Merton Council

Overview and Scrutiny Commission - financial monitoring task group

Task group members

Councillors:

Hamish Badenoch (Chair)
Kelly Braund
Mike Brunt
Stephen Crowe
Suzanne Grocott
Dennis Pearce
Peter Southgate
David Williams

Tuesday 14 November 2017 at 7.15 pm
Committee rooms D & E - Merton Civic Centre, London Road, Morden SM4 5DX

Agenda

Contact for further information about the task group meeting:
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OVERVIEW AND SCRUTINY COMMISSION - FINANCIAL MONITORING TASK GROUP
25 JULY 2017

(7.15 pm - 8.45 pm)

PRESENT Councillors Hamish Badenoch(in the Chair), Stephen Crowe, Suzanne Grocott, Dennis Pearce, Peter Southgate and David Williams

Julia Regan (Head of Democracy Services), Caroline Holland (Director of Corporate Services), Bindi Lakhani (Head of Accountancy), James McGinlay (Assistant Director for Sustainable Communities), Howard Joy (Property Management & Review Manager) and David Keppler (Head of Revenues and Benefits)

1 ELECTION OF CHAIR (Agenda Item 1)

Councillor Hamish Badenoch was elected as Chair.

2 APOLOGIES FOR ABSENCE (Agenda Item 2)

Apologies were received from Councillor Mike Brunt.

3 MINUTES OF MEETING HELD ON 20 FEBRUARY 2017 (Agenda Item 3)

The minutes were agreed as an accurate record of the meeting.

4 ASSET MANAGEMENT UPDATE REPORT (Agenda Item 4)

James McGinlay, Assistant Director for Sustainable Communities, briefly introduced the report and drew the task group’s attention to the further detail on property assets set out in the appendix to the report.

James McGinlay and Howard Joy, Property Management and Review Officer, provided additional information in response to questions:

- Approximately 150 lease renewals and rent reviews remain to be completed this year.
- Each property will be reviewed as they come up for lease renewal and an option appraisal will be presented to the Property Asset Management Board for decision whether to dispose of, keep or invest in. Options will be determined by the nature of the leases.

Members explored the distinction between capital values and asset valuation as well as the comparability of estimated yield. James McGinlay advised that the best measures of performance are void and debt levels.

Howard Joy confirmed that he properties listed on the schedule are those that are owned by the council and generate a rental income for the council. Members expressed interest in receiving information about opportunities to develop and/or increase income streams from sites that are not on the schedule. James McGinlay assured members that there were active discussions at the Property Asset Management Board and elsewhere regarding potential developments, including as part of the council's regeneration work. The acquisitions strategy and the land and property strategy would also address these issues. James McGinlay cited the development of the Local Authority Property Company as an example of an innovative approach to asset management.

In response to a question, James McGinlay said that giving the management of the portfolio to a third party company had been explored a few years ago and rejected as not being cost effective. He added that other London boroughs who have used third party asset management companies have found this to be expensive and that it failed to yield the desired results.

James McGinlay said that there had been a change of emphasis in recent years away from disposals being the default option towards a more productive and aggressive sweating of assets, balanced against social aspects on a property by property basis. Specialist advice is commissioned where this is not available in-house so that the best commercial result can be achieved.

5 2016/17 FINANCIAL OUTTURN REPORT (Agenda Item 5)

Caroline Holland, Director of Corporate Services, introduced the report and drew the task group's attention to the overspend at year end and the detailed reasons given for this in the report, as well as information on reserves and on the capital programme.

Caroline Holland provided additional information in response to questions:

- The backlog on raising new invoices (paragraph 1.4, page 58 of the agenda pack), caused by the introduction of the new financial system, has been reduced.
- The £8.3m gross placement overspend in adult social care was caused by a combination of factors, including growth in the complexity of needs, price pressures and the cost of a number of additional unanticipated short term placements.
- The medium term financial strategy included the intention to put monies raised by the early achievement of savings in to the council's reserves for use in future years.
- the Health and Wellbeing Board received a report on 20 June 2017 on the 2016/17 year end position in relation to performance of the Better Care Fund and an outline of the plans for 2017-19 and progress against those plans.

Caroline Holland undertook to email task group members to provide information on a late invoice for £350k that had been accrued in 2015/16 and accrued again at the end of 2016/17. ACTION: Director of Corporate Services.

In response to a question about housing benefit debt (page 62), David Keppler (Head of Revenues and Benefits) explained that the introduction of "real time" information by the Department of Work and Pensions to compare data and flag discrepancies lead initially to an significant increase in individuals' overpayments but that the scale of these had now decreased. David Keppler said that the council is incentivised to minimise overpayments and that his team target high risk claims, such as employed and self employed claimants, and review these frequently.

6 QUARTER 1 MONITORING REPORT (2017/18) (Agenda Item 6)

Caroline Holland, Director of Corporate Services, introduced the report and highlighted the forecast net overspend at year end of £1.8m. Explanations for the forecast overspend are set out in the report, together with information on the capital programme, debt and progress on savings. Cabinet will receive this report at its meeting on 18 September.

Members asked questions about the reasons for forecast overspend and measures to offset any actual overspend at year end. Caroline Holland said that a revised medium term financial strategy would be presented to Cabinet in September to model this. She added that departments would be encouraged to get spending under control to address the forecast overspend.

Caroline Holland provided additional information in response to questions:

- the growth built in to the 2017/18 budget had been funded through the council tax precept and the balancing the budget reserve.
- the Environment and Regeneration department has experienced a delay in implementing savings this year but they will all be achieved next year.
- the underspend in parking and CCTV services, mainly caused by delays in the implementation of the ANPR system, is helping to offset the forecast overspend overall in the council's revenue budget

7 DATES AND AGENDA ITEMS FOR FUTURE MEETINGS (Agenda Item 7)

Task group members agreed that they wished to assist the council in closing the forecast overspend in the revenue budget by encouraging the consideration of commercial and investment opportunities to raise additional funds. Members agreed to receive a report on this at their next meeting. This should include information on investment ideas and commercial opportunities that are under consideration and that could be considered, including the use of all categories of the council's property assets. ACTION: Head of Democracy Services to draft a report brief and send to Councillor David Williams for comment.

Members also agreed to receive a report at their next meeting setting out details of the income received and costs incurred by the council in relation to the Wimbledon Tennis Championship (WTC) each year. This should include information about the approach taken to negotiations with the AELTC regarding these. The issue came to the task group's attention last year during discussion of the Greenspaces deepdive report at the task group's last meeting when they noted the underachievement on income for car park provision for the WTC. The task group noted the complex relationship between the council, the AELTC and the role of the Lawn Tennis Association.

The agenda items for the next meeting will therefore be:

- Financial monitoring report, quarter 2, 2017/18
- Wimbledon Tennis Championship and the council
- Potential commercial and investment opportunities for the council

The dates agreed for future meetings were:

- 14 November, 7.15pm
- 6 March 2018, 7.15pm

Financial Monitoring Task Group

Date: 14 November 2017

Subject: Financial Report 2017/18 – September 2017

Lead officer: Roger Kershaw

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 £1.6million, 0.3% of the gross budget.

B. That Cabinet and Council approve the following adjustments to the Capital Programme

Scheme	2017/18 Budget	2018/19 Budget	Funding/Re-profiling
	£	£	
Corporate Services			
Invest to Save schemes	(1,710,000)	1,710,000	Re-profiling in accordance with projected spend
Children, Schools & Families			
Sherwood Schools Capital maintenance	82,510	0	Essential H&S Works
Cricket Green School Expansion	272,070	5,028,000	Vired from Unlocated SEN
Unlocated SEN	(272,070)	(5,028,000)	Vired to Cricket Green
Harris Academy Wimbledon	(544,530)	544,530	Re-profiling in accordance with projected spend
Harris Academy Merton	(70,120)	0	Capital Budget will be utilised under the Better Care Fund
Environment & Regeneration			
Industrial Estates	(452,750)	0	Budget relinquished as no plans to spend
Morden Leisure Centre	(1,255,830)	1,255,830	Slippage to 18/19 in line with current build programme.
Total	**(3,950,720)**	**3,510,360**	

C. That in respect of capital expenditure incurred before 1 April 2008, Cabinet recommends to the Council that the Minimum Revenue Provision Policy be revised to read:

"For capital expenditure incurred before 1 April 2008 or by Supported Capital Expenditure, the MRP policy will be the equal annual reduction of 2% of the outstanding debt at 1 April 2017 for the subsequent 50 years"

The remainder of the MRP Policy Statement will remain as approved by Council on 1 March 2017.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the financial monitoring report for quarter 2, period 6, 30th September 2017 presented in line with the financial reporting timetable.

This financial monitoring report provides:-

- The income and expenditure at period 6 and a full year forecast projection.
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2017/18;
- Progress on the delivery of the 2017/18 revenue savings

1.2 This report also sets out Merton's existing policy with regards to the calculation of Minimum Revenue Provision for Capital Expenditure incurred before 1 April 2008 or by Supported

Capital expenditure which currently provides for MRP based on a 4% reducing balance methodology and proposes a change to a 2% straight-line basis.

The proposed change will mean that the calculation is done on a more prudent basis and will also result in a reduction in MRP set-aside until 2034.

2. THE FINANCIAL REPORTING PROCESS

2.1 The budget monitoring process in 2017/18 will continue to focus on adult social care and children's social care as these areas overspent in 2016/17 and continue to have budget pressures.

2.2 Chief Officers, together with budget managers and Service Financial Advisers are responsible for keeping budgets under close scrutiny and ensuring that expenditure within budgets which are overspending is being actively and vigorously controlled and where budgets are underspent, these underspends are retained until year end. Any final overall overspend on the General Fund will result in a call on balances as has been the case for the last two financial years, however this action is not sustainable longer term.

2.3 2017/18 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

Executive summary – At period 6 to 30th September 2017, the year end forecast is a net £1.6m overspend compared to the current budget or 0.3% of the gross budget.

Summary Position as at 30th September 2017

	Current Budget 2017/18 £000s	Full Year Forecast (Sept) £000s	Forecast Variance at year end (Sept) £000s	Forecast Variance at year end (Aug) £000s	Outturn variance 2016/17 £000s
Department					
3A.Corporate Services	11,583	11,366	(217)	(364)	(1,287)
3B.Children, Schools and Families	53,915	55,053	1,138	1,001	1,154
3C.Community and Housing	64,424	65,796	1,372	1,939	10,124
3D.Public Health	0	(25)	(25)	(7)	16
3E.Environment & Regeneration	23,380	23,081	(299)	(289)	1,011
Overheads	0	0	0	0	12
NET SERVICE EXPENDITURE	**153,302**	**155,271**	**1,969**	**2,280**	**11,030**
3E.Corporate Items					
Impact of Capital on revenue budget	13,415	13,265	(150)	(150)	193
Other Central budgets	(21,571)	(21,802)	(231)	(231)	(8,329)
Levies	933	933	0	0	0
TOTAL CORPORATE PROVISIONS	**(7,223)**	**(7,604)**	**(381)**	**(381)**	**(8,136)**
TOTAL GENERAL FUND	**146,079**	**147,666**	**1,588**	**1,899**	**2,894**
FUNDING					
Revenue Support Grant	(15,520)	(15,520)	0	0	0
Business Rates	(35,483)	(35,483)	0	0	0
Other Grants	(10,733)	(10,733)	0	0	(537)
Council Tax and Collection Fund	(84,329)	(84,329)	0	0	0
FUNDING	**(146,065)**	**(146,065)**	**0**	**0**	**(537)**
					0
NET	**13**	**1,601**	**1,588**	**1,899**	**2,357**

The current level of GF balances is £12.778m and the minimum level reported to Council for this is £12.27m. This means that another reserve or further savings will need to be found to offset the remaining £1.1m overspend.

3. **DEPARTMENTAL SUMMARY OF CURRENT POSITION**

Corporate Services

	2017/18 Current Budget £000	Full year Forecast September £000	Forecast variance at year end September £000	Forecast variance at year end August £000	2016/17 Outturn Variance £000
Business Improvement	3,129	3,142	13	-137	-54
Infrastructure & Transactions	9,544	9,611	67	74	-431
Resources	6,496	6,624	128	174	-314
Human Resources	1,948	1,830	-118	-107	-34
Corporate Governance	2,491	2,399	-92	-79	-330
Customer Services	2,328	2,132	-196	-270	-164
Corporate Items including redundancy costs	1,002	982	-20	-20	40
Total (controllable)	26,939	26,721	-217	-365	-1,287

Overview

At the end period 6 (September) the Corporate Services (CS) department is forecasting an underspend of £217k at year end

Business Improvement - £13k over

The systems and projects team is forecasting an underspend of £32k which is a reduction of £150k from last month. This is due to the delay in the EDRMS project and the rollout of SharePoint which results in the need to renew SMART licenses. There are also increased costs on Mosaic which will be recharged to the CSF and C&H department but the spilt is yet to be agreed. This underspend is offset by a projected shortfall on saving CSD42 which is not expected to be fully achieved in 17/18.

Infrastructure & Transactions - £67k over

There are budget pressures in several teams.

The professional development centre (Chaucer Centre) is expected to under-achieve on income by £110k. Bookings year to date are lower than previous years. As budgets are reduced, customers are choosing the Civic Centre non-chargeable rooms over the Chaucer Centre's chargeable rooms. Rental income is also lower and there is a delay with agreed office renters now not taking residence at the centre until November.

The transactional services team are forecasting an overspend of £90k mainly because saving CS70 which is to charge for paper copies of invoices is unachievable due to delays in the implementation of e5, SharePoint and EDRMS.

The Garth Road income target is forecast to under-achieve by approximately £60k and there is a projected overspend in the Commercial Services team on staffing costs of £80k.

This team is currently being restructured and therefore agency staff are in post until the vacant posts are recruited into. This team essential in driving and delivering procurement savings across the Council.

These forecast overspends are partly offset by over-achievement of income on printing and the new rental agreement with CHAS 2013 Limited for occupancy of half of the 14th floor in the Civic Centre.

Resources - £128k over

The division is forecasting to overspend due to staffing, including one case of long term sickness. There were some additional costs for the external audit which were due to the implementation of the new financial system, as discussed at the Standards & General Purposes Committee in September. There are also ongoing development costs of e5 being funded within the division.

The closing of accounts process for 2016/17 and the external audit have highlighted a few areas of concern in meeting the early closure deadlines for next year. Some additional resources will be required to address these issues and a project plan is being developed.

Human Resources – £118k under

The reason for the underspend is a number of vacant posts within the division. This is partly offset by the expected shortfall on schools buy back income of £78k.

There are budget pressures on the payroll contract with Agilisys which are being reviewed.

Corporate Governance - £92k under

The forecast underspend is partly due to a £27k underspend in Internal Audit and £23k in Benefits Investigation where a 18/19 saving has been captured early.

There are other forecast underspends on non salary budgets across the division.

The South London legal partnership (SLLp) has budget pressures on staffing costs but this is being recovered by hard charging to the five boroughs in the partnership. There are numerous agency staff as recruitment is becoming increasingly difficult in certain teams. This will be closely monitored and is reported to all partnership boroughs.

Customer Services - £196k under

The Merton Bailiff Service is forecasting over-achieving income by £300k but this is offset by a forecast £70k under-achievement of income in the Shared Bailiff Service.

The Communications Service is under-achieving on advertising the income target which is partially offset by underspends elsewhere in the service. The team are working to address the likely failure to achieve income targets through a review of the strategy. A task and finish group has been established to take this forward with the aim of a refreshed strategy and agreed targets being drafted by the year end.

Corporate Items - £20k under

Redundancy costs are forecast to be approximately £500k over budget based on year to date actuals.

This is being offset by a reduction in the housing benefit provision.

£45k forecast spend is projected to address cyber security issues following recent security threats. Credit card charges which are currently passed on to customers will also cease in January 2018 and the forecast part year costs are approx. £25k.

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

Environment & Regeneration

Environment & Regeneration	2017/18 Current Budget £000	Full year Forecast (Sept) £000	Forecast Variance at year end (Sept) £000	Forecast Variance at year end (August) £000	2016/17 Outturn Variance £000
Public Protection	(10,514)	(11,793)	(1,279)	(1,088)	1,290
Public Space	15,232	15,823	591	619	510
Senior Management	1,015	1,008	(7)	(29)	(44)
Sustainable Communities	12,221	12,617	396	209	(745)
Total (Controllable)	**17,954**	**17,655**	**(299)**	**(289)**	**1,011**

Description	2017/18 Current Budget £000	Forecast Variance at year end (Sept) £000	Forecast Variance at year end (August) £000	2016/17 Variance at year end £000
Overspend within Regulatory Services	627	205	209	(34)
Underspend within Parking & CCTV Services	(11,617)	(1,447)	(1,235)	1,442
Underspend within Safer Merton	476	(37)	(62)	(118)
Total for Public Protection	**(10,514)**	**(1,279)**	**(1,088)**	**1,290**
Overspend within Waste Services	13,979	331	331	168
Underspend within Leisure & Culture	898	(89)	(105)	(72)
Overspend within Greenspaces	1,307	154	234	206
Overspend within Transport Services	(952)	195	159	342
Total for Public Space	**15,232**	**591**	**619**	**510**
Underspend within Senior Management & Support	1,015	(7)	(29)	(44)
Total for Senior Management	**1,015**	**(7)**	**(29)**	**(44)**
Underspend within Property Management	(2,604)	(58)	(95)	(564)
Overspend within Building & Development Control	(332)	447	285	(157)
Overspend within Future Merton	15,157	7	19	(158)
Total for Sustainable Communities	**12,221**	**396**	**209**	**(789)**
Total Excluding Overheads	**17,954**	**(299)**	**(289)**	**1,011**

Overview

The department is currently forecasting an underspend of £299k at year end. The main areas of variance are Regulatory Services, Parking Services, Waste Services, Greenspaces, Transport Services, and Building & Development Control.

Public Protection

Regulatory Services overspend of £205k
The forecast overspend is as a result of a few factors. Firstly, a 2017/18 saving (E&R14) of £100k relating to further expansion of the Regulatory Services Partnership to include the London Borough of Wandsworth, will not be achieved this year, as it is expected that the expansion will not commence until April 2018/19. Secondly, it was necessary for the Partnership to engage the services of a project manager to develop the expanded Shared service business model. The funding of this is split between the participating authorities and Merton's share of this is expected to be around £33k. Thirdly, an underachievement of Licensing income of £47k is forecast, which is associated with a 2016/17 saving (E&R13) of £50k. Finally, the section is liable for any Mortuary costs, which is not within their control. An overspend of £27k related to this service is being forecast.

Parking & CCTV Services underspend of £1,447k
The underspend is mainly as a result of the protracted timeframe for the implementation of the ANPR system across the borough. The section did not have a fully functional system until February 2017, but the necessary upgrades and camera performance reviews conducted by the contractor and officers from the team have now been completed. The positive effects of this fully functional system e.g. improved traffic flow are expected to be realised during the year. The later start of the ANPR enforcement has resulted in a delay in motorist compliance with traffic regulations and the revenue generated reflecting this. It is difficult to predict when compliance will begin to set in and how this will affect revenue but this will be closely monitored and future forecasts amended accordingly.

Included within this forecast is an employee related overspend of c£367k due to a combination of savings not yet implemented and increased demand. Due to the implementation of the diesel surcharge and the delay in fully implementing ANPR the section has been forced to delay implementing certain savings, whilst needing to recruit additional agency staff to manage PCN and permit demands. This pressure is being offset by an over-recovery in permit revenue (£397k).

Public Space

Waste Services overspend of £331k
The forecast overspend relates mainly to the Phase C contract (£533k), which has been rolled out successfully delivering in excess of £1.3m savings. However, as part of the approved MTFS savings, the budget has been reduced by in excess of £1.9m.This budget pressure is mitigated next year when the new wheelie bin service is rolled out along with reduced frequency of collection, which will deliver additional savings in the contract cost for the service.

An update report was provided to Sustainable Communities O&S Panel on 4th July with a further update in November. The latter paper will include a summary of all the savings achieved through the procurement of these contracts. Robust contract management is in place ensuring full contractual compliance.

This overspend is being partially mitigated from in-year underspends on disposal costs (£305k).

Greenspaces overspend of £154k
Although significant savings have already been realised, the section is forecasting to overspend on its Phase C contract by around £113k. This overspend is not expected to repeat next year.

In addition, the Authority has been required to continue contracting out arboriculture related work leading to a forecast overspend of c£68k. From April next year, this work is expected to be carried out by IDVerde and will benefit from the lower rates available through the Phase C arrangements.

The section is also currently forecasting to underachieve on its income expectations in the following areas. Firstly, on events related income (£64k), whereby related savings of £170k have been implemented in the last two years, and whilst one event boosted the income, work continues to identify how income from events in parks, including developing working partnerships with external event production companies, can be generated.

Secondly, due to a delay in the implementation of 2016/17 saving E&R26 (£60k) i.e. P&D within certain parks. This is due to be partially implemented this autumn leading to an expectation that only £5k of the associated saving will be achieved this year. Finally, the service is forecasting an under-achievement of rental income of £25k. Work continues with reviewing current rental arrangements as well as identifying new letting opportunities to address this pressure.

These forecast overspends are being partially mitigated from other grants and contributions.

Transport services overspend of 195k
The overspend relates to the Operations and Workshop side of the section. Within Transport Operations, an employee overspend of £68k is forecast mainly as a result of additional agency and overtime requirements due to covering sick leave and vacancies. This also causes a knock on effect for covering core routes, whereby, the only option on occasions is to utilise third party transport providers to cover the routes, which results in further unrecoverable costs (£64k).

Within the Workshop section, the overspend (£70k) relates to invoices for payment relating to good/services received prior to 1st April, at which point the workshop was transferred to Veolia.

<u>Sustainable Communities</u>

Building & Development Control overspend of £447k
The section is forecasting to underachieve on income by £469k, in particular within building Control. This reflects the continued reduction in the Authority's market share. This downward trend has also impacted on the section's ability to meet some of its associated 2017/18 savings, notably ENV20, D&BC1, D&BC2, D&BC3, D&BC5, and D&BC6 i.e. Increased income from building control services, fast tracking of householder applications, commercialisation of the service, and removal of the Planning Duty service. Replacement savings have been presented to the October Cabinet meeting for approval.

The section is also forecasting a reduction, when compared to 2016/17, in development control income of around £400k due to a downturn of around 10% in planning applications so far this year. This results in only an underachievement against budget of £14k, but is a considerable decrease in expected income levels.

Children Schools and Families

Children, Schools and Families	2017/18 Current Budget £000	Full year Forecast (Sep) £000	Forecast Variance at year end (Sep) £000	Forecast Variance at year end (Aug) £000	2016/17 Variance at year end £000
Cross Department budgets	1,668	1,604	(64)	(54)	(271)
Education	16,431	15,835	(596)	(387)	(874)
Social Care and Youth Inclusion	20,752	22,730	1,978	1,622	3,259
PFI	7,916	7,736	(180)	(180)	(549)
Redundancy costs	2,083	2,083	0	0	(411)
Total (controllable)	**48,850**	**49,988**	**1,138**	**1,001**	**1,154**

Overview

At the end of September Children Schools and Families had a forecast overspend of £1.138m on local authority funded services. Although the department received £1m growth which was allocated against placement budgets, there were pressures over and above the growth allocated to the department some of which were offset by planned underspends and management action in year. Whilst some planned underspends will continue, the majority of the underspend used to offset cost pressures last year were either non-recurrent management action or one-off windfalls which are not guaranteed or expected in the current financial year.

The forecast overspend also includes the cost for agency staff (£480k) which was funded from the Corporate Contingency for the last three years to enable the department to maintain safe caseloads as part of our agreed approach and service model.

Due to the volatile nature of placement and SEN transport budgets and the current volume of CSC activity and EHCP requests we are exercising appropriate demand management balancing our education and social care statutory duties with careful and considered oversight of spend.

Local Authority Funded Services

Significant cost pressures and underspends identified to date are detailed below:

Description	Budget £000	Sep £000	Aug £000	2016/17 £000
MOSAIC implementation support	0	63	63	0
Small over and underspends	1,668	(127)	(117)	(271)
Subtotal Cross Department budgets	**1,668**	**(64)**	**(54)**	**(271)**
Procurement & School organisation	592	(419)	(342)	(448)
SEN transport	4,131	396	435	394
Early achievement of savings	200	(200)	(200)	0
SEN statement support team	394	(80)	(119)	(7)
Other small over and underspends	11,114	(293)	(161)	(813)
Subtotal Education	**16,431**	**(596)**	**(387)**	**(874)**
Fostering and residential placements (ART)	5,226	93	(68)	611
Supported lodgings/housing	1,645	(5)	131	1,110
Un-accompanied asylum seeking children (UASC)	534	682	703	579
No Recourse to Public Funds (NRPF)	21	385	385	484
Social Work staffing	4,714	662	517	282
Family and Adolescent Services	43	17	17	0
Other small over and underspends	8,569	144	(63)	288
Subtotal Children's Social Care and Youth Inclusion	**20,752**	**1,978**	**1,622**	**3,259**

Cross Department budgets

This budget includes the departmental business support, senior management and joint commissioning services.

Following the implementation of MOSAIC, some changes and service support is still required which is now funded from the departmental budgets rather than from the project. The support is currently forecast to be required until the end of October at an estimated cost of £63k.

There are various other small over and underspends forecast across the division netting to a £127k underspend. These combine with the item described above to arrive at the total reported divisional underspend of £64k.

Education Division

Procurement and school organisation budgets are forecast to underspend by £419k as a result of lower spend on revenuisation 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.

The SEN transport budget is forecasting to overspend by £396k at the end of the financial year. Due to time required for the new ADAM system to be imbedded, the expected cost reductions have not yet been realised. The annual review of new routes was undertaken over the summer holidays and the process for re-procurement of existing routes will be accelerated in the autumn term.

Education savings was brought forward by a year which will result in a one-off in-year underspend of £200k.

The SEN support team is forecasting a £80k underspend on staffing due to difficulties in recruiting appropriate staff to vacancies. The underspend has reduced since last month because our recruitment drive moved staff from within the department enabling us not to have a big lag in time waiting for them to take up the posts. Recruitment continues to ensure we can meet our statutory duties in relation to EHCP timeliness.

There are various other small over and underspends forecast across the division netting to a £293k underspend. These combine with the items described above to arrive at the total reported divisional underspend of £596k.

Children's Social Care and Youth Inclusion Division

While the numbers of Looked after Children (LAC) remain relatively stable, and indeed Merton maintains relatively low levels of children in care, the complexity of a significant proportion of cases is causing cost pressures as detailed below. Placement costs are reviewed on a monthly basis and assumptions reviewed quarterly to ensure that projections of spend are as accurate as possible.

			Variance		Placements	
Service	**Budget £000**	**Forecast spend £000**	**Sep £000**	**Aug £000**	**Sep Nr**	**Aug Nr**
Residential Placements	2,239	2,002	(237)	(244)	11	11
Independent Agency Fostering	1,789	1,849	60	(58)	46	41
In-house Fostering	964	1,209	245	184	55	50
Secure accommodation	134	0	(134)	(134)	0	0
Mother and baby	100	259	159	184	0	2
Total	**5,226**	**5,319**	**93**	**(68)**	**112**	**104**

The ART service seeks to make placements with in-house foster carers wherever possible and in line with presenting needs, however, the needs of some looked after children mean that placements with residential care providers or independent fostering agencies are required. Some specific provision is mandated by the courts.

- The residential placement expenditure is forecast to underspend by £237k. This change from last month is due to the extension of one placement by one week.
- The agency fostering placement expenditure is expected to overspend by £60k. This is due to net of 5 new placements (7 new placements & two placements ended). This is a very volatile budget and therefore subject to fluctuation during the year.
- The in-house foster carer expenditure is forecast to overspend by £245k. We had 6 new placements. One placement moved to a different budget.
- We are not aware of any secure accommodation placements at this stage and will review this throughout the year.
- There are no Mother and Baby placement for September. One placement ended earlier than anticipated.

The budget for semi-independent and supported lodgings/housing placements are estimated to underspend by £5k. The change is due to 3 placements ending. This budget is used to finance placements for young people aged 16/17 and above. These are for young people who require semi-independent provision and for Care Leavers through to independence or, in some cases, through to the age of 21 (older in exceptional circumstances), as part of our statutory duties. There were 58 semi-independent placements for non-UASC young people at the end of September 2017.

The UASC placements are expected to overspend by £682k this year.

Service	Budget £000	Forecast spend £000	Variance Sep £000	Variance Aug £000	Placements Sep Nr	Placements Aug Nr
Independent Agency Fostering	369	146	(223)	(223)	4	4
In-house Fostering	0	302	302	280	12	12
Supported lodgings/housing	165	768	603	646	28	31
Total	**534**	**5,319**	**682**	**703**	**44**	**47**

The overspend is lower than last month due to 3 placements ending. At the end of September we had 44 UASC placements with a number of young people aged 18+ with no recourse to public funds in semi-independent accommodation.
The NRPF budget is expected to overspend by £385k in the current financial year. The NRPF worker is working closely with housing colleagues to manage cases as they arise and is also reviewing historic cases to identify ones where claimant circumstances has changed and can therefore be stepped down from services. We continue to use the Connect system to progress cases and have started a process of reviewing all open cases with the aim to limit the cost pressure on the council.

The Central Social Work, MASH, First Response, CASA, Bond Road and CWD team's staffing costs are expected to overspend by £662k. The majority of this is due to additional social work capacity required to manage safe caseloads, previously funded by the council's contingency, and are kept under regular review as they are covered by agency. 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. We continue with our proactive recruitment and retention campaigns and have a number of permanent staff starting in September and October.

The Family and Adolescent Services staffing budget is expected to overspend by £17k. This is due to the head of service post which has been deleted as part of the 2017/18 savings being covered by an agency member of staff due to short term service requirements. These arrangements ceased at the end of September 2017.

There are various other small over and underspends forecast across the division netting to a £16k overspend. These combine with the items described above to arrive at the total reported divisional overspend of £1,622k.

Dedicated Schools Grant

DSG funded services is forecast to overspend by £1.689m. These budgets are not within the council's general fund and cannot be offset against the local authority funded budgets. Any overspend will be funded from 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 overspend of £1.178m on Independent Day School provision and £521k on additional school business rate adjustments primarily due to the revaluation of properties in the beginning of 2017.

There are various other smaller over and underspends forecast across the DSG netting to a £10k underspend which, combined with the items above, equates to the net overspend of £1.689m.

Management Action

New burdens
There are a number of duties placed on the Local Authority which have not been fully funded or not funded at all through additional burdens funding from Central Government. £1m growth was added by the council in 2017/18 to the supported housing/lodgings budget. Excluding the cost of these duties would leave a net departmental overspend of £76k, however that figure masks substantial once off windfalls and non-recurrent and recurrent management action. The table below highlights the continued estimated overspends relating to these unfunded duties:

Description	Budget £000	Sep overspend forecast £000	Aug overspend forecast £000
Supported lodgings/housing	1,645	(5)	131
Un-accompanied asylum seeking children (UASC)	534	682	703
No Recourse to Public Funds (NRPF)	21	385	385
Total	**2,200**	**1,062**	**1,140**

Staffing
Agency cost continues to be a cost pressure for the department as permanent social worker recruitment continues to be challenging. We are operating, however at our lowest level of agency staff in 3 years. The continued recruitment drive including recruitment of NQSWs, temporary to permanent initiatives and retention payments will all have a positive impact on the current financial year and we will continue to take action to bring down anticipated overspends on agency/staffing costs.

Placements
Our strong management oversight enables us to ensure that an appropriate entry to care threshold is well-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 continues to enable a reduction in more expensive agency foster placements, but there is a time lag.

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.

General
The department continues to scrutinise all budgets to see how we can offset the above costs pressures and others created by growing demographics and new burdens. Where possible we will use grant and income flexibly to bring our anticipated spend in line with available budgets.

Community and Housing Current Summary Position

Community and Housing is now forecasting an overspend of £1.3m as at September 2017. This is a reduction of £587k since period 5 (August).

The main variance is in the Adult Social Care division of Access & Assessment. Community and Housing is therefore supported by other under spends in Adult Social Care and Merton Adult Education.

Adult Social Care received £9.3m in growth to support the identifiable pressures and challenges faced by the department. The service has allocated growth to the placements and deprivation of liberty budgets in line with the budget pressures identified in the budget setting report.

The 2017/18 budget was set on the basis of period 9 2016/17 budget forecast. Between period 9 and the year end, placements expenditure increased by £700k against the forecast. This was mainly due to the amount of older people being discharged from hospital but also a one-off charge of £350k.

In addition, the service was hit with a late clawback of Better Care Fund (BCF) monies due to the late reporting of performance on the main factor in the BCF risk share agreement. The service therefore has a financial hit of £275k in 2017/18.

The service therefore started 2017/18 £625k worse off than the budget plan.

Community and Housing	2017/18 Current Budget £'000	Full Year Forecast (Sept) £'000	Forecast Variance (Sept) £'000	Forecast Variance (Aug) £'000	2016/17 Outturn Variance £'000
Access and Assessment	46,870	47,989	1,119	1,615	9,432
Commissioning	4,162	4,085	(77)	(41)	67
Direct Provision	4,373	4,355	(18)	(70)	(169)
Directorate	755	813	58	59	(274)
Adult Social Care	**56,160**	**57,242**	**1,082**	**1,563**	**9,056**
Libraries and Heritage	1,975	2,013	38	30	(88)
Merton Adult Education	0	0	0	0	501
Merton Adult Education-Commissioning Model	48	42	(6)	(96)	0
Housing General Fund	1,937	2,194	257	443	655
Sub-total	**60,120**	**61,491**	**1,371**	**1,940**	**10,124**
Public Health	**0**	**(25)**	**(25)**	**(7)**	**16**
Grand Total	**60,120**	**61,466**	**1,346**	**1,933**	**10,140**

Adult Social Care

Community and Housing DMT in the past two weeks have done an in-depth review of each areas budget lines. C&H DMT has identified management actions since period 5 to pull back the £1.9m forecast overspend reported in that period. Such as spend on activity funded by the better care fund has been reviewed and activity costing can be met within existing staff resources.

Gross placement costs

Placements	Sept 2017 £	Aug 2017 £	Increase/ Decrease £
Older People	24,179,735	24,008,383	171,351
Phys/Sens	5,222,066	5,257,219	-35,154
Learning Disabilities	14,224,199	14,327,866	-103,666
LD Housing Support	40,979	43,786	-2,807
Mental Health Placements	2,406,985	2,411,075	-4,090
MH Housing Support	149,634	154,546	-4,912
Substance Misuse	133,434	134,210	-776
Grand Total	**46,357,031**	**46,337,085**	**19,946**

Gross placement costs have increased by £19k since period 5. The growth has been in home care packages, with a net increase of 34 clients. This has been partially offset by reductions in commitments in learning and physical disability packages of care.

Access & Assessment - £1.1m overspend

It is anticipated that recruitment to non-frontline posts can be delayed resulting in expenditure on staffing costs being reduced by £146k.

Commissioning - £77k underspend

This area underspend has increased to reflect savings required to plan to bring the departments budget back into balance.

Direct Provision - £18k underspend

This service is currently forecasting an under spend of £18k.

The handypersons scheme is being extended to better facilitate discharge from hospital at a cost of £35k, utilising Disability Facilities Grant (DFG) flexibilities. Existing spend of £170k has also been identified that can properly be funded by the DFG without impacting on the council's ability to meet the demand for adaptations.

Directorate - £58k overspend

Forecast remains unchanged since period 5 (August).

Adult Social Care: other management action 2017/18

A refreshed action plan is in place. Highlight reports are updated and reviewed each Monday by the Director at the weekly budget meeting.

Home Care

The priority at present is to get the call monitoring system working properly again, so we can pay all providers based on actuals. Once this is in place we can review earlier payments and seek to clawback over payments. At 80% recovery rate, this would reduce the over spend by £720k from period 5.

Work has been undertaken to correct issues with the call monitoring system. As a result we will be able to return to paying homecare on actuals from period 4 onwards (payments are currently 3 months behind). There is potential to clawback up to £240k of overpayments, but we cannot do that before payments to providers are up to date and we have done a provider-by-provider sustainability check.

C&H-Other Services

Libraries- £38k overspend

This service is overspend has increased by £8k since August 2017. This is due to increase utilities cost and postage on overdue notifications.
The service has overspend on salaries as the new organisational structure went live on 1 May 2017 and agency staff were been used to cover permanent posts; however, future years are on track. The over spend is anticipated to be reduced by bringing in extra income through coffee shops opening earlier than planned savings for next year.

The service is confident that their income will increase by at least £10k which will hopefully reduced forecasted over spend.

Community Learning (Merton Adult Education) - £6k underspend

Adult Learning is currently forecasting an under spend of £6k. The forecast has been amended to reflect potential clawback by the funding authority where grant expenditure has not been fully spent.

This budget is fully reliant on ESFA funding. This has two elements:-

1. Formula funding (payment on delivery); and
2. A community learning (block grant that can be used at the services discretion for adult learning purposes).

Housing - £257k overspend

This service overspend has reduced by £185k since period 5 (August). This is due to an improvement in the collection of client contribution in temporary accommodation and an increase in staffing cost in other areas in this service.

Housing	Forecast Variances (Sept) £000	Forecast Variances (Aug) £000
Temporary Accommodation-Expenditure	1,031	1,204
Temporary Accommodation-Client Contribution	(624)	(560)
Temporary Accommodation-Housing Benefit Income	(445)	(450)
Temporary Accommodation-Subsidy Shortfall	621	633
Temporary Accommodation- Grant	(406)	(406)
Total Temporary Accommodation	177	421
Housing Other- Over(under)spends	80	22
Total	**257**	**443**

The service approach to managing the impact of HB /TA subsidy and the impact of wider welfare reform including the introduction of Universal Credit is a fair but firm process towards maximising income collection from households in temporary accommodation. The housing budget was reviewed in detail. The service has lost more than £660k of grant and other funding due to changes in national rules and the implementation of Universal Credit. However, the service has worked hard to increase client contributions. There is a significant improvement in income collection from last year – at this point in time last year £190k and already at period 6 £382k.
We were deferring the outstanding Housing 2017.18 savings pending the requirements of the Homelessness Reduction Act and the funding received to implement the requirements. In light of the recent announcement of our allocation of £400k over 3 years we will proceed with the planned restructure of the service to meet new responsibilities and savings.

The service are on course to increase customer income by £310k, but the service is still forecasting an over spend of £257k for the year.

Public Health - £25k underspend

Public Health is now showing an improved position £25k underspend as at September 2017. This is mainly due to a project delay and low activity on substance misuse.

Corporate Items

The details comparing actual expenditure up to 30 September 2017 against budget are contained in Appendix 2. The main areas of variance as at 30 September 2017 are:-

Corporate Items	Current Budget 2017/18 £000s	Full Year Forecast (Sep.) £000s	Forecast Variance at year end (Sep.) £000s	Forecast Variance at year end (Aug) £000s	2016/17 Year end Variance £000s
Impact of Capital on revenue budget	**13,415**	**13,265**	**(150)**	**(150)**	**193**
Investment Income	(1,186)	(667)	519	519	(176)
Pension Fund	3,350	3,350	0	0	(498)
Pay and Price Inflation	736	736	0	0	(739)
Contingencies and provisions	4,406	3,656	(750)	(750)	(3,495)
Income Items	(1,152)	(1,152)	0	0	(330)
Appropriations/Transfers	(5,407)	(5,407)	0	0	(3,091)
Central Items	**747**	**516**	**(231)**	**(231)**	**(8,329)**
Levies	933	933	0	0	0
Depreciation and Impairment	(22,318)	(22,318)	0	0	0
TOTAL CORPORATE PROVISIONS	**(7,223)**	**(7,604)**	**(381)**	**(381)**	**(8,136)**

There are no significant changes reported in September.

Proposed Change to the Council's MRP Policy

Background

Definition of Capital Expenditure

The Local Government and Housing Act 1989 required all expenditure to be charged to revenue unless an exemption could be found, the main exemption being that the expenditure was for capital purposes. In broad terms this meant expenditure incurred on the acquisition or creation of tangible assets needed to provide services, such as houses, school vehicles etc. This is opposed to revenue expenditure which is what is spent on the day-to-day operation of services such as employee costs and supplies and services.

The Local Government Act 2003 (Part 1, sections 1–24) introduced the prudential system of capital finance and instead of being prescriptive (as the 1989 Act was), it was designed to be much simpler by relying extensively on standard accounting practice. Regulation 25 of the Local Authorities (Capital Finance and Accounting) Regulations 2003 amends the definition of capital expenditure and states that the term "capital expenditure" is normally to be interpreted in accordance with proper accounting practices. The accounting standard that defines capital expenditure is IAS 16 Property, Plant and Equipment.

The Local Government Act 2003 extends the definition for the purposes of the capital finance system. For example Regulation 25 allows expenditure on computer software and on the making of loans or grants for capital expenditure by another body to be treated as capital expenditure of the local authority. Both of these regulations reproduced previous provisions which give local authorities extra flexibility.

Minimum revenue provision (MRP)

MRP represents the minimum amount which must be charged to an authority's revenue account each year for financing of capital expenditure that was initially funded by borrowing.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 became effective from March 2008. These regulations replaced the formula-based method for calculating MRP which existed under previous regulations under the Local Government Act 2003.

The regulations require a local authority to determine each financial year an amount of MRP which it considers to be prudent by reference to a calculated capital financing requirement (CFR).

Linked to this regulation, the Department for Communities and Local Government (DCLG) produced statutory guidance which local authorities must have regard to, setting out what may constitute prudent provision. The third edition of the statutory guidance on Minimum Revenue Provision was issued in February 2012. Local authorities are free to set their own policies, within the spirit of the guidance.

The DCLG guidance recommends that before the start of the financial year, a statement of MRP policy for the forthcoming financial year is approved by the full council or equivalent.

The broad aim of the policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure which gave rise to the debt provides benefits. In the case of borrowing supported by grant, the aim is that MRP is charged over a period reasonably commensurate with the period implicit in the determination of that grant.

MRP commences in the financial year following that in which the expenditure is incurred, or in the year following that in which the relevant asset becomes operational. This enables an MRP "holiday" to be taken in relation to assets which take more than one year to be completed before they become operational.

The move to International Financial Reporting Standards (IFRS) means that private finance initiative (PFI/PF2) schemes and qualifying leases have been brought on balance sheet. Where this is the case, such items are classed in accounting terms as a form of borrowing. The DCLG has therefore amended the CFR to ensure that the impact on the revenue account is neutral, with MRP for these items matching the principal repayment embedded within the PFI or lease agreement.

MRP options

Four options for prudent MRP provision are set out in the DCLG guidance. Details of these are summarised in Appendix 9

Merton’s Minimum Revenue Provision Policy Statement 2017/18

Merton’s MRP Policy Statement 2017/18 is set out in Part 4 of the Treasury Management Policy Statement which is part of the Council’s Business Plan 2017-2021 approved by Council on 1 March 2017.

The key terms of Merton’s MRP policy are:-

a) For capital expenditure incurred before 1 April 2008 or by Supported Capital Expenditure, the MRP policy follows CLG regulations (option 1). This provides for an approximate 4% reduction in the borrowing need (CFR) each year.

b) From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be based on the Asset Life Method – CLG regulations (option 3). This option will be applied for any expenditure capitalised under a capitalisation direction. It should be noted that this option provides for a reduction in the borrowing need over the approximate life of the asset.

Merton’s complete MRP Policy Statement 2017/18 is set out in Appendix 10.

Revisions to the MRP Policy

Paragraph 3 of the DCLG’s statutory guidance states that:-

> **“ANNUAL MRP STATEMENT**
>
> 3. The Secretary of State recommends that before the start of each financial year a local authority prepares a statement of its policy on making MRP in respect of that financial year and submits it to the full council. For authorities without a full council, approval of the statement should be at the closest equivalent level....The statement should indicate how it is proposed to discharge the duty to make prudent MRP in the financial year. If it is ever proposed to vary the terms of the original statement during the year, a revised statement should be put to the council at that time.”

Annual MRP Expenditure

Under the current MRP policy, Merton’s budgeted expenditure on MRP in 2017/18, excluding PFI and finance leases is £7.004m. The element of the budget that relates to debt incurred prior to 1 April 2008 is £3.619m based on outstanding debt of £90.474m.

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Proposed Change

Meaning of “Prudent Provision”

Regulation 28 of the 2003 Regulations (as amended by regulation 4 of the 2008 Regulations) requires a local authority to calculate for the current financial year an amount of MRP which it considers to be prudent. The Secretary of State recommends that, for the purposes of regulation 28, the prudent amount of provision should normally be determined whereby:-

- The broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

- The Secretary of State considers that the methods of making prudent provision include the options set out in the statutory guidance (Appendix 9 refers) but also states that "Approaches differing from those exemplified are not ruled out."

Officers regularly review latest technical guidance, including changes in accepted practice and treasury management practices and have identified an approach which is being adopted by more and more local authorities, that provides an opportunity to make the Council's MRP provision more prudent. It also provides a reduction in MRP until 2033/34.

As previously stated, the Council's current policy is to calculate MRP on outstanding debt incurred prior to 1 April 2008 at 4% per year on a reducing balance. The debt outstanding reduces each year but the methodology means that the debt will never be fully provided for, albeit that it will eventually reduce to a small figure.

Whilst it has never been possible to allocate the Council's outstanding debt to specific assets it is likely that most of the pre-1 April 2008 debt has arisen from expenditure on land and buildings most of which, even today, are likely to have an outstanding life of at least 50 years. A fixed 2% MRP over 50 years is considered more prudent than a method which never pays off the whole debt. In addition, it can be anticipated that the asset lives will exceed this for assets that are fully maintained.

It is proposed therefore that it would be prudent that the Council's MRP policy adapt the CFR method by paying a fixed amount each year, calculated at 2% of the balance outstanding at 31 March 2017 and not reducing each year. The debt would be divided into 50 with an equal charge made in each year over the next 50 years.

This option would be beneficial. It would have the dual benefits of ensuring that the whole debt is repaid within a reasonable timescale and that there is a reduced impact on General Fund revenue until 2034 which would reduce pressure on the revenue budget at a time of severe pressure. The profile of provision under the current and proposed methodologies is shown in Appendix 11. After 2034 the MRP existing methodology would be less than under the proposed change. There is an adjustment to allow for interest foregone (at 0.5% per year) between the difference in amounts of MRP set aside.

The profile of MRP under the existing policy and the proposed changed MRP shows that at the end of the 50 years the debt outstanding will be cleared under the proposed option and that £11.751m would remain outstanding under the current methodology.

It is therefore recommended that in respect of capital expenditure incurred before 1 April 2008, Cabinet recommends to the Council that the Minimum Revenue Provision Policy be revised to read:

> "For capital expenditure incurred before 1 April 2008 or by Supported Capital Expenditure, the MRP policy will be the equal annual reduction of 2% of the outstanding debt at 1 April 2017 for the subsequent 50 years"

The remainder of the MRP Policy Statement will remain as approved by Council on 1 March 2017.

Apart from retaining the existing MRP Policy there are some variations on the proposed method including an MRP holiday which entail front loading the reductions to be gained from the change in methodology but these may be harder to justify to external audit and create a less smooth budget profile.

Officers have discussed the proposal with the Council's external auditors who have reviewed the proposals set out in this paper. They will consider whether the proposals in relation to the change in MRP policy are appropriate, they will audit the calculations including the opening balance of pre-2008 debt outstanding, and at the appropriate time will check that the Council's financial statements reflect the change in policy. The Council's approach will also be taken into account when the auditors produce their VFM conclusion.

Initial discussions with the external auditors indicate that the proposed approach would not be regarded as a "dash for cash" and that within the options available would be regarded as a prudent approach to calculating the Council's Minimum Revenue Provision.

Given the pressure on the Council's revenue budgets and in order give the Council as much flexibility as possible over its budget, Cabinet is asked to recommend to Council in November that the change to MRP Policy is made with immediate effect i.e. in the current financial year. Feedback from the external auditors on the change will be reviewed and the financial implications included in the MTFS reported to Cabinet in December."

4. CAPITAL PROGRAMME 2017-21

4.1 The Table below shows the movement in the 2017/21 corporate capital programme since the last meeting of Cabinet:

Depts	Current Budget 17/18	Variance	Revised Budget 17/18	Current Budget 18/19	Variance	Revised Budget 18/19	Revised Budget 19/20	Variance	Revised Budget 19/20	Revised Budget 20/21	Variance	Revised Budget 20/221
CS	25,455	(1,710)	23,745	16,798	1,710	18,508	10,626	0	10,626	2,135	0	2,135
C&H	1,445	0	1,445	629	0	629	480	0	480	630	0	630
CSF	8,230	(396)	7,834	16,905	545	17,449	7,536	0	7,536	650	0	650
E&R	19,960	(1,614)	18,346	23,830	1,256	25,086	7,738	0	7,738	5,017	0	5,017
TOTAL	**55,090**	**(3,720)**	**51,370**	**58,162**	**3,510**	**61,673**	**26,380**	**0**	**26,380**	**8,432**	**0**	**8,432**

4.2 The table below summarises the position in respect of the Capital Programme as at July 2017. The detail is shown in Appendix 5a

Merton Summary Capital Report – September 2017 Monitoring

Department	Year to Date			Full Year		
	Actuals	Budget	Variance	Revised Budget	Forecast Outturn	Full Year Variance
Corporate Services	1,182,073	1,335,835	(153,762)	23,744,950	16,885,490	(6,859,460)
Community and Housing	339,865	380,502	(40,637)	1,444,770	1,444,770	0
Children Schools & Families	2,673,116	5,451,860	(2,778,744)	7,834,530	7,710,114	(124,416)
Environment and Regeneration	4,598,234	9,700,611	(5,102,378)	18,346,490	18,369,352	22,862
Total	**8,793,287**	**16,868,808**	**(8,075,521)**	**51,370,740**	**44,409,726**	**(6,961,014)**

a) Corporate Services – Currently officers are projecting an overspend on Customer Contact /EDRMS of £633k and Social Care IT System £145k, the split between capital and revenue budgets is currently being finalised on these two schemes. There are currently three projected underspends the Acquisitions Budget £6.37 million, the Bidding Fund £1.26 million and Business Improvement IT Projects of £19k. Finally, £1.7 million of Invest to Save Schemes Budget has been re-profiled into 2018/19 in accordance with projected spend.

b) Community and Housing – All schemes are projecting full spend – Disabled Facilities Grant projected spend and budgets will need to be split to reflect its usage under the Better Care Fund.

c) Children, Schools and Families – There are a number of small underspends projected at year end the two largest are on Unallocated SEN £78k and Devolved Formula Capital £27k. Primary schools budgets have been adjusted to reflect individual schools contributions and final estimates of maintenance schemes. Essential works at Sherwood school have been part funded by a virement from Harris Merton of £70k (this scheme has a small uncommitted contingency budget which has been utilised for this virement). £5.3 million over 2017-19 has been vired from the unallocated SEN Budget to Cricket Green for their expansion scheme. Finally, £545k of Harris Academy Wimbledon Budget has been re-profiled from 2017/18 to 2018/19.

d) Environment and Regeneration – Officers are currently projecting a £23k overspend overall, this is caused by a projected overspend on GPS Vehicle Tracking of £88k (this projected overspend has been caused by increased resource and build time requirement for the ICT integration between the Councils CRM system and the contractor. Revised project plan is on schedule to be completed Dec 2017 - Section 106 funding is currently being identified to fund this additional cost) offset by three projected underspends (Mitcham Area Regeneration £40k, Borough Regeneration £19k and Sports Facilities £7k. Officers have relinquished the Industrial Estates Budget of £452k and £1.256 million of the Morden Leisure Centre budget is being re-profiled into 2018-19 in accordance with the current build programme. Finally, two schemes have been added £44.7k has been added to the TfL Quietways scheme in 2017-18 and £50k funded by Section 106 money has been added to the Shopfronts Budget.

4.3 Appendix 5b details the adjustments being made to the Capital Programme this month. The following adjustment will require Cabinet and Council approval:

Scheme	2017/18 Budget	2018/19 Budget	Funding/Re-profiling
	£	£	
Corporate Services			
Invest to Save schemes	(1,710,000)	1,710,000	Re-profiling in accordance with projected spend
Children, Schools & Families			
Sherwood Schools Capital maintenance	82,510	0	Essential H&S Works
Cricket Green School Expansion	272,070	5,028,000	Vired from Unlocated SEN
Unlocated SEN	(272,070)	(5,028,000)	Vired to Cricket Green
Harris Academy Wimbledon	(544,530)	544,530	Re-profiling in accordance with projected spend
Harris Academy Merton	(70,120)	0	Capital Budget will be utilised under the Better Care Fund
Environment & Regeneration			
Industrial Estates	(452,750)	0	Budget relinquished as no plans to spend
Morden Leisure Centre	(1,255,830)	1,255,830	Slippage to 18/19 in line with current build programme.
Total	**(3,950,720)**	**3,510,360**	

4.4 Appendix 5c details the impact of all the adjustments to the Capital Programme have on the funding of the programme in 2017/18 and 2018/19. The table below summarises the movement in 2017/18 funding since the August:

Depts.	Approved Budget 17/18	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 17/18
Corporate Services	25,455	0	0	0	(1,710)	**23,745**
Community & Housing	1,445	0	0	0	0	**1,445**
Children Schools & Families	8,230	0	149	0	(545)	**7,834**
Environment and Regeneration	19,960	(453)	95	0	(1,256)	**18,346**
Total	**55,090**	**(453)**	**244**	**0**	**(3,511)**	**51,370**

4.5 The table below compares capital expenditure (£000s) to August 2017 to that achieved over the last few years:

Depts.	**Spend To September 2014**	**Spend To September 2015**	**Spend To September 2016**	**Spend to September 2017**	**Variance 2014 to 2017**	**Variance 2015 to 2017**	**Variance 2016 to 2017**
CS	182	267	215	1,182	1,000	915	967
C&H	480	610	916	340	(141)	(270)	(576)
CSF	7,979	7,944	2,811	2,673	(5,306)	(5,271)	(138)
E&R	1,685	3,006	5,930	4,598	2,913	1,592	(1,332)
Total Capital	**10,326**	**11,827**	**9,873**	**8,793**	**(2,534)**	**(3,949)**	**(2,046)**

Outturn £000s	36,869	29,327	30,626	
Budget £000s				51,371
Projected Spend September 2017 £000s				44,641
Percentage Spend to Budget				17.12%
% Spend to Outturn/Projection	28.01%	40.33%	32.24%	19.70%
Monthly Spend to Achieve Projected Outturn £000s				5,975

4.6 The table shows that spend during September 2017 was considerably below this target. Officers are currently processing the information gathered during September Monitoring on budget profiles and these will be processed for October monitoring:

Department	**Spend To August 2017 £000s**	**Spend To September 2017 £000s**	**Increase £000s**
CS	714	1,182	468
C&H	174	340	166
CSF	1,213	2,673	1,460
E&R	3,368	4,598	1,230
Total Capital	5,469	8,793	3,324

5. DELIVERY OF SAVINGS FOR 2017/18

Department	Target Savings 2017/18	Projected Savings 2017/18	Period 6 Forecast Shortfall	Period 5 Forecast Shortfall	Period Forecast Shortfall (P6)	2018/19 Expected Shortfall
	£000	£000	£000	£000	%	£000
Corporate Services	1,484	1,248	236	196	15.9%	158
Children Schools and Families	1,110	1,093	17	17	1.5%	0
Community and Housing	2,673	1,877	796	760	29.8%	150
Environment and Regeneration	3,050	1,603	1,447	1,447	47.4%	281
Total	**8,317**	**5,821**	**2,496**	**2,420**	30.0%	**589**

Appendix 6 details the progress on savings for 2017/18 by department.

Progress on savings 2016/17

Department	Target Savings 2016/17	2016/17 Shortfall	2017/18 Projected shortfall	2018/19 Projected shortfall
	£000's	£000's	£000's	£000's
Corporate Services	2,316	288	30	30
Children Schools and Families	2,191	0	0	0
Community and Housing	5,379	1,727	C&H Savings mitigated by growth received in 17/18	0
Environment and Regeneration	4,771	2,573	627	240
Total	**14,657**	**4,588**	**657**	**270**

Appendix 7 details the progress on savings for 2016/17 by department and the impact on the current year.

6. MISCELLANEOUS DEBT

6.1 An update on the Council's miscellaneous debt as at 30 September 2017 is provided in Appendix 8. This includes information on the latest arrears position, the process for collection of miscellaneous debt, action being taken to collect outstanding debt and the provision for bad and doubtful debts.

7. CONSULTATION UNDERTAKEN OR PROPOSED

7.1 All relevant bodies have been consulted.

8. TIMETABLE

8.1 In accordance with current financial reporting timetables.

9. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

9.1 All relevant implications have been addressed in the report.

10. LEGAL AND STATUTORY IMPLICATIONS

10.1 All relevant implications have been addressed in the report.

11. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

11.1 Not applicable

12. CRIME AND DISORDER IMPLICATIONS

12.1 Not applicable

13. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

13.1 The emphasis placed on the delivery of revenue savings within the financial monitoring report will be enhanced during 2016/17, the risk of part non-delivery of savings is already contained on the key strategic risk register and will be kept under review.

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

Appendix 1-	Detailed position table
Appendix 2 –	Detailed Corporate Items table
Appendix 3 –	Pay and Price Inflation
Appendix 4 –	Treasury Management: Outlook
Appendix 5a –	Current Capital Programme 2017/18
Appendix 5b –	Adjustments to the Current Capital Programme 2017/18
Appendix 5c –	Funding Current Capital Programme 2017/18 & 2018/19
Appendix 6 –	Progress on savings 2017/18 and unachieved savings by type
Appendix 7 –	Progress on savings 2016/17
Appendix 8 –	Debt Report
Appendix 9 –	DCLG Guidance on MRP Options
Appendix 10 –	Merton’s current MRP Policy Statement 2017/18
Appendix 11 –	Comparison of MRP profiles: current policy - New proposal
Appendix 12 –	Establishment Control

15. BACKGROUND PAPERS

15.1 Budgetary Control files held in the Corporate Services department.

16. REPORT AUTHOR

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Summary Position as at 30th September 2017

	Original Budget 2017/18 £000s	Current Budget 2017/18 £000s	Year to Date Budget (Sept) £000s	Year to Date Actual (Sept) £000s	Full Year Forecast (Sept) £000s	Forecast Variance at year end (Sept) £000s	Forecast Variance at year end (Aug) £000s	Outturn variance 2016/17 £000
Department	-	-	-	-	-	-	-	-
3A.Corporate Services	10,865	11,583	13,287	15,517	11,366	(217)	(364)	(1,287)
3B.Children, Schools and Families	52,579	53,915	94,602	14,378	55,053	1,138	1,001	1,154
3C.Community and Housing	-	-	-	-	-	-	-	-
Adult Social Care	59,401	59,465	23,969	28,355	60,548	1,083	1,563	9,056
Libraries & Adult Education	2,693	2,739	1,076	1,419	2,770	31	(66)	413
Housing General Fund	2,222	2,221	879	483	2,478	257	443	655
3D.Public Health	0	(0)	(76)	(1,796)	(25)	(25)	(7)	16
3E.Environment & Regeneration	23,183	23,380	5,665	(6,673)	23,081	(299)	(289)	1,011
Overheads	0	0	0	0	0	0	0	12
NET SERVICE EXPENDITURE	**150,942**	**153,302**	**139,402**	**51,682**	**155,271**	**1,969**	**2,280**	**11,030**
3E.Corporate Items	-	-	-	-	-	-	-	-
Impact of Capital on revenue budget	13,415	13,415	3,351	1,474	13,265	(150)	(150)	193
Other Central items	(19,224)	(21,571)	(5,812)	(925)	(21,802)	(231)	(231)	(8,329)
Levies	933	933	479	479	933	0	0	0
TOTAL CORPORATE PROVISIONS	**(4,876)**	**(7,223)**	**(1,983)**	**1,028**	**(7,604)**	**(381)**	**(381)**	**(8,136)**
TOTAL GENERAL FUND	**146,066**	**146,079**	**137,419**	**52,710**	**147,666**	**1,588**	**1,899**	**2,894**
-	-	-	-	-	-	-		-
Funding								
- Business Rates	(35,483)	(35,483)	0	(4,880)	(35,483)	0	0	0
- RSG	(15,520)	(15,520)	(9,178)	(9,178)	(15,520)	0	0	0
- Section 31 Grant	(1,035)	(1,035)	(619)	(619)	(1,035)	0	0	5
- New Homes Bonus	(4,150)	(4,150)	(2,114)	(2,114)	(4,150)	0	0	(542)
- PFI Grant	(4,797)	(4,797)	(2,398)	(2,398)	(4,797)	0	0	0
- Adult Social Care Grant 2017/18	(751)	(751)	0	0	(751)	0	0	0
Grants	**(61,736)**	**(61,736)**	**(14,310)**	**(19,190)**	**(61,736)**	**0**	**0**	**(537)**
Collection Fund - Council Tax Surplus(-)/Deficit	(1,386)	(1,386)	0	0	(1,386)	0	0	0
Collection Fund - Business Rates Surplus(-)/Deficit	(380)	(380)	0	0	(380)	0	0	0
Council Tax	0	0	0	0	0	0	0	0
- General	(82,244)	(82,244)	0	0	(82,244)	0	0	0
- WPCC	(318)	(318)	0	0	(318)	0	0	0
Council Tax and Collection Fund	**(84,329)**	**(84,329)**	**0**	**0**	**(84,329)**	**0**	**0**	**0**
FUNDING	**(146,065)**	**(146,065)**	**(14,310)**	**(19,190)**	**(146,065)**	**0**	**0**	**(537)**
NET	**1**	**13**	**123,109**	**33,520**	**1,601**	**1,588**	**1,899**	**2,357**

3E.Corporate Items	Council 2017/18 £000s	Original Budget 2017/18 £000s	Current Budget 2017/18 £000s	Year to Date Budget (Sep.) £000s	Year to Date Actual (Sep.) £000s	Full Year Forecast (Sep.) £000s	Forecast Variance at year end (Sep.) £000s	Forecast Variance at year end (Aug) £000s	Outturn Variance 2016/17 £000s
Cost of Borrowing	13,415	13,415	13,415	3,351	1,474	13,265	(150)	(150)	193
Impact of Capital on revenue budget	**13,415**	**13,415**	**13,415**	**3,351**	**1,474**	**13,265**	**(150)**	**(150)**	**193**
Investment Income	**(1,186)**	**(1,186)**	**(1,186)**	**(593)**	**(193)**	**(667)**	**519**	**519**	**(176)**
Pension Fund	**3,350**	**3,350**	**3,350**	**0**	**0**	**3,350**	**0**	**0**	**(498)**
Provision for excess inflation	451	451	436		0	436	0	0	(439)
Utilities Inflation Provision	300	300	300		0	300	0	0	(300)
Pay and Price Inflation	**751**	**751**	**736**	**0**	**0**	**736**	**0**	**0**	**(739)**
Contingency	1,500	1,500	1,500		0	1,250	(250)	(250)	(821)
Single Status/Equal Pay	100	100	100		3	100	0	0	(60)
Bad Debt Provision	500	500	500		0	500	0	0	(271)
Loss of income arising from P3/P4	400	400	400		0	0	(400)	(400)	(400)
Loss of HB Admin grant	200	200	179		0	79	(100)	(100)	(200)
Reduction in Education Services Grant	819	819	0		0	0	0	0	0
Apprenticeship Levy	450	450	450	188	(149)	450	0	0	0
Revenuisation and miscellaneous	889	889	1,276		585	1,276	0	0	(1,743)
Contingencies and provisions	**4,858**	**4,858**	**4,406**	**188**	**439**	**3,656**	**(750)**	**(750)**	**(3,495)**
Other income	0	0	0	0	(12)	0	0	0	(280)
CHAS IP/Dividend	(1,152)	(1,152)	(1,152)		0	(1,152)	0	0	(50)
Income items	**(1,152)**	**(1,152)**	**(1,152)**	**0**	**(12)**	**(1,152)**	**0**	**0**	**(330)**
Appropriations: CS Reserves	(667)	(667)	(1,316)	(1,316)	(661)	(1,316)	0	0	0
Appropriations: E&R Reserves	4	4	(450)	(450)	(143)	(450)	0	0	2
Appropriations: CSF Reserves	283	283	2	2	140	2	0	0	0
Appropriations: C&H Reserves	(104)	(104)	(150)	(150)	(46)	(150)	0	0	0
Appropriations:Public Health Reserves	(600)	(600)	(600)	(600)	0	(600)			0
Appropriations:Corporate Reserves	(2,443)	(2,443)	(2,893)	(2,893)	(450)	(2,893)	0	0	(3,093)
Appropriations/Transfers	**(3,528)**	**(3,528)**	**(5,407)**	**(5,407)**	**(1,160)**	**(5,407)**	**0**	**0**	**(3,091)**
Depreciation and Impairment	**(22,318)**	**(22,318)**	**(22,318)**	**0**	**0**	**(22,318)**	**0**	**0**	**0**
Central Items	**(5,809)**	**(5,809)**	**(8,156)**	**(2,461)**	**549**	**(8,537)**	**(381)**	**(381)**	**(8,136)**
Levies	**933**	**933**	**933**	**479**	**479**	**933**	**0**	**0**	**0**
TOTAL CORPORATE PROVISIONS	**(4,876)**	**(4,876)**	**(7,223)**	**(1,983)**	**1,028**	**(7,604)**	**(381)**	**(381)**	**(8,136)**

Pay and Price Inflation as at August 2017

In 2017/18, the budget includes 1% for increases in pay and 1.5% for increases in general prices, with an additional amount of £0.451m which is held to assist services that may experience price increases greatly in excess of the inflation allowance provided when setting the budget. With CPI inflation currently at 3.0% and RPI at 3.9% this budget will be held and it will only be released when it is certain that it will not be required.

Pay:

The local government pay award for 2017/18 was agreed last year covering 2016/17 and 2017/18. For the lowest paid (those on spinal points 6-17) this agreed a pay rise of between 6.6% and 1.01% in the first year, and between 3.4% and 1.3% in 2017/18. Those on spinal points 18-49 received 1% in year one and the same again in 2017/18. The offer also included a joint review of the NJC pay spine and term-time working for school support staff. Departmental budgets include provision for the 2017/18 pay award.

Prices:

The Consumer Prices Index (CPI) 12-month rate was 3.0% in September 2017, up from 2.9% in August 2017; it was last higher in March 2012. The main contributors to the increase in the rate were rising prices for food and recreational goods, along with transport costs, which fell by less than they did a year ago. These upward effects were partially offset by downward contributions from a range of goods and services, in particular clothing prices, which rose by less than they did a year ago.

CPIH, a measure of UK consumer price inflation that includes owner occupiers' housing costs, 12-month inflation rate was 2.8% in September 2017, up from 2.7% in August 2017

The RPI 12-month rate for September 2017 stood at 3.9%, unchanged from August .

Outlook for inflation:

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment. At its meeting ending on 13 September 2017, the Committee voted by a majority of 7-2 to maintain Bank Rate at 0.25%. The Committee voted unanimously to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion. The August 2017 Inflation Report was published on the 3 August 2017. The next MPC meeting to agree the Bank Base Rate will be held in early November.

In the minutes to its September meeting, the MPC noted that "The circumstances since the referendum on EU membership, and the accompanying depreciation of sterling, have been exceptional. Monetary policy cannot prevent either the necessary real adjustment as the United Kingdom moves towards its new international trading arrangements or the weaker real income growth that is likely to accompany that adjustment over the next few years. The MPC's remit specifies that, in such exceptional circumstances, the Committee must balance any trade-off between the speed at which it intends to return inflation sustainably to the target and the support that monetary policy provides to jobs and activity. Recent developments suggest that remaining spare capacity in the economy is being absorbed a little more rapidly than expected at the time of the August Report, and that inflation remains likely to overshoot the 2% target over the next three years."

In the August 2017 quarterly Inflation Report, the MPC sets out its view on the prospects for inflation and the report notes that "Although CPI inflation has been volatile, it has risen over 2017 and was 2.6% in June. It is expected to remain around 2¾% in the near term, boosted by higher import prices as a result of the
depreciation in sterling, before easing back towards the 2% target during 2018. Growth in firms' imported costs appears to have started moderating. Domestically generated inflation appears to have remained relatively subdued and inflation expectations remain consistent with the MPC's 2% target." Since the August inflation report, the MPC has met on 13 September and kept the Bank Base Rate at 0.25% but concluded that "there remain considerable risks to the outlook, which include the response of households, businesses and financial markets to developments related to the process of EU withdrawal. The MPC will respond to these developments as they occur insofar as they affect the behaviour of households and businesses, and the outlook for inflation. The Committee will continue to monitor closely the incoming evidence on these and other developments, and stands ready to respond to changes in the economic outlook as they unfold to ensure a sustainable return of inflation to the 2% target."

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

Table 11: Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (October 2017)			
2017 (Quarter 4)	Lowest %	Highest %	Average %
CPI	2.9	3.3	2.9
RPI	3.3	4.4	3.9
LFS Unemployment Rate	4.1	4.9	4.5
2018 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.5	3.0	2.4
RPI	2.6	3.9	3.2
LFS Unemployment Rate	3.6	5.4	4.6

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 2017 to 2021 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (August 2017)					
	2017	2018	2019	2020	2021
	%	%	%	%	%
CPI	2.7	2.6	2.2	1.9	1.9
RPI	3.5	3.5	3.0	3.0	3.0
LFS Unemployment Rate	4.5	4.7	4.8	4.8	4.8

Treasury Management: Outlook

At its meeting ending on 13 September 2017, the Committee voted by a majority of 7-2 to maintain Bank Rate at 0.25%. The Committee voted unanimously to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.

The increase in CPI inflation to 3% in September, its highest level in five-and-a-half years, will put pressure on the Bank of England to increase interest rates next month. RPI, at 3.9%, in September is also at its highest since 2012 which means that some costs which are increased based on September RPI (e.g.business rates) will jump by 3.9pc next April as a result. The Governor of the Bank of England, Mark Carney, was unable to give any clear signals to the markets on whether the central bank will push the base rate up to 0.5pc in November but it remains an option available to the central bank's policymakers. Under existing guidelines the Governor will be required to write to the Chancellor of the Exchequer to explain why the 2% inflation limit has been missed by more than a percentage point.

In the Bank of England's quarterly Inflation report for August 2017, the MPC set out its most recent assessment of the outlook for inflation and activity and outlined its view on the long-term outlook for interest rates. The MPC noted that "CPI inflation has remained above the 2% target as rises in import prices following the steep fall in the sterling exchange rate last year continue to pass through to consumer prices.... Overall, given a market-implied path for Bank Rate that rises by around ½ percentage point over the next three years, growth is projected to be modest and unemployment to stay close to its current rate. Import price pressures begin to fade in the second half of the forecast period, but are still keeping inflation above the 2% target at the end."
In the minutes to the MPC meeting ending on 13 September 2017, it was stated that "All MPC members continue to judge that, if the economy follows a path broadly consistent with the August Inflation Report central projection, then monetary policy could need to be tightened by a somewhat greater extent over the forecast period than current market expectations. A majority of MPC members judge that, if the economy continues to follow a path consistent with the prospect of a continued erosion of slack and a gradual rise in underlying inflationary pressure then, with the further lessening in the trade-off that this would imply, some withdrawal of monetary stimulus is likely to be appropriate over the coming months in order to return inflation sustainably to target. All members agree that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent."

The MPC's forecasts of Bank Base Rate in recent Quarterly Inflation Reports which were made pre-Brexit up to May 2016 are summarised in the following table:-

	End Q,3 2017	End Q,4 2017	End Q.1 2018	End Q.2 2018	End Q.3 2018	End Q.4 2018	End Q.1 2019	End Q.2 2019	End Q.3 2019	End Q.4 2019	End Q.1 2020	End Q.2 2020	End Q,3 2020
Aug.'17	0.2	0.3	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.7	0.7	0.7	0.8
May '17	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.5	
Feb'17	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.6	0.6	0.7		
Nov.'16	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.4			
Aug.'16	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2				
May '16	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.8					
Feb. '16	0.7	0.8	0.8	0.9	1.0	1.0	1.1						
Nov '15	0.9	1.0	1.1	1.1	1.2	1.3							
Aug.'15	1.4	1.5	1.6	1.7	1.7								
May '15	1.2	1.3	1.3	1.4									
Feb.'15	1.0	1.1	1.1										
Nov '14	1.7	1.7											
Aug.'14	2.3												

Source: Bank of England Inflation Reports

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.

Capital Budget Monitoring September 2017

Please note totals are now at the top of activity rather than the bottom

	Year to Date				Full Year Forecast	
Description	**Actuals**	**Budget**	**Variance**	**Revised Annual Budget**	**Forecast Outturn**	**Full Year Variance**
Capital	**8,793,287**	**16,868,808**	**(8,075,521)**	**51,370,740**	**44,409,366**	**(6,961,014)**
Corporate Services	**1,182,073**	**1,335,835**	**(153,762)**	**23,744,950**	**16,885,490**	**(6,859,460)**
Business Improvement	**88,413**	**487,335**	**(398,922)**	**1,810,280**	**2,569,400**	**759,120**
Customer Contact Programme	5,677		5,677	1,006,420	1,639,844	633,424
IT Systems Projects	3,905	274,565	(270,660)	405,460	386,260	(19,200)
Social Care IT System	78,831	212,770	(133,939)	398,400	543,296	144,896
Facilities Management Total	**410,888**	**462,500**	**(51,612)**	**2,658,030**	**2,658,030**	**0**
Works to other buildings	112,185	152,500	(40,315)	457,500	457,500	0
Civic Centre	1,385	75,000	(73,615)	275,000	275,000	0
Invest to Save schemes	290,451	75,000	215,451	1,478,720	1,478,720	0
Water Safety Works	6,866	60,000	(53,134)	153,990	153,990	0
Asbestos Safety Works		100,000	(100,000)	292,820	292,820	0
Infrastructure & Transactions	**702,510**	**345,000**	**357,510**	**2,268,190**	**2,268,190**	**0**
Disaster recovery site	91,340	210,000	(118,660)	513,790	513,790	0
Planned Replacement Programme	611,170	135,000	476,170	1,754,400	1,754,400	0
Resources	**(19,739)**	**41,000**	**(60,739)**	**165,870**	**165,870**	**0**
Financial System	(23,339)		(23,339)	18,070	18,070	0
ePayments System	3,600		3,600	106,800	106,800	0
Invoice Scanning SCIS/FIS		41,000	(41,000)	41,000	41,000	0
Corporate Items			**0**	**16,842,580**	**9,224,000**	**(7,618,580)**
Acquisitions Budget			0	6,372,180		(6,372,180)
Multi Functioning Device (MFD)			0	36,000	36,000	0
Community and Housing	**339,865**	**380,502**	**(40,637)**	**1,444,770**	**1,444,770**	**0**
Adult Social Care	**12,133**	**46,830**	**(34,697)**	**83,600**	**83,600**	**0**
ASC IT Equipment	12,133	17,670	(5,537)	39,850	39,850	0
Telehealth		29,160	(29,160)	43,750	43,750	0
Housing	**287,443**	**128,352**	**159,091**	**962,490**	**962,490**	**0**
Disabled Facilities Grant	287,443	128,352	159,091	962,490	962,490	0
Libraries	**40,289**	**205,320**	**(165,031)**	**398,680**	**398,680**	**0**
Library Enhancement Works	1,897	180,000	(178,103)	200,000	200,000	0
Major Library Projects	38,112	25,320	12,792	98,680	98,680	0
Libraries IT	280		280	100,000	100,000	0

Appendix 5a

Capital Budget Monitoring September 2017

Please note totals are now at the top of activity rather than the bottom

Description	Year to Date				Full Year Forecast	
	Actuals	Budget	Variance	Revised Annual Budget	Forecast Outturn	Full Year Variance
Children Schools & Families	**2,673,116**	**5,451,860**	**(2,778,744)**	**7,834,530**	**7,709,754**	**(124,416)**
Primary Schools	**(2,481)**	**678,500**	**(680,981)**	**1,248,430**	**1,248,110**	**40**
West Wimbledon		50,000	(50,000)	50,000	50,000	0
Hatfeild	8,112	8,000	112	69,200	69,200	0
Hillcross	35,559	50,000	(14,441)	40,310	40,310	0
Joseph Hood	11,337	40,000	(28,663)	28,220	27,220	(1,000)
Dundonald	(178,364)		(178,364)	116,070	116,070	0
Merton Abbey	45		45	0	2,040	2,040
Merton Park	10,469	20,000	(9,531)	10,900	10,900	0
Pelham		65,000	(65,000)	50,000	50,000	0
Poplar	(3,745)		(3,745)	1,000		(1,000)
Wimbledon Chase	11,765	60,000	(48,235)	81,000	81,000	0
Wimbledon Park		20,000	(20,000)	20,000	20,000	0
Malmesbury		27,000	(27,000)	33,400	33,400	0
Morden	12,716	100,000	(87,285)	110,000	110,000	0
Liberty		20,000	(20,000)	16,360	16,360	0
Links	1,458	20,000	(18,542)	16,050	16,050	0
Singlegate	17,639	45,000	(27,361)	213,290	213,290	0
St Marks	1,056	70,000	(68,944)	93,300	93,300	0
Lonesome	34,287		34,287	98,500	98,500	0
Sherwood				82,510	82,510	0
Stanford	1,056	50,000	(48,944)	48,000	48,000	0
William Morris	26,000	25,000	1,000	41,820	41,820	0
Unlocated Primary School Proj	21		21	0	0	0
St Mary's (RC)	8,109	8,500	(391)	28,500	28,500	0
Secondary School	**2,081,668**	**3,817,500**	**(1,735,832)**	**4,458,980**	**4,453,974**	**(5,006)**
Harris Academy Morden			0	50,060	50,060	0
Harris Academy Merton	1,925,841	2,137,500	(211,659)	3,061,900	3,056,900	(5,000)
St Mark's Academy			0	0		0
Rutlish			0	80,000	80,000	0
Harris Academy Wimbledon	155,827	1,680,000	(1,524,173)	1,267,020	1,267,014	(6)
SEN	**442,131**	**834,570**	**(392,439)**	**1,658,340**	**1,570,790**	**(87,550)**
Perseid	355,706	653,500	(297,794)	1,277,270	1,267,720	(9,550)
Cricket Green		1,070	(1,070)	273,140	273,070	(70)
Secondary School Autism Unit		20,000	(20,000)	30,000	30,000	0
Unlocated SEN	86,425	160,000	(73,575)	77,930		(77,930)
CSF Schemes	**151,799**	**121,290**	**30,509**	**468,780**	**436,880**	**(31,900)**
CSF - IT Schemes			0			
School Equipment Loans			0	104,900	100,000	(4,900)
Devolved Formula Capital	151,799	121,290	30,509	363,880	336,880	(27,000)

Appendix 5a

Capital Budget Monitoring September 2017

Please note totals are now at the top of activity rather than the bottom

Description	Year to Date				Full Year Forecast	
	Actuals	Budget	Variance	Revised Annual Budget	Forecast Outturn	Full Year Variance
Environment and Regeneration	**4,598,234**	**9,700,611**	**(5,102,378)**	**18,346,490**	**18,369,352**	**22,862**
Public Protection and Developm	**147,726**	**88,196**	**59,530**	**203,240**	**203,240**	**0**
Off Street Parking - P&D			0	0		0
CCTV Investment	147,726	76,696	71,030	191,740	191,740	0
Public Protection and Developm		11,500	(11,500)	11,500	11,500	0
Street Scene & Waste	**(112,258)**	**1,522,580**	**(1,634,838)**	**1,640,080**	**1,728,282**	**88,202**
Fleet Vehicles	142,302	380,000	(237,698)	350,000	350,000	0
GPS Vehical Tracking Equipment	35,896	37,990	(2,094)	159,990	248,192	88,202
Alley Gating Scheme	25,955	20,000	5,955	40,000	40,000	0
Smart Bin Leases - Street Scen			0	5,500	5,500	0
Waste SLWP	(316,412)	1,084,590	(1,401,002)	1,084,590	1,084,590	0
Sustainable Communities	**4,562,766**	**8,089,835**	**(3,527,069)**	**16,503,170**	**16,437,830**	**(65,340)**
Street Trees	7,656	33,300	(25,644)	60,000	60,000	0
Highways & Footways	1,940,721	2,894,193	(953,472)	4,414,750	4,414,750	0
Cycle Route Improvements	219,178	332,800	(113,622)	904,440	904,800	360
Mitcham Transport Improvements	1,455	130,166	(128,711)	307,880	307,880	0
Electric Vehicle Infrastructur		15,000	(15,000)	15,000	15,000	0
Unallocated Tfl			0			0
Tackling Traffic Congestion	239,389	244,432	(5,043)	410,950	410,950	0
Industrial Estates		76,880	(76,880)	0	0	0
Colliers Wood Area Regeneratio	146,408	188,610	(42,202)	188,610	188,610	0
Mitcham Area Regeneration	799,828	327,066	472,762	2,082,260	2,042,260	(40,000)
Morden Area Regeneration			0	200,000	200,000	0
Borough Regeneration	9,689	79,870	(70,181)	129,870	110,670	(19,200)
Morden Leisure Centre	1,101,053	3,790,228	(2,689,175)	6,773,710	6,773,710	0
Sports Facilities	6,023	123,500	(117,477)	530,960	524,460	(6,500)
Parks	91,366	(200,100)	291,466	430,850	430,850	0
Mortuary Provision		53,890	(53,890)	53,890	53,890	0

Virement, Re-profiling and New Funding - September 2017

Appendix 5b

		2017/18 Budget	Virements	Adjusted & New Funding	Reprofiling	Revised 2017/18 Budget	2018/19 Budget	Reprofiling	Revised 2018/19 Budget	Narrative
Corporate Services	-	£	£	£	£	£	£		£	
Invest to Save schemes	(1)	**3,188,720**			(1,710,000)	**1,478,720**	**300,000**	1,710,000	**2,010,000**	Lantern Upgrade Start. Jan./Feb. '18 & finishing March '19.
Childen, Schools and Families	-									
West Wimbledon Schools Capital maintenance		**56,090**		(6,090)		**50,000**	**0**		**0**	
Hatfeild Schools Capital maintenance		**8,000**		47,870		**55,870**	**0**		**0**	
Hillcross Schools Capital maintenance		**50,000**		(9,690)		**40,310**	**0**		**0**	
Joseph Hood Schools Capital maintenance		**40,000**		(14,500)		**25,500**	**0**		**0**	
Dundonald Schools Capital maintenance		**10,000**		20,000		**30,000**	**0**		**0**	
Merton Park Schools Capital maintenance		**20,000**		(9,100)		**10,900**	**0**		**0**	
Pelham Schools Capital maintenance		**65,000**		(15,000)		**50,000**	**0**		**0**	
Wimbledon Chase Schools Capital maintenance		**60,000**		21,000		**81,000**	**0**		**0**	
Wimbledon Park Schools Capital maintenance		**20,000**		0		**20,000**	**0**		**0**	Schools Capital Maintenance Schemes funded by
Malmesbury Schools Capital maintenance		**27,000**		6,400		**33,400**	**0**		**0**	£148,700 Schools Contribution and £70,120 virement
Morden Schools Capital maintenance		**100,000**		10,000		**110,000**	**0**		**0**	from Harris Merton. Harris merton Currently has
Liberty Schools Capital maintenance		**20,000**		(3,640)		**16,360**	**0**		**0**	£150,000 uncommitted budget as part of the scheme
Links Schools Capital maintenance		**20,000**		(3,950)		**16,050**	**0**		**0**	
Singlegate Schools Capital maintenance		**45,000**		19,000		**64,000**	**0**		**0**	
St Marks Schools Capital maintenance		**70,000**		23,300		**93,300**	**0**		**0**	
Lonesome Schools Capital maintenance		**61,500**		37,000		**98,500**	**0**		**0**	
Sherwood Schools Capital maintenance	(1)	**0**	70,120	12,390		**82,510**	**0**		**0**	
Stanford Schools Capital maintenance		**50,000**		(2,000)		**48,000**	**0**		**0**	
William Morris Schools Capital maintenance		**21,620**		20,200		**41,820**	**0**		**0**	
Rutlish Schools Capital maintenance		**88,000**		(8,000)		**80,000**	**0**		**0**	
Perseid Schools Capital maintenance		**6,040**		3,510		**9,550**	**0**		**0**	
Cricket Green School Expansion	(1)	**1,070**	272,070			**273,140**	**0**	5,028,000	**5,028,000**	Moved from unlocated scheme to Cricket Green
Unlocated SEN	(1)	**350,000**	(272,070)			**77,930**	**5,324,090**	(5,028,000)	**296,090**	Moved from unlocated scheme to Cricket Green
Harris Academy Wimbledon	(1)	**1,811,550**			(544,530)	**1,267,020**	**4,929,700**	544,530	**5,474,230**	Reprofiling in accordance with anticipated spend
Harris Academy Merton	(1)	**3,132,020**	(70,120)			**3,061,900**	**100,000**		**100,000**	Virement to Schools capital maintenance
Environment & Regeneration	-									
Industrial Estates	(1)	**452,750**			(452,750)	**0**	**0**		**0**	Budget relinquished as no plans to spend
S106 Shop Front Improvement		**30,800**		50,000		**80,800**	**0**		**0**	Additional Section 106 Funding
Morden Leisure Centre	(1)	**8,029,540**			(1,255,830)	**6,773,710**	**4,500,530**	1,255,830	**5,756,360**	Slippage to 18/19 in line with current build prog.
TFL Quietways		**0**		44,700		**44,700**			**0**	Additional TFL funding
Total		**17,834,700**	**0**	**243,400**	**(3,963,110)**	**14,114,990**	**15,154,320**	**3,510,360**	**18,664,680**	

Capital Programme Funding Summary 2017/18

Narrative	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	**£000s**	**£000s**
Revised Funding - August 2017 Monitoring	**41,128**	**13,962**	**55,090**
<u>Corporate Services</u>			
Invest to Save schemes	(1,710)	0	(1,710)
<u>Children, Schools and Families</u>			
School Contributions to Capital Maintenance	0	149	149
Harris Academy Wimbledon	(545)	0	(545)
<u>Environment and Regeneration</u>			
Industrial Estates	(453)	0	(453)
S106 Shop Front Improvement	50	0	50
Morden Leisure Centre	(1,256)	0	(1,256)
TFL Quietways	0	45	45
Revised Funding - September 2017 Monitoring	**37,215**	**14,156**	**51,371**

Capital Programme Funding Summary 2018/19

Narrative	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	**£000s**	**£000s**
Approved Programme - July Monitoring	**37,080**	**17,933**	**55,013**
<u>Environment and Regeneration</u>			
Parks - Canons Parks for the People	**0**	**1,117**	**1,117**
Mitcham Area Regeneration - Parks for the People	**0**	**2,032**	**2,032**
Proposed Programme - August Monitoring	**37,080**	**21,083**	**58,162**
<u>Corporate Services</u>			
Invest to Save schemes	1,710	0	1,710
<u>Children, Schools and Families</u>			
Harris Academy Wimbledon	545	0	545
<u>Environment and Regeneration</u>			
Morden Leisure Centre	**1,256**	**0**	**1,256**
Proposed Programme - August Monitoring	**40,590**	**21,083**	**61,673**

APPENDIX 6

Department	Target Savings 2017/18	Projected Savings 2017/18	Period 6 Forecast Shortfall	Period 5 Forecast Shortfall	Period Forecast Shortfall (P6)	2018/19 Expected Shortfall
	£000	£000	£000	£000	%	£000
Corporate Services	1,484	1,248	236	196	15.9%	158
Children Schools and Families	1,110	1,093	17	17	1.5%	0
Community and Housing	2,673	1,877	796	760	29.8%	150
Environment and Regeneration	3,050	1,603	1,447	1,447	47.4%	281
Total	**8,317**	**5,821**	**2,496**	**2,420**	30.0%	**589**

APPENDIX 6

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2017/18-Sept 2017

Ref	Description of Saving	2017/18 Savings Required £000	2017/18 Expected Savings £000	Shortfall £000	RAG	2017/18 Mitigated by Growth £000		2018/19 Savings Expected £000	2018/19 Expected Shortfall £000	18/19 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend ? Y/N
	Adult Social Care												
CH38, CH1	**Placements** (replaces three original savings proposals). Given ongoing market pressures and extensive work already undertaken to review OP packages, the savings can only be achieved by more targeted work to manage demand. There will be a focus on three areas: 1) demand coming through transition into adulthood, 2) maximising reablement opportunities to reduce long term needs, 3) Reviewing equity of access and resource in areas such as 1:1 care, night cover, double-up care, 15 min daytime visits and multiple provisions.	827	827	0	G			827	0	G	**Richard Ellis**	There is a focus on learning disabilities where package costs tend to be much higher and direct payments. 350 reviews have been carried out. £533k has been achieved to date.	Y
CH20, CH58, CH54, CH 37, CH59	**Staff savings**: most were brought forward to 2016/17. These represent the residual savings in Direct provision	100	100	0	G			100	0	G	**Andy Ottaway-Searle**	Achieved	Y
CH57	**Staff savings:** transfer of savings from housing	50	0	50	R			0	(50)	R	**Richard Ellis**	Options are currently being considered	Y
CH2, CH3	**Contracts:** re-commissioning of home care contracts. Moving packages from high cost spot purchased care to contract rate.	215	97	118	A			215	0	G	**Richard Ellis**	The new contracts will be in place by January 2018. The ability to transfer current spot purchased packages depends on the ability of the new providers to recruit carers.	Y
CH35, CH36, CH52	**Supporting People**: re-commissioning of former Supporting People contracts. Savings can be achieved by removing funding from community alarms and reducing the capacity for housing support (including single homeless, mental health and young people at risk)	100	0	100	R			0	(100)	R	**Richard Ellis**	Further work on the options and impacts of reducing out subsidy of community alarms is being considered. The project is therefore deferred to 2018/19.	Y

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2017/18-Sept 2017

Ref	Description of Saving	2017/18 Savings Required £000	2017/18 Expected Savings £000	Shortfall £000	RAG	2017/18 Mitigated by Growth £000		2018/19 Savings Expected £000	2018/19 Expected Shortfall £000	18/19 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend ? Y/N
CH35, CH36, CH52	**Supporting People**: re-commissioning of former Supporting People contracts. Savings can be achieved by removing funding from community alarms and reducing the capacity for housing support (including single homeless, mental health and young people at risk)	356	0	356	A	(356)		356	0	G	**Richard Ellis**	Contracts do not end until the end of November 2017. This is a challenging sector with a reducing number of providers. Two contracts have been handed back in the last year. The Homelessness Prevention Bill may result in more people coming forward for support, whilst existing provision is already fully utilised. The optimal procurement route means that the process will now take longer than expected and savings will not accrue until 2018/19.	Y
CH53	**Vol orgs Grant**	600	600	0	G			600	0	G	**Richard Ellis**	Achieved	Y
	Subtotal Adult Social Care	**2,248**	**1,624**	**624**		**(356)**		**2,098**	**(150)**				
	Library & Heritage Service												
CH7	Introduce self-serve libraries at off peak times: Smaller libraries to be self-service and supported only by a security guard during off peak times (nb. Saving would be reduced to £45k if Donald Hope and West Barnes libraries are closed). 3.5FTE at risk	90	90	0	A			90	0	G	**Anthony Hopkins**	These savings were delivered as part of a full organisational review, which has reduced the workforce by approx. 33%. The new delivery model has been in place since 1 May 2017. Current issue with agency spend but working to deliver savings	Y
CH49	Additional staff savings (Deletion of 1.5xFTE)	38	38	0	A			38	0	G	**Anthony Hopkins**		Y
CH50	Deletion of Projects & Procurement Manager post (Deletion of 0.6xFTE)	22	22	0	A			22	0	G	**Anthony Hopkins**		Y
CH70	Additional staffing efficiencies and consolidation of branch managers	63	63		A			63	0	G	**Anthony Hopkins**		
CH71	Reduction in People's Network costs	40	40	0	G			40	0	G	**Anthony Hopkins**		Y
	Housing Needs & Enabling												
CH9	Rationalisation of admin budget :	36		36	G			36	0	G	**Steve Langley**	Service currently restructuring to achieve savings. Service is awaiting information on HRA settlement in November	Y
CH10	Deletion of one staffing post	36		36	R			36	0	G	**Steve Langley**		Y
CH43	Further Staff reductions. This will represent a reduction in staff from any areas of the HNES & EHH :	100		100	R			100	0	G	**Steve Langley**		Y

APPENDIX 6

DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 17-18

Ref	Description of Saving	2017/18 Savings Required £000	2017/18 Savings Expected £000	Shortfall	17/18 RAG		2018/19 Savings Expected £000	2018/19 Expected Shortfall £000	18/19 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	Cross cutting											
CSF2016-01	Deletion of Assistant Director, Service Manager and half an admin support posts as part of phased restructure of the department.	224	207	17	A		224	0	G	Paul Angeli	Due to the number of management changes affecting social care and the preparation required for the OFSTED inspection, it is required to provide cover for the Service Manager reduction in the short term. Quantification of this shortfall is reviewed monthly.	Y
	Contracts and School Organisation											
CSF2015-05	property and contracts 1 FTE.	65	65	0	G		65	0	G	Jane McSherry		
	Early Years											
CSF2013-01	Substantial reduction in EY budgets whilst retaining existing Children's Centres targeted work in areas of higher deprivation (up to 10% reduction overall to Children's Centre services). Reduction in funding and in kind contributions to voluntary sector organisations	250	250	0	G		250	0	G	Jane McSherry		
CSF2014-09	We are working on the detailed proposals which will in essence reduce the service to paid-for childcare (parents and DSG) with a very limited targeted service for highly vulnerable families.	296	296	0	G		296	0	G	Jane McSherry		
	School Standards and Quality											
CSF2013-02	Reduced service offer from School improvement service.	75	75	0	G		75	0	G	Jane McSherry		
	Schools											
CSF2015-03	Increased income from schools and/or reduced LA service offer to schools.	200	200	0	G		200	0	G	Jane McSherry		
	Total Children, Schools and Families Department Savings for 2015/16	**1,110**	**1,093**	**17**			**1,110**	**0**				

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 17-18

Ref	Description of Saving	2017/18 Savings Required £000	2017/18 Savings Expected £000	Shortfall	17/18 RAG	2018/19 Savings Expected £000	2018/19 Expected Shortfall £000	18/19 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	Customer Services										
CS60	Deletion of Assistant Director post	109	109		G	109		G	Caroline Holland		N
CSD17	Reduce Marketing budget - Increase self service by using Panacea - marketing solution software in order to reduce designer costs for smaller marketing jobs	73	73		G	73		G	Sophie Poole		N
CS2015-04	Increase in Registrars income	25	25		G	25		G	Sean Cunniffe/Tomas Dyson		N
CS2016 -04	Increase income through Registrars service	15	15		G	15		G	Sean Cunniffe/Tomas Dyson		N
	Business Improvement										
CS63	Reorganisation of systems development and support arrangements.	74	74		G	74		G	Clive Cooke		N
CSD42	Restructure functions, delete 1 AD and other elements of management	170	100	70	R	100	70	R	Sophie Ellis		Y
CS2015-08	Staffing support savings	13	0	13	R	0	13	R	Sophie Ellis		N
	I & T										
CS70	Apply a £3 administration charge to customers requesting a hard copy paper invoice for services administered by Transactional Services team	35	0	35	R	0	35	R	Pam Lamb	Due to delays in implementation of e5, Sharepoint and EDRMS there will be a delay in achieving this. Alternative to be identified within the division.	N
CS71	Delete two in house trainers posts	42	42		G	42		G	Richard Warren		N
CS72	Consolidation of Infrastructure & Transactions revenue budgets	34	34		G	34		G	Tina Dullaway		N
CS2015-09	Restructure of Safety Services & Emergency Planning team	18	18		G	18		G	Adam Vicarri		N
CS2016-08	Potential income derived from letting two floors of vacant office space within the Civic centre to external/partner organisations.	90	90		G	90		G	Mark Humphries		N
	CEX				G			G			N
CS2015-07	Reduction in running cost budgets	28	28		G	28		G	Sophie Jones		N
	Resources										
CS46	Resources -Deletion of 3 Posts within the Division	78	78		G	78		G	R Kershaw		N
CS66	Review recharges of Resources support function to pension fund	47	47		G	47		G	R Kershaw/Paul Audu		N
CSD20	Increased income	16	16		G	16		G	R Kershaw		N
CSD23	Cut running costs budgets	3	3		G	3		G	Bindi Lakhani		N
CSD26	Delete 1 Business Partner	78	0	78	R	78		G	Caroline Holland	Due to delays in projects this saving will not be achieved until 18/19	N
CSD46	Reduce budget for LCGS to match actual contribution	81	81		G	81		G	John Dimmer		N
CS2016-01	Reduction in contribution to insurance fund	100	100		G	100		G	R Kershaw/Paul Audu		N
	Human Resources										
CSD34	Learning and Development admin support	18	18		G	18		G	Kim Brown		N
CSD35	Learning and Development Budget	134	134		G	134		G	Kim Brown		N
	Corporate Governance										
CS73	Saving from 4 borough shared legal service	20	20		G	20		G	Fiona Thomsen		N
CSD43	Share FOI and information governance policy with another Council	40	0	40	R	0	40	R	Graham Owen		N
CSD45	Share audit and investigation service	20	20		G	20		G	Margaret Culleton		N

APPENDIX 6

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 17-18

Ref	Description of Saving	2017/18 Savings Required £000	2017/18 Savings Expected £000	Shortfall	17/18 RAG	2018/19 Savings Expected £000	2018/19 Expected Shortfall £000	18/19 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspe nd? Y/N
CS2015-13	Reduction in capacity and service efficiency in Investigation service	40	40		G	40		G	Margaret Culleton		
CS2015-14	Reduction in capacity and service efficiency in Audit service	33	33		G	33		G	Margaret Culleton		
CS2016-03	Supplies & Services	50	50		G	50		G	Julia Regan		
	Total Corporate Services Department Savings for 2016/17	1,484	1,248	236		1,326	158				

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APPENDIX 6

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2017-18

Ref	Description of Saving	2017/18 Savings Required £000	2017/18 Savings Expected £000	Shortfall	17/18 RAG	2018/19 Savings Expected £000	2018/19 Expected Shortfall £000	18/19 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	SUSTAINABLE COMMUNITIES										
ER23b	Restructure of team to provide more focus on property management and resilience within the team.	18	0	18	R	18	0	A	James McGinlay	Business Case for restructure in progress, but due to the delay it's unlikely to be fully achieved this financial year. Saving being achieved through rents (reported through monthly budget return).	Y
E&R5	Team transformation and asset review	82	82	0	A	82	0	A	James McGinlay	Business Case for restructure in progress, but expecting to achieve this saving once implemented. Saving being achieved through rents (reported through monthly budget return).	Y
D&BC1	Fast track of householder planning applications	55	0	55	R	0	55	R	James McGinlay	This saving is not currently being achieved. The team is extremely short of management support and has no resource available to launch this complex new service.	Y
D&BC2	Growth in PPA and Pre-app income	50	0	50	R	0	50	R	James McGinlay	Monitor throughout the year.	Y
D&BC3	Commercialisation of building control	50	0	50	R	0	50	R	James McGinlay	This saving is not currently being achieved. The shared service discussions with Sutton and Kingston are still underway and a future direction decision is awaited at Director level.	Y
D&BC4	Deletion of 1 FTE (manager or deputy) within D&BC	45	45	0	G	45	0	G	James McGinlay		N
D&BC5	Eliminate the Planning Duty service (both face to face and dedicated phone line) within D&BC	35	0	35	R	0	35	R	James McGinlay	Savings taken - implementation late 2017.	Y
D&BC6	Stop sending consultation letters on applications and erect site notices only	10	0	10	R	0	10	R	James McGinlay	Not implemented. Linked to national planning fee increase.	Y
E&R32	Income from wifi concessionary contract to be let from 2015/16	5	5	0	G	5	0	G	James McGinlay		N
ENV20	Increased income from building control services.	35	0	35	R	0	35	R	James McGinlay	Not able to implement	Y
ENV24	Cease subscription to Urban London and Future London Leaders	10	10	0	G	10	0	G	James McGinlay		N
ENV34	Increased income from the non-operational portfolio.	8	8	0	G	8	0	G	James McGinlay		N
	PUBLIC PROTECTION										
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	125	0	G	John Hill		N
E&R7	Due to additional requests from residents, the budget will be adjusted to reflect the demand for and ongoing expansion of Controlled Parking Zone coverage in the borough.	163	163	0	A	163	0	A	John Hill	The 2017/18 saving is expected to be achieved based on the latest CPZ forecast.	N
E&R8	In response to residents concerns about traffic congestion, enforcement of moving traffic contraventions, following the Implementation of ANPR.	-1,540	-1,540	0	G	-1540	0	G	John Hill		N
E&R14	Further expansion of the Regulatory shared service.	100	0	100	R	100	0	A	John Hill	Wandsworth staff will transfer under TUPE to Merton on 1st November with the new expanded service formally going live on 1st April 2018.	Y
E&R43	Reprofiling how Safer Merton will achieve savings of £70,000 in 2017-18. The reprofiling will see staff levels maintained and budget reductions met through cutting back on non statutory budgetary spend.	70	70	0	G	70	0	G	John Hill	Due to the delay in recruiting the Integrated Offender Management co-ordinator this saving will not be met in full during 2017/18. The shortfall relates to the IOM salary.	Y
ENV02	Review the current CEO structure, shift patterns and hours of operation with the intention of moving toward a two shift arrangement based on 5 days on/2 days off.	190	0	190	R	190	0	A	John Hill	This saving is not currently being achieved as the there has been slippage in the timetable for the restructure. Mitigation could come from increased revenue.	Y
ENV03	Reduction number of CEO team leader posts from 4 to 3	45	0	45	R	45	0	A	John Hill	This saving is not currently being achieved for the same reasons as those given in respect of ENV02 .	Y
ENV04	Improved management of traffic flows/congestion and availability of parking space through Increase compliance	250	250	0	A	250	0	A	John Hill	Saving expected to be achieved but too early in the year to be certain.	N

ENV05	Review the back office structure based upon the anticipated tailing off of ANPR activity and the movement of CCTV into parking services.	70	0	70	R		70	0	A	John Hill	The implementation of this saving has been delayed by the slower than anticipated implementation of ANPR and its effect on the back office function. The review can take place when a full year's ANPR impact can be measured (which will be late Autumn 2017)	**Y**
ENV06	Reduction in transport related budgets	46	0	46	R		0	46	R	John Hill	This saving has not yet been achieved as a number of options are being considered as the best way to meet this target.	**Y**
ENV09	Investigate potential commercial opportunities to generate income	50	25	25	R		50	0	A	John Hill	Although early in the process, there may be difficulty in achieving the full year effect for 2017/18. The income generating RSP Business Development team is scheduled to become operational in September 2018.	**Y**
ENV10	Reduction in Transport/Supplies and Services budget through greater efficiency	10	10	0	G		10	0	G	John Hill		**N**
ENV33	Development of emissions based charging policy for resident/business permits recognising the damage particulary from diesel engined motor vehicles	250	250	0	G		250	0	G	John Hill		**N**
ENR3	Increase the cost of existing Town Centre Season Tickets in Morden, Mitcham and Wimbledon.	16	16	0	G		16	0	G	John Hill		**N**
	SENIOR MANAGEMENT											
ENV01	Reduce the level of PA support to Heads of Service by 0.6fte.	19	19	0	G		19	0	G	Chris Lee		**N**
	PUBLIC SPACE											
E&R1	Arts Development - further reduce Polka Theatre core grant	5	5	0	G		5	0	G	Graeme Kane		**N**
E&R2	Water sports Centre - Additional income from new business - Marine College & educational activities.	10	10	0	G		10	0	G	Graeme Kane		**N**
E&R3	Various Budgets - Reduction in supplies & services &/or increased income over expenditure	16	16	0	G		16	0	G	Graeme Kane		**N**
E&R16	Joint procurement of waste, street cleansing, winter maintenance and fleet maintenance services (Phase C)	1,500	1,400	100	R		1500	0	G	Graeme Kane	Full savings not achieved in Year 1 of contract. Actual savings delivered are being monitored closely	**Y**
E&R20	To contribute to a cleaner borough, enforcement of litter dropping under EPA/ ASB legislation with FPN fines for contraventions.	-3	-3	0	G		-3	0	G	Graeme Kane		**Y**
E&R25	Joint procurement of greenspace services as part 2 of the Phase C SLWP procurement contract with LB Sutton	160	160	0	G		160	0	G	Graeme Kane		**N**
ENV11	Outsource leisure and sports activities	59	59	0	G		59	0	G	Graeme Kane		**N**
ENV12	Loss of head of section/amalgamated with head of Greenspaces	70	0	70	R		70	0	A	Graeme Kane	Expected to be achieved in 2018/19.	**Y**
ENV13	Staff savings through the reorganisation of the back office through channel shift from phone and face to face contact.	70	0	70	R		70	0	G	Graeme Kane	Saving forms part of Phase C, but may not be achieved this financial year.	**Y**
ENV18	Increased income from events in parks	100	0	100	R		100	0	A	Graeme Kane	This saving is not currently being achieved. Work continues to identify how income from events in parks, including developing working partnerships with external event production companies, can be generated.	**Y**
ENV19	Planned re-distribution of North East Surrey Crematorium funds	90	90	0	G		90	0	G	Graeme Kane		**N**
ENV21	Reduction in the grant to Wandle Valley Parks Trust	6	6	0	G		6	0	G	Graeme Kane		**N**
ENV22	Reduction in grant to Mitcham Common Conservators.	24	24	0	G		24	0	G	Graeme Kane		**N**
ENV23	Further savings from the phase C procurement of Lot 2.	160	89	71	R		160	0	A	Graeme Kane	Saving forms part of Phase C, but may not be achieved this financial year.	**Y**
ENV25	Department restructure of the waste section	191	0	191	R		191	0	G	Graeme Kane	Saving forms part of Phase C, but may not be achieved this financial year.	**Y**
ENV26	Re-balancing of rounds	20	0	20	R		20	0	G	Graeme Kane	Saving forms part of Phase C, but may not be achieved this financial year.	**Y**
ENV27	Remove free provision of food waste liners	66	0	66	R		66	0	G	Graeme Kane	Saving forms part of Phase C, but may not be achieved this financial year.	**Y**
ENV28	Divert gully waste and mechanical Street sweepings from landfill through pre-treatment and recycling	37	37	0	A		37	0	A	Graeme Kane	Working closely with SLWP to prioritise this project.	**Y**
ENV29	Realign budget to reflect actual income achieved through sale of textiles	20	20	0	A		20	0	A	Graeme Kane	Price of textiles continue to fall. Income levels to be monitored closely.	**Y**
ENV30	Increase annual Garden Waste subscription fees by £5 p.a.	30	0	30	R		30	0	G	Graeme Kane	Saving forms part of Phase C, but may not be achieved this financial year.	**Y**
ENV31	Commencing charging schools for recyclable waste (17/18) and food waste (18/19) collection	102	102	0	G		102	0	G	Graeme Kane	Saving forms part of Phase C, but may not be achieved this financial year.	**Y**
ENV36	Review and removal of NRCs	50	50	0	G		50	0	G	Graeme Kane		**Y**
	Total Environment and Regeneration Savings 2017/18	**3,050**	**1,603**	**1,447**			**2,769**	**281**				

Appendix 6

Unachieved savings projected shortfall in 2017/18

	16/17			17/18			
	C&H	E&R	CS	C&H	E&R	CS	CSF
Expenditure							
Employees		92	30	222	498	201	17
Premises Related Expenditure							
Transport Related Expenditure					46		
Supplies and Services					10		
Grant shortfall					0		
Placements				118			
Direct payments							
Contracts		30		456	478		
GROSS EXPENDITURE	**0**	**122**	**30**	**796**	**1,032**	**201**	**17**
Income							
Customer and Client Receipts		405			315	35	
MAE income							
BCF Income							
Greenspaces Income		100			100		
Future Merton Income							
GROSS INCOME	**0**	**505**	**0**	**0**	**415**	**35**	**0**
NET EXPENDITURE	**0**	**627**	**30**	**796**	**1,447**	**236**	**17**
	Mitigated by growth						

APPENDIX 7

Department	Target Savings 2016/17	2016/17 Shortfall	2017/18 Projected shortfall	2018/19 Projected shortfall
	£000's	£000's	£000's	£000's
Corporate Services	2,316	288	30	30
Children Schools and Families	2,191	0	0	0
Community and Housing	5,379	1,727	C&H Savings in 16/17 is mitigated by growth received in 17/18.	0
Environment and Regeneration	4,771	2,573	627	240
Total	**14,657**	**4,588**	**657**	**270**

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2016/17- Sept 2017

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG
	Adult Social Care				
CH02	**Promoting Independence** - Public Value Review - Efficiencies to be found in hospital discharge process and by enabling customers to regain and maintain independence	100	79	22	G
CH29	**Older People - Managing Crisis (including hospital discharge) admissions to residential car**e. This would include a number of activites designed to reduce admissions to residential care plaxcements. We would be looking to families to continue to support people at home for longer. This would fit in with our overall approach to enable independence.	125	0	125	R
CH34	**Substance Misuse Placements - Actively manage throughput in residential rehab placements** - A reduction in the placements available for Substance misuse clients	6	0	6	R

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2016/17- Sept 2017

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG
CH05	**Realise benefits of new prevention programme in terms of reduced demand for statutory services, or alternatively if these benefits have not occurred then to reduce investment in the prevention programme through reduced grants to Voluntary Organisations.** -Reduced demand for statutory services or reduced level of preventative services. In the latter case people would lose some of the services which make their life fuller.	500	500	0	G
CH04	**Reduce Management costs and reduction in staffing costs Access & Assessment**- Staffing restructure to deliver efficient processes, and building on planned shift of some customers to manage their own processes.	100	100	0	G
CH20	**Access and Assessment Employees - Staff Savings12 FTE to be deleted in 2016/17 12 FTE in 17/18, 12 FTE in 18/19 - These savings will come from across Access and Assessment, covering all service area**s. - Reduction in the ability to carry out assessments and reviews, social work support, safeguarding activites, DOLs responsibilities and financial assessments. (CH20)	511	511	0	G

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2016/17- Sept 2017

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG
CH58	**Access and Assessment Employees - Staff Savings**	700	700	0	G
CH22	**Commissioning Employees- Staff Savings- 4 FTE to be deleted**- Reduced capacity to monitor quality within provider services, reduced capacity to monitor performance within services and a reduced capacity to proactively work to sustain and develop a local provider market.	156	156	0	G
CH21	**Direct Provision Employees - Staff Savings 11FTE to be deleted**- Less activities available both at day centres and in the community. Clients would spend more time in larger congregated settings with less choice of activities. These savings would be made across the three LD and PD day centres.	274	274	0	G
CH59	**Direct Provision Residential and supported living management -staff reductions**- We would expect to keep front line support staff but reduce management. This would mean less resource to provide outreach and the emphasis would primarily on providing core services (Bring forward savings -CH37) 2 FTE's	100	100	0	G

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2016/17- Sept 2017

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG
CH23	**Directorate- Staff Savings - 0.46 FTE to be deleted- None, post now funded by Public Health**	21	21	0	G
CH64	**Directorate- Staff Savings -** (Budget contribution to Joint Public Health consultant post to be deleted)- None, post now funded by Public Health	30	30	0	G
CH24	**Learning Disabilities- High Cost Packages** - **Review of High Cost Packages with a view to promoting independence**This would be a holistic review of 17 identified high cost placements (i.e. those receiving packages of care over £1,500 per week and not health funded). We will use promoting Independence as the basis of these reviews. We are designing these figures based on a 6% reduction in support for the identiified client group.	100	0	100	R

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2016/17- Sept 2017

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG
CH25	**Learning Disabilities- Medium Cost Packages- Review of medium cost packages with a view of promoting independence** -This would be a holistic review of identified medium cost placements of care of between £400 -£1,500 per week and not health funded). We will use the promoting independence model as the basis for these reviews. We are designing these figures based on a 10% reduction in support for the relevant clients within the identified group.	400	0	400	R
CH26	**Learning Disabilities - Direct Payments**- Review of all Direct Payments in Learning Disabilities with a view to promoting independence .We will review the Direct Payments received by clients to assess whether it is still set at the appropriate level for their needs and whether the full payment is being utilised. We will use the promoting independence model as the basis of these reviews. We anticipate this being a reduction of 7% for the individual support packages within this client group. There are currently 98 packages in this group.	50	50	0	R

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2016/17- Sept 2017

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG
CH27	**Mental Health- Care Packages - Review of support packeges within all areas ofMental Health services.** - We anticipaate this being a reduction of 5% across all support packages and will include a review of Direct Payments within this area. Options include less use of residential placements and quicker reviews as part of a recovery model.	76	0	76	R
CH28	**Older People- Home Care Review of Home Care within support packages.** There are currently 596 Older People within Merton receiving home care within their support packages. This represents an average reduction of 9% in home care support packages.	387	0	387	R

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2016/17- Sept 2017

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG
CH30	**Older People - Review of Direct Payments support packages** - Review of Direct Payments in Older People using the enablement model. We will review the Direct Payments received by clients to assess whether the full payment is being utilised. We will use the enablement model as the basis of these reviews. We anticipate this being an average reduction of 15% for individual support packages within this client group. There are currently 225 packages.	345	345	0	G
CH31	**Physical Disabilities- Review of all Direct Payments for clients with physical disabilities using promoting independence**. -We will review the Direct Payments received by clients to assess whether it is still set at the appropriate level for their needs and whether the full payment is being utilised. We will use the promoting independence model as the basis of these reviews. We anticipate this being a reduction of 10% for the individual support packages within this client group. There are currently 150 packages in this group.	134	0	134	R

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2016/17- Sept 2017

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG
CH32	**Physical Disabilities - Home Care -**The saving would be delivered through a review of home care provision within support packages. There are currently 89 Physical Disabilities clients within Merton receiving home care within their support packages. The proposed savings represents an average reduction of 8% in home care for this group.	48	0	48	R
CH33	**Physical Disabilities- High Cost Packages - Review of PD Residential and 1-1 packages .**This saving would be delivered through a targeted review of a small number of PD customers in residential care. These reviews would look at renegotiating unit costs, transferring users to other types of accommodation in the community and reducing or removing 1-1 costs.	60	0	60	R
CH60	**South Thames Crossroads** : Decommission the crossroads service for carers. Replace with domiciliary care service/ Direct Payment offer and commissioned holistic carers support service from voluntary sector.	294	294	0	G

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2016/17- Sept 2017

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG
CH61	**Meals on Wheels (Sodexo):** Decommissioning service and embed support within community, neighbourhood and voluntary support infrastructure	153	48	105	R
CH62	**Supported accommodation mental health** : Decommission service as a result of Provider notice to cease service in Merton	106	106	0	G
CH63	**Day support Imagine Independence** : Decommission service and recommission cost effective peer led day opportunities for people with mental health	84	84	0	G
CH51	**NHS Income** :Negotiate extra NHS funding for extra costs of Hospital Discharges - Circa £150k on packages, £50k on staff.	200	0	200	R
	Library & Heritage Service				
CH44	Deletion of all administrative support (Deletion of 1 x FTE)	26	26	0	G
CH45	Reduction in activities programme	2	2	0	G
CH46	Withdrawal from annual CIPFA public library user survey (PLUS)	3	3	0	G
CH47	Reduction in volunteering contract	20	20	0	G
CH48	Reduction in media fund	45	45	0	G
	Merton Adult Education				
CH15	**MAE :**Staffing cost reductions - Delivery utilising the use of Information Technology and other efficiencies	8	0	8	R

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2016/17- Sept 2017

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Expected Savings £000	Shortfall £000	RAG
	Housing Needs & Enabling				
CH8	Reduction of Homelessness Prevention Grant:	56	0	56	R
CH9	Rationalisation of admin budget :	30	30	0	G
CH40	Housing Strategy officer - deletion of 1 FTE :	43	43	0	G
CH41	Environmental health Technical officer deletion of 1 FTE:	33	33	0	G
CH42	Housing options adviser deletion of 1.5 FTE :	53	53	0	G
	Total Community & Housing Department Savings for 2016/17	**5,379**	**3,653**	**1,727**	

DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 16-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Expected £000	Shortfall	2017/18 Savings Expected £000	2017/18 Expected Shortfall £000	17/18 RAG	2018/19 Savings Expected £000	Shortfall	18/19 RAG	Responsible Officer
	Children Social Care										
CSF2012-07	Family and Adolescent Services Stream - Transforming Families (TF), Youth Offending Team (YOT) and in Education, Training and Employment (ETE). 2016/17 savings will be achieved by the closure of Insight and deletion of YJ management post.	**100**	**100**	**0**	**100**	**0**	**A**	**100**	**0**	**G**	Paul Angeli

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DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 16-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Shortfall	16/17 RAG	2017/18 Savings Expected £000	2017/18 Expected Shortfall £000	17/18 RAG	2018/19 Savings Expected £000	2018/19 Expected Shortfall £000	18/19 RAG	Responsible Officer	Comments
CS39	Impact of Customer Service Review	30	30	R	0	30	A	0	30	A	David Keppler/Sean Cunniffe	Has not be achieved due to delay in Customer Contact Implementation.
CS63	Reorganisation of systems development and support arrangements.	88	88	R	88	0	G	88	0	G	Sophie Ellis	
CS10	Outsourcing - Service Desk	20	20	R	20	0	G	20	0	G	Mark Humphries	Alternative Saving found from supplies budget
CSD2	Energy Savings (Subject to agreed investment of £1.5m)	150	150	R	150	0	G	150	0	G	Mark Humphries	Alternative Saving found from supplies budget
	Total Corporate Services Department Savings for 2016/17	288	288		258	30		258	30			

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DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2016-17

Ref	Description of Saving	2016/17 Savings Required £000	2016/17 Savings Achieved £000	Shortfall	16/17 RAG	2017/18 Savings Expected £000	2017/18 Expected Shortfall £000	17/18 RAG	2018/19 Savings Expected £000	2018/19 Expected Shortfall £000	18/19 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	SUSTAINABLE COMMUNITIES													
ER23a	Staff savings from 6th month review following the merger of the traffic and highways and the FutureMerton team in to one team and further budget savings/adjustments within the controllable expenditure budgets	130	130	0	G	130	0	G	130	0	G	James McGinlay		N
ER23b	Restructure of team to provide more focus on property management and resilliance within the team.	52	0	52	R	40	12	R	52	0	A	James McGinlay	Business Case for restructure in progress, but due to the delay it's unlikely to be fully achieved this financial year. Saving being achieved through rents (reported through monthly budget return).	Y
EN27	Reduction in the Lining Budget	10	10	0	G	10	0	G	10	0	G	James McGinlay		N
EN30	Reduction in supplies and Services Costs	20	20	0	G	20	0	G	20	0	G	James McGinlay		N
EN31	Reduction in energy costs	30	30	0	G	30	0	G	30	0	G	James McGinlay		N
EN32	Renegotiaition of J C Deceaux Contract	10	10	0	G	10	0	G	10	0	G	James McGinlay		N
EN42	Consultancy Income. This is based on an average daily rate of £300 per day (15/16 equates to 7 days per year for each chargeable member of staff and 16 days in 16/17) based on the consultancy project mangement working practices adopted by FutureMerton team.	50	50	0	G	50	0	G	50	0	G	James McGinlay	Income achieved via Estates Regeneration income from CHMP.	N
E&R6	Reduced costs incurred as a result of sub-leasing Stouthall until 2024.	39	39	0	G	39	0	G	39	0	G	James McGinlay		N
E&R32	Wifi Concessionary Contract-Income from wifi concessionary contract to be let from 2015/16	20	20	0	G	0	20	R	0	20	R	James McGinlay	Phase one has been successfully implemented, and phase two will be implemented in 17/18.	N
E&R33a	Various D&BC Budgets - Increase in income from commercialisation of services	75	75	0	G	0	75	R	75	0	A	James McGinlay		Y
E&R35	Reduce street lighting contract costs	25	25	0	G	25	0	G	25	0	G	James McGinlay		N
E&R36	Reduction in reactive work budget	60	0	60	R	60	0	G	60	0	G	James McGinlay		N
E&R38	Income from Section 278/Developers agreements where traffic works are required as part of development . Charging for work currently not charged for.	50	50	0	G	15	35	R	50	0	A	James McGinlay	Development site review underway. Implemented late 2017.	Y
E&R39	Pre-application income. This is in addition to any previous pre-app savings proposal.	50	50	0	G	0	50	R	50	0	A	James McGinlay	Monitored throughout the year.	Y
E&R40	Consultancy income. This is in addition to any previous savings proposal.	60	60	0	G	60	0	G	60	0	G	James McGinlay	Income achieved via Estates Regeneration income from CHMP.	N
E&R42	Align Vestry Hall income budget with current levels of income being achieved.	20	20	0	G	20	0	G	20	0	G	James McGinlay		N
	SENIOR MANAGEMENT													
E&R31	Senior management and support-Deletion of the 2 management support posts and absorption into existing resources.	70	70	0	G	70	0	G	70	0	G	Chris Lee		N
	PUBLIC PROTECTION													
EN02	Introduction of unattended automatic number plate recognition CCTV parking enforcement cameras at fixed locations.	226	226	0	G	226	0	G	226	0	G	John Hill		N
EV11	Increase all pay and display charges for on and off street parking by 10%. it should be noted that no allowance has been made for elasticity of demand this figure could reduce by 25%	125	125	0	G	125	0	G	125	0	G	John Hill		N
E&R7	Due to additional requests from residents, the budget will be adjusted to reflect the demand for and ongoing expansion of Controlled Parking Zone coverage in the borough.	260	260	0	G	260	0	A	260	0	A	John Hill		N
E&R8	In response to residents concerns about traffic congestion, enforcement of moving traffic contraventions, following the Implementation of ANPR.	1,700	0	1,700	R	1700	0	G	1700	0	G	John Hill		N
E&R9	Change in on-street bay suspension pricing structure.	500	219	281	R	250	250	R	250	250	R	John Hill	The pricing regime has reduced demand to a greater extent than previously expected. However, income resulting from E&R11 should help to offset this shortfall.	Y
E&R10	Back office reorganisation	80	0	80	R	0	80	R	80	0	A	John Hill	Savings will not be achieved as the reorganisation is based on staff numbers required upon completion of ANPR implementation. Excess income could mitigate this saving.	Y
E&R11	Enforcement of pavement parking	60	147	-87	G	120	-60	G	120	-60	G	John Hill	Expected to exceed target and will be used to help offset shortfall on E&R9.	Y
E&R12	End lease of Wycliffe Road	14	14	0	G	14	0	G	14	0	G	John Hill		N

E&R13	Increase income from discretionary fees & charges	50	10	40	R	15	35	R	50	0	A	John Hill	Work underway, but potential for slippage and subsequent failure to achieve full year effect in 2017/18. The expanded RSP (includes Wandsworth) becomes operational in April 2018 and the income generating Business Development team becomes operational in September 2018.	Y
E&R15	Alter funding of post dedicated to investigating potential recovery of funds under the POCA, to be funded from costs recovered.	50	50	0	G	50	0	A	50	0	A	John Hill	Income is subject to legal process through the courts and defendants' payments.	N
	PUBLIC SPACE													
EN14	Mobile technology including GPS and in cab monitors.Once implemented will reduce back office staff numbers as a result of reducing reliance on paper schedules and in addition the GPS vehicle tracking system will lead to improved service and fuel efficiency.	100	0	100	R	100	0	G	100	0	G	Graeme Kane	This saving is linked to new CRM project and Environmental asset Management Business case. GPS and vehicle tracking was not delivered in 2016 / 17. This will be delivered as part of Phase C project in 2017 18.	N
EN35	Various Budgets - Increased Income through various charging increases where the service provided will still be purchased eg Increases % commercial uplift from 30% to 50% per hr; increases in charges in halls and at watersports centre, etc	14	14	0	G	14	0	G	14	0	G	Graeme Kane		N
EN36	Various Budgets - Increased Income through sale of advice & guidance from senior professional officers and sale of specialist arts & leisure developed service packages to groups and organisations e.g private care homes, etc	10	10	0	G	10	0	G	10	0	G	Graeme Kane		N
EN37	Merton Active Plus - Increased Income	5	5	0	G	5	0	G	5	0	G	Graeme Kane		N
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.	13	0	13	R	13	0	G	13	0	G	Graeme Kane		N
E&R1	Arts Development - further reduce Polka Theatre core grant	5	5	0	G	5	0	G	5	0	G	Graeme Kane		N
E&R2	Water sports Centre - Additional income from new business - Marine College & educational activities.	10	10	0	G	10	0	G	10	0	G	Graeme Kane		N
E&R17	To reduce the costs of the service and maintain current standards of cleaning within Merton it is proposed to alter how we deploy our resources by reducing residential solo sweepers and alter the use of mechanical sweepers by investing in electric sweepers	157	157	0	G	157	0	G	157	0	G	Graeme Kane		N
E&R18	Cease the distribution of food caddy liners	70	70	0	G	70	0	G	70	0	G	Graeme Kane		N
E&R19	Align income budget to levels of income being generated from the sale of textiles.	50	50	0	G	50	0	G	50	0	G	Graeme Kane		N
E&R20	To contribute to a cleaner borough, enforcement of litter dropping under EPA/ ASB legislation with FPN fines for contraventions.	20	20	0	G	20	0	G	20	0	G	Graeme Kane		Y
E&R21	HRRC Site operations procured to external provider. Contractual savings.	30	0	30	R	0	30	R	0	30	R	Graeme Kane	Although procurement led to significant cost reduction, it was not sufficient enough to reduce below existing budget level. Current overspend forecast.	Y
E&R22	Removal of borough wide dog bins including Parks	42	42	0	G	42	0		42	0	G	Graeme Kane		Y
E&R24	Reduction in current levels of staffing in the Greenspaces grounds maintenance and horticulture and sports teams.	130	0	130	R	130	0	G	130	0	G	Graeme Kane		N
E&R26	Introduction of P&D within certain parks responding to demand for the management of parking and controlling excess demand for spaces/ commuter parking	60	0	60	R	5	55	R	60	0	A	Graeme Kane	It is currently expected to be implemented around September 2017.	Y
E&R27	Additional property rental income	44	0	44	R	14	30	R	44	0	A	Graeme Kane	New and reviewed tenancies are expected to be implemented during 2017/18 that will help meet this saving.	Y
E&R33b	Various Greenspaces Budgets - Increase in income from commercialisation of services	70	0	70	R	55	15	R	70	0	A	Graeme Kane	Work continues with achieving the £70k saving related to events.	Y
E&R33c	Various Commercial Waste Budgets - Increase in income from commercialisation of services	75	75	0	G	75	0	G	75	0	G	Graeme Kane	Commercial services now provided by Contractors.	N
E&R33d	Various leisure & Culture Budgets - Increase in income from commercialisation of services	30	30	0	G	30	0	G	30	0	G	Graeme Kane		N
	Total Environment and Regeneration Savings 2016/17	**4,771**	**2,198**	**2,573**		**4,144**	**627**		**4,531**	**240**				

Appendix 8

Subject: Miscellaneous Debt Update September 2017

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

1.1 A breakdown of departmental net miscellaneous debt arrears, as at 30 September 2017, is shown in column F of the table below.

1.2 Please note that on the 6 February 2017 the new financial computer system was implemented and this includes the raising and collection of invoices and the debt recovery system.

Sundry Debtors aged balance – 30 September 2017 – not including debt that is less than 30 days old (Please note the new system reports debt up to 30 days whereas previously we reported up to 39 days)

Department a	30 days to 6 months b	6 months to 1 year c	1 to 2 years d	Over 2 years e	Sept 17 arrears f	June 17 Arrears	Direction of travel
	£	£	£	£	£	£	
Env & Regeneration	**1,583,567**	**335,167**	**116,515**	**294,798**	**2,330,047**	**2,149,655**	↑
Corporate Services	**1,279,077**	**32,235**	**24,879**	**62,993**	**1,399,184**	**2,038,691**	↓
Housing Benefits	**646,318**	**640,837**	**1,350,347**	**1,605,040**	**4,242,542**	**4,341,571**	↓
Children, Schools & Families	**886,371**	**162,298**	**91,748**	**219,999**	**1,360,416**	**1,231,714**	↑
Community & Housing	**1,003,059**	**876,625**	**921,228**	**1,403,914**	**4,204,826**	**4,291,509**	↓
Chief Executive's	**0**	**0**	**0**	**0**	**0**	**0**	↓
CHAS 2013	**52,127**	**53,366**	**28,942**	**25,945**	**160,380**	**137,601**	↑
Total	**5,450,519**	**2,100,528**	**2,533,659**	**3,612,689**	**13,697,395**	**14,190,741**	↓
Sep-16	**2,800,612**	**3,057,654**	**2,187,574**	**3,718,896**	**11,764,736**		
Variance Sept 16 to Sept 17	***2,649,907***	***-957,126***	***346,085***	***-106,207***	***1,932,659***		↑

1.3 Since the position was last reported on 30 June 2017, the net level of arrears, i.e. invoices over 30 days old, has reduced by £493,346.

1.4 The new financial system was implemented on 6 February 2017 and there was an initial delay in raising new invoices. However, over the past six months there has been an improvement in the volume and speed of invoices raised. There is still a backlog of invoices to be raised for Adult Social Care debt which is linked with the implementation of the new Social Care computer system, but the matter is being monitored and addressed.

1.5 We are currently invoicing 14 weeks after the service has been delivered versus our normal practice of a 6 week lag. This deficit from normal practice will need to be recovered over the remainder of the year and the current plan is that invoicing will be back on track by February 2018.

1.6 There has been a reduction of outstanding debt that is between 31 days and six months old of £865,812 (from £6,317,331) when last reported in June 2017. This is partly as a result of commencement of issuing of reminders notices for unpaid invoices and the escalation of cases to the debt recovery team.

1.7 Reminders for unpaid invoices started to be issued in June 2017 and as a consequence cases that remain unpaid were gradually passed to the debt recovery team from mid-July. The recovery escalation process is now automated and unpaid debts are being pursued in a timely manner.

1.8 Environmental and Regeneration department debt has increased again by almost £200,000. The largest debts owed are for Future Merton Community Infrastructure Levy, Commercial Rents, Commercial Waste and Planning sections. The largest debts owed for Corporate Services debt are for re-charges for IT to CHAS and debts owed to Legal Services. Since this data was produced at the end of September the majority of CHAS debt has been paid. The remaining outstanding debts are being pursued.

1.9 The table below shows the total net level of arrears for the last five years – not including debt that is less than 39 days old or 30 days from March 2017

<u>Sundry debt September 2013 to September 2017 – not including debt that is less than 30/39 days old</u>

Department	Sept 2013	Sept 2014	Sept 2015	Sept 2016	Sept 2017
	£	£	£	£	£
Env & Regeneration	793,107	839,287	1,318,904	1,024,164	2,330,047
Corporate Services	368,730	628,537	559,390	510,158	1,399,184
Housing Benefits	2,950,651	2,857,391	3,085,562	4,358,505	4,242,542
Children, Schools & Families	121,140	407,783	343,210	983,259	1,360,416
Community & Housing	4,213,449	4,861,456	4,760,720	4,975,275	4,204,826
Chief Executive’s	500	500	2,880	1,380	0
CHAS 2013	0	181,542	134,093	97,411	160,380
Total	**8,447,577**	**9,776,496**	**10,204,759**	**11,950,152**	**13,697,395**

1.11 The figures in the table above show that a major area of increase in debt over the four year period is housing benefit overpayments. 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 £85 million was paid in 2016/17

1.12 The increase in Environmental and Regeneration and Corporate Services debts has been detailed above in 1.8.

1.13 The action being taken to recover the housing benefit overpayments and community care 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.

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. ACTION BEING TAKEN TO COLLECT OUTSTANDING DEBT

3.1 One of the two largest debts owed to the council is for Community Care debt and the current level of debt is £4.49 million, an increase of £0.575 million since last reported.

3.2 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.

3.3 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.

3.4 A new working group chaired by the Director of Community and Housing has been set up to monitor Community Care debt and to work across departments to improve processes and ensure best practice is in place to maximise collection of debts at all stages. As part of this a Lean review is taking place which will include the assessment and raising of invoices through to debt collection practices.

3.5 The table below shows the breakdown of Community Care debt by recovery action

Total Community Care Debt by recovery action as at September 2017 compared to March 2016, June 2016, September 2016, December 2016, June 2017 and

Community Care Debt	Mar 2016	% at stage	Jun 2016	% at stage	Sep 2016	% at stage	Dec 2016	% at stage	Jun 2017	% at stage	Sep-17	% at stage
Invoice stage	656,084	14%	387,608	9%	772,555	16%	646,210	13%	1,129,190	29%	476,610	11%
Charge & Deferred Payment	995,753	22%	775,880	18%	706,043	15%	635,671	13%	311,604	8%	305,710	7%
Payment arrangement	372,108	8%	462,801	11%	451,694	10%	235,667	5%	273,316	7%	256,469	6%
Probate, DWP & Deputyship	925,447	20%	944,870	22%	895,603	19%	771,456	15%	553,437	14%	580,404	13%
Court action	147,886	3%	141,345	3%	256,347	5%	188,264	4%	184,781	5%	142,352	3%
Dept or service query	154,802	3%	182,702	4%	51,821	1%	286,782	6%	90,530	2%	83,255	2%
No action secured	1,386,446	30%	1,460,347	33%	1,624,173	34%	2,186,747	44%	1,380,647	35%	2,653,529	58%
Total Debt	4,638,526		4,355,553		4,758,236		4,950,797		3,923,505		4,498,329	

3.6 Although the debt has reduced since December 2016 the current debt figure is understated as stated in 1.5 above there is a backlog in issuing Community Care invoices.

3.7 The largest area of debt owed to the council is for housing benefit overpayments with the total level of debt being £8.6 million, of which £4.2 million is within the sundry debtors system and the remainder of the debt is still within the housing benefit system.

3.8 The Department of Work and Pensions commenced a “Real Time” Information initiative at the end of September 2014 which was aimed at ensuring that earnings and pensions data within the housing benefit system matched that held by HMRC. At the same time they also commenced another initiative to identify fraud and error.

3.9 The DWP have provided additional funding to the council to undertake this work and up until March 2017 granted additional income based on targets met.

3.10 The Real Time information initiative continues into 2017/18 and we are currently dealing with up to 700 referrals every month.

3.11 Since the start or the Real Time information initiative over £5 million of overpayments have been identified. 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 can contact the claimants employer and are paid a percentage deduction of their salary each month. So far we have over £250,000 secured by this method.

3.12 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 £3.3 million being recovered from on going benefit by reducing current housing benefit payments. Just over £5.7 million is on a payment arrangement or recovery from on going benefit
.

3.13 The table below shows breakdown of all housing benefit overpayments by recovery action.

<u>Total Housing Benefit Debt by recovery action from Dec 2015 to September 2017 by quarter</u>

Recovery Stage	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Invoice and Reminder stage	1,571,934	1,205,885	667,690	624,877	874,548	723,613	284,713	379,477
On-going recovery	3,237,225	3,105,644	2,928,207	3,048,093	3,032,558	2,928,992	3,363,611	3,354,237
Payment Arrangements	1,606,401	1,792,340	1,922,400	2,134,893	2,220,007	2,314,257	2,353,352	2,511,028
No Arrangements secured	1,608,915	1,870,006	2,528,002	2,544,392	2,162,070	2,113,587	2,665,410	2,387,794
Total HB Debt	**8,024,476**	**7,973,875**	**8,046,299**	**8,352,255**	**8,289,183**	**8,080,449**	**8,667,086**	**8,632,536**

3.14 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.

3.15 The table below shows the amount of debt written off in accordance with financial regulations and scheme of management in 2014/15, 2015/16, 2016/17 and 2017/18.

Debt written off from 2014/15 to date by debt type

	2014/15	2015/16	2016/17	2017/18				
	Total	Total	Total	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Debt type								
Sundry Debt	£347,726	£581,419	£129,338	£291,708	£0	£0	£0	£421,046
Housing benefit overpayments	£1,050,105	£510,352	£517,467	£0	£308,309	0	£0	£825,776
Council Tax	£526,881	£951,280	£623,486	£0	£211,818	£0	£0	£835,304
Business Rates	£790,373	£659,514	£567,908	£136,709	£0	£0	£0	£704,617
Total	**£2,715,085**	**£2,702,565**	**£1,838,199**	**£428,417**	**£520,127**	**£0**	**£0**	**£2,786,743**

3.16 Of the business rates debt written a large proportion relates to debts owed by businesses that went into liquidation. From 2014/15 to 2016/17 £2.017 million of business rates debt was written off and £1.071 million related to businesses that went into liquidation.

3.17 Although the debt written off within any of the years does not relate to one specific year it should be noted that in 2016/17 the council was collecting a net debt of £102.9 million in council tax (this includes the GLA potion), a net debt of £91.3 million in business rates (this includes Business Rates Supplement) and approximately £44 million raised through sundry debts.

3.18 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. SUNDRY DEBT COLLECTED

4.1 The table below show the amount of sundry debt raised over the past four years along with the payments received via cash, journals or credits, and shows the amount written off for each year along with the balance outstanding as at the end of December 2016.

As at end of December 2016

Year	Invoices raised	Credits	Journals	Written Off	Payments	O/s	% Collected	% o/s or w/o
2013/14	£44,842,844	-£2,531,232	-£91,213	-£217,833	-£41,252,390	£750,176	97.84%	2.16%
2014/15	£57,041,098	-£6,756,029	£459,436	-£179,094	-£49,731,873	£833,538	98.23%	1.77%
2015/16	£67,409,189	-£11,330,263	-£112,786	-£48,374	-£54,377,668	£1,540,099	97.65%	2.35%
2016/17	£43,058,643	-£4,200,922	-£60,362	-£696	-£30,050,524	£8,746,139	79.70%	20.30%

4.2 Active recovery action continues to be undertaken on all outstanding debts. Included in the amounts outstanding would be cases where the debt has already been secured against a charge on the property or deferred payment arrangement.

4.3 For 2013/14 and 2014/15, invoices for over £101.8 million were raised and over 98.4% was collected at the end of December 2016..

5. PROVISION FOR BAD AND DOUBTFUL DEBTS

5.1 Provision has been made available for writing off bad and doubtful debts held within the ASH, E5 and Housing benefits systems. These provisions are £2.96m for ASH miscellaneous debt and £6.95m for debt held in the Housing Benefits system, making a total General Fund provision for bad and doubtful debts of £9.91m. Clearly, every attempt is made to collect debts before write-off is considered. The current level of provision is analysed in the table below.

5.2 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 31/03/2016	At 31/03/2017
	£000's	£000's
Env & Regeneration	377	294
Corporate Services	342	221
Housing Benefits	6,287	6,947
Children, Schools & Families	121	296
Community & Housing	1,995	2148
Total	**9,122**	**9,906**

6. EXECUTIVE SUMMARY / CONCLUSION

6.1.1 Merton's total level of miscellaneous debt arrears i.e. invoices over 30 days old, as at 30 September 2017 is £13,697,395. The net level of arrears as at 31 June 2017 was £14,190,741.

7. TOTAL DEBT DUE TO MERTON

The total amount due to Merton as at 30 September 2017 is detailed in the table below.

<u>Total debt outstanding as at 30 June 2017 and compared with previous periods over the past 12 months</u>

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
	£	£	£	£	£
Miscellanous sundry debt Note 1	12,406,364	13,588,220	7,067,219	12,454,666	17,256,834
Housing Benefit debt	8,352,255	8,289,183	8,080,449	8,667,087	8,632,539
Parking Services	2,800,371	3,425,473	3,526,192	4,451,650	4,692,186
Council Tax Note 2	4,524,303	3,822,875	3,866,556	6,940,774	6,262,466
Business Rates Note 3	1,147,749	972,883	654,794	2,558,946	2,160,057
Total	**29,231,042**	**30,098,634**	**23,195,210**	**35,073,123**	**39,004,082**

Note 1 This figure differs from the amount shown in Table 1 as it shows all debt, including that which is less than 30 days old.
Note 2 Council tax debt does not include the current year council tax collection.
Note 3 Business rates debt does not include the current year business rates collection
Note 4 From April 2017 council tax and business rates debt is being reported and monitored different. From April 2017 we will report the gross debt position whereas previously we have reported the net debt position (netting off credits on accounts).

7.1 The overall debt outstanding has increased by £3.93 million since last reported at the end of June 2017.

7.2 The increase in sundry debt since June 2017 is mainly due to an increase in invoices issued that are less than 30 days old. Included in the £17.2 million sundry debt outstanding are over £7.7 million that are less than 30 days old.

7.3 It has been detailed within this report the reasons for some of the large increase, such as reporting gross debt rather than net debt, increase in housing benefit overpayments, however, one further area is the large increase within the last six months of debt outstanding for Parking penalty charge notices, which has increased by over £1.1 million. There has been an increase of over 8,600 unpaid charge notices in the last six months which is due to the impact of ANPR.

7.4 Detailed breakdowns of the Council Car Parking figures are shown in the table below:

Car Parking Aged Debtors – September 2017

Age of Debt	Outstanding £	Number of PCNs	Average Value £
0-3 months	1,522,420	12,890	118
3-6 months	915,238	6,033	151
6-9 months	706,874	4,123	171
9-12 months	613,615	3,440	178
12-15 months	434,670	2,472	175
Older than 15 months	499,369	3,122	159
Total September 2017	4,692,186	32,080	146
Total June 2017	£4,451,650	31,325	150
Increase/-decrease	+£240,536	+755	

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APPENDIX 9

Department for Communities and Local Government (DCLG) statutory guidance on MRP (Third Edition – February 2012)

MRP options

Four options for prudent MRP provision are set out in the DCLG guidance.

1. Regulatory Method

This method replicates the position that would have existed under the previous regulatory environment. MRP is charged at 4% of the authority's underlying need to borrow for capital purposes: the capital financing requirement (CFR).

The formula includes an item known as 'Adjustment A' which was intended to achieve neutrality between the CFR and the former credit ceiling which was used to calculate MRP prior to the introduction of the Prudential System on 1 April 2004. The formula also took into account any reductions possible related to commutation of capital-related debt undertaken by central government.

2. CFR Method

This method simplifies the calculation of MRP by basing the charge solely on the authority's CFR but excludes the technical adjustments included in option 1. The annual MRP charge is set at 4% of the non-housing CFR at the end of the preceding financial year.

3. Asset Life Method

Under this method MRP is determined by the life of the asset for which the borrowing is undertaken.

This can be calculated by either of the following methods:

- equal instalments: where the principal repayment made is the same in each year, or
- annuity: where the principal repayments increase over the life of the asset.

The annuity method has the advantage of linking MRP to the benefits arising from capital expenditure, where these benefits are expected to increase over the life of the asset.

In addition to the necessity to administer this fairly complex procedure compared with the previous statutory regime, this methodology requires a much more demanding system of record keeping for an authority asset portfolio.

The estimated life of the asset will be determined in the year that MRP commences and will not be subsequently revised. However, additional repayments can be made in any year which will reduce the level of payments in subsequent years.

If no life can be reasonably attributed to an asset, such as freehold land, the life is taken to be a maximum of 50 years. In the case of freehold land on which a building or other structure is constructed, the life of the land will be treated as equal to that of the structure, where this would exceed 50 years.

In instances where central government permits revenue expenditure to be capitalised, the statutory guidance sets out the number of years over which the charge to revenue must be made.

MRP in respect of PFI and leases brought on balance sheet under IFRS falls under option 3.

4. Depreciation Method

The depreciation method is similar to that under option 3 but MRP is equal to the depreciation provision required in accordance with proper accounting practices to be charged to the comprehensive income and expenditure statement.

Other Methods

The guidance also allows for the option for an authority to design a MRP method that is bespoke to reflect patterns of asset use that do not fit into options 1 to 4. The emphasis is on the local authority to evidence that this arrangement is a prudent provision.

Conditions of Use

The DCLG guidance puts the following conditions on the use of the four options:

Options 1 and 2 can be used on all capital expenditure incurred before 1 April 2008 and on supported capital expenditure on or after that date.

Options 3 and 4 are considered prudent options for unsupported capital expenditure on or after 1 April 2008. These options can also be used for supported capital expenditure whenever incurred.

MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP). The Council has not made any provision for VRP in its capital expenditure.

For capital expenditure incurred before 1 April 2008 or by Supported Capital Expenditure, the MRP policy follows CLG regulations (option 1). This provides for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be based on the Asset Life Method – CLG regulations (option 3).

This option will be applied for any expenditure capitalised under a capitalisation direction. It should be noted that this option provides for a reduction in the borrowing need over the approximate life of the asset.

The Council is required to have regard for the Local Government Involvement in Health Act 2007. This amended the Local Government Act 2003 enabling the Secretary of State to issue guidance on accounting practices and thus on MRP. Also, the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) specifies that “A local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent”. Any MRP implications on how the Council will pay for unfinanced capital assets through revenue will be included in the MRP policy.

Category	Depreciation (Years)
Assets valued over £1m	
Buildings	50
Mechanical & Electrical	20
External	20
Assets valued under £1m	
Buildings	40
Infrastructure (roads etc)	25
15 Year Asset	15
10 Year Asset	10
Computer software	5
Computer hardware	5
Large vehicles – e.g. buses, RCVs	7
Small vehicles – e.g. cars, vans	5
Other equipment e.g. CCTV	5
MRP years where there is no depreciation equivalent	
Land	50
Revenue Expenditure Funded by capital Under Statute e.g. Redundancy costs	20

APPENDIX 11

Year	Pre 2008 Principal after 4% deduction	4% reducing balance	2% straight line	Difference	Interest foregone	Net Impact
1	90,473,280	3,618,931	1,809,466	1,809,466	-9,047	1,800,418
2	86,854,349	3,474,174	1,809,466	1,664,708	-17,371	1,647,337
3	83,380,175	3,335,207	1,809,466	1,525,741	-25,000	1,500,742
4	80,044,968	3,201,799	1,809,466	1,392,333	-31,961	1,360,372
5	76,843,169	3,073,727	1,809,466	1,264,261	-38,283	1,225,979
6	73,769,442	2,950,778	1,809,466	1,141,312	-43,989	1,097,323
7	70,818,665	2,832,747	1,809,466	1,023,281	-49,106	974,175
8	67,985,918	2,719,437	1,809,466	909,971	-53,655	856,316
9	65,266,481	2,610,659	1,809,466	801,194	-57,661	743,532
10	62,655,822	2,506,233	1,809,466	696,767	-61,145	635,622
11	60,149,589	2,405,984	1,809,466	596,518	-64,128	532,390
12	57,743,606	2,309,744	1,809,466	500,279	-66,629	433,649
13	55,433,861	2,217,354	1,809,466	407,889	-68,669	339,220
14	53,216,507	2,128,660	1,809,466	319,195	-70,265	248,930
15	51,087,847	2,043,514	1,809,466	234,048	-71,435	162,613
16	49,044,333	1,961,773	1,809,466	152,308	-72,196	80,111
17	47,082,560	1,883,302	1,809,466	73,837	-72,566	1,271
18	45,199,257	1,807,970	1,809,466	-1,495	-72,558	-74,053
19	43,391,287	1,735,651	1,809,466	-73,814	-72,189	-146,003
20	41,655,635	1,666,225	1,809,466	-143,240	-71,473	-214,713
21	39,989,410	1,599,576	1,809,466	-209,889	-70,423	-280,313
22	38,389,834	1,535,593	1,809,466	-273,872	-69,054	-342,926
23	36,854,240	1,474,170	1,809,466	-335,296	-67,378	-402,673
24	35,380,071	1,415,203	1,809,466	-394,263	-65,406	-459,669
25	33,964,868	1,358,595	1,809,466	-450,871	-63,152	-514,023
26	32,606,273	1,304,251	1,809,466	-505,215	-60,626	-565,840
27	31,302,022	1,252,081	1,809,466	-557,385	-57,839	-615,224
28	30,049,941	1,201,998	1,809,466	-607,468	-54,801	-662,269
29	28,847,944	1,153,918	1,809,466	-655,548	-51,524	-707,072
30	27,694,026	1,107,761	1,809,466	-701,705	-48,015	-749,720
31	26,586,265	1,063,451	1,809,466	-746,015	-44,285	-790,300
32	25,522,814	1,020,913	1,809,466	-788,553	-40,342	-828,895
33	24,501,902	980,076	1,809,466	-829,390	-36,195	-865,585
34	23,521,826	940,873	1,809,466	-868,593	-31,852	-900,445
35	22,580,953	903,238	1,809,466	-906,227	-27,321	-933,549
36	21,677,714	867,109	1,809,466	-942,357	-22,610	-964,967
37	20,810,606	832,424	1,809,466	-977,041	-17,724	-994,766
38	19,978,182	799,127	1,809,466	-1,010,338	-12,673	-1,023,011
39	19,179,054	767,162	1,809,466	-1,042,303	-7,461	-1,049,765
40	18,411,892	736,476	1,809,466	-1,072,990	-2,096	-1,075,086
41	17,675,417	707,017	1,809,466	-1,102,449	3,416	-1,099,033
42	16,968,400	678,736	1,809,466	-1,130,730	9,070	-1,121,660
43	16,289,664	651,587	1,809,466	-1,157,879	14,859	-1,143,020
44	15,638,077	625,523	1,809,466	-1,183,943	20,779	-1,163,164
45	15,012,554	600,502	1,809,466	-1,208,963	26,824	-1,182,140
46	14,412,052	576,482	1,809,466	-1,232,984	32,989	-1,199,995
47	13,835,570	553,423	1,809,466	-1,256,043	39,269	-1,216,774
48	13,282,147	531,286	1,809,466	-1,278,180	45,660	-1,232,520
49	12,750,861	510,034	1,809,466	-1,299,431	52,157	-1,247,274
50	12,240,827	489,633	1,809,466	-1,319,833	58,756	-1,261,077
51	11,751,194					
		78,722,086	90,473,280			

Date of meeting: 14 November 2017		Appendix 12
Title of report:	**Establishment Control and Vacancy reporting**	
Lead Director:	**Caroline Holland**	
Lead Officer:	**Kim Brown**	
To which strategic theme(s) does this item relate?	Sustainable communities	
	Safer & Stronger communities	
	Healthier Communities	
	Older People	
	Children & Young People	
	Corporate Capacity	Yes
Is this item for:	Information only?	
	Discussion?	Yes
	Decision?	
If this report is for decision, please list the recommendations that you are making to CMT	1.	
	2.	
	3.	
	4.	
	5.	
Is this report intended to…	Come back to CMT?	No
	Go to Leader's Policy Group?	No
	Go to Cabinet?	No
	Go to Council?	No
	Go to Overview & Scrutiny?	No
	Go to the LSP?	No

Committee: Financial monitoring scrutiny task group

Date: 14 November 2017

Agenda item:

Wards:

Subject: Establishment Control and Vacancy reporting

Lead officer: Kim Brown – interim HR lead

Lead member: Councillor Mark Allison

Contact officer: Kim Brown ext 3152

Recommendations:

A. To note the contents of this report

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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. The last report to this committee reported data as at Q1 2017/18, 30 June 2017.

1.2. This report provides data as at 2nd quarter 2017/18, with data as at 30 September 2017. Subject to timing of committee dates it is intended to provide a quarterly update in future, tied to the financial quarters of 30 June, 30 September, 31 December and 31 March.

1.3. The data also reflects further work to align on iTrent agency workers and interims with the established posts they are covering.

1.4. A mechanism is in place to convert agency workers to Employees, subject to safeguards to ensure there is no conflict of interest and that named individuals are not hired via agency on an interim basis and then offered direct employment with no competitive selection.

2 DETAILS

2.1. Appendix 12A shows the positions as at 30 September 2017. The appendix shows vacancies not filled by direct employees, and vacancies not filled by either a direct employee or an agency worker/consultant. The size of establishment is measured in terms of authorised Full Time Equivalents (FTEs), rather than numbers of posts, and therefore the appendix totals FTEs for budgeted posts, employees, agency workers and vacancies.

2.2. Work continues to ensure the accuracy of the data including close liaison with Heads of Service to review the detailed establishment for their areas.

2.3. The establishment can vary for a number of reasons, including planned budget changes, TUPE transfers in and out of groups of employees, and in-year adjustments due to reorganisations.

2.4. Apprentice data has been excluded as in most cases they are at present centrally funded on a case by case basis and do not form part of the formal establishment.

2.5. The base data behind these statistics is now being circulated to DMT officers on a monthly basis so that they are up to date on the current establishment and vacancy position, and have the opportunity to address any errors or corrections. Subject to the timing of committee dates it is then intended to provide a quarterly update in future, tied to the financial quarters of 30 June, 30 September, 31 December and 31 March.

2.6. HR provides information to Standards and General Purposes Committee on agency and interim usage, charged at 30 pounds per hour or more.

2.7. HR has strategies in place to address recruitment to hard to fill roles, reduce dependency on agency staff. There will be situations where certain specialist roles can only be covered by agency, and shorter term usage of agency to cover vacancies during periods of planned organisational change.

2.8 A Temp to Perm mechanism is in place whereby agency workers or interims can be converted to direct employment, subject to safeguards to ensure there is no conflict of interest and that named individuals are not hired via agency or an interim basis and then offered direct employment with no competitive selection. Appointment to senior roles which require member-level involvement will continue to be dealt with in the normal way. The aim is to encourage agency workers, particularly those in hard to fill roles, to become Employees. Any such conversions will only be to posts that have been subject to full establishment control processes.

3 ALTERNATIVE OPTIONS

3.1. Without accurate establishment data, the Authority cannot appropriately plan for the future service or workforce needs. There is also a need to be able to report on unfilled substantive posts, and to monitor and control the use of agency workers to cover unfilled vacancies.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. Merton Improvement Board and the Workforce Strategy Board are kept up to date on work to refine the technical establishment and ensure robust establishment controls remain in place.

5 TIMETABLE

5.1. Subject to the timing of committee dates it is proposed to provide a quarterly update to this committee, based on data as at 31st March, 30th June, 30th September and 31st December each year. Heads of Service will receive a monthly update of establishment details in their area so that they can address any corrections required.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. Employees account for 25% of the gross General Fund spend in the authority. Having an accurate establishment helps managers plan their service and financial implications.

6.2. As a result of the earlier technical establishment exercise and ongoing establishment controls, each post will be linked to appropriate budgetary provision.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. There are no specific legal implications arising from this report.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. There are no specific human rights, equalities or community cohesion implications arising from this report.

9 CRIME AND DISORDER IMPLICATIONS

9.1. There are no crime disorder implications arising from this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. There are no specific risk or health and safety issues arising from this report.

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

- Appendix A – establishment analysis including FTE agency workers and vacancies as at 30 September

12 BACKGROUND PAPERS

12.1. 1 July 2015 report to Financial monitoring scrutiny task group on Update on Staffing Position

Column	Explanatory Notes
	The tables have been simplified to focus on FTE establishment, FTE employees and agency workers and FTE vacancies - with the aim of making them easier to read and understand.
	The data excludes Schools and Apprentices
Budgeted FTE Establishment	The total budget FTE
FTE Employees	Total FTE employees
Vacancies: Budgeted FTE less FTE Employees	Budgeted FTE less FTE employees, i.e. the vacancies before accounting for agency workers
FTE vacancies covered by agency workers	Total FTE agency workers
Unfilled vacancies	Total FTE vacancies not filled by an employee or covered by an agency worker

OVERALL SUMMARY **APPENDIX 12A VACANCY DATA FOR MERTON - as at 30th September 2017**

Department	Budgeted FTE Establishment	FTE Employees	Vacancies: Budgeted FTE less FTE Employees	FTE vacancies covered by agency workers	Unfilled vacancies
Corporate Services	543.18	438.36	104.82	61.89	42.93
Children Schools and Families	567.45	447.81	119.64	80.70	38.94
Community and Housing	428.03	324.82	100.52	38.61	64.60
Environment and Regeneration	375.89	279.82	96.07	57.49	38.58
Total	**1914.55**	**1490.81**	**421.05**	**238.69**	**185.05**

CORPORATE SERVICES

APPENDIX 12A VACANCY DATA FOR MERTON -as at 30th September 2017

Department / Team	Sub Team (if any)	Budgeted FTE Establishment	FTE Employees	Vacancies: Budgeted FTE less FTE Employees	FTE vacancies covered by agency workers	Unfilled vacancies
Chief Exec - Management		2.00	2.00	0.00	0.00	0.00
Chief Exec - Management Total		2.00	2.00	0.00	0.00	0.00
Business Improvement (Corporate Services)						
Business Systems Team		36.00	21.20	14.80	10.00	4.80
Communications		5.00	3.80	1.20	0.00	1.20
	Community Engagement	2.00	1.50	0.50	0.00	0.50
Continuous Improvement		4.00	3.00	1.00	0.00	1.00
Customer Contact Programme		6.00	1.00	5.00	2.00	3.00
Social Care Information System Project (SCIS)		6.00	1.00	5.00	4.00	1.00
Management		2.00	1.80	0.20	0.00	0.20
Business Improvement (Corporate Services) Total		61.00	33.30	27.70	16.00	11.70
Corporate Governance						
Democracy Services		13.20	12.94	0.26	0.00	0.26
Electoral Services		5.00	3.50	1.50	1.00	0.50
Information		11.01	9.39	1.62	1.00	0.62
Legal Services	South London Legal Partnership	112.36	87.40	24.96	25.69	-0.73
Management		1.00	1.00	0.00	0.00	0.00
Corporate Governance Total		142.57	114.23	28.34	27.69	0.65
Customer Services						
Customer Contact	Reception - Contact Centre & Cash Offic	19.03	18.49	0.54	0.60	-0.06
	Translation	2.00	1.60	0.40	0.00	0.40
	Web Team	2.00	2.00	0.00	0.00	0.00
	Management	1.00	1.00	0.00	0.00	0.00
Registrars		10.30	6.35	3.95	0.00	3.95
Revenues and Benefits	Bailiffs	16.60	14.60	2.00	0.00	2.00
	Council Tax Incl R&B	1.00	1.00	0.00	0.00	0.00
	Council Tax Incl R&B Team 2	22.70	22.04	0.66	0.00	0.66
	HB Support	10.00	9.80	0.20	0.00	0.20
	Housing Benefits Incl Appeals	39.86	36.03	3.83	0.00	3.83
	Income Collection C Tax Recovery	11.80	10.80	1.00	0.00	1.00
	Management & Support	2.00	2.00	0.00	0.00	0.00
Customer Services Total		138.29	125.71	12.58	0.60	11.98
Executive						
Executive Assistant		2.00	2.00	0.00	0.00	0.00
Executive Total		2.00	2.00	0.00	0.00	0.00
Human Resources						
Human Resources	Advice and Consultancy (including Recru	11.50	10.41	1.09	0.00	1.09
	HR Processing and Report	7.00	6.80	0.20	0.00	0.20
	Organisational Development & HR Strat	13.00	10.67	2.33	1.00	1.33
	Staff Side - Merton	4.54	3.26	1.28	0.00	1.28
	Management	1.00	0.00	1.00	0.00	1.00
HR Total		37.04	31.14	5.90	1.00	4.90
Infrastructure & Transactions						
Client Financial Affairs Team		6.00	4.80	1.20	1.00	0.20
Commercial Services		5.00	2.80	2.20	2.20	0.00
Facilities Management	Building Services & Security	1.00	1.00	0.00	1.00	-1.00
	Corporate Contracts & Admin	4.00	4.00	0.00	0.00	0.00
	Energy & Sustainability	3.00	3.00	0.00	0.00	0.00
	Facilities Technical	11.90	5.46	6.44	3.00	3.44
	Post & Print	12.07	9.57	2.50	1.00	1.50
	Management	1.00	1.00	0.00	0.00	0.00
IT Service Delivery	Business Development and Projects	3.00	3.00	0.00	0.00	0.00
	IT Customer Support & Services	14.00	13.60	0.40	0.40	0.00
	IT Operations	14.00	11.00	3.00	2.00	1.00
	Management	3.00	3.00	0.00	0.00	0.00
Safety Services		7.00	5.00	2.00	0.00	2.00
Transactional Services	Trans Services (Accounts)	8.00	8.00	0.00	0.00	0.00
	Trans Services (Care First)	4.00	2.60	1.40	1.00	0.40
	Vendor Maintenance Officer	1.71	1.71	0.00	0.00	0.00
	Management	1.00	1.00	0.00	0.00	0.00
Management		2.00	2.00	0.00	0.00	0.00
Infrastructure & Transactions Total		101.68	82.54	19.14	11.60	7.54
Resources						
Accountancy	Budget Team	14.00	10.40	3.60	2.00	1.60
	Corporate Accountancy	9.00	8.00	1.00	0.00	1.00
	Service Financial Adviser CSF	4.50	4.43	0.07	0.00	0.07
	Management	1.00	1.00	0.00	0.00	0.00
Business Planning		9.00	6.00	3.00	1.00	2.00
Policy Strategy & Partnerships		5.60	4.60	1.00	0.00	1.00
Treasury & Insurance		4.50	2.50	2.00	1.00	1.00
Business Partner C&H		1.00	2.00	-1.00	0.00	-1.00
Business Partner CSF	Business Support Team (CSPD)	4.00	3.60	0.40	0.00	0.40
		1.00	1.00	0.00	0.00	0.00
Business Partner E&R		1.00	1.00	0.00	0.00	0.00
Management	Management	3.00	1.91	1.09	1.00	0.09
Resources Total		57.60	46.44	11.16	5.00	6.16
Management						
Management		1.00	1.00	0.00	0.00	0.00
Management Total		1.00	1.00	0.00	0.00	0.00
Grand Total		543.18	438.36	104.82	61.89	42.93

Department / Team	Sub Team (if any)	Budgeted FTE Establishment	FTE Employees	Vacancies: Budgeted FTE less FTE Employees	FTE vacancies covered by agency workers	Unfilled vacancies
Children's Social Care & Youth Inclusion						
Access to Resources		14.74	11.60	3.14	1.00	2.14
	Fostering Team	5.60	5.10	0.50	0.00	0.50
Family & Adolescent Services	Children with Disability Social Work Team	10.00	9.80	0.20	3.00	-2.80
	Support Team	7.00	5.60	1.40	0.00	1.40
	Transforming Families Team	12.24	10.60	1.64	3.00	-1.36
	Youth Offending Team	15.60	15.60	0.00	1.00	-1.00
	Management	1.00	0.00	1.00	1.00	0.00
MASH & Child Protection Services	Family Support Centre Bond Road	20.80	14.30	6.50	2.00	4.50
	First Response Team 1	5.00	2.00	3.00	3.00	0.00
	First Response Team 2	5.00	3.00	2.00	1.00	1.00
	First Response Team 3	5.00	2.00	3.00	4.00	-1.00
	First Response Team 4	3.00	1.00	2.00	5.00	-3.00
	MASH	7.60	4.60	3.00	5.00	-2.00
	Support Team	9.00	4.60	4.40	2.00	2.40
	Vulnerable Children Team	7.60	6.60	1.00	1.00	0.00
	Management	2.00	1.00	1.00	2.00	-1.00
Permanency, Looked after Children	14+ Looked After & Leaving Care	19.37	14.83	4.54	1.00	3.54
	Adoption Team	8.00	6.90	1.10	1.20	-0.10
	Permanency	6.00	4.60	1.40	1.00	0.40
	Quality Assurance & Panel	1.00	0.80	0.20	0.00	0.20
	Support Team	9.61	9.00	0.61	0.00	0.61
	Management	2.00	0.00	2.00	1.00	1.00
Quality Assurance and Practice Dev	Support Team	9.20	5.20	4.00	5.00	-1.00
		13.80	10.70	3.10	4.00	-0.90
Safeguarding and Planning	Safeguarding and Care Planning Team 1	6.00	3.00	3.00	3.00	0.00
	Safeguarding and Care Planning Team 2	6.00	5.00	1.00	1.00	0.00
	Safeguarding and Care Planning Team 3	7.00	4.00	3.00	1.00	2.00
	Safeguarding and Care Planning Team 4	6.00	6.80	-0.80	1.00	-1.80
	Safeguarding and Care Planning Team 5	6.00	5.00	1.00	1.00	0.00
	Support Team	7.00	7.00	0.00	0.00	0.00
	Management	4.00	2.00	2.00	1.00	1.00
Management	Management	1.00	1.00	0.00	0.00	0.00
Children's Social Care & Youth Inclusion Total		**243.16**	**183.23**	**59.93**	**55.20**	**4.73**
Joint Commissioning & Partnerships						
Joint Commissioning & Partnerships		3.44	3.44	0.00	0.00	0.00
Commissioning, Strategy And Performance Division Total		**3.44**	**3.44**	**0.00**	**0.00**	**0.00**
Policy, Planning & Performance						
Policy, Planning & Performance	Research & Information	7.66	3.36	4.30	0.00	4.30
		3.50	2.36	1.14	1.00	0.14
Policy, Planning and Performance Total		**11.16**	**5.72**	**5.44**	**1.00**	**4.44**
Education Division						
Contracts and School Organisation	Capital	4.00	1.00	3.00	0.00	3.00
	Contracts Management	6.00	6.00	0.00	0.00	0.00
	Schools Admissions	4.86	6.00	-1.14	0.00	-1.14
		1.00	1.00	0.00	0.00	0.00
Early Years Childcare and Children's	Brightwell Team	14.76	8.57	6.19	2.00	4.19
	Business, Finance and Resources	4.11	3.71	0.40	0.00	0.40
	Children's Centres	34.00	26.80	7.20	4.00	3.20
	Continuous Improvement, Inclusion, Portage a	57.24	52.21	5.03	4.00	1.03
	Early Years 0-5s Supporting Families	15.20	14.46	0.74	1.00	-0.26
	Funded Places, Sufficiency and Information	6.50	4.50	2.00	1.50	0.50
	Systems and Service Development	6.00	4.00	2.00	1.00	1.00
	Management	1.69	1.69	0.00	0.00	0.00
Education Inclusion	Education Welfare Service	10.35	9.59	0.76	1.00	-0.24
	Learning Behaviour & Language Team	14.93	11.13	3.80	2.00	1.80
	My Futures Team	11.30	4.60	6.70	0.00	6.70
	Parent Partnership Service	2.00	2.00	0.00	0.00	0.00
	Participation	4.00	2.00	2.00	0.00	2.00
	Virtual Behaviour Service (Youth Inclusion)	10.70	9.80	0.90	0.00	0.90
	Youth Service	12.35	9.46	2.89	0.00	2.89
	Management	1.00	1.00	0.00	0.00	0.00
Merton School Improvement	Education Support Team	1.60	1.60	0.00	0.00	0.00
	Equality & Diversity	3.89	3.89	0.00	0.00	0.00
	Educational Psychology Service	15.98	14.45	1.53	0.00	1.53
	Governance Team	3.00	3.00	0.00	0.00	0.00
	Schools ICT Support Management	6.00	5.00	1.00	0.00	1.00
	Strategic School Improvement	6.20	5.20	1.00	0.00	1.00
	Sensory Impairment Service	5.53	4.90	0.63	0.00	0.63
	Virtual Team	5.79	5.30	0.49	1.00	-0.51
	Management	1.00	1.00	0.00	0.00	0.00
SEN & Inclusion Service	SEN & Inclusion Service Support Team	12.71	10.50	2.21	4.00	-1.79
	SEN Team	13.50	11.06	2.44	1.00	1.44
	SEND Intervention	8.00	6.00	2.00	0.00	2.00
	Management	1.50	1.00	0.50	0.00	0.50
	Management	1.00	1.00	0.00	0.00	0.00
Education Division Total		**307.69**	**253.42**	**54.27**	**22.50**	**31.77**
CSF Grant Funded						
CSF Grant Funded		0.00	0.00	0.00	2.00	-2.00
CSF Grant Funded total		**0.00**	**0.00**	**0.00**	**2.00**	**-2.00**
Management & Exec Assistant						
Management & Exec Assistant		2.00	2.00	0.00	0.00	0.00
Management & Exec Assistant total		**2.00**	**2.00**	**0.00**	**0.00**	**0.00**
Grand Total		**567.45**	**447.81**	**119.64**	**80.70**	**38.94**

Department / Team	Sub Team (if any)	Budgeted FTE Establishment	FTE Employees	Vacancies: Budgeted FTE less FTE Employees	FTE vacancies covered by agency workers	Unfilled vacancies
Access, Assessment & Commissioning						
Access & Assessment Team	Long Term Services	42.89	33.26	9.63	5.87	3.76
	Mental Health Team	26.23	18.96	7.27	9.00	-1.73
	Prevention and Recovery	86.33	65.49	20.84	8.00	12.84
	Safeguarding Team	5.00	5.00	0.00	0.00	0.00
	Management	2.00	0.60	1.40	0.00	1.40
Commissioning	Business Intelligence	3.00	2.00	1.00	0.00	1.00
	Business Support	3.50	2.50	1.00	0.00	1.00
	Commissioning and Market Development	2.00	2.00	0.00	0.00	0.00
	Procurement and Brokerage	15.25	13.41	1.84	2.00	-0.16
	Management	1.00	0.00	1.00	1.00	0.00
Access, Assessment and Commissioning Total		**187.20**	**143.22**	**43.98**	**25.87**	**18.11**
Housing Services						
Housing Needs	Advice & Options	14.50	12.50	2.00	0.00	2.00
	Development	6.00	4.00	2.00	0.00	2.00
	Environmental Health (Housing) Team	6.03	2.80	3.23	1.00	2.23
	Housing Strategy	2.00	1.00	1.00	0.00	1.00
	Management	3.00	3.00	0.00	0.00	0.00
Housing Services Total		**31.53**	**23.30**	**8.23**	**1.00**	**7.23**
Libraries, Heritage and Adult Education Service						
Library Service	Heritage Centre	1.00	1.00	0.00	0.00	0.00
	Mitcham Library	3.80	2.80	1.00	1.00	0.00
	Morden Library	5.46	4.80	0.66	0.66	0.00
	Pollards Hill & Colliers Wood Library	3.57	2.97	0.60	0.00	0.60
	Raynes Park & West Barnes Library	3.28	2.00	1.28	0.88	0.40
	Resources Team	2.00	2.00	0.00	0.00	0.00
	Service Development	2.00	2.00	0.00	1.00	-1.00
	Wimbledon Library	7.43	5.44	1.99	2.00	-0.01
		3.50	2.50	1.00	1.00	0.00
Adult Learning		4.90	3.80	1.10	0.00	1.10
Management		1.00	1.00	0.00	0.00	0.00
Libraries, Heritage and Adult Education Service Total		**37.94**	**30.31**	**7.63**	**6.54**	**1.09**
Provider Services						
Provider Services	Management	2.00	1.00	1.00	0.00	1.00
All Saints/High Path Day Centre	All Saints	9.00	8.00	1.00	0.00	1.00
	High Path	10.12	6.51	3.61	0.00	3.61
		1.00	1.00	0.00		0.00
Jan Malinowski/Eastways Centre	Eastways Day Centre	7.81	7.50	0.31	0.00	0.31
	Jan Malinowski Centre	27.81	22.25	5.56	0.00	5.56
		1.00	1.00	0.00		
Supported Living/Mascot/Glebelands	Glebelands	9.97	8.97	1.00	0.00	1.00
	Mascot	21.47	14.91	6.56	0.00	6.56
	Support Living Services	24.60	14.21	10.39	0.00	10.39
		1.00		1.00		1.00
Meadowsweet/Riverside	Meadowsweet	8.20	8.04	0.16	0.00	0.16
	Riverside Drive	16.46	14.66	1.80	0.00	1.80
		1.00	1.00	0.00	0.00	0.00
Merton Employment Team		3.00	2.31	0.69	0.00	0.69
Service Provision Business Support		3.00	1.60	1.40	0.00	1.40
Provider Services Total		**147.44**	**112.96**	**34.48**	**0.00**	**34.48**
Redesign						
Redesign		1.00	0.00	1.00	1.00	0.00
Redesign Total		**1.00**	**0.00**	**1.00**	**1.00**	**0.00**
Management						
Management		2.00	2.00	0.00	0.00	0.00
Management Total		**2.00**	**2.00**	**0.00**	**0.00**	**0.00**
Adult Social Care						
Adult Social Care		1.00	0.00	1.00	0.00	1.00
Adult Social Care Total		**1.00**	**0.00**	**1.00**	**0.00**	**1.00**
Public Health Team						
Public Health Team		17.92	13.03	2.20	3.20	1.69
Public Health Team Total		**17.92**	**13.03**	**2.20**	**3.20**	**1.69**
Grand Total Community & Housing		**428.03**	**324.82**	**100.52**	**38.61**	**64.60**

Department / Team	Sub Team (if any)	Budgeted FTE Establishment	FTE Employees	Vacancies: Budgeted FTE less FTE Employees	FTE vacancies covered by agency workers	Unfilled vacancies
Public Protection						
Regulatory Services Pa	Administration and Finance	3.00	2.00	1.00	1.00	0.00
	Environmental Health (Commercial)	11.48	9.40	2.08	1.00	1.08
	Environmental Health (Pollution)	9.00	7.80	1.20	3.00	-1.80
	Licensing	10.00	5.57	4.43	2.92	1.51
	Trading Standards	10.00	8.95	1.05	0.00	1.05
	Management	1.00	1.00	0.00	0.00	0.00
Parking & CCTV Servic	Parking Services	101.90	80.57	21.33	10.00	11.33
Safer Merton - Strateg	Safer Merton Strategic Team	6.86	5.49	1.37	0.00	1.37
Safer Merton Operatio	ASB Team	2.00	2.00	0.00	0.00	0.00
Management	Management	1.40	1.40	0.00	0.00	0.00
Public Protection total		156.64	124.18	32.46	17.92	14.54
Public Realm Contracting and Commissioning						
Leisure & Culture Dev	Arts Development	0.91	0.91	0.00	0.00	0.00
	Leisure Support Services	2.60	2.80	-0.20	0.00	-0.20
	Wimbledon Park Watersports Centre	7.00	7.00	0.00	0.00	0.00
	Management	1.00	1.00	0.00	0.00	0.00
Leisure & Culture Gree	Arboricultural	2.00	2.00	0.00	0.00	0.00
	Events	1.40	1.46	-0.06	0.00	-0.06
	Greenspaces Development	6.90	5.10	1.80	0.00	1.80
	Mitcham Common	0.00	2.00	-2.00	0.00	-2.00
	Management	1.00	1.00	0.00	0.00	0.00
Strategic Partnership Team		4.00	1.00	3.00	1.00	2.00
Waste Engagement &	Community Waste Partnerships	2.00	1.86	0.14	0.00	0.14
	Enforcement and Inspection	6.00	6.00	0.00	0.00	0.00
		1.00	1.00	0.00	0.00	0.00
Waste Services	Finance & Administration Support	2.00	2.00	0.00	0.00	0.00
	Finance and Performance	3.00	2.96	0.04	0.00	0.04
	Service Development & Strategy	4.69	2.29	2.40	0.00	2.40
	Training and Road Safety	1.00	1.00	0.00	0.00	0.00
	Transport and Operations	46.93	41.00	5.93	1.57	4.36
	Management	2.00	2.00	0.00	0.00	0.00
Management		5.00	4.71	0.29	0.00	0.29
Public Realm Contracting and Commissioning		100.43	89.09	11.34	2.57	8.77
Sustainable Communities						
Business Performance (Sustainable Communities)	Business Performance	1.57	1.00	0.57	1.00	-0.43
Development Control	Admin & Finance	6.00	3.00	3.00	1.00	2.00
	Building Control	11.61	4.00	7.61	4.00	3.61
	Enforcement	5.50	2.50	3.00	1.00	2.00
	Planning Mitcham & Morden	8.00	2.60	5.40	8.00	-2.60
	Planning Wimbledon	6.00	3.00	3.00	2.00	1.00
	Management	1.00	1.00	0.00	0.00	0.00
futureMerton	Commissioning	16.04	5.63	10.41	8.00	2.41
	Economy	6.00	4.46	1.54	0.00	1.54
	Infrastructure	28.50	20.16	8.34	7.00	1.34
	Programming	18.00	10.00	8.00	5.00	3.00
	Management	1.00	1.00	0.00	0.00	0.00
Property Managemen	Estates (Property Management)	3.00	2.00	1.00	0.00	1.00
	Finance & Admin (Property Management)	1.60	1.60	0.00	0.00	0.00
	Management -	1.00	1.00	0.00	0.00	0.00
Management	Management	2.00	1.60	0.40	0.00	0.40
Sustainable Communities Total		116.82	64.55	52.27	37.00	15.27
Management						
Management		2.00	2.00	0.00	0.00	0.00
Management Total		2.00	2.00	0.00	0.00	0.00
Grand Total		375.89	279.82	96.07	57.49	38.58

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 4

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Committee: Financial Monitoring Task Group

Date: 14th November 2017

Wards: all

Subject: Commercialisation

Lead officer: Chris Lee, Director of Environment and Regeneration/ Caroline Holland, Director of Corporate Services

Lead member: Cllr Mark Allison, Deputy Leader and Cabinet Member for Finance

Contact officer: Chris Lee / Caroline Holland

Recommendations:

A. That Members discuss the report and make comments as they wish.

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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. To provide Members with an update on the Councils approach to commercialisation. The Task Group wishes to assist the Council in closing the forecast overspend in the revenue budget by encouraging consideration of commercial and investment opportunities to raise additional funds. This report brings to Members attention some of the commercialisation work already underway and some planned for the future.

2 DETAILS

2.1. There are a number of areas where the council acts commercially. These include:

2.2. **CHAS** – The Council is the sole shareholder of a wholly owned Local Authority Company. CHAS 2013 Ltd [Contractors Health and Safety] is a very successful national company providing supply chain risk management, third party accreditation and health and safety assessment. CHAS provides services to over 1000 clients across the public and private sectors, with over 30,000 subscribing contractors. CHAS competes with national and international companies in a highly competitive growing market. its last published accounts show a turnover of £4.58m and Earnings before tax and dividend of £0.5m. The council benefits from an annual licence fee and a dividend

2.3. CHAS focuses on organic growth and in line with its commercial approach considers strategic acquisitions and in order to broaden its offer to its clients.

2.4. **Property** – The Council has a substantial property portfolio of investment [non operational] property. The 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. This currently generates well in excess of £4m revenue per annum. The Financial

Monitoring Task Group has previously explored rental income and rent reviews [25 July 2017] .

2.5. Whilst the council benefits from low void and rent arrears levels we are currently preparing to commission work to review the investment portfolio and to identify whether there should be any changes in the balance of investments. This could lead to a strategy of disposal and acquisition to ensure we are maximising our capital assets. A number of Councils have recently embarked on land and property acquisition strategies in order to generate a revenue stream. This has been completed through prudential borrowing or use of capital reserves and has in some instances involved purchasing land and property beyond the borough boundaries for those councils investing. The council takes a prudent approach to capital investments but will continue to look at whether there are investment opportunities which warrant the use of prudential borrowing.

2.6. The council already owns property outside the borough – in South Wales on the Gower as well as in Leatherhead, Surrey. In Leatherhead we are taking a particularly commercial approach to ensure we gain the maximum commercial return as the currently Greenfield land is considered through the local planning process as potentially developable residential land supply.

2.7. **Local Housing Company** – This is a significant commercial venture given that its purpose is to generate a financial return to the council. Many councils are setting up Local Housing companies, some with a purpose to maximise the delivery of affordable housing but some, like Merton, to focus on generating a financial return whilst being policy compliant in terms of affordable housing. Merantun developments will soon embark on the delivery of approx. 77 dwellings at the first 4 sites and has ambitious plans to generate a growing dividend return to the council. Opportunities for its work will arise from the planned regeneration in Morden town centre [where the council is the main freehold landowner] as well as speculative development through the purchasing of sites available on the open market. In these cases the company will ned to prepare a business case to show how the land could be brought forward for development and deliver a commercial return before the council will enter into a facility [loan] agreement. Only where a return can be shown will the loan agreement be finalised. The details and outline business plan of the company have been set out for Cabinet and area available at *https://mertonintranet.moderngov.co.uk/documents/s16839/Covering%20report.pdf*

2.8. **Greenspace events -** The council has ambitious plans to generate a greater financial return from the utilisation of our parks and open spaces. The current model adopted is to seek private sector risk taking in the design, marketing and delivery of large events as seen in the successful Eastern Electrics event held in August this year. This generated c55 k income for the council from a 1 day event and we are looking to see how this could be grown as a model whilst keeping it at a scale such that it does not interfere with the quiet enjoyment of our parks and open spaces or the right of residents nearby to have a peaceful life. We continue to host a large number of smaller events in house and have benefitted from a full time marketing manager to assist with the digital marketing of these. The annual fireworks event is a good example of how we have developed a more commercial approach with on line ticketing and improved digital marketing to maximise revenue.

2.9. Annually we arrange and deliver c120 events, however most of the income is generated from a small handful of these. The 2 fireworks events generate c180k per annum. Income from the All England Tennis Championships amounts to c 80k but only a proportion of this is 'commercial' an area we have expanded in the recent past to capitalise on the commercial opportunities in the park in the vicinity of the queue.

2.10. Greenspaces rental income – Income from rental of buildings and space within our parks and recreation grounds generated c350k in 2016/17.

2.11. **Commercial aspects to frontline services.** As a council we deliver a vast range of statutory and non-statutory services. Many of these offer the potential for commercial services to be provided to supplement and complement the main services and these are growing. Through the cross council TOM [Target Operating Model] process the council has encouraged the exploration of commercial opportunities. Some examples of these include:

2.12. **Shared Regulatory Services Partnership –** development of additional paid for services such as pre application advice and support in areas of licensing, food standards / preparation, and trading standards. These paid for services are already being delivered but will grow further as we take on Wandsworth Councils regulatory services and the economies of scale allow for the appointment of a commercial manager. The council is also looking at how it could maximise the relationship with CHAS in the cross selling of these services given that we will have the largest regulatory service provider in London.

2.13. **Planning –** the delivery of pre application advice and provision of planning performance agreements.

2.14. **Printing –** Since the occupation of the 13th Floor at the Civic Centre by Central London Community Healthcare (CLCH), they have approached the Print and Post Room to deliver some of their posters, campaign information and utilise our post arrangements. This is bringing in a small level of additional income.

2.15. **Parking –** Off street car parking in town centres is often used by shoppers, theatre goers or those who visit our restaurants and bars . There is a growing opportunity to tie up with such operators and offer a joined up experience [event plus parking] at a premium to the council. Particularly with the digitisation of parking payments [Ringo etc.] this become more possible and we are looking closely at how we can maximise this.

2.16. **Advertising –** This is an area where we currently generate money from street based advertising stands [free standing and at bus shelters] as well as sponsorship at roundabouts. Subject to planning permission the council could seek to generate more money from digital and fixed advertising on buildings it owns and on the highway.

2.17. **Building Control** – The Council operates a Building Control function in competition with the private sector [Approved Inspectors] The Council service cannot make a surplus over a 3 year accounting period [it should break even] This is an area where the Council in common with others across London has lost and continues to lose market share despite seeking to maximise the opportunities inherent in being part of the council and operating alongside Development Control. We have taken time to act more commercially and cross sell the B.C. service when planning decisions are taken however more users [developers and householders] choose to employ A.I.s. The charges for an A.I. service are usually lower than for a Building control service operated by the council. However this often reflects the lower number of visits to the property and the detailed work undertaken by the council service. It is unclear at present whether a competitive Building control service can be sustainable.

2.18. **Capacity and approach** – Historically commercialisation has not been a natural skillset of Local Government staff and we are having to respond to the challenges we face and adopt more commercial approaches. This has required us to develop existing staff as well as supplement the workforce in areas to build commercial acumen. The Council transformation programme has funded a commercial manager and marketing manager post for 2 years to build capacity and this has had a positive impact. Our Target Operating Model approach focuses attention on commercialisation and will, when run again for the 3rd iteration in December this year, require business managers to explore commercial opportunities.

3 ALTERNATIVE OPTIONS

3.1. The Council could avoid commercialisation and in doing so be risk averse but also fail to take advantage of the financial benefits.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. None specific for this report

5 TIMETABLE

5.1. There are no specific timetable matters relevant for this report save for the next TOM process which commences in December 2017.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. This report deals solely with the financial benefits and risks of commercialisation. Appendix 1 provides a summary of income including some commercial income in E&R

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. With the ever increasing constraints on Local Authority funding there is ever increasing pressure to identify income streams and/or opportunities for savings. This report identifies examples of where the Council is using the assets it owns or services it provides to enable income generation.

7.2 There are long established powers for councils to trade:

- The Local Authorities (Goods and Services) Act 1970 enable councils to enter into agreements with each other and other public bodies, for the provision of goods, materials and administrative, professional and technical services, and for the carrying out of maintenance.

- The Local Government Act 2003 enables a council to charge for services, to both provide extra service at cost and to trade with the private sector. Under this Act, the Government authorises trading via a trading order. The Trading Order currently in force was made in 2009, which permits all councils in England to trade or “to do for a commercial purpose”, anything which they are authorised to do for the purposes of carrying out their ordinary functions, which included use of the granted general power of competence.
- Under the Local Government Act 2003 and Trading Order, as augmented by the Localism Act 2011, for a council to exercise the power to do things for a commercial purpose (which the Council could not do otherwise), this has to be done through a company. This has enabled the setting up of companies by the Council as described in the main body of the report.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. There are no specific Human rights, equalities or community cohesion issues arising from this report.

9 CRIME AND DISORDER IMPLICATIONS

9.1. There are no specific crime and disorder implications arising from this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. There are no specific health and safety or risk management issues arising from this report.

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

- Appendix 1 – income including commercial income summary E &R

12 BACKGROUND PAPERS

12.1.

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APPENDIX 1

Commercial Income (Customer & Client Receipts) for:	2014/15			2015/16			2016/17			2017/18			
Service Ares:	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual to date	Forecast	Forecast Variance
Property Services	-4,041,550	-4,222,534	-180,984	-4,059,550	-4,489,329	-429,779	-4,089,550	-4,719,115	-629,565	-4,179,550	-2,870,977	-4,397,407	-217,857
Events	-337,210	-299,294	37,916	-445,210	-394,042	-51,168	-407,210	-357,287	49,923	-507,210	-245,242	-427,342	79,868
Building & Development Control	-1,858,940	-1,905,480	-46,540	-1,893,130	-1,879,199	13,931	-1,973,110	-2,004,512	-31,402	-1,988,910	-803,296	-1,604,000	384,910
Regulatory Services	-344,380	-385,066	-40,686	-344,380	-379,493	-35,113	-424,380	-366,907	57,473	-456,880	-165,686	-375,640	81,240
Leisure-Wimbledon Sailing Base	-367,000	-382,558	-15,558	-377,000	-362,502	14,498	-401,000	-367,478	33,522	-411,000	-347,768	-350,000	61,000

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