

Merton Council

Overview and Scrutiny Commission - financial monitoring task group

Task group members

Councillors:

Hamish Badenoch (Chair)
Adam Bush
Stephen Crowe
Suzanne Grocott
Peter McCabe
Dennis Pearce
Peter Southgate

Tuesday 23 February 2016 at 7.00 pm
Committee room B - Merton Civic Centre, London Road,
Morden SM4 5DX

Agenda

- | | | |
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| 1 | Apologies for absence | |
| 2 | Minutes of meeting held on 5 November 2015 | 1 - 4 |
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Contact for further information about the task group meeting:
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Agenda Item 2

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.

OVERVIEW AND SCRUTINY COMMISSION - FINANCIAL MONITORING TASK GROUP

5 NOVEMBER 2015

(19.00 - 21.00)

PRESENT Councillors Hamish Badenoch(in the Chair)Adam Bush, Stephen Crowe, Suzanne Grocott, Peter McCabe, Dennis Pearce and Peter Southgate.

Caroline Holland, Director of Corporate Services, Paul Dale, Assistant Director of Resources, Cormac Stokes, Head of Street Scene and Waste, Marissa Bartlett, Head of HR Joint Transactional Services. Stella Akintan, Scrutiny Officer.

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies for absence were received from Councillor Peter McCabe, Councillor Adam Bush and Julia Regan

2 MINUTES OF MEETING HELD ON 22 JULY 2015 (Agenda Item 2)

The minutes were agreed as a true record of the meeting

3 ANALYSIS OF CURRENT STAFFING VACANCIES (Agenda Item 3)

The Joint Head of HR Transactional Services gave an overview of the report stating that the data focusses on the staffing establishment. The council is currently undergoing significant change and the data presented is a snap shot view from the 1st October.

A Panel member said that the data indicates that some staffing reductions were taken from the wrong areas for example; youth provision has been cut while there are vacancies across the Children Schools and Families Department. The Director of Corporate Services said many of the vacancies are for social work positions, changes to staffing structure were based on service need and it was agreed to maintain the role of social workers.

Panel members asked for clarity on the trend in recruiting agency staff to cover vacancies and what drives the decision to work for an agency rather than the council. The Director of Corporate Services said a number of factors lead to the number of agency staff including; our outer London location, some positions are difficult to recruit to including procurement and legal. In some instances the private sector rates of pay are higher.

A panel member asked if this can be considered a structural staffing model. The Joint Head of HR Transactional Services said that many services are in transition and moving to sharing arrangements. In light of this many managers are reluctant to appoint permanent staff until changes are completed but recruitment is still taking

place where necessary. The Director of Corporate Services said further staffing changes as the target operating models are being reviewed and some jobs will be externalised or services provided differently..

Panel Members sought clarification on the difference between full time equivalents and number of posts. The Assistant Director of Corporate Services said the budget is based on full time equivalents; post provides a generic description of each position in the council.

A panel member asked if budget for staffing had been set at the correct levels given that managers were using budget from one post to fund another one. The Director of Corporate Services said the new HR data will enable officers to drill down to identify if there are any issues.

RESOLVED

The Panel thanked officers for their work and asked for a report on staffing to the next meeting providing an overall view of the whole council to include head count and full time equivalents. Officers are asked to overlay this with financial information if possible.

4 COMMERCIAL WASTE - REPORT TO FOLLOW (Agenda Item 4)

The Head of Street Scene and Waste gave an overview of the report stating that commercial waste is operating with a slight surplus. Some targets have been adjusted to make them more realistic.

A panel member asked if there is scope to increase the current budget surplus. The Head of Street Scene and Waste confirmed that it would be possible depending on the market activity.

Panel members discussed future commercial opportunities and were informed that the free re-recycling service provided to schools will be reviewed.

A panel member asked about future plans to externalise the commercial waste contract. The Head of Street Scene and Waste reported that this will take place from 2017 and is being negotiated through the South West London Waste Partnership.

RESOLVED

Officers were thanked for their work and asked to bring an update in twelve months time with outcomes from the contract negotiations.

5 TRANSPORT SERVICE - REPORT TO FOLLOW (Agenda Item 5)

The Head of Street Scene and Waste gave an overview of the report and stated that the services covered include Passenger Transport to children with Special Educational Needs and vulnerable adults.

A panel member queried the cause of the £650,000 overspend. The Head of Street Scene and Waste said a detailed individual analysis will be required to determine the cause of the overspends. This service area requires a complex juggling act to ensure that the children are not in the transport for extended periods of time.

A panel member said we need to get to grips with the nature of this overspend especially since other services are facing cuts.

Anecdotal evidence suggests it is caused by children with more complex needs. The Head of Street Scene and Waste said there are many variables including the impact of individual routes.

The Assistant Director of Resources said the Children Schools and Families Department are working with families to find alternatives to the use of taxis.

RESOLVED

The chair thanked officers for the work and asked for a report to the next meeting which provides details about the cause of the £650,000 overspend. If any information is available in advance of the meeting this should be circulated to task group members.

6 FINANCIAL MONITORING REPORT - QUARTER 2 (Agenda Item 6)

The Chair asked officers to give an overall trend on delivering savings year on year.

The Director of Corporate Services said this will be the first year that savings are being monitored in this way so there is no historical information.

The Assistant Director of Resources said the underspend in previous years has masked the shortfall.

A panel member said failure to deliver against savings are being masked by underspends elsewhere therefore the council is at risk of not making efficiencies.

The Director of Corporate Services said that tracking and monitoring procedures have been put in place to ensure that savings targets are being achieved by departments.

Panel members sought clarification about how the council would cover the shortfall from the savings that have not been achieved. The Director of Corporate Services confirmed that this would be covered by the General Fund balance in the short term but could lead to departments having to make further savings in the future.

The Assistant Director of Corporate Services said in order to understand overspends we need clarity on demographic data as the information is contradictory. There are also implications caused by the delay of the Care Act.

RESOLVED

The Panel thanked officers for their work and asked that a financial monitoring report be brought to the next task group meeting containing the following information:

Detailed information regarding of the adult social care overspend and savings targets
Information on the underlying causes for the undelivered savings by department.

7 CAPITAL PROGRAMME - REPORT TO FOLLOW (Agenda Item 7)

This report was deferred to a future meeting.

Committee: Financial Monitoring Scrutiny Task Group

Date: 23 February 2016

Subject: Council Tax Recovery Process

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Mark Alison, Cabinet Member for Finance

Contact officer(s): David Keppler, Head of Revenues and Benefits

Recommendations:

1. That the Financial Task Group considers the report and requests any further information required.
-

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report outlines the framework within which we carry out our responsibilities regarding billing and collection of council tax. It will explain the process through to obtaining a court order and passing this to our enforcement agents for collection.
- 1.2 As a billing authority we are responsible for the collection and recovery of the council tax and provisions are made in law for the way in which this is done.
- 1.3 In 2015/16 the amount of council tax being collected after the award of discounts, exemptions, reliefs and council tax support is £102.5 million. This figure includes the precept collected for the GLA.

2. DETAILS

2.1 Demand/Bill

- 2.2 The demand or bill must be issued at least 14 days before the date on which the first payment is due. Provisions in law allow for payment to be made by the statutory monthly instalment scheme or an authorities own scheme for council tenants or by an agreement with the liable person.
- 2.3 All taxpayers are offered the statutory monthly instalment arrangement, which will be ten consecutive instalments if billed on or before 30 April. Where the bill is issued after 1 May the taxpayer will be entitled to nine instalments and will reduce by one each month thereafter. Therefore after 30 April, the number of instalments allowed will depend on what time in the year the bill is issued. Taxpayers can opt to pay over 12 monthly instalments.

2.4 Failure to pay – Reminder notices /Final Notices.

2.5 Where an instalment is not paid as requested under the instalment scheme the authority must serve a reminder on the liable person(s).

The first reminder must state:

(a) the aggregate of the instalments due as well as any amounts that will become due within seven days of the issue of the reminder.

(b) that the amount that must be paid within seven days

(c) that failure to pay within seven days will result in the full balance for the period becoming due after a further seven days. (14 days from the issue date), i.e. the right to pay by instalments is lost and a summons will be issued.

2.6 Although there is a duty to serve a reminder, this is a duty without a time limit and can be served at any time after the sum has become due. We are not obliged send a reminder every time an installment is missed

2.7 A second reminder is issued after the taxpayer has received a reminder notice and paid in accordance with that notice and then missed a further instalment.

2.8 A final notice is issued after the taxpayer has received a second reminder and paid in accordance with that notice and then missed a further instalment.

2.9 Once the final notice is issued the unpaid balance for the whole year becomes due and payable and the right to pay by instalments is lost.

2.10 In some circumstances a final notice will be served instead of a reminder notice. Final notices will be served where there is no right to instalments where it is properly payable as a lump sum, for example we will issue a final where a bill is issued after the 31 March for a charge relating to an earlier year or where someone's liability has ceased and the payment has not been made as detailed on the closing account. A final may also be served after a taxpayer has received to reminders and has fallen behind for a third time.

2.11 At the beginning of each year a recovery timetable is set which details when the different reminder and final notices are issued, when summons are issued and the scheduled court hearings.

2.12 Reminders and final notices issued 1.4.13 – 18.1.16

<u>Year</u>	<u>No of Reminders</u>	<u>No of final Notices</u>	<u>Total notices issued</u>	<u>Total Bills issued</u>
2013	22,762	10,374	33,136	164,805
2014	26,782	9,743	36,525	176,400
2015	22,693	8,932	31,625	174,015
Total	75,649	25,982	85,646	515,220

2.13 Complaint

2.14 If an amount which has fallen due remains wholly or partially unpaid and a reminder of final notice has been issued in respect of that amount, and 14 days has passed since the notice was served, we may make application to the court for a liability order against the liable person.

2.15. To do so we must make a complaint to a justice of the peace requesting the issue of a summons directed to the liable person to appear before the court to show why the sum outstanding has not been paid.

2.16 The Summons

2.17 The summons must be authorised by a justice of the peace or by a clerk to the justices and must be served at least 14 days before the date of the hearing. A liability order cannot be made unless this condition is complied with.

2.18 Once the summons is issued costs of £115.00 are charged to the taxpayer

2.19 If after the summons has been issued, the amount due as well as any costs incurred in issuing the summons, are paid we must accept payment and not proceed with the application for a liability order.

2.16 Summonses issued 1.4.13 – 19.1.16

2.17

<u>Year</u>	<u>No of summonses</u>
2013	13,962
2014	11,610
2015	6,159

2.18 The Hearing

2.19 At the hearing we will make application to the justices to grant a liability order. The order must be granted by the court if it is satisfied that the sum has become payable by a defendant, and has not been paid. Where defendant does not appear, the court may proceed in his absence. Most are held in the absence of taxpayers, usually because there are only a few defences against an order.

2.20 Ultimately it is for the courts to decide what the valid defences are but may include

- the tax not being properly set at the start of the financial year
- the tax not demanded in accordance with the statutory provisions
- the amount demanded has been paid
- more than six years has passed since the day the charge became due
- breach of duty to serve bills “as soon as practicable”
- bankruptcy or wind up proceedings have started
- no entry in the valuation list

2.21 The Liability Order

2.22 If the court is satisfied that there is no valid defense and the amount due has not been paid in full, it is required to make an order in respect of the amount due and reasonable costs incurred in obtaining the order.

- The order allows us the power to use any of the following remedies
- Taking control of goods
- Attachment of earnings
- Attachment of local authority member’s allowances
- Deductions from income support
- Bankruptcy or winding up
- Charging orders

2.23 Once the liability order has been made we will proceed further by sending a letter warning of enforcement action that will follow 14 days after the issue of the letter.

2.24 At this stage if the taxpayer contacts the section we will try to enter into a payment arrangement without the need of further recovery action.

2.25 Where no contact is made the case will be passed to the in-house enforcement team for collection.

2.25 Liability Orders Obtained 1.4.13 – 19.1.16

2.26

<u>Year</u>	<u>L/O granted</u>
2013	11,617
2014	8,438
2015	5,552

2.27 Enforcement

2.28 We have operated an in-house Enforcement Agency Service (Bailiff Service) approximately 12 years the success of which is centred around sound practice developed over the years, detailed procedures and good customer care and practice.

- 2.29 We have worked closely with the CAB and an individual, who has objected to many London boroughs accounts due to inappropriate enforcement action by some external companies, to improve the service. This individual now recommends to authorities that they should implement in-house services based on Merton's model and quotes Merton as best practice.
- 2.30 The in-house team collect Council Tax, Business Rates and Penalty Charge Notices (PCN) for Merton and for Sutton council as part of a shared service that Merton leads on.
- 2.31 Some of the benefits of having this in-house service are:
- Ability to closely monitor collection performance and rates and adapt quickly where appropriate
 - Prioritise customer care and helping customers who have difficulty paying their debts
 - Monitor and quickly investigate complaints
 - Ability to provide a more flexible approach to our collection strategies
 - Share management and other costs with Sutton
- 2.32 The in-house service is fully self funded and has encouraged employment of additional qualified and unqualified staff. In the past two years one Modern Apprentice has been appointed and retained and currently two trainee enforcement agents are being developed and trained.
- 2.33 The in-house team collect in excess of £1 million in unpaid council tax each year. In addition to this it collects the statutory costs and fees associated with enforcement work.

2.34 **Council Tax debt collected by Enforcement team.**

<u>Year</u>	<u>£ million</u>
2013/14	£1.131
2014/15	£1.265
2015/16	£1.016 (up to 31.1.16)

2.35 **Bankruptcy and Charging Orders**

- 2.36 In the past 5-6 years there has been an increase in the use bankruptcy proceedings and charging orders to collect unpaid council tax. These methods are generally used as the last resort where all other attempts to collect the debt have proved unsuccessful.
- 2.37 Strict procedures are followed to ensure that this action is targeted against appropriate taxpayers. These collection methods have proved very successful and we have managed to target and collect large amounts of unpaid council tax from residents that have been avoiding paying their council tax.

- 2.38 As an example, in December 2015 we successfully collected over £20,000 from one taxpayer who had been avoiding paying council tax for over 10 years and all other recovery action had been unsuccessful.
- 2.39 Since 2009/10 we have collected and secured just over £1.5 million through these methods (£1.214 million collected and £285,000 secured against charging orders on properties).

3. PROPOSAL

- 3.1 None for the purpose of this report.

4. ALTERNATIVE OPTIONS

- 4.1 None for the purpose of this report.

5. CONSULTATION UNDERTAKEN OR PROPOSED

- 5.1 None for the purpose of this report.

6. TIMETABLE

- 6.1 None for the purpose of this report.

7. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 7.1 Council tax collection rates are reported nationally and the measured performance indicator is the “% collected within the financial year”.
- 7.2 For 2014/15 we collected 97.26% of the £101.1 million in council tax within the financial year – this was the 10th highest collection rate in London.
- 7.3 As at the 31 March 2015 there remained £2.774 million of 2014/15 council tax uncollected. £136,000 of 2014/15 council tax has been written off to date as uncollectable.
- 7.4 There is on going proactive recovery action against all prior year’s debts.

8. LEGAL AND STATUTORY IMPLICATIONS

- 8.1 The Council Tax (Administration and Enforcement) Regulations 1992 are the statutory regulations for the billing and collection of council tax.

9. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

9.1 None for the purpose of this report

10. CRIME AND DISORDER IMPLICATIONS

10.1 None for the purpose of this report .

11. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

11.1 None for the purpose of this report

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

12.1

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Committee: Financial Monitoring Scrutiny Task Group

Date: 23 February 2016

Wards: Borough Wide

Subject: Estate Management

Lead officer: Chris Lee, Director of Environment and Regeneration

Lead member: Andrew Judge, Cabinet Member for Environmental Sustainability and Regeneration

Contact officer: Howard Joy, Property Management and Review Officer

Recommendations:

-
1. That the task group discuss and comment on the report and identify any issues on which they wish to carry out further scrutiny.
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. To respond to a request from this task group to scrutinise the Council's use of its real estate assets – who manages these, how, what is the size and yield of the assets and how does Merton compare to other councils in terms of yield.

2 DETAILS

- 2.1. The property that is owned by the Council is in two main categories:- (i) Operational - those used by the Council to provide services. Examples include day centres, libraries and corporate offices. (ii) Non-operational – those that are not used by the Council but generate an income. This report is directed at the non-operational category.
- 2.2. The non-operational estate contains two main industrial estates (Weir Road in Wimbledon and Willow Lane in Mitcham) and two main shopping parades (St. Helier Avenue and Green Lane in Morden). There are 394 commercial properties in total that include 100 industrial leases, 113 retail leases and the remainder miscellaneous other uses such as electricity sub stations and agricultural land which is in Leatherhead. All leases place responsibility to pay for repairs and insurance upon the tenant. The industrial leases are subdivided into ground leases and rack rented leases. Under the ground leases the council takes a rent for the “ground” only as the tenant has funded the construction of the building (often specialised in nature). Under the rack rented leases the council takes a rent for the building and the “ground” as the council funded the construction of the building. The ground leases are longer than the rack rented leases e.g. 125 years compared to say up to 25 years for the rack rented properties to allow for funding of the build costs by the tenant. The estate generates an income of approximately £4,000,000 p.a.
- 2.3. The estate is managed by the Property Management and Review Team (PM&R) within Environment and Regeneration Department. This team comprises three surveyors (including the section head) and two administration officers. One surveyor is mainly directed at asset valuations

which are required for the Council's accounts and to satisfy section 151 responsibilities. Therefore two surveyors deal with the management of the estate supported by the administration officers plus others in Corporate Services who collect service charges, issue invoices for rent and collect arrears of rent.

- 2.4. PM&R instruct consultants where necessary. For example to deal with specialist subjects such as leisure property or radio base stations where it does not provide value for money for PM&R to acquire the necessary expertise. Consultants are also employed to deal with rent reviews or letting property to provide a benchmark for the remainder of the estate to ensure the council is maximising income from all its property.
- 2.5. Except for the examples provided in 2.4 above PM&R deal with all lettings, lease renewals and rent reviews plus the many other responsibilities that commercial property management requires.
- 2.6. The main performance indicators used for the management of the estate are voids and debt. The vacancy rate for January 2016 is 0.4% (2 units) and debt is 6.7% (£269,008). These results can be compared with our targets of 3.5% for vacancy and 8% for debt.
- 2.7. Comparator data is very difficult to obtain as much data within the public sector is directed at facilities management not commercial property management and since the abandonment of Comprehensive Performance Assessment many local authorities do not publish or collect this information. Attempts to form a local benchmarking group with adjoining boroughs failed due to lack of interest/resource from the adjoining boroughs although we will keep trying.
- 2.8. PM&R were subject to Service Review and Challenge Session in 2011 and 2010 and at that time compared with eleven other boroughs (the only ones supplying data):
 - (i) The total team size is five whereas comparators ranged from five and one half to twenty five.
 - (ii) Only three of the eleven boroughs had less than nine staff. The average team size was twenty six.
 - (iii) The average value of investment property managed by the eleven boroughs was £3.3m whereas in Merton the value per team member was £4.5m (NB the team size has since reduced to five from six).
 - (iv) The return on investment in Merton was 12.28% the all property index for the Investment Property Data Bank was 6.4%. The average return for the other boroughs was 9%.
 - (v) The average void property rate was 5.06% for the other boroughs whereas in Merton it was 3.48% (NB as stated in 2.6 it is currently 0.4%).

3 ALTERNATIVE OPTIONS

- 3.1. N/A

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. N/A

5 TIMETABLE

5.1. N/A

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. The current variance against budget is £302,476 i.e. over achieved.

6.2. Incentives such as rent free periods are not offered to new tenants but when the market is poor or when works are funded by the incoming tenant rent free periods are considered should the tenant seek one.

6.3. As authorised by Council policy notional rent is provided where an organisation e.g. a community centre provides a valuable service to the Council or the community. Notional rent occurs where a market rent is stated within the lease but this is not collected, it is dealt with as a transfer between the budgets of the Council.

6.4. Funding for NNDR is a responsibility for any vacant property subject to empty rates allowance but success in letting the Council's property (see paragraph 2.6 above) has reduced the cost to its current level of £24,561.

6.5. All of the property is insured through the Council and premiums recovered through the lease terms.

6.6. The debt written off during 2014/15 was £13,428 rent plus £310 service charges and for 2015/16 to date was £20,846 rent plus £1,965 service charges.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. N/A

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. N/A

9 CRIME AND DISORDER IMPLICATIONS

9.1. N/A

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. N/A

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

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12 BACKGROUND PAPERS

12.1. None

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Cabinet

Date: 15 February 2016

Subject: Financial Report 2015/16 – December 2015

Lead officer: Paul Dale

Lead member: Mark Allison

Recommendations:

- A. That Cabinet note the financial reporting data relating to revenue budgetary control, showing a forecast net overspend at year end of £2.6million, 0.5% of the gross budget.
 - B. That Cabinet approve the virement of £223k from the corporate contingency to Children, Schools and Families for the third and fourth quarter costs of additional social worker capacity.
 - C. That Cabinet note the adjustment to the Capital Programme contained in Appendix 5b
-

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the financial monitoring report for the ninth month period 31st December 2015. This financial monitoring report provides:-

- The income and expenditure at Period 9 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
- An update on the debt position at period 9.

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

Executive summary – At the end of period to 31st December 2015 the year end forecast is net £2.6m overspend, 0.5% of the gross budget.

	Current Budget 2015/16	Full Year Forecast (Dec)	Forecast Variance at year end (Dec)	Forecast Variance at year end-previous month (Nov)	Outturn variance 2014/15
	£000s	£000s	£000s	£000s	£000s
Department					
3A. Corporate Services	15,258	15,649	391	346	(691)
3B. Children, Schools and Families	52,947	53,591	644	1,135	2,663
3C. Community and Housing	61,884	62,930	1,045	1,000	2,774
3D. Public Health	1,154	1,048	(106)	68	(0)
3E. Environment & Regeneration	24,148	27,225	3,077	2,865	1,703
Overheads	0	0	0	0	0
NET SERVICE EXPENDITURE	155,391	160,443	5,051	5,414	6,448
3E. Corporate Items					
Impact of Capital on revenue budget	14,117	14,092	(25)	(25)	205
Central budgets	(15,418)	(17,816)	(2,421)	(2,358)	(2,817)
Levies	926	926	0	0	0
TOTAL CORPORATE PROVISIONS	(376)	(2,799)	(2,446)	(2,383)	(2,612)
TOTAL GENERAL FUND	155,016	157,644	2,605	3,031	3,836
FUNDING					
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
FUNDING	(155,016)	(155,016)	0	0	(154)

The forecast overspend has decreased by £0.4m since last month. The delay to the award for tackling traffic congestion of net £3.2m remains one of the significant reasons for the forecast overspends, together with pressures in CSF caused by transport costs and additional burdens from central government, and pressures in C&H caused by delays in achieving 2014/15 and 2015/16 savings.

Spending needs to be reviewed across all departments as if the outturn remains at this level, General Fund balances will reduce to £12.5m, 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	Full Year Forecast (Dec)	Forecast Variance at year end (Dec)	Forecast Variance at year end (Nov)
Expenditure	£000	£000	£000	£000
Employees	98,131	98,799	668	1,089
Premises Related Expenditure	8,907	8,533	(374)	(335)
Transport Related Expenditure	14,665	14,770	104	(114)
Supplies and Services	175,782	173,824	(1,957)	(1,503)
Third Party Payments	89,613	94,877	5,264	4,853
Transfer Payments	104,045	99,160	(4,885)	(2,661)
Support Services	31,902	31,901	(1)	(1)
Depreciation and Impairment Losses	16,505	16,505	(0)	(0)
Corporate Provisions	(376)	(2,799)	(2,446)	(2,383)
GROSS EXPENDITURE	539,175	535,570	(3,627)	(1,055)
Income				
Government Grants	(267,330)	(262,050)	5,279	3,159
Other Grants, Reimbursements and Contribs	(22,707)	(24,955)	(2,248)	(2,294)
Customer and Client Receipts	(61,371)	(58,728)	2,643	3,059
Interest	(44)	(20)	24	24
Recharges	(32,547)	(32,547)	1	1
Balances	(160)	375	535	138
GROSS INCOME	(384,160)	(377,926)	6,234	4,087
NET EXPENDITURE	155,016	157,644	2,605	3,031

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

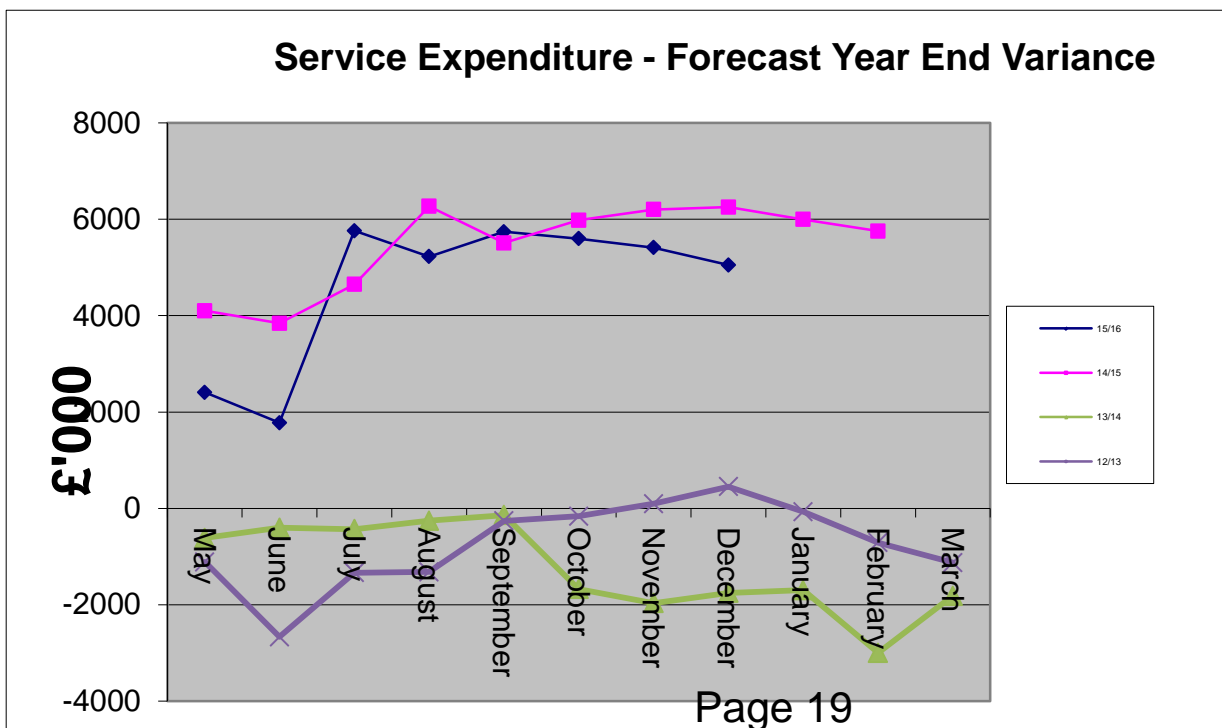
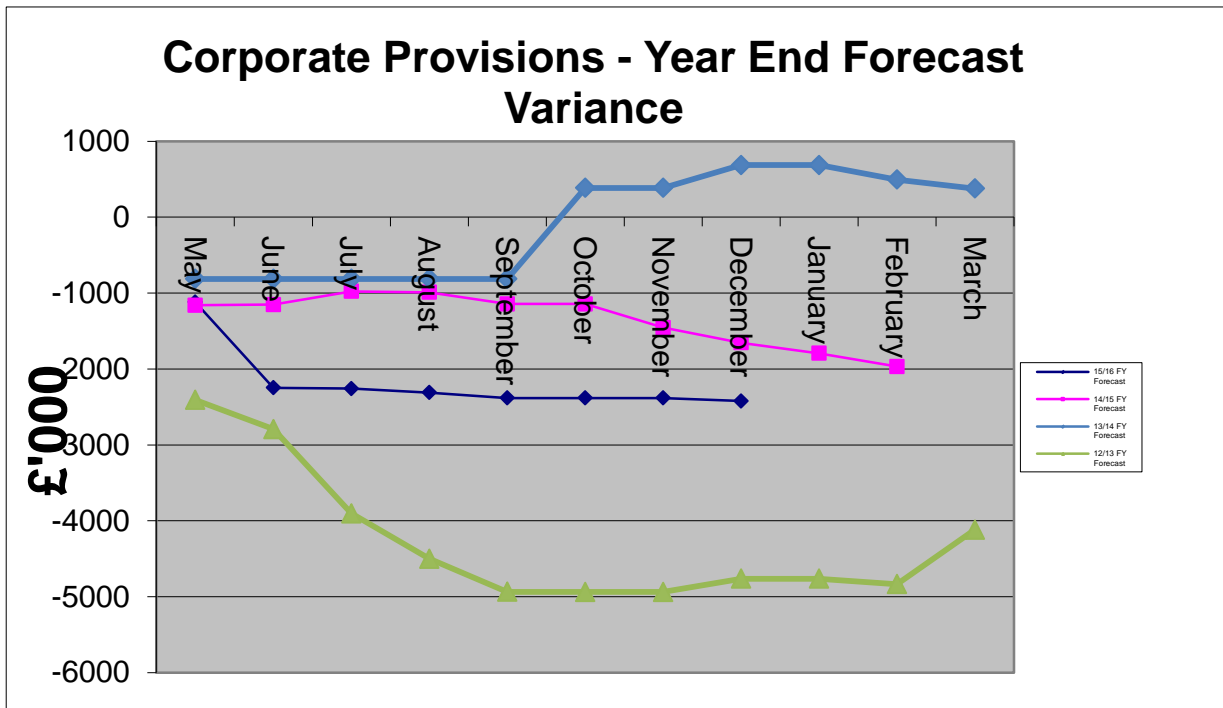


Chart 2 shows the forecast year end variance for corporate provisions with a comparison against 2014/15, 2013/14 and 2012/13.



3. DEPARTMENTAL SUMMARY OF CURRENT POSITION

Corporate Services

	2015/16	Full year	Forecast	Forecast	2014/15
	Current	Forecast	variance	variance	
	Budget	December	at year	at year	
	£000	£000	Dec	Nov	Outturn
			£000	£000	Variance
					£000
Business Improvement	5,120	4,939	-181	-227	-259
Infrastructure & Transactions	9,838	9,544	-294	-232	-347
Resources	7,562	7,330	-232	-277	-255
Human Resources	2,367	2,223	-144	-84	-26
Corporate Governance	3,055	2,812	-243	-295	-433
Customer Services	2,632	2,282	-350	-297	-273
Corporate Items including redundancy costs	1,296	3,130	1,834	1,759	1,320
Total (controllable)	31,869	32,260	391	346	-273

Overview

At period 9 (31st December 2015) the Corporate Services department are forecasting an overspend of £391k at year end, an increase of £45k from last month.

Business Improvement – underspend £181k

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

The underspend has reduced from last month as approx. £90k costs have been included for the Confirm system upgrade. This is required pending the Environmental Asset Management System (EAMs) re-procurement.

The support and maintenance budget is overspending and is being offset by the underspends on vacant posts. This will be a budget pressure next year.

Infrastructure and Transactions – underspend £294k

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.

The increase in underspend since last month of approx. £60k is mainly due to a reduction in the utilities forecast due to a warm winter.

Resources – underspend £232k

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

Corporate Governance – forecast underspend £243k

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.

The SLLP budgets are being reviewed with the partnering boroughs as there is a potential shortfall on demand which could result in a deficit in the hard charging model at year end. The model is designed to break even but variables such as demand for the service and underachievement of income can result in a deficit. This will be reported to the SLLP Board and split across the four boroughs.

Customer Services – forecast underspend £350k

The main movement from last month is a £50k increase in the forecast of court costs income.

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

The Merton bailiffs' service is forecasting an overachievement of fee income of £190k but this is partly offset by a shortfall on the shared bailiffs' income target of £130k.

Corporate items - forecast overspend £1,758k

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

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

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

Environment & Regeneration

Environment & Regeneration	2015/16 Current Budget £000	Full year Forecast (Dec) £000	Forecast Variance at year end (Dec) £000	Forecast Variance at year end (Nov) £000	2014/15 Outturn Variance £000
Public Protection	(9,398)	(6,112)	3,286	3,029	(53)
Sustainable Communities	12,824	12,564	(260)	(181)	203
Waste Services	15,431	15,180	(251)	(300)	1,440
Other	(877)	(575)	302	317	(291)
Total (Controllable)	17,980	21,057	3,077	2,865	1,299

Description	2015/16 Current Budget £000	Forecast Variance at year end (Dec) £000	Forecast Variance at year end (Nov) £000	2014/15 Variance at year end £000
Employee underspend within Parking Services	3,177	(115)	(123)	99
Delay in implementation of measures to tackle traffic congestion	(3,510)	3,510	3,510	0
Overachievement of income in Parking Services	(11,976)	(381)	(410)	110
General Supplies & Services overspend in Parking Services	503	281	158	(8)
Employee overspend within Regulatory Services	2,068	231	149	99
Employee overspend within Safer Merton	360	(95)	(97)	(91)
Underspend on third party payments within Safer Merton	251	(95)	(109)	(78)
Other	(271)	(50)	(49)	(78)
Total for Public Protection	(9,398)	3,286	3,029	(53)
General Supplies & Services underspend within Building & Development Control (B&DC)	243	(55)	(51)	(64)
Employee overspend within B&DC	1,710	79	69	200
Overachievement of Grants & Contributions within B&DC	(88)	(53)	(34)	(16)
Shortfall in B&DC income	(1,893)	139	198	(46)
Employee overspend within Future Merton	2,786	116	19	105
General 3 rd party payments underspend within Future Merton	3,202	(119)	(70)	(106)
Overachievement of Customer & Client Receipts within Future Merton	(1,637)	(57)	(7)	(39)
Premises related underspend within Property Management	283	(76)	(76)	32
Overachievement of rental income within Property Management	(4,059)	(199)	(199)	(181)
Employee related overspend within Greenspaces	2,370	112	57	142
Underachievement of Customer & Client Receipts within Greenspaces	(1,979)	302	277	79
General Supplies & Services underspend within Greenspaces	588	(67)	(74)	(10)
Overachievement of Grants & Contributions within Greenspaces	(191)	(75)	(29)	(160)
General Supplies & Services underspend within Leisure & Culture	365	(46)	(40)	(11)
Employee underspend within Senior Mgmt & Support	886	(144)	(144)	(51)
Other	10,238	(117)	(77)	329
Total for Sustainable Communities	12,824	(260)	(181)	203
Employee overspend within Waste Services	7,552	229	197	316
Transport related underspend within Waste Services	1,903	(317)	(333)	(155)
General Supplies & Services underspend within Waste Services	948	(107)	(53)	(169)
Overachievement of Customer & Client Receipts within Waste Services	(2,357)	(90)	(86)	527
Overspend within Transport Services	(877)	302	317	(291)
Other	7,385	34	(25)	12
Total for Street Scene & Waste	14,554	51	17	1,149
Total Excluding Overheads	17,980	3,077	2,865	1,299

Overview

The department is currently forecasting an overspend of £3,077 at year end. The main area of variance is Parking Services, but there are variances within several sections of the department. Were it not for the delay in traffic congestion works the department would be projecting an underspend.

Pressures

Public Protection

Parking & CCTV Services

The section is currently forecasting an overspend of £3,256k mainly due an unsuccessful legal challenge to the award of the contract for the provision and maintenance of ANPR cameras, resulting in a delay to the contract award. The expected contract start date is now June 2016, whereas the budgeted expectation was for a November 2015 start. It is expected that improved compliance and traffic flow at the locations concerned will be seen within a couple of months of implementation.

The section is also forecasting to incur £200k in legal fees this year associated with the legal challenge from the unsuccessful tenderer.

In addition, the section is experiencing a continued reduction in existing PCN related income (£149k) due to increased compliance, and the continued funding of CPZ related expenditure (£230k). This is being offset by over-recoveries in most areas of on-street/ permit / bay suspension revenue (£666k), and off-street parking income (143k). In addition, this outturn position includes allowance for a c£60k loss of income as a result of providing free parking during the Christmas period.

There is also a forecast £115k employee related underspend, which will partly mitigate these budget pressures.

Sustainable Communities

Building & Development Control

The section is currently forecasting an employee overspend of £79k, and an underachievement of income of £139k. This is partially offset by an underspend of £55k in supplies and services.

Property Management

The section is currently forecasting an underspend of £265k. This is as a result of exceeding their commercial rental income expectations by £199k due to a current high occupancy rate (c98%). 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 mainly as a result of an additional resources recruited to work on specific projects, such as the Phase C procurement (£67k). The underspend on third party payments mainly relates to the annual payment to TfL for controlling the traffic light signals within the borough (£27k), the winter gritting contract (£22k), and other miscellaneous actions taken in order to contribute towards the department's mitigating actions.

Greenspaces

The section is currently forecasting an overspend of £234k, which is mainly as a result of an underachievement of internment income (£129k), sports income (£80k), and income relating to rents (£35k).

This forecast also includes a loss of £56k (£81k loss overall as £25k marketing costs borne by the OCPB reserve) in relation to the inaugural Classics in the Park event.

The forecast employee overspend of £112k is as a result of overtime payments (Parks), Wimbledon fortnight, and staffing of the firework displays.

These pressures are being partially off-set by expected underspends within Premises (£51k), Supplies & Services (£67k), and Grants & Contributions (£75k).

Senior Management & Support

An underspend of £146k 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 £251k, which is mainly due to an underspend on waste transport (£317k), supplies and services (£107k), and customer and client receipts (£90k). This reflects an improvement in commercial waste business.

However, the section is also forecasting an overspend relating to the ongoing operational and disposal costs associated with the management of the HRRC and transfer station (£162k). Although the site is now under new management, this overspend is due to the part year effect of the current arrangements. However, it is expected that this pressure will not reoccur next year.

In agreement with the Environment Director, the bulk leafing programme has been reintroduced to ensure the level of service performance is maintained. The additional cost of this service has been capped at £10k and will be covered by additional agency staff.

Waste services continue to work with SLWP to manage operational costs associated to the HRRC. In addition to this the waste transfer station is under review to assess its long term viability.

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

Transport Services

The section is currently forecasting an overspend of £302k which is mainly as a result of a lower than expected user requirement of the Workshop, external income, additional agency requirements due to staffing issues in the first part of the year, and a delay in the external use of the tachograph centre.

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

Management Action

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

Children Schools and Families

Children, Schools and Families	2015/16 Current Budget £000	Full year Forecast (Dec) £000	Forecast Variance at year end (Dec) £000	Forecast Variance at year end (Nov) £000	2014/15 Variance at year end £000
Commissioning, Strategy and Performance	8,630	9,943	1,143	1,126	1,287
Education	17,299	17,395	96	197	953
Social Care and Youth Inclusion	12,117	12,202	255	359	580
Public Health contribution	0	(328)	(328)	(328)	(415)
PFI	7,974	7,774	(200)	(219)	6
Redundancy costs	2,091	1,769	(322)	0	39
Total (controllable)	48,111	48,755	644	1,135	2,450

Overview

At the end of December Children Schools and Families had a forecast overspend of £644k on local authority funded services. Although the department received growth for placements and transport, this was not sufficient to cover the total shortfall caused by the increased birth rate and additional burdens from central government. The overspend has also been netted down by one off Public Health money of £328k making the underlying overspend £972k, (£1.463m last month) a reduction of £491k.

It is important to note that the majority of the underspend used to offset cost pressures in this financial year are due to management actions that are not sustainable on an on-going basis or one-off windfalls which is not guaranteed to reoccur in future years. This would mean that the demographic and new burdens cost pressures will continue into the new financial year.

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	Dec £000	Nov £000	2014/15 £000
Fostering and residential placements (ART)	5,192	831	714	1,052
Supported lodgings/housing	629	579	578	427
Un-accompanied asylum seeking children (UASC)	60	240	280	193
Procurement & School organisation	547	(237)	(263)	(128)
Legal cost	527	(104)	(90)	(123)
Other small over and underspends	1,675	(166)	(93)	(134)
Subtotal Commissioning, Strategy and Performance	8,630	1,143	1,126	1,287
SEN Transport	3,878	467	344	1,168
Staffing underspends across Early Years services	2,134	(232)	(120)	(192)
Other small over and underspends	11,287	(139)	(93)	(47)
Subtotal Education	17,299	96	197	953
No Recourse to Public Funds (NRPF)	20	457	460	441
Independent review and service quality	530	151	151	210
Social Work staffing	3,394	32	59	315
Serious case review	77	(77)	(77)	(76)
Youth Offending Team	616	(57)	(59)	0
CAMHS	303	(56)	(56)	(207)
Adoption & 14+ teams	1,498	(186)	(135)	0

Other small over and underspends	5,679	(9)	16	(103)
Subtotal Children's Social Care and Youth Inclusion	12,117	255	359	580
Public Health contribution	0	(328)	(328)	(415)
Subtotal PFI	7,974	(200)	(219)	6
Subtotal Redundancy cost	2,091	(322)	0	39
Grand total Children, Schools and Families	48,111	644	1,135	2,450

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 £831k. This includes on-going pressures on in-house fostering of £334k, residential placements of £458k, secure accommodation costs of £26k and mother and baby placements of £56k which is offset by underspends in independent agency fostering of £43k.

The budget for semi-independent and supported lodgings/housing placements is estimated to overspend by £579k. 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 £240k this year due to both an increase in cases and an increase in the number of claimants turning 18 which is when central government contribution towards these cases ceases. The number of UASC who have entered and who have been distributed across London has increased from 233 in 2011/12 to 462 in 2014/15 and 2015/16 figures will see further growth.

Procurement and school organisation budgets are expected to underspend by £237k as a result of lower spend forecast on re-venue-isation 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.

The direct charging budgets for the shared legal service is forecast to underspend by £104k.

There are various other small over and underspends forecast across the division netting to a £166k underspend. These combine with the items described above to arrive at the total reported divisional overspend of £1,143k.

Education Division

SEN and FE transport cost are expected to overspend by £467k, £123k more than the forecast last month. This forecast is calculated on current year weekly costs modelled using previous year trend information. The overspend relates to cost on external home to school transport as additional budget was received to balance the internal transport cost. The overspend is due to an increase in complexity of caseload and cost of taxis. The DCSF is leading a council wide review of the current arrangements for procuring taxis and will be making recommendations once there is better understanding of the reason for the rising costs. We are reviewing demand management, cost efficiency of supply and safeguarding of students with E&R who provide the in-house service and commission the taxi service.

As part of management action, where possible, recruitment to vacancies in Early Years have been delayed in preparation for 2016/17 savings and to reduce the overall in-year departmental overspend. This is estimated to result in an overall underspend of £232k.

There are various other small over and underspends forecast across the division netting to a £139k underspend. These combine with the item described above to arrive at the total reported divisional overspend of £96k.

Government provided grant funding for two years to implement the changes introduced as part of the introduction of the Children and Families Act. This includes the conversion of SEN statements to EHC Plans which is planned to be phased in over four years. In order to fund the continued engagement of EHC Plan coordinators in 2016/17, planned SEN reform grant spend will be reviewed with the aim to reduce cost as where possible to enable an estimated £50k underspend to be carried forward in the form of an earmarked grant reserve.

Children's Social Care and Youth Inclusion Division

The NRPF budgets are forecast to overspend by £457k 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 £151k. This is due to the use of agency staff to cover permanent IRO vacancies as well as one post above establishment to ensure appropriate caseloads to support the quality assurance function.

The Central Social Work, MASH and Permanency team's staffing costs is expected to overspend by £32k. As highlighted in the budget reports to Cabinet and Council, additional capacity is being kept under regular review and funded quarterly from the corporate contingency. This amount equates to six additional social workers. The funding for the first two quarters has been included in the budgets and the forecast for the year adjusted for the last two quarters of 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

The serious case review budget is expected to underspend by £77k because there has been limited need to commission reviews during the current financial year.

The Youth Offending Team (YOT) is expected to underspend by £57k. This is due to a combination of holding staff vacancies and providing a reduced wraparound service as part of management action to reduce the overall departmental overspend. This planned underspend was reduced due to an in-year reduction in grant.

The Children and Adolescent Mental Health Service (CAMHS) is expecting to underspend by £56k due to vacancies.

The adoption and 14+ teams are expected to underspend by £186k relating to temporarily holding staff vacancies as a result of management action to reduce the overall departmental overspend.

There are various other small over and underspends forecast across the division netting to a £9k underspend. These combine with the item described above to arrive at the total reported divisional overspend of £255k.

Merton applied for extra Transforming Families grant to fast track working with a hundred families. This money is expected to be received in the current financial year and will require to be carried forward as part of earmarked grant reserves to 2016/17 to fund the costs of supporting these families.

Dedicated Schools Grant

DSG funded services is forecast to underspend by £457k. 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 238k in Independent Residential School provision.

Early Years funding is also forecast to underspend by £178k. The majority of this relates to the EY Pupil Premium which the EFA intends to claw back. It has not been confirmed when this will happen though.

There are various other smaller over and underspends forecast across the DSG netting to a £41k underspend which, combined with the items above, equates to the net underspend of £457k.

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, but neighbouring authorities' inspections could impact on this.

Placements

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

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

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

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

Transport

We are modelling the potential impact of personal budgets from transport for 2015/16 to assist in delivering cost reduction solutions to individual children's transport needs. 21 personal budgets were approved this financial year providing an on-going cost reduction of £96k.

We are monitoring tight eligibility thresholds and defending appeals and we have extended our independence travel training which has delivered savings of £93k to date.

New burdens

There are a considerable number of duties placed on the Local Authority which have not been fully funded or not funded at all. This leaves a net departmental underspend of £632k, although £328k of this relates to Public Health contribution. The table below highlights the estimated overspends relating to these duties:

Description	Budget £000	Dec overspend forecast £000	Nov overspend forecast £000
Supported lodgings/housing	629	579	578
Un-accompanied asylum seeking children (UASC)	60	240	280
No Recourse to Public Funds (NRPF)	20	457	460
Total	709	1,276	1,318

These estimates only include services for these children and families including housing cost, they do not include staffing cost. Staff cost related to these clients are estimated to be about £270k and are included in the overall £644k departmental overspend forecast.

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

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

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

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

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 of the quarter three and four requirements (£129,450 for third quarter and £93,500 for second quarter) for the year from corporate contingency.

Community and Housing

Overview

At the end of December 2015 Community and Housing is forecast to overspend by £1,045m as shown in the summary table 1 below, an increase of £45k on previous month. The Department received funding/growth of £3.9m for protecting and modernising social care and increased integration under the Better Care Fund and to manage the new duties arising from the Care Act 2014.

The cost pressures are:

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

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

Table 1 Community and Housing	2015/16 Current Budget £000	2015/16 Full Year Forecast (Dec) £000	2015/16 Forecast Variance (Dec) £000	2015/16 Forecast Variance (Nov) £000	2014/15 Variance at year end £000
Access & Assessment	41,132	43,193	2,061	1,980	2,352
Commissioning	4,674	4,562	(112)	(88)	(221)
Direct Provision	5,918	6,380	462	408	1,188
Directorate	997	1015	18	(63)	(223)
Care Act Implementation Expd	1,265	365	(900)	(800)	0
Directorate – Care Act Imp Income	(1,265)	(1,265)	0	0	0
**Contribution from Public Health	0	(328)	(328)	(328)	(500)
Adult Social Care	52,721	53,922	1,201	1,109	2,596
Libraries and Heritage	2,431	2,355	(76)	(55)	4

Merton Adult Education	(180)	50	230	225	254
Housing General Fund	1,903	1,593	(310)	(278)	(106)
Total (controllable)	56,875	57,920	1,045	1,001	2,748

The Adult Social Care forecast overspend has been netted down by £328k of one- off Public Health money giving an underlying overspend of £1.373m.

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

Access and Assessment – £2,061k over-spend

Access and Assessment	Forecast Variance (Dec) £000	Forecast Variance (Nov) £000
Gross Placements overspend	3,413	3,250
Other A&A under-spends	(1,023)	(941)
Sub-total Net over-spend	2,390	2,309
Over achievement of Client Contribution	(329)	(329)
Total Access & Assessment	2,061	1,980

Description	2015/16 Budget £000	Forecast Variance (Dec) £000	Forecast Variance (Nov) £000	2014/15 Variance at year end £000
Libraries	2,431	(76)	(55)	4
Merton Adult Education	(180)	230	225	254
<u>Housing</u>				
Temporary Accommodation	1,396	829	829	624
Temporary Accommodation – Housing Benefits	(1,140)	(860)	(860)	(540)
Temporary Accommodation – Client Contribution	(140)	(102)	(102)	
Homelessness Prevention	320	(5)	3	(127)
Housing Advice and Options	500	(10)	(11)	(7)
Housing Needs	283	(93)	(52)	(43)
Housing Strategy	139	0	(9)	(18)
Housing Supply & Development	266	(29)	(32)	(3)
Housing Environmental Health	228	(39)	(43)	(59)
Merton Action single Homeless	51	(1)	(1)	0
Reserves Funding Adjustment	0	0	0	67
Sub-total Housing	1,903	(310)	(278)	(106)
Total Community & Housing	56,889	1,045	1,001	2,748

Description	2015/16 Budget £000	Forecast Variance (Dec) £000	Forecast Variance (Nov) £000	2014/15 Variance at year end £000
Access & Assessment				
Gross Placements	38,178	3,413	3,250	3,689
Placements - Other	368	(39)	(39)	0
Transport	180	47	47	0
Client & CCG Contribution Income	(11,875)	(329)	(329)	(612)
Concessionary Fares & Taxi-card	9,203	(164)	(160)	(45)
Care-first	136	(126)	(126)	(117)
Other Access & Assessment	9,369	(741)	(663)	(563)
Better Care Fund – NHS Social Care		0		
Transfer Income	(4,427)		0	0
Sub-total Access & Assessment	41,132	2,061	1,980	2,352
Commissioning				
Brokerage, Contracts, Performance & Planning & Commissioning	1,118	(166)	(153)	(237)
Voluntary Organisations - grants	760	78	82	138
Voluntary Organisations – Contracts	196	(19)	(23)	(24)
Voluntary Organisations – Dementia contract	230	8	8	11
Pollards Hill Contract (excluding transport)	82	(14)	(14)	0
Transport** (Pollards Hill & Woodlands)	133	0	0	32
LD – LDDF Grant	127	0	0	0
Supporting People Grant	2,128	1	12	(141)
Better Care Fund – NHS Social Care	(100)	0	0	0
Sub-total Commissioning	4,674	(112)	(88)	(221)
Direct Provision				
Transport **	619	9	9	604
Day Centres	1,828	(58)	(55)	(58)
Supported Living	873	563	537	109
Residential (Excluding transport)	806	201	180	222
Mascot	368	23	7	5
Other Direct Provision	256	(9)	(7)	10
Miles - Reablement	1,568	(242)	(238)	371
Helping People at home revenue grant	0	(25)	(25)	(75)
Better Care Fund – NHS Social Care	(400)	0	0	0
Transfer Income				
Sub-total Direct Provision	5,918	462	408	1,188
Directorate				
Staffing Costs	934	18	(63)	(223)
Adult Social Care Redesign – Projects	244	0	0	0
Better Care Fund – NHS Social Care	(181)	0	0	0
Transfer Income				
Care Act Implementation	1,265	(900)	(800)	0
Care Act Implementation-Grant	(865)	0	0	0
Better Care Fund – NHS Social Care Transfer	(400)	0	0	0
Subtotal Directorate	997	(882)	(863)	(223)
Contribution from Public Health (Ageing-Well grants)	0	(328)	(328)	(500)
Sub-total Adult Social Care	52,721	1,201	1,109	2,595

Budget Pressures

Access and Assessment (£2,061m Forecast Overspend)

Access and Assessment is forecast to overspend by £2,061m in 2015-16. This is the net effect of forecast overspending on the third party placements budget of £3,413m less forecast under spending on other budgets of £1.352m.

The main pressures are:

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

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

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

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

£78k in 2015-16 on Working age adults budgets (excluding Learning disabilities) based on PANSI (Projecting Adult Needs and Service Information System) data.

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

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

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

Although the Government has provided some funding to cover the implications of the Care Act (£865k) and the Cheshire West judgement around Deprivation of Liberty Assessments (DOLS) (£80k), risks are that the costs of the Care Act responsibilities, most notably to sustain a viable care and support market may exceed this funding, and is already clear that the costs of implementing

the Cheshire West judgement are well in excess of £80k as DOLS activity has increased by more than 1000% e.g. there were 40 DOLS cases in 2013-14, 526 in 2014-15 and at the end of November 2015 trends suggest there will be more than 670-700 in 2015-16. The actual cost of implementing this judgement in 2015/16 is estimated at £290k.

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

Commissioning (£112k Forecast Underspend):

There are staff various vacancies across the commissioning team resulting in an overall underspend of £112k.

Supporting People Grant is not forecasting a breakeven budget position.

Direct Provision (£462k Forecast Overspend)

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

Direct Provision Residential Care/Supported Living Services (£764k forecast overspend)

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

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

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

The forecast variance for Direct Provision excludes projected income that is recouped from the Access and Assessment placement budgets to cover the SLA. This is to being reviewed by finance and the budget will be realigned in 2016/17.

Directorate – (£882k Forecast underspend)

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

Libraries- (£76k forecast underspend)

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

Merton Adult Education – (£230k forecast over-spend)

The over spend is caused by £153k in year reductions in SFA funding and the inability to realise savings target of £176K and a reduction in spend on other cost centres.

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

Housing- (£310k forecast underspend).

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

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

Adult Social Care - Delivery of Savings

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

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

Ones already in place:

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

Further measures:

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

Placements Activity Data

The table below details the current number of clients, care packages, and placement commitment has increased by £164k from the previous month, whilst the numbers of clients has reduced by 16.

Activity Data	Care Packages No's) Dec	Care Packages (No's) Nov	Clients (No's) Dec	Clients (No's) Nov	Total Yearly Commitment @ December £000
<u>Service Area</u>					
Mental Health	129	130	110	111	1,655
Physical and Sensory	332	333	231	234	4,649
Learning Disabilities	421	429	343	342	13,305
Older People	1,771	1,767	1,211	1,225	21,565
Substance Misuse	13	12	12	11	197
No recourse to public funds	15	13	9	9	220
TOTAL Gross placement expenditure	2,681	2,684	1,916	1,932	41,591

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

Learning Disability Commitment also includes transition costs of £572k as of December 2015 of the £675k expenditure predicted.

Details of the estimated costs are:-

At age 18 when the young person comes to ASC - Placements data includes £212k of estimated £250k predicted as at December 2015.

At age 19 when they leave school - £ 77k of the estimated £125k predicted are now in placements.

At age 21/22 (or possible older with the recent Children and Families Act) when they leave college - £283k of estimated spend of £300k are now on in placements.

- **Public Health**

- Public Health is forecasting an under-spend by £106k as at December 2015. This improved situation is due revision of salary forecast for new director, health checks and not taking up an option to extend a contract.

Public Health	2015/16 Budget £000	Period 9 (Dec) Forecast £000	Forecast Variance (Dec) £000	Forecast Variance (Nov) £000	2014/15 Final Out-turn Variance £000
PH - Directorate	1,246	1,000	(246)	(203)	(305)
PH- Contraception	713	707	(6)	(3)	(26)
PH - STI Testing and Treatment (GUM)	2,060	2,194	134	134	110
PH - SH Advice, Prevent and Promotion	217	223	6	3	(97)
PH - NHS Health check	316	282	(34)	(29)	17
PH - Falls Prevention	66	66	0	0	(1)
PH – Non Recurrent Project	1,154	1,107	(47)	(47)	0
PH – Obesity	595	450	(145)	(19)	(28)
PH – Live well (including smoking Cessation)	345	331	(14)	(14)	(35)
PH – Substance Misuse (Drugs and Alcohol)	2,098	1,790	(308)	(308)	(422)
PH – School Nursing (including National Child Measurement programme)	849	833	(16)	(16)	(4)
PH Surveillance and Control of Infectious Diseases	10	0	(10)	(10)	(9)
PH – Determinants	160	109	(52)	(52)	0
PH – Community Services Contract Estates	285	285	0	0	0
PH – New Investments	104	88	(16)	(16)	(275)
PH – Health Visiting Service***	1,476	1,461	(15)	(15)	0
Total Public Health (controllable)	11,694	10,925	(769)	(595)	(1,075)
Public Health Main – Grant Income	(9,236)	(8,573)	663	663	0
Public Health Health Visiting – Grant Income ***	(1,476)	(1,476)	0	0	0
Total Public Health Net Expenditure	982	876	(106)	68	(1,075)

(E) Corporate Items

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

Corporate Items	Current Budget 2015/16 £000s	Full Year Forecast (Dec.) £000s	Forecast Variance at year end (Dec.) £000s	Forecast Variance at year end (Nov.) £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
Impact of Capital on revenue budget	14,117	14,092	(25)	(25)	205
Investment Income	(559)	(864)	(305)	(282)	(385)
Pension Fund	5,042	5,042	0	0	(300)
Pay and Price Inflation	575	575	0	0	(883)
Contingencies and provisions	4,251	2,761	(1,490)	(1,450)	64
Income Items	(174)	(800)	(626)	(626)	(914)
Appropriations/Transfers	(8,048)	(8,048)	0	0	(399)
Central Items	1,087	(1,334)	(2,421)	(2,358)	(2,817)
Levies	926	926	0	0	0
Depreciation and Impairment	(16,506)	(16,506)	0	0	0
TOTAL CORPORATE PROVISIONS	(376)	(2,822)	(2,446)	(2,383)	(2,612)

There have been two small revisions to the forecast variance since November:-

- The estimated surplus on investment income has increased by £23k to £305k;
- The contribution from the contingency to fund the cost of social workers in Children, Schools and Families has been finalised and the forecast underspend on contingencies and provisions has increased by £40k as a result.

Reserves

The movement on reserves at period 9 and use of reserves for the remainder of the financial year to follow.

4. CAPITAL PROGRAMME 2015-19

4.1 Capital Expenditure

4.1.1 The table below compares capital expenditure to December 2015 over the last four years:

Depts.	Spend To December 2012	Spend To December 2013	Spend To December 2014	Spend To December 2015	Variance 2012 to 2015	Variance 2013 to 2015	Variance 2014 to 2015
C&H	509	935	458	713	204	(222)	255
CS	1,619	3,071	1,041	1,345	(274)	(1,727)	304
CSF	21,071	7,383	14,568	11,159	(9,912)	3,776	(3,408)
E&R	6,518	6,471	3,415	5,553	(965)	(918)	2,138
Total Capital	29,717	17,861	19,482	18,770	(10,947)	909	(712)

Outturn £000s	40,487	31,564	36,869	
Budget £000s				37,184
Projected Spend December 15 £000s				34,381
Percentage Spend to Budget				50.48%
Percentage Spend to Outturn/Projection	73.40%	56.59%	52.84%	54.59%
Monthly Spend to Achieve Projected Outturn £				5,204

4.1.2 December is three quarters of the way into the financial year, departments have only spent 50.5% of their budget or 54.6% of their forecast outturn. The Authority is marginally ahead of the spend achieved in 2013/14 but remains behind that achieved in 2012/13 and 2014/15. To achieve a projected spend of 34.4m officers will need to spend just over £5.2 million per month for the rest of the financial year. The table below shows that in December 2015 departments have managed to spend just under £3.2 million.

Department	Spend To November 2015 £000s	Spend To December 2015 £000s	Increase £000s
C&H	529	713	184
CS	690	1,345	655
CSF	9,975	11,159	1,185
E&R	4,393	5,553	1,160
Total Capital	15,587	18,770	3,183

4.2 The Table below shows the movement in the 2015/19 corporate capital programme since the November 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	1,707	(95)	1,611	2,388	95	2,483	815	0	815	340	0	340
CS	8,718	(1,887)	6,831	5,105	1,747	6,852	2,881	0	2,881	2,757	0	2,757
CSF	15,322	(703)	14,620	30,264	496	30,759	20,979	0	20,979	20,104	0	20,104
E&R	14,243	(120)	14,123	20,824	120	20,944	19,255	0	19,255	6,626	0	6,626
TOTAL	39,989	(2,805)	37,184	58,579	2,458	61,038	43,929	0	43,929	29,827	0	29,826

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

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Community and Housing	1,610,890	713,080	1,008,961	(295,881)	1,610,274	(616)
Corporate Services	6,831,120	1,344,638	4,759,465	(3,373,027)	4,219,081	(2,612,039)
Children Schools and Families	14,619,190	11,159,240	11,010,994	148,246	14,942,251	323,061
Environment and Regeneration	14,122,510	5,553,099	8,433,035	(2,879,937)	13,609,148	(513,362)
Total Capital	37,183,710	18,770,057	25,212,455	(6,400,599)	34,380,754	(2,802,956)

- a) Community and Housing - A multi-year review of Disabled Facilities Grant projected spend profile has been undertaken by officers the resultant re-profiling is in future years and has been contained in the Business Plan Report elsewhere on this agenda.
- b) Corporate Services – The majority of the projected variance is caused by five major corporate schemes
 - a. the Acquisition Fund £1,033k - this budget is held corporately and currently has a £464,000 commitment against it for the purchase of a freehold interest of a property on which we have restrictive covenants,
 - b. Bidding Fund £1,357k- this is a centrally held fund to provide match funding to secure external funding there is currently no commitments against this budget
 - c. Transformation Budget £88k – this budget is held corporately and vired as transformation projects are identified.
 - d. Disaster Recovery is showing a projected underspend of £182k – It is envisaged that some of this budget will be utilised to undertake the first testing which will be complete by the end of the financial year. Unused budget will be relinquished as part of account closure processes.

Projected unspent budget on Customer Contact Programme, Document Management System and Replacement Social Care System have all now been re-profiled into 2016/17.

A virement of £80k from Transformation Budgets is to upgrade the current mobile telephone equipment within CS&F to smart phones to promote the Flexible Working programme by giving staff the ability to download emails securely through the 'Good' for enterprise software which will enable them to work remotely from the office and improve operational effectiveness and efficiency

- c) Children, Schools and Families – The spend to date is very close overall compared to the profiled budget. Primary Expansions – On 18 January 2016 Cabinet agreed a maximum addition of £750,200 to enable officers to agree the worst case collective overspend on three major primary school expansion projects. The maximum exposure has now reduced to £550k, with two further final accounts to agree. Finally there have been no request for loans for the purchase of equipment. Secondary Expansions – £79k has been re-profiled into 2016/17 to reflect the projected spending pattern. Other - there have been no request for loans for the purchase of equipment

A final re-profile of the Department's Capital Programme for 2015/16 is detailed in Appendix 5b. Future year re-profiles are detailed in the Business Planning Report elsewhere on the Agenda.

- d) Environment and Regeneration – Spend to date compared to the profiled budget highlights a £2.9 million underspend. It is expected that this underspend will reduce to £513k by the year end – this projection assumes that the majority of the budget will be spent including Regeneration Partnerships (spend of £2.7million required for which £1.3 million of commitments exist), TfL (spend of £1.8 million required for which £0.6 million of commitments exist) and Transport and Plant (spend of £0.65 million required for which a £53k commitment exists). There are five major causes of the variance from budget at year end:

- a. is the first is the Heritage Lottery fund scheme for Canons Parks (of £104k) which is currently being consulted on. This budget will be re-profiled as the results of this consultation are progressed and the re-profile approved by the Lottery Fund.
- b. Street Scene Enhancements work is underway to develop two schemes with this budget, however, this budget will not be spent by year end.
- c. Street Lighting where there is a £100k slippage on one of the projects
- d. Transport and Plant is showing an underspend against budget of £152k
- e. Within Traffic and Parking Management - Anti Theft Pay & Display Machine are showing an underspend of £100k this is offset by a projected overspend of £100k on Tackling Traffic Congestion

Following re-profiles are included in the Business Planning Report elsewhere on this agenda::

- Industrial Estate Development: £450,000 move from 2016-17 to 2017-18
- Transport Enhancements: £5,000,000 move from 2017-18 to 2018-19
- Morden TfL: Remove £120,000 in 2016-17 as this will be revenue

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

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

Depts.	Original Budget 15/16	Net Slippage 2014/15	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 15/16
Community and Housing	2,161	1,436	189	0		(2,174)	1,612
Corporate Services	7,428	2,408	(171)	0	175	(3,009)	6,831
Children Schools and Families	17,105	1,014	(56)	(7)	750	(4,187)	14,619
Environment and Regeneration	15,240	2,345	(2,720)	249	296	(1,287)	14,123
Total	41,933	7,203	(2,758)	242	1,221	(10,657)	37,184

5. DELIVERY OF SAVINGS

Department	Target Savings 2015/16	Projected Savings 2015/16	Period 9 Forecast Shortfall	Period 9 Forecast Shortfall	Period 8 Forecast Shortfall	Period 8 Forecast Shortfall
	£000's	£000's	£000's	%	£000's	%
Corporate Services	1,170	1,099	(71)	(6.1)%	(71)	(6.1)%
Children Schools and Families	781	781	0	0.0%	0	0.0%
Community and Housing	2,154	2,016	(138)	(6.4)%	(139)	(6.5)%
Environment and Regeneration	4,192	764	(3,428)	(81.8)%	(3,428)	(81.8)%
Total	8,297	4,660	(3,637)	(43.8)%	(3,638)	(43.8)%

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

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

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

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

2014/15 Savings not fully achieved

Department	Savings 2014/15	Savings Achieved 2014/15	14/15 Shortfall	15/16 Shortfall expected
	£000's	£000's	£000's	£000's
Corporate Services	975	917	(58)	0
Children Schools and Families	140	100	(40)	0
Community and Housing	2,829	300	(2,529)	(1,188)
Environment and Regeneration	784	280	(504)	(115)
Total	4,728	1,597	(3,131)	(1,303)

Appendix 8 reports the 2014/15 savings not achieved and projects the full year affect of these savings in 2015/16. Further work is being performed to ensure the 2014/15 savings shortfall is being addressed in the current year and for Community and Housing in 2016/17 as well.

6. CONSULTATION UNDERTAKEN OR PROPOSED

6.1 All relevant bodies have been consulted.

7. TIMETABLE

7.1 In accordance with current financial reporting timetables.

8. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

8.1 All relevant implications have been addressed in the report.

9. LEGAL AND STATUTORY IMPLICATIONS

9.1 All relevant implications have been addressed in the report.

10. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

10.1 Not applicable

11. CRIME AND DISORDER IMPLICATIONS

11.1 Not applicable

12. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

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

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

Appendix 1-	Detailed monthly position table
Appendix 2 –	Detailed Corporate Items table
Appendix 3 –	Pay and Price Inflation as at September 2015
Appendix 4 –	Treasury Management: Outlook
Appendix 5a –	Current Capital Programme 2015/16
Appendix 5b –	Current Capital Programme 2015/16 – Adjustments December 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 –	Debt position
Appendix 10 -	Customer/client receipts

14. BACKGROUND PAPERS

14.1 Budgetary Control files held in the Corporate Services department.

15. REPORT AUTHOR

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

APPENDIX 1

	Original Budget 2015/16	Current Budget 2015/16	Year to Date Budget (Dec)	Year to Date Actual (Dec)	Full Year Forecast (Dec)	Forecast Variance at year end (Dec)	Forecast Variance at year end- previous month (Nov)	Outturn Variance 2014/15
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000
Department	-							
3A. Corporate Services	14,025	15,258	27,067	19,352	15,649	391	346	(691)
3B. Children, Schools and Families	50,894	52,947	141,628	137,047	53,591	644	1,135	2,663
3C. Community and Housing	-							0
Adult Social Care	56,080	56,448	41,989	39,737	57,649	1,201	1,109	2,593
Libraries & Adult Education	3,169	3,282	2,772	2,423	3,436	154	170	281
Housing General Fund	2,151	2,154	1,443	419	1,844	(310)	(279)	(100)
3D. Public Health	320	1,154	597	(3,773)	1,048	(106)	68	(0)
3E. Environment & Regeneration	23,986	24,148	6,127	5,104	27,225	3,077	2,865	1,703
Overheads	0	0	0	0	0	0	0	0
NET SERVICE EXPENDITURE	150,624	155,391	221,622	200,308	160,443	5,051	5,414	6,448
3E. Corporate Items								
Impact of Capital on revenue budget	14,117	14,117	4,464	4,224	14,092	(25)	(25)	205
Other Central items	-10,651	-15,418	-7,440	1,645	-17,839	-2,421	-2,358	(2,817)
Levies	926	926	762	762	926	0	0	0
TOTAL CORPORATE PROVISIONS	4,392	-376	-2,214	6,631	-2,822	-2,446	-2,383	-2,612
TOTAL GENERAL FUND	155,016	155,016	219,408	206,939	157,621	2,605	3,031	3,836
- Funding								
- Business Rates	(33,686)	(33,686)	(5,959)	(5,959)	(33,686)	0	0	0
- RSG	(30,425)	(30,425)	(24,892)	(24,892)	(30,425)	0	0	0
- Council Tax Freeze Grant 2014/15	(861)	(861)	(694)	(694)	(861)	0	0	6
- Section 31 Grant	(1,134)	(1,134)	(862)	(862)	(1,134)	0	0	(160)
- New Homes Bonus	(2,642)	(2,642)	(3,063)	(3,063)	(2,642)	0	0	0
- PFI Grant	(4,797)	(4,797)	(3,598)	(3,598)	(4,797)	0	0	0
Grants	(73,545)	(73,545)	(39,067)	(39,067)	(73,545)	0	0	(154)
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
Council Tax								
- General	(76,758)	(76,758)	0	0	(76,758)	0	0	0
- WPCC	(293)	(293)	0	0	(293)	0	0	0
Council Tax and Collection Fund	(81,471)	(81,471)	0	0	(81,471)	0	0	0
FUNDING	(155,016)	(155,016)	(39,067)	(39,067)	(155,016)	0	0	(154)
NET	0	(0)	180,341	167,872	2,605	2,605	3,031	3,682

	Original Budget 2015/16	Current Budget 2015/16	Year to Date Budget (Dec)	Year to Date Actual (Dec)	Full Year Forecast (Dec)	Forecast Variance at year end (Dec)	Full Year forecast at year end (Nov)	Forecast Variance at year end (Nov)
Expenditure	£000	£000	£000	£000	£000	£000	£000	£000
Employees	91,854	98,131	73,391	72,767	98,799	668	98,890	1,089
Premises Related Expenditure	7,987	8,907	6,971	5,405	8,533	(374)	8,448	(335)
Transport Related Expenditure	13,539	14,665	10,937	10,243	14,770	104	14,567	(114)
Supplies and Services	35,943	175,782	123,331	117,362	173,824	(1,957)	174,169	(1,503)
Third Party Payments	76,781	89,613	63,813	61,924	94,877	5,264	94,387	4,853
Transfer Payments	103,934	104,045	77,771	72,557	99,160	(4,885)	101,385	(2,661)
Support Services	30,076	31,902	0	1	31,901	(1)	31,901	(1)
Depreciation and Impairment Losses	16,505	16,505	10	0	16,505	(0)	16,505	(0)
Corporate Provisions	0	(376)	(2,214)	6,631	(2,822)	(2,446)	(2,473)	(2,383)
GROSS EXPENDITURE	376,619	539,175	354,010	346,889	535,547	(3,628)	537,779	(1,055)
Income								
Government Grants	(112,994)	(267,330)	(79,751)	(82,237)	(262,050)	5,279	(264,160)	3,159
Other Grants, Reimbursements and Contribs	(24,550)	(22,707)	(9,414)	(13,622)	(24,955)	(2,248)	(24,745)	(2,294)
Customer and Client Receipts	(57,487)	(61,371)	(42,051)	(44,009)	(58,728)	2,643	(58,328)	3,059
Interest	(30,988)	(44)	0	0	(20)	24	(20)	24
Recharges	(0)	(32,547)	(3,226)	0	(32,547)	1	(32,547)	1
Balances	(81,288)	(160)	(160)	(82)	375	535	68	138
GROSS INCOME	(307,308)	(384,160)	(134,601)	(139,950)	(377,926)	6,234	(379,732)	4,087
NET EXPENDITURE	69,310	155,016	219,409	206,939	157,621	2,605	158,047	3,031

3E. Corporate Items	Council 2015/16 £000s	Original Budget 2015/16 £000s	Current Budget 2015/16 £000s	Year to Date Budget (Dec.) £000s	Year to Date Actual (Dec.) £000s	Full Year Forecast (Dec.) £000s	Forecast Variance at year end (Dec.) £000s	Forecast Variance at year end (Nov.) £000s
Cost of Borrowing	14,117	14,117	14,117	4,464	4,224	14,092	(25)	(25)
Use for Capital Programme							0	0
Impact of Capital on revenue budget	14,117	14,117	14,117	4,464	4,224	14,092	(25)	(25)
Investment Income	(559)	(559)	(559)	(233)	(758)	(864)	(305)	(282)
Pension Fund	5,042	5,042	5,042	840	4,702	5,042	0	0
Corporate Provision for Pay Award	189	189	0	0	0	0	0	0
Provision for inflation in excess of 1.5%	543	543	475	0	0	475	0	0
Utilities Inflation Provision	100	100	100	0	13	100	0	0
Pay and Price Inflation	832	832	575	0	13	575	0	0
Contingency	1,500	1,500	1,040	0	0	0	(1,040)	(1,000)
Single Status/Equal Pay	100	100	100	0	22	50	(50)	(50)
Bad Debt Provision	500	500	500	0	0	500	0	0
Loss of income arising from P3/P4	400	400	400	0	0	0	(400)	(400)
Revenuisation and miscellaneous	3,525	3,525	2,211	0	0	2,211	0	0
Contingencies and provisions	6,025	6,025	4,251	0	22	2,761	(1,490)	(1,450)
Local Services Support Grant	0	0	0	0	3	0	0	0
Other	(174)	(174)	(174)	0	0	(800)	(626)	(626)
Income items	(174)	(174)	(174)	0	3	(800)	(626)	(626)
Appropriations: CS Reserves	(3,003)	(3,003)	(4,053)	(4,053)	(110)	(4,053)	0	0
Appropriations: E&R Reserves	(1,631)	(1,631)	(1,781)	(1,781)	(13)	(1,781)	0	0
Appropriations: CSF Reserves	(618)	(618)	(1,166)	(1,166)	(1,166)	(1,166)	0	0
Appropriations: C&H Reserves	(545)	(545)	(700)	(700)	(700)	(700)	0	0
Appropriations: Public Health Reserves	(320)	(320)	(1,154)	(1,154)	(1,154)	(1,154)	0	0
Appropriations: Corporate Reserves	806	806	806	806	806	806	0	0
Appropriations/Transfers	(5,311)	(5,311)	(8,048)	(8,048)	(2,338)	(8,048)	0	0
Depreciation and Impairment	(16,506)	(16,506)	(16,506)	0	0	(16,506)	0	0
Central Items	3,466	3,466	(1,301)	(2,976)	5,869	(3,747)	(2,446)	(2,383)
Levies	926	926	926	762	762	926	0	0
TOTAL CORPORATE PROVISIONS	4,392	4,392	(376)	(2,214)	6,631	(2,822)	(2,446)	(2,383)

Pay and Price Inflation as at December 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) rose by 0.2% in the year to December 2015, compared with a 0.1% rise in the year to November 2015. Although this is the first month since January 2015 for which the rate has exceeded 0.1%, this continues the trend since early 2015 of the rate being very close to zero. Movements in transport costs, particularly air fares and to a lesser extent motor fuels, were the main contributors to the rise in the rate. Downward pressures from prices for alcohol and tobacco along with food and non-alcoholic beverages partially offset the rise. CPIH grew by 0.5% in the year to December 2015, up from 0.4% in November 2015.

RPI annual inflation stood at 1.2% in December 2015, up from 1.1% in November 2015.

Outlook for inflation:

On 14 January 2016, the Bank of England's Monetary Policy Committee (MPC) voted by a majority of 8-1 to maintain the Bank Base Rate at 0.5%. The Committee voted unanimously to continue with its programme of asset purchases totalling £375 billion, financed by the issuance of central bank reserves.

In the minutes of the MPC published on 14 January 2016, it was noted that "twelve-month CPI inflation rose to 0.1% in November and is likely to rise modestly further in the coming months as some of the large falls in energy and food prices a year earlier drop out of the annual comparison. But the 40% decline in dollar oil prices means that the increase in inflation is now expected to be slightly more gradual in the near term than forecast in the Committee's November Inflation Report projections. Although a large part of the current deviation of CPI inflation from the 2% target reflects unusually large drags from energy and food prices, core inflation also remains relatively subdued – a consequence of the past appreciation of sterling, weak global inflation and restrained domestic cost growth."

The quarterly inflation report for November 2015 set out the MPC's most recent detailed assessment of the economic outlook. In the minutes on 14 January 2016 the MPC commented that "at that time, the Committee's central view was that, if Bank Rate were to follow the gently rising path implied by the prevailing market yields, CPI inflation would slightly exceed the 2% target in two years' time and then rise further above it, reflecting modest excess demand. The MPC judged that the risks to this projection lay a little to the downside in the first two years, reflecting global factors. Since then, the data regarding international activity have evolved broadly as expected ..., Domestically, the most recent data suggest that, after faster growth over the previous two years, output growth was steady during 2015 at rates a little below pre-crisis norms. Although indicators of private domestic spending

appear healthy, business surveys imply that the near-term outlook for aggregate activity is slightly weaker than in the MPC's November central projection... Despite continued reductions in the rate of unemployment, pay growth remains restrained and appears to have dipped slightly in the most recent data. Overall, while domestic cost growth over the past year has been below that necessary for inflation to return sustainably to the 2% target, its pace can be expected to increase over time."

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 (January 2016)			
	Lowest %	Highest %	Average %
2015 (Quarter 4)			
CPI	0.0	0.5	0.1
RPI	0.8	1.3	1.0
LFS Unemployment Rate	5.0	5.5	5.2
2016 (Quarter 4)			
CPI	0.7	2.3	1.3
RPI	1.8	3.9	2.4
LFS Unemployment Rate	4.7	5.9	5.1

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

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

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

Treasury Management: Outlook

The Bank Base Rate has been kept at its low of 0.5% since March 2009. At its meeting ending on 14 January 2016, the MPC voted by a majority of 8-1 to maintain Bank Rate at 0.5%. The Committee voted unanimously to maintain the stock of purchased assets financed by the issuance of central bank reserves at £375 billion.

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

In the minutes of the MPC published on 14 January 2016 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 only gradually and to a level lower than in recent cycles. This guidance is an expectation, not a promise. The actual path that Bank Rate will follow over the next few years will depend on the economic circumstances.”

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

	End Q.3 2015	End Q.4 2015	End Q.1 2016	End Q.2 2016	End Q.3 2016	End Q.4 2016	End Q.1 2017	End Q.2 2017	End Q.3 2017	End Q.4 2017	End Q.1 2018	End Q.2 2018	End Q.3 2018	End Q.3 2018
November '15		0.5	0.5	0.5	0.6	0.6	0.7	0.8	0.9	1.0	1.1	1.1	1.2	1.3
August 2015	0.5	0.5	0.6	0.7	0.9	1.0	1.2	1.3	1.4	1.5	1.6	1.7	1.7	
May 2015	0.5	0.5	0.6	0.7	0.8	0.9	1.0	1.1	1.2	1.3	1.3	1.4		
February 2015	0.5	0.5	0.6	0.6	0.7	0.8	0.9	1.0	1.0	1.1	1.1			
November '14	0.7	0.8	1.0	1.1	1.2	1.4	1.5	1.5	1.7	1.7				
August 2014	1.1	1.3	1.5	1.7	1.9	2.0	2.1	2.2	2.3					

Source: Bank of England Inflation Report August 2015

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

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

- The MPC sets policy to achieve the 2% inflation target, and, subject to that, to support the Government’s economic policies, including those for growth and employment.
- Despite the sharp fall in unemployment, there remains scope to absorb spare capacity further before raising Bank Rate.

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

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

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

Community & Housing Summary Capital Report - December 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Adult Social Care						
The Gables Mitcham	576,280	287,325	576,280	(288,955)	576,280	0
Other	54,450	12,498	40,410	(27,912)	53,833	(617)
Libraries						
Library Self Service	270,000	0	290,000	(290,000)	270,000	0
Housing						
8 Wilton Road	60,160	47,362	60,161	(12,799)	60,161	1
Disabled Facilities	650,000	365,895	42,110	323,785	650,000	0
Community and Housing Total	1,610,890	713,080	1,008,961	(295,881)	1,610,274	(616)

Corporate Services Summary Capital Report - December 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Business Improvement Total	813,380	197,051	1,931,574	(1,692,723)	813,378	(2)
Corporate Governance	880	0	880	(880)	0	(880)
Corporate Items	2,854,340	463,500	889,997	(426,497)	463,500	(2,390,840)
Facilities Management Total	1,713,280	385,104	1,341,927	(956,823)	1,683,079	(30,201)
IT Total	927,550	169,778	460,547	(290,769)	745,624	(181,926)
Resources	471,700	85,435	4,550	80,885	471,700	0
IT Transformation Unallocated	49,990	43,770	129,990	(86,220)	41,800	(8,190)
Corporate Services Total	6,831,120	1,344,638	4,759,465	(3,373,027)	4,219,081	(2,612,039)

Children, Schools & Families Summary Capital Report - December 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
Cranmer expansion	31,260	10,030	31,260	(21,230)	31,260	0
Joseph Hood Permanent Expansn	3,830	(2,965)	3,830	(6,795)	3,830	0
St Mary's expansion	157,080	46,975	157,080	(110,105)	157,080	0
All Saints/ South Wim YCC exp	3,550	3,547	3,550	(3)	3,550	0
Hillcross School Expansion	1,560,510	1,423,566	1,560,510	(136,944)	1,560,510	0
Merton Abbey Temp Accomodation	1,179,940	1,154,280	933,305	220,975	1,505,071	325,131
Pelham School Expansion	3,161,140	3,141,755	2,549,675	592,080	3,391,140	230,000
Dundonald expansion	2,300,000	1,573,092	1,406,035	167,057	2,400,000	100,000
Poplar Permanent Expansion	289,900	222,716	151,586	71,130	289,000	(900)
Singlegate expansion	970,000	574,587	752,866	(178,279)	1,100,000	130,000
Primary School Exp. Overspen Provision	750,200	0	0	0	0	(750,200)
Wimbledon Park expansion	70,530	(6,657)	70,530	(77,187)	70,350	(180)
Primary Expansion	10,477,940	8,129,843	7,620,227	509,616	10,511,791	33,851

Children, Schools & Families Summary Capital Report - December 2015 Monitoring Continued ...

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Devolved Formula Capital	361,710	271,314	427,878	(156,564)	568,830	207,120
Early Years	0	(59,158)	0	(59,158)	0	0
Free School Meals	193,080	168,415	165,580	2,835	193,080	0
Cricket Green Site	40,000	30,720	65,000	(34,280)	65,000	25,000
Primary school autism unit	1,145,240	960,704	1,042,565	(81,861)	1,145,240	0
Breaks-disabled children grant	0	(7,242)	0	(7,242)	0	0
Perseid	1,139,680	868,807	852,114	16,693	1,139,680	0
Schs Cap Maint & Accessibility	777,320	624,944	663,860	(38,916)	878,860	101,540
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	270,000	80,018	169,000	(88,982)	330,000	60,000
Schools Equipment Loans	104,450	0	0	0	0	(104,450)
ICT Harnessing Technolgy Grant	0	0	0	0	0	0
Admissions IT System	105,000	91,875	0	91,875	105,000	0
	4,141,250	3,029,397	3,390,767	(361,370)	4,430,460	289,210
Children Schools and Families	14,619,190	11,159,240	11,010,994	148,246	14,942,251	323,061

Environment & Regeneration Summary Capital Report - Decemeber 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Footways Planned Works	1,060,000	905,864	434,180	471,684	1,060,000	0
Greenspaces	992,640	551,469	738,351	(186,882)	888,989	(103,651)
Highways General Planned Works	484,230	125,688	301,669	(175,981)	465,194	(19,036)
Highways Planned Road Works	1,500,000	1,476,853	872,150	604,703	1,500,000	0
Leisure Centres	1,022,170	93,922	564,613	(470,691)	1,022,170	0
Other E&R	93,260	32,287	93,260	(60,973)	93,260	0
On and Off Street Parking	20,140	10,236	20,140	(9,904)	20,140	0
Regeneration Partnerships	3,577,630	850,669	2,275,965	(1,425,296)	3,577,635	5
Street Lighting	600,000	63,797	400,000	(336,203)	500,000	(100,000)
Street Scene	190,690	45,687	49,730	(4,043)	65,000	(125,690)
Transport for London	2,878,200	1,133,288	1,973,450	(840,163)	2,878,200	0
Traffic and Parking Management	316,560	72,453	112,640	(40,187)	313,460	(3,100)
Transport and Plant	816,090	5,856	142,578	(136,722)	656,000	(160,090)
Safer Merton - CCTV & ASB	201,000	21,393	150,000	(128,607)	201,000	0
Waste Operations	369,900	163,637	304,309	(140,672)	368,100	(1,800)
Environment and Regeneration	14,122,510	5,553,099	8,433,035	(2,879,937)	13,609,148	(513,362)

Virement, Re-profiling and New Funding - December

Appendix 5b

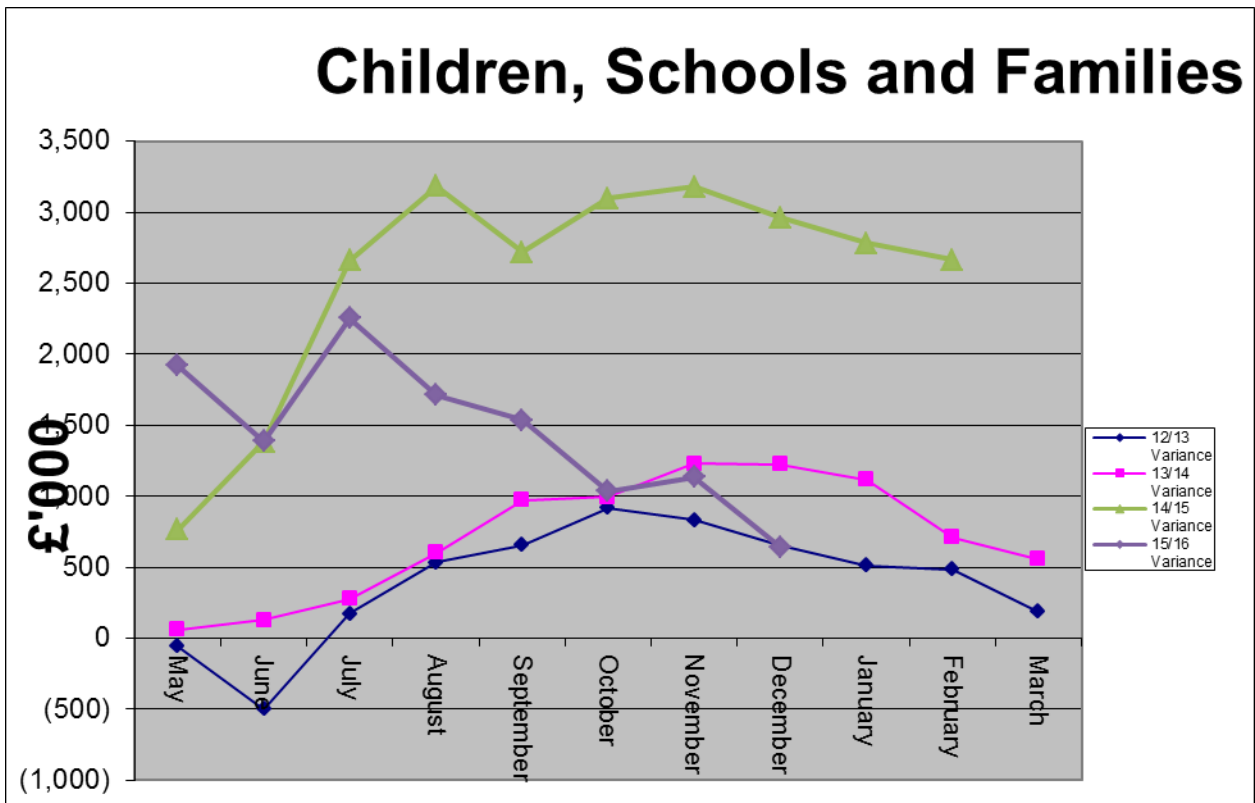
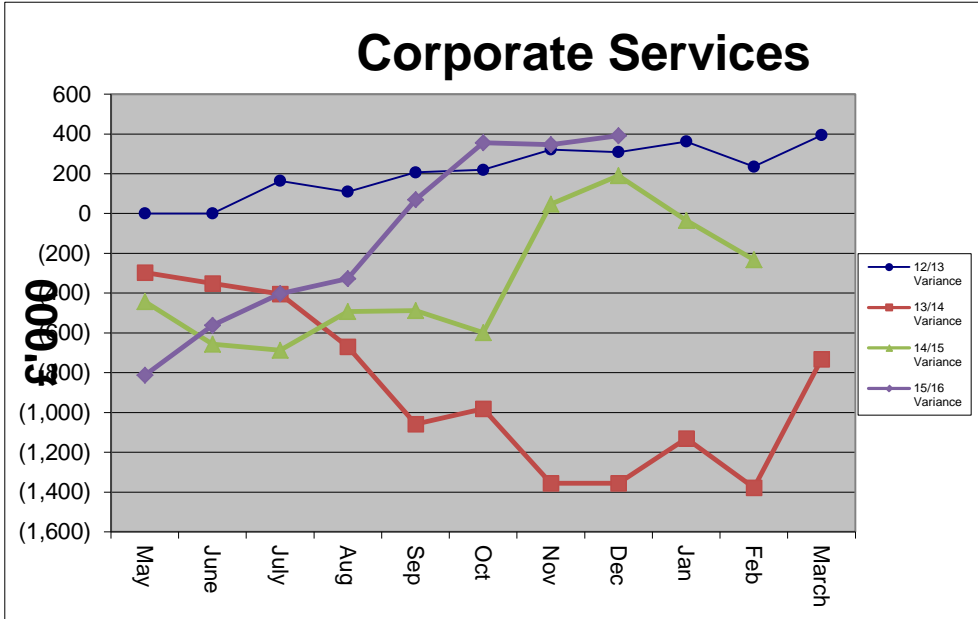
	2015/16 Budget	Virements	Adjusted & New Funding	Reprofiling	Revised 2015/16 Budget	2016/17 Budget	Reprofilin g	Revised 2016/17 Budget	Narrative
	£	£	£	£	£	£		£	
Corporate Services									
Environmental Asset Management	190,000		(140,000)	(50,000)	0	0	50,000	50,000	The £190k Budget has been reduced to £50k as part of refining capital/revenue split and re-profiled into 2016/17 in line with projected spend
Transformation Budgets	88,190	(80,000)			8,190	0		0	Virement to specific scheme to fund Smartphones
Smartphones	0	80,000			80,000	0		0	Virement from Transformation Budgets
Civic Centre- Upgrading lifts	392,040			(70,000)	322,040	46270	70,000	116,270	Funding to be re-profiled to 2016/17 due to additional unforeseen safety works having to be completed, which has then required the original programme of works to be extended for a further three month period
Customer Contact	785,000			(570,000)	215,000	0	570,000	570,000	Payment milestones in accordance with contract included in forecast as well as capitalised project manager salaries
Electronic Document Records & Mgmt Sys	740,000			(398,000)	342,000	0	398,000	398,000	
Social Care Information System	745,340			(525,340)	220,000	0	525,340	525,340	
Data Labelling	170,230			(133,850)	36,380	0	133,850	133,850	
Community & Housing									
CareFirst report Development	14,000			(14,000)	0		14,000	14,000	Reprofile to 16/17 - Will be used after the SCIS system is in place.
Excel Add-Ins	3,000			(3,000)	0		3,000	3,000	Reprofile to 16/17 - Will be used after the SCIS system is in place.
Captive E-Learning CareFirst	8,350			(8,350)	0		8,350	8,350	Reprofile to 16/17 - Will be used after the SCIS system is in place.
Adult Social care Collections	10,000			(10,000)	0		10,000	10,000	Reprofile to 16/17 - Will be used after the SCIS system is in place.
Library Self Service	330,000			(60,000)	270,000	20,000	60,000	80,000	Re-profile to 16/17 as some phase 2 building works will be completed post April, including reducing counter sizes, moving security gates & self-service machines and installing new power and ICT network points.
Children, Schools and Families									
Dundonald Primary Expansion	#####			(100,000)	2,300,000	2,826,910	100,000	2,926,910	Re-profile to reflect anticipated spend
Singlegate Primary Expansion	1,100,000			(130,000)	970,000	974,000	130,000	1,104,000	Re-profile to reflect anticipated spend
Cricket Green	65,000			(25,000)	40,000	2,032,210	25,000	2,057,210	Re-profile to reflect anticipated spend
Schools Maintenance	878,860			(101,540)	777,320	650,000	101,540	751,540	Re-profile to reflect anticipated spend
Secondary School expansion	50,000			(20,000)	30,000	5,160,000	20,000	5,180,000	Re-profile to reflect anticipated spend
St Marks Secondary Expansion	119,000			(70,000)	49,000	2,861,000	70,000	2,931,000	Re-profile to reflect anticipated spend
Harris Merton Secondary Expansion	180,000			(64,000)	116,000	2,800,000	64,000	2,864,000	Re-profile to reflect anticipated spend
Harris Morden Secondary Expansion	60,000			15,000	75,000	2,920,000	(15,000)	2,905,000	Re-profile to reflect anticipated spend
Devolved Formula Capital	568,830		(207,120)		361,710	0		0	VA Schools Paid Direct Removed from Budget and Funding
Environment & Regeneration									
Living Wandle Ravensbury Park	76,200			(63,200)	13,000	0	63,200	63,200	Due to a delay caused by technical issues it will not be possible to complete this project in 2015/16. The physical works will now be undertaken in summer 2016.
Morden Leisure Centre	519,090			150,000	669,090	5,280,970	(150,000)	5,130,970	Reprofile 150k from 16/17 to 15/16 for expenditure on Morden Leisure Centre now expected to take place this year
Morden Shopping Parade	111,000			(108,000)	3,000	410,000	108,000	518,000	3k to be spent in 15/16, remaining budget to be re-profiled into 16/17 (this is GLA funding)
CCTV (match funding)	300,000			(99,000)	201,000	300,000	99,000	399,000	Upgrade to CCTV control room should be completed by end of 15/16 - remaining budget can be slipped to 16/17
Total	- 4904,130	0	(347,120)	(2,458,280)	7,098,730	26,281,360	2,458,280	28,739,640	

Capital Programme Funding Summary 2015/16			
	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
November Monitoring - January Cabinet	18,929	21,060	39,989
Corporate Services			
Environmental Asset Management	(190)	0	(190)
Civic Centre- Upgrading lifts	(70)	0	(70)
Customer Contact	(570)	0	(570)
Electronic Document Records & Mgmt Sys	(398)	0	(398)
Social Care Information System	0	(525)	(525)
Data Labelling	(134)	0	(134)
Community and Housing			
CareFirst report Development		(14)	(14)
Excel Add-Ins		(3)	(3)
Captive E-Learning CareFirst		(8)	(8)
Adult Social care Collections		(10)	(10)
Library Self Service	(60)		(60)
Children, Schools and Families			
Dundonald expansion	(100)		(100)
Singlegate expansion	(130)		(130)
Secondary School expansion	(20)		(20)
Cricket Green	(25)		(25)
Schools Maintenance	(102)		(102)
St Marks Secondary Expansion	(70)		(70)
Harris Merton Secondary Expansion	(64)		(64)
Harris Morden Secondary Expansion	15		15
Devolved Formula Capital		(207)	(207)
Environment and Regeneration			
Living Wandle Ravensbury Park		(63)	(63)
Morden Leisure Centre	150		150
Morden Shopping Parade		(108)	(108)
CCTV (Match funding)	(99)		(99)
December Monitoring - February Cabinet	17,062	20,122	37,184

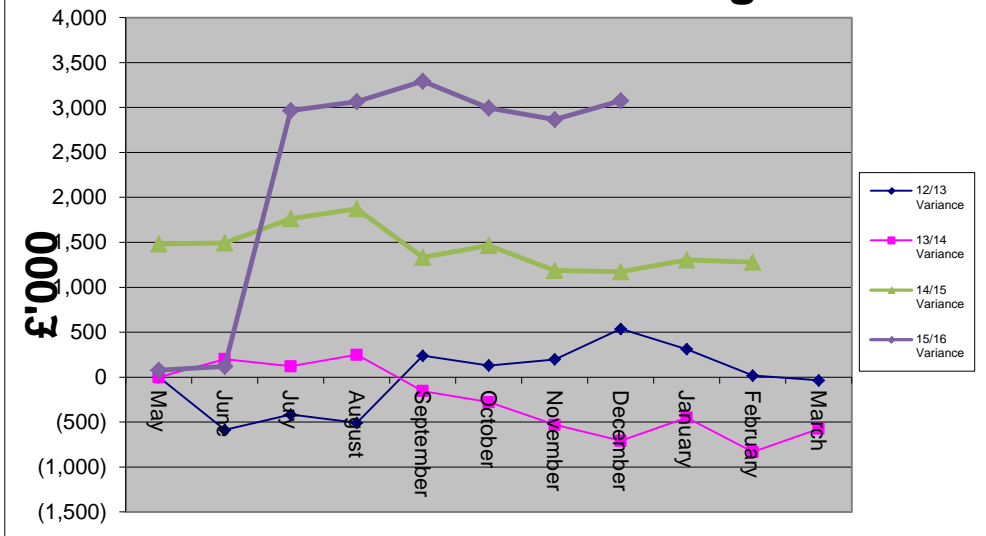
Capital Programme Funding Summary 2016/17			
	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
November Monitoring	42,766	15,813	58,579
Corporate Services			
Environmental Asset Management	50		50
Civic Centre- Upgrading lifts	70		70
Customer Contact	570		570
Electronic Document Records & Mgmt	398		398
Social Care Information System		525	525
Data Labelling	134		134
Community and Housing			
CareFirst report Development		14	14
Excel Add-Ins		3	3
Captive E-Learning CareFirst		8	8
Adult Social care Collections		10	10
Library Self Service	60		60
Children, Schools and Families			0
Dundonald expansion	100		100
Singlegate expansion	130		130
Secondary School expansion	20		20
Cricket Green	25		25
Schools Maintenance	102		102
St Marks Secondary Expansion	70		70
Harris Merton Secondary Expansion	64		64
Harris Morden Secondary Expansion	(15)		(15)
Environment and Regeneration			
Living Wandle Ravensbury Park		63	63
Morden Leisure Centre	(150)		(150)
Morden Shopping Parade		108	108
CCTV (match funding)	99		99
December Monitoring - February	44,493	16,544	61,037

APPENDIX 6

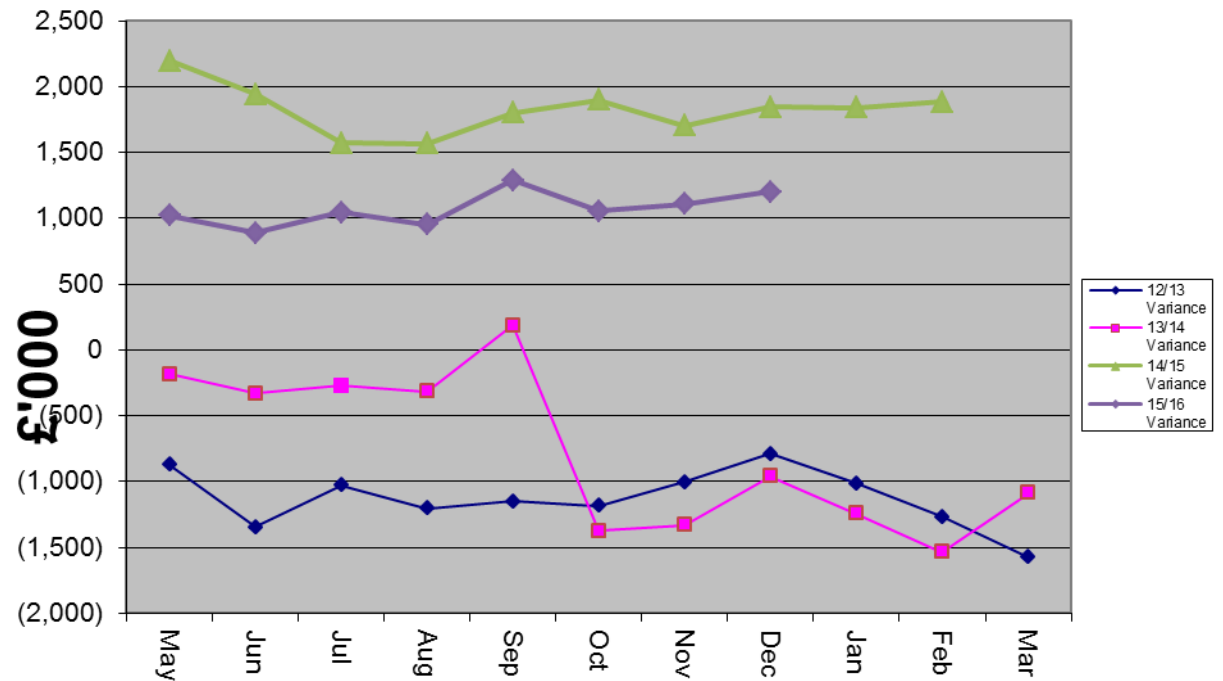
The following charts show the forecast year end variance by department with a comparison for 2012/13, 2013/14 and 2014/15:

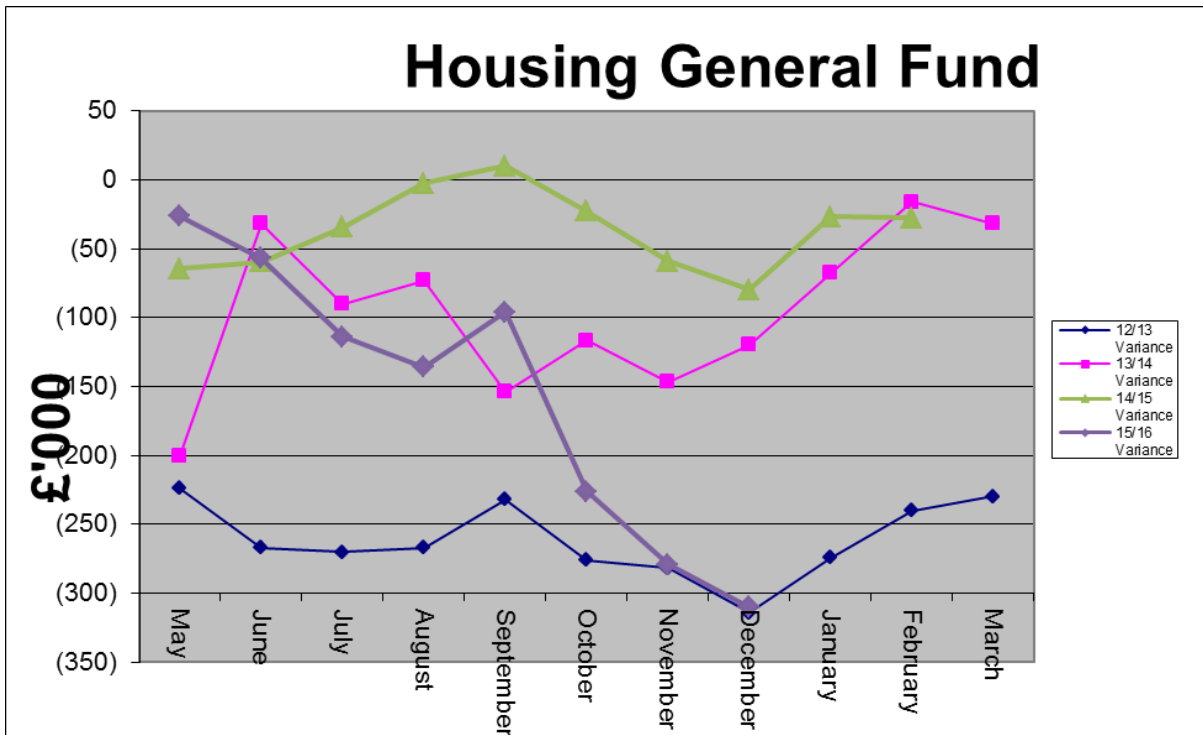
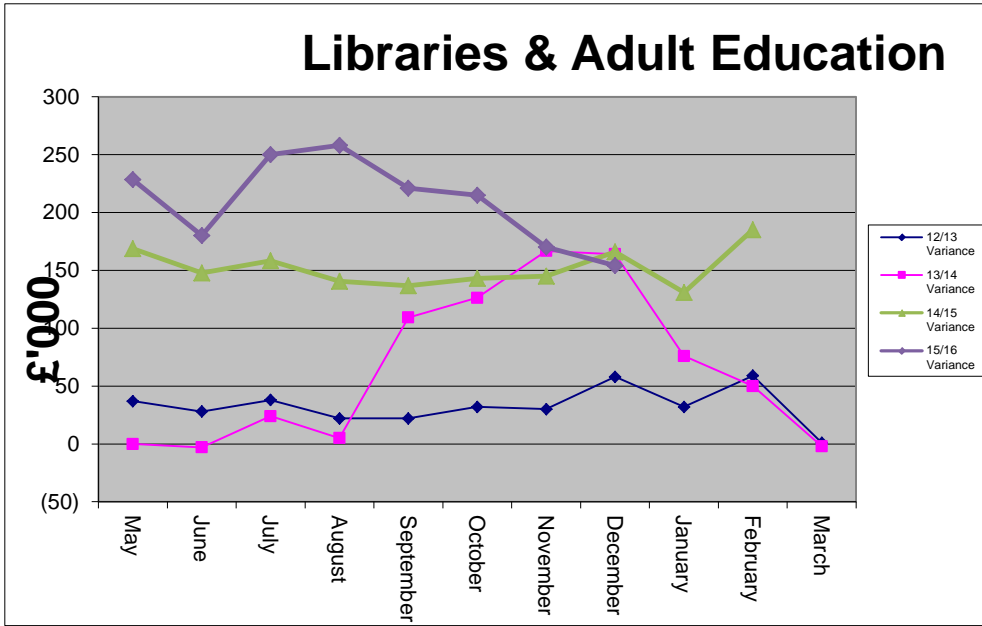


Environment and Regeneration



Adult Social Care





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

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
CSF2012-04	<u>CSF Commissioning Function and Commissioning Budgets</u> Reduce expenditure on LAC and SEN placements	100	100	0	A	A	Paul Ballatt	Base budgets were reduced for the savings target. Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter.	Y
CSF2012-07	<u>CSF Children Social Care & Youth Inclusion</u> Family and Adolescent Services Stream - Transforming Families (TF), Youth Offending Team (YOT) and in Education, Training and Employment (ETE)	220	220	0	G	G	Paul Angeli		
CSF2013-01	<u>CSF Early Years</u> Substantial reduction in EY budgets whilst retaining existing Children's Centres targeted work in areas of higher deprivation (up to 10% reduction overall to Children's Centre services). Reduction in funding and in kind contributions to voluntary sector organisations	160	160	0	G	G	Jane McSherry		
CSF2014-01	<u>School Standards and Quality</u> This is a re-profiling of the budgeted savings for 2015-17 agreed by Council on 5 March 2014. Instead of spreading the income generation and management efficiencies saving of £80k over two years, we propose bringing the total saving forward to 2015/16.	80	80	0	G	G	Jane McSherry		
CSF2014-02	<u>Commissioning, Strategy and Performance</u> This is a re-profiling of the budgeted saving agreed by Council for 2015-17 on 5 March 2014. Due to demographic pressures on the budget we reduced the post 16 LAC/CL accommodation saving for 2015/16 from £100k to £58k.	58	58	0	A	A	Paul Ballatt	Base budgets were reduced for the savings target. Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter.	Y
CSF2014-03	<u>Commissioning, Strategy and Performance</u> This will be achieved through a combination of reducing our training for facilitators of parenting programmes and decommissioning a service where the commissioned outcomes are not being delivered.	63	63	0	G	G	Paul Ballatt		

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

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
	<u>Youth Services</u>								
CSF2014-04	Reduced investment in commissioned and in-house youth services.	100	100	0	G	G	Jane McSherry		
	Total Children, Schools and Families Department Savings for 2015/16	781	781	0					

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	16/17 RAG	Responsible Officer	Comments	Budget Manager Comments
	Adult Social Care								
ASC7	Below Inflation Uplift to third party suppliers	350	191	159	R	R	Rahat Ahmed-Man	The 2015-2016 budget allowed inflation growth of £550k i.e. if actual contract price increases were restricted to £200k or less this saving would be achieved. However, market pressures not envisaged when this target was set and beyond our control means this saving is no longer realistic. To date the commissioning team has only negotiated increased rates where absolutely necessary and overall has negotiated rate increases well below that asked for by providers. The financial impact of negotiations completed to date is estimated at £359k in 2015-16. This compares to requested increases of £1.083m, but means the £350k savings target will not be achieved and it looks likely that actual savings will be around £191k, but this could increase/reduce as and when new price increases are agreed and at some negotiations continue.	Expected shortfall - see tabs ASC market - details and ASC markets - summary for further details
CH1	Brokerage efficiency savings	31	100	(69)	G	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. Projected savings have already gone above the £31k target by £25k and expect to exceed annual target by £69k to help recoup 2014-15 savings shortfalls.	Over-achieving target - currently £80k saved so £100k looks feasible in the year. Projected £69k over achievement used to recoup 2014/15 savings shortfall.

APPENDIX 7

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	16/17 RAG	Responsible Officer	Comments	Budget Manager Comments
ASC9	Remodelling and re-procuring the domiciliary care service, following the end of the 3 year contract starting in 2012.	250	(169)	419	R	R	Rahat Ahmed-Man	Like ASC7 above market pressures beyond our control have resulted in domiciliary care rates increasing rather than decreasing as envisaged when savings targets were originally set. To date the commissioning team has only negotiated increased rates where absolutely necessary and overall has negotiated rate increases well below that asked for by providers. The financial impact of negotiations completed to date is estimated at £169k in 2015-16. This compares to requested increases of £439k and means the £250k savings target will not be achieved.	Expected shortfall - see tabs ASC market - details and ASC markets - summary for further details. <u>Use £271k of £279 over recovery on reviews ASC10/ASXC18/CH2 to substitute for this. Balance of £8k used to recover 14/15 shortfall.</u>
CH10	Procurement Opportunities	250	362	(112)	G	G	Rahat Ahmed-Man	The Orchard Hill LD Supported Living Contract was relet from 16th February 2015. The new price assuming care hours do not exceed 1,350 in a year is £980k p.a. This compares to an annual cost under the old contract of £1.391m i.e. whole year savings forecast is £411k. The pro rata savings in 2015-16 are therefore £362k, so the £250k target <u>to be over-achieved in 2015-16 by £112k</u> and help compensate for the under achieved savings in 2014-15.	Over-achieving target. <u>Can use to recoup 14/15 savings shortfall</u>
ASC10A	Review of care packages with a view to an overall average reduction in line with promoting independence	100	250	(150)	G	G	Rahat Ahmed-Man	In 2015-16 reviews will focus on mid-range packages of £400-	Actual over recovery £276k at end period 9. Projected over-recovering in full year 15/16 = £279k. Use: (1) £271k to substitute for shortfalls at ASC9 in 2015-16 and (2) £8k to

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	16/17 RAG	Responsible Officer	Comments	Budget Manager Comments
*ASC18	* Review of care packages	75	105	(30)	G	G	Rahat Ahmed-Man	£1500 p.w. (excl. Dir Payments as these were reviewed in 2014-15). The combined £206k savings target from the reviews in these three savings targets represents just 1% of the annual cost of these packages. Reviews between Apr - Nov 2015 have identified savings of £482k (so we have far exceeded this target). The £482k savings identified by reviews so far incl: £45K identified in 2014-15 but relating to 2015-16 + £42k identified in Apr-June + £39k identified in July + £34k identified in August + £231K identified in Sept and £65k identified in Oct and £26k in Nov. This is £276k above the target savings and will help to compensate for any savings shortfalls in 2014-15 and 2015-16. Further savings expected by year end total £3k making £485k in total.	recoup 14/15 shortfalls.
CH3	Domiciliary care service	31	130	(99)	G	G	Rahat Ahmed-Man		
CH3	Procurement Opportunities (Placement budget)	32	26	6	A	G	Rahat Ahmed-Man	Annual savings of £25k so far achieved from changes to night cover arrangements and overhead reduction programmes at Crescent Road and Woodland Way LD Supported Living Services i.e. £7k of saving still need to be identified.	Possible shortfall of up to £6k, but every chance the £6k can be achieved before the year end.
ASC2A	Outsource Reablement Service & realise benefits / efficiencies of the remodelled service	100	100	0	G	G	Sarah Wells	Required restructuring has taken place and the budget has been adjusted i.e. projected savings to be realised.	15/16 Target to be achieved
*CH1	* First Contact Service .Reduce in-house provision of a first contact screening and assessment service, and have this provided within the voluntary sector within the overall costs the sector currently operate within.	125	125	0	G	G	Rahat Ahmed-Man	Required restructuring has taken place i.e. projected savings will be realised. MAAT closed and its role is now fulfilled a new Information, Advice and Support Hub will be operated in partnership with the Vol. Sector.	15/16 Target to be achieved
*ASC18	*Supporting People	300	300	0	A	G	Rahat Ahmed-Man	£288k identified so far so there is only £12k to be achieved. Subsidy movements have continued to have an impact on the forecast spend but the movement is currently showing a much lower projected expenditure	15/16 Target to be achieved

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	16/17 RAG	Responsible Officer	Comments	Budget Manager Comments
CH4	Staffing reductions within the Commissioning Team	71	71	0	A	G	Rahat Ahmed-Man	This savings will be delivered. Budget monitoring shows this is being achieved.	15/16 Target to be achieved
CH4	Staffing reductions across Direct Provision	99	99	0	G	G	Andy Ottaway-Searle	The required staff restructuring has already taken place so these savings will be fully achieved.	15/16 Target to be achieved
*CH3	* Day Care Sevices -Change the day services offer for learning and physically disabled customers who currently use in house day services, mainly High Path and All Saints.	200	200	0	G	G	Andy Ottaway-Searle	Staff reductions made to achieve the savings. This has led to a reduced day service offer, with the emphasis on a safe and secure service, with fewer activities on offer for customers. We are refining the offer to ensure each customer has as much choice as possible and continue to seek volunteers to help at centres.	15/16 Target to be achieved
	<u>Libraries</u>								
CH5	Reduction in Media Fund	12	12	0	G	G	Anthony Hopkins		
CH6	Increase income - Libraries	10	10	0	G	G	Anthony Hopkins		
	<u>Merton Adult Education</u>			0					
CH15	Increased income and some staff reductions	14	0	14	R	R	Yvonne Tomlin		
	<u>Housing</u>			0					
CH8	Homelessness Prevention Grant	35	35	0	G	G	Steve Langley		
Trf from F&P	Enviromental Health Salaries	69	69	0	G	G	Steve Langley		
	Total Community & Housing Department Savings for 2015/16	2,154	2,016	138					

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	<u>Business Improvement</u>								
CS1	Rationalisation of management costs	50	50	0	G	G	Sophie Ellis		
CS3	Generate income through training	5	0	5	R	G	Sophie Ellis	Alternate saving identified	Y
CSD36	Business Systems Team Restructure Phase 1	10	10	0	G	G	Sophie Ellis		
	<u>IT Service Delivery</u>								
CS5	Review and challenge of the procurement of Support & Maintenance & Licence Contracts	60	60	0	G	G	Mark Humphries		
CS7	Reduction of costs through re-procurement of Mobile Telephones Contract against a number of revenue budgets spread across the Council	10	10	0	G	G	Mark Humphries		
CS8	Reduction of costs through re-procurement of Wide Area Network (WAN) Links contract. Savings achieved against a number of revenue budgets spread across the Council.	10	10	0	G	G	Mark Humphries		
CS15	Asset and Change Analyst Vacant Part Post (0.8)	24	24	0	G	G	Mark Humphries		
CS17	Delete one Transactional Services Assistant Post (Compulsory Redundancy)	30	30	0	G	G	Mark Humphries		
CS18	Delete Assistant Vendor Maintenance - Part Post 0.7 FTE (Compulsory Redundancy)	24	24	0	G	G	Mark Humphries		
CS20	Energy ReFit Savings (Subject to agreed investment) - Phase 2	100	100	0	G	G	Mark Humphries		
CS21	Increase income targets for building repairs and maintenance works	45	45	0	G	G	Mark Humphries		
CS22	Restructure of Archive Store	15	15	0	R	G	Mark Humphries	Alternate to be identified but being offset by underspends elsewhere within the division in current year	Y
CS23	Outsourcing Buildings Services and Security Service	35	35	0	G	G	Mark Humphries		
CS25	Delete one post from the Building Repair and Maintenance team (Compulsory Redundancy)	30	30	0	G	G	Mark Humphries		

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 15-16

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

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 15-16

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

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2015-16

Ref		2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
LEISURE & CULTURE									
EN35	Various Budgets - Increased Income through various charging increases.	14	14	0	G	G	James McGinlay		N
EN36	Various Budgets - Increased Income through sale of advice & guidance.	10	10	0	G	G	James McGinlay		N
EN37	Merton Active Plus - Increased Income	5	5	0	G	G	James McGinlay		N
EV09	Renegotiation of contract with GLL for management of Leisure Centres	120	120	0	G	G	James McGinlay		N
TRAFFIC & HIGHWAYS									
EN29	Re-Structure of Traffic and Highway Services	252	196	56	R	G	James McGinlay	Due to delay in implementation, the full effect of this saving will not be realised this year.	Y
FUTURE MERTON									
EN42	Consultancy Income.	40	40	0	A	A	James McGinlay	No definitive income streams identified as yet, but the section is attempting to secure some one-off income until permanent income streams can be identified.	Y
GREENSPACES									
EN45	Further commercialisation and development of sports and allied parks services (eg. increase in fees and charges (3.75%); cost recovery plus; service bundling; sponsorship of bedding plants, etc), aligned to the emerging strategy for sports.	39	5	34	R	A	James McGinlay	This saving forms part on the ongoing Phase C procurement exercise, and it is envisaged that the final agreement will result in this saving being met in full.	Y
WASTE SERVICES									
EN16	Deletion of a vacant post within our Sheltered Placement team (£20k), and a reduction in transport related budgets.	66	66	0	G	G	Cormac Stokes		N
SAFER MERTON									
EV01	Reprocurement of CCTV maintenance contract leading to efficiency savings.	36	36	0	G	G	John Hill		N
REGULATORY SERVICES									
ER10	Merton & Richmond shared regulatory services.	230	110	120	R	G	John Hill	New structure commenced in October 2015, so only a part-year effect saving will be achieved this year.	Y
PARKING SERVICES									
EN05	Introduction of mobile phone payments for parking	37	37	0	G	G	John Hill		N
EV02	Increase charges for the following types of parking permits Business £5, Trade £5, Teachers £5. Please note no allowance has been made for elasticity of demand this figure could reduce by 10%.	4	0	4	R	R	John Hill	This saving may not be fully achieved due to a recent decline in the number of permits being issued. If so, an alternative saving will be put forward to Members.	Y
EV11	Increase all pay and display charges for on and off street parking by 10%. it should be noted that no allowance has been made for elasticity of demand this figure could reduce by 25%	125	125	0	G	G	John Hill		N
EV12	Introduction of unattended automatic number plate recognition CCTV parking enforcement cameras at fixed locations.	3,214	0	3,214	R	G	John Hill	The legal challenge to the award of the contract for the provision and maintenance of ANPR cameras received from one of the losing bidders was unsuccessful.	Y
Total Environment and Regeneration Savings 2014/15		4,192	764	3,428					

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
Education										
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 £93k has been met from ITT and £96k from PB. The overall transport budget is expected to overspend due to complexity of caseloads and increased prices.	N

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2014/15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Actuals Savings £000	Shortfall £000	RAG	2015/16 Savings Expected	2015/16 Expected Shortfall	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
Adult Social Care										
ASC13/ASC34	Brokerage Efficiencies	300	118	182	A	69	113	Julie McCauley	Savings not or partially delivered in 14/15. Expect to partially pull this back in 15/16. At end of Dec Brokerage has saved £80k vrs a target of £31k & the expected savings for the year are £100k i.e. £69k above target.	Y
ASC8	Optimising the use of block and spot contracts-OP&LD	300	141	159	R	112	47	David Slark	Savings not or partially delivered in 14/15. Expect to part pull back in 15/16 as £112k over-achievement in 2015-16 on the Orchard Hill contract will offset this amount.	Y
ASC54	Reduction in Mental Health Placement	50	0	50	R	0	50	Kamla Sumbhoolual	Shortfall in 2014/15	Y
CH12	Remove day care costs from residential customers	250	0	250	R	0	250	Andy Ottaway-Searle	Shortfall in 2014/15	Y
CH14	All Saints Respite extension	36	0	36	R	0	36	Julie McCauley	Savings not or partially delivered in 14/15 but could pull this back in 15/16 IF building work is completed so building can be used for respite care	Y
CH15	Assistive Technology	70	0	70	R	0	70	Andy Ottaway-Searle	Shortfall in 2014/15	Y

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Actuals Savings £000	Shortfall £000	RAG	2015/16 Savings Expected	2015/16 Expected Shortfall	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CH6	Voluntary Organisation- SLA reduction	150	0	150	R	0	150	Rahat Ahmed-Man	Shortfall in 2014/15	Y
ASC51	Voluntary Sector Grants-reduction in infrastructure	98	0	98	G	98	0	Rahat Ahmed-Man	Grants were reduced from circa £1m in 2013-14 to circa £830k in 2014-15. Due to a decision to provide transitional funding to various voluntary organisations the saving was not achieved in 2014-15. Transitional arrangements end in 2015-16 so savings will be achieved going forward.	Y
ASC53	Meals on wheels contract	50	0	50	R	0	50	Rahat Ahmed-Man	Expect 2014-15 shortfall to be recouped in future years assuming proposal to not renew MOW contract is approved by Members.	Y
ASC44	Remodelling of reablement service	282	0	282	G	282	0	Sarah Wells	The MILES service has been remodelled and Reablement staff structure has been adjusted. At the end of July 2015 the Reablement budget is forecast to underspend by £261k . Full Savings should be achieved by year end. Target to be achieved albeit 1 year later than planned	
ASC48	Staff Vacancy Factor	105	41	64	G	64	(0)	ALL	The staffing budgets were underspent, but not by as much as planned. A restructuring exercise in 2015-16 will ensure future staffing establishments are affordable and recovers this shortfall from 2014-15	
CH2	Promoting independence	500	0	500	G	500	0		The delay in implementing the reablement model meant these savings were not fully achieved. Reablement is now in place so savings in 2015-16 will be achieved and will be evidenced by comparing support hours at the start and end of reablement. Target to be achieved albeit 1 year later than planned	

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Actuals Savings £000	Shortfall £000	RAG	2015/16 Savings Expected	2015/16 Expected Shortfall	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ASC6/ASC 49/CH8	Transport	246	0	246	R	0	246	Andy Ottaway-Searle	Savings were dependent on SLA re-charging - report going to CMT on impact of re-charges on service provision and savings / charging	Y
ASC50/CH 7	Staffing savings in Direct Provision	216	0	216	R	216	0	Andy Ottaway-Searle	Posts were deleted and budgets reduced at the start of the year, but, increased volumes from 12 to 38 people at our supported living services, plus the need to back fill long term sickness to meet CQC standards led to other staffing budgets overspending. This offset the planned savings. Since increased activity remains unfunded this overspend will only be recouped in 2015-16 if other savings targets are over achieved. Savings not or partially delivered in 14/15 but staff reductions will benefit 15/16 budget.	Y
Page 75	<u>Merton Adult Education</u> Increase income from commercial courses and café, reduction in staff. Admin & marketing cost.	176	0	176	R	0	176	Yvonne Tomlin	MAE is forecasting to overspend and is unlikely to achieve this savings target .	
	Total Community & Housing Dep't Savings for 2014/15	2,829	300	2,529	0	1,341	1,188			

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
	<u>Corporate Governance</u>									
CS32	Integrate the FOI and Complaints functions	40	0	40	40	0	G	Paul Evans	Alternate savings within division identified and implemented	Y
	<u>I&T</u>									
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 & 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
GREENSPACES											
EN45	Further commercialisation and development of sports and allied parks services	96	67	29		81	15	R	James McGinlay	This saving forms part on the ongoing Phase C procurement exercise, and it is envisaged that the final agreement will result in this saving being met in full.	Y

WASTE SERVICES											
ER17	Consultancy and legal costs cease in relation to new partnership contracts	213	188	25		213	0	G	Cormac Stokes	On track to be delivered in 15/16	N
ER25	Commercial Waste and Recycling	250	0	250		250	0	G	Cormac Stokes	Saving replaced for 2015/16 by EV12.	N
EN15	Improved performance management and implementation of the Council's new sickness policy resulting in a reduction in agency staff usage.	100	0	100		0	100	R	Cormac Stokes	Improved management of the sickness monitoring is in place. All LTA being seen by HofS. However, although the technical establishment has been signed off, it is not possible to confirm if this saving has been met, as further work is required in order to reconcile the use of temporary staff and the extent to which they are covering annual/sick leave etc.	Y
PARKING SERVICES											
EN03	Enforcement of new CPZ's (Controlled Parking Zones)	50	10	40		50	0	G	John Hill		Y
EN04	Implementation of Pay & Display machines in new CPZ's (Controlled Parking Zones)	75	15	60		75	0	G	John Hill		Y
Total Environment and Regeneration Savings 2014/15		784	280	504		669	115				

Appendix 9

Subject: Miscellaneous Debt Update December 2015

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

1.1 A breakdown of departmental net miscellaneous debt arrears, as at 31 December 2015, is shown in column F of Table 1 below.

Table 1 – Debtors aged balance – 31 December 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	Dec 15 arrears f	Sept 15 Arrears	Direction of travel
	£	£	£	£	£	£	
Env & Regeneration	715,911	156,114	131,075	184,596	1,187,696	1,318,904	↓
Corporate Services	98,235	62,869	33,810	161,213	356,127	559,390	↓
Housing Benefits	1,027,379	669,124	776,178	1,277,309	3,749,990	3,085,562	↑
Children, Schools & Families	119,126	32,733	152,985	9,432	314,276	343,210	↓
Community & Housing	799,083	835,471	1,320,675	1,680,775	4,636,004	4,760,720	↓
Chief Executive's	480	120	-120	0	480	2,880	↓
CHAS 2013	99,635	13,930	14,049	1,779	129,393	134,093	↓
Total	2,859,849	1,770,361	2,428,652	3,315,104	10,373,966	10,204,759	↑
<i>Dec-14</i>	<i>3,407,373</i>	<i>1,437,316</i>	<i>2,422,296</i>	<i>2,933,117</i>	<i>10,200,102</i>		
<i>Variance Dec 14 to Dec 15</i>	<i>-547,524</i>	<i>333,045</i>	<i>6,356</i>	<i>381,987</i>	<i>173,864</i>		↑

1.2 Since the position was last reported in September 2015, the net level of arrears, i.e. invoices over 39 days old, has increased by £169,207.

1.3 The net level of arrears has increased by £173,864 when compared to the position at the end of December 2014.

- 1.4 The above table shows the separate debt owed to CHAS 2013 Ltd.
- 1.5 The main increase in debt relates to housing benefit overpayments which has increased by £664,428 since last reported. The work being done on this area is detailed later in the report.
- 1.6 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 December 2011 to December 2015 – not including debt that is less than 39 days old

Department	Dec 2011	Dec 2012	Dec 2013	Dec 2014	Dec 2015
	£	£	£	£	£
Env & Regeneration	403,880	803,040	807,539	1,010,987	1,187,696
Corporate Services	306,021	504,275	372,586	1,010,061	356,128
Housing Benefits	2,715,178	3,172,438	3,036,852	3,097,467	3,749,990
Children, Schools & Families	252,669	761,010	95,675	519,488	314,278
Community & Housing	2,843,344	3,777,081	4,266,277	4,409,817	4,636,006
Chief Executive's	2,280	0	500	500	480
CHAS 2013	0	0	0	151,782	129,395
Total	6,523,372	9,017,844	8,579,429	10,200,102	10,373,973

- 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 £1.8 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 £388,341 since the end of December 2014, an increase of just 6.76%.

Table 4 – Debt over 1 year old compared to December 2014

Department	Dec 2014	Dec 2015	Variance	% Variance
Env & Regeneration	£451,983	£315,671	-£136,312	-43.18
Corporate Services	£283,173	£195,023	-£88,150	-45.20
Housing Benefits	£1,781,334	£2,053,487	£272,153	13.25
Childrens, Schools & Families	£263,050	£162,417	-£100,633	-61.96
Community & Housing	£2,565,992	£3,001,451	£435,459	14.51
Chief Executives	£500	-£120	-£620	0.00
CHAS 2013	£9,384	£15,828	£6,444	
Total	£5,355,416	£5,743,757	£388,341	6.76

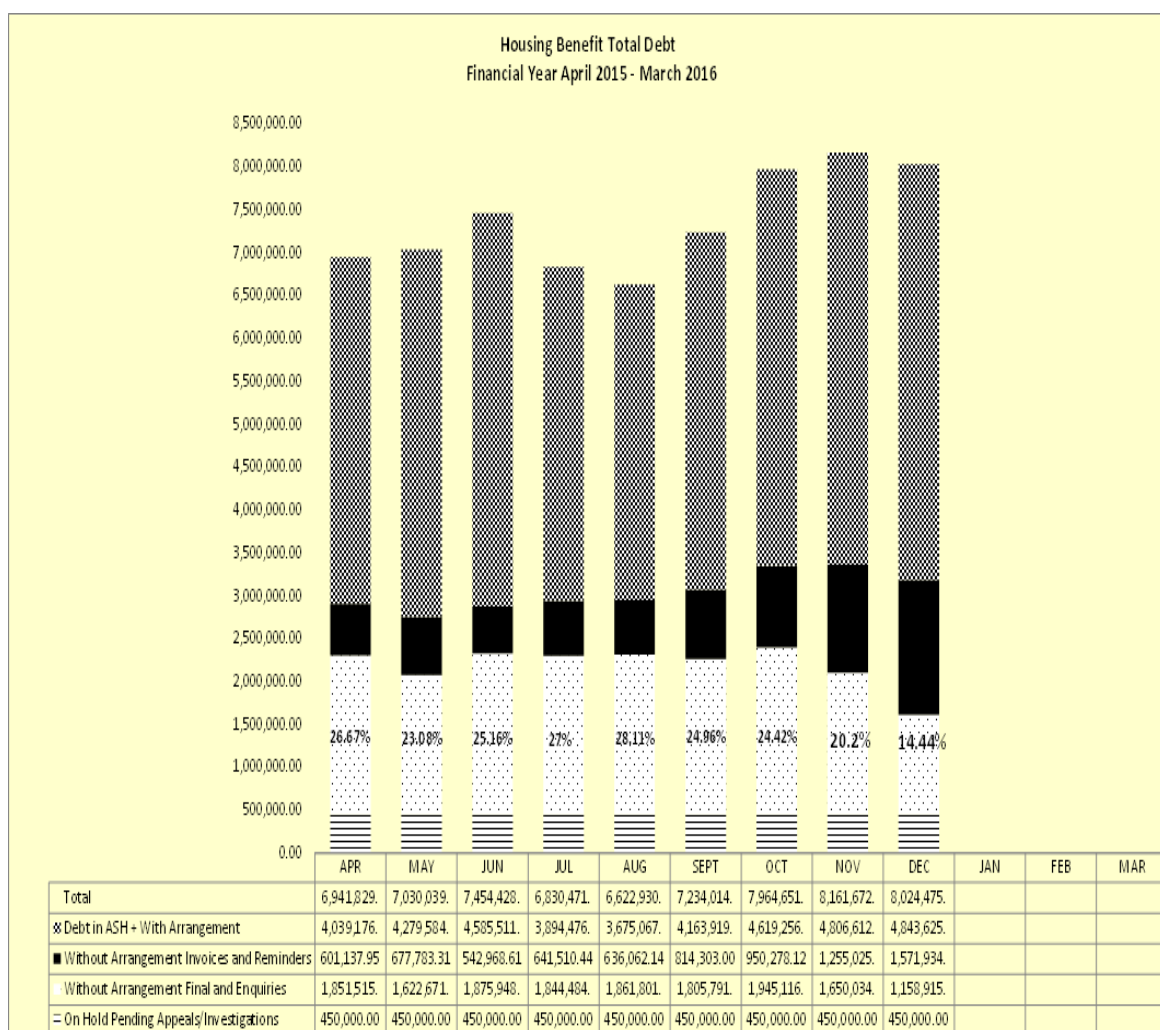
3.2 The majority of debt over 1 year old is for Community and Housing debts and housing benefit overpayments.

3.3 The debt for Community and Housing over a year old has increased by £435,459 since December 2014.

- 3.4 Over the past few years council staff have been working closely and following new processes to manage this debt. This work involves regular joint meetings between the financial assessments, social services, client financial affairs and debt recovery teams to review the debts of individual clients and establish action plans for each one.
- 3.5 These actions include, but are not limited to: early intervention from social workers to prevent debts from getting out of control and to ensure that clients are supported earlier to get their finances in order; as part of their induction all new Social Workers spend time with the Financial Assessment Team, to understand how financial assessments are carried out; social workers also check to see if there any safeguarding issues around non-payment of bills and work very closely with the Welfare Benefits Officer; there is more use of credit checks and land registry checks when assessing/investigating debt issues; increased involvement from the client financial affairs team to take appointeeship for those without capacity or appropriate deputyship; Increased identification of cases where we will consider legal action to secure the debt and generally to share information and support each other in the collection and prevention of this debt. Although the debt has grown the actions being taken are mitigating the impact.
- 3.6 The total debt figure for Community and Housing, including debt that is less than 39 days old, is £5.3 million. Of this debt £0.9 million is under 39 days and therefore no formal recovery action has taken place other than issuing an invoice and reminder. Of the remaining £4.4 million debt which is older than 39 days just under £1.0 million is secured debts against charging orders or where the council has deputyship. In addition a further £0.7 million has repayment arrangements in place or we are awaiting probate. We are actively working on securing the remaining £2.7million debt by similar means.
- 3.7 The total amount of housing benefit debt is £8.023 million.
- 3.8 It has been previously reported that the Department of Work and Pensions commenced a “Real Time” Information initiative at the end of September 2014 which was aimed at identifying overpayments of housing benefit. The DWP have compared housing benefit claim data and HMRC data and over the six month life of the initiative highlighted 900 cases for Merton where there were data discrepancies.
- 3.9 In May 2015 the second phase of the initiative commenced and we are receiving approximately 150 cases per month.
- 3.10 As at the end of October 2015 just under £2.1 million of overpayments have been identified and created. A number of cases have resulted in overpayments of over £10,000 and have been referred to the Internal Audit team and the new joint DWP Fraud team.

- 3.11 Where possible these overpayments are being recovered from on-going benefit payments. We are entitled to deduct between £10.95 and £23.35 per week from on-going housing benefit dependant on circumstances. Where the change has resulted in housing benefit being cancelled or nil entitlement we contact the claimants employer and are paid a percentage deduction of their salary each month. So far we have over £135,000 set up to recover in this way.
- 3.12 The Department of Work and Pensions commenced another initiative in the final quarter of 2014/15. This initiative is where council's are encouraged to identify fraud and error within the system and have been awarded set up funding and on-going funding based on achieving performance targets. This initiative will run until at least March 2016.
- 3.13 The Council met its target for December 2014 to March 2015 and obtained £22,000 in additional funding and exceeded the upper target for the first quarter of 2015/16 and received £23,000 in additional funding. The second quarter target for 2015/16 was not achieved although at the end of the year when the DWP review the whole year performance it is likely we will receive some funding for the second quarter as the target was only just missed.
- 3.14 These two initiatives and the normal churn of claims has resulted in the level of housing benefits debt increasing and it is very likely that it will continue to increase.
- 3.15 Although the overall housing benefit debt has increased there has been an increase in the amount of debt either being recovered from on-going benefit or on arrangements, with £3.2 million being recovered from on going benefit by reducing current housing benefit payments. This figure has increased by £0.3 million since last reported in September 2015. Just over £4.8 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 April 2015



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
Debt type						
Sundry Debt	£347,726	£0	£223,528	£263,937		£487,465
Housing benefit overpayments	£1,050,105	£194,200	£98,421	£102,565		£395,186
Council Tax	£526,881	£177,455	£252,263	£337,514		£767,232
Business Rates	£790,373	£0	£0	£387,475		£387,475
Total	£2,715,085	£371,655	£574,212	£1,091,491	£0	£2,037,358

3.19 Of the business rates debt written off in 2014/15 just over £400,000 related to businesses that went into liquidation and for quarter 3 of 2015/16 £212,000 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
Total	6,650	9,194

- 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 31 December 2015 is £10,373,973. The net level of arrears, when the matter was last reported in September 2015 was £10,204,759.

6. TOTAL DEBT DUE TO MERTON

The total amount due to Merton as at 31 December 2015 is detailed in table 6 below.

Table 6 – Total debt outstanding as at 31 December 2015 and compared with previous periods over the past 12 months

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15
	£	£	£	£	£
Miscellaneous sundry debt Note 1	14,039,675	14,417,437	14,211,557	13,757,316	15,499,845
HB debt in Benefit system Note 2	3,339,481	3,679,980	4,144,016	4,003,642	3,854,665
Housing Rent Note 3	101,253	24,174	23,027	13,710	13,695
Parking Services	2,240,338	2,143,597	2,197,074	2,120,147	2,026,990
Council Tax Note 4	4,100,330	3,730,152	5,281,972	4,554,084	3,954,459
Business Rates Note 5	1,351,593	638,077	1,758,523	1,741,972	1,502,441
Total	25,172,670	24,633,417	27,616,169	26,190,871	26,852,095

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 £1.68 million in the past 12 months compared to the end of December 2014.
- 6.2 The areas where there has been the largest increase since December 2014 are miscellaneous sundry debts which has increased by £1.5 million although £0.9 million of this increase is for debt under 39 days and housing benefit debt within the benefit system (£0.5 million). The action being taken has been detailed earlier in this report.

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

Table 7 – Car Parking Aged Debtors – December 2015

Age of Debt	Outstanding £	Number of PCNs
0-3 months	£632.032	5.490
3-6 months	£323.734	2.170
6-9 months	£252.837	1.552
9-12 months	£247.606	1.530
12-15 months	£233.205	1.440
Older than 15 months	£337.576	2.220
Total September 2015	£2,026,990	14,402

Total Sept 2015	2,,120,142	15,806
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Reduction	<u>£93,152</u>	<u>1,404</u>
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Customer & Client Receipts - £000's		2015/16							
Department	Division/Service	Total Budget	Year to Date Actual (P9)	Year to Date Budget (P9)	Year to Date Over (under) Spend	Latest Forecast	Forecast Variance	Internal Receipts Forecast	External Receipts Forecast
Childrens Schools & Families	Schools Buy Back	-2,189	-2,133	-1,798	-335	-2,261	-73	0	-2,261
	Early Years & Childrens Centres	-1,264	-1,010	-949	-61	-1,235	29	0	-1,235
	Other	-170	-471	-119	-352	-412	-242	0	-412
	CSF Total	-3,622	-3,614	-2,867	-747	-3,908	-285	0	-3,908
Corporate Services	Business Improvement	-84	-120	-82	-38	-204	-120	-79	-125
	Corporate Governance	-2,735	-1,871	-355	-1,516	-2,895	-159	-10	-2,885
	Customer Services	-2,278	-1,489	-1,650	161	-2,097	181	-120	-1,977
	CS Resources	-710	-543	-474	-69	-827	-117	-53	-774
	Human Resources	-569	-378	-372	-6	-567	2	-155	-411
	Infrastructure & Transactions	-2,429	-1,954	-1,726	-228	-2,839	-410	-1,727	-1,112
	Corporate Items	0	0	0	0	0	0	0	0
CS Total	-8,806	-6,354	-4,659	-1,695	-9,428	-622	-2,144	-7,284	
Environment & Regeneration	Street Scene & Waste	-11,277	-8,435	-8,440	5	-11,411	-134	-8,664	-2,747
	Public Protection	-15,830	-9,248	-10,602	1,354	-12,694	3,136	-91	-12,603
	Sustainable Communities	-10,243	-8,860	-7,813	-1,047	-10,048	195	-421	-9,627
	E&R Total	-37,350	-26,543	-26,855	312	-34,153	3,197	-9,176	-24,977
Community & Housing	Adult Social Care - Client Contribution & Other Cont	-10,327	-6,619	-6,676	57	-10,119	208	0	-10,119
	MAE & Libraries	-1,119	-670	-885	215	-867	252	0	-867
	Housing	-147	-209	-110	-99	-254	-107	0	-254
	C&H Total	-11,593	-7,498	-7,671	173	-11,240	353	0	-11,240
Grand Total		-61,371	-44,008	-42,051	-1,957	-58,730	2,643	-11,320	-47,409

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Reserves

Forecast Movement in Reserves 2016/17	Actual Bal at 31/3/15 £'000	Net Movt. in year £'000	Bal. at 31/3/16 £'000
General Fund Reserve	15,151	(2,605)	12,546
Earmarked Reserves	30,198	(3,565)	26,632
Grants & Contributions	3,335	(2,377)	958
Total Available Gen. Fund Rev. Reser	48,683	(8,547)	40,136
Fixed to Contracts	1,954	0	1,954
Total General Fund revenue reserves	50,637	(8,547)	42,090
Schools Balances & Reserves	17,395	258	17,652
Capital Reserves			
Capital Grants	5,409	(4,131)	1,278
Capital Contributions	185	(48)	137
Capital Receipts	31,263	(8,530)	22,733
Total	36,857	(12,709)	24,148
Revenue Reserves	68,032	(8,289)	59,743
Capital Reserves	36,857	(12,709)	24,148
Overall Useable Reserves	104,889	(20,998)	83,891

Analysis	Actual Bal at 31/3/15 £'000	Net Movt. in year £'000	Bal. at 31/3/16 £'000
Earmarked Reserves			
Outstanding Council Programme Board	9,515	(3,987)	5,528
For use in future years for budget	5,752	806	6,558
Revenue Reserves for Capital / Revn.	6,062	1,313	7,375
Energy renewable reserve	1,441	0	1,441
Repairs & Renewal Fund	1,424	(200)	1,224
Transforming families reserve	414	(298)	116
Pension Fund additional contribution	63	0	63
Local Land Charges Reserve	1,419	113	1,532
Apprenticeships	648	(347)	301
Community Care Reserve	1,385	(250)	1,135
Local Welfare Support Reserve	614	(100)	514
Economic Development Strategy	1,148	(609)	539
Wimbledon Tennis Courts Renewal	77	25	102
Governor Support Reserve	52	(44)	8
Corporate Services Reserves	183	13	196
Earmarked Reserves	30,198	(3,565)	26,632
Adult Social care contributions	425	(375)	50
Culture and Environment contributions	447	(243)	204
Culture and Environment grant	363	(36)	327
Childrens & Education grant	650	(584)	66
Housing Planning Development grant	189	(84)	105
Housing GF grants	106	0	106
Public Health	1,154	(1,054)	100
Grants & Contributions	3,335	(2,377)	958
Total	33,533	(5,942)	27,591
Insurance Reserve	1,954	0	1,954
Fixed to Contracts	1,954	0	1,954
DSG Reserve	3,585	297	3,882
Refund of School PFI contributions	400	(300)	100
Schools Reserve	52	(52)	0
Schools own reserves	8,992	78	9,071
Schools PFI Fund	4,366	235	4,600
Schools Reserves	17,395	258	17,652

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

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	15/16 RAG	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
	<u>CSF Commissioning Function and Commissioning Budgets</u>										
CSF2012-04	Reduce expenditure on LAC and SEN placements	100	100	0	A	100	0	A	Paul Ballatt	Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Placements are reviewed on a montly basis and detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter. At quarter 3, total cost reductions of £294k has been achieved of which £261k related to the general fund base line budget of £5.192m.	Y
	<u>Commissioning, Strategy and Performance</u>										
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	58	0	A	Paul Ballatt	Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Placements are reviewed on a montly basis and detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter. At quarter 3, total cost reductions of £294k has been achieved of which £261k related to the general fund base line budget of £5.192m.	Y

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	15/16 RAG	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R/A Included in Forecast Over/Under spend? Y/N
Adult Social Care											
ASC7	Below Inflation Uplift to third party suppliers	350	174	176	R	176	0	R	Simon Williams	Care home market pressures, which are outside of our control, have driven up costs, with providers, during 2015/16 resulting in increases in costs of £1.1m. However, this amount has been negotiated down to £368.5k. In January a number of local providers increased their prices backdated to August 2015 which has had an impact on the on-going underachievement of this saving. Work is continuing in negotiating further reductions in cost.	
ASC9	Remodelling and re-procuring the domiciliary care service, following the end of the 3 year contract starting in 2012.	250	(169)	419	R	419		R	Simon Williams	Domiciliary care home market pressures, which are outside of our control, have driven up costs with providers during 2015/16, so no reductions in current costs could be negotiated. Providers requested costs to be increased by £439k, however, this amount was re-negotiated down to £169k.	
Merton Adult Education											
CH15	Increased income and some staff reductions	14	0	14	R	14	0	R	Yvonne Tomlin	Saving not delivered due to changes in SFA funding	
CH3	Procurement Opportunities (Placement budget)	32	26	6	A	6		G	Simon Williams	£26k so far achieved and it is anticipated full saving will be achieved.	

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	15/16 RAG	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CS22	Restructure of Archive Store	15	15	0	R	15	15	R	Mark Humphries	Alternate to be identified but being offset by underspends elsewhere within the division in current year	Y
CSD1	Increase FM's external fee income target associated with schools service level agreements and associated project works	31	0	31	R	0	0	G	Mark Humphries	Saving unlikely to be delivered in 2015/16 but alternate has been identified	Y

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2015-16

Ref		2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	15/16 RAG	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
ER10	Merton & Richmond shared regulatory services.	230	110	120	R	230	0	G	John Hill	New structure commenced in October 2015, so only a part-year effect saving will be achieved this year. The in-year shortfall will be partially offset by underspends elsewhere within the section. The shortfall is not expected to repeat in 2016/17.	Y
EN29	Re-Structure of Traffic and Highway Services	252	192	60	R	252	0	G	James McGinlay	Due to delay in implementation, the full effect of this saving will not be realised this year.	Y
EN45	Further commercialisation and development of sports and allied parks services (eg. increase in fees and charges (3.75%); cost recovery plus; service bundling; sponsorship of bedding plants,etc), aligned to the emerging strategy for sports.	39	5	34	R	5	34	R	James McGinlay	This saving forms part on the ongoing Phase C procurement exercise, and it is envisaged that the final agreement will result in this saving being met in full.	Y
EV02	Increase charges for the following types of parking permits Business £5, Trade £5, Teachers £5. Please note no allowance has been made for elasticity of demand this figure could reduce by 10%.	4	0	4	R	0	4	R	John Hill	This saving may not be fully achieved due to a recent decline in the number of permits being issued. If so, an alternative saving will be put forward to Members.	Y
EV12	Introduction of unattended automatic number plate recognition CCTV parking enforcement cameras at fixed locations.	3,214	0	3,214	R	3,214	0	G	John Hill	The legal challenge to award the ANPR contract was resolved in October 2015. The implementation phase of the contract is under way with the installation of the ANPR cameras starting in April 2016 with completion due June 2016.	Y
EN42	Consultancy Income.	40	40	0	A	40	0	A	James McGinlay	No definitive income streams identified as yet, but the section is attempting to secure some one-off income until permanent income streams can be identified.	Y

Description	Dec-15						
	2013/14	2014/15	2015/16 Year to Date (Three quarters to Dec 2015)	2015/16 Jan - March	2015/16 Year end Forecast as at Dec 2015	2015/16 Previous Forecast at Sept 2015	Forecast Variance at year end (Sept/Dec)
	Actual £000	Actual £000	Actual £000	Forecast £000	Forecast £000	Forecast £000	Forecast £000
Payments							
Payroll Related Payments (including Schools)-net pay	102,341	104,256	79,817	26,606	106,423	103,160	3,263
Payroll related-HMRC	37,906	37,321	27,409	9,136	36,545	36,626	-81
Payroll related-Teachers Pensions Authority	12,232	13,010	6,319	2,106	8,425	12,638	-4,213
Payroll related-pension fund and disbursements and including back funding and added years	22,710	36,259	11,470	3,823	15,293	22,940	-7,647
Service payments- (Premises, Transport, Supplies and Services and Third Party payments) and payments to preceptors	341,332	339,403	298,670	156,498	431,491	352,131	79,360
Transfer Payments-Housing Benefits	91,560	92,065	70,885	23,628	94,513	96,990	-2,477
Bank Charges & Related Expenditure	280	252	179	60	239	258	-19
NET Business Rates Retention Scheme (RSG)	30,490	31,348	11,131	3,710	14,841	16,978	-2,137
Business Rates and CTax Refunds	4,191	5,601	4,631	1,544	6,175	5,772	403
Capital Payments	31,624	37,118	23,305	7,768	31,073	32,559	-1,486
Total Payments	674,666	696,633	533,816	234,880	745,019	680,052	64,967
Capital Receipts							0
Business Rates Receipts	-90,044	-91,292	-75,669	-25,223	-100,892	-91,292	-9,600
Council Tax Receipts	-101,963	-103,301	-88,853	-29,618	-118,471	-103,301	-15,170
DWP - Housing Benefit Subsidy & Admin Grant & Discretionary							
Housing Payment grant&S31 Grant)	-105,598	-87,289	-71,225	-23,742	-94,967	-99,842	4,875
Grants (Including Public Health Grants)	-221,440	-228,412	-197,069	-65,690	-239,082	-217,758	-21,324
Other receipts-fees and charges	-61,310	-73,621	-56,570	-18,857	-75,426	-57,858	-17,568
Payroll Recoupment	-80,631	-82,897	-62,052	-20,684	-82,736	-76,866	-5,870
VAT Reimbursement	-19,251	-24,247	-15,689	-5,230	-20,919	-24,740	3,821
Total Receipts	-680,237	-691,059	-567,127	-189,042	-732,492	-671,657	-60,835
1. Net Cashflow (Revenue and Capital Cash)	-5,571	5,574	-33,311	45,837	12,526	8,395	4,131
Interest Received on investments	-1,607	-798	-435	-145	-580	-617	37
Interest on Pooled Property Investment	0	0	-213	-71	-284	-224	-60
Interest Paid on Debt inc DME		-66	2,953	984	3,937	-6,641	10,578
2. Interest-net (Net cash flow)	-1,607	-864	2,305	768	3,073	-7,034	10,107
B/F Cash Deposits Balance (SoA Note 9 Financial Instruments)	80,000	80,000	86,100	103,035	86,100	86,100	0
B/F Bank Balance (SoA Note 14 Cash and cash equivalents)	-530	-182	-252	-3,091	-252	-252	0
B/F ST Borrowing (SoA Note 9 Financial Instruments)	-8,000	-1,170	-11,910	5,000	-11,910	-11,910	0
B/Fwd Total	71,470	78,648	73,938	104,944	73,938	73,938	0
Change in cash and investments (1+2)	-7,178	4,710	-31,006	46,606	15,600	1,361	14,239
C/F Cash Deposits Balance (SoA Note 14 Financial Instruments)	80,000	86,100	103,035	58,538	58,538	77,558	-19,020
C/F Bank Balance (SoA Note 14 Cash and Cash Equivalents)	-182	-252	-3,091	-200	-200	19	-219
C/F ST Borrowing (SoA Note 9 Financial Instruments)	-1,170	-11,910	5,000	0	0	-5,000	5,000
B/Fwd Total	78,648	73,938	104,944	58,338	58,338	72,577	-14,239
	0	0	0	-0	-0	0	-0

* We are reviewing this balancing line

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Committee: Financial Monitoring Task Group

Date: 5 November 2015

Agenda item: 7

Wards: All

Subject: Capital Programme

Lead officer: Caroline Holland – Director of Corporate Services

Lead member: Councillor Mark Allison – Cabinet Member for Finance

Contact Officer: Paul Dale - AD Resources

Key decision reference number: This is an information item.

Recommendations:

1. The Financial Monitoring Task Group are recommended to note this briefing paper
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1. Purpose of report and executive summary

- 1.1 This report outlines to members the nature of capital in local government and briefly explains the processes followed by Merton.

2. Background

- 2.1 Local Government capital matters are at one level very simple but the regularity framework and the more obscure elements of accounting practice add a substantial degree of complexity. Merton spends £35m - £40m p.a. on capital items. Local Government in England spends c. £20b p.a. on capital items
- 2.2 At its simplest capital is any item of expenditure with a life of more than one year. All items are to be charged to revenue unless it is permitted to charge them to capital
- 2.3 The major types of capital expenditure are buildings (schools, housing etc.), acquisition of land for development, vehicles plant and machinery and IT hardware and software. It also includes grants and advances to landlords for capital purposes. The costs of repairing, running and maintaining such capital assets are revenue items unless it can be demonstrated that the asset is being enhanced
- 2.4 Capital expenditure is regulated by the Local Government Act 2003. This removed the previous complex set of controls where central government limited the extent to which local government could borrow to finance capital spending. Authorities are now free to borrow for capital purposes provided that they can afford to service the debt.

3 Funding Local Authority Capital Expenditure

- 3.1 All revenue (non capital) expenditure must be funded from revenue income as part of setting the council tax each year. Local Authorities in the UK cannot borrow for revenue purposes (except for temporary cash flow within year)

3.2 There is greater flexibility on funding capital expenditure. This can be funded from the following sources

- Government Capital Grants. These are allocated by Government departments to finance Central government policy priorities. Some of these are ring fenced to specific projects others can be spent at the council's discretion. The main area of support in recent years has been for school expansion.
- Contributions from other third parties
- Grants from GLA and TfL for regeneration and transport infrastructure.
- Capital Receipts. The cash generated from the disposal of capital assets can only be used to finance capital expenditure not revenue items. (The rules are complex around Housing capital receipts but Merton no longer has a housing stock so this is not relevant to this council.)
- External borrowing. This has to be financed by charging the interest payments and a provision to repay the debt to the revenue budget, on a prescribed basis.
- Contributions from Council Reserves.
- Direct funding from the revenue budget.

4 External Borrowing.

4.1 Although the government no longer directly controls Local Authority external borrowing Local Authorities are required to demonstrate that decisions made around the capital programme are affordable, prudent and sustainable. To demonstrate that this is the case the s.151 officer has professional responsibilities and indicators must be used and reported to the members for decision as part of the annual budget setting process.

5 Capital Finance Process

5.1 Merton plans its revenue finances over a 4 year period and its capital investment over an even longer period. There is an annual bidding process for capital investment.

5.2 The standard view of setting the capital budget is that the main factors that should be considered are:

- Capital spend must be linked to other resources – mainly the revenue running costs and the costs of borrowing. In recent years Merton has received significant Government funding towards schools. It has been able to minimise the costs of debt by utilising internal cash balances as a source of internal borrowing. This will be exhausted over the medium term and more expensive external borrowing will have to be resumed.
- The spending should be linked to wider asset management planning. In Merton's case the priorities have been: school

expansion, enhancing basic infrastructure, regeneration and a replacement leisure centre.

- Capital spending should be integrated into service planning. For Merton the crucial requirement has been to ensure that enough school places are available and in addition significant investment has been put into IT based change to drive efficiency improvement.

5.3 Capital expenditure is managed on a multiyear basis. This means that indicative budgets are approved for some years into the future, unlike the revenue budget which is approved for the following year only. Subject to certain internal rules the capital programme allocations (capital budgets) can be moved between years once schemes are underway.

5.4 Although not directly a part of capital programming, treasury management – cash flow management, borrowings and investments – is to a major extent driven by the capital programme.

6. Financial, resource and property implications

6.1 As contained in the body of the report

7. Legal and statutory implications

7.1 As outlined in the report.

8. Human rights, equalities and community cohesion implications

8.1 None for the purposes of this report.

9. Risk Management and health and safety implications

9.1 None for the purposes of this report.

10. Background Papers

10.1 Various CIPFA and DCLG publications

11 REPORT AUTHOR

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