
Change (cumulative £000)	(1,603)	(1,724)	(1,845)	(1,966)

### 2.3.3 Inflation > 1.5%:

There is also a corporate provision which is held to assist services that may experience price increases greatly in excess of the 1.5% inflation allowance

provided when setting the budget. This will only be released for specific demonstrable demand.

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Inflation exceeding 1.5%	540	536	536	536

In the Summer Budget 2015, it was announced that, from April 2016, a new National Living Wage of £7.20 an hour for those aged 25 and over will be introduced. This will rise to over £9 an hour by 2020. The impact of this on the Council's budgets is difficult to quantify as it will have a potential impact on a wide range of services which are currently outsourced, including care contracts. Employees of the council receive the London Living Wage which is currently £9.15 an hour.

The cash limiting strategy is not without risks but if the Government's 2% target levels of inflation were applied un-damped across the period then the budget gap would increase by c. £3m by 2019/20.

#### 2.3.4 Growth

The MTFs does not include any provision for growth from 2016/17 to 2019/20.

### 2.4 **Income**

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

2.4.2 As a result in the 2015/16 budget, additional income was agreed by Council on 4 March 2015: and out of savings agreed by Council of £16.591m, income proposals amounted to £2.610m (15.7%). These are summarised in the following table:-

<b>Savings met thorough Income</b>	2015/16 £000	2016//17 £000	2017/18 £000	2018/19 £000
Increase in level of charges	(34)	(1,110)	(315)	(16)
Expansion/New Service	(511)	(2,435)	1,396	415
Total	(545)	(3,545)	1,081	399

### 2.5 **Pension Fund**

2.5.1 The Pension fund demonstrated a significant reduction in deficit in 2015/16. However, the prospects for the costs of funding future year's benefits remain unclear. A revaluation will be undertaken using data at 31/3/2016. This will be implemented at 1<sup>st</sup> April 2017. It is not proposed to make any changes in assumptions about the pension fund until the valuation is clearer. There may

also be further changes to the administration of the scheme which would have an impact on the valuation.

## **2.6 Forecast of Resources and Local Government Finance Settlement**

### **2.6.1 Background**

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

2.6.2 As part of last year's Settlement, final figures were announced for 2015/16 but no forecasts were provided for 2016/17 pending the outcome of the General Election in May 2015.

2.6.3 The Comprehensive Spending Review will be published on 25 November 2015.

### **2.6.4 Summer Budget 2015**

The Summer Budget 2015 contained a number of policies which are expected to have an impact on local government but it is not possible to quantify the size and distribution of this across authorities at this stage. The Government intends to eliminate the deficit on public sector net borrowing by the end of 2019/12, one year later than previously stated in the March 2015 budget.

The budget also confirmed that protection will remain for health, education and international development and confirmed the intention to protect the defence budget, which will rise by 0.5% each year in real terms up to 2020/21. Protection of these areas will result in a larger share of the cuts falling on remaining non-protected departments including local government

### **2.6.5 Spending Review**

On 21 July 2015 the Chancellor of the Exchequer launched the Spending Review 2015 which is to be published on 25 November 2015 will set out the government's proposed investment in public services and how it intends to deliver the £20 billion further savings which it estimates will be required to eliminate the deficit by 2019/2020. Government departments have been instructed to model two scenarios of 25% and 40% of savings within their resource budgets by 2019-20 in real terms. These are the same reductions requested ahead of the Spending Review of 2010. The protection previously announced for the four areas of NHS, education, international development and defence, were confirmed.

Officers will be reviewing all available information as part of the business planning to produce as accurate forecasts of Government funding as possible.

At the moment there is potentially a wide margin of variation around the core assumptions used in the forecast.

#### 2.6.6 Funding Forecasts for 2016/17 to 2019/20

Forecasting resources for 2016/17 and beyond is fraught with difficulties since it requires making assumptions about a wide variety of variables which the Government are not prepared to release at the current time. These include indications of resources provided to Government Departments in their Departmental Expenditure Limits (DELs). The Government's protection of some departments (Overseas Aid, Education and Health) and the additional commitment to increase defence budgets will mean that other areas such as local government will continue to bear the brunt of the cuts in public sector funding.

2.6.7 The MTFs set out in Appendix 1 includes the latest forecast of resources agreed by Council in March 2015/16. The Summer Budget 2015 and commencement of the Spending Review process (to be published on 25 November 2015) have signalled that there will be changes to funding allocations for all Government departments including local government.

Details at an individual local authority level will not be available until December 2015 but some financial modelling has been carried out to produce three potential scenarios which should be used as a guide only to the possible implications for Merton's funding. The three scenarios are:-

	2016/17 'age cut in funding	2017/18 'age cut in funding	2018/19 'age cut in funding	2019/20 'age cut in funding
MTFS (Council March 2015)	(11%)	(9%)	(7%)	(4%)
Cipfa	(12%)	(12%)	(6%)	(6%)
DCLG (Smaller cut level - 25%)	(10%)	(10%)	(4%)	(4%)
DCLG (Higher Cut Level – 40%)	(15%)	(15%)	(9%)	(9%)

In all cases the cuts have been front-loaded as was the case with the previous cuts that the Government introduced in 2010.

2.6.8 The change in funding arising from each of the options is as follows and provides an indication of the range of uncertainty at the present time:-

Reduction/(Increase) in funding (Decrease)/ Increase in gap	2016/17 Change in funding £000	2017/18 Change in funding £000	2018/19 Change in funding £000	2019/20 Change in funding £000
MTFS (Council March 2015)	-	-	-	-
Cipfa	575	2,270	1,633	2,598
DCLG (Smaller cut level - 25%)	(896)	(348)	(2,019)	(1,980)
DCLG (Higher Cut Level – 40%)	2,782	6,087	6,815	8,919



2.6.9 Officers will continue to analyse all of the available information, from sources such as the Institute of Fiscal Studies (IFS) and London Councils, to produce as accurate forecasts of resources as possible. This will entail making assumptions about the extent to which Government ring-fencing will continue. Figures will be updated throughout the business planning process as more information becomes available.

## 2.6.10 Local authority public health allocations 2015 to 2016 – consultation

As part of a wider government action on deficit reduction, the Department of Health (DH) has been asked to deliver savings of £200 million in the financial year 2015 to 2016 through reductions in the Public Health Grant (PHG) to local authorities (LAs).

DH's preferred option of a flat 6.2 per cent cut would mean a reduction of £40.8 million for London boroughs in 2015-16, from £657.5 million to £616.7 million.

### Merton Share of Public Health £200m in year cut in 2015-16 - London boroughs

#### Straight 6.2% cut (£m)

	PH grant allocation excluding 0-5	0-5 allocation (part year)	Total 15/16 PH allocation	Revised allocation with 6.2% cut	Cut (£m)	Cut (%)	Total allocation (% England total)
Merton	9.236	1.476	10.712	10.048	-0.664	-6.2%	0.3%

The consultation closed on 28<sup>th</sup> August 2015. Further updates will be provided throughout the Business Planning process.

## 2.7 Council Tax and Collection Fund

### 2.7.1 Council Tax

The Council Tax income forecast in the current MTFS agreed by Council in March 2015 assumes that the Council Tax Base will increase by 0.5% per year with a collection rate 97.25%. It also assumes a freeze in Council Tax over the period of the MTFS. The Government have not yet indicated whether Council Tax Freeze Grant (CTFG) will be available in 2016/17. In 2015/16 CTFG equivalent to a 1% Council Tax increase was available to participating local authorities. A 1% increase in Council Tax would increase yield by C. £0.770m.

	2010/11	2011/12	2012/13	2013/14	2014/15
In year collection	97.26%	97.45%	96.83%	97.12%	97.26%

Based on these figures, the collection rate of 97.25% included in the Council Tax Base calculation seems reasonable.

### 2.7.2 Collection Fund

The share of the collection surplus/deficit for Council Tax and NNDR based on the estimated Collection Fund balance at 31 March 2015 are summarised in the following table:-

	Estimated surplus/ (deficit) as at 31/03/15	Estimated surplus/ (deficit) as at 31/03/15	Total surplus/ (deficit) as at 31/03/15
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(655)	(655)
GLA	1,300	(262)	1,038
Merton	4,813	(393)	4,420
Total	6,113	(1,310)	4,803

2.7.3 Merton's share of the surplus (council tax) and deficit (NNDR) were built into the MTFS agreed by Council in March 2015.

2.7.4 Since then, the Council has produced its draft 2014/15 accounts as at 31 March 2015 which are currently being audited. The draft accounts for 2014/15 include the following surplus/deficit for Council Tax and NNDR as at 31 March 2015:-

	Surplus/ (deficit) as at 31/03/15 Outturn	Surplus/ (deficit) as at 31/03/15 Outturn	Total surplus/ (deficit) as at 31/03/15
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(3,102)	(3,102)
GLA	1,274	(1,241)	33
Merton	4,716	(1,862)	2,854
Total	5,990	(6,205)	(215)

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

	Surplus/ (deficit) as at 31/03/15	Surplus/ (deficit) as at 31/03/15	Total surplus/ (deficit) as at 31/03/15
	Council Tax	NNDR	
	£000	£000	£000
Central Government	N/A	(2,447)	(2,447)
GLA	(26)	(979)	(1,005)
Merton	(97)	(1,469)	(1,566)
Total	(123)	(4,895)	(5,018)

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

	Estimated Surplus/ (deficit) as at 31/03/15	Outturn Surplus/ (deficit) as at 31/03/15	Surplus/ (deficit) as at 31/03/15 Change
	£000	£000	£000
Council Tax	4,813	4,716	(97)
NNDR	(393)	(1,862)	(1,469)
Total	4,420	2,854	(1,566)

2.7.7 There is no change to the surplus/deficit figures agreed for 2015/16 as all variations are managed via the Collection Fund. However, the net deficit of £1.566m will need to be taken into account when calculating the Merton General Fund's share of any surplus/deficit due to/from the Collection Fund in 2016/17.

2.7.8 The calculation of the estimated surplus/deficit on the Collection Fund as at 31 March 2016 will be made later in the budget process when key variables are firmed up and council tax base and NNDR returns have been completed. Until this time, the reduction in the net surplus carried forward from 2015/16 of £1.566m will be included in the draft MTFS for 2016/17.

2.7.9 Business Rates Review - The Government is currently undertaking a Review of Business Rates, which is due to report by Budget 2016, and published its interim findings in the Summer Budget 2015. The review will be fiscally neutral and will be completed by the end of 2015.

The Government has committed to:

- \* consult further with stakeholders on the proposed appeals system ahead of enabling legislation being considered in Parliament in the Enterprise Bill;
- \* include provisions on improved information sharing between the VOA and local authorities as part of the Enterprise Bill;

- \* continue work across Government to reduce the ratepayer burden of sharing the same information with multiple government bodies;
- \* continue work with local authorities and ratepayer representatives to further standardise billing and investigate digital channels to ease the burden on ratepayers of receiving, understanding and paying business rates bills.

The government commits to making these improvements by 2017.

2.7.10 The Government has confirmed the valuation date for the 2017 Business Rates Revaluation will be the 1st April 2015. This means that the Rateable Value (RV) for all commercial premises will be revalued having regard to their rental values as at the 1st April 2015. At revaluation, the multipliers are revised so that the overall national business rates bill only changes in line with inflation.

## 2.8 Capital Financing.

2.8.1 In setting the 2015/16 budget substantial savings on the revenue budget were achieved by using capital receipts to finance all assets with lives below 8 years. It is proposed for 2016/17 onwards to extend this to utilising all capital receipts on the existing programme.

## 2.9 Re-priced MTFS 2016-20

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

- reducing the provision for general price inflation to 0.5% in 2016/17
- using all capital receipts to fund the capital programme
- reduction in the net surplus on the Collection fund as at 31/03/15 of £1.566m

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

(cumulative figures)	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Budget Gap	0	0	3,515	15,301

2.9.2 A more detailed MTFS is included as Appendix 1. The gap over the four year period is c. £15m which is substantial and does not make any revisions to government funding which will not be known until the provisional Local Government Finance Settlement is announced in December 2015 following central government's Spending Review which is due to be published on 25 November 2015.

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

2.9.4 The flexibility introduced to enable service departments to look at income increases and savings proposals together should result in more effective planning. It still ensures that the capacity of each department to generate income and identify expenditure reductions is reflected in the targets set.

## 2.10 Summary

2.10.1 There has been a substantial improvement in the council's strategic approach to business planning in recent years and it is important that this is maintained. Planning should be targeted towards the achievement of a balanced budget over the four year MTFS period rather than on shorter time. The progress made in reducing the gap to more manageable levels has to be continued this year.

2.10.2 Progress made in recent years in identifying savings over the whole period of the MTFS has reduced pressure on services to make short-term, non-strategic cuts. However, because there is still a sizeable gap over the four year period, and there has been some use of one-off reserves (amounting to £5.8m in the current MTFS) there is a need to set savings targets aimed at eliminating this gap on an ongoing basis.

## 3. Approach to Setting a Balanced Budget

3.1 This is the initial report on the business planning process for 2016/17 and there is a great deal of work to be done, including the following key areas that are expected to be at the forefront.

- a) Review of Outturn 2014/15 and Current Budget and Spending 2015/16  
There may be issues identified during the final accounts process and from monthly monitoring that have on-going financial implications which need to be addressed in setting the budget for 2016-20.
- b) Review of Central Items  
All central items will be closely reviewed to assess the implications for 2016-2020.
- c) Further Departmental Savings/Income Targets  
Initial targets have been set for departments to identify savings and/or income proposals for c. £14m. Details of the draft targets set are included in paragraph 3.4.

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

- d) Review of funding  
It is too soon in the financial year to accurately predict what the ongoing impact, particularly over a four year period, will be but the information will be updated during the business planning process.

e) Capital Programme 2016-20

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

3.2 Formula Grant and Business Rates Retention

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

3.3 Savings agreed and incorporated into the MTFS

3.3.1 As indicated in paragraph 2.8, the draft budgets in 2016/17 and 2017/18 are currently balanced assuming that departments achieve the savings/income proposals previously agreed by Council. The MTFS includes the following amounts for previously agreed savings/income proposals:-

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Savings in MTFS (cumulative)	15,960	21,392	22,540	22,540

3.3.2 However, it is also dependent on pre agreed savings for 2014/15 and 2015/16 being achieved and as reported to the Overview and Scrutiny Commission's Financial Monitoring Task Group on 22 July 2015 this is not currently the case. The draft final accounts show that there was a shortfall for 2014/15 with an ongoing shortfall of £0.180m expected for 2015/16. At the end of 31 July 2015, there is a shortfall for 2015/16 savings of £0.424m forecast.

Department	Target Savings 2014/15	2014/15 Actual Shortfall	15/16 Shortfall expected	Target Savings 2015/16	2015/16 Period 3 Forecast Shortfall	2015/16 Forecast Shortfall in delivery of 2014/15 and 2015/16 savings
	£000's	£000's	£000's	£000's	£000's	£000's
Corporate Services	1,650	(58)	0	1,170	(71)	(71)
Children Schools & Families	860	(40)	0	781	0	0
Community & Housing	2,465	(2,426)	(971)	2,154	(377)	(1,348)
Environment & Regeneration	784	(504)	(11)	978	(3,356)	(3,367)
<b>Total</b>	<b>5,759</b>	<b>(3,028)</b>	<b>(982)</b>	<b>5,083</b>	<b>(3,804)</b>	<b>(4,786)</b>

It is imperative that firm discipline is maintained in delivering savings and departments should be beginning the planning for delivering 2016/17 savings now. Where difficulties are foreseen with achieving any of the savings currently incorporated into the MTFs, then alternative measures must be identified before the 2016/17 budget is set.

- 3.3.3 In addition to reviewing savings, the impact of changes in capital financing, potential changes in grant income and adjusting profiling of planned use of reserves will be utilised to assist in balancing the budget. All potential avenues will be reviewed and modelled throughout the Business Planning process.
- 3.3.4 Some savings will however be required to balance budgets over the period of the MTFs and draft targets are proposed for this. Draft proposals will be brought forward during the budget process and subject to scrutiny as has been the case in previous years.
- 3.3.5 It should also be recognised that in setting the 2015/16 budget not all savings targets were achieved. Prior to modelling options against the controllable budgets will be the identification by departments of the underachieved 2014/15 and future year targets where reductions were not agreed by members.

### 3.4 Savings Targets for 2016-20

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

<b>SERVICE DEPARTMENT'S SAVINGS TARGETS FOR 2016-2020 BUSINESS PLANNING PROCESS</b>	<b>Total £000</b>
Corporate Services	2,072
Children, Schools & Families	2,393
Environment & Regeneration	6,199
Community & Housing	3,384
<b>Total Savings/Income Proposals</b>	<b>14,048</b>

3.4.3 In order to achieve a balanced budget over the whole MTFS period 2016-20 additional savings will be required. Based on the table in paragraph 2.9.1, the amount needed to balance is £1.253m (£15.301m - £14.048m). Using the weighted controllable budgets, the targets for each department are set out in the following table:-

<b>DEPARTMENTAL SAVINGS TARGETS USING 2015/16 CONTROLLABLE BUDGETS</b>	<b>Controllable Expenditure 2015/16 £000</b>	<b>Weighting by dept. No.</b>	<b>Weighted Controllable £000</b>	<b>SAVINGS TARGET £000</b>
<b>Corporate Services</b>	<b>20,197</b>	1.50	30,296	266
<b>Children, Schools and Families</b>	<b>28,273</b>	0.75	21,205	187
<b>Environmental Services</b>	<b>27,993</b>	1.50	41,990	369
<b>Community and Housing</b>	<b>48,959</b>	1.00	48,959	431
<b>Total</b>	<b>125,423</b>		<b>142,450</b>	<b>1,253</b>

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

### 3.5 Replacement Savings

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

## 4. Capital Programme for 2016-20

4.1 Since the capital programme was approved by Council in March 2015 and the revenue implications built into the MTFS, there have been a number of amendments arising from outturn 2014/15, monthly monitoring and a review by project managers. There has been a great deal of effort made to ensure that the capital programme set is realistic, affordable and achievable within the capacity available. This has been accompanied by improved financial monitoring and modelling of the programme's costs over the period of the MTFS which has enabled the budgets for capital financing costs to be reduced and therefore scarce resources to be utilised more effectively.

4.2 It is important to ensure that the revenue and capital budgets are integrated and not considered in isolation. The revenue implications of capital expenditure can quickly grow if the capital programme is not contained within the Council's capacity to fund it over the longer term. For example, the capital financing costs of funding £1m (on longer-life assets and short-life assets financed in 2016/17) for the next four years of the MTFS would be approximately:



Capital financing costs of £1m over the MTFs period	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Longer life Assets	20	73	72	71
Short-life assets	20	236	228	220

4.3 The bidding process for 2019/20 was launched at the Capital Programme Board on 16 June 2015. Bids were due for return on 10 August 2015. Any resulting revisions to the programme and new schemes will be reported to Cabinet in October.

4.4 The current capital provision and associated revenue implications in the currently approved capital programme, based on July 2015 monitoring information and maximum use of capital receipts, are as follows:-

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Capital Programme	51,822	41,645	29,098	23,074
Revenue Implications	13,655	14,015	14,264	15,259

4.5 The potential change in the capital programme since Council in March 2015 is summarised in the following table:-

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Capital Programme:					
- As approved by Council	41,933	57,408	34,526	29,579	9,979
- Revised Position with Slippage revisions	35,423	51,822	41,645	29,098	23,074
Change	(6,510)	(5,586)	7,119	(481)	13,095
Revenue impact					
As approved by Council	13,558	14,029	15,828	17,276	18,827
Revised	13,325	13,655	14,015	14,264	15,259
Change	(233)	(374)	(1,813)	(3,012)	(3,568)

## 5. Service Planning for 2016-20

5.1 The Service planning process for 2016-20 was launched in early September 2015. A plan has been created for each council service. These plans describe what the service does, its plans for the future linked to the Target Operating Model (TOM), its key performance indicators and how its plans will take place within the budget.

5.2 There will be three versions of service plans; First Draft, Second Draft and Final.

## **6. Alternative Options**

- 6.1 The range of options available to the Council relating to the Business Plan 2016-20 and for setting a balanced revenue budget and fully financed capital programme will be presented in reports to Cabinet and Council in accordance with the agreed timetable.

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

- 7.1 All relevant bodies have been consulted.

## **8. Timetable**

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

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

- 9.1 As contained in the body of the report.
- 9.2 The Chancellor of the Exchequer launched a Spending Review on 21 July 2015 and this will be published on 25 November 2015. Overall funding allocations for local government will be notified in the review but details of provisional funding allocations for each local authority will not be known until the provisional Local Government Finance Settlement is published in mid/late December 2015.

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

- 10.1 As outlined in the report.

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

- 11.1 None for the purposes of this report, these will be dealt with as the budget is developed for 2016 – 2020.

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

- 12.1 Not applicable.

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

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

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

Appendix 1 – Draft MTFS 2016-20: Re-priced and rolled forward  
Appendix 2 – Business Plan and Service Planning Timetable 2016-20

**15. Background Papers**

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

2014/15 Budgetary Control and Final Accounts Working Papers in the Corporate Services Department.  
Budget Monitoring working papers  
MTFS working papers

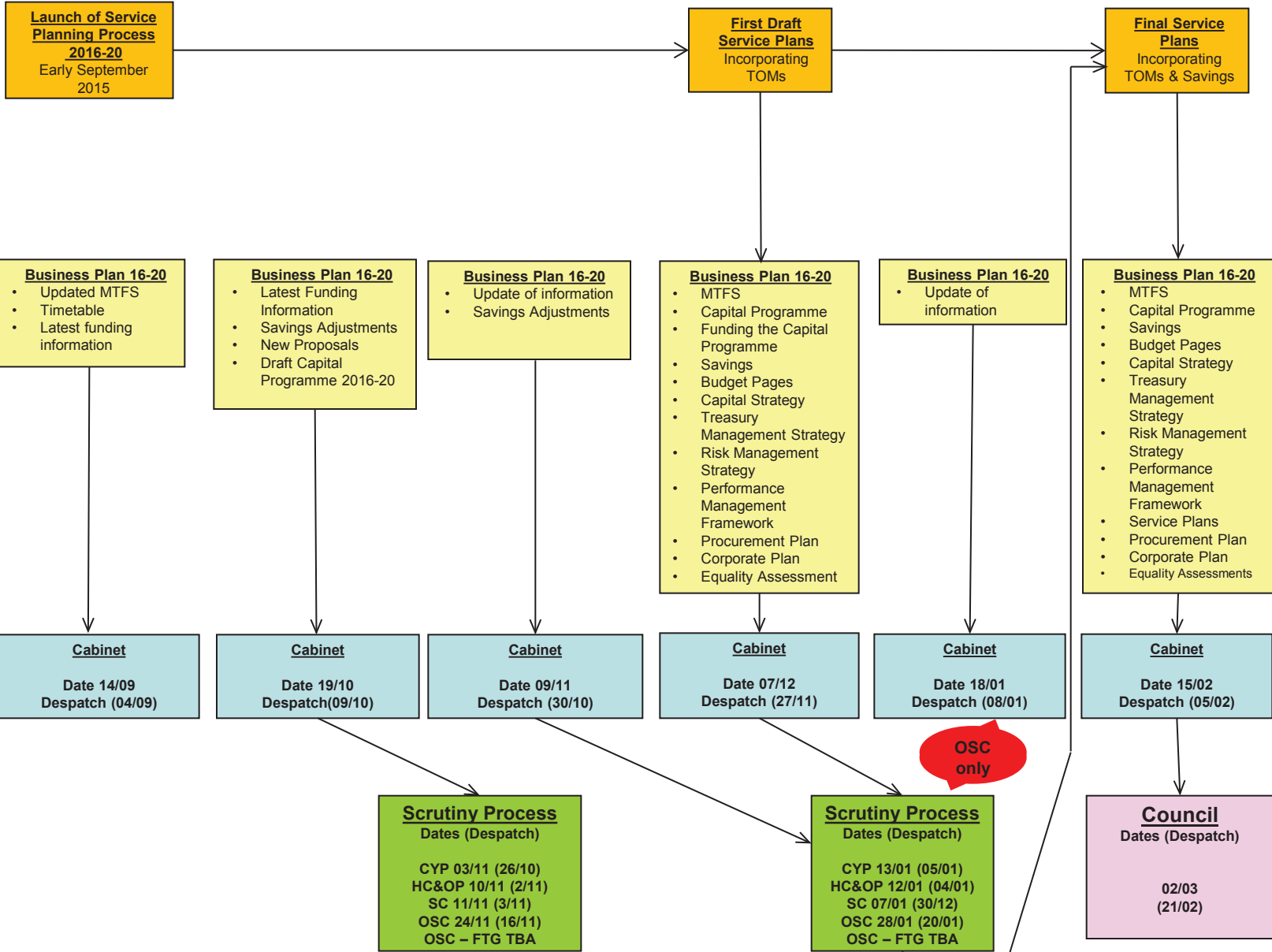
**16. REPORT AUTHOR**

- Name: Paul Dale  
- Tel: 020 8545 3458  
email: [paul.dale@merton.gov.uk](mailto:paul.dale@merton.gov.uk)

## APPENDIX 1

<b>DRAFT MTF5 2015-19: RE-PRICED AND ROLLED FORWARD</b>				
	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Departmental Base Budget 2015/16</b>	<b>150,913</b>	<b>150,913</b>	<b>150,913</b>	<b>150,913</b>
Inflation (Pay, Prices)	1,624	4,731	7,837	10,944
Autoenrolment/Nat. ins changes	1,000	2,000	2,000	2,000
FYE – Previous Years Savings	(15,902)	(21,334)	(22,482)	(22,482)
Growth	(5,260)	(5,418)	(5,887)	(4,486)
Revenuisation	(102)	(102)	(102)	(102)
Taxi card/Concessionary Fares	450	900	1,350	1,350
Other	1,622	1,692	1,765	1,841
<b>Re-Priced Departmental Budget</b>	<b>134,345</b>	<b>133,382</b>	<b>135,394</b>	<b>139,978</b>
Treasury/Capital financing	13,655	14,015	14,264	15,259
Pensions	4,395	4,592	4,799	5,015
Other Corporate items	(13,289)	(13,131)	(12,659)	(14,063)
Levies	632	632	632	632
<b>Sub-total: Corporate provisions</b>	<b>5,393</b>	<b>6,108</b>	<b>7,036</b>	<b>6,843</b>
<b>BUDGET REQUIREMENT</b>	<b>139,738</b>	<b>139,490</b>	<b>142,430</b>	<b>146,820</b>
<b>Funded by:</b>				
Revenue Support Grant	(23,161)	(16,691)	(12,256)	(10,617)
Business Rates (inc. Section 31 grant)	(34,432)	(35,121)	(35,823)	(36,540)
C. Tax Freeze Grant 2015/16	0	0	0	0
PFI Grant	(4,797)	(4,797)	(4,797)	(4,797)
New Homes Bonus	(2,904)	(2,615)	(2,294)	(968)
Council Tax inc. WPC	(77,435)	(77,821)	(78,208)	(78,598)
Collection Fund – (Surplus)/Deficit	1,566	0	0	0
<b>TOTAL FUNDING</b>	<b>(141,164)</b>	<b>(137,044)</b>	<b>(133,378)</b>	<b>(131,519)</b>
<b>GAP excluding Use of Reserves (Cumulative)</b>	<b>(1,426)</b>	<b>2,446</b>	<b>9,052</b>	<b>15,301</b>
- Use of Reserves	1,426	(2,446)	(5,538)	0
<b>GAP including Use of Reserves (Cumulative)</b>	<b>0</b>	<b>0</b>	<b>3,515</b>	<b>15,301</b>

# BUSINESS PLANNING TIMETABLE - BUSINESS PLAN 2016-20



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## Cabinet

**Date: 14 September 2015**

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

Lead officer: Paul Dale

Lead member: Mark Allison

### Recommendations:

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- A. That Cabinet note the financial reporting data relating to revenue budgetary control, showing a forecast net underspend at year end of £0.47million, 0.3% of the net budget.
- B. That Cabinet note the following capital adjustments:

Scheme	2015/16 £000s	2016/17 £000s	Narrative
Poplar Permanent Expansion	40	0	Contribution from school for landscaping works
Colliers Wood Library Re-Fit	(200)	200	Expenditure profile for the scheme now established and budgeted spend in 2016/17
Industrial Estate Investment	(550)	550	The works required under the scheme pending the outcome of the Asset Review
<b>Total</b>	<b>(710)</b>	<b>750</b>	

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the first quarter's financial monitoring report for 2015/16 presented in line with the financial reporting timetable.

This financial monitoring report provides:-

- The income and expenditure at period 3 and a full year forecast projection.
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2015/16;
- Progress on the delivery of the 2015/16 revenue savings
- An update on the delivery of 2014/15 savings

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

**Executive summary** – At the end of the first quarter to 30<sup>th</sup> June 2015 the year end forecast is net £0.47m underspend, 0.3% of the net budget.

### Summary Position as at 30 June 2015

	Current Budget 2015/16 £000s	Full Year Forecast (June) £000s	Forecast Variance at year end (June) £000s	Forecast Variance at year end-previous month (May) £000s	Outturn variance 2014/15 £000s
<b>Department</b>					
3A. Corporate Services	14,996	14,435	(561)	(813)	(691)
3B. Children, Schools and Families	51,290	52,678	1,388	1,920	2,663
3C. Community and Housing	61,555	62,567	1,012	1,222	2,774
3D. Public Health	320	137	(183)	(0)	(0)
3E. Environment & Regeneration	23,999	24,119	120	77	1,703
Overheads	0	0	0	0	0
<b>NET SERVICE EXPENDITURE</b>	<b>152,160</b>	<b>153,936</b>	<b>1,776</b>	<b>2,406</b>	<b>6,448</b>
<b>3E. Corporate Items</b>					
Impact of Capital on revenue budget	14,117	14,092	(25)	(25)	205
Central budgets	(12,186)	(14,408)	(2,222)	(1,096)	(2,817)
Levies	926	926	0	0	0
<b>TOTAL CORPORATE PROVISIONS</b>	<b>2,856</b>	<b>609</b>	<b>(2,247)</b>	<b>(1,121)</b>	<b>(2,612)</b>
<b>TOTAL GENERAL FUND</b>	<b>155,016</b>	<b>154,545</b>	<b>(471)</b>	<b>1,285</b>	<b>3,836</b>
<b>FUNDING</b>					
Revenue Support Grant	(30,425)	(30,425)	0	0	0
Business Rates	(33,686)	(33,686)	0	0	0
Other Grants	(9,434)	(9,434)	0	0	(154)
Council Tax and Collection Fund	(81,471)	(81,471)	0	0	0
<b>FUNDING</b>	<b>(155,016)</b>	<b>(155,016)</b>	<b>0</b>	<b>0</b>	<b>(154)</b>



	Current Budget 2015/16	Full Year Forecast (June)	Forecast Variance at year end (June)	Forecast Variance at year end (May)
<b>Expenditure</b>	£000	£000	£000	£000
Employees	96,576	97,537	961	668
Premises Related Expenditure	8,562	8,227	(335)	(476)
Transport Related Expenditure	13,601	13,657	56	1,459
Supplies and Services	174,169	173,537	(632)	(222)
Third Party Payments	89,060	92,216	3,156	2,114
Transfer Payments	104,029	103,841	(189)	(591)
Support Services	31,902	31,900	(2)	(2)
Depreciation and Impairment Losses	16,505	16,506	0	0
Corporate Provisions	2,856	609	(2,247)	(1,121)
<b>GROSS EXPENDITURE</b>	<b>537,260</b>	<b>538,029</b>	<b>769</b>	<b>1,830</b>
<b>Income</b>				
Government Grants	(266,025)	(265,837)	188	224
Other Grants, Reimbursements and Contribs	(25,505)	(26,675)	(1,170)	(1,105)
Customer and Client Receipts	(58,124)	(59,194)	(1,070)	(840)
Interest	(44)	(20)	24	24
Recharges	(32,547)	(32,546)	1	1
Balances	1	789	787	1,151
<b>GROSS INCOME</b>	<b>(382,244)</b>	<b>(383,484)</b>	<b>(1,239)</b>	<b>(545)</b>
<b>NET EXPENDITURE</b>	<b>155,016</b>	<b>154,545</b>	<b>(471)</b>	<b>1,285</b>

Chart 1 below shows the forecast year end variance for departmental expenditure with a comparison against 2014/15, 2013/14 and 2012/13.

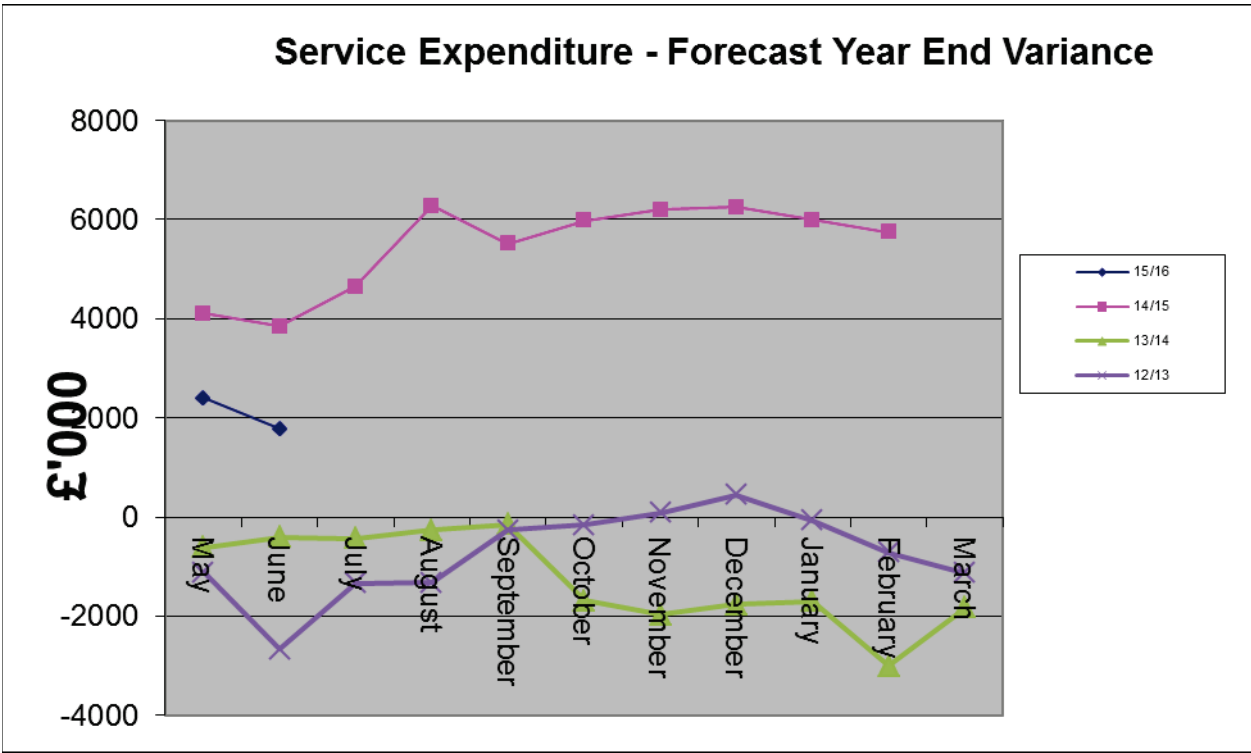
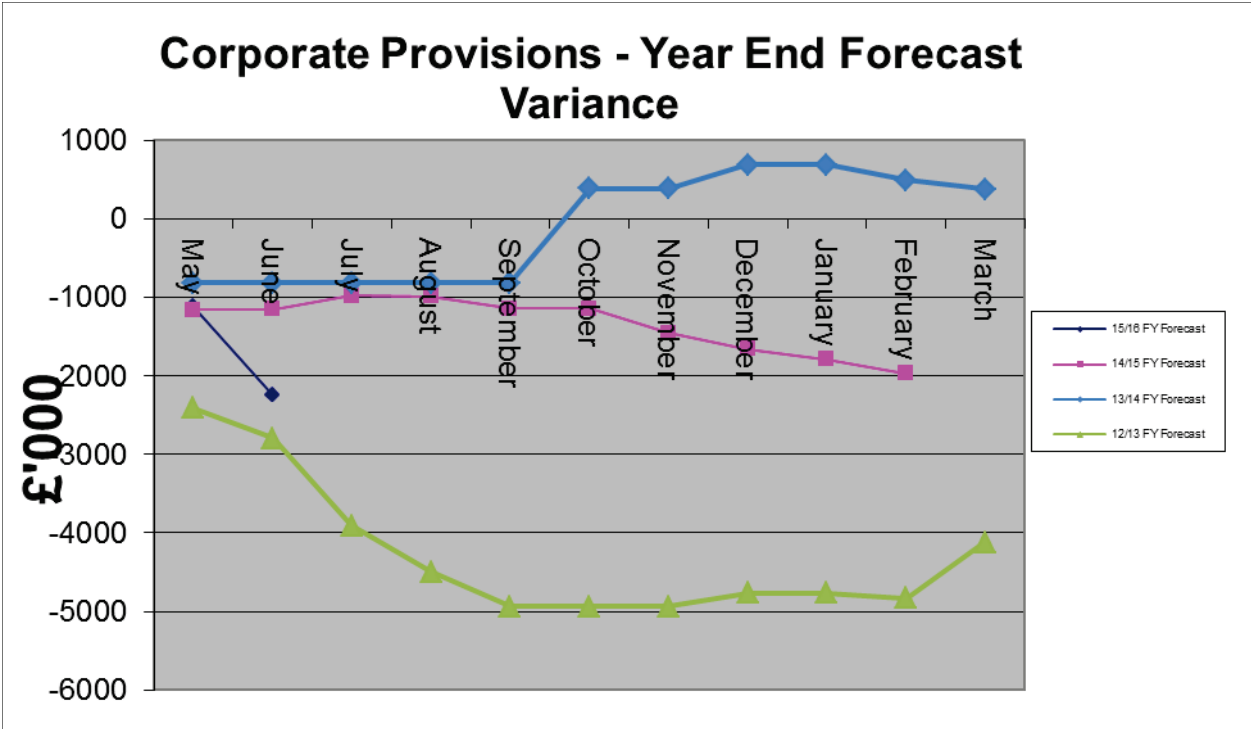


Chart 2 shows the forecast year end variance for corporate provisions with a comparison against 2014/15, 2013/14 and 2012/13.



### 3. DEPARTMENTAL SUMMARY OF CURRENT POSITION

#### Corporate Services

	2015/16 Current Budget	Full year Forecast June	Forecast variance at year end June	Forecast variance at year end May	2014/15 Outturn Variance
	£000	£000	£000	£000	£000
Business Improvement	4,776	4,696	-80	-82	-259
Infrastructure & Transactions	9,669	9,488	-181	-95	-347
Resources	7,660	7,593	-67	-48	-255
Human Resources	2,373	2,358	-15	-6	-26
Corporate Governance	3,204	3,000	-204	-298	-433
Customer Services	2,627	2,263	-364	-284	-273
Corporate Items including redundancy costs	1,295	1,645	350	0	1,320
<b>Total (controllable)</b>	<b>31,604</b>	<b>31,043</b>	<b>-561</b>	<b>-813</b>	<b>-273</b>

#### Overview

At the end of the first quarter (June 2015) the Corporate Services department are forecasting an underspend of £561k at year end.

#### Business Improvement – underspend £80k

The main reason for the forecast underspend is an overachievement of street naming income. There are some vacant posts in the new systems and development team structure due to the delay in successful recruitment but these are being offset by agency cover.

#### Infrastructure and Transactions – underspend £181k

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

#### Resources – underspend £67k

There is a forecast underspend of £100k due to vacant posts being partly offset by an overspend on insurance premiums.

#### Corporate Governance – forecast underspend £204k

There is a forecast underspend of approx. £130k following the transfer of the Benefits Investigation team to the DWP under the Single Fraud Investigation Service. There will be

an underspend in the current year due to DCLG funding but the cost of this service will increase next year. There is a forecast underspend of £35k for vacant posts and £45k for future year saving captured early.

### **Customer Services – forecast underspend £364k**

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

Additional funding received from the DWP for welfare reforms eases the pressure on the benefits and local tax team where an underspend of £60k is forecast.

The translation services are forecasting an overachievement of income of £30k.

### **Corporate items - forecast overspend £350k**

The forecast overspend of £350k is to provide for a loss of subsidy for the 2015/16 housing benefits grant claim audit based on the results of the previous audit.

Although the forecast for redundancies is in line with budget, the year to date spend on redundancy at period 3 is high compared to the budget. This will be monitored and any expected variance against budget will be reported.

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

## **Environment & Regeneration**

<b>Environment &amp; Regeneration</b>	<b>2015/16 Current Budget £000</b>	<b>Full year Forecast (June) £000</b>	<b>Forecast Variance at year end (June) £000</b>	<b>Forecast Variance at year end (May) £000</b>	<b>2014/15 Outturn Variance £000</b>
Public Protection	(9,405)	(9,536)	(131)	(203)	(53)
Sustainable Communities	12,673	12,531	(142)	(153)	203
Waste Services	15,438	15,804	366	434	1,440
Other	(876)	(876)	0	0	(291)
<b>Total (Controllable)</b>	<b>17,830</b>	<b>17,923</b>	<b>93</b>	<b>78</b>	<b>1,299</b>

Description	2015/16 Current Budget £000	Forecast Variance at year end (June) £000	Forecast Variance at year end (May) £000	2014/15 Variance at year end £000
Employee overspend within Parking Services	3,175	110	99	99
Overachievement of Customer & Client Receipts within Parking Services	(15,486)	(231)	(377)	(377)
Employee overspend within Regulatory Services	2,051	99	99	99
Overachievement of Other Grants & Contributions within Regulatory Services	(1,188)	(40)	(40)	(40)
Other	855	(69)	16	16
<b>Total for Public Protection</b>	<b>(9,405)</b>	<b>(131)</b>	<b>(203)</b>	<b>(203)</b>
Employee overspend within B&DC	1,564	169	45	200
General Supplies & Services underspend within B&DC	281	(73)	(109)	(64)
Shortfall in Building & Development Control (B&DC) income	(1,862)	90	200	(46)
Employee related overspend within Future Merton	2,632	58	117	(129)
Overspend on third party payments within Future Merton	2,937	73	(72)	64
Overachievement of Customer & Client Receipts within Future Merton	(1,527)	(73)	13	(39)
Premises related underspend within Property Management	283	(61)	(83)	32
Overachievement of rental income within Property Management	(4,042)	(198)	(111)	(181)
Underachievement of Customer & Client Receipts within Greenspaces	(1,831)	61	0	79
Employee underspend within Senior Mgmt & Support	860	(131)	(41)	(51)
Other	13,378	(57)	(99)	338
<b>Total for Sustainable Communities</b>	<b>12,673</b>	<b>(142)</b>	<b>(153)</b>	<b>203</b>
Employee overspend within Waste Services	7,546	106	264	316
Overspend on 3 <sup>rd</sup> Party Payments	6,651	462	502	909
Overachievement of Customer & Client Receipts within Waste Services	(2,357)	(131)	22	527
Other	2,722	(71)	(7)	(603)
<b>Total for Street Scene &amp; Waste</b>	<b>14,562</b>	<b>366</b>	<b>434</b>	<b>1,149</b>
<b>Total Excluding Overheads</b>	<b>17,830</b>	<b>93</b>	<b>78</b>	<b>1,299</b>

### Overview

The department is currently forecasting an overspend of £93k at year end. The main areas of variance are Waste Services, Parking Services, Greenspaces, Property management, and Building & Development Control.

## **Pressures**

### **Public Protection**

#### **Parking Services**

The section is currently forecasting an underspend of £134k mainly due to off-street parking and bay suspension income (£107k), and income from Tramtrack for occupying parking bays in Queens Road car park under licence until mid-October whilst rail improvements at Wimbledon station are carried out (£118k). This is being partially offset by an employee overspend of £110k.

### **Sustainable Communities**

#### **Building & Development Control**

The section is currently forecasting an overspend of £156k mainly due to an employee overspend of £169k, and an underachievement of income of £90k. This is partially offset by an underspend of £73k in supplies and services.

The employee overspend is the result of both the additional temporary staff for the agreed 2-year fixed term enhancement of the service, and the use of agency staff (which are more costly) to cover vacancies whilst a commercial plan is being finalised to improve the market share and competitiveness of the building control service.

#### **Property Management**

The section is currently forecasting an underspend of £250k. This is as a result of exceeding their commercial rental income expectations by £198k due to a current high occupancy rate. There is also an NNDR related underspend of £70k whereby the authority is not currently liable for the fee.

#### **Future Merton**

The employee overspend is in relation to the recent restructure between Future Merton and Traffic & Highways, which commenced in May. Therefore, due to notice periods, protected allowances and only a part-year effect seen during this year, the full effect of this saving will not be realised this year.

However, it is expected that this pressure will, in the main, be mitigated from underspends elsewhere within the section.

#### **Greenspaces**

The section is currently forecasting an overspend of £77k, which is mainly as a result of an underachievement of internment income (£35k), sports income (£61k), income relating to rents (£45k), and the hiring of openspaces e.g. Wimbledon Park athletics track (£20k).

## **Street Scene & Waste**

### **Waste Services**

The section is currently forecasting an overspend of £367k, which is mainly due to the ongoing operational and disposal costs associated with the management of the HRRC and transfer station (£603k). Although the site will be under new management from October, this overspend is due to the part year effect of the current arrangements. However, it is expected that this pressure will not reoccur next year.

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

In addition, the section is currently projecting an employee related overspend of about £106k. This is as a result of a combination of issues, including the need to realign the budget 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. Actions are being taken in order to reduce this overspend wherever possible, including an action plan to reduce the level of sick leave absence, and not covering absences with agency staff where this does not impact on service delivery.

Waste Operations are currently reviewing the service provision for weekend working (Saturday) with the aim of reducing agency spend. The section is also assessing the financial viability of procuring two additional vehicles to mitigate the need for overtime to cover mechanical breakdowns.

These overspends are expected to be partially mitigated from an overachievement of income, more specifically regarding the sale of textiles and litter enforcement.

Monthly meetings have been scheduled with the Head of Service and Director of E&R to monitor the financial pressures.

### **Management Action**

The department is looking into potential actions to mitigate the budget pressures where possible, and all managers are aware of the need to contain expenditure and maximise income wherever possible. Corporate guidance regarding the filling of vacant posts is strictly adhered to.

## Children Schools and Families

Children, Schools and Families	2015/16 Current Budget £000	Full year Forecast (Jun) £000	Forecast Variance at year end (Jun) £000	Forecast Variance at year end (May) £000	2014/15 Variance at year end £000
Commissioning, Strategy and Performance	8,763	9,732	969	509	1,287
Education	16,346	17,279	134	1,334	953
Social Care and Youth Inclusion	11,494	12,006	512	77	580
Public Health contribution	0	(328)	(328)	0	(415)
PFI	7,983	8,084	101	0	6
Redundancy costs	2,091	2,091	0	0	39
<b>Total (controllable)</b>	<b>46,677</b>	<b>48,864</b>	<b>1,388</b>	<b>1,920</b>	<b>2,450</b>

### Overview

At the end of June Children Schools and Families had a forecast overspend of £1.388m on local authority funded services. Although the department received growth for placements, this was not sufficient to cover to total shortfall caused by the increased birth rate and additional burdens from central government. An additional budget allocation of £799k for transport cost has also been included in this month's forecast. The overspend has also been netted down by one off Public Health money of £328k making the underlying overspend £1.716m, (£1.920m last month) a reduction of £204k. Hence, on a like for like bases, there has been an increase in the projected overspend of £595k since May.

There is a potential risk of an in-year claw back on the Public Health grant allocation as a result of the recent budget announcement by the chancellor, estimated nationally as £200m. Details of how this will be allocated across PH grants or how it will be taken back in year have not been agreed. Estimate is around 7% of the grant allocation (£646k). This may affect the funding allocated to CSF.

### 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	Jun £000	May £000	2014/15 £000
Fostering and residential placements (ART)	4,845	733	691	1,052
Supported lodgings/housing	629	294	137	427
Un-accompanied asylum seeking children (UASC)	60	336	0	193
Procurement & School organisation	545	(325)	(325)	(128)
Other small over and underspends	2,684	(69)	6	(257)
<b>Subtotal Commissioning, Strategy and Performance</b>	<b>8,763</b>	<b>969</b>	<b>509</b>	<b>1,287</b>
SEN Transport	2,809	42	1,210	1,165
Children with disabilities team (CWD) staffing	526	123	9	24
Other small over and underspends	13,011	(31)	115	(236)
<b>Subtotal Education</b>	<b>16,346</b>	<b>134</b>	<b>1,334</b>	<b>953</b>
No Recourse to Public Funds (NRPF)	20	451	255	441
Independent review and service quality	526	210	0	210
Other small over and underspends	10,948	(149)	(178)	(71)
<b>Subtotal Children's Social Care and Youth Inclusion</b>	<b>11,494</b>	<b>512</b>	<b>77</b>	<b>580</b>



<b>Public Health contribution</b>	<b>0</b>	<b>(328)</b>	<b>0</b>	<b>(415)</b>
<b>Subtotal PFI</b>	<b>7,983</b>	<b>101</b>	<b>0</b>	<b>6</b>
<b>Subtotal Redundancy cost</b>	<b>2,091</b>	<b>0</b>	<b>0</b>	<b>39</b>
<b>Grand total Children, Schools and Families</b>	<b>46,677</b>	<b>1,388</b>	<b>1,920</b>	<b>2,450</b>

### Commissioning, Strategy and Performance Division

While the numbers of Looked After Children (LAC) remain relatively stable, the complexity of a significant proportion of cases is causing the net overspend of £733k. There have been 3 children accommodated with very complex and relatively high cost needs this financial year. This includes on-going pressures on independent agency fostering of £88k, in-house fostering of £411k and residential placements of £375k which is offset by underspends in mother and baby placements of £39k and secure accommodation costs of £102k.

The budget for semi-independent and supported lodgings/housing placements is estimated to overspend by £294k. This budget is used to finance placements for young people aged 16/17 who require semi-independent provision and for Care Leavers through to independence or, in some cases, through to the age of 21. There has been an increase in forecast expenditure due to increase in caseload as some young people have now reached 18 and funding for their placement has transferred from the LAC placement into this budget. Because of their specific needs, some young people have also needed to move placements and this has resulted in increased expenditure on those placements.

The UASC payments are expected to overspend by £336k this year due to both an increase in cases and an increase in the number of claimants turning 18 which is when central government contribution towards these cases ceases.

Procurement and school organisation budgets are expected to underspend by £325k as a result of lower spend forecast on revenue budgets. This budget relates to construction projects that cannot be classified as capital. The majority of this is required for temporary classrooms due to rising pupil demand when it is not viable to provide permanent buildings. This year demand for reception year places is slightly lower than forecast so there has been no need for temporary classrooms.

There are various other small over and underspends forecast across the division netting to a £75k underspend. These combine with the items described above to arrive at the total reported divisional overspend of £969k.

### Education Division

SEN and FE transport cost are expected to overspend by £42k. This represents cost on external home to school transport as additional budget was received to balance the internal transport cost based on the June 2015 forecast.

The CWD team staffing costs is expected to overspend by £123k. As highlighted in the budget reports to Cabinet and Council, additional capacity is being kept under regular review and funded quarterly from the corporate contingency. This amount equates to two additional social workers. No additional funding has been included in this forecast yet. On top of the additional staff, the team also has to cover vacancies with agency staff.

There are various other small over and underspends forecast across the division netting to a £31k underspend. These combine with the item described above to arrive at the total reported divisional overspend of £134k.

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

The NRPF budgets are forecast to overspend by £451k for the current financial year. This increase in cost is in response to case law regarding housing families with no recourse to public funds (Zambrano & Clue cases). This is an issue across London.

The independent review and service quality team is expected to overspend by £210k. This is due to the use of agency staff to cover permanent IRO vacancies as well as additional resources above establishment to ensure appropriate caseloads to support the quality assurance function.

There are various other small over and underspends forecast across the division netting to a £149k underspend. These combine with the item described above to arrive at the total reported divisional overspend of £512k.

### **Dedicated Schools Grant**

DSG funded services is forecast to underspend by £787k. These budgets are not within the council's general fund and cannot be offset against the local authority funded budgets. Any underspend will be added to the DSG reserve and applied after consultation with Schools Forum. Variances between individual subjectives have been shown in the overall departmental analyses.

The main reasons for the forecast relates to an estimated underspend of £789k in Independent Residential School provision. This figure is expected to reduce towards year-end as additional placements are made throughout the year.

There are various other smaller over and underspends forecast across the DSG which, combined with the items above, equates to the net underspend of £787k.

### **Management Action**

#### Staffing

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

#### Placements

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

Work continues to ensure we lever in appropriate health contribution to children with complex needs and our ART service is driving down placement costs including through regional partnership commissioning.

## 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. 6 personal budgets were approved this financial year providing an on-going cost reduction of £26k.

## New burdens

There are a considerable number of duties placed on the Local Authority which have not been fully funded or not funded at all. However this still leaves a net departmental overspend of £307k. The table below highlights the estimated overspends relating to these duties:

<b>Description</b>	<b>Budget £000</b>	<b>Feb overspend forecast £000</b>	<b>Jan overspend forecast £000</b>
Supported lodgings/housing	629	294	137
Un-accompanied asylum seeking children (UASC)	60	336	0
No Recourse to Public Funds (NRPF)	20	451	255
<b>Total</b>	<b>709</b>	<b>1,081</b>	<b>392</b>

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.

# Community and Housing

## Overview

At the end of June Community and Housing is forecast to overspend by £1.012m as shown in summary table 1 below. This variance has occurred despite the Department's budget for 2015-16 including growth to protect social care services through the Better Care Fund additional funding to manage the new duties arising from the Care Act 2014 and inflation. This growth totalled £3.9m

This extra funding was not, however, sufficient to cover the total shortfall caused by non-achievement of savings increasing costs in the social care market, the new requirements imposed through the Care Act, and other new burdens such as the Cheshire West judgement on Deprivation of Liberty Safeguards. The Department also under delivered its savings in 2014-15. Therefore, the Department is complementing its existing savings plan with a number of other mitigating actions designed to manage these pressures and recoup the shortfall in savings carried forward from 2014-15. However, It seems that the 2015/16 savings will also be underachieved at this stage of the year.

<b>Table 1 Community and Housing</b>	<b>2015/16 Current Budget £000</b>	<b>Full Year Forecast (Jun) £000</b>	<b>2015/16 Forecast Variance (Jun) £000</b>	<b>2015/16 Forecast Variance (May) £000</b>	<b>2014/15 Variance at year end £000</b>
Access and Assessment	42,690	43,584	894	505	2,648
Commissioning	4,727	4,612	(115)	(101)	(221)
Direct Provision	3,966	4,411	445	628	892
Directorate	1,048	1,042	(6)	(12)	(223)
**Contribution from Public Health	0	(328)	(328)	0	(500)
<b>Adult Social Care</b>	<b>52,431</b>	<b>53,321</b>	<b>890</b>	<b>1,020</b>	<b>2,595</b>
Libraries and Heritage	2,393	2,395	2	49	4
Merton Adult Education	(180)	(3)	177	179	254
Housing General Fund	1,900	1,843	(57)	(26)	(105)
<b>Total (controllable)</b>	<b>56,544</b>	<b>57,556</b>	<b>1,012</b>	<b>1,222</b>	<b>2,748</b>

It should be noted that Adult Social Care forecast overspend has been netted down by £328k of one-off Public Health money giving an underlying overspend of £1.382m

Also a corporate settlement of £328k budget transfer has been approved to reduce the transport forecast over-spend. Hence on a like for like basis there has been an increase in the projected overspend of £466,000 since May.

**Access and Assessment - £893k over-spend**

<b>Access and Assessment</b>	<b>Forecast Variance (June) £000</b>	<b>Forecast Variance (May) £000</b>
Gross Placements overspend	2,175	1,841
Miles Re-ablement under-spend	(217)	(97)
Other A&A under-spends	(775)	(803)
<b>Sub-total Net over-spend</b>	<b>1,183</b>	<b>941</b>
Over achievement of Client Contribution	(265)	(386)
Helping People at home grant **	(25)	(50)
<b>Sub-Total over-achievement of Income</b>	<b>(290)</b>	<b>(436)</b>
<b>Total Access &amp; Assessment</b>	<b>893</b>	<b>505</b>

<u>Description</u>	<b>2015/16 Budget £000</b>	<b>Forecast Variance (Jun) £000</b>	<b>Forecast Variance (May) £000</b>	<b>2014/15 Variance at year end £000</b>
<u>Access &amp; Assessment</u>				
Gross Placements	38,570	2,175	1,841	3,689
Client & CCG Contribution Income	(11,875)	(265)	(386)	(612)
Helping People at home revenue grant	0	(25)	(50)	(75)
Miles Reablement	1,567	(217)	(97)	371
Concessionary Fares & Taxicard	9,203	(157)	(157)	(45)
Care-first	136	(129)	(129)	(117)
Other Access & Assessment	9,516	(514)	(517)	(564)
Better Care Fund – NHS Social Care Transfer Income	(4,427)	0	0	0
<b>Sub-total Access &amp; Assessment</b>	<b>42,690</b>	<b>893</b>	<b>505</b>	<b>2,648</b>
<u>Commissioning</u>				
Brokerage, Contracts, Performance & Planning & Comm	1,188	(143)	(166)	(237)
Voluntary Organisations - grants	909	(87)	(56)	138
Voluntary Organisations – Contracts	200	(23)	(23)	(24)
Voluntary Organisations – Dementia contract	230	8	8	11
Pollards Hill Contract	172	30	30	32
Supporting People Grant	2,128	100	106	(141)
Better Care Fund – NHS Social Care Transfer Income	(100)	0	0	0
<b>Sub-total Commissioning</b>	<b>4,727</b>	<b>(115)</b>	<b>(101)</b>	<b>(221)</b>
<u>Direct Provision</u>				
Day Centres – Transport	208	274	598	604
Day Centres	2,059	(14)	(97)	(58)
Supported Living	873	(8)	7	109
Residential	805	173	94	222
Mascot	382	5	0	5
Other Direct Provision	39	15	26	10
Better Care Fund – NHS Social Care Transfer Income	(400)	0	0	0
<b>Sub-total Direct Provision</b>	<b>3,966</b>	<b>773</b>	<b>628</b>	<b>892</b>
<u>Directorate</u>				
Staffing Costs	929	(6)	(12)	(223)
Adult Social Care Redesign – Projects	300	0	0	0
Care Act Implementation	1,265	0	0	0
Care Act Implementation-Grant	(865)	0	0	0
Better Care Fund – NHS Social Care Transfer Income	(181)	0	0	0
Better Care Fund – NHS Social Care Transfer Income – Care Act Implementation	(400)	0	0	0
<b>Subtotal Directorate</b>	<b>1,048</b>	<b>(6)</b>	<b>(12)</b>	<b>(223)</b>
Contribution from Public Health – Ageing Well Grants	0	(328)	0	(500)
<b>Sub-total Adult Social Care</b>	<b>52,431</b>	<b>890</b>	<b>1,020</b>	<b>2,595</b>

<u>Description</u>	2015/16 Budget £000	Forecast Variance (Jun) £000	Forecast Variance (May) £000	2014/15 Variance at year end £000
<u>Libraries</u>	2393	2	49	4
Merton Adult Education	(180)	177	179	254
<u>Housing</u>				
Temporary Accommodation	116	(7)	34	84
Homelessness Prevention	320	0	0	(127)
Housing Advice & Options	500	0	0	(7)
Housing Needs	281	(9)	(45)	(43)
Housing Strategy	139	(13)	0	(18)
Housing Supply & Development	266	(15)	0	(3)
Housing Environmental Health	227	(14)	(15)	(59)
Merton Action Single Homeless	51	0	0	0
Reserves Funding Adjustment	0	0	0	(67)
Sub-total Housing	1,900	(57)	(26)	(106)
Grand-total Community & Housing	56,544	1,012	1,222	2,648

### **Budget Pressures**

The department is facing a number of budget pressures. The main area of challenge is around social care placements and many of the below pressures feed into that one budget area. The main pressures are listed below:

- **Under achievement of savings in 2014/15 (£2.265m)** The savings programme developed for 2014/15 contained a number of savings which had high levels of risk and despite the best efforts of officers were not delivered. The savings programme for 2015/16 has been rebalanced to include a series of proposals that we believe are more deliverable, although still high risk, and managers are working to bring in additional savings to close the gap (see mitigations section below) . If these savings had been delivered then the budget for 2015/16 would be underspending despite the pressures discussed below. Similarly there are savings of £2,154m to be delivered in 2015/16. The current estimates of achievement would seem to be rather over optimistic.
- **Existing Placements Commitments (£2.175m gross and £1.183m net)** - The cost of commitments to pay for 3<sup>rd</sup> party support packages for adults/ older people with eligible support needs at the end of June 2015 was forecast to be £2.175m more than the 2015-16 budget i.e. commitments are £40.75m versus a budget of £38.6m.
- **Demographic pressures (£640k estimated pressure)** This is based on national agreed prediction systems - POPPI (Projecting Older People Population Information System) and

PANSI (Projecting Adult Needs and Service Information System), alongside specific local data such as actual young people entering adult services through transitions.

- **Price pressures (£515k)** Nationally the market in social care has shown that providers are successfully demanding increases in fees and have very limited scope for making further cash efficiencies. This is due to pressures such as clarification over the definition of minimum wage and increasing challenges in hiring staff. Merton has in recent years held fees low compared with other boroughs, for example not offering an increase for inflation for five years. However if providers can obtain better prices from neighbouring boroughs and/or the NHS, it means that Merton may have to pay more if it is to secure access to care provision.
- **New responsibilities from the Cheshire West judgement, Care Act 2014** Although the Government has provided some funding to cover the implications of the Care Act (£865k) and Cheshire West judgement around Deprivation of Liberty Assessments (DOLs) (£80k), there are risks that the costs of the Care Act may exceed this funding, and it is already clear that the costs of implementing the Cheshire West judgement are well in excess of £80k.
- **Transport costs – Day Centres (£274k)** There is an on-going overspend in the budget for transporting service as fleet transport unit costs have risen and unachievable savings have been agreed in recent years.  
A corporate budget transfer of £328k has been approved to reduce the above overspend from £602k to £274k.  
To mitigate the effects of the rise in costs Direct Provision staff have taken over escorting duties and staff use self-drive vehicles to collect some of the day service customers. Savings in the use of taxis are being achieved on an on-going basis
- **Direct Services Staffing costs (£350k)** There are a number of pressures to Direct Provision staffing costs including the on-going impact of Single Status Agreement, growth in demand for our Supported Living Service and extra costs related to the move from the Gables back to Doliffe Close.
- **NHS pressures** the pressures especially on acute hospitals are well known, and this is leading to the discharge of more people at a greater level of dependency. It can be challenging to find care packages often at short notice. As an indicator of this pressure, the number of people needing “double ups” (i.e. two carers at any one time to manage personal care for a customer) has increased.
- **Other items (£372k)** In addition to the above we have a number of other pressures including three new Ordinary residence cases (£193k) passed by neighbouring boroughs and
- Merton Adult Education is forecast to over-spend by £179k caused by in year reductions in SFA funding.

### **Management action**

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

- **Strengthened Resource Panel and cost/activity monitoring systems:** The panels now sit twice a week and there is representation from both the Brokerage and Occupational Therapy teams. Chairing arrangements have been strengthened. Every team is getting a monthly breakdown, with an aim to make it fortnightly, on its performance on activity and finance as against the required trajectory to stay within budget.
- **A savings delivery plan to ensure MTFs targets are achieved:** An over-arching savings plan exists to ensure the delivery of the savings in the MTFs and where possible exceed savings targets to recoup the savings shortfall in 2014-15. The basis plan is designed to deliver £2.234m of savings in 2015-16 in line with the MTFs and there are areas where we will



achieve more savings than originally forecast – we will continue to press these as hard as possible.

- **The ASC redesign programme to deliver the target operating model:** The Adult Social Care Redesign Programme is the Department's overarching programme to deliver our Target Operating Model, our savings plan and in response to the Care Act. This is being delivered as part of the council's corporate portfolio. This plan around 30 individual projects that taken together will redesign the way the department manages the support needs of our clients in the most efficient method and continues to support independence. Some key elements are described below:
- **Cost avoidance / delaying costs arising:** the Programme includes a review to ensure that we are using our grant funding, early intervention and universal services to support prevention and recovery.
- **Process redesign work** As part of implementing the new social care system, Mosaic, and in response to the Care Act 2014 the department is redesigning its processes to make the delivery of social care even more efficient. In addition like the rest of the Council our staff are adopting flexible and mobile work approaches to improve productivity. This will enable staff resources to be freed up to implement the Care Act 2014, work in a more integrated way with the NHS and to help us to manage the increased flow of work from the NHS..
- **Market management/shaping work:** Recognising the challenges posed by the market costs we are undertaking a number of individual negotiations with providers looking at what models of delivery we can design that will enable the services to be delivered in partnership with providers for the lowest costs. In addition, there are some areas where we feel we can negotiate even keener prices and we are actively pursuing those as well. So far these negotiations have led to increases estimated to cost £515k in 2015-16 against requested rises that we estimate would have cost at least twice this amount in 2015-16 had we agreed to the suppliers initial price increase demands. However, there are delays in updating CareFirst with agreed rates which is causing difficulties in estimating costs and will also affect migration to the new system before it goes live in October.
- **New innovative commissioning approaches:** Related to the above, as well as delivering the current savings plan and our current commissioning strategy we are working on a number of other innovative ideas to help us meet a growing need in a different way to what we currently do. Ideas being pursued include new ways of procuring access to care home placements, creating a more flexible market for domiciliary care based on personal assistants and investigating how we can use econometric tools to forecast demand even more accurately and reduce void costs.
- **Developing staff resources** Staff resources including structures are being reviewed to ensure they staff consistently work to promote and to ensure structure are affordable given the staff savings in the MTFS
- **Moving to a commissioning model for adult education** this will end the recurrent overspend in this area since Merton will simply commission as much as is available through central government funding and any other sources of funds.

## Public Health

Public Health is forecast to under-spend by £183k .

Public Health	2015/16 Budget £000	Period 3 (June) Forecast £000	Forecast Variance (June) £000	Forecast Variance (May) £000	2014/15 Final Out-turn Variance £000
PH - Directorate	1,247	1,100	(147)	(153)	(305)
PH- Contraception	713	713	0	0	(26)
PH - STI Testing and Treatment (GUM)	2,060	2,194	134	284	110
PH - SH Advice, Prevent and Promotion	217	219	2	0	(97)
PH - NHS Health check	282	282	0	0	17
PH - Falls Prevention	66	66	0	0	(1)
PH – Obesity	579	538	(41)	0	(28)
PH – Live well (including smoking cessation)	345	331	(14)	(14)	(35)
PH - Substance Misuse (drugs and alcohol)	2,100	1,997	(103)	(101)	(422)
PH - School Nursing (including National Child Measurement programme)	849	849	0	0	(4)
PH - Surveillance and Control of Infectious Diseases	10	10	0	0	(9)
PH- Determinants	160	160	0	0	0
PH - Community Services Contract Estates	284	284	0	0	0
PH - New Investments	152	138	(14)	(16)	(275)
<b>Total Public Health (controllable)</b>	<b>9,064</b>	<b>8,881</b>	<b>(183)</b>	<b>0</b>	<b>(1,075)</b>
PH – Non-Recurrent Projects funded from Reserves (Balance to be agreed )	498	498	0	0	0
<b>Total Public Health (including funding from Reserves)</b>	<b>9,562</b>	<b>9,379</b>	<b>(183)</b>	<b>0</b>	<b>(1,075)</b>

There is a potential risk of an in-year claw back on the Public Health grant allocation as a result of the recent budget announcement by the chancellor, estimated nationally as £200m. Details of how this will be allocated across PH grants or how it will be taken back in year have not been agreed. Estimate is around 7% of the grant allocation (£646k). This may affect the funding allocated to C&H and CSF.

## Corporate Items

The details comparing actual expenditure up to 30 June 2015 against budget are contained in Appendix 2. The main areas of variance as at 30 June 2015 are:-

Corporate Items	Current Budget 2015/16 £000s	Full Year Forecast (June) £000s	Forecast Variance at year end (June) £000s	Forecast Variance at year end (May) £000s	2014/15 Year end Variance £000s
Cost of borrowing	14,117	14,092	(25)	(25)	205
Use for Capital Programme	0	0	0	0	0
<b>Impact of Capital on revenue budget</b>	<b>14,117</b>	<b>14,092</b>	<b>(25)</b>	<b>(25)</b>	<b>205</b>
Investment Income	(559)	(655)	(96)	(96)	(385)
Pension Fund	5,042	5,042	0	0	(300)
Pay and Price Inflation	697	697	0	0	(883)
Contingencies and provisions	6,025	4,525	(1,500)	(1,000)	64
Income Items	(174)	(800)	(626)	0	(914)
Appropriations/Transfers	(6,712)	(6,712)	0	0	(399)
<b>Central Items</b>	<b>4,319</b>	<b>2,097</b>	<b>(2,222)</b>	<b>(1,096)</b>	<b>(2,817)</b>
Levies	926	926	0	0	0
Depreciation and Impairment	(16,506)	(16,506)	0	0	0
<b>TOTAL CORPORATE PROVISIONS</b>	<b>2,856</b>	<b>609</b>	<b>(2,247)</b>	<b>(1,121)</b>	<b>(2,612)</b>

The changes in the forecast variance at year end since the May report are:-

- a) The forecast underspend on contingencies and provisions of £1m in May was offset by a contra in service departments relating to anticipated transport overspends. These have now been removed from both corporate items and services due to the reallocation based on latest estimated outturn. The underspend on contingencies and provisions for June consists of £0.4m for loss of income arising from development of P3/P4 and £1.1m from the main contingency.
- b) The anticipated CHAS dividend of £0.174m is now forecast to be replaced by a receipt for CHAS Intellectual Property payment of £0.8m, which is the same as 2014/15. This will be reviewed in two years.

## 4. CAPITAL PROGRAMME 2015-19

### 4.1 Capital Expenditure

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

Depts.	Spend To June 2012	Spend To June 2013	Spend To June 2014	Spend To June 2015	Variance 2012 to 2015	Variance 2013 to 2015	Variance 2014 to 2015
C&H	143	755	(127)	(13)	(155)	(767)	115
CS	466	353	(122)	131	(335)	(223)	253
CSF	4,194	1,358	2,805	1,869	(2,325)	511	(936)
E&R	2,054	1,763	798	376	(1,677)	(1,387)	(422)
<b>Total Capital</b>	<b>6,856</b>	<b>4,229</b>	<b>3,354</b>	<b>2,363</b>	<b>(4,493)</b>	<b>(1,865)</b>	<b>(991)</b>

Outturn £000s	40,487	31,564	36869	
Budget £000s				46,113
Projected Spend June 15 £000s				42,176
Percentage Spend to Budget				5.13%
Percentage Spend to Outturn/Projection	16.93%	13.40%	9.10%	5.60%
Monthly Spend to Achieve Projected Outturn £				4,424

4.1.2 June is one quarter through the financial year, however, departments have only spent 5.13% of their budget or 5.60% of their forecast outturn, in the last three years spend was in the region of 10-15% of the final outturn by this point. To achieve a projected spend of 44.2m officers will need to spend just over £4.4m per month for the rest of the financial year. The table below shows that in June 2015 departments have managed to spend just over £1.9 million.

Department	Spend To May 2015 £000s	Spend To June 2015 £000s	Increase £000s
C&H	(13)	(13)	0
CS	24	131	107
CSF	436	1,869	1,432
E&R	(65)	376	441
<b>Total Capital</b>	<b>383</b>	<b>2,363</b>	<b>1,980</b>

- 4.1.3 In part the spend to June this year is suppressed by the level of accruals raised in 2014/15. The table below shows the level of capital accruals from 2012/13 to 2014/15:

Financial Year	Accruals 2012/13	Accruals 2013/14	Accruals 2014/15
<b>Total Accruals</b>	<b>1,640,057</b>	<b>2,643,541</b>	<b>4,525,170</b>

Accruals are credited to the subsequent financial year and must be offset by expenditure. The accruals raised in 2014/15 are nearly £2m higher than those raised in 2013/14.

- 4.2 The Table below shows the movement in the 2015/19 corporate capital programme since it's approval at 29 June Cabinet:

Depts	Revised Budget 15/16*	Adjustments	Revised Budget 15/16	Original Budget 16/17	Adjustments	Revised Budget 16/17	Original Budget 17/18	Variance	Revised Budget 17/18	Original Budget 18/19	Variance	Revised Budget 18/19
C&H	3,797	(200)	3,597	784	200	984	340	0	340	340	0	340
CS	8,768		8,768	4,890		4,890	2,881	0	2,881	2,757	0	2,757
CSF	15,909	40	15,949	28,911		28,911	20,979	0	20,979	20,104	0	20,104
E&R	18,349	(550)	17,799	26,242	550	26,792	10,327	0	10,327	6,379	0	6,379
<b>TOTAL</b>	<b>46,823</b>	<b>(710)</b>	<b>46,113</b>	<b>60,826</b>	<b>750</b>	<b>61,576</b>	<b>34,526</b>	<b>0</b>	<b>34,526</b>	<b>29,579</b>	<b>0</b>	<b>29,579</b>

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

### Merton Summary Capital Report - June 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Community and Housing	3,597,150	101,982	264,557	(277,236)	3,596,533	(617)
Corporate Services	8,768,310	130,949	2,249,474	(2,118,526)	5,245,466	(3,522,844)
Children Schools and Families	15,948,900	1,868,859	6,371,151	(4,502,292)	15,848,893	(100,007)
Environment and Regeneration	17,798,600	261,500	2,316,397	(2,054,897)	17,484,800	(113,800)
<b>Total Capital</b>	<b>46,112,960</b>	<b>2,363,290</b>	<b>11,201,579</b>	<b>(8,952,951)</b>	<b>42,175,692</b>	<b>(3,737,268)</b>

- a) Community and Housing – At present it is assumed that Disabled Facilities Grants will fully spend.
- b) Corporate Services – The majority of the projected variance is caused by four major corporate schemes
- the Acquisition Fund £1,542k - this budget is held corporately,
  - Bidding Fund £1,357k (subject to business cases for European Funding)

- c. Transformation Budget £197k – this budget is held corporately and vired as transformation projects are identified.
  - d. Customer Contact Programme and Document Management System projects which are being progressed under one contract are currently showing slippage of £420k. currently this is an estimate of the likely outturn for 2015/16 as the contract milestones for payments are not yet entirely confirmed
- c) Environment and Regeneration – Two small projected slippages on Transport for London Schemes account for the underspend shown.
- d) Children, Schools and Families the £100k projected slippage is on one of the Perseid schemes.

4.3 Appendix 5b details the adjustments being made to the Capital Programme this month, these are itemised in the table below:

Scheme	2015/16 £000s	2016/17 £000s	Narrative
Poplar Permanent Expansion	40	0	Contribution from school for landscaping works
Colliers Wood Library Re-Fit	(200)	200	Expenditure profile for the scheme now established and budgeted spend is in 2016/17
Industrial Estate Investment	(550)	550	Expenditure profiled for the works required under the scheme pending the outcome of the Asset Review is now in 2016/17
<b>Total</b>	<b>(710)</b>	<b>750</b>	

4.4 Appendix 5c details the change in funding the programme. Members are asked to note that available Section 106 funding has been applied against the existing programme – officers have confirmed that this application meets the conditions of the funding. The table below shows the movement in the Capital programme for 2015/16 since its approval in March 2015:

Depts.	Original Budget 15/16	Net Slippage 2014/15	Adjustments	New External Funding	New Internal Funding	Re- profiling	Revised Budget 15/16
Community and Housing	2,161	1,436	200	0		(200)	3,597
Corporate Services	7,428	2,408	(21)	0	0	(1,047)	8,768
Children Schools and Families	17,105	1,014	137	60	0	(2,367)	15,949
Environment and Regeneration	15,240	2,345	21	468	275	(550)	17,799
<b>Total</b>	<b>41,933</b>	<b>7,203</b>	<b>337</b>	<b>528</b>	<b>275</b>	<b>(4,164)</b>	<b>46,112</b>

## 5. DELIVERY OF SAVINGS FOR 2015/16

Department	Target Savings 2015/16	Projected Savings 2015/16	Period 3 Forecast Shortfall	Period 3 Forecast Shortfall
	£000's	£000's	£000's	%
Corporate Services	1,170	1,099	(71)	(6.1)%
Children Schools and Families	781	781	0	0.0%
Community and Housing	2,154	1,940	(214)	(9.9)%
Environment and Regeneration	978	839	(139)	(14.2)%
<b>Total</b>	<b>5,083</b>	<b>4,659</b>	<b>(424)</b>	<b>(8.3)%</b>

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

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

## 6. MISCELLANEOUS DEBT

6.1 The Miscellaneous Debt report as at June 2015 is attached as Appendix 9

## 7. CONSULTATION UNDERTAKEN OR PROPOSED

7.1 All relevant bodies have been consulted.

## 8. TIMETABLE

8.1 In accordance with current financial reporting timetables.

## 9. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

9.1 All relevant implications have been addressed in the report.

## 10. LEGAL AND STATUTORY IMPLICATIONS

10.1 All relevant implications have been addressed in the report.

## 11. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

11.1 Not applicable

## 12. CRIME AND DISORDER IMPLICATIONS

12.1 Not applicable

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

13.1 The emphasis placed on the delivery of revenue savings within the financial monitoring report will be enhanced during 2015/16, the risk of part non-delivery of savings is already contained on the key strategic risk register and will be kept under review.

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

Appendix 1-	Detailed monthly position table
Appendix 2 –	Detailed Corporate Items table
Appendix 3 –	Pay and Price Inflation as at June 2015
Appendix 4 –	Treasury Management: Outlook
Appendix 5a –	Current Capital Programme 2015/16
Appendix 5b –	Current Capital Programme 2015/16 – Adjustments May 2015
Appendix 5c –	Funding Current Capital Programme 2015/16 & 2016/17
Appendix 6 -	Departmental charts
Appendix 7 -	Progress on 2015/16 savings
Appendix 8-	2014/15 savings achieved and expected in 2015/16
Appendix 9	Miscellaneous Debt Update June 2015

### **15. BACKGROUND PAPERS**

15.1 Budgetary Control files held in the Corporate Services department.

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**Summary Position as at 30th  
June 2015**

APPENDIX 1

	Original Budget 2015/16	Current Budget 2015/16	Year to Date Budget (June)	Year to Date Actual (June)	Full Year Forecast (June)	Forecast Variance at year end(June)	Forecast Variance at year end- previous month (May)	Outturn Variance 2014/15
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000
<b>Department</b>	-							
3A. Corporate Services	14,025	14,996	10,148	8,681	14,435	(561)	(813)	(691)
3B. Children, Schools and Families	50,894	51,290	50,466	42,165	52,678	1,388	1,920	2,663
<b>3C. Community and Housing</b>	-							0
Adult Social Care	56,080	56,160	14,475	12,520	57,049	889	1,020	2,593
Libraries & Adult Education	3,169	3,244	1,154	1,042	3,424	180	228	281
Housing General Fund	2,151	2,151	471	87	2,094	(57)	(26)	(100)
3D. Public Health	320	320	(86)	(2,413)	137	(183)	(0)	(0)
3E. Environment & Regeneration	23,986	23,999	2,056	656	24,119	120	77	1,703
Overheads	0	0	0	0	0	0	0	0
<b>NET SERVICE EXPENDITURE</b>	<b>150,624</b>	<b>152,160</b>	<b>78,684</b>	<b>62,738</b>	<b>153,936</b>	<b>1,776</b>	<b>2,406</b>	<b>6,448</b>
<b>3E. Corporate Items</b>								
Impact of Capital on revenue budget	14,117	14,117	3,529	906	14,092	(25)	(25)	205
Other Central items	-10,651	-12,186	701	-399	-14,408	-2,222	-1,096	(2,817)
Levies	926	926	299	299	926	0	0	0
<b>TOTAL CORPORATE PROVISIONS</b>	<b>4,392</b>	<b>2,856</b>	<b>4,529</b>	<b>806</b>	<b>609</b>	<b>-2,247</b>	<b>-1,121</b>	<b>-2,612</b>
<b>TOTAL GENERAL FUND</b>	<b>155,016</b>	<b>155,016</b>	<b>83,213</b>	<b>63,544</b>	<b>154,545</b>	<b>-471</b>	<b>1,285</b>	<b>3,836</b>
<b>- Funding</b>	-							
- Business Rates	(33,686)	(33,686)	(2,117)	(2,117)	(33,686)	0	0	0
- RSG	(30,425)	(30,425)	(13,829)	(13,829)	(30,425)	0	0	0
- Council Tax Freeze Grant 2014/15	(861)	(861)	(173)	(173)	(861)	0	0	6
- Section 31 Grant	(1,134)	(1,134)	(215)	(215)	(1,134)	0	0	(160)
- New Homes Bonus	(2,642)	(2,642)	(1,221)	(1,221)	(2,642)	0	0	0
- PFI Grant	(4,797)	(4,797)	(1,199)	(1,199)	(4,797)	0	0	0
<b>Grants</b>	<b>(73,545)</b>	<b>(73,545)</b>	<b>(18,756)</b>	<b>(18,756)</b>	<b>(73,545)</b>	<b>0</b>	<b>0</b>	<b>(154)</b>
Collection Fund - Council Tax Surplus(-)/Deficit	(4,813)	(4,813)	0	0	(4,813)	0	0	0
Collection Fund - Business Rates Surplus(-) )/Deficit	393	393	0	0	393	0	0	0
<b>Council Tax</b>								
- General	(76,758)	(76,758)	0	0	(76,758)	0	0	0
- WPCC	(293)	(293)	0	0	(293)	0	0	0
<b>Council Tax and Collection Fund</b>	<b>(81,471)</b>	<b>(81,471)</b>	<b>0</b>	<b>0</b>	<b>(81,471)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUNDING</b>	<b>(155,016)</b>	<b>(155,016)</b>	<b>(18,756)</b>	<b>(18,756)</b>	<b>(155,016)</b>	<b>0</b>	<b>0</b>	<b>(154)</b>
<b>NET</b>	<b>0</b>	<b>0</b>	<b>64,458</b>	<b>44,788</b>	<b>(471)</b>	<b>(471)</b>	<b>1,285</b>	<b>3,682</b>

	Current Budget 2015/16	Year to Date Budget (June)	Year to Date Actual (June)	Full Year Forecast (June)	Forecast Variance at year end (June)	Forecast Variance at year end (May)
<b>Expenditure</b>	£000	£000	£000	£000	£000	£000
Employees	96,576	24,223	24,130	97,537	961	668
Premises Related Expenditure	8,562	3,243	1,503	8,227	(335)	(476)
Transport Related Expenditure	13,601	3,369	2,194	13,657	56	1,459
Supplies and Services	174,169	44,718	33,062	173,537	(632)	(222)
Third Party Payments	89,060	20,388	15,300	92,216	3,156	2,114
Transfer Payments	104,029	2,500	2,439	103,841	(189)	(591)
Support Services	31,902	0	0	31,900	(2)	(2)
Depreciation and Impairment Losses	16,505	515	0	16,506	0	0
Corporate Provisions	2,856	4,529	806	609	(2,247)	(1,121)
<b>GROSS EXPENDITURE</b>	<b>537,260</b>	<b>103,485</b>	<b>79,433</b>	<b>538,029</b>	<b>769</b>	<b>1,830</b>
<b>Income</b>						
Government Grants	(266,025)	(2,708)	(4,247)	(265,837)	188	224
Other Grants, Reimbursements and Contribs	(25,505)	(3,483)	(846)	(26,675)	(1,170)	(1,105)
Customer and Client Receipts	(58,124)	(12,999)	(10,773)	(59,194)	(1,070)	(840)
Interest	(44)	0	0	(20)	24	24
Recharges	(32,547)	(1,075)	0	(32,546)	1	1
Balances	1	(6)	(23)	789	787	1,151
<b>GROSS INCOME</b>	<b>(382,244)</b>	<b>(20,271)</b>	<b>(15,890)</b>	<b>(383,484)</b>	<b>(1,239)</b>	<b>(545)</b>
<b>NET EXPENDITURE</b>	<b>155,016</b>	<b>83,214</b>	<b>63,544</b>	<b>154,545</b>	<b>(471)</b>	<b>1,285</b>

**APPENDIX 2**

3E. Corporate Items	Council 2015/16 £000s	Original Budget 2015/16 £000s	Current Budget 2015/16 £000s	Year to Date Budget (June) £000s	Year to Date Actual (June) £000s	Full Year Forecast £000s	Forecast Variance at year end £000s	Forecast Variance at year end (May) £000s
Cost of Borrowing	14,117	14,117	14,117	3,529	906	14,092	(25)	(25)
Use for Capital Programme							0	0
<b>Impact of Capital on revenue budget</b>	<b>14,117</b>	<b>14,117</b>	<b>14,117</b>	<b>3,529</b>	<b>906</b>	<b>14,092</b>	<b>(25)</b>	<b>(25)</b>
<b>Investment Income</b>	<b>(559)</b>	<b>(559)</b>	<b>(559)</b>	<b>(140)</b>	<b>(88)</b>	<b>(655)</b>	<b>(96)</b>	<b>(96)</b>
<b>Pension Fund</b>	<b>5,042</b>	<b>5,042</b>	<b>5,042</b>	<b>840</b>	<b>225</b>	<b>5,042</b>	<b>0</b>	<b>0</b>
Corporate Provision for Pay Award	189	189	117		0	117	0	0
Provision for inflation in excess of 1.5%	543	543	480		0	480	0	0
Utilities Inflation Provision	100	100	100		0	100	0	0
<b>Pay and Price Inflation</b>	<b>832</b>	<b>832</b>	<b>697</b>	<b>0</b>	<b>0</b>	<b>697</b>	<b>0</b>	<b>0</b>
Contingency	1,500	1,500	1,500		0	400	(1,100)	0
Single Status/Equal Pay	100	100	100		10	100	0	0
Bad Debt Provision	500	500	500		0	500	0	0
Loss of income arising from P3/P4	400	400	400		0	0	(400)	0
Revenuisation and miscellaneous	3,525	3,525	3,525		0	3,525	0	(1,000)
<b>Contingencies and provisions</b>	<b>6,025</b>	<b>6,025</b>	<b>6,025</b>	<b>0</b>	<b>10</b>	<b>4,525</b>	<b>(1,500)</b>	<b>(1,000)</b>
Local Services Support Grant	0	0	0	0	0	0	0	0
Other	(174)	(174)	(174)	0	803	(800)	(626)	0
<b>Income items</b>	<b>(174)</b>	<b>(174)</b>	<b>(174)</b>	<b>0</b>	<b>803</b>	<b>(800)</b>	<b>(626)</b>	<b>0</b>
Appropriations: CS Reserves	(3,003)	(3,003)	(3,914)		(293)	(3,914)	0	0
Appropriations: E&R Reserves	(1,631)	(1,631)	(1,631)		0	(1,631)	0	0
Appropriations: CSF Reserves	(618)	(618)	(953)		(357)	(953)	0	0
Appropriations: C&H Reserves	(545)	(545)	(700)		(700)	(700)	0	0
Appropriations: Public Health Reserves	(320)	(320)	(320)		0	(320)	0	0
Appropriations: Corporate Reserves	806	806	806		0	806	0	0
<b>Appropriations/Transfers</b>	<b>(5,311)</b>	<b>(5,311)</b>	<b>(6,712)</b>	<b>0</b>	<b>(1,350)</b>	<b>(6,712)</b>	<b>0</b>	<b>0</b>
<b>Depreciation and Impairment</b>	<b>(16,506)</b>	<b>(16,506)</b>	<b>(16,506)</b>		<b>0</b>	<b>(16,506)</b>	<b>0</b>	<b>0</b>
<b>Central Items</b>	<b>3,466</b>	<b>3,466</b>	<b>1,931</b>	<b>4,230</b>	<b>507</b>	<b>(316)</b>	<b>(2,247)</b>	<b>(1,121)</b>
<b>Levies</b>	<b>926</b>	<b>926</b>	<b>926</b>	<b>299</b>	<b>299</b>	<b>926</b>	<b>0</b>	<b>0</b>
<b>TOTAL CORPORATE PROVISIONS</b>	<b>4,392</b>	<b>4,392</b>	<b>2,856</b>	<b>4,529</b>	<b>806</b>	<b>609</b>	<b>(2,247)</b>	<b>(1,121)</b>

Pay and Price Inflation as at June 2015

In 2015/16, the budget includes 1% for increases in pay and 1.5% for increases in general prices, with an additional amount of £0.543m which is held to assist services that may experience price increases greatly in excess of the 1.5% inflation allowance provided when setting the budget. At present it is not anticipated that there will be a significant call on this budget and it will only be released when it is certain that it will not be required.

Pay:

The pay award for 2015/16 was agreed as part of a two year settlement which ends on 31 March 2016

Prices:

The Consumer Prices Index (CPI) was unchanged in the year to June 2015 (i.e., a 12-month rate of 0.0%) compared with a 0.1% fall in the year to May 2015. Falls in clothing and food prices were the main contributors to the change in the rate along with smaller rises in air fares than a year ago. There were no large upward effects to offset the change.

CPIH grew by 0.3% in the year to June 2015, down from 0.4% in May 2015.

RPI annual inflation stands at 1.0% in June 2015, unchanged from May 2015.

Outlook for inflation:

On 9 July 2015, the Bank of England's Monetary Policy Committee (MPC) voted to maintain the Bank Base Rate at 0.5%. The Committee also voted to continue with its programme of asset purchases totalling £375 billion, financed by the issuance of central bank reserves. The MPC reached its decisions in the context of the monetary policy guidance announced alongside the publication of the August 2013 Inflation Report.

The MPC minutes will be published on 22 July.

In the May 2015 Inflation Report it was noted that "CPI inflation was 0.0% in March, well below the MPC's 2% target. That undershoot largely reflects falls in the prices of commodities and some other imported goods. Those falls will bear down on inflation for much of this year, but the path of inflation thereafter is expected to depend more on domestic cost pressures. Domestic pressures have been weak, as seen in low wage growth in recent years. They are likely to build over the forecast period, as a steady expansion in demand absorbs the remaining economic slack. The MPC judges that it is currently appropriate to set policy so that it is likely that inflation will return to the 2% target within two years. Conditional on Bank Rate following the path currently implied by market yields — such that it rises gradually over the forecast period — that is judged likely to be achieved."

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

Source: HM Treasury - Forecasts for the UK Economy (July 2015)			
	Lowest %	Highest %	Average %
2015 (Quarter 4)			
CPI	0.0	1.0	0.6
RPI	(0.2)	1.9	1.4
LFS Unemployment Rate	4.7	5.5	5.1
2016 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.2	2.7	1.8
RPI	1.5	3.6	2.8
LFS Unemployment Rate	3.6	5.5	4.9

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 projections for the calendar years 2015 to 2019 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (May2015)					
	2015	2016	2017	2018	2019
	%	%	%	%	%
CPI	0.3	1.5	1.9	1.9	1.9
RPI	1.1	2.4	3.0	3.2	3.0
LFS Unemployment Rate	5.4	5.1	5.0	4.9	4.8

## Treasury Management: Outlook

The Bank Base Rate has been kept at its low of 0.5% since March 2009. On 9 July 2015, the Bank of England's Monetary Policy Committee (MPC) voted to maintain the Bank Base Rate at 0.5%. The Committee also voted to continue with its programme of asset purchases totalling £375 billion, financed by the issuance of central bank reserves.

The MPC minutes will be published on 22 July. In the MPC minutes published on 17 June 2015 it was noted that "the Committee agreed that the path for UK monetary policy would depend on the prospects for inflation in the United Kingdom and would not be determined by the actions of other central banks.....given the likely persistence of headwinds weighing on the economy, when Bank Rate did begin to rise, it was expected to do so more gradually than in previous cycles. Moreover, the persistence of those headwinds, together with the legacy of the financial crisis, meant that Bank Rate was expected to remain below average historical levels for some time to come. The actual path Bank Rate would follow over the next few years was uncertain, and would depend on economic circumstances. "

The MPC have previously stated that in practice this means that the Committee will seek to set monetary policy so that it would be likely that inflation would return to the 2% target within two years.

In the quarterly inflation report for May 2015, the MPC noted that "that, as set out in the February 2014 Report, the interest rate required to keep the economy operating at normal levels of capacity and inflation at the target was likely to continue to rise as the effects of the financial crisis faded further. Despite this, beyond the three-year forecast horizon the yield curve had flattened further over the past year."

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

	End Q.1 2015	End Q.2 2015	End Q.3 2015	End Q.4 2015	End Q.1 2016	End Q.2 2016	End Q.3 2016	End Q.4 2016	End Q.1 2017	End Q.2 2017	End Q.3 2017	End Q.4 2017	End Q.1 2018	End Q.2 2018
May 2015		0.5	0.5	0.5	0.6	0.7	0.8	0.9	1.0	1.1	1.2	1.3	1.3	1.4
February 2015	0.4	0.4	0.5	0.5	0.6	0.6	0.7	0.8	0.9	1.0	1.0	1.1	1.1	
November '14	0.5	0.6	0.7	0.8	1.0	1.1	1.2	1.4	1.5	1.5	1.7	1.7		
August '14	0.7	0.9	1.1	1.3	1.5	1.7	1.9	2.0	2.1	2.2	2.3			

Source: Bank of England Inflation Report February 2015

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

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

- The MPC sets policy to achieve the 2% inflation target, and, subject to that, to support the Government's economic policies, including those for growth and employment.

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

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

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

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

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
<b>Adult Social Care</b>						
The Gables Mitcham	576,280	0	0	0	576,280	0
Other	133,550	617	13,470	(12,853)	132,933	(617)
<b>Libraries</b>						
Library Self Service	350,000	0	0	0	350,000	0
Colliers Wood Library Re-Fit	0	0	0	0	0	0
<b>Housing</b>						
8 Wilton Road	0	(13,296)	0	(13,296)	0	0
Western Road	875,000	0	28,752	(28,752)	875,000	0
Disabled Facilities	1,662,320	114,661	222,335	(222,335)	1,662,320	0
<b>Community and Housing Total</b>	<b>3,597,150</b>	<b>101,982</b>	<b>264,557</b>	<b>(277,236)</b>	<b>3,596,533</b>	<b>(617)</b>

## Corporate Services Summary Capital Report - June 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Business Improvement Total	2,440,570	61,283	724,232	(662,950)	2,019,940	(420,630)
Corporate Governance	880	0	880	(880)	0	(880)
Corporate Items	2,899,340	0	249,999	(249,999)	0	(2,899,340)
Facilities Management Total	1,700,280	55,197	770,953	(715,756)	1,695,276	(5,004)
IT Total	930,550	14,469	321,349	(306,880)	930,550	0
Resources	561,700	0	57,063	(57,063)	561,700	0
IT Transformation Unallocated	234,990	0	124,998	(124,998)	38,000	(196,990)
<b>Corporate Services Total</b>	<b>8,768,310</b>	<b>130,949</b>	<b>2,249,474</b>	<b>(2,118,526)</b>	<b>5,245,466</b>	<b>(3,522,844)</b>

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

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Aragon expansion	0	(11,083)	0	(11,083)	0	0
Beecholme expansion	95,000	0	23,750	(23,750)	95,000	0
Cranmer expansion	31,260	(3,845)	31,260	(35,105)	31,260	0
Joseph Hood Permanent Expansn	3,830	(2,965)	3,830	(6,795)	3,830	0
St Mary's expansion	157,080	2,254	19,870	(17,616)	157,078	(2)
All Saints/ South Wim YCC exp	3,550	3,547	3,550	(3)	3,550	0
Hillcross School Expansion	1,560,510	453,239	748,595	(295,356)	1,560,510	0
Merton Abbey Temp Accomodation	1,179,940	324,044	440,035	(115,991)	1,179,940	0
Pelham School Expansion	3,135,400	515,582	1,301,005	(785,423)	3,135,400	0
Dundonald expansion	3,106,710	207,576	1,128,015	(920,439)	3,106,712	2
Poplar Permanent Expansion	289,900	152,858	(135,609)	288,467	289,900	0
Singlegate expansion	1,412,810	46,483	572,737	(526,254)	1,412,803	(7)
Wimbledon Park expansion	70,530	(4,497)	70,530	(75,027)	70,530	0
<b>Primary Expansion</b>	<b>11,046,520</b>	<b>1,683,193</b>	<b>4,207,568</b>	<b>(2,524,375)</b>	<b>11,046,513</b>	<b>(7)</b>



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

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Devolved Formula Capital	568,830	90,438	145,986	(55,548)	568,830	0
Early Years	0	(59,158)	0	(59,158)	0	0
Free School Meals	193,080	0	90,580	(90,580)	193,080	0
Cricket Green Site	137,470	300	39,932	(39,632)	137,470	0
Primary school autism unit	1,145,240	0	803,139	(803,139)	1,145,240	0
Breaks-disabled children grant	0	(7,242)	0	(7,242)	0	0
Perseid	1,239,680	169,814	301,978	(132,164)	1,139,680	(100,000)
Secondary School Autism Unit	0	0	77,499	(77,499)	0	0
Schs Cap Maint & Accessibility	738,860	(7,486)	251,360	(258,846)	738,860	0
B631 - Solar PV Raynes Prk Pav	0	(1,000)	0	(1,000)	0	0
Raynes Park Sports Pavilion	4,770	0	4,770	(4,770)	4,770	0
Secondary School expansion	770,000	0	387,499	(387,499)	770,000	0
Expansion Inflation Contingency	0	0	8,615	(8,615)	0	0
Schools Equipment Loans	104,450	0	52,225	(52,225)	104,450	0
	<b>4,902,380</b>	<b>185,666</b>	<b>2,163,583</b>	<b>(1,977,917)</b>	<b>4,802,380</b>	<b>(100,000)</b>
<b>Children Schools and Families</b>	<b>15,948,900</b>	<b>1,868,859</b>	<b>6,371,151</b>	<b>(4,502,292)</b>	<b>15,848,893</b>	<b>(100,007)</b>

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

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Footways Planned Works	1,060,000	44,180	44,181	(1)	1,060,000	0
Greenspaces	1,398,710	81,499	118,140	(36,641)	1,398,710	0
Highways General Planned Works	462,460	(10,842)	25,875	(36,717)	462,460	0
Highways Planned Road Works	1,500,000	12,150	12,150	0	1,500,000	0
Leisure Centres	1,328,760	1,555	73,080	(71,525)	1,328,760	0
Other E&R	93,260	24,965	42,760	(17,795)	93,260	0
On and Off Street Parking	20,140	10,236	20,140	(9,904)	20,140	0
Plans and Projects	25,740	0	25,740	(25,740)	25,740	0
Regeneration Partnerships	5,473,890	8,784	1,269,228	(1,260,444)	5,573,890	(100,000)
Street Lighting	600,000	0	10,000	(10,000)	200,000	0
Street Scene	340,690	29,078	50,000	(20,922)	340,690	0
Transport for London	2,636,230	109,953	263,510	(153,557)	2,622,430	(13,800)
Traffic and Parking Management	1,462,630	1,376	306,790	(305,414)	1,462,630	0
Transport and Plant	877,690	(52,757)	(11,172)	(41,585)	877,690	0
Safer Merton - CCTV & ASB	300,000	0	0	0	300,000	0
Waste Operations	218,400	1,323	65,975	(64,652)	218,400	0
<b>Environment and Regeneration</b>	<b>17,798,600</b>	<b>261,500</b>	<b>2,316,397</b>	<b>(2,054,897)</b>	<b>17,484,800</b>	<b>(113,800)</b>

## Virement, Re-profiling and New Funding

Appendix 5b

	2015/16 Budget	Adjusted & New Funding	Reprofiling	Revised 2015/16 Budget	2016/17 Budget	Reprofiling	Revised 2016/17 Budget
<b>Corporate Services</b>	£	£	£	£	£	£	£
<b>Children, Schools &amp; Families</b>							
Poplar Permanent Expansion (1)	249,900	40,000		289,900	0	0	0
<b>Community &amp; Housing</b>							
Colliers Wood Library Re-Fit	200,000		(200,000)	0	0	200,000	200,000
<b>Environment &amp; Regeneration</b>							
Industrial Estate Investment	550,000		(550,000)	0	0	550,000	550,000
<b>Total</b>	<b>999,900</b>	<b>40,000</b>	<b>(750,000)</b>	<b>289,900</b>	<b>0</b>	<b>750,000</b>	<b>750,000</b>

## Capital Programme Funding Summary 2015/16

Appendix 5c

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
<b>Cabinet - 29 June 2015</b>	<b>22,836</b>	<b>23,987</b>	<b>46,823</b>
Poplar	0	40	<b>40</b>
ReFit of Colliers Wood Library	(200)	0	<b>(200)</b>
Industrial Estate Investment	(550)	0	<b>(550)</b>
<b>Cabinet - Sept June 2015 Monitoring</b>	<b>22,086</b>	<b>24,027</b>	<b>46,113</b>

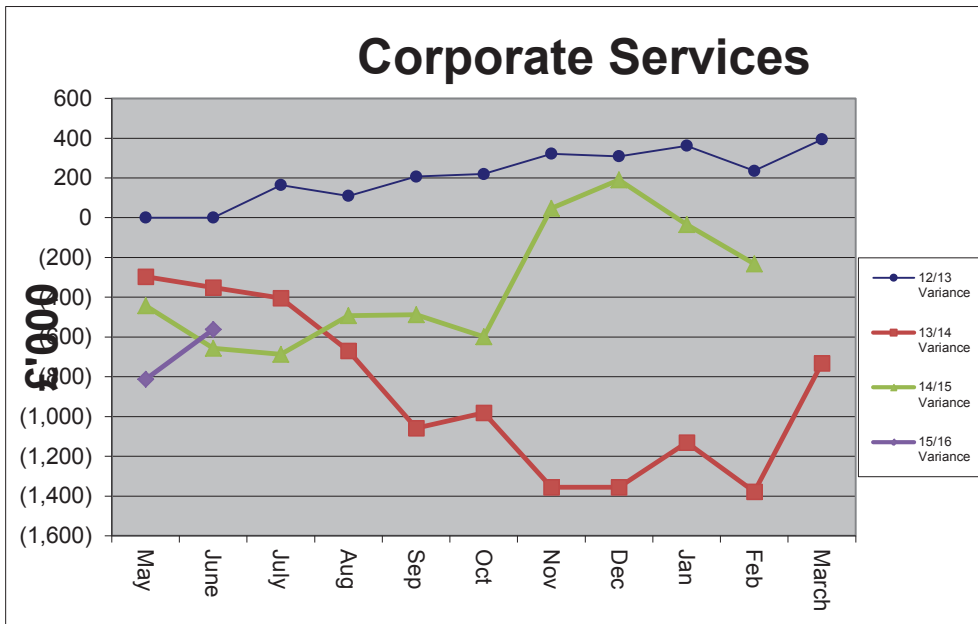
## Capital Programme Funding Summary 2016/17

Appendix 5c

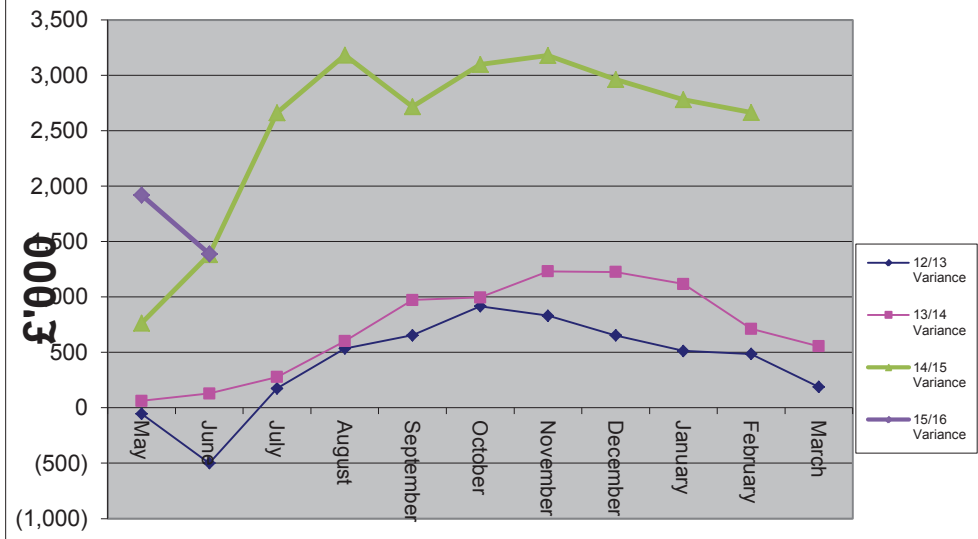
	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
<b>Cabinet - 29 June 2015</b>	<b>48,619</b>	<b>12,207</b>	<b>60,826</b>
ReFit of Colliers Wood Library	200	0	<b>200</b>
Industrial Estate Investment	550		<b>550</b>
<b>Cabinet - Sept June 2015 Monitoring</b>	<b>49,369</b>	<b>12,207</b>	<b>61,576</b>

APPENDIX 6

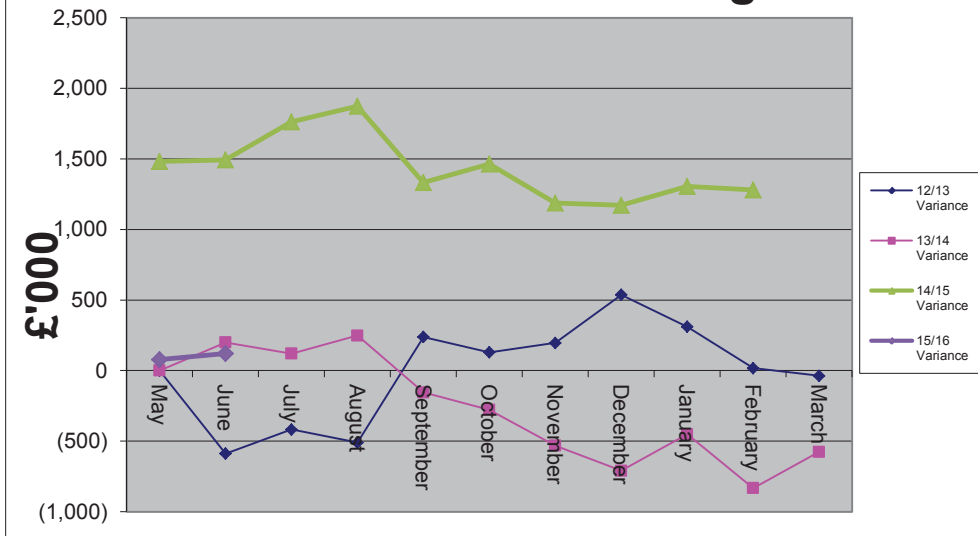
The following charts show the forecast year end variance by department with a comparison for 2012/13, 2013/14 and 2014/15:

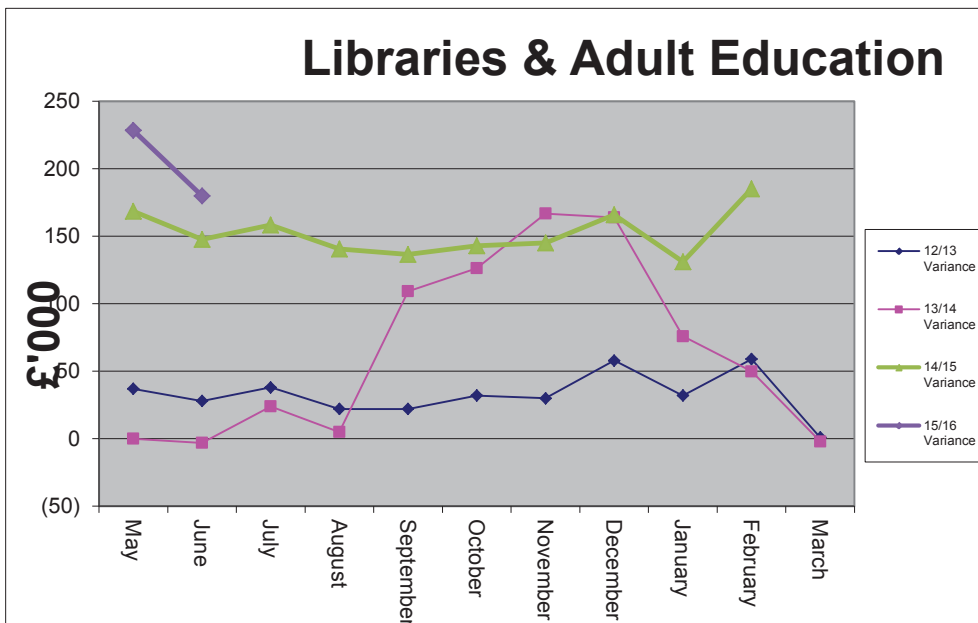
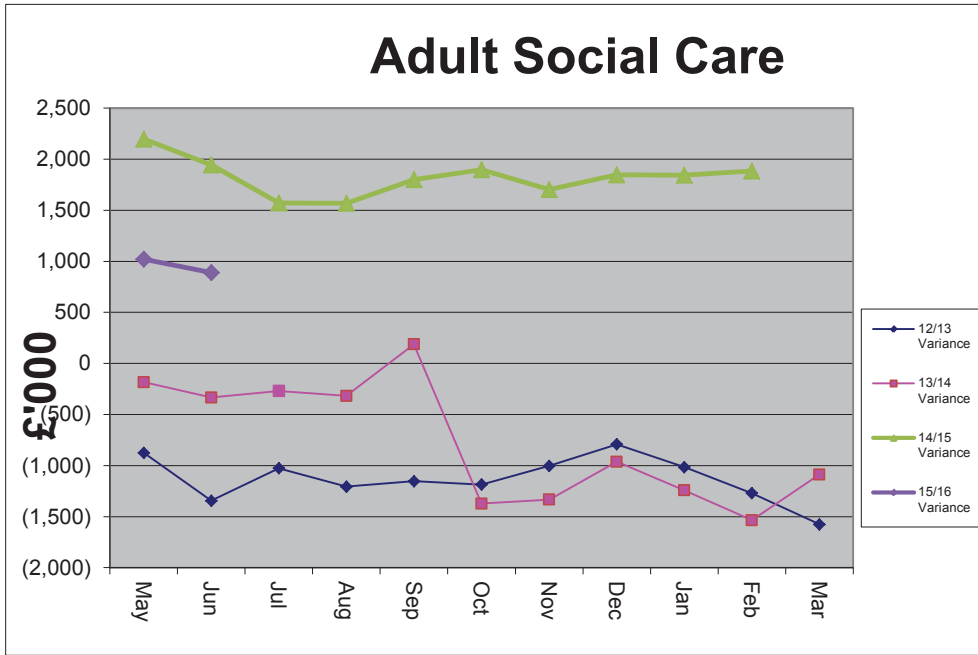


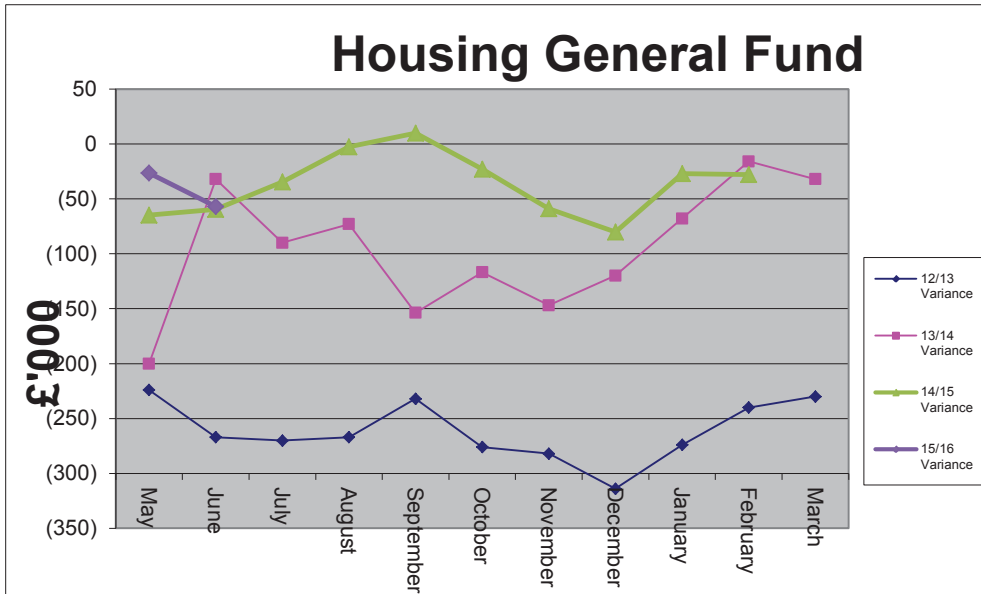
## Children, Schools and Families



## Environment and Regeneration







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

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	<b><u>CSF Commissioning Function and Commissioning Budgets</u></b>							
CSF2012-04	Reduce expenditure on LAC and SEN placements	100	100	0	A	Paul Ballatt	Base budgets were reduced for the savings target. Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter.	Y
	<b><u>CSF Children Social Care &amp; Youth Inclusion</u></b>							
CSF2012-07	Family and Adolescent Services Stream - Transforming Families (TF), Youth Offending Team (YOT) and in Education, Training and Employment (ETE)	220	220	0	G	Paul Angeli		
	<b><u>CSF Early Years</u></b>							
CSF2013-01	Substantial reduction in EY budgets whilst retaining existing Children's Centres targeted work in areas of higher deprivation (up to 10% reduction overall to Children's Centre services). Reduction in funding and in kind contributions to voluntary sector organisations	160	160	0	G	Jane McSherry		
	<b><u>School Standards and Quality</u></b>							
CSF2014-01	This is a re-profiling of the budgeted savings for 2015-17 agreed by Council on 5 March 2014. Instead of spreading the income generation and management efficiencies saving of £80k over two years, we propose bringing the total saving forward to 2015/16.	80	80	0	G	Jane McSherry		
	<b><u>Commissioning, Strategy and Performance</u></b>							
CSF2014-02	This is a re-profiling of the budgeted saving agreed by Council for 2015-17 on 5 March 2014. Due to demographic pressures on the budget we are proposing to reduce the post 16 LAC/CL accommodation saving for 2015/16 from £100k to £58k.	58	58	0	A	Paul Ballatt	Base budgets were reduced for the savings target. Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter.	Y
	<b><u>Commissioning, Strategy and Performance</u></b>							



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

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSF2014-03	This will be achieved through a combination of reducing our training for facilitators of parenting programmes and decommissioning a service where the commissioned outcomes are not being delivered.	63	63	0	G	Paul Ballatt		
CSF2014-04	<u>Youth Services</u> Reduced investment in commissioned and in-house youth services.	100	100	0	G	Jane McSherry		
	<b>Total Children, Schools and Families Department Savings for 2015/16</b>	<b>781</b>	<b>781</b>	<b>0</b>				

## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
	<b>Adult Social Care</b>							
ASC7	Below Inflation Uplift to third party suppliers	350	350	0	A	Rahat Ahmed-Man	The 2015-16 budget build allowed inflation growth of £872k, but after 5 yrs of zero % contract price increases suppliers are increasingly choosing not to trade with merton LBC. In response to this and to secure a viable and sustainable market Commissioning staff are negotiating good value contracts going forward. To date the financial impact of these are estimated to be £365k in 2015-16 for res and nursing care contracts so for now savings of £507k look possible, but with more contracts being renegotiated there is a risk that further price increases will be agreed and the full £350k saving may not be fully achieved in 2015-16, hence, the Amber rating.	
ASC4	Remodelling and re-procuring the domiciliary care service, following the end of the 3 year contract starting in 2012.	250	(150)	(400)	R	Rahat Ahmed-Man	Since this savings target was set market conditions have changed. Providers are being required to pay staff travel time and are under pressure to pay the London living wage. Therefore. price increases are more likely than price reductions. So far renegotiated dom care contracts are estimated to cost an extra £150k in 2015-16. This means compensating savings will need to be found by over achieving against other targets, hence, the red rating.	
CH10	Procurement Opportunities	250	362	112	G	Rahat Ahmed-Man	The Orchard Hill LD Supported Living Contract was relet from 16th February 2015. The new price assuming care hours do not exceed 1,350 in a year is £980k p.a. This compares to an annual cost under the old contract of £1.391m i.e. whole year savings forecast is £411k. The pro rata savings in 2015-16 are therefore £362k, so the £250k target will be over-achieved in 2015-16 by £112k. This will help compensate for the Dom care savings (above) unlikely to be achieved.	

## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
CH1	Brokerage efficiency savings	31	60	29	G	Rahat Ahmed-Man	Based on actual savings in previous years which exceeded £100k the Brokerage Manager is confident that this is a feasible savings target from better sourcing/renegotiations in 2015-16 and <u>there is a good chance of exceeding the target substantially.</u>	
ASC10A	Review of care packages with a view to an overall average reduction in line with promoting independence	100	145	45	A	Rahat Ahmed-Man	A high cost complex cases review will be initiated in 2015-16, but savings from it are likely to be realised from 2016-17 onwards i.e. in 2015-16 reviews will focus on mid-range packages of £400-£1500 p.w. (excl. Dir Payments as these were reviewed in 2014-15). The £206k savings target represents about 1% of the annual cost of these packages, so it is feasible, but these cases have been reviewed in previous years and inevitably in some cases costs will properly increase in line with increased needs after a review so careful monitoring will be in place. Note: reviews of Direct payment cases in the last few months of 2014-15 reduced costs by £57k p.a. 25% Of this £12k related to 2014-15 and £45k of savings (being £57k-£12k) has already been set up for delivery. <u>Again this is expected to compensate for any savings planned from Dom Care Remodelling that are not achieved.</u>	
*ASC18	* Review of care packages	75	75	0	A	Rahat Ahmed-Man		
CH2	Domiciliary care service	31	31	0	A	Rahat Ahmed-Man		
CH3	Procurement Opportunities (Placement budget)	32	32	0	A	Rahat Ahmed-Man	So far annual savings of £20k to £25k have been identified from changes to night cover arrangements and overhead reduction	
ASC2A	Outsource Reablement Service & realise benefits / efficiencies of the remodelled service	100	100	0	G	Sarah Wells	Required restructuring has taken place i.e. the projected savings will be realised.	
*CH1	* First Contact Service .Reduce in-house provision of a first contact screening and assessment service, and have this provided within the voluntary sector within the overall costs the sector currently operate within.	125	125	0	G	Rahat Ahmed-Man	The required restructuring has taken place i.e. projected savings will be realised. MAAT closed and its role is now fulfilled a new Information, Advice and Support Hub will be operated in partnership with the Voluntary Sector.	

## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
*ASC18	*Supporting People	300	300	0	A	Rahat Ahmed-Man	Savings is expected to be achieved with continued negotiations with providers.	
CH4	Staffing reductions within the Commissioning Team	71	71	0	A	Rahat Ahmed-Man	Staff restructuring is necessary to deliver this saving and this process has begun and it is anticipated that it will deliver these savings in full in 2015-16.	
CH4	Staffing reductions across Direct Provision	99	99	0	A	Andy Ottaway-Searle	Some of the required restructuring has taken place so these £48k of these savings are secure. This leaves £51k still to be found in the rest of the year.	
*CH4	* Day Care Sevices -Change the day services offer for learning and physically disabled customers who currently use in house day services, mainly High Path and All Saints.	200	200	0	G	Andy Ottaway-Searle	The required restructuring has taken place. As a result more volunteers will work at centres, and there will be a closer link with Merton Mencap will result in that group offering activities previously supported by staff and outside normal opening hours, but extra single status costs will add new staff costs in Direct Care Services	
	<b>Libraries</b>			0				
CH5	Reduction in Media Fund	12	12	0	G	Anthony Hopkins		
CH6	Increase income - Libraries	10	10	0	G	Anthony Hopkins		
	<b>Merton Adult Education</b>			0				
CH15	Increased income and some staff reductions	14	14	0	G	Yvonne Tomlin		
	<b>Housing</b>			0				
CH8	Homelessness Prevention Grant	35	35	0	G	Steve Langley		
Trf from E&R	Enviromental Health Salaries	69	69	0	A	Steve Langley		
	<b>Total Community &amp; Housing Department Savings for 2015/16</b>	<b>2,154</b>	<b>1,940</b>	<b>(214)</b>				

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

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CS1	<b>Business Improvement</b> Rationalisation of management costs	50	50	0	G	Sophie Ellis		
CS3	Generate income through training	5	0	5	R	Sophie Ellis	Alternate saving to be identified	N
CSD36	Business Systems Team Restructure Phase 1	10	10	0	G	Sophie Ellis		
CS5	<b>IT Service Delivery</b> Review and challenge of the procurement of Support & Maintenance & Licence Contracts	60	60	0	G	Mark Humphries		
CS7	Reduction of costs through re-procurement of Mobile Telephones Contract against a number of revenue budgets spread across the Council	10	10	0	G	Mark Humphries		
CS8	Reduction of costs through re-procurement of Wide Area Network (WAN) Links contract. Savings achieved against a number of revenue budgets spread across the Council.	10	10	0	G	Mark Humphries		
CS15	Asset and Change Analyst Vacant Part Post (0.8)	24	24	0	G	Mark Humphries		
CS17	Delete one Transactional Services Assistant Post (Compulsory Redundancy)	30	30	0	G	Mark Humphries		
CS18	Delete Assistant Vendor Maintenance - Part Post 0.7 FTE (Compulsory Redundancy)	24	24	0	G	Mark Humphries		
CS20	Energy ReFit Savings (Subject to agreed investment) - Phase 2	100	100	0	G	Mark Humphries		
CS21	Increase income targets for building repairs and maintenance works	45	45	0	G	Mark Humphries		
CS22	Restructure of Archive Store	15	15	0	A	Mark Humphries	Alternate to be identified	Y

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

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CS23	Outsourcing Buildings Services and Security Service	35	35	0	G	Mark Humphries		
CS25	Delete one post from the Building Repair and Maintenance team (Compulsory Redundancy)	30	30	0	G	Mark Humphries		
CS27	Consolidation of Utilities budgets	50	50	0	G	Mark Humphries		
CS28	M&E Term Contract (Amalgamation) of Intruder Alarms	20	20	0	G	Mark Humphries		
CS31	Rationalise Health and Safety and Business Continuity Planning - if possible explore shared service	35	0	35	R	Mark Humphries	Alternate to be identified	Y
CSD10	Increase FM's external fee income target associated with schools service level agreements and associated project works	31	0	31	R	Mark Humphries	Saving unlikely to be delivered in 2015/16 but alternate has been identified	Y
<b>Corporate Governance</b>								
CS30	Rationalise Benefits and Corporate Investigation team - possible shared resources	30	30	0	G	Paul Evans		
CS33	Rationalise Internal Audit teams - possible shared service	40	40	0	G	Paul Evans		
CS34	Services and suppliers savings within Corporate Governance	86	86	0	G	Paul Evans		
<b>Customer Services</b>								
CS36	Re tendering of Cash Collection Contract	10	10	0	G	Sean Cunniffe	Achieved from commencement of 2015/16	
CS39	Impact of Customer Service Review	30	30	0	G	David Keppler	Achieved from commencement of 2015/16	
CSD12	Rationalisation of Divisional Budgets	15	15	0	G	David Keppler	Achieved from commencement of 2015/16	
CSD13	Reduce Customer Access Point Assistant by 0.6FTE	15	15	0	G	Sean Cunniffe	Achieved from commencement of 2015/16.	

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

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSD17	Reduce Marketing budget - Increase self service by using Panacea - marketing solution software in order to reduce designer costs for smaller marketing jobs.	3	3	0	G	Sophie Poole		
CS42	<b>Resources</b> Resources -Fall Out of Pay Protection Arrangement	5	5	0	G	Paul Dale		
CSD20	Increased income	14	14	0	G	Paul Dale		
CSD46	Reduce budget for LCGS to match actual contribution	3	3	0	G	Paul Dale		
CS49	<b>Human Resources</b> Introduction of new application tracking system	5	5	0	G	Dean Shoesmith	On target for achievement	
CSD33	Review of HR business support	19	19	0	G	Dean Shoesmith	Change already completed and the associated post deleted	
CSD33	HR transactional service income generation	20	20	0	G	Dean Shoesmith	Discussions progressing with Kingston to obtain costs for i-Trent service	
	<b>Corporate Items</b> Dividend income from CHAS 2013 Limited	174	174	0	R	Paul Dale	Alternative saving found due to CHAS IP payment.	
	Reduction in interest charges through cash management	117	117	0	G	Paul Dale		
	<b>Total Corporate Services Department Savings for 2015/16</b>	<b>1,170</b>	<b>1,099</b>	<b>71</b>				

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

Ref		2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R / A Included in Forecast Over/Unders pend? Y/N
<b>LEISURE &amp; CULTURE</b>								
EN35	Various Budgets - Increased Income through various charging increases.	14	14	0	G	James McGinlay		N
EN36	Various Budgets - Increased Income through sale of advice & guidance.	10	10	0	G	James McGinlay		N
EN37	Merton Active Plus - Increased Income	5	5	0	G	James McGinlay		N
EV09	Renegotiation of contract with GLL for management of Leisure Centres	120	120	0	G	James McGinlay		N
<b>TRAFFIC &amp; HIGHWAYS</b>								
EN29	Re-Structure of Traffic and Highway Services	252	222	30	R	James McGinlay	The full effect of this saving will not be realised this year due to notice periods, protected allowances and a delay in implementation.	Y
<b>FUTURE MERTON</b>								
EN42	Consultancy Income.	40	40	0	A	James McGinlay	No definitive income streams identified as yet.	N
<b>GREENSPACES</b>								
EN45	Further commercialisation and development of sports and allied parks services (eg. increase in fees and charges (3.75%); cost recovery plus; service bundling; sponsorship of bedding plants,etc), aligned to the emerging strategy for sports.	39	20	19	R	James McGinlay	Shortfall based on P3 forecast.	Y
<b>WASTE SERVICES</b>								
EN16	Deletion of a vacant post within our Sheltered Placement team (£20k), and a reduction in transport related budgets.	66	66	0	G	Cormac Stokes		N
<b>SAFER MERTON</b>								
EV01	Reprocurement of CCTV maintenance contract leading to efficiency savings.	36	36	0	G	John Hill		N
<b>REGULATORY SERVICES</b>								
ER10	Merton & Richmond shared regulatory services.	230	110	120	R	John Hill	New structure estimated to commence in October 2015, so only a part-year effect saving will be achieved this year.	Y
<b>PARKING SERVICES</b>								
EN05	Introduction of mobile phone payments for parking	37	37	0	G	John Hill		N
EV02	Increase charges for the following types of parking permits Business £5, Trade £5, Teachers £5. Please note no allowance has been made for elasticity of demand this figure could reduce by 10%.	4	4	0	G	John Hill		N
EV11	Increase all pay and display charges for on and off street parking by 10%. it should be noted that no allowance has been made for elasticity of demand this figure could reduce by 25%	125	125	0	G	John Hill		N
<b>Total Environment and Regeneration Savings 2014/15</b>		<b>978</b>	<b>809</b>	<b>169</b>				



Department	Target Savings 2015/16	Projected Savings 2015/16	Period 3 Forecast Shortfall	Period 3 Forecast Shortfall
	£000's	£000's	£000's	%
Corporate Services	1,170	1,099	(71)	(6.1)%
Children Schools and Families	781	781	0	0.0%
Community and Housing	2,154	1,940	(214)	(9.9)%
Environment and Regeneration	978	809	(169)	(17.3)%
<b>Total</b>	<b>5,083</b>	<b>4,629</b>	<b>(454)</b>	<b>(8.9)%</b>

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

APPENDIX 8

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible officer	Comments	R / A Included in Forecast Over/Underspend? Y/N
CSF2012-08	Introduce new models of fulfilling the council's statutory responsibilities for the provision of SEN transport	140	100	40	140	0	G	Heather Tomlinson	The full year effect of the travel training programme and the roll-out of personal budgets will result in achieving this saving during 2015/16. The overall transport budget is expected to overspend due to increase costs and complexity of caseloads.	

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

APPENDIX 8

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible officer	Comments	R / A Included in Forecast Over/Underspend? Y/N
	Total Children, Schools & Families Department Savings for 2014-15	860	820	40	860	0				

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

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall £000	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ASC7	<b>Adult Social Care</b>									Y
ASC19	Monitoring of high value/high cost placements (domiciliary)	50	46	4	0	(4)	G	Jonathan Brown	Prioritised reviews are generating savings from both of these projects. The combined in year savings amount to £99. In additional saving against the LD budget are being identified to meet other savings targets, in particular those related to Brokerage and Transport. Joint working arrangements are in place across ASC to review existing spend, identify savings and control new spend through the effective use of tools such as the Care Funding Calculator. Recent reviews specifically around Direct Payment customers will yield an additional saving circa £31.5k p.a. going forward with £3,895 being saved in 2014-15.	Y
ASC46	Review Service packages	60	108	(48)	0	48	G	Jean Spencer	Actual savings from regular reviews by Period 7 were circa £51k. Thereafter a far more targeted review process was adopted and this has yielded savings in 2014-15 by focusing on Direct Payments. Since it was initiated in January 2015 the weekly cost of Direct payments reduced from £104k p.w. to £100.4k p.w. i.e. the full year effect of these reductions is £3,566 x 52 weeks = £186k p.a. Of this £23K (being £26.6k total savings less £3.8k that relates to LD see ASC19 above) applies to 2014-15 while the remaining £132k (being £160k total savings less £27.6k related to LD see ASC19 above) will be saved in 2015-16.	Y
CH6							G			
ASC4	TCES Retail Model (simple equipment)	23	32	(9)	0	9	G	Maike Blakemore	Actual savings of £32k.	

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall £000	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	Total Community & Housing Department Savings for 2014/15	2,465	39	2,426	2,357	53				

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

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible Officer	Comments	R / A Included in Forecast Over/Unde
	<b><u>Corporate Governance</u></b>									
CS32	Integrate the FOI and Complaints functions	40	0	40	40	0	G	Paul Evans	Alternate savings within division identified and implemented	Y
	<b><u>I&amp;T</u></b>									
CS37	Introduce a charge for the Archive Service Facility (approximately 0.39p per month - commercial rates x 3300 boxes) to produce income - E02243	15	0	15	15	0	G	Mark Humphries	Saving achieved from the wider consolidated facilities management budgets	Y
CS47	CRB Income generation via sales to PVI	30	27	3	27	3	R	Dean Shoesmith	Income shortfall at year end less than forecast during the year	Y
	<b>Total Corporate Services Department Savings for 2014/15</b>	<b>1,650</b>	<b>1,592</b>	<b>58</b>	<b>1,647</b>	<b>3</b>				

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

Ref		2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
<b><u>GREENSPACES</u></b>										
EN45	Further commercialisation and development of sports and allied parks services	96	67	29	85	11	R	James McGinlay		Y

<b>WASTE SERVICES</b>											
<b>ER17</b>	Consultancy and legal costs cease in relation to new partnership contracts	213	188	25		213	0	<b>G</b>	Cormac Stokes		<b>N</b>
<b>ER25</b>	Commercial Waste and Recycling	250	0	250		250	0	<b>G</b>	Cormac Stokes	Saving replaced for 2015/16 by EV12.	<b>N</b>
<b>EN15</b>	Improved performance management and implementation of the Council's new sickness policy resulting in a reduction in agency staff usage.	100	0	100		100	0	<b>A</b>	Cormac Stokes		<b>N</b>
<b>PARKING SERVICES</b>											
<b>EN03</b>	Enforcement of new CPZ's (Controlled Parking Zones)	50	10	40		10	40	<b>R</b>	John Hill	The shortfall will met from "Tackling Traffic Congestion" revenue in 2015/16	<b>Y</b>
<b>EN04</b>	Implementation of Pay & Display machines in new CPZ's (Controlled Parking Zones)	75	15	60		2	73	<b>R</b>	John Hill	The shortfall will met from "Tackling Traffic Congestion" revenue in 2015/17	<b>Y</b>
<b>Total Environment and Regeneration Savings 2014/15</b>		<b>784</b>	<b>280</b>	<b>504</b>		<b>660</b>	<b>124</b>				



Department	Target Savings 2014/15	Savings Achieved 2014/15	14/15 Shortfall	Shortfall	15/16 Shortfall expected
	£000's	£000's	£000's	%	£000's
Corporate Services	1,650	1,592	(58)	(3.5)%	(3)
Children Schools and Families	860	820	(40)	(4.7)%	0
Community and Housing	2,465	39	(2,426)	(98.4)%	(53)
Environment and Regeneration	784	280	(504)	(64.3)%	(124)
<b>Total</b>	<b>5,759</b>	<b>2,731</b>	<b>(3,028)</b>	<b>(52.6)%</b>	<b>(180)</b>

## Appendix 9

### Subject: Miscellaneous Debt Update June 2015

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

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

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

Department a	39 days to 6 months b	6 months to 1 year c	1 to 2 years d	Over 2 years e	June 15 arrears f	Mar 15 Arrears	Direction of travel
	£	£	£	£	£	£	
Env & Regeneration	319,976	176,500	85,869	314,649	896,994	812,515	↑
Corporate Services	86,022	15,407	29,273	159,426	290,128	330,763	↓
Housing Benefits	690,662	730,201	570,001	1,205,144	3,196,008	3,150,380	↑
Children, Schools & Families	845,150	-36,582	178,968	8,297	995,833	370,008	↑
Community & Housing	1,568,397	837,778	1,070,095	1,600,448	5,076,718	4,146,018	↑
Chief Executive's CHAS 2013	0	0	0	0	0	0	↓
<b>Total</b>	<b>3,630,593</b>	<b>1,735,843</b>	<b>1,955,265</b>	<b>3,287,964</b>	<b>10,609,665</b>	<b>8,947,596</b>	<b>↑</b>
<i>Jun-14</i>	<i>2,787,041</i>	<i>1,623,136</i>	<i>2,239,234</i>	<i>2,849,993</i>	<i>9,499,404</i>		
<b>Variance Jun 14 to Jun 15</b>	<b>843,552</b>	<b>112,707</b>	<b>-283,969</b>	<b>437,971</b>	<b>1,110,261</b>		<b>↑</b>

1.2 Since the position was last reported in March 2015, the net level of arrears, i.e. invoices over 39 days old, has increased by £1,662,069.

1.3 The net level of level of arrears has increased by £1,110,261 when compared to the position at the end of June 2014.

- 1.4 The above table shows the separate debt owed to CHAS 2013 Ltd.
- 1.5 Children's Schools and Families have had an increase of £625,825 since March 2015 and Community and Housing an increase of £930,700.
- 1.6 The Children's Schools and Families increase in debt is due to one invoice of £670,434 raised against the London Borough of Lambeth for recoupment of SEN charges. This debt is no longer outstanding as it was paid on the 7 July 2015 just after the reporting period ended.
- 1.7 Table 2 below shows the total net level of arrears for the last five years – not including debt that is less than 39 days old

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

Department	June 2011	June 2012	June 2013	Jun 2014	June 2015
	£	£	£	£	£
Env & Regeneration	367,217	315,756	811,346	884,512	896,994
Corporate Services	268,063	527,423	623,983	858,227	290,128
Housing Benefits	2,312,383	2,993,179	3,173,011	2,685,560	3,196,008
Children, Schools & Families	180,184	536,458	133,712	367,884	995,833
Community & Housing	3,178,216	3,326,862	4,183,231	4,589,395	5,076,718
Chief Executive's	3,900	0	3,000	500	0
CHAS 2013	0	0	0	113,826	153,984
<b>Total</b>	<b>6,309,963</b>	<b>7,699,678</b>	<b>8,928,283</b>	<b>9,499,904</b>	<b>10,609,665</b>

- 1.6 The figures in table 2 (above) show that the major area of increase in debt over the four year period is housing benefit overpayments and Community and Housing. It should be noted that the amount of housing benefit paid out has increased over this period. In 2008/09 £61.3 million was paid out and just under £100 million was paid in 2014/15. The level of Community and Housing debt over 39 days has increased by just under £1.9 million in the four year period.
- 1.7 The action being taken to recover the largest debts is outlined below.

## 2 THE PROCESS FOR COLLECTION OF MISCELLANEOUS DEBT

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

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

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

## 3 DEBT OVER ONE YEAR OLD

- 3.1 Debt over 1 year old has increased by £153,504 since the end of June 2014, an increase of just 2.93%.

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

Department	June 2014	June 2015	Variance	% Variance
Env & Regeneration	£401,573	£400,518	-£1,055	-0.26
Corporate Services	£236,451	£188,700	-£47,751	-25.31
Housing Benefits	£1,883,880	£1,775,145	-£108,735	-6.13
Childrens, Schools & Families	£22,079	£187,266	£165,187	88.21
Community & Housing	£2,472,093	£2,670,544	£198,451	7.43
Chief Executives	£500	£0	-£500	0.00
CHAS 2013	£73,152	£21,059	-£52,093	
<b>Total</b>	<b>£5,089,728</b>	<b>£5,243,232</b>	<b>£153,504</b>	<b>2.93</b>

- 3.2 The majority of debt over 1 year old is for Community and Housing debts and housing benefit overpayments.
- 3.3 The debt for Community and Housing over a year old has increased by £198,451 since June 2014.
- 3.4 Over the past few years council staff have been working closely and following new processes to manage this debt. This work involves regular joint meetings between the financial assessments, social services, client financial affairs and debt recovery teams to review the debts of individual clients and establish action plans for each one.
- 3.5 These actions include, but are not limited to: early intervention from social workers to prevent debts from getting out of control and to ensure that clients are supported earlier to get their finances in order; as part of their induction all new Social Workers spend time with the Financial Assessment Team, to understand how financial assessments are carried out; social workers also check to see if there any safeguarding issues around non-payment of bills and work very closely with the Welfare Benefits Officer; there is more use of credit checks and land registry checks when assessing/investigating debt issues; increased involvement from the client financial affairs team to take appointeeship for those without capacity or appropriate deputyship; Increased identification of cases where we will consider legal action to secure the debt and generally to share information and support each other in the collection and prevention of this debt. Although the debt has grown the actions being taken are mitigating the impact.
- 3.6 The total debt figure for Community and Housing, including debt that is less than 39 days old, is £5.6 million. Of this debt £0.5 million is under 39 days and therefore no formal recovery action has taken place other than issuing an invoice and reminder. Of the remaining £5.1million debt which is older than 39 days just over £1.0 million is secured debts against charging orders or where the council has deputyship. In addition a further £0.65 million has repayment arrangements in place. We are actively working on securing the remaining £3.45 million debt by similar means.
- 3.7 In the past quarter we have received total payments of over £80,000 on three accounts from the estates of the debtors and over £50,000 on two accounts where the council holds deputyship.
- 3.8 The total amount of housing benefit debt has increased to £7.45 million, an increase of just over £0.38 million since last reported in March 2015.
- 3.9 It has been previously reported that the Department of Work and Pensions commenced a “Real Time” Information initiative at the end of September 2014 which was aimed at identifying overpayments of housing benefit. The DWP have compared housing benefit claim data

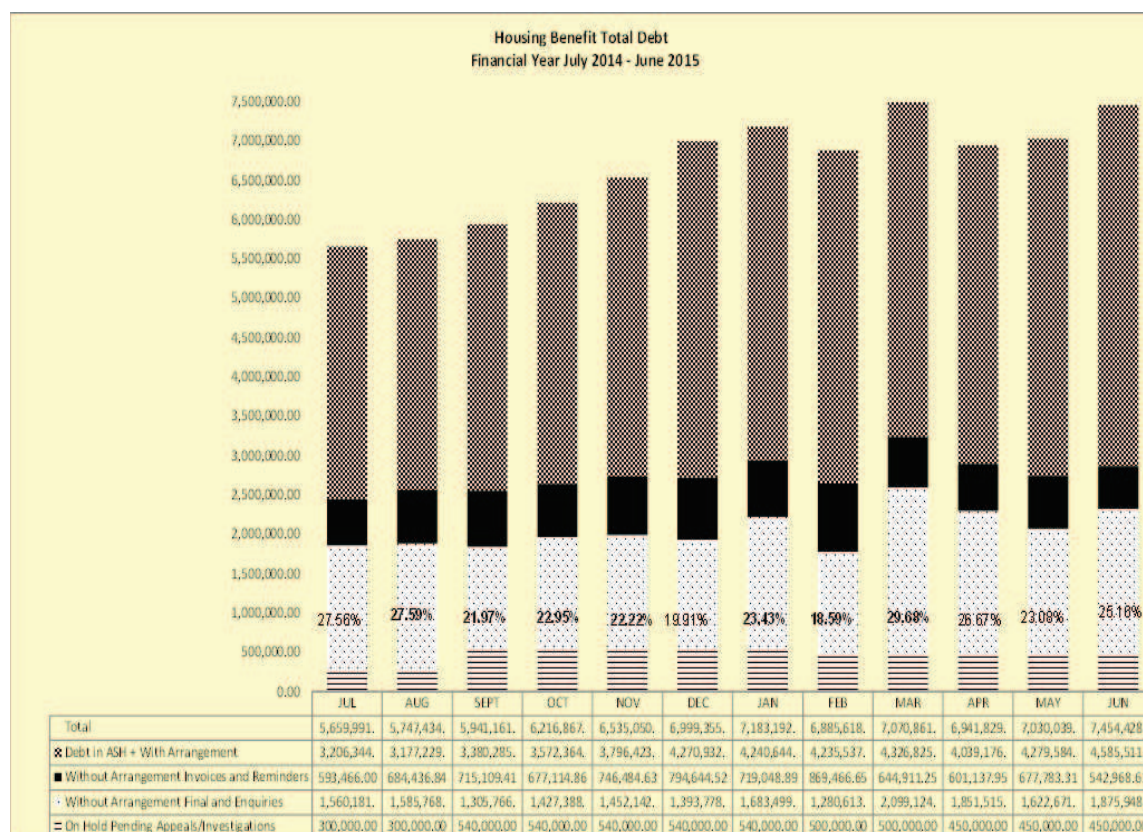
and HMRC data and over the six month life of the initiative highlighted 900 cases for Merton where there were data discrepancies.

- 3.10 This initiative finished in February 2015 and just over 900 cases were reviewed. In the vast majority of cases there has been a reduction in housing benefit paid out and some very large overpayments of housing benefit where the claimant has failed to notify of their change in circumstances. In total just over £1.0 million of overpayments have been identified and created and we have identified a number of cases where Merton employees or employees of neighbouring boroughs have failed to advise of changes to their income or that they have started new jobs. A number of cases have resulted in overpayments of over £10,000 and have been referred to the Internal Audit team and the new joint DWP Fraud team.
- 3.11 Where possible these overpayments are being recovered from on-going benefit payments. We are entitled to deduct between £10.95 and £23.35 per week from on-going housing benefit dependant on circumstances. Where the change has resulted in housing benefit being cancelled or nil entitlement we contact the claimants employer and are paid a percentage deduction of their salary each month. So far we have over £125,000 set up to recover in this way.
- 3.12 In May 2015, the second phase of the “Real Time” Information initiative commenced. The council will receive approximately 150 cases per month until January 2016. Already large overpayments are being identified from these cases.
- 3.13 The Department of Work and Pensions commenced another initiative in the final quarter of 2014/15. This initiative is where council’s are encouraged to identify fraud and error within the system and have been awarded set up funding and on-going funding based on achieving performance targets. This initiative will run until at least March 2016. The Council has not yet received its final performance data for the final quarter of 2014/15. The provision data indicates that the council has exceeded the required target and is likely to receive between £20,000 and £25,000 in additional grant for achieving this. An update of progress will be provided in the next quarterly report.
- 3.14 These two initiatives and the normal churn of claims has resulted in the level of housing benefits debt increasing and it is very likely that it will continue to increase. Between April 2015 and June 2015 over £1.4 million of overpayments were identified. During the same period just over £0.72 million has been recovered through the housing benefit system either through the recovery of overpayments against on going benefit or off set against new awards of housing benefit.
- 3.15 Although the overall housing benefit debt has increased there has been an increase in the amount of debt either being recovered from on-going benefit or on arrangements. £3 million is being recovered from on

going benefit (increased from £2.6 million when last reported) by reducing current housing benefit payments. Just under £4.6 million is on a payment arrangement or recovery from on going benefit.

- 3.16 The graph below shows breakdown of all housing benefit overpayments by recovery action.

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



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

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

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

	2014/15	2015/16				
	Total	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
<b>Sundry Debt</b>	£347,726	£0				<b>£0</b>
<b>Housing benefit overpayments</b>	£1,050,105	£194,200				<b>£194,200</b>
<b>Council Tax</b>	£526,881	£177,455				<b>£177,455</b>
<b>Business Rates</b>	£790,373	£0				<b>£0</b>
<b>Total</b>	<b>£1,317,254</b>	<b>£177,455</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£177,455</b>

3.19 Of the business rates debt written off in 2014/15 just over £400,000 related to businesses that went into liquidation and therefore it was not possible to collect the rates.

3.20 Towards the end of 2014/15 an exercise was commenced targeting the highest housing benefit debts with the aim of agreeing payment arrangements where possible and where appropriate writing debts off. This included many large overpayments, some identified through fraud activity where the prospect of collecting the debt was minimal. In some instances payment arrangements were put in place for 5 years and the remainder of the debt written off. If circumstances change of the debtors or after 5 years all payments are made there is the option of writing part or all of the debt back to collect.

3.21 Although the debt written off within 2014/15 does not relate to one specific year it should be noted that in 2014/15 the council was collecting a net debt of £101 million in council tax (this includes the GLA portion), a net debt of £87.8 million in business rates (this includes Business Rates Supplement) and approximately £44 million raised through sundry debts.

3.22 Every effort is made to collect all outstanding debts and debts are only written off as a last resort. The council is still collecting some council tax debts that are greater than 6 years old or will have secured the debts against properties where possible.

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

4.1 Provision has been made available for writing off bad and doubtful debts held within the ASH and Housing benefits systems. These provisions are £2.85m for ASH miscellaneous debt and £6.34m for debt held in the Housing Benefits system, making a total General Fund provision for bad and doubtful debts of £9.19m. Clearly, every attempt



is made to collect debts before write-off is considered. The current level of provision is analysed in the table below.

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

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

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

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

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

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

- 5.1.1 Merton's total level of miscellaneous debt arrears i.e. invoices over 39 days old, as at 30 June 2015 is £10,609,665. The net level of arrears, when the matter was last reported in March 2015 was £8,947,596.

## 6. TOTAL DEBT DUE TO MERTON

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

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

	<b>Jun-14</b>	<b>Sep-14</b>	<b>Dec-14</b>	<b>Mar-15</b>	<b>Jun-15</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Miscellaneous sundry debt Note 1	13,448,226	14,437,902	14,039,675	14,417,437	14,211,557
HB debt in Benefit system Note 2	2,681,440	2,818,432	3,339,481	3,679,980	4,144,016
Housing Rent Note 3	102,001	101,388	101,253	24,174	23,027
Parking Services	2,497,703	2,388,584	2,240,338	2,143,597	2,197,074
Council Tax Note 4	5,011,408	4,444,360	4,100,330	3,730,152	5,281,972
Business Rates Note 5	3,397,378	2,635,958	1,351,593	638,077	1,758,523
<b>Total</b>	<b>27,138,156</b>	<b>26,826,624</b>	<b>25,172,670</b>	<b>24,633,417</b>	<b>27,616,169</b>

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

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

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

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

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

- 6.1 The overall debt outstanding has increased by just under £0.5 million in the past 12 months compared to the end of June 2014.
- 6.2 The areas where there has been an increase since June 2014 are sundry debt (£0.75 million) and housing benefit debt within the benefit system (£1.4 million). Action being taken against sundry debt and housing benefit debt has been detailed earlier in this report.

6.3 Detailed breakdowns of the Council Car Parking figures are shown in the Table 7 below:

**Table 7 – Car Parking Aged Debtors – June 2015**

Age of Debt	Outstanding £	Number of PCNs
0-3 months	£689,473	6,291
3-6 months	£386,238	2,562
6-9 months	£298,150	1,870
9-12 months	£245,369	1,499
12-15 months	£198,313	1,189
Older than 15 months	£379,531	2,809
<b>Total June 2015</b>	<b>£2,197,074</b>	<b>16,220</b>

**Total March 2015**                      **2,143,597**                      **15,443**

**Increase**                                      **£53,477**                                      **777**

**APPENDIX AUTHOR** - David Keppler (020 8545 3727/[david.keppler@merton.gov.uk](mailto:david.keppler@merton.gov.uk))

2015/16 Estimated Cash Flow Forecast June 2015 Position and 2016/17 to 2018/19 Forecast

Description	2013/14	2014/15	2015/16	2015/16 July	2015/16 Forecast	2016/17	2017/18
	Actual £	Actual £	Year to Date Actual £	-March Forecast	as at June 2015 Forecast £	Forecast £	Forecast £
<b>Expenditure</b>							
Bank Charges & Related Expenditure	-280,105	-252,277	-68,505	-196,700	-265,205	-283,080	-300,180
Other Expenditure	-6,283,525	-7,828,102	-2,057,308	-3,569,443	-5,626,751	-4,835,324	-4,876,024
CHAS Payroll, Tax and VAT	-281,042	-404,799	-299,371	-554,000	-853,371	-990,000	-1,009,600
Business Rates and CTax Refunds	-4,191,413	-5,601,262	-1,363,421	-3,115,600	-4,479,021	-4,261,000	-4,486,000
HMRC Related Payments	-37,905,995	-37,321,464	-9,073,480	-28,440,000	-37,513,480	-38,130,000	-38,310,000
Housing Benefit (excluding HPU)	-91,560,234	-92,065,094	-27,099,567	-70,995,000	-98,094,567	-93,807,800	-94,418,000
Invoice Payments (Bacs & Cheques & CHAPS )	-380,133,952	-395,055,881	-94,460,688	-325,580,000	-420,040,688	-434,440,000	-442,740,000
Payroll Related Payments (including Schools)	-102,340,589	-104,256,311	-27,003,044	-81,595,000	-108,598,044	-108,489,000	-107,652,000
LGPS Pension Contributions, Additional Payments and Others)	-20,531,501	-30,964,991	-3,898,957	-16,380,000	-20,278,957	-20,443,000	-20,620,000
NET Business Rates Retention Scheme	-30,490,439	-31,348,193	-5,507,065.00	-8,263,485.00	-13,770,550	-14,670,550	-14,670,550
Teachers Pension	-12,232,378	-13,009,538	-3,163,614	-10,092,000	-13,255,614	-13,660,000	-13,920,000
Pensioners Payments (Added Year met by Employer)	-1,826,040	-2,118,019	0	-960,000	-960,000	-960,000	-960,000
<b>Total Expenditure</b>	<b>-688,057,214</b>	<b>-720,225,930</b>	<b>-173,995,018</b>	<b>-549,741,228</b>	<b>-723,736,246</b>	<b>-734,969,754</b>	<b>-743,962,354</b>
<b>Income</b>							
Business Rates Receipts	81,049,805	83,475,794	24,064,589	61,645,266	82,309,855	86,171,320	87,509,200
Council Tax Receipts	86,306,899	89,153,249	25,681,129	24,881,129	88,431,964	91,720,000	92,956,000
DWP - Housing Benefit Subsidy & Admin Grant & Discretionary Housing Payment grant&S31 Grant)	105,597,732	87,289,045	26,838,968	70,380,000	97,218,968	95,040,000	95,400,000
Grants (Including Public Health Grants)	232,347,884	232,223,392	63,209,770	155,647,235	218,853,962	222,935,620	223,814,180
Other Income	94,988,434	112,583,965	31,219,596	81,000,657	116,420,253	110,562,735	113,484,876
Payroll and Pension Recoupement	89,636,321	91,751,577	22,811,619	69,578,690	92,390,309	94,788,400	95,033,000
VAT Reimbursement	19,250,750	24,246,574	6,169,799	18,100,000	24,269,799	25,300,000	25,800,000
<b>Total Income</b>	<b>709,177,824</b>	<b>720,723,595</b>	<b>199,995,470</b>	<b>481,232,978</b>	<b>719,895,109</b>	<b>726,518,075</b>	<b>733,997,256</b>
<b>Net Income/Expenditure</b>	<b>21,120,610</b>	<b>497,665</b>			<b>-3,841,137</b>	<b>-8,451,679</b>	<b>-9,965,098</b>
Interest Received on investments		777,103			593,938	387,000	393,165
Interest on Pooled Property Investment		0			260,000	260,000	260,000
Interest Paid on Debt		-6,635,976			-6,641,405	-6,641,405	-6,641,405
		-5,361,209	0	0	-9,628,603	-14,446,084	-15,953,338
B/F Cash Balance	80,000,000	79,945,773			86,248,938	64,710,335	50,264,251
B/F Short Term Debt	0	11,910,000			-11,910,000	0	0
B/F Bank Balance	-54,227	-245,626			0		
Debt Repaid In Year							-3,966,268
New Debt In Year							
<b>Estimated Closing Cash Balance</b>	<b>79,945,773</b>	<b>86,248,938</b>			<b>64,710,335</b>	<b>50,264,251</b>	<b>30,344,645</b>
Estimated Monthly Closing Value of investments	80,000,000	86,100,000			65,000,000	50,300,000	30,400,000
Estimated Closing Value of Short Term Debt	0	11,910,000			0		
Estimated Closing Bank Balance	-54,227	-245,626			-289,665	-35,749	-55,355

## Cabinet

**Date: 14 September 2015**

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

Lead officer: Paul Dale

Lead member: Mark Allison

### Recommendations:

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- A. That Cabinet note the financial reporting data relating to revenue budgetary control, showing a forecast net overspend at year end of £3.5million, 2.3% of the net budget.
- A. That Cabinet approve the virement of £119k from the corporate contingency to Children, Schools and Families for the first quarter costs of additional social worker capacity.
- B. That Cabinet approve the adjustments to the capital programme detailed in appendix 5b  
That Cabinet approve the following adjustments to the Capital Programme

Schemes	2015-16	2016-17
	£	£
Admissions IT System	105,000	
Morden shopping parades	111,000	410,000
Brighter Business	10,000	55,000
<b>Total</b>	<b>226,000</b>	<b>465,000</b>

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## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This is the financial monitoring report for period 4 ending 31<sup>st</sup> July 2015.

This financial monitoring report provides:-

- The income and expenditure at period 4 and a full year forecast projection.
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2015/16;
- Progress on the delivery of the 2015/16 revenue savings
- An update on the delivery of 2014/15 savings

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

**Executive summary** – At the end of the first quarter to 31st July 2015 the year end forecast is net £3.5m overspend, 2.3% of the net budget.

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

	Current Budget 2015/16 £000s	Full Year Forecast (July) £000s	Forecast Variance at year end (July) £000s	Forecast Variance at year end- previous month (June) £000s	Outturn variance 2014/15 £000s
<b>Department</b>					
3A. Corporate Services	15,061	14,658	(403)	(561)	(691)
3B. Children, Schools and Families	52,481	54,734	2,253	1,388	2,663
3C. Community and Housing	61,878	63,058	1,180	1,012	2,774
3D. Public Health	320	86	(234)	(183)	(0)
3E. Environment & Regeneration	24,185	27,151	2,966	93	1,703
Overheads	0	0	0	0	0
<b>NET SERVICE EXPENDITURE</b>	<b>153,925</b>	<b>159,686</b>	<b>5,762</b>	<b>1,749</b>	<b>6,448</b>
<b>3E. Corporate Items</b>					
Impact of Capital on revenue budget	14,117	13,980	(137)	(25)	205
Central budgets	(13,948)	(16,070)	(2,122)	(2,222)	(2,817)
Levies	926	926	0	0	0
<b>TOTAL CORPORATE PROVISIONS</b>	<b>1,095</b>	<b>(1,164)</b>	<b>(2,259)</b>	<b>(2,247)</b>	<b>(2,612)</b>
<b>TOTAL GENERAL FUND</b>	<b>155,019</b>	<b>158,634</b>	<b>3,503</b>	<b>(498)</b>	<b>3,836</b>
<b>FUNDING</b>					
Revenue Support Grant	(30,425)	(30,425)	0	0	0
Business Rates	(33,686)	(33,686)	0	0	0
Other Grants	(9,434)	(9,434)	0	0	(154)
Council Tax and Collection Fund	(81,471)	(81,471)	0	0	0
<b>FUNDING</b>	<b>(155,016)</b>	<b>(155,016)</b>	<b>0</b>	<b>0</b>	<b>(154)</b>

There has been a swing of £4.0m from last month. Discounting the delay to the award for tackling traffic congestion of £2.9m, there has still been an increase in the forecast outturn of £1.1m, predominantly in CSF due to SEN transport.

Spending needs to be reviewed across all departments as if the outturn remains at this level, General Fund balances will reduce to £11.5m, just above the minimum level. Further savings may need to be found if this continues to ensure a minimum level of General Fund balances are maintained.

	Current Budget 2015/16	Forecast Variance at year end (July)	Forecast Variance at year end (June)
<b>Expenditure</b>	£000	£000	£000
Employees	97,110	2,106	1,119
Premises Related Expenditure	8,504	(479)	(416)
Transport Related Expenditure	14,699	667	72
Supplies and Services	172,994	(1,395)	(614)
Third Party Payments	88,996	3,875	3,156
Transfer Payments	104,053	1,507	(189)
Support Services	31,902	(2)	(2)
Depreciation and Impairment Losses	16,505	0	0
Corporate Provisions	1,095	(2,259)	(2,247)
<b>GROSS EXPENDITURE</b>	<b>535,857</b>	<b>4,020</b>	<b>880</b>
<b>Income</b>			
Government Grants	(264,961)	2,883	188
Other Grants, Reimbursements and Contribs	(25,508)	(1,469)	(1,348)
Customer and Client Receipts	(57,731)	(2,361)	(1,030)
Interest	(44)	24	24
Recharges	(32,547)	1	1
Balances	(46)	406	787
<b>GROSS INCOME</b>	<b>(380,837)</b>	<b>(517)</b>	<b>(1,377)</b>
<b>NET EXPENDITURE</b>	<b>155,019</b>	<b>3,503</b>	<b>(498)</b>

Chart 1 below shows the forecast year end variance for departmental expenditure with a comparison against 2014/15, 2013/14 and 2012/13.

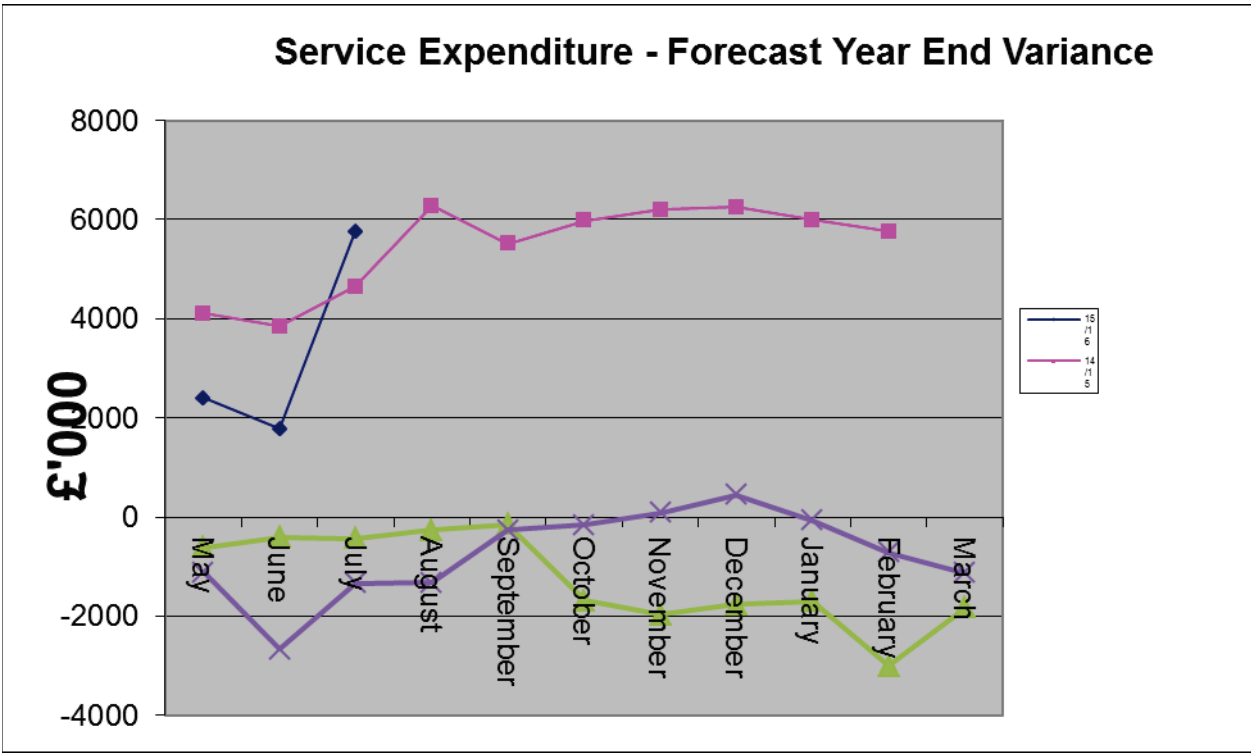
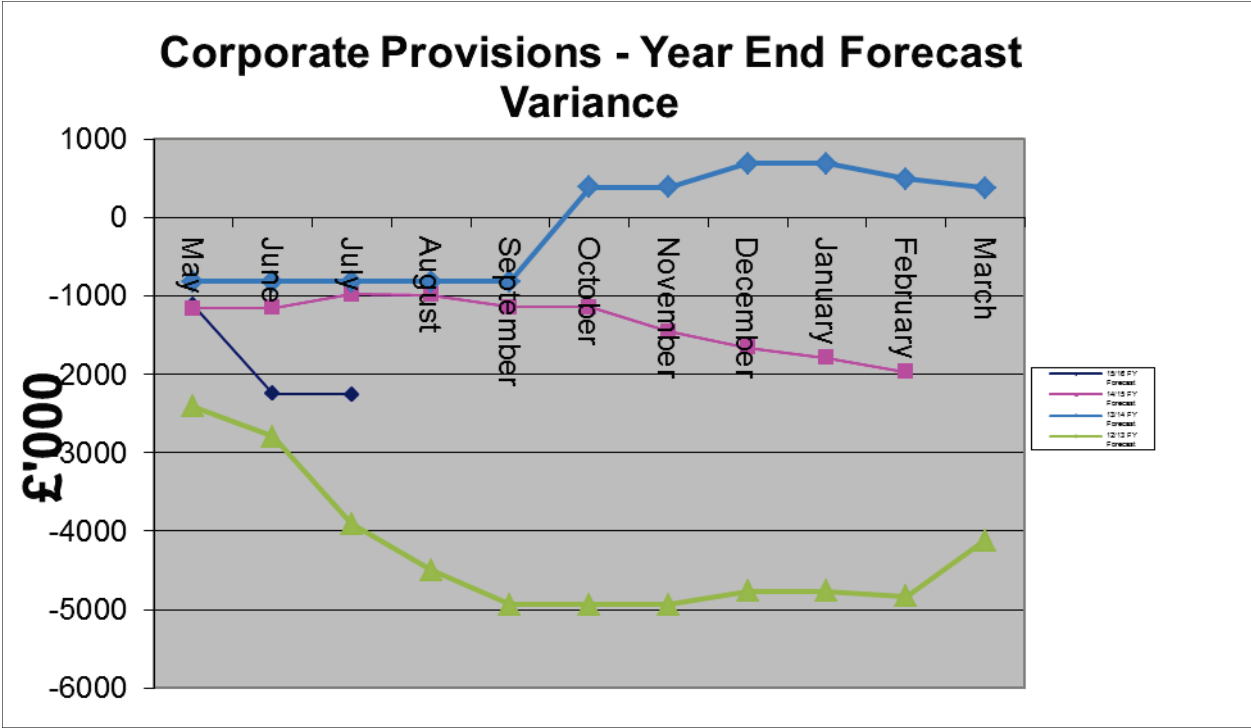


Chart 2 shows the forecast year end variance for corporate provisions with a comparison against 2014/15, 2013/14 and 2012/13.





### 3. DEPARTMENTAL SUMMARY OF CURRENT POSITION

#### Corporate Services

	2015/16 Current Budget	Full year Forecast July	Forecast variance at year end July	Forecast variance at year end June	2014/15 Outturn Variance
	£000	£000	£000	£000	£000
Business Improvement	4,781	4,617	-164	-80	-259
Infrastructure & Transactions	9,887	9,652	-234	-181	-347
Resources	7,471	7,312	-159	-67	-255
Human Resources	2,380	2,456	76	-15	-26
Corporate Governance	3,224	2,927	-297	-204	-433
Customer Services	2,632	2,286	-346	-364	-273
Corporate Items including redundancy costs	1,295	2,016	721	350	1,320
<b>Total (controllable)</b>	<b>31,670</b>	<b>31,266</b>	<b>-403</b>	<b>-561</b>	<b>-273</b>

#### Overview

At the end of period 4 (July 2015) the Corporate Services department are forecasting an underspend of £403k at year end.

#### Business Improvement – underspend £164k

The main reasons for the forecast underspend are an overachievement of street naming income of approx. £90k and some vacant posts in the new systems and development team structure due to a delay in successful recruitment.

#### Infrastructure and Transactions – underspend £234k

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

#### Resources – underspend £159k

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

## **Corporate Governance – forecast underspend £297k**

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

## **Customer Services – forecast underspend £346k**

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

Additional funding received from the DWP for welfare reforms eases the pressure on the benefits and local tax team and an improvement in court costs charged resulting in a forecast underspend of approx. £135k.

The Merton bailiffs' service is forecasting an overachievement of fee income of £170k but this is predominantly offset by a shortfall on the shared bailiffs' income target of £120k.

Translation services are forecasting an overachievement of income of £20k and there are some forecast underspends on the establishment and parking cash collection contracts of £25k.

## **Corporate items - forecast overspend £721k**

The forecast overspend is to provide for a loss of subsidy for the 2015/16 housing benefits grant claim audit based on the results of the previous audit of £350k.

There is also a forecast overspend of approx. £350k for redundancies based on the payments year to date. Further work is being done in this area.

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

## **Environment & Regeneration**

<b>Environment &amp; Regeneration</b>	<b>2015/16 Current Budget £000</b>	<b>Full year Forecast (July) £000</b>	<b>Forecast Variance at year end (July) £000</b>	<b>Forecast Variance at year end (June) £000</b>	<b>2014/15 Outturn Variance £000</b>
Public Protection	(9,415)	(6,310)	3,105	(131)	(53)
Sustainable Communities	12,864	12,686	(178)	(142)	203
Waste Services	15,433	15,312	(121)	366	1,440
Other	(866)	(705)	161	0	(291)
<b>Total (Controllable)</b>	<b>18,016</b>	<b>20,983</b>	<b>2,967</b>	<b>93</b>	<b>1,299</b>

Description	2015/16 Current Budget £000	Forecast Variance at year end (July) £000	Forecast Variance at year end (June) £000	2014/15 Variance at year end £000
Employee overspend within Parking Services	3,177	(170)	110	99
Delay in implementation of measures to tackle traffic congestion	(3,214)	3,214	0	0
Employee overspend within Regulatory Services	2,058	153	99	99
Underspend on third party payments within Safer Merton	251	(41)	0	(78)
Other	(11,687)	(51)	(340)	(323)
<b>Total for Public Protection</b>	<b>(9,415)</b>	<b>3,105</b>	<b>(131)</b>	<b>(203)</b>
Employee overspend within B&DC	1,710	38	169	200
General Supplies & Services underspend within Building & Development Control (B&DC)	243	(58)	(73)	(64)
Shortfall in B&DC income	(1,893)	109	90	(46)
Employee related overspend within Future Merton	2,645	56	58	(129)
Overspend on third party payments within Future Merton	2,913	59	73	64
General Supplies & Services underspend within Future Merton	1,331	(41)	(42)	(132)
Premises related underspend within Property Management	283	(66)	(61)	32
Overachievement of rental income within Property Management	(4,042)	(183)	(198)	(181)
Underachievement of Customer & Client Receipts within Greenspaces	(1,871)	114	61	79
General Supplies & Services underspend within Greenspaces	445	(57)	(32)	(10)
Employee underspend within Senior Mgmt & Support	886	(159)	(131)	(51)
Other	10,214	10	(56)	35
<b>Total for Sustainable Communities</b>	<b>12,864</b>	<b>(178)</b>	<b>(142)</b>	<b>203</b>
Employee overspend within Waste Services	7,529	54	106	316
Transport related underspend within Waste Services	1,927	(172)	(49)	(155)
General Supplies & Services underspend within Waste Services	915	(110)	(6)	(169)
Overspend on 3 <sup>rd</sup> Party Payments	6,651	321	462	909
Overachievement of Customer & Client Receipts within Waste Services	(2,357)	(169)	(131)	527
Overspend within Transport Services	(866)	161	0	(291)
Other	768	(45)	(16)	12
<b>Total for Street Scene &amp; Waste</b>	<b>14,567</b>	<b>40</b>	<b>366</b>	<b>1,149</b>
<b>Total Excluding Overheads</b>	<b>18,016</b>	<b>2,967</b>	<b>93</b>	<b>1,299</b>

## **Overview**

The department is currently forecasting an overspend of £2,967k at year end. The main areas of variance are Parking Services, Waste Services, Regulatory Services, Transport Services, Property management, Building & Development Control, and Senior Management & Support.

## **Pressures**

### **Public Protection**

#### **Parking Services**

The section is currently forecasting an overspend of £3,041k mainly due a legal challenge to the award of the contract for the provision and maintenance of Automatic Number Plate Recognition (ANPR) cameras, resulting in a suspension of the contract award. The matter is now subject to legal processes through the Technology and Construction Court and a definitive date as to the resolution of the matter at this stage cannot be given. The expected lead-in time for implementation is 4 months from the award of the contract, and the budgeted expectation was for a November 2015 start (4 months from a July 2015 award). Therefore, unless the matter is concluded and the contract awarded by the beginning of November 2015 for commencement by March 2016, the section will not receive any anticipated revenue in the 2015/16 financial year, and as a March 2016 commencement cannot be guaranteed at present, all income and expenditure relating to ANPR is excluded from the current forecast.

#### **Regulatory Services Partnership**

An overspend of £133k is forecast as a result of a delay in implementing the second phase of the shared service staffing structure, which was budgeted to begin in April but will not be implemented until around October.

### **Sustainable Communities**

#### **Building & Development Control**

The section is currently forecasting an overspend of £127k mainly due to an employee overspend of £38k, and an underachievement of income of £109k. This is partially offset by an underspend of £58k in supplies and services.

The employee overspend is the result of both the additional temporary staff for the agreed 2-year fixed term enhancement of the service, and the use of agency staff (which are more costly) to cover vacancies whilst a commercial plan is being finalised to improve the market share and competitiveness of the building control service.

#### **Property Management**

The section is currently forecasting an underspend of £252k. This is as a result of exceeding their commercial rental income expectations by £180k due to a current high occupancy rate. There is also an NNDR related underspend of £70k whereby the authority is not currently liable for the fee.

#### **Future Merton**

The employee overspend is in relation to the recent restructure between Future Merton and Traffic & Highways, which commenced in May. Therefore, due to notice periods, protected allowances and only a part-year effect seen during this year, the full effect of this saving will not be realised this year.

However, it is expected that this pressure will, in the main, be mitigated from underspends elsewhere within the section.

## Greenspaces

The section is currently forecasting an overspend of £54k, which is mainly as a result of an underachievement of internment income (£78k), sports income (£62k), income relating to rents (£49k), and the hiring of openspaces e.g. Wimbledon Park athletics track (£20k). These pressures are being partially off-set by an expected supplies and services underspend of £57k.

This forecast includes an estimated £90k surplus from a planned event in Wimbledon Park later in the year.

## Senior Management & Support

An underspend of £166k is being forecast due to not filling vacant posts in order to contribute towards the department's mitigating actions.

## Street Scene & Waste

### Waste Services

The section is currently forecasting an underspend of £121k, which is mainly due to an underspend on transport (£172k), supplies and services (£110k), and customer and client receipts (£169k).

However, the section is also forecasting an overspend of £321k which mainly relates to the ongoing operational and disposal costs associated with the management of the HRRC and transfer station (£499k). Although the site will be under new management from October, this overspend is due to the part year effect of the current arrangements. However, it is expected that this pressure will not reoccur next year.

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

Waste Operations are also currently reviewing the service provision for weekend working (Saturday) with the aim of reducing agency spend. The section is also assessing the financial viability of procuring two additional vehicles to mitigate the need for overtime to cover mechanical breakdowns.

### Transport Services

The section is currently forecasting an overspend of £161k which is mainly as a result of a lower than expected user requirement of the Workshop, and a delay in the external use of the tachograph centre.

### Management Action

The department is looking into potential actions to mitigate the budget pressures where possible, and all managers are aware of the need to contain expenditure and maximise income wherever possible. Corporate guidance regarding the filling of vacant posts is strictly adhered to.

## Children Schools and Families

<b>Children, Schools and Families</b>	<b>2015/16 Current Budget £000</b>	<b>Full year Forecast (Jul) £000</b>	<b>Forecast Variance at year end (Jul) £000</b>	<b>Forecast Variance at year end (Jun) £000</b>	<b>2014/15 Variance at year end £000</b>
Commissioning, Strategy and Performance	8,602	9,583	981	969	1,287
Education	17,494	18,316	822	134	953
Social Care and Youth Inclusion	11,697	12,632	935	512	580
Public Health contribution	0	(328)	(328)	(328)	(415)
PFI	7,983	7,826	(157)	101	6
Redundancy costs	2,091	2,091	0	0	39
<b>Total (controllable)</b>	<b>47,867</b>	<b>50,120</b>	<b>2,253</b>	<b>1,388</b>	<b>2,450</b>

## Overview

At the end of July Children Schools and Families had a forecast overspend of £2.253m on local authority funded services. Although the department received growth for placements, this was not sufficient to cover the total shortfall caused by the increased birth rate and additional burdens from central government. An additional budget allocation of £1.007m for transport cost has also been included in this month's forecast. The overspend has also been netted down by one off Public Health money of £328k making the underlying overspend £2.581m, (£1.716m last month) an increase of £865k.

There is a potential risk of an in-year claw back on the Public Health grant allocation as a result of the recent budget announcement by the chancellor, estimated nationally as £200m. Details of how this will be allocated across PH grants or how it will be taken back in year have not been agreed. Estimate is around 7% of the grant allocation (£646k).

## 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	Jul £000	Jun £000	2014/15 £000
Fostering and residential placements (ART)	4,845	600	733	1,052
Supported lodgings/housing	629	446	294	427
Un-accompanied asylum seeking children (UASC)	60	300	336	193
Procurement & School organisation	545	(287)	(325)	(128)
Other small over and underspends	2,523	(78)	(69)	(257)
<b>Subtotal Commissioning, Strategy and Performance</b>	<b>8,602</b>	<b>981</b>	<b>969</b>	<b>1,287</b>
SEN Transport	3,878	681	42	1,168
Children with disabilities team (CWD) staffing	526	95	123	24
Other small over and underspends	13,090	46	(31)	(236)
<b>Subtotal Education</b>	<b>17,494</b>	<b>822</b>	<b>134</b>	<b>953</b>
No Recourse to Public Funds (NRPF)	20	451	451	441
Independent review and service quality	526	176	210	210
Social Work staffing	2,970	391	0	(71)
Other small over and underspends	8,181	(83)	(149)	(71)
<b>Subtotal Children's Social Care and Youth Inclusion</b>	<b>11,697</b>	<b>935</b>	<b>512</b>	<b>580</b>
<b>Public Health contribution</b>	<b>0</b>	<b>(328)</b>	<b>(328)</b>	<b>(415)</b>
<b>Subtotal PFI</b>	<b>7,983</b>	<b>(157)</b>	<b>101</b>	<b>6</b>
<b>Subtotal Redundancy cost</b>	<b>2,091</b>	<b>0</b>	<b>0</b>	<b>39</b>
<b>Grand total Children, Schools and Families</b>	<b>47,867</b>	<b>2,253</b>	<b>1,388</b>	<b>2,450</b>

## Commissioning, Strategy and Performance Division

While the numbers of Looked After Children (LAC) remain relatively stable, the complexity of a significant proportion of cases is causing the net overspend of £600k. This includes on-going pressures on independent agency fostering of £89k, in-house fostering of £342k and residential placements of £240k which is offset by underspends in mother and baby placements of £3k and secure accommodation costs of £68k.

The budget for semi-independent and supported lodgings/housing placements is estimated to overspend by £446k. This budget is used to finance placements for young people aged 16/17 who require semi-independent provision and for Care Leavers through to independence or, in some cases, through to the age of 21. There has been an increase in forecast expenditure due to increase in caseload as some young people have now reached 18 and funding for their placement has transferred from the LAC placement into this budget. Because of their specific needs, some young people have also needed to move placements and this has resulted in increased expenditure on those placements.

The UASC payments are expected to overspend by £300k this year due to both an increase in cases and an increase in the number of claimants turning 18 which is when central government contribution towards these cases ceases.

Procurement and school organisation budgets are expected to underspend by £287k as a result of lower spend forecast on revenue budgets. This budget relates to construction projects that cannot be classified as capital. The majority of this is required for temporary classrooms due to rising pupil demand when it is not viable to provide permanent buildings. This year demand for reception year places is slightly lower than forecast so there has been no need for temporary classrooms.

There are various other small over and underspends forecast across the division netting to a £78k underspend. These combine with the items described above to arrive at the total reported divisional overspend of £981k.

#### Education Division

SEN and FE transport cost are expected to overspend by £681k. This represents cost on external home to school transport as additional budget was received to balance the internal transport cost based on the June 2015 forecast. The overspend forecast increased by £639k from last month due to a change in the forecast methodology to be more accurate. This represents an increase of £400k on last year's actual cost which is due to a net demographic growth of c £450k. We had 71 new children taking up transport since September 2014. We are reviewing both demand management and cost efficient supply with E&R.

The CWD team staffing costs is expected to overspend by £95k. As highlighted in the budget reports to Cabinet and Council, additional capacity is being kept under regular review and funded quarterly from the corporate contingency. This amount equates to two additional social workers. One quarter's funding has been included in the forecast for the year. On top of the additional staff, the team also has to cover vacancies with higher agency staff cost.

There are various other small over and underspends forecast across the division netting to a £46k overspend. These combine with the item described above to arrive at the total reported divisional overspend of £822k.

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

The NRPF budgets are forecast to overspend by £451k for the current financial year. This increase in cost is in response to case law regarding housing families with no recourse to public funds (Zambrano & Clue cases). This is an issue across London.

The independent review and service quality team is expected to overspend by £176k. This is due to the use of agency staff to cover permanent IRO vacancies as well as additional resources above establishment to ensure appropriate caseloads to support the quality assurance function.

The Central Social Work, MASH and Permanency team's staffing costs is expected to overspend by £391k. As highlighted in the budget reports to Cabinet and Council, additional capacity is being kept under regular review and funded quarterly from the corporate contingency. This amount equates to six additional social workers. One quarter's funding has been included in the forecast for the year. On top of the additional staff, the team also has to cover vacancies with agency staff due to difficulty in recruiting permanent members of staff. This cost could fluctuate during the course of the year depending on our ability to recruit permanent members of staff to our vacancies

There are various other small over and underspends forecast across the division netting to a £83k underspend. These combine with the item described above to arrive at the total reported divisional overspend of £935k.

### **Dedicated Schools Grant**

DSG funded services is forecast to underspend by £406k. These budgets are not within the council's general fund and cannot be offset against the local authority funded budgets. Any underspend will be added to the DSG reserve and applied after consultation with Schools Forum. Variances between individual subjectives have been shown in the overall departmental analyses.

The main reasons for the forecast relates to an estimated underspend of £386k in Independent Residential School provision. This figure is expected to reduce towards year-end as additional placements are made throughout the year.

There are various other smaller over and underspends forecast across the DSG netting to a £20k underspend which, combined with the item above, equates to the net underspend of £406k.

### **Management Action**

#### Staffing

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

#### Placements

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

Work continues to ensure we lever in appropriate health contribution to children with complex needs and our ART service is driving down placement costs including through regional partnership commissioning.

#### 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 which have delivered savings of £30k to date. 6 personal budgets were approved this financial year providing an on-going cost reduction of £34k.

#### New burdens

There are a considerable number of duties placed on the Local Authority which have not been fully funded or not funded at all. However this still leaves a net departmental overspend of £1.056m. The table below highlights the estimated overspends relating to these duties:

<b>Description</b>	<b>Budget £000</b>	<b>Jul overspend forecast £000</b>	<b>Jun overspend forecast £000</b>
Supported lodgings/housing	629	446	294
Un-accompanied asylum seeking children (UASC)	60	300	336
No Recourse to Public Funds (NRPF)	20	451	451
<b>Total</b>	<b>709</b>	<b>1,197</b>	<b>1,081</b>

Young people aged between 18 and 21 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.

#### **Additional social worker capacity**

As highlighted in the budget reports to Cabinet and Council, additional capacity is being kept under regular reviewed and funded quarterly from the corporate contingency. CMT / Cabinet are asked to approve the virement for the first quarter of £119k from the corporate contingency. This adjustment has already been built into budget forecast for July.

# Community and Housing

## Overview

At the end of July Community and Housing is forecast to overspend by £1.180m as shown in summary table 1 below. This variance has occurred despite the Department's budget for 2015-16 including growth to protect social care services through the Better Care Fund additional funding to manage the new duties arising from the Care Act 2014 and inflation. This growth totalled £3.9m

The Department under delivered its savings in 2014-15. Therefore, the Department is complementing its existing savings plan with a number of other mitigating actions designed to manage these pressures and recoup the shortfall in savings carried forward from 2014-15. However, It seems that the 2015/16 savings will also be underachieved at this stage of the year.

<b>Table 1 Community and Housing</b>	<b>2015/16 Current Budget £000</b>	<b>Full Year Forecast (Jul) £000</b>	<b>2015/16 Forecast Variance (Jul) £000</b>	<b>2015/16 Forecast Variance (Jun) £000</b>	<b>2014/15 Variance at year end £000</b>
Access and Assessment	42,695	44,305	1,610	894	2,648
Commissioning	4,727	4,616	(111)	(115)	(221)
Direct Provision	4,231	4,612	381	445	892
Directorate	1,053	1,045	(8)	(6)	(223)
Directorate – Care Act Implementation Expenditure	1,265	765	(500)	0	0
Directorate – Care Act Implementation Income	(1,265)	(1,265)	0	0	0
**Contribution from Public Health	0	(328)	(328)	(328)	(500)
<b>Adult Social Care</b>	<b>52,706</b>	<b>54,250</b>	<b>1,544</b>	<b>890</b>	<b>2,595</b>
Libraries and Heritage	2,436	2,408	(28)	2	4
Merton Adult Education	(179)	99	278	177	254
Housing General Fund	1,903	1,789	(114)	(57)	(105)
<b>Total (controllable)</b>	<b>56,866</b>	<b>58,046</b>	<b>1,180</b>	<b>1,012</b>	<b>2,748</b>

It should be noted that Adult Social Care forecast overspend has been netted down by £328k of one-off Public Health money giving an underlying overspend of £1.382m. A corporate settlement of £265k budget transfer has been approved to reduce the transport forecast over-spend. Additional estimated transitions costs totalling £442k have been included in the Period 4 placements forecast, this will be kept under review to monitor if cases included actually transfer.

It should be noted that the government has decided to delay implementing the cap on care costs until 2020 . The delay will allow time to be taken to ensure that everyone is ready to introduce the new system and to look at what more can be done to support people with the costs of care.

**Access and Assessment – £1,610k over-spend**

<b>Access and Assessment</b>	<b>Forecast Variance (July) £000</b>	<b>Forecast Variance (June) £000</b>
Gross Placements overspend	2,771	2,175
Miles Re-ablement under-spend	(261)	(217)
Other A&A under-spends	(884)	(774)
<b>Sub-total Net over-spend</b>	<b>1,626</b>	<b>1,184</b>
Under achievement of Client Contribution	9	(265)
Helping People at home grant **	(25)	(25)
<b>Total Access &amp; Assessment</b>	<b>1,610</b>	<b>894</b>

<u>Description</u>	<b>2015/16 Budget £000</b>	<b>Forecast Variance (Jul) £000</b>	<b>Forecast Variance (Jun) £000</b>	<b>2014/15 Variance at year end £000</b>
<u>Access &amp; Assessment</u>				
Gross Placements	38,178	2,771	2,109	3,689
Placements - Other	368	(43)	13	0
Transport**	346	66	53	0
Client & CCG Contribution Income	(11,875)	9	(265)	(612)
Helping People at home revenue grant	0	(25)	(25)	(75)
Miles- Reablement	1,568	(261)	(217)	371
Concessionary Fares & Taxi-card	9,203	(157)	(157)	(45)
Care-first	136	(129)	(129)	(117)
Other Access & Assessment	9,366	(621)	(488)	(564)
Better Care Fund – NHS Social Care Transfer Income	(4,427)	0	0	0
<b>Sub-total Access &amp; Assessment</b>	<b>42,695</b>	<b>1,610</b>	<b>894</b>	<b>2,648</b>
<u>Commissioning</u>				
Brokerage, Contracts, Performance & Planning & Commissioning	1,188	(141)	(143)	(237)
Voluntary Organisations - grants	738	92	87	138
Voluntary Organisations – Contracts	200	(23)	(23)	(24)
Voluntary Organisations – Dementia contract	230	8	8	11
Pollards Hill Contract	82	(14)	(16)	0
Transport**	261	(128)	(128)	32
Supporting People Grant	2,128	95	100	(141)
Better Care Fund – NHS Social Care Transfer Income	(100)	0	0	0
<b>Sub-total Commissioning</b>	<b>4,727</b>	<b>(111)</b>	<b>(115)</b>	<b>(221)</b>
<u>Direct Provision</u>				
Transport **	501	132	274	604
Day Centres	2,061	(2)	(14)	(58)
Supported Living	873	19	(8)	109
Residential	794	194	173	222
Mascot	370	17	5	5
Other Direct Provision	32	21	15	10
Better Care Fund – NHS Social Care Transfer Income	(400)	0	0	0
<b>Sub-total Direct Provision</b>	<b>4,231</b>	<b>381</b>	<b>445</b>	<b>892</b>
<u>Directorate</u>				
Staffing Costs	934	(8)	(6)	(223)
Adult Social Care Redesign – Projects	300	0	0	0
Better Care Fund – NHS Social Care Transfer Income	(181)	0	0	0
Care Act Implementation	1,265	(500)	0	0
Care Act Implementation-Grant	(865)	0	0	0
Better Care Fund – NHS Social Care Transfer Income – CA Implementation	(400)	0	0	0
<b>Subtotal Directorate</b>	<b>1,053</b>	<b>(8)</b>	<b>(6)</b>	<b>(223)</b>
Contribution from Public Health – Ageing Well Grants	0	(328)	(328)	(500)
<b>Sub-total Adult Social Care</b>	<b>52,706</b>	<b>1,044</b>	<b>890</b>	<b>2,595</b>

Libraries	2,436	(28)	2	4
Merton Adult Education	(179)	278	177	254
<b>Housing</b>				
Temporary Accommodation	116	(48)	(7)	84
Homelessness Prevention	320	0	0	(127)
Housing Advice and Options	500	(15)	0	(7)
Housing Needs	283	(8)	(9)	(43)
Housing Strategy	139	(13)	(13)	(18)
Housing Supply & Development	266	(15)	(15)	(3)
Housing Environmental Health	228	(15)	(14)	(59)
Merton Action single Homeless	51	0	0	0
Reserves Funding Adjustment	0	0	0	67
<b>Sub-total Housing</b>	<b>1,903</b>	<b>(114)</b>	<b>(57)</b>	<b>(106)</b>
Total Community & Housing	56,866	1,180	1,012	2,648

### **Budget Pressures**

The department is facing a number of budget pressures. The main area of challenge is around social care placements and many of the below pressures feed into that one budget area. The main pressures are listed below:

- **Under achievement of savings in 2014/15 (£2.265m)** The savings programme developed for 2014/15 contained a number of savings which had high levels of risk and despite the best efforts of officers were not delivered. The savings programme for 2015/16 has been rebalanced to include a series of proposals that we believe are more deliverable, although still high risk, and managers are working to bring in additional savings to close the gap (see mitigations section below) . If these savings had been delivered then the budget for 2015/16 would be underspending despite the pressures discussed below. Similarly there are savings of £2,154m to be delivered in 2015/16. The current estimates of achievement would seem to be rather over optimistic.
- **Existing Placements Commitments (£2.771m gross)** - The cost of commitments to pay for 3<sup>rd</sup> party support packages for adults/ older people with eligible support needs at the end of July 2015 is forecast to be £2.771m more than the 2015-16 budget i.e. commitments are £40.95m versus a budget of £38.2m.
- **Demographic pressures (£640k estimated pressure)** This is based on national agreed prediction systems - POPPI (Projecting Older People Population Information System) and PANSI (Projecting Adult Needs and Service Information System), alongside specific local data such as actual young people entering adult services through transitions.
- **Price pressures (£515k)** Nationally the market in social care has shown that providers are successfully demanding increases in fees and have very limited scope for making further cash efficiencies. This is due to pressures such as clarification over the definition of minimum wage and increasing challenges in hiring staff. Merton has in recent years held fees low compared with other boroughs, for example not offering an increase for inflation for five years. However if

providers can obtain better prices from neighbouring boroughs and/or the NHS, it means that Merton may have to pay more if it is to secure access to care provision.

- **New responsibilities from the Cheshire West judgement, Care Act 2014** Although the Government has provided some funding to cover the Cheshire West judgement around Deprivation of Liberty Assessments (DOLs) (£80k), there are risks that the costs may exceed this funding
- **Transport costs – (£70k overspend).**  
A corporate budget transfer of £265k has been approved to reduce the above overspend. To mitigate the effects of the rise in costs Direct Provision staff have also taken over escorting duties and staff use self-drive vehicles to collect some of the day service customers. Savings in the use of taxis are being achieved on an on-going basis
- **Direct Provision Residential Homes Services Staffing costs (£204k)** There are a number of pressures to Direct Provision staffing costs including the on-going impact of Single Status Agreement. There is also growth in demand for our Supported Living Service and extra costs related to the move from the Gables back to Doliffe Close.
- **NHS pressures** the pressures especially on acute hospitals are well known, and this is leading to the discharge of more people at a greater level of dependency. It can be challenging to find care packages often at short notice. As an indicator of this pressure, the number of people needing “double ups” (i.e. two carers at any one time to manage personal care for a customer) has increased.
- **Other items (£372k)** In addition to the above we have a number of other pressures including three new Ordinary residence cases (£193k) passed by neighbouring boroughs and
- **Merton Adult Education (£278k)** caused by in year reductions in SFA funding and the inability to realise savings target of £176K.  
This forecast has taken into account funding the new MAE Commissioning Team roles which has added additional pressure to the budget for the remainder of the year as the roles are paid at a higher rate. £51K savings have been realised through holding staff vacancies. A re-structure is planned from October 2015 for the remainder of the year.

### **Management action**

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

- **Strengthened Resource Panel and cost/activity monitoring systems:** The panels now sit twice a week and there is representation from both the Brokerage and Occupational Therapy teams. Chairing arrangements have been strengthened. Every team is getting a monthly breakdown, with an aim to make it fortnightly, on its performance on activity and finance as against the required trajectory to stay within budget.
- **A savings delivery plan to ensure MTFs targets are achieved:** An over-arching savings plan exists to ensure the delivery of the savings in the MTFs and where possible exceed savings targets to recoup the savings shortfall in 2014-15. The plan is designed to deliver £2.234m of savings in 2015-16 in line with the MTFs and there are areas where we will achieve more savings than originally forecast – we will continue to press these as hard as possible.
- **The ASC redesign programme to deliver the target operating model:** The Adult Social Care Redesign Programme is the Department’s overarching programme to deliver our Target Operating Model, our savings plan and in response to the Care Act. This is being delivered as part of the council’s corporate portfolio. This plan around 30 individual projects that taken together will redesign the way the department manages the support needs of our clients in the

most efficient method and continues to support independence. Some key elements are described below:

- **Cost avoidance / delaying costs arising:** the Programme includes a review to ensure that we are using our grant funding, early intervention and universal services to support prevention and recovery.
- **Process redesign work** As part of implementing the new social care system, Mosaic, and in response to the Care Act 2014 the department is redesigning its processes to make the delivery of social care even more efficient. In addition like the rest of the Council our staff are adopting flexible and mobile work approaches to improve productivity. This will enable staff resources to be freed up to implement the Care Act 2014, work in a more integrated way with the NHS and to help us to manage the increased flow of work from the NHS..
- **Market management/shaping work:** Recognising the challenges posed by the market costs we are undertaking a number of individual negotiations with providers looking at what models of delivery we can design that will enable the services to be delivered in partnership with providers for the lowest costs. In addition, there are some areas where we feel we can negotiate even keener prices and we are actively pursuing those as well. So far these negotiations have led to increases estimated to cost £515k in 2015-16 against requested rises that we estimate would have cost at least twice this amount in 2015-16 had we agreed to the suppliers initial price increase demands. However, there are delays in updating CareFirst with agreed rates which is causing difficulties in estimating costs and will also affect migration to the new system before it goes live in November.
- **New innovative commissioning approaches:** Related to the above, as well as delivering the current savings plan and our current commissioning strategy we are working on a number of other innovative ideas to help us meet a growing need in a different way to what we currently do. Ideas being pursued include new ways of procuring access to care home placements, creating a more flexible market for domiciliary care based on personal assistants and investigating how we can use econometric tools to forecast demand even more accurately and reduce void costs.
- **Developing staff resources** Staff resources including structures are being reviewed to ensure they staff consistently work to promote and to ensure structure are affordable given the staff savings in the MTFS
- **Moving to a commissioning model for adult education** This will end the recurrent overspend in this area since Merton will simply commission as much as is available through central government funding and any other sources of funds.

### Placements Activity Data

The table below details the current number of clients and care packages numbers

<b>Activity Data – Care Package Numbers</b>	<b>No of Care Packages (No's)</b>	<b>No of Clients (No's)</b>	<b>Total Yearly Commitment July</b>
Service Area			£000
Mental Health	131	116	1,491
Physical and Sensory	333	230	4,516
Learning Disabilities **	418	337	13,221
Older People	1,822	1,233	21,432
Substance Misuse	2	2	65
No recourse to public funds	18	10	224
<b>TOTAL Gross placement expenditure</b>	<b>2,724</b>	<b>1,928</b>	<b>£40,949</b>

Learning Disability Commitment include estimated transition costs of £675k.

Details of the estimated costs are :-

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

### **Public Health**

Public Health is forecast to under-spend by £234k .

<b>Public Health</b>	<b>2015/16 Budget £000</b>	<b>Period 4 (Jul) Forecast £000</b>	<b>Forecast Variance (Jul) £000</b>	<b>Forecast Variance (Jun) £000</b>	<b>2014/15 Final Out-turn Variance £000</b>
PH - Directorate	1,247	1,104	(143)	(147)	(305)
PH- Contraception	713	713	0	0	(26)
PH - STI Testing and Treatment (GUM)	2,060	2,194	134	134	110
PH - SH Advice, Prevent and Promotion	217	219	2	2	(97)
PH - NHS Health check	282	282	0	0	17
PH - Falls Prevention	66	66	0	0	(1)
PH – Obesity	579	538	(41)	(41)	(28)
PH – Live well (including smoking cessation)	345	331	(14)	(14)	(35)
PH - Substance Misuse (drugs and alcohol)	2,100	1,969	(131)	(103)	(422)
PH - School Nursing (including National Child Measurement programme)	849	833	(16)	0	(4)
PH - Surveillance and Control of Infectious Diseases	10	10	0	0	(9)
PH- Determinants	160	149	(11)	0	0
PH - Community Services Contract Estates	284	284	0	0	0
PH - New Investments	152	138	(14)	(14)	(275)
<b>Total Public Health (controllable)</b>	<b>9,064</b>	<b>8,830</b>	<b>(234)</b>	<b>(183)</b>	<b>(1,075)</b>
PH – Non-Recurrent Projects funded from Reserves )	498	498	0	0	0
PH – CSF Projects funded from Reserves b/f	328	328	0	0	0
PH – C&H Projects funded from Reserves b/f	328	328	0	0	0
<b>Total Public Health (including funding from Reserves)</b>	<b>10,218</b>	<b>9,984</b>	<b>(234)</b>	<b>(183)</b>	<b>(1,075)</b>



There is a potential risk of an in-year claw back on the Public Health grant allocation as a result of the recent budget announcement by the chancellor. The consultation sets out possible options on how the £200 million of savings might be spread across LA's. One suggestion is a straight 6.2% cut to all LA's. This equates to a reduction of £573k on the PH grant and £91k on the 0-5 (Health Visiting) allocation due to transfer in October (Total £664k)

Details of how this reduction if applied will be allocated across PH projects or how it will be taken back in year have not been agreed.

## (E) Corporate Items

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

Corporate Items	Current Budget 2015/16	Full Year Forecast (July)	Forecast Variance at year end (July)	Forecast Variance at year end (June)	2014/15 Year end Variance
	£000s	£000s	£000s	£000s	£000s
Cost of borrowing	14,117	13,980	(137)	(25)	205
Use for Capital Programme	0	0	0	0	0
<b>Impact of Capital on revenue budget</b>	<b>14,117</b>	<b>14,980</b>	<b>(137)</b>	<b>(25)</b>	<b>205</b>
<b>Investment Income</b>	<b>(559)</b>	<b>(655)</b>	<b>(96)</b>	<b>(96)</b>	<b>(385)</b>
<b>Pension Fund</b>	<b>5,042</b>	<b>5,042</b>	<b>0</b>	<b>0</b>	<b>(300)</b>
<b>Pay and Price Inflation</b>	<b>575</b>	<b>575</b>	<b>0</b>	<b>0</b>	<b>(883)</b>
<b>Contingencies and provisions</b>	<b>4,711</b>	<b>3,311</b>	<b>(1,400)</b>	<b>(1,500)</b>	<b>64</b>
<b>Income Items</b>	<b>(174)</b>	<b>(800)</b>	<b>(626)</b>	<b>(626)</b>	<b>(914)</b>
<b>Appropriations/Transfers</b>	<b>(7,024)</b>	<b>(7,024)</b>	<b>0</b>	<b>0</b>	<b>(399)</b>
<b>Central Items</b>	<b>2,571</b>	<b>449</b>	<b>(2,122)</b>	<b>(2,222)</b>	<b>(2,817)</b>
<b>Levies</b>	<b>926</b>	<b>926</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Depreciation and Impairment</b>	<b>(16,506)</b>	<b>(16,506)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL CORPORATE PROVISIONS</b>	<b>1,108</b>	<b>(1,292)</b>	<b>(2,259)</b>	<b>(2,247)</b>	<b>(2,612)</b>

Since June, there has been a small adjustment to the forecast for the use of contingency to reflect the latest estimated cost of funding 8 social workers within Children's social care and the capital financing costs have been revised to take into account the outturn position and slippage in the programme.

## 4. CAPITAL PROGRAMME 2015-19

### 4.1 Capital Expenditure

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

Depts.	Spend To July 2012	Spend To July 2013	Spend To July 2014	Spend To July 2015	Variance 2012 to 2015	Variance 2013 to 2015	Variance 2014 to 2015
<b>C&amp;H</b>	258	774	107	23	(236)	(752)	(84)
<b>CS</b>	776	613	192	221	(554)	(391)	29
<b>CSF</b>	6,285	2,038	3,993	4,109	(2,176)	2,071	116
<b>E&amp;R</b>	2,808	2,485	1,068	767	(2,041)	(1,717)	(300)
<b>Total Capital</b>	10,127	5,909	5,360	5,121	(5,006)	(789)	(239)

Outturn £000s	40,487	31,564	36869	
Budget £000s				45,062
Projected Spend June 15 £000s				41,387
Percentage Spend to Budget				11.36%
Percentage Spend to Outturn/Projection	25.01%	18.72%	14.54%	12.37%
Monthly Spend to Achieve Projected Outturn £				4,030

4.1.2 July is one third of the way through the financial year, however, departments have only spent 11.36% of their budget or 12.37% of their forecast outturn, in the last three years spend was in the region of 15-25% of the final outturn by this point. To achieve a projected spend of 41.4m officers will need to spend just over £4m per month for the rest of the financial year. The table below shows that in July 2015 departments have managed to spend just over £2.75 million.

Department	Spend To June 2015 £000s	Spend To July 2015 £000s	Increase £000s
<b>C&amp;H</b>	102	23	(79)
<b>CS</b>	131	221	91
<b>CSF</b>	1,869	4,109	2,240
<b>E&amp;R</b>	262	767	506
<b>Total Capital</b>	2,363	5,121	2,757

4.2 The Table below shows the movement in the 2015/19 corporate capital programme since the June 2015 financial monitoring report:

Depts	Original Budget 15/16	Adjustments	Revised Budget 15/16	Original Budget 16/17	Adjustments	Revised Budget 16/17	Original Budget 17/18	Variance	Revised Budget 17/18	Original Budget 18/19	Variance	Revised Budget 18/19
C&H	3,597	(875)	2,722	984	875	1,859	340	0	340	340	0	340
CS	8,768	4	8,772	4,890	0	4,890	2,881	0	2,881	2,757	0	2,757
CSF	15,949	31	15,980	28,911	100	29,011	20,979	0	20,979	20,104	0	20,104
E&R	17,799	(102)	17,697	26,792	465	27,257	10,327	0	10,327	6,379	0	6,379
<b>TOTAL</b>	<b>46,113</b>	<b>(942)</b>	<b>45,171</b>	<b>61,576</b>	<b>1,440</b>	<b>63,016</b>	<b>34,526</b>	<b>0</b>	<b>34,526</b>	<b>29,579</b>	<b>0</b>	<b>29,579</b>

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

### Merton Summary Capital Report - July 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Community and Housing	2,722,150	231,688	307,380	(75,692)	2,721,533	(617)
Corporate Services	8,772,110	221,485	2,787,327	(2,565,842)	5,007,466	(3,764,644)
Children Schools and Families	15,979,640	4,108,958	9,728,121	(5,619,163)	15,979,633	(7)
Environment and Regeneration	17,696,410	558,379	4,911,684	(4,353,305)	17,678,225	(18,185)
<b>Total Capital</b>	<b>45,170,310</b>	<b>5,120,510</b>	<b>17,734,512</b>	<b>(12,614,002)</b>	<b>41,386,857</b>	<b>(3,783,453)</b>

- a) Community and Housing – At present it is assumed that Disabled Facilities Grants will fully spend.
- b) Corporate Services – The majority of the projected variance is caused by four major corporate schemes
  - a. the Acquisition Fund £1,542k - this budget is held corporately,
  - b. Bidding Fund £1,357k (subject to business cases for European Funding)
  - c. Transformation Budget £197k – this budget is held corporately and vired as transformation projects are identified.
  - d. Customer Contact Programme and Document Management System projects which are being progressed under one contract are currently showing slippage of £420k. Currently this is an estimate of the likely outturn for 2015/16 as the contract milestones for payments have not yet been agreed with the provider and confirmed
- c) Environment and Regeneration – Two small projected slippages account for the underspend shown.

- 4.3 Appendix 5b details the adjustments being made to the Capital Programme this month. A brief description of the adjustment is provided in this Appendix.
- 4.4 Appendix 5c details the change in funding the programme. The table below shows the movement in the Capital programme for 2015/16 since its approval in March 2015:

Depts.	Original Budget 15/16	Net Slippage 2014/15	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 15/16
Community and Housing	2,161	1,436	200	0		(1,075)	2,722
Corporate Services	7,428	2,408	(17)	0	0	(1,047)	8,772
Children Schools and Families	17,105	1,014	268	60	0	(2,467)	15,980
Environment and Regeneration	15,240	2,345	(147)	534	275	(550)	17,697
<b>Total</b>	<b>41,933</b>	<b>7,203</b>	<b>304</b>	<b>594</b>	<b>275</b>	<b>(5,139)</b>	<b>45,171</b>

## 5. DELIVERY OF SAVINGS FOR 2015/16

Department	Target Savings 2015/16	Projected Savings 2015/16	Period 4 Forecast Shortfall	Period 4 Forecast Shortfall
	£000's	£000's	£000's	%
Corporate Services	1,170	1,099	(71)	(6.1)%
Children Schools and Families	781	781	0	0.0%
Community and Housing	2,154	1,777	(377)	(17.5)%
Environment and Regeneration	4,192	836	(3,356)	(80.1)%
<b>Total</b>	<b>8,297</b>	<b>4,493</b>	<b>(3,804)</b>	<b>(45.8)%</b>

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

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

## 6. CONSULTATION UNDERTAKEN OR PROPOSED

6.1 All relevant bodies have been consulted.

## 7. TIMETABLE

7.1 In accordance with current financial reporting timetables.

## 8. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

8.1 All relevant implications have been addressed in the report.

## 9. LEGAL AND STATUTORY IMPLICATIONS

9.1 All relevant implications have been addressed in the report.

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

10.1 Not applicable

## 11. CRIME AND DISORDER IMPLICATIONS

11.1 Not applicable

## 12. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

12.1 The emphasis placed on the delivery of revenue savings within the financial monitoring report will be enhanced during 2015/16, the risk of part non-delivery of savings is already contained on the key strategic risk register and will be kept under review.

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

Appendix 1-	Detailed monthly position table
Appendix 2 –	Detailed Corporate Items table
Appendix 3 –	Pay and Price Inflation as at June 2015
Appendix 4 –	Treasury Management: Outlook
Appendix 5a –	Current Capital Programme 2015/16
Appendix 5b –	Current Capital Programme 2015/16 – Adjustments July 2015
Appendix 5c –	Funding Current Capital Programme 2015/16 & 2016/17
Appendix 6 -	Departmental charts
Appendix 7 -	Progress on 2015/16 savings
Appendix 8-	2014/15 savings achieved and expected in 2015/16

**14. BACKGROUND PAPERS**

14.1 Budgetary Control files held in the Corporate Services department.

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

APPENDIX 1

	Original Budget 2015/16	Current Budget 2015/16	Year to Date Budget (July)	Year to Date Actual (July)	Full Year Forecast (July)	Forecast Variance at year end(July)	Forecast Variance at year end- previous month (June)	Outturn Variance 2014/15
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000
<b>Department</b>	-							
3A. Corporate Services	14,025	15,061	13,536	9,716	14,658	(403)	(561)	(691)
3B. Children, Schools and Families	50,894	52,481	59,962	59,293	54,734	2,253	1,388	2,663
<b>3C. Community and Housing</b>	-							0
Adult Social Care	56,080	56,434	19,148	15,899	57,479	1,044	889	2,593
Libraries & Adult Education	3,169	3,289	1,394	1,269	3,539	250	180	281
Housing General Fund	2,151	2,154	736	149	2,040	(114)	(57)	(100)
3D. Public Health	320	320	(1,557)	(4,013)	86	(234)	(183)	(0)
3E. Environment & Regeneration	23,986	24,185	1,869	1,581	27,151	2,966	93	1,703
Overheads	0	0	0	0	0	0	0	0
<b>NET SERVICE EXPENDITURE</b>	<b>150,624</b>	<b>153,925</b>	<b>95,088</b>	<b>83,894</b>	<b>159,686</b>	<b>5,762</b>	<b>1,749</b>	<b>6,448</b>
<b>3E. Corporate Items</b>								
Impact of Capital on revenue budget	14,117	14,117	4,706	1,729	13,980	(137)	(25)	205
Other Central items	-10,651	-13,948	-6,370	-1,462	-16,070	-2,122	-2,222	(2,817)
Levies	926	926	372	372	926	0	0	0
<b>TOTAL CORPORATE PROVISIONS</b>	<b>4,392</b>	<b>1,095</b>	<b>-1,292</b>	<b>640</b>	<b>-1,164</b>	<b>-2,259</b>	<b>-2,247</b>	<b>-2,612</b>
<b>TOTAL GENERAL FUND</b>	<b>155,016</b>	<b>155,019</b>	<b>93,796</b>	<b>84,534</b>	<b>158,522</b>	<b>3,503</b>	<b>-498</b>	<b>3,836</b>
<b>- Funding</b>								
- Business Rates	(33,686)	(33,686)	(2,823)	(2,823)	(33,686)	0	0	0
- RSG	(30,425)	(30,425)	(15,673)	(15,673)	(30,425)	0	0	0
- Council Tax Freeze Grant 2014/15	(861)	(861)	(260)	(260)	(861)	0	0	6
- Section 31 Grant	(1,134)	(1,134)	(323)	(323)	(1,134)	0	0	(160)
- New Homes Bonus	(2,642)	(2,642)	(2,142)	(2,142)	(2,642)	0	0	0
- PFI Grant	(4,797)	(4,797)	(1,199)	(1,199)	(4,797)	0	0	0
<b>Grants</b>	<b>(73,545)</b>	<b>(73,545)</b>	<b>(22,420)</b>	<b>(22,420)</b>	<b>(73,545)</b>	<b>0</b>	<b>0</b>	<b>(154)</b>
Collection Fund - Council Tax Surplus(-)/Deficit	(4,813)	(4,813)	0	0	(4,813)	0	0	0
Collection Fund - Business Rates Surplus(-)/Deficit	393	393	0	0	393	0	0	0
<b>Council Tax</b>								
- General	(76,758)	(76,758)	0	0	(76,758)	0	0	0
- WPC	(293)	(293)	0	0	(293)	0	0	0
<b>Council Tax and Collection Fund</b>	<b>(81,471)</b>	<b>(81,471)</b>	<b>0</b>	<b>0</b>	<b>(81,471)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUNDING</b>	<b>(155,016)</b>	<b>(155,016)</b>	<b>(22,420)</b>	<b>(22,420)</b>	<b>(155,016)</b>	<b>0</b>	<b>0</b>	<b>(154)</b>
<b>NET</b>	<b>0</b>	<b>3</b>	<b>71,375</b>	<b>62,113</b>	<b>3,506</b>	<b>3,503</b>	<b>(498)</b>	<b>3,682</b>

	Current Budget 2015/16	Year to Date Budget (July)	Year to Date Actual (July)	Forecast Variance at year end (July)	Forecast Variance at year end (June)
<b>Expenditure</b>	£000	£000	£000	£000	£000
Employees	97,110	32,657	32,479	2,106	1,119
Premises Related Expenditure	8,504	3,735	2,025	(479)	(416)
Transport Related Expenditure	14,699	4,838	3,654	667	72
Supplies and Services	172,994	51,309	48,724	(1,395)	(614)
Third Party Payments	88,996	27,622	22,885	3,875	3,156
Transfer Payments	104,053	3,307	33,227	1,507	(189)
Support Services	31,902	0	0	(2)	(2)
Depreciation and Impairment Losses	16,505	712	0	0	0
Corporate Provisions	1,095	(1,292)	640	(2,259)	(2,247)
<b>GROSS EXPENDITURE</b>	<b>535,857</b>	<b>122,889</b>	<b>143,634</b>	<b>4,020</b>	<b>880</b>
<b>Income</b>					
Government Grants	(264,961)	(5,089)	(36,548)	2,883	188
Other Grants, Reimbursements and Contribs	(25,508)	(4,438)	(4,789)	(1,469)	(1,348)
Customer and Client Receipts	(57,731)	(18,062)	(17,692)	(2,361)	(1,030)
Interest	(44)	0	0	24	24
Recharges	(32,547)	(1,434)	0	1	1
Balances	(46)	(70)	(70)	406	787
<b>GROSS INCOME</b>	<b>(380,837)</b>	<b>(29,093)</b>	<b>(59,100)</b>	<b>(517)</b>	<b>(1,377)</b>
<b>NET EXPENDITURE</b>	<b>155,019</b>	<b>93,797</b>	<b>84,534</b>	<b>3,503</b>	<b>(498)</b>



**APPENDIX 2**

3E. Corporate Items	Council 2015/16 £000s	Original Budget 2015/16 £000s	Current Budget 2015/16 £000s	Year to Date Budget (July) £000s	Year to Date Actual (July) £000s	Full Year Forecast £000s	Forecast Variance at year end (July) £000s	Forecast Variance at year end (June) £000s
Cost of Borrowing Use for Capital Programme	14,117	14,117	14,117	4,706	1,729	13,980	(137) 0	(25) 0
<b>Impact of Capital on revenue budget</b>	<b>14,117</b>	<b>14,117</b>	<b>14,117</b>	<b>4,706</b>	<b>1,729</b>	<b>13,980</b>	<b>(137)</b>	<b>(25)</b>
<b>Investment Income</b>	<b>(559)</b>	<b>(559)</b>	<b>(559)</b>	<b>(186)</b>	<b>(130)</b>	<b>(655)</b>	<b>(96)</b>	<b>(96)</b>
<b>Pension Fund</b>	<b>5,042</b>	<b>5,042</b>	<b>5,042</b>	<b>840</b>	<b>238</b>	<b>5,042</b>	<b>0</b>	<b>0</b>
Corporate Provision for Pay Award	189	189	0	0	0	0	0	0
Provision for inflation in excess of 1.5%	543	543	475	0	0	475	0	0
Utilities Inflation Provision	100	100	100	0	0	100	0	0
<b>Pay and Price Inflation</b>	<b>832</b>	<b>832</b>	<b>575</b>	<b>0</b>	<b>0</b>	<b>575</b>	<b>0</b>	<b>0</b>
Contingency	1,500	1,500	1,500	0	0	500	(1,000)	(1,100)
Single Status/Equal Pay	100	100	100	0	14	100	0	0
Bad Debt Provision	500	500	500	0	0	500	0	0
Loss of income arising from P3/P4	400	400	400	0	0	0	(400)	(400)
Revenuisation and miscellaneous	3,525	3,525	2,211	0	0	2,211	0	0
<b>Contingencies and provisions</b>	<b>6,025</b>	<b>6,025</b>	<b>4,711</b>	<b>0</b>	<b>14</b>	<b>3,311</b>	<b>(1,400)</b>	<b>(1,500)</b>
Local Services Support Grant	0	0	0	0	0	0	0	0
Other	(174)	(174)	(174)	0	3	(800)	(626)	(626)
<b>Income items</b>	<b>(174)</b>	<b>(174)</b>	<b>(174)</b>	<b>0</b>	<b>3</b>	<b>(800)</b>	<b>(626)</b>	<b>(626)</b>
Appropriations: CS Reserves	(3,003)	(3,003)	(3,914)	(3,914)	(293)	(3,914)	0	0
Appropriations: E&R Reserves	(1,631)	(1,631)	(1,772)	(1,759)	(13)	(1,772)	0	0
Appropriations: CSF Reserves	(618)	(618)	(1,137)	(1,137)	(1,387)	(1,137)	0	0
Appropriations: C&H Reserves	(545)	(545)	(700)	(700)	(700)	(700)	0	0
Appropriations: Public Health Reserves	(320)	(320)	(320)	(320)	0	(320)	0	0
Appropriations: Corporate Reserves	806	806	806	806	806	806	0	0
<b>Appropriations/Transfers</b>	<b>(5,311)</b>	<b>(5,311)</b>	<b>(7,037)</b>	<b>(7,024)</b>	<b>(1,587)</b>	<b>(7,037)</b>	<b>0</b>	<b>0</b>
<b>Depreciation and Impairment</b>	<b>(16,506)</b>	<b>(16,506)</b>	<b>(16,506)</b>		<b>0</b>	<b>(16,506)</b>	<b>0</b>	<b>0</b>
<b>Central Items</b>	<b>3,466</b>	<b>3,466</b>	<b>169</b>	<b>(1,664)</b>	<b>267</b>	<b>(2,090)</b>	<b>(2,259)</b>	<b>(2,247)</b>
<b>Levies</b>	<b>926</b>	<b>926</b>	<b>926</b>	<b>372</b>	<b>372</b>	<b>926</b>	<b>0</b>	<b>0</b>
<b>TOTAL CORPORATE PROVISIONS</b>	<b>4,392</b>	<b>4,392</b>	<b>1,095</b>	<b>(1,292)</b>	<b>640</b>	<b>(1,164)</b>	<b>(2,259)</b>	<b>(2,247)</b>

### Pay and Price Inflation as at June 2015

In 2015/16, the budget includes 1% for increases in pay and 1.5% for increases in general prices, with an additional amount of £0.543m which is held to assist services that may experience price increases greatly in excess of the 1.5% inflation allowance provided when setting the budget. At present it is not anticipated that there will be a significant call on this budget and it will only be released when it is certain that it will not be required.

### Pay:

The pay award for 2015/16 was agreed as part of a two year settlement which ends on 31 March 2016

### Prices:

The Consumer Prices Index (CPI) grew by 0.1% in the year to July 2015 up from 0.0% in the year to June 2015. A smaller fall in clothing prices on the month compared with a year ago was the main contributor to the rise in inflation. Falling prices for food and non-alcoholic beverages partially offset the rise.

CPIH grew by 0.4% in the year to July 2015, up from 0.3% in June 2015.

RPI annual inflation stands at 1.0% in July 2015, unchanged from June 2015.

### Outlook for inflation:

On 5 August 2015, the Bank of England's Monetary Policy Committee (MPC) voted to maintain the Bank Base Rate at 0.5%. The Committee also voted to continue with its programme of asset purchases totalling £375 billion, financed by the issuance of central bank reserves. The MPC reached its decisions in the context of the monetary policy guidance announced alongside the publication of the August 2013 Inflation Report.

In the August 2015 Inflation Report it was noted that "CPI inflation was 0.0% in June, well below the MPC's 2% target. That undershoot largely reflects external factors but domestic cost pressures have also been weak. Inflation is projected to rise around the turn of the year as past falls in energy prices begin to drop out of the annual comparison. Thereafter, domestic pressures are likely to build alongside a steady expansion in demand, which absorbs the remaining economic slack. The MPC judges that it is currently appropriate to set policy so that it is likely that inflation will return to the 2% target within two years. Conditional on a gradual rise in Bank Rate, such as that currently implied by market yields, that is judged likely to be achieved."

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

Source: HM Treasury - Forecasts for the UK Economy (August 2015)			
	Lowest %	Highest %	Average %
2015 (Quarter 4)			
CPI	(0.2)	1.0	0.5
RPI	(0.4)	1.6	1.2
LFS Unemployment Rate	4.9	5.6	5.3
2016 (Quarter 4)			
CPI	1.2	2.7	1.7
RPI	1.3	3.5	2.8
LFS Unemployment Rate	3.8	5.8	5.0

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

Independent medium-term projections for the calendar years 2015 to 2019 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (August 2015)					
	2015	2016	2017	2018	2019
	%	%	%	%	%
CPI	0.1	1.4	1.9	2.0	2.0
RPI	1.0	2.2	3.1	3.2	3.4
LFS Unemployment Rate	5.5	5.1	5.0	4.9	4.9

## Treasury Management: Outlook

The Bank Base Rate has been kept at its low of 0.5% since March 2009. At its meeting ending on 5 August 2015, the MPC voted by a majority of 8-1 to maintain Bank Rate at 0.5%. The Committee voted unanimously to maintain the stock of purchased assets financed by the issuance of central bank reserves at £375 billion

In the MPC minutes published on 6 August 2015 it was noted that “CPI inflation fell back to zero in June. As set out in the Governor’s open letter to the Chancellor, around three quarters of the deviation of inflation from the 2% target, or 1½ percentage points, reflects unusually low contributions from energy, food, and other imported goods prices. The remaining quarter of the deviation of inflation from target, or ½ a percentage point, reflects the past weakness of domestic cost growth, and unit labour costs in particular. The combined weakness in domestic costs and imported goods prices is evident in subdued core inflation, which on most measures is currently around 1%.”

The MPC believe that the short to medium term outlook for inflation is muted, particularly as “Sterling has appreciated by 3½% since May and 20% since its trough in March 2013. The drag on import prices from this appreciation will continue to push down on inflation for some time to come, posing a downside risk to its path in the near term.” In terms of the next 2-3 years the MPC expect that “were Bank Rate to follow the gently rising path implied by market yields, the Committee judges that demand growth would be sufficient to return inflation to the target within two years. In its projections, inflation then moves slightly above the target in the third year of the forecast period as sustained growth leads to a degree of excess demand.” One member of the MPC voted to increase the Bank Rate by 0.25% this month, reasoning that “demand growth and wage pressures were likely to be greater, and the margin of spare capacity smaller, than embodied in the Committee’s collective August projections.”

In the quarterly inflation report for August 2015, the MPC noted that “all members agree that, given the likely persistence of the headwinds weighing on the economy, when Bank Rate does begin to rise, it is expected to do so more gradually and to a lower level than in recent cycles. This guidance is an expectation, not a promise. The actual path Bank Rate will follow over the next few years will depend on the economic circumstances. The Committee will continue to monitor closely the incoming data.”

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

	End Q.2 2015	End Q.3 2015	End Q.4 2015	End Q.1 2016	End Q.2 2016	End Q.3 2016	End Q.4 2016	End Q.1 2017	End Q.2 2017	End Q.3 2017	End Q.4 2017	End Q.1 2018	End Q.2 2018	End Q.3 2018
August 2015	0.5	0.5	0.5	0.6	0.7	0.9	1.0	1.2	1.3	1.4	1.5	1.6	1.7	1.7
May 2015	0.5	0.5	0.5	0.6	0.7	0.8	0.9	1.0	1.1	1.2	1.3	1.3	1.4	
February 2015	0.4	0.5	0.5	0.6	0.6	0.7	0.8	0.9	1.0	1.0	1.1	1.1		
November '14	0.6	0.7	0.8	1.0	1.1	1.2	1.4	1.5	1.5	1.7	1.7			
August 2015	0.9	1.1	1.3	1.5	1.7	1.9	2.0	2.1	2.2	2.3				

Source: Bank of England Inflation Report February 2015

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

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

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

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

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

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

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
<b>Adult Social Care</b>						
The Gables Mitcham	576,280	34,446	0	34,446	576,280	0
Other	133,550	1,144	26,940	(25,796)	132,933	(617)
<b>Libraries</b>						
Library Self Service	350,000	0	0	0	350,000	0
<b>Housing</b>						
8 Wilton Road	0	(13,011)	0	(13,011)	0	0
Disabled Facilities	1,662,320	209,109	280,440	(71,331)	1,662,320	0
<b>Community and Housing Total</b>	<b>2,722,150</b>	<b>231,688</b>	<b>307,380</b>	<b>(75,692)</b>	<b>2,721,533</b>	<b>(617)</b>

## Corporate Services Summary Capital Report - July 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Business Improvement Total	2,440,570	97,668	928,066	(830,398)	2,019,940	(420,630)
Corporate Governance	880	0	880	(880)	0	(880)
Corporate Items	2,899,340	0	333,332	(333,332)	0	(2,899,340)
Facilities Management Total	1,700,280	93,342	953,869	(860,527)	1,695,276	(5,004)
IT Total	930,550	30,475	328,432	(297,957)	730,550	(200,000)
Resources	561,700	0	76,084	(76,084)	561,700	0
IT Transformation Unallocated	238,790	0	166,664	(166,664)	0	(238,790)
<b>Corporate Services Total</b>	<b>8,772,110</b>	<b>221,485</b>	<b>2,787,327</b>	<b>(2,565,842)</b>	<b>5,007,466</b>	<b>(3,764,644)</b>

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

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Aragon expansion	0	(11,083)	0	(11,083)	0	0
Beecholme expansion	95,000	0	47,500	(47,500)	95,000	0
Cranmer expansion	31,260	(3,845)	31,260	(35,105)	31,260	0
Joseph Hood Permanent Expansn	3,830	(2,965)	3,830	(6,795)	3,830	0
St Mary's expansion	157,080	2,254	19,870	(17,616)	157,078	(2)
All Saints/ South Wim YCC exp	3,550	3,547	3,550	(3)	3,550	0
Hillcross School Expansion	1,560,510	742,986	748,595	(5,609)	1,560,510	0
Merton Abbey Temp Accomodation	1,179,940	762,994	579,170	183,824	1,179,940	0
Pelham School Expansion	3,161,140	1,154,439	1,912,470	(758,031)	3,161,140	0
Dundonald expansion	3,106,710	533,322	2,121,980	(1,588,658)	3,106,712	2
Poplar Permanent Expansion	289,900	160,177	(155,072)	315,249	289,900	0
Liberty expansion	0	0	0	0	0	0
Singlegate expansion	1,412,810	53,608	1,121,194	(1,067,586)	1,412,803	(7)
Wimbledon Chase DCSF grant	0	0	0	0	0	0
Wimbledon Park expansion	70,530	(4,497)	70,530	(75,027)	70,530	0
<b>Primary Expansion</b>	<b>11,072,260</b>	<b>3,390,937</b>	<b>6,504,877</b>	<b>(3,113,940)</b>	<b>11,072,253</b>	<b>(7)</b>

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

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Devolved Formula Capital	568,830	120,584	192,968	(72,384)	568,830	0
Early Years	0	(59,158)	0	(59,158)	0	0
Free School Meals	193,080	0	118,080	(118,080)	193,080	0
Cricket Green Site	137,470	20,530	72,444	(51,914)	137,470	0
Primary school autism unit	1,145,240	230,934	1,142,125	(911,191)	1,145,240	0
Breaks-disabled children grant	0	(7,242)	0	(7,242)	0	0
Perseid	1,139,680	418,738	614,546	(195,808)	1,139,680	0
Secondary School Autism Unit	0	0	103,332	(103,332)	0	0
Schs Cap Maint & Accessibility	738,860	(5,365)	413,860	(419,225)	738,860	0
B631 - Solar PV Raynes Prk Pav	0	(1,000)	0	(1,000)	0	0
Raynes Park Sports Pavilion	4,770	0	4,770	(4,770)	4,770	0
Secondary School expansion	770,000	0	491,664	(491,664)	770,000	0
Expansion Inflation Contingency	0	0	17,230	(17,230)	0	0
Schools Equipment Loans	104,450	0	52,225	(52,225)	104,450	0
Admissions IT System	105,000	0	0	0	105,000	0
	<b>4,907,380</b>	<b>718,021</b>	<b>3,223,244</b>	<b>(2,505,223)</b>	<b>4,907,380</b>	<b>0</b>
<b>Children Schools and Families</b>	<b>15,979,640</b>	<b>4,108,958</b>	<b>9,728,121</b>	<b>(5,619,163)</b>	<b>15,979,633</b>	<b>(7)</b>

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

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Footways Planned Works	1,060,000	44,180	90,000	(45,820)	1,060,000	0
Greenspaces	1,255,840	248,983	603,961	(354,978)	1,254,590	(1,250)
Highways General Planned Works	462,460	(10,642)	122,475	(133,117)	462,460	0
Highways Planned Road Works	1,500,000	13,414	150,000	(136,586)	1,500,000	0
Leisure Centres	1,328,760	13,456	93,080	(79,624)	1,328,760	0
Other E&R	93,260	24,965	42,760	(17,795)	93,260	0
On and Off Street Parking	20,140	10,236	20,140	(9,904)	20,140	0
Regeneration Partnerships	5,554,110	12,363	2,215,644	(2,203,281)	5,537,175	(16,935)
Street Lighting	600,000	0	20,000	(20,000)	600,000	0
Street Scene	340,690	29,078	75,160	(46,082)	340,690	0
Transport for London	2,622,430	179,627	511,610	(331,983)	2,622,430	0
Traffic and Parking Management	1,462,630	1,376	579,000	(577,624)	1,462,630	0
Transport and Plant	877,690	(11,172)	181,654	(192,826)	877,690	0
Safer Merton - CCTV & ASB	300,000	0	100,000	(100,000)	300,000	0
Waste Operations	218,400	2,515	106,200	(103,685)	218,400	0
<b>Environment and Regeneration</b>	<b>17,696,410</b>	<b>558,379</b>	<b>4,911,684</b>	<b>(4,353,305)</b>	<b>17,678,225</b>	<b>(18,185)</b>

## Virement, Re-profiling and New Funding -JULY

Appendix 5b

	2015/16 Budget	Virements	Adjusted & New Funding	Reprofiling	Revised 2015/16 Budget	2016/17 Budget	Adjsutments	Revised 2016/17 Budget	Narrative
	£	£	£	£	£	£	£	£	
<b>Corporate Services</b>									
IT Transformation (1)	196,990				196,990	0	0	0	
PlanWeb	38,000		3,800		41,800	0	0	0	Funded from OCPB Reserve
<b>Children, Schools &amp; Families</b>									
Pelham Permanent Expansion	3,135,400	25,740			3,161,140	0	0	0	Virement from climate change initiatives for
Perseid - Further 28 places	100,000			(100,000)	0	1,500,000	100,000	1,600,000	Budget for 2015-16 re-profiled into 2016-17
Admissions IT System (1)	0		105,000		105,000	0	0	0	Contract to proved schools admissions IT for 5 years with an option to extend for two further years. Funding from OCPB Reserve agreed by MIB/M2015
<b>Community &amp; Housing</b>									
Western Road	875,000			(875,000)	0	0	875,000	875,000	Delays in both schemes in Western Road will result in expected spend occurring in 2016/17
<b>Environment &amp; Regeneration</b>									
Colliers Wood Regeneration Fund	980,920		59,220		1,040,140				
Figges Marsh Changing Rooms	142,870		(142,870)		0				Scheme will not be progressed
Morden shopping parades (1)	0		111,000		111,000	0	410,000	410,000	New scheme funded by New Homes Bonus top slicet
Mitcham Major Schemes – TfL	1,900,000		(100,000)		1,800,000	884,000	0	884,000	Adjustment to TfL Funded Scheme
20MPH Zones	13,800	0	(13,800)		0	0	0	0	To be added to revenue expenditure funded by TfL
Brighter Business	0		10,000		10,000	0	55,000	55,000	New scheme funded by New Homes Bonus top slice
Climate Change Initiatives	25,740	(25,740)				0			Virement for solar panels at Pelham
<b>Total</b>	<b>7,408,720</b>	<b>0</b>	<b>32,350</b>	<b>(975,000)</b>	<b>6,466,070</b>	<b>2,384,000</b>	<b>1,440,000</b>	<b>3,824,000</b>	

1) Requires Cabinet Approval



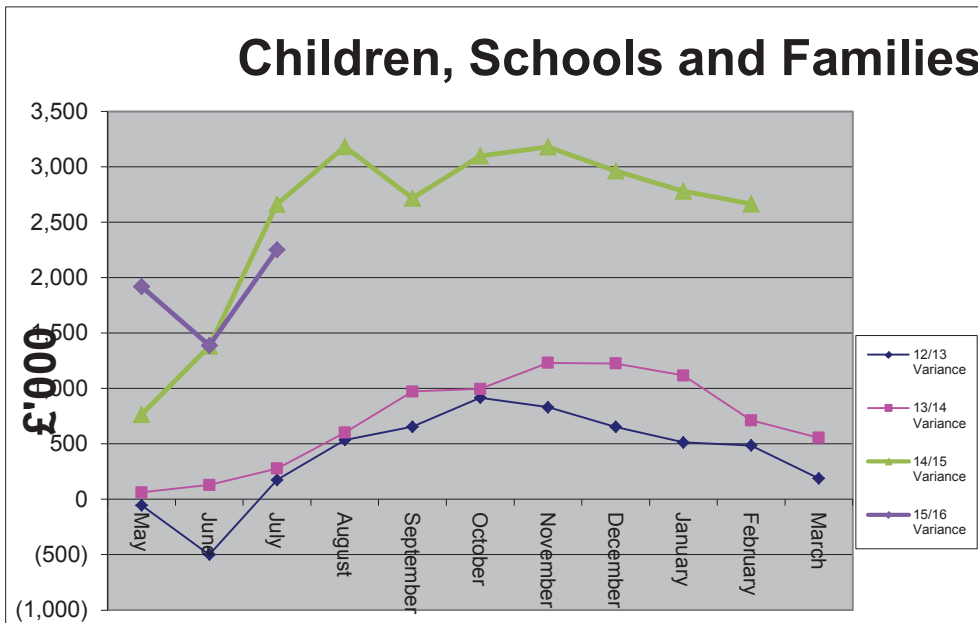
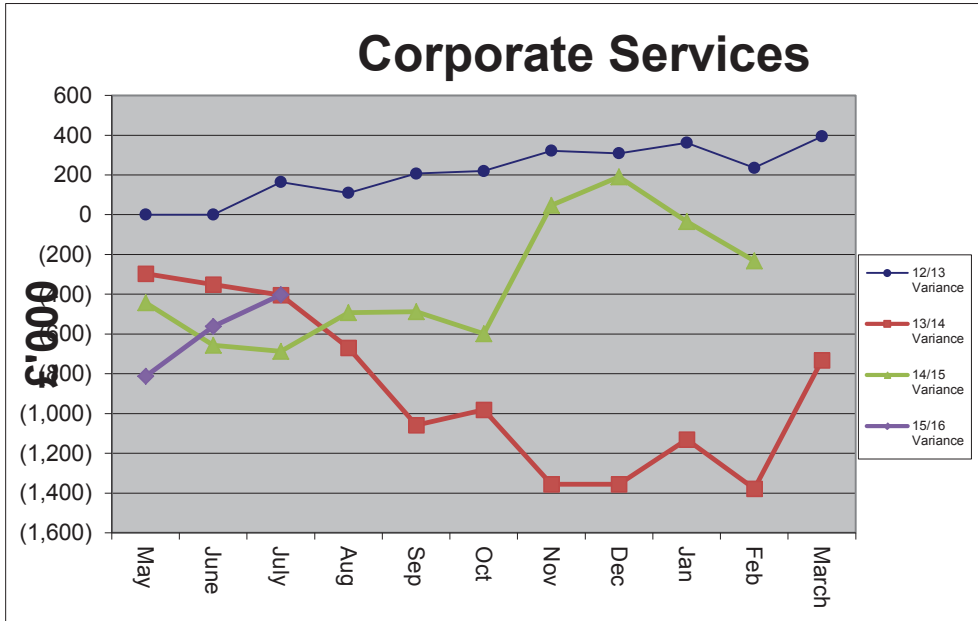
## Capital Programme Funding Summary 2015/16

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
<b>Cabinet - Sept June 2015 Monitoring</b>	<b>22,086</b>	<b>24,027</b>	<b>46,113</b>
PlanWeb	4	0	4
Perseid - Further 28 Places	(100)	0	(100)
Admissions IT System	105	0	105
Western Road	0	(875)	(875)
Figges Marsh Changing Rooms	(143)	0	(143)
Colliers Wood Regeneration Fund	0	59	59
Mitcham Major Schemes	0	(100)	(100)
20MPH Zones	0	(14)	(14)
Morden shopping parades	0	111	111
Brighter Business	0	10	10
<b>July Monitoring</b>	<b>21,952</b>	<b>23,218</b>	<b>45,170</b>

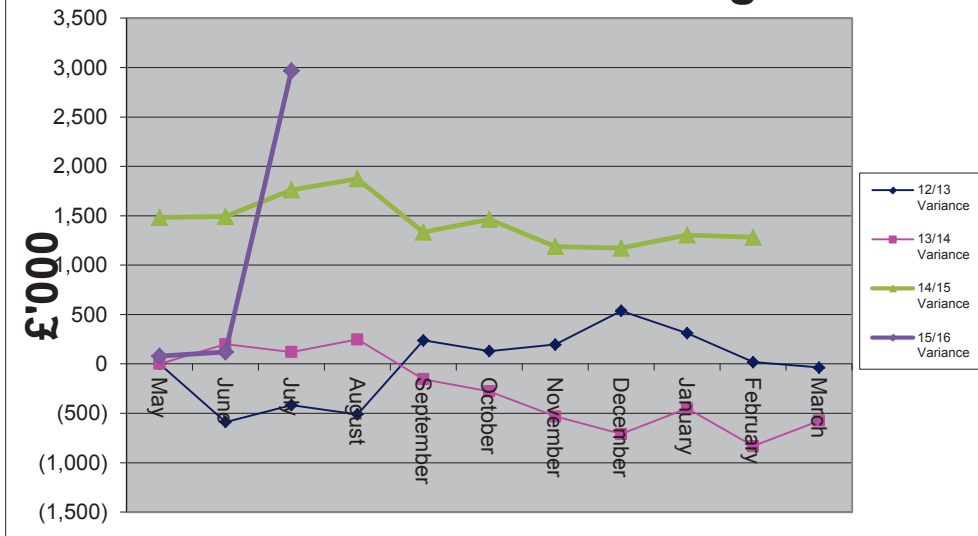
**Capital Programme Funding Summary 2016/17**

	<b>Funded from Merton's Resources</b>	<b>Funded by Grant &amp; Capital Contributions</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Cabinet - Sept June 2015 Monitoring</b>	<b>49,369</b>	<b>12,207</b>	<b>61,576</b>
Perseid - Further 28 Places	100	0	100
Western Road		875	875
Morden shopping parades		410	410
Brighter Business		55	55
<b>July 2015 Monitoring</b>	<b>49,469</b>	<b>13,547</b>	<b>63,016</b>

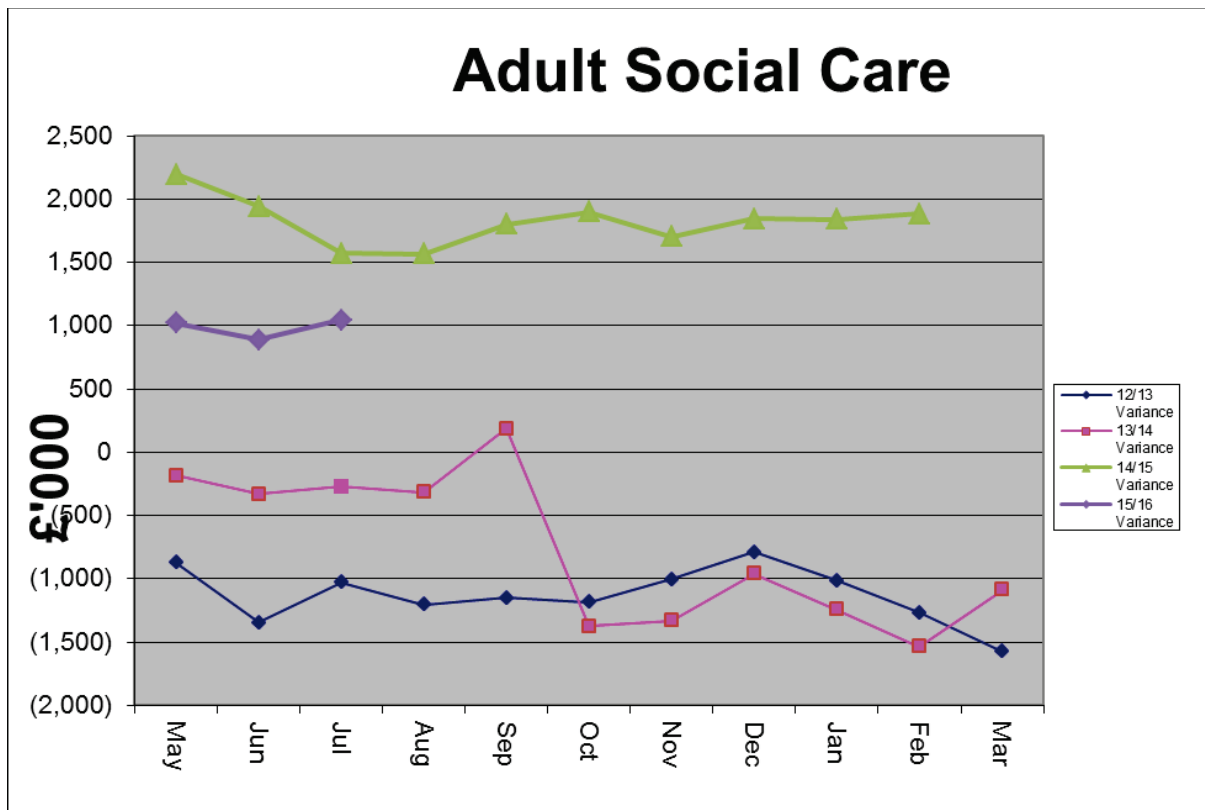
The following charts show the forecast year end variance by department with a comparison for 2012/13, 2013/14 and 2014/15:



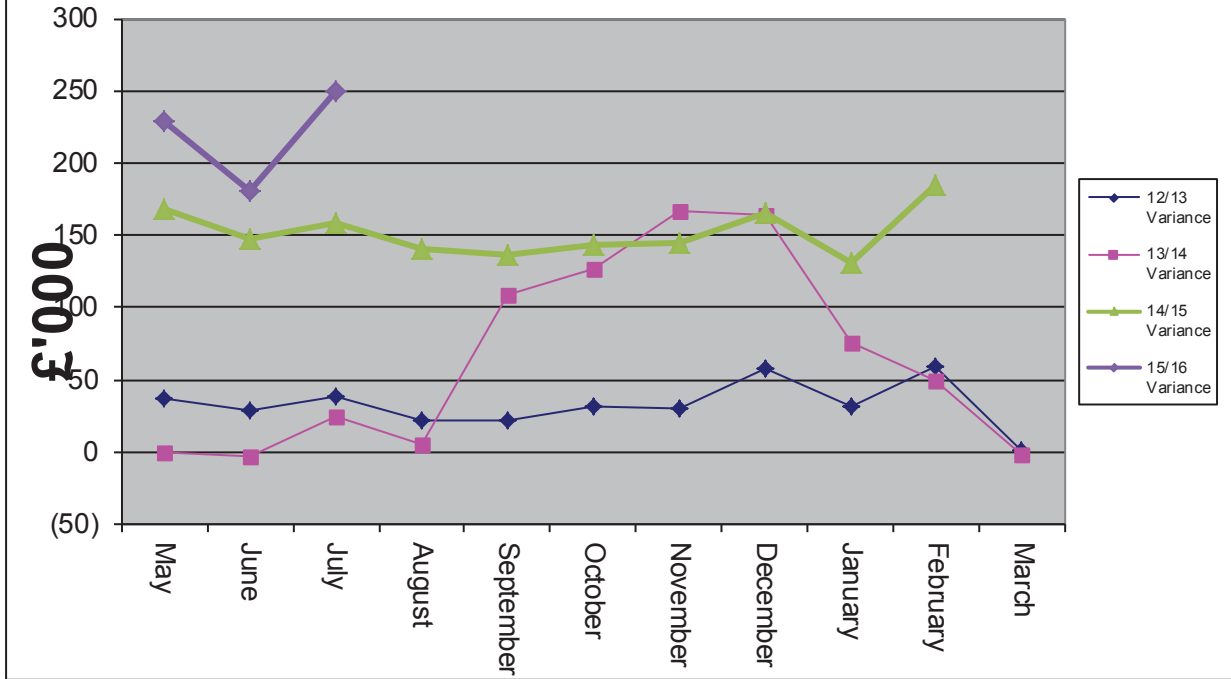
## Environment and Regeneration



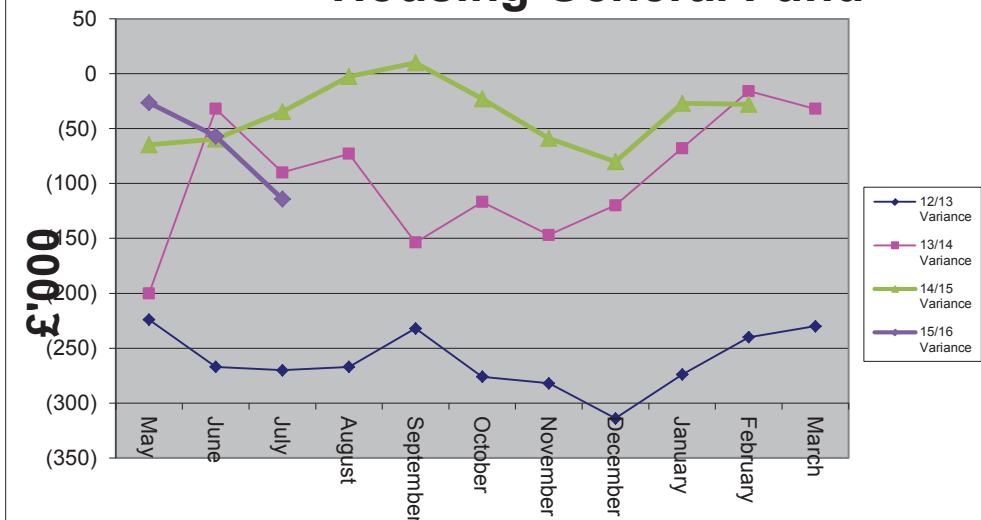
## Adult Social Care



## Libraries & Adult Education



## Housing General Fund



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

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	<b><u>CSF Commissioning Function and Commissioning Budgets</u></b>							
CSF2012-04	Reduce expenditure on LAC and SEN placements	100	100	0	A	Paul Ballatt	Base budgets were reduced for the savings target. Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter.	Y
	<b><u>CSF Children Social Care &amp; Youth Inclusion</u></b>							
CSF2012-07	Family and Adolescent Services Stream - Transforming Families (TF), Youth Offending Team (YOT) and in Education, Training and Employment (ETE)	220	220	0	G	Paul Angeli		
	<b><u>CSF Early Years</u></b>							
CSF2013-01	Substantial reduction in EY budgets whilst retaining existing Children's Centres targeted work in areas of higher deprivation (up to 10% reduction overall to Children's Centre services). Reduction in funding and in kind contributions to voluntary sector organisations	160	160	0	G	Jane McSherry		
	<b><u>School Standards and Quality</u></b>							
CSF2014-01	This is a re-profiling of the budgeted savings for 2015-17 agreed by Council on 5 March 2014. Instead of spreading the income generation and management efficiencies saving of £80k over two years, we propose bringing the total saving forward to 2015/16.	80	80	0	G	Jane McSherry		
	<b><u>Commissioning, Strategy and Performance</u></b>							
CSF2014-02	This is a re-profiling of the budgeted saving agreed by Council for 2015-17 on 5 March 2014. Due to demographic pressures on the budget we reduced the post 16 LAC/CL accommodation saving for 2015/16 from £100k to £58k.	58	58	0	A	Paul Ballatt	Base budgets were reduced for the savings target. Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter.	Y
	<b><u>Commissioning, Strategy and Performance</u></b>							

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

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSF2014-03	This will be achieved through a combination of reducing our training for facilitators of parenting programmes and decommissioning a service where the commissioned outcomes are not being delivered.	63	63	0	G	Paul Ballatt		
CSF2014-04	<u>Youth Services</u> Reduced investment in commissioned and in-house youth services.	100	100	0	G	Jane McSherry		
	<b>Total Children, Schools and Families Department Savings for 2015/16</b>	<b>781</b>	<b>781</b>	<b>0</b>				

## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
	<b>Adult Social Care</b>							
ASC7	Below Inflation Uplift to third party suppliers	350	185	(165)	R	Rahat Ahmed-Man	The 2015-16 budget build allowed inflation growth of £550k, but after 5 yrs of zero % contract price increases suppliers are increasingly choosing not to trade with merton LBC. In response to this and to secure a viable and sustainable market Commissioning staff are negotiating good value contracts going forward. To date the financial impact of these are estimated to be £365k in 2015-16 for res and nursing care contracts so for now savings of £185k look possible, but with more contracts being renegotiated there is a risk that further price increases will be agreed and saving may reduce further in 2015-16, hence, the Red rating. Since last month, a few more providers have requested uplifts, but to date, no agreements have been made. Merton are beginning to get a few comments from providers about the impact of the London Living Wage which comes into effect next April 2016.	
ASC9	Remodelling and re-procuring the domiciliary care service, following the end of the 3 year contract starting in 2012.	250	(150)	(400)	R	Rahat Ahmed-Man	Since this savings target was set market conditions have changed. Providers are being required to pay staff travel time and are under pressure to pay the London living wage. Therefore. price increases are more likely than price reductions. So far renegotiated dom care contracts are estimated to cost an extra £150k in 2015-16. This means compensating savings will need to be found by over achieving against other targets.	
CH10	Procurement Opportunities	250	362	112	G	Rahat Ahmed-Man	The Orchard Hill LD Supported Living Contract was relet from 16th February 2015. The new price assuming care hours do not exceed 1,350 in a year is £980k p.a. This compares to an annual cost under the old contract of £1.391m i.e. whole year savings forecast is £411k. The pro rata savings in 2015-16 are therefore £362k, so the £250k target <u>will be over-achieved in 2015-16 by £112k</u> . This will help compensate for the Dom care savings (above) unlikely to be achieved.	



APPENDIX 7

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

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
CH1	Brokerage efficiency savings	31	56	25	G	Rahat Ahmed-Man	Based on actual savings in previous years which exceeded £100k the Brokerage Manager is confident that this is a feasible savings target from better sourcing/re negotiations in 2015-16 and <u>there is a high probability that this target can be substantially exceeded e.g. at least doubling it looks feasible.</u>	
ASC10A	Review of care packages with a view to an overall average reduction in line with promoting independence	100	145	45	G	Rahat Ahmed-Man	A high cost cases review will be initiated in 2015-16, but savings from it aren't likely to be realised until 2016-17 onwards i.e. in 2015-16 reviews will focus on mid-range packages of £400-£1500 p.w. (excl. Dir Payments as these were reviewed in 2014-15). The £206k savings target represents about 1% of the annual cost of these packages, so it is feasible, but these cases have been reviewed in previous years and inevitably in some cases costs will properly increase in line with increased needs after a review so careful monitoring will be in place. <b>Note:</b> Reviews of Direct payment cases in Jan-Mar 2014-15 reduced costs by £57k p.a. Of this £12k related to 2014-15 and £45k to 2015-16. If you add this to £42k of savings from reviews in Apr to June 2015 and £39K projected savings in July, it is likely that savings from reviews will exceed the target and help <u>to compensate for any savings shortfall from Dom Care Remodelling.</u>	
*ASC18	* Review of care packages	75	81	6	A	Rahat Ahmed-Man		
CH2	Domiciliary care service	31	31	0	A	Rahat Ahmed-Man		
CH3	Procurement Opportunities (Placement budget)	32	32	0	A	Rahat Ahmed-Man	So far possible annual savings of £20k to £25k have been identified from changes to night cover arrangements and	
ASC2A	Outsource Reablement Service & realise benefits / efficiencies of the remodelled service	100	100	0	G	Sarah Wells	Required restructuring has taken place i.e. the projected savings will be realised.	
*CH1	* First Contact Service .Reduce in-house provision of a first contact screening and assessment service, and have this provided within the voluntary sector within the overall costs the sector currently operate within.	125	125	0	G	Rahat Ahmed-Man	Required restructuring has taken place i.e. projected savings will be realised. MAAT closed and its role is now fulfilled a new Information, Advice and Support Hub will be operated in partnership with the Voluntary Sector.	

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## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
*ASC18	*Supporting People	300	300	0	A	Rahat Ahmed-Man	After £36k growth the net change in the budget is an 11% reduction on 2014-15. This can be partly achieved as the 2014-15 budget was underspent by £140k and because services previously costing ASC £30k at Grenfell to support vulnerable families are to be fully funded by CSF in 2015-16. Savings of £96k still to be identified, but responsible officers are confident that this will be achieved.	
CH4	Staffing reductions within the Commissioning Team	71	71	0	A	Rahat Ahmed-Man	Staff restructuring is necessary to deliver this saving and this process has begun and it is anticipated that it will deliver these savings in full in 2015-16, but until this is 100% certain an amber rating is appropriate and actual savings are stated as nil.	
CH5	Staffing reductions across Direct Provision	99	99	0	G	Andy Ottaway-Searle	The required staff restructuring has already taken place so these savings will be fully achieved.	
*CH3	* Day Care Sevices -Change the day services offer for learning and physically disabled customers who currently use in house day services, mainly High Path and All Saints.	200	200	0	G	Andy Ottaway-Searle	The required restructuring has taken place. As a result more volunteers will work at centres, and there will be a closer link with Merton Mencap will result in that group offering activities previously supported by staff and outside normal opening hours, but extra single status costs will add new staff costs in Direct Care Services	
	<b>Libraries</b>			0				
CH5	Reduction in Media Fund	12	12	0	G	Anthony Hopkins		
CH6	Increase income - Libraries	10	10	0	G	Anthony Hopkins		
	<b>Merton Adult Education</b>			0				
CH15	Increased income and some staff reductions	14	14	0	G	Yvonne Tomlin		
	<b>Housing</b>			0				
CH8	Homelessness Prevention Grant	35	35	0	G	Steve Langley		
Trf from E&R	Enviromental Health Salaries	69	69	0	G	Steve Langley		
	<b>Total Community &amp; Housing Department Savings for 2015/16</b>	<b>2,154</b>	<b>1,777</b>	<b>(377)</b>				

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

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	<b><u>Business Improvement</u></b>							
CS1	Rationalisation of management costs	50	50	0	G	Sophie Ellis		
CS3	Generate income through training	5	0	5	R	Sophie Ellis	Alternate saving to be identified	N
CSD36	Business Systems Team Restructure Phase 1	10	10	0	G	Sophie Ellis		
	<b><u>IT Service Delivery</u></b>							
CS5	Review and challenge of the procurement of Support & Maintenance & Licence Contracts	60	60	0	G	Mark Humphries		
CS7	Reduction of costs through re-procurement of Mobile Telephones Contract against a number of revenue budgets spread across the Council	10	10	0	G	Mark Humphries		
CS8	Reduction of costs through re-procurement of Wide Area Network (WAN) Links contract. Savings achieved against a number of revenue budgets spread across the Council.	10	10	0	G	Mark Humphries		
CS16	Asset and Change Analyst Vacant Part Post (0.8)	24	24	0	G	Mark Humphries		
CS17	Delete one Transactional Services Assistant Post (Compulsory Redundancy)	30	30	0	G	Mark Humphries		
CS18	Delete Assistant Vendor Maintenance - Part Post 0.7 FTE (Compulsory Redundancy)	24	24	0	G	Mark Humphries		
CS20	Energy ReFit Savings (Subject to agreed investment) - Phase 2	100	100	0	G	Mark Humphries		
CS21	Increase income targets for building repairs and maintenance works	45	45	0	G	Mark Humphries		
CS22	Restructure of Archive Store	15	15	0	A	Mark Humphries	Alternate to be identified	Y
CS23	Outsourcing Buildings Services and Security Service	35	35	0	G	Mark Humphries		

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

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CS25	Delete one post from the Building Repair and Maintenance team (Compulsory Redundancy)	30	30	0	G	Mark Humphries		
CS27	Consolidation of Utilities budgets	50	50	0	G	Mark Humphries		
CS28	M&E Term Contract (Amalgamation) of Intruder Alarms	20	20	0	G	Mark Humphries		
CS31	Rationalise Health and Safety and Business Continuity Planning - if possible explore shared service	35	0	35	G	Mark Humphries		
CSD1	Increase FM's external fee income target associated with schools service level agreements and associated project works	31	0	31	R	Mark Humphries	Saving unlikely to be delivered in 2015/16 but alternate has been identified	Y
<b>Corporate Governance</b>								
CS32	Rationalise Benefits and Corporate Investigation team - possible shared resources	30	30	0	G	Paul Evans		
CS33	Rationalise Internal Audit teams - possible shared service	40	40	0	G	Paul Evans		
CS34	Services and suppliers savings within Corporate Governance	86	86	0	G	Paul Evans		
<b>Customer Services</b>								
CS36	Re tendering of Cash Collection Contract	10	10	0	G	Sean Cunniffe	Achieved from commencement of 2015/16	
CS39	Impact of Customer Service Review	30	30	0	G	David Keppler	Achieved from commencement of 2015/16	
CSD12	Rationalisation of Divisional Budgets	15	15	0	G	David Keppler	Achieved from commencement of 2015/16	
CSD13	Reduce Customer Access Point Assistant by 0.6FTE	15	15	0	G	Sean Cunniffe	Achieved from commencement of 2015/16.	
CSD17	Reduce Marketing budget - Increase self service by using Panacea - marketing solution software in order to reduce designer costs for smaller marketing jobs.	3	3	0	G	Sophie Poole		

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

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	<b><u>Resources</u></b>							
CS42	Resources -Fall Out of Pay Protection Arrangement	5	5	0	G	Paul Dale		
CSD20	Increased income	14	14	0	G	Paul Dale		
CSD46	Reduce budget for LCGS to match actual contribution	3	3	0	G	Paul Dale		
	<b><u>Human Resources</u></b>							
CS49	Introduction of new application tracking system	5	5	0	G	Dean Shoesmith	On target for achievement	
CSD31	Review of HR business support	19	19	0	G	Dean Shoesmith	Change already completed and the associated post deleted	
CSD33	HR transactional service income generation	20	20	0	G	Dean Shoesmith	Discussions progressing with Kingston to obtain costs for i-Trent service	
	<b><u>Corporate Items</u></b>							
	Dividend income from CHAS 2013 Limited	174	174	0	G	Paul Dale	Alternative saving found due to CHAS IP payment.	
	Reduction in interest charges through cash management	117	117	0	G	Paul Dale		
	<b>Total Corporate Services Department Savings for 2015/16</b>	<b>1,170</b>	<b>1,099</b>	<b>71</b>				

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

Ref		2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
<b>LEISURE &amp; CULTURE</b>								
EN35	Various Budgets - Increased Income through various charging increases.	14	14	0	G	James McGinlay		N
EN36	Various Budgets - Increased Income through sale of advice & guidance.	10	10	0	G	James McGinlay		N
EN37	Merton Active Plus - Increased Income	5	5	0	G	James McGinlay		N
EV09	Renegotiation of contract with GLL for management of Leisure Centres	120	120	0	G	James McGinlay		N
<b>TRAFFIC &amp; HIGHWAYS</b>								
EN29	Re-Structure of Traffic and Highway Services	252	196	56	A	James McGinlay	Due to delay in implementation, the full effect of this saving will not be realised this year.	Y
<b>FUTURE MERTON</b>								
EN42	Consultancy Income.	40	40	0	A	James McGinlay	No definitive income streams identified as yet.	Y
<b>GREENSPACES</b>								
EN45	Further commercialisation and development of sports and allied parks services (eg. increase in fees and charges (3.75%); cost recovery plus; service bundling; sponsorship of bedding plants,etc), aligned to the emerging strategy for sports.	39	17	22	R	James McGinlay	Shortfall based on P3 forecast.	Y
<b>WASTE SERVICES</b>								
EN16	Deletion of a vacant post within our Sheltered Placement team (£20k), and a reduction in transport related budgets.	66	66	0	G	Cormac Stokes		N
<b>SAFER MERTON</b>								
EV01	Reprocurement of CCTV maintenance contract leading to efficiency savings.	36	36	0	G	John Hill		N
<b>REGULATORY SERVICES</b>								
ER10	Merton & Richmond shared regulatory services.	230	110	120	A	John Hill	New structure estimated to commence in October 2015, so only a part-year effect saving will be achieved this year.	Y
<b>PARKING SERVICES</b>								
EN05	Introduction of mobile phone payments for parking	37	37	0	G	John Hill		N
EV02	Increase charges for the following types of parking permits Business £5, Trade £5, Teachers £5. Please note no allowance has been made for elasticity of demand this figure could reduce by 10%.	4	4	0	G	John Hill		N
EV11	Increase all pay and display charges for on and off street parking by 10%. it should be noted that no allowance has been made for elasticity of demand this figure could reduce by 25%	125	125	0	G	John Hill		N
EV12	Introduction of unattended automatic number plate recognition CCTV parking enforcement cameras at fixed locations.	3,214	0	3,214	R	John Hill	A legal challenge to the award of the contract for the provision and maintenance of ANPR cameras has been received from one of the losing bidders resulting in a suspension of the contract award.	Y
<b>Total Environment and Regeneration Savings 2014/15</b>		<b>4,192</b>	<b>780</b>	<b>3,412</b>				

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

APPENDIX 8

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	<b>Education</b>									
CSF2012-08	Introduce new models of fulfilling the council's statutory responsibilities for the provision of SEN transport	140	100	40	140	0	G	Jane McSherry	The full year effect of the travel training programme and the roll-out of personal budgets will result in achieving this saving during 2015/16. To date £24k has been met from ITT and £34k from PB. The overall transport budget is expected to overspend due to increased caseloads and costs due to complexity of caseloads.	

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

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible officer	Comments	R / A Included in Forecast Over/Underspend? Y/N
	<b>Adult Social Care</b>									
AS13/A AS34 Page 204	Brokerage Efficiencies	300	118	182	A	182	0	Julie McCauley	1. The Brokerage savings target in 2015-16 from brokerage is just £31k and since activity will be similar to 2014-15 a similar level of savings are anticipated. The expected over achievement in 2015-16 will substantially cover the shortfall in 2015/16. 2. Additionally the Brokerage team negotiate the best value care packages; including for new customers i.e. some of their value added is through cost avoidance. In 2014-15 this was estimated to be circa £82k for the year. The benefits of these will be reaped in 2015-16 also. 3. Therefore, if cost avoidance was taken into account there is every chance that the full shortfall would be recouped in 2015-16.	Y
ASC8	Optimising the use of block and spot contracts-OP&LD	300	137	163	R	112	51	David Stark	After 5 years of zero % contract price rises suppliers are increasingly powerful as they can sell to other London Boroughs at higher prices than Merton pays. As a consequence planned savings could not be fully achieved in 2014-15. However, contract negotiations enabled off-set savings of £141k from the Supporting People contracts. In 2015-16 a £112k over achievement on the Orchard Hill Contract renegotiation savings target will partly off-set the 2014-15 shortfall.	Y



Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ASC46	Review Service packages	60	108	(48)	G	60	(108)	Jean Spencer	Actual savings from regular reviews by Period 7 were £51k. Thereafter a far more targeted review process was adopted and this has yielded savings in 2014-15 by focusing on Direct Payments. Since it was initiated in January 2015 the weekly cost of Direct payments reduced with a full year effect of £57K. Most of this (circa £45K) will be saved in 2015-16 and help to compensate for 2014-15 shortfalls in review savings for other client group i.e. this saving will be further over achieved in 2015-16 by £45k	
ASC54	Reduction in Mental Health Placement	50	0	50	R	0	50	Kamla Sumbhoolual	Increased volumes/complexity of care packages for people requiring MH support prevented this saving being achieved. The panel process has been reviewed to ensure all parties now make an appropriate contribution going forward, but this will not deliver new savings as such. Therefore the underachievement in 2014-15 will be offset by over achievement on OP reviews in 2015-16 as explained in ASC 46 above.	Y

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CH12	Remove day care costs from residential customers	250	0	250	R	0	250	Andy Ottaway-Searle	The 2015-16 ASC Redesign Programme includes a full review of in-house day services. It will look at the people in res care and sup living to look at alternative activities that could reduce day service costs to seek to recover the 2014-15 shortfall. However, LD/PD teams place few people in external day care and those who are placed mostly live at home and attend highly specialised day services i.e. anticipated savings are limited and withdrawing people in residential care from day services risks higher charges from residential providers i.e. most of this savings shortfall will be off-set in 2015-16 by the over achievement of other savings targets e.g. by brokerage and from OP reviews.	Y
CH14	All Saints Respite extension	36	0	36	R	0	36	Julie McCauley	A sound plan was developed to release savings by supporting people with PD at All Saints as well as existing LD users. The building however needs minor adaptation and this has not been progressed. These savings cannot be achieved as planned unless the works are done i.e. recovery in 2015-16 will be by over achievement of other savings targets e.g. by brokerage and from OP reviews	Y

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible officer	Comments	R / A Included in Forecast Over/Underspend? Y/N
CH15	Assistive Technology	70	0	70	R	0	70	Andy Ottoway-Searle	AT is a key part in preventative services e.g. the 'Just Checking' tool allows a more accurate assessment to be made of an individual's needs, enabling a suitably tailored package for care to be prescribed. Work is now being carried out to evaluate figures for both cost avoidance and actual savings following adjustments to care packages after Telecare has been installed. Additionally there has been a reduction in commissioned non-intensive home care hours as well as residential placements, which will also have been positively influenced through the provision of AT so there may be evidence to prove that AT helped recoup savings not achieved in 2014-15	Y
CH6	Voluntary Organisation-SLA reduction	150	0	150	R	150	0	Rahat Ahmed-Man	The aim was to reduce placement costs through volunteer sector providers, essentially impacting third party spend. The reduction in volumes and hours will impact, but the savings are hard to validate as the effect is cost avoidance.	Y
ASC51	Voluntary Sector Grants-reduction in infrastructure	98	0	98	R	98	0	Rahat Ahmed-Man	Grants were reduced from circa £1m in 2013-14 to circa £830k in 2014-15. Due to a decision to provide transitional funding to various voluntary organisations the saving was not achieved in 2014-15. Transitional arrangements end in 2015-16 so savings will be achieved going forward.	Y

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ASC53	Meals on wheels contract	50	0	50		50	0	Rahat Ahmed-Man	A new (joint with Croydon) was due to commence in July 2015, but, non-compliant bids meant the process failed. A new contract to save £100k p.a. will be let in 2015-16. Forecast savings should be realised from 2016-17 onwards	Y
ASC4	TCES Retail Model (simple equipment)	23	32	(9)	G	23	(32)	Maiké Blakemore		
Page 208 ASC44	Remodelling of reablement service	282	0	282	G	282	0	Sarah Wells	When the MILES service was remodelled as Reablement the staff structure was adjusted i.e. these savings will recur each year. However, the need to employ agency home care on a one off basis during the transition period and to respond to hospital discharges and other winter pressures resulted in overall staff costs exceeding these savings in 2014-15. At the end of July 2015 the Reablement budget is forecast to underspend by £261k . By holding these vacancies a little longer the £282k shortfall can be recouped.	
	Staff Vacancy Factor	105	41	64	G	64	(0)	ALL	The staffing budgets were underspent, but not by as much as planned. A restructuring exercise in 2015-16 will ensure future staffing establishments are affordable and recovers this shortfall from 2014-15	

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CH2	Promoting independence	500	0	500	A	500	0	Sarah Wells	The delay in implementing the reablement model meant these savings were not fully achieved. Reablement is now in place so savings in 2015-16 will be achieved and will be evidenced by comparing support hours at the start and end of reablement.	
ASC6/ASC49/CH8	Transport	246	0	246	R	246	0	Andy Ottaway-Searle		Y
Page 209 ASC50/CH7	Staffing savings in Direct Provision	216	0	216	R	216	0	Andy Ottaway-Searle	Posts were deleted and budgets reduced at the start of the year, but, increased volumes from 12 to 38 people at our supported living services, plus the need to back fill long term sickness to meet CQC standards led to other staffing budgets overspending. This offset the planned savings. Since increased activity remains unfunded this overspend will only be recouped in 2015-16 if other savings targets are over achieved	Y
	<b>Sub-total Adult Social Care</b>	<b>2,736</b>	<b>436</b>	<b>2,300</b>	<b>0</b>	<b>1,983</b>	<b>317</b>			
	<b><u>Merton Adult Education</u></b>									
	Increase income from commercial courses and café, reduction in staff. Admin & marketing cost.	176	0	176	R	0	176			
ASC23										
	<b>Total Community &amp; Housing Dep't Savings for 2014/15</b>	<b>2,912</b>	<b>436</b>	<b>2,476</b>		<b>1,983</b>	<b>493</b>		There are a variety of new measures in 2015-16 designed to recoup this remaining shortfall.	

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

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

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

Ref		2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
<b>GREENSPACES</b>										
EN45	Further commercialisation and development of sports and allied parks services	96	67	29	85	11	R	James McGinlay		Y

<b>WASTE SERVICES</b>											
<b>ER17</b>	Consultancy and legal costs cease in relation to new partnership contracts	213	188	25		213	0	<b>G</b>	Cormac Stokes	On track to be delivered in 15/16	<b>N</b>
<b>ER25</b>	Commercial Waste and Recycling	250	0	250		250	0	<b>G</b>	Cormac Stokes	Saving replaced for 2015/16 by EV12.	<b>N</b>
<b>EN15</b>	Improved performance management and implementation of the Council's new sickness policy resulting in a reduction in agency staff usage.	100	0	100		100	0	<b>A</b>	Cormac Stokes	Improved management of the sickness monitoring is in place. All LTA being seen by HofS.	<b>N</b>
<b>PARKING SERVICES</b>											
<b>EN03</b>	Enforcement of new CPZ's (Controlled Parking Zones)	50	10	40		50	0	<b>G</b>	John Hill		<b>Y</b>
<b>EN04</b>	Implementation of Pay & Display machines in new CPZ's (Controlled Parking Zones)	75	15	60		75	0	<b>G</b>	John Hill		<b>Y</b>
<b>Total Environment and Regeneration Savings 2014/15</b>		<b>784</b>	<b>280</b>	<b>504</b>		<b>773</b>	<b>11</b>				



## **Committee: Cabinet**

**Date: 14<sup>th</sup> September 2015**

Agenda item:

Wards: All

Also of interest to: N/A

## **Subject: Transfer of Commissioning Responsibility for Healthy Child 0-5 Services to Public Health, LB Merton**

Lead officer: Kay Eilbert, Director of Public Health

Lead member: Councillor Caroline Cooper-Marbiah, Cabinet Member for Adult Social Care and Health, Councillor Maxi Martin, Cabinet Member for Children's Services

Forward Plan reference number: n/a

Contact officer: Julia Groom, Consultant in Public Health

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### **Recommendations:**

- A. To note arrangements for the transfer of commissioning responsibility for Healthy Child 0-5 Services to the London Borough of Merton.
  - B. To authorise the novation of the contract for Healthy Child 0-5 Services from NHS England to the London Borough of Merton on 1 October 2015.
  - C. To authorise the delegation to the Director of Public Health authority to enter into all documents necessary to effect the legal receipt of this commissioning responsibility, including the deed of novation.
- 

## **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. This report outlines arrangements for the transfer of commissioning responsibility for Healthy Child 0-5 Services from NHS England to Public Health, LB Merton and recommends that Cabinet authorise the novation of the contract for Healthy Child 0-5 services on 1<sup>st</sup> October 2015.
- 1.2. The Healthy Child Programme is available to all children and aims to ensure that every child gets the good start they need to lay the foundations of a healthy life. Health visiting services are a key component of the Healthy Child Programme (HCP) 0-5 years and support the 16,000 infants and children resident in Merton to achieve the best possible health outcomes.
- 1.3. The benefits of the transfer have been highlighted as an opportunity to link with wider systems, including early years services and enable greater integration of children's services. This recognises the huge impact that primary prevention, early identification of need and early intervention have on ensuring positive outcomes for children and young families. Public health services play a key role in ensuring that needs are identified in a timely way and families are supported to access the services they need.

- 1.4 From 1 October 2015, local authorities will take over responsibility from NHS England for commissioning public health services for babies and children up to 5 years old. These services include health visiting and the Family Nurse Partnership programme (a targeted service for teenage mothers). They also include five mandated universal services:
- Antenatal health promoting visits
  - New baby review
  - 6-8 week assessment
  - 1 year assessment
  - 2-2 ½ year review
- 1.5 In Merton Health Visiting services are provided under the Sutton and Merton Community Services Contract (SMCS) between NHS England and the Royal Marsden Hospital NHS Foundation Trust. Staff deliver services in homes, health centres and children’s centres. There are approximately 50 whole time equivalent staff covering Merton, including a number of shared specialist posts, plus non-caseholding specialists including safeguarding and management posts.
- 1.6 In order to prepare for the transfer of commissioning responsibility, a review of local health visiting services took place in 2014. The review identified a number of strengths, including from the parent survey 89% of parents and carers rated the service good or very good. The review identified a number of areas for improvement including coverage of the universal Healthy Child Programme which is below 90%. It also identified a range of additional support needs for parents and priorities for professionals.
- 1.7 The Department of Health (“DH”) grant allocation for Healthy Child 0-5 services for Merton in 2015/16 (1 October 2015-31 March 2016) is **£1,476,000**, covering both health visiting and Family Nurse Partnership services. This includes £15,000 to allow the Local Authorities to invest in additional commissioning support. In addition, NHS England have agreed a non-recurrent transfer of £159,500 to DH for onward transfer to LB Merton. This was agreed to mitigate against potential cost pressures to LB Merton as NHS England recognised there was a gap between the contract value and RMH service delivery costs. Therefore the total funds to transfer to LB Merton for 2015-2016 (1 October 2015-31 March 2016) are: **£1,635,500**.
- 1.8 The contract value that has now been agreed between NHS England and the Provider, RMH, disaggregated for Merton and the 6 month period is: **£1,520,904**.
- 1.9 We are therefore assured that from October 2015–March 2016 the contract for Healthy Child 0-5 services will be delivered by RMH within the Merton DH Public Health grant allocation, which for 2015/16 only will include additional non-recurrent funds transferred from NHS England.
- 1.10 From 1 April 2016 a new service contract will commence, subject to the outcome of the current Community Health Services re-procurement process. The successful Provider will be required to deliver a new Healthy Child 0-5 service specification, as part of the Community Health Services contract, within the value of the recurrent DH Grant allocation for 2016/17 onwards.

- 1.11 In order to ensure robust contract and performance management and governance it has been agreed with Merton Clinical Commissioning Group that the contract will be managed alongside the current RMH Sutton and Merton Community Services NHS block contract until 31 March 2016. From 1 April 2016 this will be fully integrated into new Community Health Services contract.
- 1.12 In line with the transfer of other Public Health contracts to LB Merton in 2013, it is proposed that the NHS contract for Healthy Child 0-5 Services novate to LB Merton. **Cabinet are recommended to authorise the novation from 1<sup>st</sup> October 2015.**

## **2 DETAILS**

### **2.1 BACKGROUND**

- 2.1.1 From 1 October 2015, the Government intends that local authorities take over responsibility from NHS England for commissioning (i.e. planning and paying for) public health services for children aged 0-5. This includes health visiting and Family Nurse Partnership ((FNP) targeted services for teenage mothers). Only the commissioning responsibility is being transferred. Health visitors will continue to be employed by their current provider – in Merton this is the NHS (Royal Marsden Hospital NHS Foundation Trust -RMH).
- 2.1.2 A major part of the work of delivery through the 0-5 public health workforce is delivering the Healthy Child Programme (HCP). The HCP is the national public health programme, based on best knowledge/evidence to achieve good outcomes for all children.
- 2.1.3 The transfer of 0-5 commissioning will join-up that already done by LAs for public health services for children and young people 5-19. This will enable joined up commissioning from 0 to 19 years old, improving continuity for children and their families.
- 2.1.4 The following commissioning responsibilities which form part of the HCP 0-5 delivery will not transfer to LAs:
- a. Child Health Information Systems (CHIS); and
  - b. The 6-8 week GP check (also known as Child Health Surveillance)

### **2.2 Healthy Child 0-5 Services**

- 2.2.1 The importance of giving every child the best start in life and reducing health inequalities throughout life has been highlighted by Sir Michael Marmot<sup>1</sup> and the Chief Medical Officer (CMO)<sup>2</sup>. The Healthy Child Programme is available to all children and aims to ensure that every child gets the good start they need to lay the foundations of a healthy life. Health visiting services are a key component of the Healthy Child Programme (HCP) 0-5 years and support infants and children to achieve the best possible health outcomes.

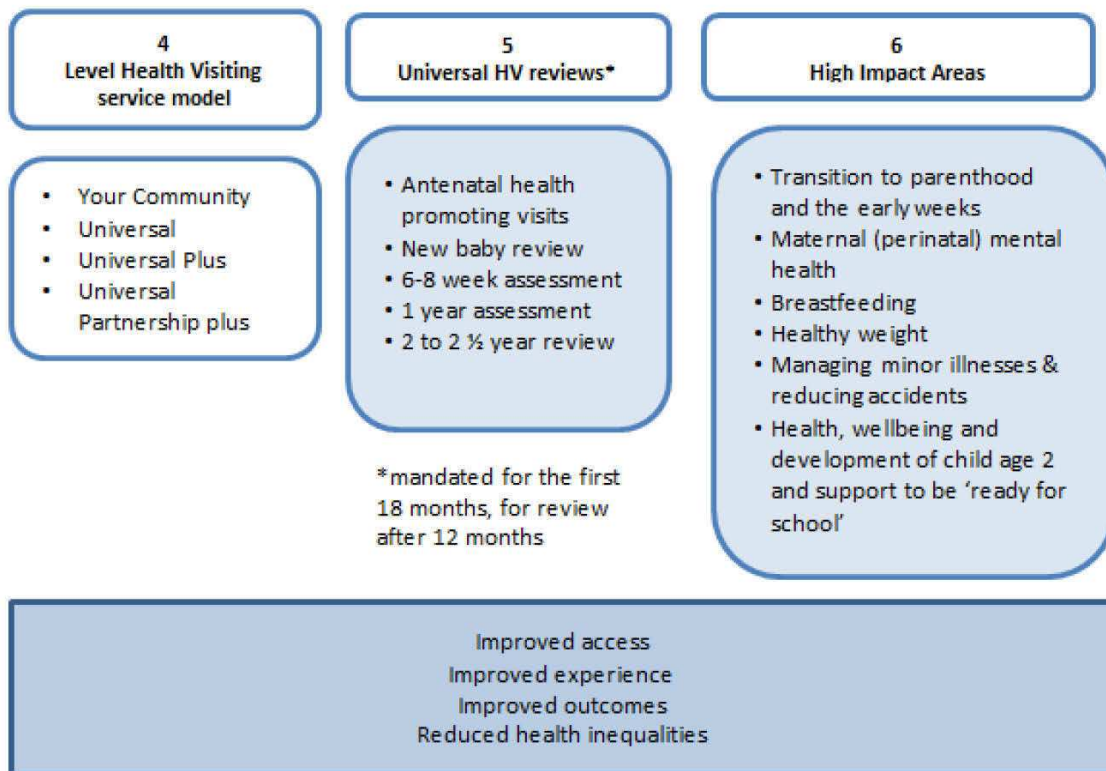
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<sup>1</sup> Marmot et al (2010) Fair Society, Healthy Lives; a strategic review of Health inequalities in England

<sup>2</sup> <https://www.gov.uk/government/publications/chief-medical-officers-annual-report-2012-our-children-deserve-better-prevention-pays>

2.2.2 The health visiting service workforce consists of specialist community public health nurses (SCPHN) and teams who provide expert information, assessments and interventions for babies, children and families including first time mothers and fathers and families with complex needs. Health visitors help to empower parents to make decisions that affect their family’s health and wellbeing and their role is central to improving the health outcomes of populations and reducing inequalities. Health Visitors have a significant role in safeguarding children.

2.2.3 There have been changes to both the delivery and commissioning of health visiting services in recent years, including a national ‘Call to Action’ to increase health visiting numbers. In terms of delivery, the Department of Health have set out a new Health Visiting ‘4-5-6’ service model (set out below), which is based on delivery of a 4 tier service, with 5 core health reviews, mandated for a minimum of 18 months, and a focus on 6 high impact areas designed to improve access, experience, outcomes and reduce health inequalities.



### 2.3 Mandated services

2.3.1 Mandation means a public health step prescribed in regulations as one that all local authorities must take. The regulations are made under section 6C of the NHS Act 2006. From 1 October, Local Authorities will have a legal duty under *The Local Authorities (Public Health Functions and Entry to Premises by Local Healthwatch Representatives) Regulations 2013* as amended by *the Local Authorities (Public Health Functions and Entry to Premises by Local Healthwatch Representatives) and Local Authority (Public Health, Health and Wellbeing Boards and Health Scrutiny) (Amendment) Regulations 2015* to provide or secure, so far as is reasonably practicable, the provision of the 5

mandated elements of the universal service, as set out in the Healthy Child Programme.

- 2.3.2 DH have stated that local authorities are very well placed to identify health needs and commission services for local people to improve health. The Government's stated aim is to enable local services to be shaped to meet local needs. However, it has identified that some services need to be provided in the context of a national, standard format, to ensure consistent delivery and universal coverage, and hence that the nation's health and wellbeing overall is improved and protected - this includes some of the HCP services.
- 2.3.3 The intention for mandating elements of the HCP was set out in *Healthy Lives, Healthy People*. A range of public health services are *already* mandated, for example, on national child measurement, delivered by the Healthy Child 5-19 service (school nursing).
- 2.3.4 Building on the mandate of services outlined above, the Government has mandated the following universal elements of the 0-5 HCP namely:
- Antenatal health promoting visits
  - New baby review
  - 6-8 week assessment
  - 1 year assessment
  - 2-2 ½ year review
- 2.3.5 Therefore the expectation from DH is that uptake of the five mandated reviews will continue to be delivered, and that LAs must act with a view to securing continuous improvement in their uptake. This expectation, and the delivery of the mandated reviews, is "as far as reasonably practicable". That is, there would not be an expectation that delivery of the reviews will suddenly be expected to be 100% after the point of transfer.
- 2.3.5 Local authorities will be able to demonstrate progress on the Public Health Outcomes Framework through early years profiles. Local authorities will have flexibility to ensure that these universal services support local community development, early intervention and complex care packages. DH have stated that it is clear that it needs to avoid creating new burdens and that any ask of local government will be no greater than the ask of the NHS at the point of transfer.
- 2.3.6 The mandate requirements for local authorities will be in place from 1 October 2015, and they contain an end date of 30 March 2017 within the regulations. A review at 12 months, involving Public Health England, will inform future arrangements.

## **2.4 Local services 2015-16**

- 2.4.1 There are about 16,000 children aged 0-5 years resident in Merton and health visiting services are provided by Sutton and Merton Community Services (SMCS), Royal Marsden Hospital NHS Foundation Trust. Staff are based at Wimbledon (120 Broadway) and Mitcham (the Wilson) and deliver services in homes, health centres and children's centres. There are approximately 50 whole time equivalent (WTE) staff covering Merton, including a number of

shared specialist posts, plus non-caseholding specialists including safeguarding and management posts.

- 2.4.2 The service has been required to implement a number of service changes over the past two years including a move of delivery of services from GP registered to resident population; the introduction of an antenatal review and the re-introduction of a 2-2 ½ year health review.
- 2.4.3 In order to prepare for the transfer of commissioning responsibility, a review of local health visiting services took place in 2014. This included a review of evidence, local needs, workforce and stakeholder engagement. Nearly 400 parents responded to a survey giving their views on services in addition to 2 focus groups. Over 100 professionals responded to a survey, in addition to interviews with 20 professionals.
- 2.4.4 The review identified a number of strengths including from the parent survey 89% of parents and carers rated the service good or very good. On the whole staff felt proud to work for and value the service, and the service has a low vacancy rate. There is a specialist health visitor for vulnerable families and Teams serving more deprived catchment areas within the South and East of the borough have smaller caseload sizes per WTE health visitor than teams serving less deprived areas. The service offers a full training programme and 80% of Health Visitor survey respondents reported that they felt supported in their continuing professional development needs. The service has recently introduced an evidence based Standard Operating Procedure which specifies content for all routine client contacts, use is mandatory.
- 2.4.5 The review identified a number of areas for improvement Coverage of the universal Healthy Child Programme<sup>3</sup> is below 90%. Data from SMCS for 2013/14 showed that only 80% of families are receiving a New Birth Visit by 14 days. This compares to coverage of approximately 95% in the best performing London boroughs. In LBM 76% of the families who do not receive a visit by 14 days are seen by 21 days. The service is reaching 60% coverage of 1 and 2.5 year check.
- 2.4.6 Evidence from the review has been used to inform the transfer of commissioning responsibilities and future commissioning arrangements in Merton.

## **2.5 Financial arrangements 2015-16**

- 2.5.1 Funding for the transfer of commissioning responsibility for Healthy Child 0-5 services will sit within the overall ring-fenced Public Health budget. The allocation is based on a Baseline Agreement Exercise, determined on the basis of 'lift and shift' supported by funding adjustments including a minimum floor of £160 per head.
- 2.5.2 DH stated it would use 'lift and shift' principles as a basis for the transfer of commissioning responsibilities to support contracts which are in place and a safe mid-year transfer. However, the transfer of commissioning responsibilities to LB Merton is more complex than a 'lift and shift' because services are

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<sup>3</sup> Currently these are a New Birth Visit by 14 days after birth, 6-8 week maternal review, 12 month development review, 2.5 year review and handover to the school nursing service

currently commissioned and provided jointly for Sutton and Merton. Therefore the baseline agreement exercise has also required a disaggregation of services.

- 2.5.3 Based on this process, the DH grant allocation for Merton for **2015/16 (for 6 months from October) is £1,476,000** which includes health visiting and Family Nurse Partnership services. This also includes £15,000 to allow the Local Authorities to invest in additional commissioning support. In addition, NHS England have agreed a non-recurrent transfer of £159,500 to DH for onward transfer to LB Merton. This was agreed to mitigate against potential cost pressures to LB Merton as NHS England recognised there was a gap between the contract value and RMH service delivery costs. Therefore the total funds to transfer to LB Merton for 2015-2016 (6 months) are: **£1,635,500**.
- 2.5.4 Going forward, 2016/17 DH allocations will be dependent on the amount of funding announced for public health in the 2015 Spending Review and on the fair shares formula developed following advice from ACRA (the Advisory Committee on Resource Allocation).
- 2.5.5 The table below sets out the funds that will transfer to LB Merton for 2015/16 (6 months from 1<sup>st</sup> October) and the contract value that has now been agreed between NHS England and the Provider, RMH, disaggregated for Merton and the 6 month period.

	2015/16	
	£ 6 mths	£ Full Year
	£	£
DH Allocation	1,476,000	2,952,000
Less Commissioning costs	-15,000	-30,000
Total DH Allocation	1,461,000	2,922,000
NHS E Non-recurrent transfer to DH for onwards to LBM	159,500	
Total LBM Funds	1,620,500	
RM HEALTH VISITING TEAM	1,432,266	
RM FAMILY NURSE PARTNERSHIP	88,638	
Total RM Costs	1,520,904	
Surplus/ (Deficit)	99,596	

- 2.5.6 Within the Sutton & Merton health care commissioning system, the disaggregation principle is that the agreed Fair Shares formula is to be sustained until all procurement processes are concluded. LB Merton has agreed the basis of a Fair Shares formula disaggregation between Sutton and Merton based on the DH Grant allocation, which is 53.84% for Merton for Health

Visiting only. Historically the Family Nurse Partnership has always been split 50:50. This means that the total (HV and FNP) contract value for LB Merton (1 October 2015 - 31 March 2016) is **£1,520,904**.

- 2.5.7 It is worth noting that both Merton and Sutton CCGs and NHS England have reminded RMH that there can be no dialogue for rebasing overhead costs until the community services procurement process is complete. We are recommending this position.
- 2.5.8 It is also worth noting that for 2015/16 only LB Merton will have a surplus of £99,596 due to the NHS England non-recurrent transfer. This will be managed within the overall PH Grant.
- 2.5.9 **We are therefore assured that from October 2015–March 2016 the contract for Healthy Child 0-5 services will be delivered by RMH within the Merton DH Public Health grant allocation, which for 2015/16 only will include additional non-recurrent funds transferred from NHS England. From 1 April 2016 a new service contract will commence, subject to the outcome of the current Community Health Services re-procurement process. The successful Provider will be required to deliver a new Healthy Child 0-5 service specification, as part of the Community Health Services contract, within the value of the recurrent DH Grant allocation for 2016/17 onwards.**
- 2.5.10 In light of cost pressures identified by NHS England, in addition to the financial transfer agreement there have been ongoing negotiations with NHS England on the potential for financial efficiencies.
- 2.5.11 NHS England agreed to facilitate a plan to agree a contract value aligned to the LB Merton DH Allocation. An action plan was agreed with Royal Marsden Trust (RMH) with the aim of minimising the gap between the current provider cost and commissioner contract value. This included identifying potential efficiencies through estates and workforce. Negotiations are still underway on opportunities for efficiencies on workforce.
- 2.5.12 Estates were identified as a potential cost pressure and in light of this and to support opportunities for closer integration, LB Merton is currently undertaking a feasibility study on the potential co-location of health visiting services with children's centres. This is due to report in September 2015. Interim findings indicate that this may result in financial efficiencies from 2016/17.

## **2.6 Contract and Governance arrangements**

- 2.6.1 In line with the approach to the transfer of wider public health commissioning responsibilities to LB Merton on 1 April 2013 under the first phase of the Health and Social Care Act 2012, the NHS contract for Healthy Child 0-5 Services will novate to LB Merton on 1 October 2015 under the second phase of the Health and Social Care Act 2012. The contract between NHS England and the Royal Marsden NHS Foundation Trust has been reviewed by Legal Services and will be required to be novated to LB Merton under a Deed of Novation to effect legal receipt of the commissioning responsibility from NHS England to LB Merton. The Deed of Novation transfers the rights and obligations of NHS England under the contract with the Royal Marsden NHS Foundation Trust to LB Merton, and local authorities are required to agree this as part of the transfer process. In advance of Cabinet agreement a 'letter of intent' of LB Merton's intention has



been agreed with NHS England, which sets out that any novation is subject to authorisation of this report by Cabinet.

**Cabinet are recommended to authorise the novation from 1<sup>st</sup> October 2015.**

- 2.6.2 In order to ensure robust contract and performance management and governance it has been agreed with Merton Clinical Commissioning Group that the contract will be managed alongside the current RMH Sutton and Merton Community Services NHS block contract until 31 March 2016. This has the benefits of ensuring that monitoring and governance sits alongside other public health services, including School Nursing services. This will include monthly Contract Monitoring meetings and Clinical Quality Review Group meetings. In addition there will be regular meeting with the Service managers.
- 2.6.3 From 1<sup>st</sup> April 2016, following the joint procurement process with Merton CCG, performance management and governance will be part of the new Community Health Services contract arrangements.

## **2.7 Commissioning and Financial arrangements from April 2016 onwards**

- 2.7.1 From 1 April 2016 onwards Healthy Child 0-5 services will be commissioned by Public Health LB Merton as part of a wider procurement of community health services in partnership with Merton CCG. A separate paper to Cabinet sets out details of this procurement.
- 2.7.2 For Healthy Child 0-5 services a robust service specification has been developed in accordance with the national requirements, including mandated services, but has also been localised to reflect priorities for Merton.
- 2.7.2 Responses to the Invitation to Tender have been received and evaluation is taking place in August 2015, with a view to awarding the contract by October 2015. There will then be a mobilisation period leading up to the contract start date on 1<sup>st</sup> April 2016. The Provider will be required to deliver the service within the value of the DH Public Health Grant allocation.

## **2.8 ALTERNATIVE OPTIONS**

- 2.8.1 It is a statutory requirement for Local Authorities to take over commissioning responsibility for Healthy Child 0-5 services, including mandated services (see paragraph 2.3.1). There are no alternative options.

## **2.8 CONSULTATION UNDERTAKEN OR PROPOSED**

- 2.9.1 In 2014 Public Health commissioned a review of Merton Health Visiting Services. This included engagement with a wide range of stakeholders including parents and professionals on their views about the quality of Merton Health Visiting Services. Nearly 400 parents responded to a survey giving their views on services in addition to 2 focus groups. Over 100 professionals responded to a survey, in addition to interviews with 20 professionals.

## **2.9 TIMETABLE**

2.9.1 The commissioning responsibility for the Healthy Child 0-5 Services transfers to LB Merton from NHS England on 1<sup>st</sup> October 2015. The Contract for Healthy Child 0-5 Services is due to novate to the London Borough of Merton on 1<sup>st</sup> October 2015, to give effect to the statutory transfer of commissioning responsibility of this service.

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

2.10.1 The DH allocation for 6 month Oct 2015 to March 2016 , is £1.476m plus an additional one-off non-recurrent payment of £159,500 from NHS E to DH for onwards transfer to LBM.

2.10.2 The Royal Marsden total cost for the service is £1,520,904

2.10.3 There is an estimated surplus of £100k budget available to cover any unforeseen expenditure that may be incurred.

## **2.11 LEGAL AND STATUTORY IMPLICATIONS**

2.11.1 The Health and Social Care Act 2012 transfers commissioning responsibilities for Health Visitor and FNP services from NHE England to upper tier local authorities.

2.11.2 Under section 6C of the National Health Services Act 2006, LB Merton will be required by statute to undertake the commissioning of the functions transferred to them under the Health and Social Care Act 2012.

2.11.3 LB Merton has the power to enter into a contract to effect the transfer of functions, including a deed of novation, under the powers conferred to local authorities under the Local Government (Contracts) Act 1997.

2.12.4 Legal services will continue to advise as to the contractual documents throughout the process to ensure that the transfer of commissioning responsibilities is contractually recorded (by way of a deed of novation) to take effect as of 1<sup>st</sup> October 2015 (the transfer date).

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

2.13.1 DH undertook an Equalities Analysis (DH July 2015) on the transfer of commissioning responsibilities. This concluded that 'overall we believe the evidence suggests a neutral to positive impact on those affected by this transfer, mainly those within the 'pregnancy and maternity' protected characteristic group. The transfer aims to support stability in the system, with a longer term view of moving towards a system based on need, as advised by ACRA'.

Further details are available at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/449075/Equality\\_analysis\\_July.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/449075/Equality_analysis_July.pdf)

2.13.2 The Council has a duty to reduce health inequalities and by the transfer of the commissioning responsibility to the Council from NHS England, the 0-5 service will enable the Council to comply with this duty.

## **2.12 CRIME AND DISORDER IMPLICATIONS**

2.12.1 None.

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

2.13.1 LB Merton has considered the risks of the readiness and capacity of delivery of the commissioning responsibility by LB Merton of the Healthy Child 0-5 Services. The process included identification of the statutory functions, the uncertainty around funding from DH, adequate staffing and contractual arrangements.

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

2.14.1 None

## **2.15 BACKGROUND PAPERS**

A full set of DH Background papers are available at:

<https://www.gov.uk/government/publications/transfer-of-0-5-childrens-public-health-commissioning-to-local-authorities>

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## **Committee: Cabinet**

**Date: 14 September 2015**

Wards: All

## **Subject: Health and Wellbeing Board Terms of Reference**

Lead officer: Simon Williams Director of Community and Housing / Kay Eilbert, Director of Public Health

Lead member: Councillor Caroline Cooper Marbiah, Cabinet Member for Adult social Care and Health

Contact officer: Clarissa Larsen, Health and Wellbeing Board Partnership Manager

### **Recommendations:**

- 
1. To agree the new Terms of Reference for Merton Health and Wellbeing Board and that these be included within the Council's Constitution
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### **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. This report outlines the new Terms of Reference for Merton Health and Wellbeing Board.

### **2. BACKGROUND**

- 2.1 Earlier this year the Health and Wellbeing Board had a development session supported by funding from London Councils with focussed discussion on headings of governance, leadership and strategy and outcomes.
- 2.2 The discussion resulted in a series of recommendations being made to the Health and Wellbeing Board and some suggested changes to its Terms of Reference agreed by the Board on 23 June.

### **3. DETAILS**

The revised Terms of Reference are attached as an appendix to this report. The substantial proposed changes are:

- 3.1 A post of Vice Chair is created to be filled by the Chair of Merton Clinical Commissioning Group. The Vice Chair will support the Chair of the Health and Wellbeing Board (Cabinet Member for Adult Social Care and Health) and in the event of her absence and by agreement, act as Chair.
- 3.2 Membership of the Health and Wellbeing Board is extended to include the Director of Environment and Regeneration allowing for greater focus on prevention and the influence of environment, economic development and safer communities as determinants of health.
- 3.3 Updates to reflect the Health and Wellbeing Board's responsibility for the Better Care Fund and the statutory requirement to publish and maintain a Pharmaceutical Needs Assessment. Also updated details of working groups reporting to the Health and Wellbeing Board.
- 3.4 Quorum changes from three to four in light of the additional member.

3.5 The Health and Wellbeing Board, being a statutory requirement, its revised Terms of Reference need to be included in the Council's Constitution.

#### **4. ALTERNATIVE OPTIONS**

It is a statutory requirement for all local authorities to have a Health and Wellbeing Board as a Committee of the Council

#### **5. CONSULTATION UNDERTAKEN OR PROPOSE**

None for the purpose of this report.

#### **5. TIMETABLE**

The arrangements for Health and Wellbeing Board meetings and Terms of Reference will reviewed in March 2016

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

None for the purpose of this report.

#### **7. LEGAL AND STATUTORY IMPLICATIONS**

Section 194 of the Health and Social Care Act 2012, places a duty on the Local Authority to establish a Health and Wellbeing Board in the area. Section 194 (2) specifies that membership of the board should include, a councillor, the director of adult social services, director of children's services, the director of public health , a representative of the Local Healthwatch organisation for the area, a representative of each clinical commissioning group and any other person or representative of an organisation as the local authority thinks appropriate. The authority proposes to add the Director of Environment and Regeneration as a member of the Merton Health and Wellbeing Board pursuant to powers under section 194.

The Health and Wellbeing Board is a committee of the authority under the terms of the Council's constitution.

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

Addressing health inequalities is the core vision of the Health and Wellbeing Board.

#### **9. CRIME AND DISORDER IMPLICATIONS**

Addressing health inequalities has potential to make a positive impact on crime and disorder.

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

None for the purpose of this report.

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

Appendix 1 –Health and Wellbeing Board Terms of Reference September 2015

## Appendix 1

### **Merton Health and Wellbeing Board**

#### **Terms of Reference**

##### **1. Purpose**

Merton Health and Wellbeing Board works in partnership to provide strategic leadership to improve health and wellbeing and reduce health inequalities. It promotes an integrated approach to delivery of priorities and engages on strategy development and service delivery. It focuses on prevention and the achievement of positive outcomes across the determinants of health.

The vision of Merton Health and Wellbeing Board is:

*A fair share of opportunities for health and wellbeing for all Merton residents.*

This means the Health and Wellbeing Board will work to halt the rise in the gap in life expectancy between areas of Merton.

##### **2. Context**

The Health and Social Care Act required each local authority to establish a Health and Wellbeing Board from April 2013. It gave Boards statutory duties to encourage integrated working and to develop Joint Strategic Needs Assessments (JSNAs) and joint Health and Wellbeing Strategies. The Act permits the local authority to arrange for Health and Wellbeing Boards to exercise any functions that are exercisable by the authority. Health and Wellbeing Boards are also now required to produce and maintain a Pharmaceutical Needs Assessments and to agree the Better Care Fund Plan

##### **3, Core Principles**

Merton Health and Wellbeing Board agreed a set of core principles that underpin the work of the Board:

- Supporting everyone to take greater responsibility for their health and wellbeing
- Encouraging everyone to make a personal contribution
- Raising aspirations
- Recognising mental health as a cross cutting issue
- Focus on tackling the worst inequalities in health and wellbeing
- Promoting equalities and diversity.
- Working in partnership to achieve more

##### **4. Responsibilities**

The responsibilities of the Health and Wellbeing Board are to:

- 4.1 Improve health and wellbeing and narrow the gaps in health inequalities.

- 4.2 Encourage health, social care and health related services to work in an integrated way working with partners to identify opportunities for future joint commissioning.
- 4.3 Lead on signing off the Better Care Fund Plan.
- 4.4 Assess the needs of Merton's population through the Joint Strategic Needs Assessment (JSNA)
- 4.5 Agree the Merton Health and Wellbeing Strategy (that reflects the priorities identified in the JSNA) and undertake strategic monitoring, evaluation and refresh
- 4.6 Provide strategic priorities through the Health and Wellbeing Strategy to help align commissioning intentions. Specifically that Merton Council plans for commissioning and Merton Clinical Commissioning Group's Commissioning Plan are informed by the Health and Wellbeing Strategy and JSNA.
- 4.7 Ensure that strategic issues arising from the Safeguarding Adults Board and Merton Safeguarding Children Board inform the work of the Health and Wellbeing Board
- 4.8 Receive the annual report of the Safeguarding Adults Board and Merton Safeguarding Children Board and ensure partners respond to issues pertinent to the Board.
- 4.9 Request information from any individual member of the Health and Wellbeing Board that is needed to deliver on the Health and Wellbeing Board responsibilities.
- 4.10 Publish and maintain a Pharmaceutical Needs Assessment for Merton.
- 4.11 Comply with further statutory and other agreed responsibilities as required.

## **5. Membership**

Cabinet Member for Adult Social Care and Health (Chair)

Cabinet Member for Children Schools and Families

Member of the Opposition

Merton Clinical Commissioning Group Chair (Vice Chair)

Merton Clinical Commissioning Group Chief Officer

Merton Clinical Commissioning Group Director of Commissioning

Merton Clinical Commissioning Group GP

Director of Housing and Communities (non voting)

Director of Children Schools and Families (non voting)

Director of Environment and Regeneration (non voting)

Director of Public Health (non voting)

Chief Executive of Merton Voluntary Service Council

Representative of Healthwatch

Community Engagement Network representative

(All members have vote except where specified as non voting).



The Vice Chair will support the Chair of the Health and Wellbeing Board (Cabinet Member for Adult Social Care and Health) and in the event of their absence and by agreement, act as Chair.

A local representative of NHS England is also invited attend the Health and Wellbeing Board including, as required, to participate in the JSNA and Health and Wellbeing Strategy. A broader cohort of supporting officers and co-opted officers will attend meetings as required.

The Health and Social Care Act 2012 allows for membership of the Health and Wellbeing Board to be changed at any time after it is established, in consultation with the Health and Wellbeing Board.

## **6. Voting**

It is proposed that the Health and Wellbeing Board will operate in an inclusive and consensual way reflecting the successful partnership ethos which is so important in Merton. It is envisaged that issues will, in nearly all circumstances, be forwarded through this consensual approach.

A vote by HWB members would only be taken in the instance that the HWB could not reach a consensual view. The view of the HWB would then essentially be a recommendation to Cabinet and to the other constituent member organisations including the CCG Board and Healthwatch. Where Cabinet is involved this in turn would mean that for the Council any decisions taken by Cabinet are subject to usual scrutiny.

## **7. Working and Task Groups**

There is a key relationship with the One Merton Group which will provide support to the Health and Wellbeing Board through its strategic oversight on issues, including the Better Care Fund and broader integration, the Health and Wellbeing Strategy and review of the Health and Wellbeing Board's forward plan.

Working groups and task and finish groups will report into the Health and Wellbeing Board including the Safeguarding Adults Board, the Public Health Board and Merton Integration Board.

## **8. Operational Arrangements**

### **8.1 Frequency of meetings**

Meetings will generally be held bi-monthly. Formal meetings will be held at least three times a year. Meetings will be arranged annually when the calendar of Council meetings is booked.

### **8.2 Duration of meetings**

Meetings will generally last for two hours

### **8.3 Agenda and papers**

Minutes will be taken of meetings. The agenda and papers for meetings will be prepared by senior officers from partner organisations in consultation with the Chair and circulated electronically no later than five clear days in advance of the meeting on the Merton Council Democracy Services website. A standard template for reports will be provided.

### **8.4 Transparency**

Meetings (other than any informal workshops / seminars) will take place in public and minutes will be posted on the Council's Democracy Services web site.

### **8.5 Quorum**

At least four members must be in attendance which must include at least one member from each of the following constituent groups, before decisions can be taken:

- Council Members
- Council Officers
- Clinical Commissioning Group
- Voluntary Sector

### **8.6 Forward plan**

The Health and Wellbeing Board will agree a forward plan incorporating its statutory responsibilities under the Health and Social Care Act and other agreed priorities. The forward plan will be an iterative document responding to any legislative, infrastructural and other policy developments.

### **8.7 Code of conduct and conflict of interests**

The obligation to register disclosable pecuniary interests applies to all Members who will be asked to declare any interests in matters under consideration and on a general basis declare any interests in the Register of Interests.

All members of the Board will be subject to the standards and behaviours set out in the Council's Code of Conduct

### **8.8 Review**

Health and Wellbeing Board terms of reference will be reviewed at least annually and will next be reviewed in March 2016.

**Committee: Cabinet**

**Date: 14<sup>th</sup> September 2015**

Wards: All

**Subject: Award of Building Fabric Maintenance Repair Term Contract**

Lead officer: Mark Humphries – Assistant Director Infrastructure & Transactions

Lead member: Councillor Mark Allison

Contact officer: Edwin O'Donnell – Head of Facilities Management

**Recommendations:**

- 
1. Award a Building Fabric Maintenance term contract to Tenderer B for a 3 year period from 1st December 2015 to 30th November 2018 with an option to extend for a further 2 years on a 1+1 basis at the discretion of the employer.
- 

**1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. To seek approval to award a new building fabric maintenance and repairs term contract to the best value bidder, Tenderer B, following an OJEU restricted tender process for a 3 year period from 1st December 2015 to 30th November 2018 with an option to extend for a further 2 years on a 1+1 basis at the discretion of the employer.
- 1.2. In response to an OJEU notice thirteen PQQ responses were received and six companies were invited to tender. Four compliant tenders have been received by suppliers who are considered capable of meeting the contract requirements. Evaluation of bids has been based upon a weighting of price 60%: quality 40%. Overall tenderer B scored highest and is recommended to be accepted.
- 1.3.

CONTRACTOR	PRICING SCORE	QUALITY SCORE	TOTAL SCORE
Tenderer A	54.72	31.60	<b>86.32</b>
Tenderer B	60.00	32.00	<b>92.00</b>
Tenderer C	49.70	29.20	<b>78.90</b>
Tenderer D	45.20	32.00	<b>77.20</b>
Tenderer E	Did not respond		
Tenderer F	Did not respond		

## **2 DETAILS**

- 2.1. The current Term Contract for Fabric Repairs & Maintenance Works expired on the 3<sup>rd</sup> October 2014 and, as allowed under the terms of the original tender was initially extended for a period of 12 months to 3<sup>rd</sup> October 2015 and then again for a 2 month period until 30<sup>th</sup> November 2015.
- 2.2. The contract is for the provision of planned and reactive fabric maintenance works within the council's 110 operational buildings, including the provision for a 24 hour emergency call out service.
- 2.3. The scope of the contract has been extended to include a responsive handyman service covering Merton civic centre and other operational sites.

## **3 ALTERNATIVE OPTIONS**

- 3.1. There was provision within the existing contract for a further contract extension of 1 year (rather than 2 months). However, it was not recommended that this extension be taken advantage of.
- 3.2. Alternative options could have been to bring the service in-house or look at contractual solutions for different elements of the overall service.

## **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1. Consultation took place with the procurement team and the Procurement Board endorsed the approach agreed at meetings in January and June 2015.

## **5 TIMETABLE**

- 5.1.
  - Options analysis undertaken with procurement - Autumn 2014.
  - Prepare the specification – 31<sup>st</sup> December 2014
  - OJEU notice – 31<sup>st</sup> January 2015
  - PQQ responses – 11<sup>th</sup> March 2015
  - ITT issued – 11<sup>th</sup> May 2015
  - Tender returns – 21<sup>st</sup> June 2015
  - Evaluation of tenders, internal authorisation and approvals process – 30<sup>th</sup> September 2015
  - Formal Appointment – 31<sup>st</sup> October 2015
  - Contract Start – 1<sup>st</sup> December 2015

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

- 6.1. The contract must be awarded to a company with relevant expertise, industry accreditation and required insurance indemnity with a record of performance and delivery. The tender and evaluation process has resulted in four compliant bids from suppliers with a proven background of delivering similar public sector contracts.
- 6.2. The value of the contract has been notionally assessed at circa £1,200,000 per annum, which is made up of approximately £1,100,000 of planned and project works and £100,000 of reactive repairs, but the actual value will be based upon the amount of works required over the course of the year. The reactive works will be funded from existing revenue maintenance budgets

(£569,000 in 2015/16), which are held and managed centrally by the Corporate Services Facilities Management section. Project works will have a variety of funding streams with budgets identified specifically for each project.

- 6.3. The most competitive price from Tenderer B is 11% below the National Schedule of Rates, which compares with 19% below under the existing contract (i.e. an increase in rates of 8%). This reflects changed commercial conditions as the previous contract was let at the height of recession in the construction industry, and it is now a more buoyant market. The total expenditure on all building maintenance contracts will be contained within current and future budgets, and the result of this price increase will be a slight reduction in the volume of work undertaken.

## **7 LEGAL AND STATUTORY IMPLICATIONS**

- 7.1. The Council conducted the procurement activity using the Restricted Procedure in accordance with the requirements of the Public Contracts Regulations 2006 (SI 2006/5) for the purpose of procuring the services. It appears that the Regulations have been applied strictly and that the award of a contract based on the procurement activity will present no risk to the Council.

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

- 8.1. No TUPE transfer or redundancy liabilities arise from the award of this contract as no Council staff are affected.

## **9 CRIME AND DISORDER IMPLICATIONS**

- 9.1. None identified.

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

- 10.1. The successful company is registered as compliant with CHAS (Contractors Health & Safety Assessment Scheme).

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

- Tender Analysis Report – appendix 1

## **12 BACKGROUND PAPERS**

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