Merton Council
Cabinet Agenda

Membership

Councillors:

Stephen Alambritis (Chair)
Mark Allison
Kelly Braund
Mike Brunt
Tobin Byers
Caroline Cooper-Marbiah
Nick Draper
Edith Macauley MBE
Martin Whelton

Date: **Monday 25 March 2019**

Time: **7.15 pm**

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

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All Press contacts: communications@merton.gov.uk, 020 8545 3181

Cabinet Agenda
25 March 2019

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CABINET
18 FEBRUARY 2019

(7.15 pm - 7.45 pm)

PRESENT Councillors Councillor Stephen Alambritis (in the Chair), Councillor Mark Allison, Councillor Kelly Braund, Councillor Mike Brunt, Councillor Tobin Byers, Councillor Caroline Cooper-Marbiah, Councillor Nick Draper and Councillor Edith Macauley

ALSO PRESENT Councillors Peter Southgate, Nick McLean, Daniel Holden, David Williams, Stephen Crowe and Nigel Benbow

Ged Curran (Chief Executive), Hannah Doody (Director of Community and Housing), Caroline Holland (Director of Corporate Services), Chris Lee (Director of Environment and Regeneration), Jane McSherry (Assistant Director of Education), Roger Kershaw (Assistant Director of Resources), Paul Evans (Assistant Director of Corporate Governance) and Amy Dumitrescu (Democratic Services Officer)

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

Apologies were received from Councillor Martin Whelton.

2 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 2)

There were no declarations of interest.

3 MINUTES OF THE PREVIOUS MEETING (Agenda Item 3)

RESOLVED: That the minutes of the meeting held on 14 January 2019 were agreed as an accurate record.

4 REFERENCE FROM THE OVERVIEW AND SCRUTINY COMMISSION - SECOND ROUND OF BUDGET SCRUTINY (Agenda Item 4)

At the invitation of the Chair, Councillor Peter Southgate addressed the Cabinet, giving an overview of the recommendations, including the specific concerns raised by the Overview and Scrutiny Commission and thanking Councillors and Officers for their involvement and hard work.

The Deputy Leader and Cabinet Member for Finance in response echoed the thanks to officers and all members who had been involved throughout the Scrutiny process. The Cabinet Member noted that savings were required of up to £20 million and £10 million had been identified.

In relation to the specific suggestions from the Scrutiny process, the Cabinet Member advised as follows:

1) Capital Programme – this was under constant review however when discussed, agreement had not been reached on which item(s) to remove.
2) Contribution for funding premises occupied by MVSC and CAB – there should be detailed discussions with charities over the coming year regarding this.
3) Morden Park House – the issue had been recognised and it was a loss making service. It would need to be looked at whether the revenue could be increased or whether there were alternative uses for the site. The next twelve months would be used to look at how the premises could operate and provide better value.

The Cabinet Member thanked all involved for their constructive work.

The Chair echoed the thanks to all involved with the Scrutiny process and also to Councillor Southgate.

The Cabinet Member for Community Safety, Engagement and Equalities noted that the rates paid by the MVSC had not been reviewed for a number of years, and that the Council should aim for equality across the voluntary sector where possible.

The Cabinet Member for Community and Culture commended point 2 of the Commission's recommendations to lobby the government for more sustainable basis for the funding of local government and welcomed the cross-party agreement on that point.

RESOLVED:

1. That Cabinet, in taking decisions relating to the Business Plan 2019-23, takes into account the recommendations made by the Overview and Scrutiny Commission (set out in paragraph 2.4 of the report) and the outcomes of consideration by the Overview and Scrutiny Panels (set out in Appendix 1 of the report)

5 DRAFT BUSINESS PLAN 2019-23 (Agenda Item 5)

The Deputy Leader and Cabinet Member for Finance presented the report and thanked all involved noting a great deal of work and consideration had gone into the Business Plan.

The Director for Corporate Services highlighted several parts of the Plan to members and advised of a number of amendments which would be made prior to the Budget Council meeting.

The Chair echoed the thanks to all involved and to the Cabinet Member for Finance.

The Director for Corporate Services confirmed that the Business Plan had been amended to action the savings changes/removals recommended by the Overview and Scrutiny Commission.

RESOLVED:

1. That Cabinet considered and agreed the response to the Overview and Scrutiny Commission;
2. That the Cabinet resolved that, having considered all of the information in this report and noted the positive assurance statement given by the Director of Corporate Services based on the proposed Council Tax strategy, the maximum Council Tax in 2019/20, equating to a Band D Council Tax of £1,227.82, which is an increase of below 5% be approved and recommended to Council for approval.
3. That the Cabinet considered all of the latest information and the comments from the scrutiny process, and makes recommendations to Council as appropriate
4. That Cabinet resolved that the Business Plan 2019-23 including the General Fund Budget and Council Tax Strategy for 2019/20, and the Medium Term Financial Strategy (MTFS) for 2019-2023 as submitted, along with the draft Equality Assessments (EAs), be approved and recommended to Council for approval subject to any proposed amendments agreed at this meeting;
5. That the Cabinet resolved that, having considered all of the latest information and the comments from the scrutiny process, the Capital Investment Programme (as detailed in Annex 1 to the Capital Strategy); the Treasury Management Strategy (Section 5), including the detailed recommendations in that Section, incorporating the Prudential Indicators and the Capital Strategy (Section 4) as submitted and reported upon be approved and recommended to Council for approval, subject to any proposed amendments agreed at this meeting;
6. That Cabinet noted that the GLA precept will not be agreed by the London Assembly until the 25 February 2019, but the provisional figure has been incorporated into the draft MTFS
7. That Cabinet requested officers to review the savings proposals agreed and where possible bring them forward to the earliest possible implementation date
8. That Cabinet noted that there may be minor amendments to figures in this report as a result of new information being received after the deadline for dispatch and that this will be amended for the report to Council in March.
9. That Cabinet considered and approved the Risk Management Strategy

6 FINANCIAL REPORT 2018/19 – DECEMBER 2018 (Agenda Item 6)

The Deputy Leader and Cabinet Member for Finance presented the report, thanking all involved and advising that the purpose of the report was to compare current spending in comparison to the budget. The Cabinet Member advised that there was a forecast net underspend of £1.49 million but noted that there were some areas of pressure and some areas would not continue to have an underspend.

The Director of Corporate Services advised that the report would go to the Financial Monitoring Task Group on 25 February to be looked at further.

RESOLVED:

A. That Cabinet noted the financial reporting data relating to revenue budgetary control, showing a forecast net underspend at year-end of £1.49m million, 0.28% of gross budget.
B. That Cabinet noted the adjustments to the Capital Programme contained in Appendix 5b and approve the items in the Table below:

Scheme	2018/19 Budget	Narrative
Children Schools and Families		
Devolved Formula Capital	713,860	Additional Government Ringfenced Funding 2018/19
Harris Academy Wimbledon	(183,160)	Virement to cover final contractual costs
Perseid Expansion	183,160	Virement to cover final contractual costs
Environment and Regeneration		
Highways & Footways – Casualty Reduction & Schools	145,000	Virement between TfL funded Schemes
Highways & Footways – A298/A238 Strategic Corridor	(81,000)	Virement between TfL funded Schemes
Mitcham Trans Imps – Figges Marsh	(64,000)	Virement between TfL funded Schemes
Total	**713,860**	

7 AWARD OF CONTRACT FOR PROVISION OF EXTRA CARE AND HOUSING RELATED SUPPORT SERVICES AT PANTILES HOUSE AND TRELLIS HOUSE - ASC CONTRACT (Agenda Item 7)

The Cabinet Member for Adult Social Care and Health presented the report and gave an overview of the recommendations. The Cabinet Member thanked officers for their hard work and advised that the intention was this was similar to the current contract and noted that the Council would only pay for the hours used.

RESOLVED:

A. That Cabinet awarded the contracts for the provision of Extra Care Services on the basis of three years with the option to extend for a further 2 years in 1 year increments and as outlined in the confidential Part B paper.
B. That Cabinet Delegated to the Director of Community and Housing, in consultation with the Cabinet Member for Adult Social Care and Health, the authority to extend the contract by the further increment of up to 24 months (as above).

Committee: Cabinet

Date: 25th March 2019

Wards: All

Subject: Reference from the Sustainable Communities Overview and Scrutiny Panel – Diesel Levy and Emissions Based Charging Review

Lead officer: Julia Regan, Head of Democracy Services

Lead member: Councillor Laxmi Attawar, Chair of the Sustainable Communities Overview and Scrutiny Panel

Contact officer: Julia.regan@merton.gov.uk; 0208 545 3864

Recommendations:

1. The Sustainable Communities Overview and Scrutiny Panel recommends that Cabinet take into account its reference set out in paragraph 2.5 below when making decisions on the Diesel Levy implementation review.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. At its meeting on 26 February 2019 the Sustainable Communities Overview and Scrutiny Panel received a report on Terms of Reference for Diesel Levy and Emission based charging review. The Panel was asked to discuss and comment on the report and agree any reference it wished to make back to Cabinet about the terms of reference for this review.

1.2. The Panel agreed to make a reference to Cabinet, as set out in paragraph 2.5 below.

2 DETAILS

2.1. The Council introduced the diesel levy surcharge in 2016. At the time of approval, Members requested the effect of the levy be reviewed after 2 years of its operation.

2.2. The Panel received a report setting out the background information, how the theme ties in with Merton's existing policies, and details on how this paper will trigger the evidence gathering required to ascertain whether Merton's policies have had any impact on levels of diesel car ownership in comparison with the national change.

2.3. Panel members asked questions and sought responses to concerns raised. Responses were provided by the Director of Environment and Regeneration and the Head of Parking Services.

2.4. Full details of points made in the discussion will be published in the minutes of the meeting.

2.5. Panel RESOLVED to make the following reference to Cabinet:

The Panel recommends to Cabinet that they consider whether to extend/clarify the terms of reference for the diesel levy review and the review into emissions based charging in other councils to examine whether there is any evidence of the type of behavioral change that these schemes drive. I.e. there might not be a fall in overall applications for permits, but over time there might be a trend for permits e.g. for less polluting vehicles, even though overall permit numbers remain broadly the same.

3 ALTERNATIVE OPTIONS

3.1. None – Cabinet is required under the council's constitution to receive, consider and respond to references from overview and scrutiny.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. Invitations to provide submissions to the Panel were sent to a wide range of residents' associations and local community organisations.

5 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

5.1. These are included in the report to Cabinet on 10 December 2018 and the subsequent report to the Sustainable Communities Overview and Scrutiny Panel on 26 February 2019.

6 LEGAL AND STATUTORY IMPLICATIONS

6.1. Cabinet is required under the council's constitution to receive, consider and respond to references from overview and scrutiny. The Local Government and Public Involvement in Health Act 2007 requires Cabinet to respond to reports and recommendations made by scrutiny committees within two months of written notice being given.

7 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

7.1. These are included in the report to Cabinet on 10 December 2018 and the subsequent report to the Sustainable Communities Overview and Scrutiny Panel on 26 February 2019.

8 CRIME AND DISORDER IMPLICATIONS

8.1. These are included in the report to Cabinet on 10 December 2018 and the subsequent report to the Sustainable Communities Overview and Scrutiny Panel on 26 February 2019.

9 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

9.1. These are included in the report to Cabinet on 10 December 2018 and the subsequent report to the Sustainable Communities Overview and Scrutiny Panel on 26 February 2019.

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

- None

11 BACKGROUND PAPERS

11.1. None

Committee: Cabinet

Date: 25th March 2019

Wards: All

Subject: **Terms of Reference for Diesel Levy and Emission based charges review.**

Lead officer: Chris Lee, Director Environment & Regeneration &

Lead members: Cllr Whelton (Cabinet Member Cabinet member for Regeneration,

Housing and Transport Cllr Tobin Byers, Cabinet Member for Adult Social Care and Health

Contact officer: Ben Stephens, Head of Parking Services

Recommendations:

1. That Cabinet approves the Terms of Reference for a review of the diesel levy and emissions based charging as set out in the report.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. The Council took the bold decision to introduce the diesel levy surcharge in 2016. The emissions from diesel engines are known to be particularly harmful. At the time of approval, Members requested the effect of the levy be reviewed after 2 years of its operation.

1.2. Since its introduction in Merton a number of other London Boroughs have followed Merton's lead with the aim of reducing diesel car usage.

1.3. Currently in Merton, the diesel levy is only charged on Permits, but consideration will be given to extending this to pay and display parking and season tickets.

1.4. A more recent practice is for councils to use emission based charging as a way of affecting driver behaviour and vehicle ownership. A revised [emissions based] charging approach will be considered as part of the review.

1.5. Merton parking service already contributes to; and helps deliver the key policies set out in: Merton's Health and Wellbeing Strategy; Merton's Air Quality Action Plan; the Council's Local Implementation Plan; and the Mayor of London's Transport Strategy.

1.6. The outcome of the review will further help inform Members of these key strategic issues, which will affect parking policy for the future.

2 TERMS OF REFERENCE FOR DIESEL LEVY REVIEW.

2.1.1 The review will explore the impact of the diesel levy and the extent to which it has contributed to a change in diesel car ownership.

2.1.2 The suggested terms of reference have been amended to include the revised reference set out in the Sustainable Communities Overview and Scrutiny Panel on 26th February 2019.

2.1.3 The review will seek to identify the type of behavioural change the levy has influenced, e.g. there might not be a fall in overall applications for permits, but over time there may be a trend for permits e.g. for less polluting vehicles, even though overall permit numbers remain broadly the same.

2.1.4 As an example, the list below sets out some of the considerations the review will look at and the wider issues of car ownership and trends.

2.1.5 Wider national trends:

- National Car ownership trends in the short and medium term, such as the uptake of Electric Vehicles, walking and cycling.
- New car sales and type of vehicles now being purchased nationally and locally [if possible]. Also the life span of car ownership and effect of long-term trends.
- Percentage of cars in high-low polluting vehicles and trends.
- Other Borough charges and policies.
- Timescale for change.
- Charging options.
- Use of technology to deliver a new charging policy:
    - The greater use of cashless parking systems and improved/modern P&D machines along with other technologies is known to be instrumental in implementing emission based charging and Members are asked to note section 1.12 and the ongoing work in this regard.

2.1.6 Local data and review:

- The review team will consider diesel permit sales in Merton over the two years of operation.
- Compare Merton’s trends with other boroughs and national trends in diesel vehicle ownership tends over the same period.
- Assessment of the impact on the introduction of the diesel levy
- Explore the case for change.

2.1.7 The review will also explore the case for a diesel levy on pay and display (on and off-street car parking) by looking at experience and examples elsewhere and how much a levy can be used to reduce diesel vehicle use.

2.2. **Emission based charging**

2.2.1 Whilst not an existing or proposed levy, Officers wish to explore the case for emission based charging for resident permits and parking charges generally. The review will explore the experience of other councils in implementing such schemes – the benefits and disadvantages of such a scheme and the impact this can have on driver behaviour and air quality.

2.3. **In the context of Merton exiting policies, including:**

2.3.1 **Improved physical and mental health of Merton residents:** In Merton, levels of physical activity has dropped by two percentage points in two years. Furthermore based on Department for Transport statistics for 2016/17 the proportion of adults doing any walking or cycling once a week is 77.9% down from 81.5% for 2015/16.

2.3.2 By supporting the shift to more sustainable and active modes of transport, improving air quality and generally making streets more pleasant places for Merton residents to spend their time, parking policy can help increase the physical and mental health of Merton residents. This can help reduce levels of childhood and adult overweight and obesity, a key issue in Merton. In Merton, one in five children entering reception are overweight or obese and this increases to one in three children leaving primary school in Year 6 who are overweight or obese.

2.3.3 **Healthy places**: The ‘healthy streets’ approach defines a healthy street as one with things to see and do; places to stop and rest; shade and shelter; clean air; and pedestrians from all walks of life. It must be easy to cross; and feel safe, relaxing and not too noisy. Put simply, it needs to be an environment in which people choose to walk and cycle. Action against these indicators ultimately improves health, and parking policy has a role to play for example, by helping improve air quality, and incentivising people to walk, cycle and use public transport.

2.3.4 Example of healthy places and the role parking services can play: Parking Services are already working jointly with Public Health on the School Neighbourhood Approach Pilot (SNAP). This pilot recognises that there is not one solution to complex challenges and that many different government departments hold the levers to improving the urban environment and therefore the public’s health. The pilot involves identifying the levers the Council has to improve the urban environment in the 400 metres around a school, and then working with a selected school to take action on issues that matter to them, such as air quality and an obesogenic environment, with the ultimate aim of reducing health inequalities.

2.3.5 We need to consider what we can do as a borough to ‘make the healthy choice the easy choice’, to improve public services and encourage residents to choose active travel options more often, and to reduce congestion and improve air quality.

2.4. MERTON AIR QUALITY ACTION PLAN 2018-2023

2.4.1 Air pollution is recognised, as a major contributor to poor health with more than 9000 premature deaths attributed to poor air quality in London Air pollution is associated with a number of adverse health impacts: it is recognised as a contributing factor in the onset of heart disease and cancer. Additionally, air pollution particularly affects the most vulnerable in society: children and older people, and those with heart and lung conditions. There is also often a strong correlation with equalities issues, because areas with poor air quality are often less affluent.

2.5. Parking and Transport Management

The role of parking and transport policy to deliver sustainable transport, public health and air quality objectives

2.5.1 Parking management serves a vital strategic and local function in regulating the amount of traffic attracted to an area. This is intended to discourage car use in congested areas where journeys are equally well served by public transport or other sustainable forms of transport, such as walking and cycling. The role of Parking can be very clearly linked to matters of Public Health and air quality.

2.5.2 In line with the Mayor’s Strategy to drive a shift away from non-essential car travel, walking and cycling improves the health of Londoners and can achieve considerable economic benefits.

2.5.3 On the 19th November 2018, TfL (in collaboration with partners) published research about the economic benefits of the Healthy Streets Approach. https://tfl.gov.uk/corporate/publications-and-reports/economic-benefits-of-walking-and-cycling

2.6. PAYMENT METHODS AND CASHLESS PARKING

2.6.1 The review team will consider the use of P&D and cashless technologies, which will form part of the October 2019 report. The management of any emission based charging or diesel levy is for on and off street charging will be reliant on the use of cashless payments through RingGo and new Pay and Display machines will be needed to evaluate the emissions of any given vehicle at any given time.

2.6.2 Members will in due course be asked to consider a carefully managed rationalisation of Pay and Display machines over the next few years, to achieve a higher percentage of cashless transaction. Cash alternatives will always be possible within the borough, either through local shops selling parking sessions, which works well in other boroughs, or sale of parking time in advance through a voucher system.

2.6.3 In some cases Parking Services will or have removed underutilised machines in cases where an alternative machine is nearby. This work is ongoing and Ward members will be informed is a machine removal is being consider in respective wards.

2.6.4 Cashless parking has been operation in Merton for 4 years. Its introduction and subsequent update has been very successful and well received by customers. Cashless payments now account for 49% of all paid for transactions and this continues to grow. The service is provided by RingGo and the same service is available in 22 of the 32 London boroughs. We have recently extended the contract with RingGo for a further 4 years.

2.6.5 There has been a natural conversion by customers towards the use of cashless both locally and nationally. Some boroughs have used a number of initiatives to further increase the use of cashless. This includes removal of machines from location where there are multiple machines, additional signs at P&D locations, and advertising on the back of P&D machines and tickets to raise awareness.

2.6.6 Savings can be achieved by increasing the proportion of parking payments made through cashless systems rather than through the cash-only ticket machines. Which could be as little as one user per week.

2.6.7 Removing lesser-used ticket machines will reduce maintenance, repair, cash collection and banking charges while also reducing opportunities for theft or criminal damage. Analysis of usage patterns has established that many machines take a trivial amount of cash; some less than £10 per calendar month.

3 ALTERNATIVE OPTIONS

3.1. The Terms of Reference set out above will have been drafted to ensure all options are considered as part of this review. The Cabinet undertook to carry out a review of the impact of the levy when it was implemented in 2016, and therefore to not carry out the review is not being proposed as an alternative option.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. None required for the purpose of this report.

5 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

5.1. None for the purpose of this report.

6 LEGAL AND STATUTORY IMPLICATIONS

6.1. None for the purpose of this report.

7 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

7.1. To be considered as part of the review.

8 CRIME AND DISORDER IMPLICATIONS

8.1. Removing cash-only pay and display ticket machines will reduce the frequency of thefts and damage. There are no known other implication, which the Terms of Reference would have on crime and disorder, but the review will be minding of this matter during the process.

9 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

9.1. There are no health and safety implications associated with this report at present.

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

10.1. None

11 BACKGROUND PAPERS

11.1 None

12 LINKED REPORTS

12.1. Emissions Levy, Cabinet 14 November 2016

12.2. Public health, air quality and sustainable transport-a strategic approach to parking charges 2, Cabinet 10 December 2018

Committee: Cabinet

Date: 25th March 2019

Wards: All Wards

Subject: Award of Contracts for the Provision of Housing Related Support (HRS) Services

Lead officer: Hannah Doody, Director of Community and Housing

Lead members: Tobin Byers, Cabinet Member for Adult Social Care and Health; Martin Whelton, Cabinet Member for Regeneration, Housing and Transport

Contact officer: Steve Langley, Head of Housing Needs

Recommendations:

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1. That Cabinet approves the award of the contracts for Housing Related Support for Lots 1 to 5 in respect of the highest ranked and evaluated bids for each Lot as set out in Appendix Part B.
2. That Cabinet note that the contracts which are due to commence by 1 July 2019 and will be granted for a period of 3 years with options to extend for up to 2 further periods of up to 12 months each. The maximum contract period will be no more than 5 years.
3. Delegate to the Director of Community and Housing, in consultation with the Cabinet Member for Adult Social Care and Health and the Cabinet Member for Regeneration, Housing and Transport, the authority to extend the contract by the further increment of up to 2 years (as above).

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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 The purpose of the report is to seek approval of the Cabinet for the award of the contracts for the Council's Housing Related Support (HRS) programme.

2 DETAILS

2.1. Housing Related Support is a non-statutory support service for vulnerable Adults and young people. HRS superseded the previous Supporting People funding regime, introduced in 2003 as the government's national programme for housing related support. The HRS service is provided in purpose-built schemes or by visiting and delivering the support in the community.

2.2. Housing Related Support can help clients with obtaining benefits, managing their money, supporting them to improve their safety, health and wellbeing. The range of services provided reflect the broad range of needs different people have in relation to support including:

- People with mental health needs
- Single homeless

- Young people at risk
- Frail elderly and disabled people
- Teenage parents
- Women at risk of domestic violence

2.3. The social, policy and economic environments have changed since Supporting People was introduced in 2003. Service users face significant challenges, such as welfare reform and the introduction of Universal Credit. Lack of affordable supply in the social housing and private rented sectors, combined with rental increase trends in the private sector compound the challenges faced by those with housing and support needs. The review of the Council's funding of HRS and new procurement requirements need to take account of the Government's consultation on the future funding of supported housing.

2.4. The Homelessness Reduction Act 2017 placed new legal duties on local authorities, to provide advice and assistance to anyone eligible person who is homeless or at risk of homelessness, irrespective of their priority need status. Overall the new legislation imposed greater responsibilities on councils to prevent homelessness and provide advice and assistance through a tailored plan to assist an applicant to retain or secure accommodation. The Care Act 2014 set out the duty of a local authority to 'meet the needs' of a person who needs care and support. Where these needs are significant a duty to secure accommodation is likely to arise.

2.5. There are 16 HRS funded organisations schemes operating within Merton, providing over 30 services through a range of HRS contracts. These services are a range of accommodation based and floating support services. Accommodation based services provide support as an integral part of the service user's tenancy or licence arrangement. Floating support is usually time limited and provided to residents in their own tenancies to support them to deal with crises or prevent homelessness by supporting them to sustain their accommodation.

2.6. The 2018/19 HRS budget is £1.85m. The current HRS contracts have largely been inherited from the old Supporting People funding regime. Following expiry of the original contracts, the agreements have been extended by contract variations. The majority of the Council's HRS providers are housing associations.

2.7. Following the HRS Review Project implementation the HRS programme has been revised and the number of contract services that will be funded in 2019-20 has been reduced to 7. This has been achieved by combining some services within new contract packages, and through ending a number of contracts and putting in place alternative measures. Details are set out in Part B, including the target HRS savings that will contribute to the Council's 2019/20 Budget savings.

2.8. The contract for Women's Refuge was tendered under a separate process along with the Independent Domestic Violence Advocate (IDVA) contract as these contracts form the Council's domestic abuse and violence (DVA) service.

2.9. The overall reduction in the number of HRS contracts tendered is an outcome from the HRS Review. Following consultation with providers the decision was made that current contracts for older people's services, which expire on 31st July 2019, will not be renewed. A new needs-based assessment and funding process will be available for Providers that wish to apply for supported housing HRS funding for older persons services from 1st August 2019. They will need to submit an application form under the new HRS framework for individual service users requiring older persons HRS funded support. The funding model will ensure that in cases where there is evidence of likely significant detriment to an individual, or a likely demand on statutory services if HRS was not provided, the Council would be able to fund targeted support.

2.10. Following CMT and Procurement Board approval to recommission the service under competitive open tender procedure, tender documents were prepared. It was agreed that bidders would have the option to tender for one or more of the Lots, to encourage small organisations as well as large ones to compete.

2.11. The key objectives of the new services are:

- Ensuring that the procurement of HRS services addresses the identified current and future anticipated customer need for supported housing services within Merton
- Ensure that HRS services support Adult Social Care strategic objectives where possible
- Align HRS funding with the local authority strategic priorities arising from statutory and regulatory changes such as the HRA 2017 and Care Act 2014
- Greater transparency and consistency across the range of services delivered
- A funding structure that is fairer to all providers delivering HRS services and based on demonstrable and measurable customer outcomes
- Delivery of cost efficiencies and demonstrable value for money measures
- Enablement of a more robust contract management framework aligned with the National Statement of Expectation standards
- Enabling a streamlined contract management framework
- Ensure the needs of service users are reflected across a more balanced service model reflecting the benefits of floating support services to achieve better outcomes for vulnerable adults

2.12. <u>Description of the Tender process</u>

The tender process was undertaken by Commercial Services in accordance with EU Directive 2014/24/EU, The Public Contracts Regulations 2015 and the Council's Contract Standing Orders. The tender was managed via the Council's web based e-Tendering system ProContract, with advice from the Council's Legal services as needed.

2.13 The tender opportunity was advertised from 25th January through ProContract, the Official Journal of the European Union (OJEU) and

Contracts Finder. The contracts will be for an initial 3-year period with options to extend for a maximum of 2 further periods of up to 12 months.

Contract	Service	Units	Value pa
Lot 1	Mental Health Accommodation Scheme	23	311,633
Lot 2	Floating Support	76	180,000
Lot 3	Homelessness Prevention - Young People	34	61,931
Lot 4	Homelessness Prevention - Adults	58	130,500
Lot 5	24-hr Direct Access Homelessness Hostel	14	192,325

2.14 The contracts published were as follows:

Contracts Published	Annual Contract Value £
Lot1 Mental Health Accommodation Scheme	311,633
Lot 2 Floating Support	180,000
Lot 3 Single Homelessness (Young People)	61,931
Lot 4 Single Homeless (Adults)	130,500
Lot 5 Homeless (Direct Access Hostel)	192,325

2.15 TUPE

Bidders were advised by the Council that the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") and/or Property lease/rental agreement might apply to this contract. It was, however, made clear in the invitation to tender that it would be up to bidders to make their own judgement on the potential implications of TUPE and/or Property lease rental agreement and factor it into their bid accordingly.

2.16 Tender Evaluation

All bidders were advised in the tender documents provided that the award of any contract would be in accordance with the evaluation criteria specified in the tender documents based on 70% quality and 30% cost. A total of 5 bids were received for the Tender. These were evaluated and moderated in accordance with the tender documents and as shown in Part B.

2.17 Evaluation Panel

An Evaluation Panel was established consisting of:

- Head of Housing Needs (C&H)
- Senior Public Health Principal (C&H)
- HRS Project Manager (C&H)

Moderator - Category Advisor (Commercial Services)

2.18 Quality Evaluation (Method Statements)

During the period 25th February to 28th February 2019 the Evaluation Panel assessed each tender against pre-set evaluation criteria set out in Appendix 1. Details of the Moderated scores are set out in Part B.

3 ALTERNATIVE OPTIONS

3.1. The following alternative options were considered:

Cease providing the services

This option would enable the Council to save the budgeted contract expenditure on the contracts. However ceasing the services is not recommended, as this would lead to a failure to meet the Council's Adult Social Care and Housing strategic objectives and failure to meet the requirements of the Care Act 2014 in respect of meeting needs and reducing demand on statutory services. Ending the service could result in additional homelessness and an increased demand for temporary accommodation.

Extend current contracts

Extending the contracts would avoid the need for work associated with mobilisation and implementing the new contract and performance management framework. However, this option is not recommended. The current contracts have been extended over years, and there is a need to ensure that services are aligned with corporate priorities, and regulatory and statutory changes. There is also the need to ensure that contracts deliver quality services, value for money and the best outcomes for service users, under the new performance management framework. Extending the current contracts would not meet these objectives.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. Providers have been consulted with throughout the review and via open consultation forums, individual meetings and written communications. Co-working with Providers has ensured that their views have shaped the drafting of contract Lot proposals and contract specifications. External consultation was undertaken with other local authorities.

4.2. The following stakeholders were consulted at various stages throughout the Review process and the tender and evaluation process.

Internal:

Adult Social Care Commissioning Team

Commercial Services Team

South London Legal Partnership

Corporate Accountancy Team

Older Persons Commissioning Team

ASC Contracts & Procurement Team

External:

Current Providers

Other Local Authority

5 TIMETABLE

5.1 The timetable to re-tender the services is as follows;

Stage / Activity	Dates
Publication of ITT	Friday 25th January 2019
Last date for ITT clarification questions	Monday 18th February 2019
Closing date for receipt of ITT	Monday 25th February
Evaluation of ITT	Tuesday 26th February – Friday 1st March 2019
LSG	Monday 11th March 2019
Cabinet award decision	Monday 25th March 2019
Notify bidders of Council's intention to award	Tuesday 2nd April 2019
Standstill Period	Wednesday 3rd April – Friday 12th April 2019
Confirmation of award decision	Monday 14th April 2019
Target Contract Commencement date	Thursday 1st August 2019

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. Details of financial implications are set out in Part B.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1 This report describes a tender process that should proceed to award to the highest scoring tenders provided that the relevant procurement process as stated in the report has followed the requirements of the Public Contracts Regulations 2015, and has also been undertaken in a manner compliant with the published tender documentation and the treaty principles of Transparency, Equal treatment and non-discrimination, Proportionality and Mutual recognition.

7.2 On the face of the report it appears that a compliant process has been undertaken.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1 An Equalities Impact Assessment has been carried out as part of the pre-Tender process. Under the new contract management framework Providers' submission of equalities monitoring data will enable the Council to monitor and assess the impact of services, including access and barriers to services for different groups. There are no specific community cohesion implications arising from this report.

9 CRIME AND DISORDER IMPLICATIONS

9.1 There are no specific implications affecting this tender.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1 All organisations that are awarded contracts are required to have policies and procedures in place and ensure that these comply with the Council's Policies in relation to health and safety, risk management and safeguarding children and vulnerable adults. Providers are required to perform their contractual obligations in accordance with all applicable health and safety and safeguarding legislation.

10.2 The Council will ensure compliance to the contract specification and contract standards through the use of a robust monitoring procedure that will be developed for this service. This will use at least the following methods:

- The provider monitoring the contract through their own quality management and monitoring system (this will include: monitoring service delivery hours, service user outcomes achieved, monthly activities held and attended, analysis & investigation of complaints, monitoring of health and safety practices and at least annually a client satisfaction survey to identify any areas for improvement).
- Submission of monthly and quarterly performance data, depending on the service type, will be submitted to the Council in respect of a range of data including: service hours delivered, complaints analysis, new referrals, referrals moved on, support plan progress and outcomes achieved. The performance data will enable the Council to ensure that that the providers

are conforming to the contract specification and performance targets. Submission of quarterly performance reports to the Council.

- Review meetings between the Council and the Providers every 6 months.
- Annual inspections of the service providers by the contract manager and review of customer satisfaction.

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

Part B - Tender Evaluation Process and Award Criteria

12 BACKGROUND PAPERS

The Council's Standing Orders

The Council's Procurement Strategy

Committee: Cabinet

Date: 25 March 2019

Wards: All

Subject: Extension of Contracts for Supply of Electricity and Gas

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Councillor Mark Allison

Contact officer: Richard Neal, Energy & Sustainability Manager

Recommendations:

A. Confirm the Extension of the Contract for The Supply of Electricity with Scottish Power for a further year until 31/03/22, at an estimated cost of £1.7m

B. Confirm the Extension of the Contract for The Supply of Gas with Gazprom for a further year until 31/03/22, at an estimated cost of £0.75m

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. The Council is in delivery year 2 of 4-year flexible supply contracts with its electricity (Scottish Power) and Gas (Gazprom) suppliers, and officers are seeking approval to take up 1-year extensions to both contracts.

1.2. Exercising the 1-year extension options needs to be confirmed as a key decision as the annual value of each contract is in excess of £500,000.

2 DETAILS

2.1. The Council awarded contracts for the supply of electricity to Scottish Power, and gas to Gazprom in April 2017. The award was made subsequent to confirmation of the outcome of an OJEU compliant tender process at the 13th February 2017 Cabinet meeting.

2.2. Under current arrangements the contracts with both suppliers will end on 31/03/21, but both contain an optional 1-year extension option.

2.3. Volumes of power / gas for delivery via these supply contracts are purchased on the wholesale market by the council’s Independent Energy Consultant, Kinect Energy. Only volumes relating to periods within a current supply contract can be purchased, meaning Kinect can only currently trade energy (and attempt to secure optimal pricing) for delivery up until 31/03/21.

2.4. Due to the nature of these contracts – i.e. the exact prices and consumptions are not known ahead of time – it is impossible to state with certainty the value of the additional year. However at the point of contract award annual values were estimated as;

The electricity supply contract was estimated to be £2,000,000 p.a.

The gas supply contract was estimated to be £1,500,000 p.a.

2.5. Actual spend on the contract to date has come in below the initial estimates, with electricity spend approximately £1,700,000 annually, and gas £750,000 annually. A combination of low wholesale prices at the start of the contracts, extensive energy saving works across the portfolio, and a degree of over estimation account for these savings.

2.6. Officers are seeking to extend the contracts until 31/03/22 at this time for a number of reasons;

i. Market movements. The market has been very volatile over 2018/19, but equally has been moving predominantly upwards. As a result, the longer the council postpones purchasing volumes for the additional year the greater the change in prices we will see when we move out of the initial term.

ii. Purchasing Strategy. Keeping open a three year rolling purchasing window is generally recommended with flexible supply contracts. This provides a balance between achieving best price, providing access to periods in the market with sufficient liquidity (there tend to be little liquidity in the market beyond three years out).

iii. Forward planning. By extending now, it gives the Council the ability to run the tender for the next electricity and gas supply contracts suitably in advance of delivery so that subsequent volumes can be managed in line with its current trading strategy. By doing any new tenders at the last minute the council would effectively be in the same situation as if it extended existing contracts towards the end of the current initial term.

iv. Market Engagement. Only Gazprom submitted a bid during the last Gas Supply procurement exercise. Earlier extension of this contract will enable officers to begin early engagement with the market with a view to ensuring a greater number of responses the next time these services are tendered for.

2.7. Performance by the incumbent suppliers on both contracts has been good, and while the Council is in delivery year 2 of the current contracts, both suppliers have actually been in place under similar terms for a total of 7 years. As such the likelihood of an unacceptable deterioration in their performance is considered remote.

2.8. The risk of deterioration in performance is therefore considered to be outweighed by the market risk of not being able to buy volume for the additional year significantly ahead of point of delivery.

3 ALTERNATIVE OPTIONS

3.1. The decision on whether to extend the supply contracts could be left until nearer the end of the initial term. While this would enable the Council to exit its current arrangements in 2021, it would increase the risk of it being exposed to Market volatility during 2021/22.

3.2. Supply contracts could be re-tendered at this time for a 21/22 start date. While this would provide the longest purchasing window (e.g. until 2024/25) there is little additional value in being able to purchase beyond a three year window, and the administrative burden placed on officers would be significant.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. The recommendation to exercise the option to extend these contracts was approved at the 11/12/18 Procurement Board meeting.

4.2. The decision to award of the supply contracts was confirmed at the 13/02/17 Cabinet meeting.

5 TIMETABLE

5.1. Approval to proceed from Procurement Board – 11th December 18

5.2. Report to Cabinet for Key Decision approval – 18th February 19

5.3. Notification to Suppliers of Contract Extension – 19th February 19 (note no standstill applies as this is an extension to an existing contract)

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. Extension of the supply contracts will increase the Council's ability to achieve best value by both allowing a longer purchasing window and providing greater budget certainty.

6.2. Due to the nature of these contracts – i.e. the exact prices and consumptions are not known ahead of time – it is impossible to state with certainty their annual value. However at the point of award annual values were estimated as;

The electricity supply contract is estimated to be £2,000,000 p.a.

The gas supply contract is estimated to be £1,500,000 p.a.

6.3. Actual spend on the contract to date has come in below the initial estimates, with electricity spend approximately £1,700,000 annually, and gas £750,000 annually. A combination of low wholesale prices at the start of the contracts, extensive energy saving works across the portfolio, and a degree of over estimation account for these savings.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. As the extensions are provided for under the contracts there are no issues in doing so under the Public Contracts Regulations, which would apply in these circumstances due to the value of the contracts.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. None identified.

9 CRIME AND DISORDER IMPLICATIONS

9.1. None identified.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. While providing an extended purchasing window does not eliminate purchasing risk, it does allow it to be spread and controlled through market observation and timing. A purchasing strategy of this type is generally accepted to minimise purchasing risk.

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

11.1. None

12 BACKGROUND PAPERS

12.1. None

Committee: Cabinet

Date: 25th March 2019

Wards: All

Subject: Creation of a Holding Company

Lead officer: Caroline Holland

Lead member: Councillor Mark Allison

Contact officer: Paul Evans

Recommendations:

1. Approval in principle of the creation of a Holding Company using a Separate Groups Model to form a CHAS group structure.
2. Delegate authority to the Director of Corporate Services to finalise the creation of the holding company and to approve and enter into the associated legal documentation.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. As part of a programme of commercialisation, the Council has established wholly owned companies, one of which is CHAS 2013 Ltd (CHAS).

1.2. CHAS is a company limited by shares, wholly owned by the Council. It currently provides both desktop and onsite supplier/contract risk management assessment and services.

1.3. CHAS and the Council have expansion plans, initially to include the extension of assessments and guidance relating to improved supply chain risk management, then extending the service beyond just the supplier/contractor organisations to their employees and to the management of plant and equipment assets, The services are applicable across multiple markets and geographic sectors.

1.4. CHAS has share capital of one ordinary fully paid share if £1. The company is providing chargeable services to over 30,000 organisations, the profit and loss account for March 2018 shows a turnover of £7.83 million and operating profit of £1.7 million.

1.5. As part of this activity, the Council wants to ensure there is a suitable structure in place to facilitate the effective and appropriate operation of activities in relation to CHAS.

1.6. The overall objectives which a new group structure could achieve can be summarised as follows:

- Provide for shareholder oversight but keeps the governance tiers proportionate to enable operating in a commercial environment (Governance Objective);
- Provide a suitable framework for managing risk across different companies and future expansion of CHAS in terms of service lines and geography (Risk Objective);

- Provide a financial and tax efficient structure for the Council across the different companies (Finance and Tax Objective)
- Provide accommodation of additional corporate entities, either wholly or jointly owned in the future (Future Flexibility Objective).

2 DETAILS

2.1. The Council has looked at various established and proven models with regards the best group structure for the future of CHAS.

2.2. The Separate Groups Model has been identified as the most appropriate model that should be adopted.

2.3. This model will entail companies being formed in groups e.g. a CHAS group for possible new linked ventures in the future. Each group will consist of a mid-company (being a wholly owned subsidiary of the Council) and set of subsidiaries to the mid-company. A diagram is attached to this report as Appendix 1, which provides a diagram of how the structure works. The mid company would have the option of either being a holding company that holds the subsidiaries who are engaged in the commercial activities or it could engage in activity itself. Each group of companies will have a separate direct relationship with the Council, as the owner of the mid-company.

2.4. With regards the Governance Objective referred to above in paragraph 1.5, the clear separation of groups will enable the different groups to have different levels of governance oversight and control compared to a model where the Council would just have a single corporate relationship with a holding company and the holding company would then have a separate direct relationship with the subsidiaries it owns (the Single Parent Company Model).

2.5. As to the Risk Objective (see above paragraph 1.5), the presence of the mid-companies could facilitate the creation of separate vehicles and the effective subsequent management of those and through that could improve the risk management across the activity.

2.6. With regards the Finance and Tax Objective the mid-company of each group can receive dividends. Dividends paid by the mid-company to the Council will not be subject to tax because of the exemption from corporation tax on income for local authorities. However, if the Council owns two mid-companies, those two holding companies would not be able to from a larger group for corporation tax purposes and so would only be able to surrender losses within the smaller groups. Although any net tax losses within a group would be able to be carried forward, it may take longer to use those losses than would be the case if the companies could exchange losses within a larger group. This model however would not prevent the companies forming a larger group for VAT and SDLT purposes. If a larger VAT group could be formed, services can be provided between the companies in the group without a VAT charge arising which could provide a cash flow advantage.

2.7. For the Future Flexibility Objective, individual companies and businesses can be added to the structure either through incorporation or acquisition and either wholly owned by the Council as a direct subsidiary or subsidiary of a mid-company or jointly owned with third parties as a joint venture. The group structure would also enable flexibility if the Council was approached by a prospective purchaser interested in the purchase of the group or part of the group.

2.8. The advantages of the Separate Groups Model can be summarised as follows:

- It continues the current direct governance link between the Council as shareholder and different operational businesses/groups;
- It allows for group structures for the different businesses which enables more effective management of risk;
- It allows for profits from trading to be received in the hands of a company that provides flexibility for whether funds are returned to the Council or reinvested with the potential for returns as dividends to be received as income to the general fund within the Council.

3 ALTERNATIVE OPTIONS

DIRECT RELATIONSHIP MODEL

The Direct Relationship Model is where each company would be set up as a direct wholly owned subsidiary of the Council and would not have any of its own subsidiaries. A diagram of this model is attached as Appendix2. As each company is governed directly and separately by the Council, the Council would end up needing to directly manage multiple companies which could present the Council with more of an administrative task than other structures and may make it harder to establish different relationships in practice. With regards the Risk Objective as each company would be directly controlled by the Council it would make it harder for the Council to easily manage the group effectively and may hamper effective risk management. With regards the Finance Tax Objective, as with the Separate Groups Model, this model enables the Council to enjoy the same exemptions in corporation tax and the possibility of forming a group for VAT and SDLT purposes. The Direct Relationship Model also would mean as with the recommended model, that because of the direct ownership by the Council the companies could not form a group for corporation tax purposes, though would be able to carry forward tax losses with the same issue as to the length of time it would take to utilise those losses compared to other models. For Future Flexibility, individual companies and businesses can be added through incorporation and acquisition and as with the Separate Groups Model this could be held by the Council as a wholly owned subsidiary or jointly owned with third parties by way of a joint venture. The main disadvantage of this model relates to the issue with regards governance and the potential for a higher burden of administration for the Council and the difficulty in establishing different relationship with each of the companies.

SINGLE PARENT COMPANY MODEL

3.1. This model is similar to the Separate Groups Model, but the difference is that the Council would just have a single corporate relationship with the holding company which would then have separate direct relationships with the group companies. A diagram of this model is attached as Appendix 3. The holding company could be given the role of managing the group and would provide a single point of relationship with the Council. This could stream line governance from the Council's perspective. However, there is a risk of dilution of the direct relationship between the Council as shareholder and the operational entities, as the relationship would be an indirect via the holding company and its board. With regards the Risk Objective this is the same as for the Separate Groups Model. The Finance and tax implications relating to dividends and corporation tax and VAT and SDLT are the same as for the other models. However, this model could enable establishing a group for corporation tax purposes so that losses could be surrendered between group companies in the most tax efficient manner. Though this may seem attractive it is not anticipated that the benefit of having a corporation tax group will be material enough to outweigh the benefits of the Separate Group Model at this moment in time. As to the Future Flexibility option, the same comments made about the other models applies to this one.

3.2. A full report of the models discussed above is attached as Appendix 4.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. Not applicable for the purposes of this report

5 TIMETABLE

5.1. On approval of the Cabinet to recommendations 1 and 2 above, the timetable will be governed by the Director of Corporate Services exercising the above delegation.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. The creation of a holding company in line with the separate groups Model will allow flexibility on commercial opportunities for the CHAS group.

6.2. This will create a corporation tax group for CHAS group companies which could be beneficial if new CHAS ventures are not profitable initially.

6.3. The CHAS group holding company can pay dividends to the Council which will not be subject to tax.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. The legal and statutory implications are contained in the main body of this report.

7.2. If the Separate Groups Model is adopted, the creation of additional group entities should be considered on a case by case basis in light of the particular circumstances at the time with there being clarity at the board level as to the overall framework for considering options and sensible triggers for new companies.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. Not applicable for the purposes of this report

9 CRIME AND DISORDER IMPLICATIONS

9.1. Not applicable for the purposes of this report

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. Save for the references to risk mentioned above there are no further implications in relation to this report.

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

- Appendix 1 – diagram of Separate Groups Model
- Appendix 2 – diagram of Direct Relationship Model
- Appendix 3 – diagram of Single Parent Model
- Appendix 4 – Options report relating to CHAS 2013 Ltd

12 BACKGROUND PAPERS

12.1. None

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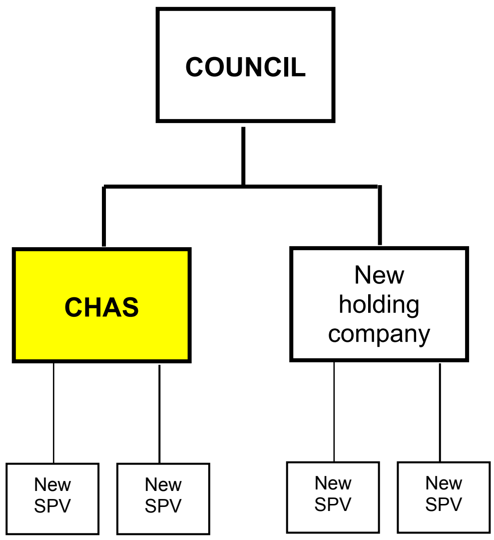
APPENDIX 1

SEPARATE GROUPS MODEL

The Separate Groups Model can be summarised as follows:



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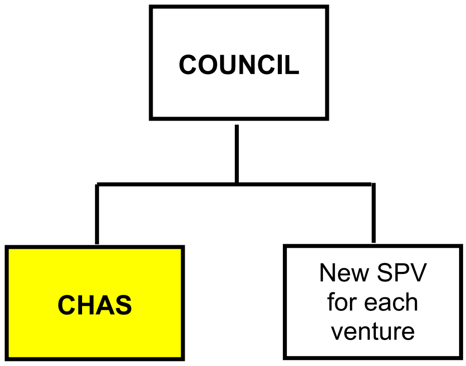
APPENDIX 2

DIRECT RELATIONSHIP MODEL

The Direct Relationship Model can be summarised as follows:



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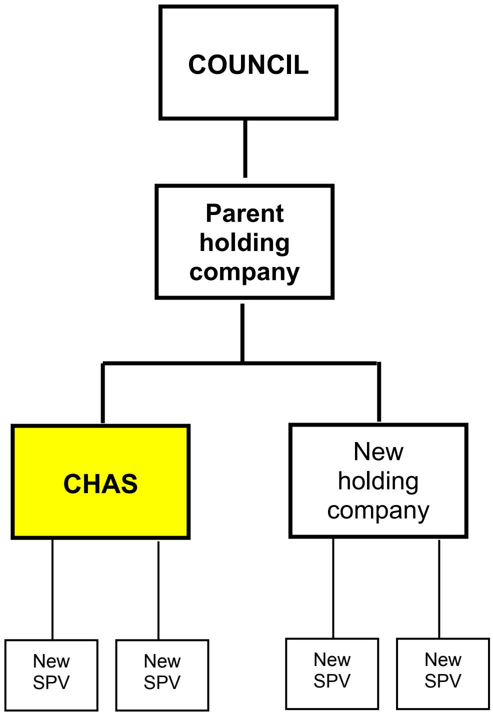
APPENDIX 3

SINGLE PARENT COMPANY MODEL

The Single Parent Company Model can be summarised as follows:



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Bevan Brittan

LONDON BOROUGH OF MERTON

OPTIONS REPORT RELATING TO CHAS 2013 LIMITED

26 February 2019

Bevan Brittan

Contents

1 INTRODUCTION

1.1 London Borough of Merton (**Council**) is considering how it most effectively structures the ownership of CHAS 2013 Limited (**CHAS**) and potential further companies and other vehicles in the future.

1.2 This paper sets out the following:

1.2.1 the objectives of the Council and the context surrounding those objectives;

1.2.2 the factors that will shape each group structure option;

1.2.3 a summary of the group structure options available to the Council together with a comparison of each of the options, including advantages and disadvantages; and

1.2.4 a recommended model.

1.3 The primary focus of this report is on CHAS and how it would fit into a group structure. The impact of any structure on future companies and other vehicles is of secondary importance.

2 OBJECTIVES AND THE COUNCIL CONTEXT

2.1 The Council is undertaking a range of activity as part of an overarching programme of commercialisation. This includes the establishment and operation of wholly-owned companies, like CHAS, and jointly-owned companies. As part of this activity, the Council wants to ensure it has a suitable structure in place to facilitate the effective and appropriate operation of activities within CHAS and other companies and vehicles which it owns. This overall objective can be considered more specifically under a number of headings which any new structure should achieve:

2.1.1 provides for member oversight where that is currently in place but does not change the position in respect of companies where it is not currently in place, and keeps governance tiers proportionate (**Governance Objective**);

2.1.2 provides a suitable framework for managing risk across the different companies and future expansion of CHAS in terms of service lines and geography (**Risk Objective**);

2.1.3 that it presents a financial and tax efficient structure for the Council across the different companies (**Finance and Tax Objective**);

2.1.4 is suitable for effectively accommodating additional corporate entities, either wholly or jointly-owned in the future (**Future Flexibility Objective**).

2.2 As a common backdrop to all decisions and objectives the Council's preference is to go with established and proven models / structures rather than anything of a more novel or questionable nature.

3 CHAS

3.1 CHAS is a company limited by shares, wholly-owned by the Council. It currently provides a desktop health and safety assessment for contractors and ongoing support to contractors to increase their health and safety standards.

3.2 CHAS and the Council have expansion plans, initially to include the provision of assessments and guidance relating to compliance of laws relating to employees, asset management services and digital requirements, to the construction, utility and safety management sectors. At a later date services could be extended to offer a full suite of supplier risk management solutions as well as potentially expanding geographically.

3.3 CHAS has adopted model articles for companies limited by shares. There is a shareholder agreement in draft form which we understand the parties - to an extent - treat as being in force. This provides the Council with control over the company through a list of reserved matters and the need for CHAS to act within the parameters of a business plan approved by the Council.

3.4 We understand CHAS would not fall within the Teckal exemption (because irrespective of the level of control exercised by the Council, more than 20% of its activities are for with the Council) and is not a contracting authority.

3.5 CHAS has share capital of one ordinary fully paid share of £1. The profit and loss account for March 2018 shows a turnover of £7,836,321. It is funded through payment of services provided to customers.

4 OTHER AREAS OF ACTIVITY

4.1 The Council may in the future wish to incorporate additional companies or other vehicles, as either wholly-owned subsidiaries of the Council or joint venture entities. Such companies and other vehicles may form part of an existing group structure e.g. may be a subsidiary or sister entity of CHAS or may form a group structure owned by the Council but nevertheless independent of any existing Council company.

4.2 As noted above, the primary focus of this report is not on other potential areas of activity, but rather on CHAS.

4.3 For convenience, we use the term "company" in this report to mean companies and other vehicles.

5 FACTORS THAT SHAPE OPTIONS

5.1 In considering what different options there are and how well they meet the objectives of the parties, the following key points need to be considered.

Objective	Key Points
Governance Objective	• If the Council intends to award works, goods or services contacts to any company without conducting an open competitive procurement process, then the company in question will need to benefit from the Teckal exemption. • Teckal is the shorthand name for the procurement exemption that exists allowing public bodies to award contracts to entities which it owns without an open procurement process where the public body controls the key and strategic decisions over the controlled entity and the controlled entity undertakes at least 80% of its business with the public body. • Those companies intending to benefit from the Teckal procurement exemption should not be owned by a company that is a non-Teckal, privately orientated company. • Linked to the Teckal concept, is the concept of a "contracting authority". This is a term used to define entities that are subject to the Public Contract Regulations 2015. The test for whether an entity qualifies as a contracting authority is separate from the Teckal test though in practice the two are quite closely aligned in that a Teckal entity would typically meet the contracting authority test. A Teckal company needs to be controlled (which in practice is almost synonymous with ownership) by a contracting authorities or authorities.
Risk Objective	• Risks within a company can be ring-fenced to that separate company. Where there is activity that presents a material additional risk, the Council should consider establishing a new company to ring-fence risk associated with such activity. • This key question (of when it is proportionate to establish a separate company to house existing or proposed activity) will need to be considered on a case by case basis and will be dependent on the specific facts of each such case. Factors and scenarios that are likely to merit establishing a new vehicle include: ○ Operating in a new jurisdiction or country where the legal, tax and regulations governing the activity will be different to the operations within England. Use of a separate company in such circumstances is normally going to be appropriate. ○ Undertaking a material level of activity that the parties want to isolate from risk of other activity or presenting risk to other activity. For example, undertaking a new material development site where the parties want risk associated with the development to not affect the viability of other sites and vice versa, or separating the risks associated with development of sites from the rental of developed units.

	○ Activity that is subject to material funding from third parties. For example, if secured third party funding was secured for a development site. ○ Undertaking a different type of activity that merits a separate board, tailored to the demands of the specific area, focused on the task of managing and running that business. ○ Tax reasons. For example, using a separate development company to a rental company in respect of newly developed rental properties. • The Council will, as a shareholder of limited companies, have the benefit of limited liability, but may incur liabilities in other capacities (for example as a provider of parent guarantees).
Finance and Tax Objective	• A holding company is required to allow corporation tax losses from the groups to be shared. Although this company does not necessarily need to be limited by shares, it is generally simpler for tax purposes to use a company limited by shares where possible. • Dividends received by a UK company are exempt from corporation tax where the UK company controls the paying company. • Unlike corporation tax groups, VAT groups and Stamp Duty Land Tax groups can be formed with a local authority as the parent entity. • Further tax analysis would be required on a case by case basis, including if a company within the Council's group intended to become a residential landlord or acquire commercial property.
Future Flexibility Objective	• Individual companies and businesses can be added to the structure either through incorporation or acquisition and either wholly or jointly-owned with third parties. • If wholly-owned by the Council, the company can either be governed separately as an independent company or independent group structure or integrated into a group company structure with similar control of the Council. If owned jointly with third parties, the control of the Council will differ to that of wholly-owned subsidiaries.

6 MATERIAL OPTIONS

6.1 We have categorised the material options as follows:

6.1.1 **Direct Relationship Model** – CHAS and all other companies are direct subsidiaries of the Council.

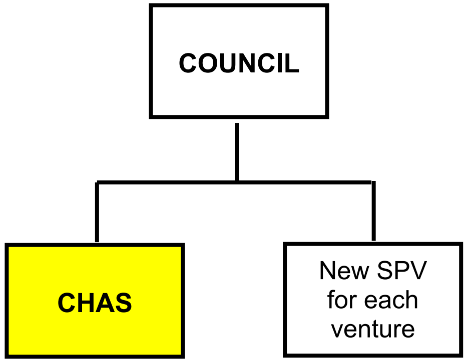
6.1.2 **Separate Groups Model** – the CHAS group and any other groups have separate direct relationships with the Council via their own holding companies.

6.1.3 **Single Parent Company Model** – the CHAS group and any other groups all owned by a common holding company that then produces a single direct relationship with the Council.

6.2 Within each material option there is an almost infinite range of variations in terms of level of control over companies and the number of companies that could be used. The purpose of the headline options is to establish a clear decision on the overall structure and the reasons for selecting it. Once there is that clarity the more detailed decisions around how that structure is established, operated and expanded in the future can be developed further as part of implementation.

7 DIRECT RELATIONSHIP MODEL

7.1 The Direct Relationship Model can be summarised as follows:

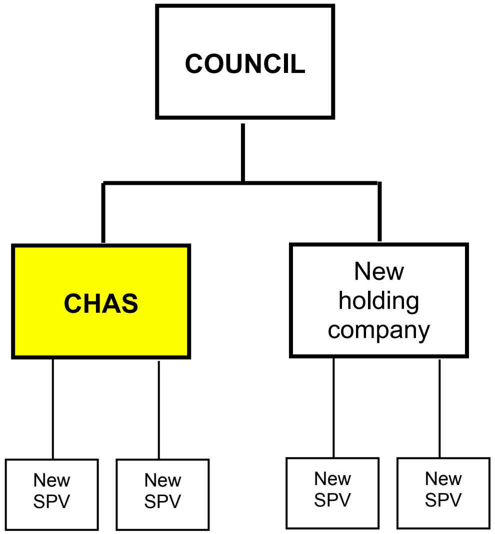


	ANALYSIS
Overview of structure	• CHAS and each company will be set up as a direct wholly-owned subsidiary of the Council and will not have any subsidiaries of its own.
Governance Objective	• As each company is governed directly and separately by the Council, there is no risk that the Council's control over any other company will be replicated in the governance structure of CHAS and so it could be simple to structure separate governance structures for separate companies. The Council would end up needing to directly manage multiple companies which could present the Council with more of an administrative task than other structures and may make it harder to establish different relationships in practice. • As companies are not grouped together, the activities of one company will not affect the procurement status of another and a company falling within the Teckal exemption can be awarded contracts directly by the Council without having to partake in a procurement process. • There is a range of ways in which the Council can control each company. This would be shaped by the governance documentation (e.g. shareholder agreement) rather than the corporate structure. As each company is separate, this option could facilitate the Council having different governance arrangements with each company, recognising as above that this could present difficulties to manage.

	• This option does not provide the Council with the opportunity to group together companies with similar governance requirements and so could result in multiple governance arrangements.
Risk Objective	• The key question would be when it merits establishing a separate company to house existing or proposed activity. • Under this model each company would become an additional direct subsidiary of the Council. This could make it harder to easily manage the group effectively and could work against effective risk management as: ○ the Council may be reluctant to establish additional companies that it will then have to directly oversee; and ○ it would be harder for a group of companies to be effectively managed in a coordinated way as the only co-ordinating entity would be the Council and directors of companies who are not also officers or members would not be a position to effectively manage across group companies, even when there are clear benefits of doing so.
Finance and Tax Objective	• Where the companies are directly owned by the Council, dividends will arise directly in the hands of the Council and so will not be subject to tax given the exemption from corporation tax on income for local authorities. • However, direct ownership by the Council would mean that the companies could not form a group for corporation tax purposes and so would not be able to surrender losses between each other. Although the tax losses would be available for carry-forward, it may take longer to utilise those losses than would be the case if the companies could exchange them within a group. • In contrast, direct ownership by the Council may not preclude the companies forming a group for VAT and SDLT purposes. If a VAT group can be formed, services can be provided between group entities without a VAT charge arising which would generally provide a cash flow advantage. Membership of an SDLT group would mean that real estate assets could be transferred without an SDLT charge, subject to potential clawback provisions in certain cases where the real estate is subsequently sold.
Future Flexibility Objective	• Individual companies and businesses can be added to the structure either through incorporation or acquisition and either held by the Council as a wholly-owned subsidiary or jointly-owned with third parties by way of a joint venture.

8 SEPARATE GROUPS MODEL

8.1 The Separate Groups Model can be summarised as follows:



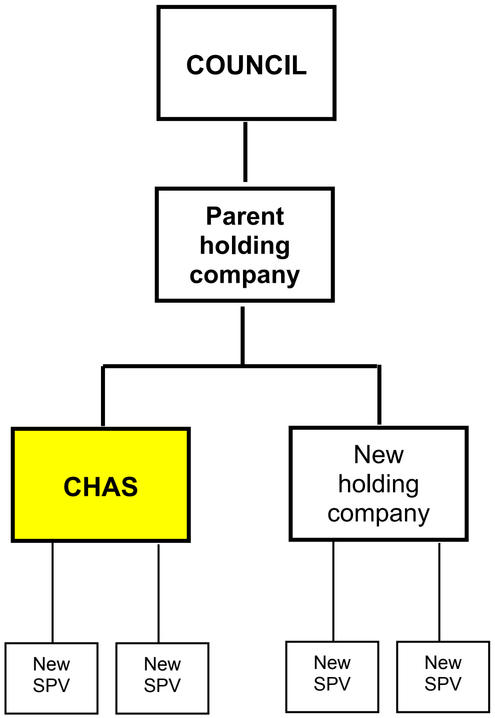
	ANALYSIS
Overview of structure	• Companies will be formed in groups, e.g. a CHAS group (with CHAS as the mid-company at the "top" of its group) and a group for possible new linked ventures in the future. Each group will consist of a mid-company (being a wholly-owned subsidiary of the Council) and set of subsidiaries to the mid-company, as appropriate. • The detail of the mid-company will depend on the detail of the activity in question. The mid-company could purely hold the subsidiary or subsidiaries in which all activity is held or could undertake activity itself. • Each group of companies will have separate direct relationships with the Council, as the ultimate parent and owner of the mid-company. Council can also own individual companies without subsidiaries held directly by the Council.

Governance Objective	• The clear separation of groups could facilitate clarity about different groups having different levels of governance oversight and control when compared to the Single Parent Company Model. The presence of a single relationship between the Council and the companies in the Single Parent Company Group Model could make it harder in practice to then establish different levels of control and influence even if that is desirable. • The Council's control over the mid-company is likely to also include that of its subsidiaries and so companies will need to be grouped in accordance with levels of Council control, i.e. if the Council requires close control of a subsidiary that is likely to also be required of the mid-company. • The Council would need to directly manage all groups, which could add to the requirements of decision making and management of companies within the Councils compared to the Single Parent Company Model. • It expected that the different groups would (in the main) contain consistent Teckal and contracting authority status positions, for example all CHAS companies being non-Teckal entities. Where the Council intends to operate both Teckal and non-Teckal or non-contracting authority companies within a particular business area there will be a question of whether such different entities should operate in the same group. The risk is the potential for one subsidiary of a mid-company to affect the procurement status of another, which could for example lead to a company losing its Teckal exemption status. The parties should consider this as part of the detail of any proposed additional company.
Risk Objective	• There will be the same question as other models in terms of when does it make sense to establish a separate company. • The presence of the mid-companies could facilitate the creation of separate vehicles and the effective subsequent management of those and through that could improve the risk management across the activity.
Finance and Tax Objective	• The mid-company of each group can receive dividends (for example, CHAS receives dividends from its subsidiaries, which it can then distribute to the Council, subject to availability of reserves for that purpose). • Dividends paid by the mid-company will arise directly in the hands of the Council and so will not be subject to tax given the exemption from corporation tax on income for local authorities. Accordingly, the existence one or more mid-companies should not increase the tax costs on dividends received by comparison to direct holding of trading companies by the Council. • However, the ownership by the Council would mean that the two groups could not form a larger group for corporation tax purposes and so would only able to surrender losses within the smaller groups. Although any net tax losses within a group would be available for carry-forward, it may take longer to utilise those losses than would be the case if the companies could exchange them within a larger group.

	• In contrast, the separate group may not preclude the companies forming a larger group for VAT and SDLT purposes. If a larger VAT group can be formed, services can be provided between group entities without a VAT charge arising which would generally provide a cash flow advantage. Membership of a larger SDLT group would mean that real estate assets could be transferred without an SDLT charge, subject to potential clawback provisions in certain cases where the real estate is subsequently sold. • As considered in section 5 it may be preferable to establish a separate rental and development company for VAT efficiency purposes. The detailed scope of such modelling is outside the scope of this paper but further separate advice could be provided.
Future Flexibility Objective	• Individual companies and businesses can be added to the structure either through incorporation or acquisition and either wholly-owned by the Council as direct subsidiary or subsidiary of a mid-company or jointly-owned with third parties as a joint venture. • Joint venture companies can be held directly by the Council to enable the Council to benefit from the corporation tax exemptions but note the inability to share corporation tax losses. • Alternatively it may be beneficial to add JV companies with similar businesses to those of an existing group, to that group, to manage governance and risk arrangements but note dividends received by mid-company or holding company from JV company will not be exempt from corporation tax if the mid or holding company doesn't control the JV company.

9 SINGLE PARENT COMPANY MODEL

9.1 The Single Parent Company Model can be summarised as follows:



	ANALYSIS
Overview of structure	• Similar model to that of the Separate Groups Model, but the difference being that the Council would just have a single corporate relationship with the holding company which would then have separate direct relationships with the group companies. CHAS would remain the mid-level holding company for its group but would not have a direct subsidiary relationship with the Council.
Governance Objective	• The overall holding company could be given the role of managing the group and therefore having a meaningful role in managing the group and providing a single point of relationship to the Council. This could streamline governance from the Council's perspective. It could also risk a dilution of the direct relationship between the councillor groups acting on behalf

	of the Council as shareholder and the operational entities, as the relationship would be indirect via the overall holding company and its board. • The holding company could have a transparent governance role, existing for tax purposes but not taking on a substantive governance role, meaning the position would be the same as CHAS and any other mid-level holding company in the Separate Groups Model. It could in practice be harder to establish different working practices of governance arrangements with different groups given all would be managed either by a single holding company board and / or the Council. • The holding company would in effect need to operate as a contracting authority to allow both Teckal and non-Teckal entities to be formed below. • As with the Separate Groups Model, control over a mid-company is likely to also include that of its subsidiaries and so companies will need to be grouped in accordance with levels of required control, i.e. if the Council requires close control of a subsidiary that is likely to also be required of the mid-company. • It expected that the different groups would (in the main) contain consistent Teckal and contracting authority status positions, for example all CHAS companies being non-Teckal entities. Where the Council intends to operate both Teckal and non-Teckal or non-contracting authority companies within an area there will be a question of whether such different entities should operate in the same group. The risk is as considered above for the Separate Groups Model and should be considered as part of the detail of any proposed additional company.
Risk Objective	• Same as for Separate Groups Model.
Finance and Tax Objective	• The holding company can receive dividends without a corporation tax charge. Dividends paid by the holding company will arise directly in the hands of the Council and so will not be subject to tax given the exemption from corporation tax on income for local authorities. Accordingly, the existence of a holding company should not increase the tax costs on dividends received by comparison to direct holding of trading companies by the Council. • Having a group under a single holding company would establish a group for corporation tax purposes so that losses could be surrendered between group companies in the most tax efficient manner. • The companies could also form a group for VAT and SDLT purposes. If a VAT group can be formed, services can be provided between group entities without a VAT charge arising which would generally provide a cashflow advantage. Membership of an SDLT group would mean that real estate assets could be transferred without an SDLT charge, subject to potential clawback provisions in certain cases where the real estate is subsequently sold.

Future Flexibility Objective	• Individual companies and businesses can be added to the structure either through incorporation or acquisition and either wholly-owned by the holding company as a direct subsidiary or subsidiary of mid-company or jointly-owned with third parties. • It may be beneficial to add JV companies with similar businesses to those of an existing group, to that group, and to manage governance and risk arrangements but note dividends received by mid-company or holding company from JV company will not be exempt from corporation tax if the mid or holding company doesn't control the JV company.

10 CONCLUSION AND RECOMMENDED MODEL

10.1 The Separate Groups Model is recommended as the most appropriate model for the Council to adopt in respect of CHAS and any other vehicles in the future for the following reasons:

10.1.1 It continues the current direct governance link between the Council as shareholder and the different operational businesses / groups, including CHAS.

10.1.2 We understand that the benefit of the corporation tax group associated with the Single Parent Model is not expected to be material enough to outweigh the other benefits of the Separate Groups Model. The ability for CHAS or another company to carry forward losses means that the benefit of forming an overall corporation tax group for all businesses and sharing losses within year is limited to the cash flow benefit of reducing tax exposure in the shorter term rather than over a longer term period within the same company / group (assuming a profit is made in the future). Further detailed tax analysis would be required to confirm the position.

10.1.3 The Separate Group Model allows for group structures for the different businesses which enables more effective management of risk. CHAS would be structurally ring-fenced from other Council businesses and the risks they take.

10.1.4 It allows for profits from trading to be received in the hands of a company that provides flexibility for whether funds are returned to the Council or reinvested with the potential for returns as dividends to be received as income to the general fund within the Council. Again the treatment of profits should be subject to further detailed tax analysis.

10.2 The creation of additional group entities should be considered on a case by case basis in light of the particular circumstances at the time with there being clarity at the board level as to the overall framework for considering options and sensible triggers for new companies.

Cabinet
Date: 25 March 2019

Subject: Financial Report 2018/19 – January 2019

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 underspend at year-end of £2.48 million. 0.46% of gross budget.

B. That Cabinet approve the adjustments to the Capital Programme contained in Appendix 5b

That Cabinet note the adjustments to the Capital Programme contained in Appendix 5b and approve the items in the Table below:

Scheme	2018/19 Budget	2019/20 Budget	Narrative
Corporate Service			
Customer Contact Programme	(1,499,010)	1,499,010	Reprofiled in accordance with projected spend
Environment and Regeneration			
Cycle Route Imps - Beddinington Lane Cycle Routes	(135,000)	135,000	TfL Approved Re-profiling
Total	**(1,634,010)**	**1,634,010**	

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the financial monitoring report for period 10, 31st January 2019 presented in line with the financial reporting timetable.
This financial monitoring report provides-

- The income and expenditure at period 10 and a full year forecast projection.
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2018/19;
- Progress on the delivery of the 2018/19 revenue savings

2. THE FINANCIAL REPORTING PROCESS

2.1 The budget monitoring process in 2018/19 continues to focus on adult social care and children's social care as these areas overspent in 2017/18 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; however this action is not sustainable longer term.

2.3 2018/19 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

Executive summary – At period 10 to 31st January 2019, the year-end forecast is a net £2.48m underspend compared to the current budget (£1.49m forecast underspend at period 9). This is before any contribution from the 2018/19 London Business Rates Pilot, which will not be notified until the new financial year. The forecast position has improved by £0.99m compared to last month.

Summary Position as at 31st January 2019

	Current Budget 2018/19 £000s	Full Year Forecast (Jan) £000s	Forecast Variance at year end (Jan) £000s	Forecast Variance at year end (Dec) £000s	Outturn variance 2017/18 £000s
Department					
3A.Corporate Services	11,320	9,362	(1,958)	(1,629)	(812)
3B.Children, Schools and Families	59,409	62,341	2,932	3,088	2,249
3C.Community and Housing	64,225	64,093	(132)	(113)	922
3D.Public Health	0	(0)	0	(0)	0
3E.Environment & Regeneration	18,746	17,451	(1,294)	(1,468)	(1,211)
Overheads	0	0	0	0	0
NET SERVICE EXPENDITURE	**153,700**	**153,248**	**(452)**	**(122)**	**1,148**
3E.Corporate Items					
Impact of Capital on revenue budget	8,404	8,930	526	526	(103)
Other Central budgets	(18,708)	(21,265)	(2,557)	(1,893)	(823)
Levies	938	938	0	0	0
TOTAL CORPORATE PROVISIONS	**(9,366)**	**(11,397)**	**(2,031)**	**(1,367)**	**(926)**
TOTAL GENERAL FUND	**144,334**	**141,851**	**(2,483)**	**(1,489)**	**222**
FUNDING					
Revenue Support Grant	0	0	0	0	1
Business Rates	(45,636)	(45,636)	0	0	182
Other Grants	(11,258)	(11,258)	0	0	(670)
Council Tax and Collection Fund	(87,439)	(87,439)	0	0	0
FUNDING	**(144,333)**	**(144,333)**	**0**	**0**	**(487)**
NET	**1**	**(2,482)**	**(2,483)**	**(1,489)**	**(265)**

The current level of GF balances is £12.778m and the minimum level reported to Council for this is £12.09m.

3. DEPARTMENTAL SUMMARY OF CURRENT POSITION

Corporate Services

Division	2018/19 Current Budget £000	2018/19 Full year Forecast (January) £000	2018/19 Full Year Forecast Variance (January) £000	2018/19 Full Year Forecast Variance (December) £000	2017/18 Outturn Variance £000
Customers, Policy & Improvement	3,651	3,589	-62	-8	46
Infrastructure & Technology	11,557	11,339	-218	-228	71
Corporate Governance	2,425	2,250	-176	-138	-229
Resources	6,298	5,809	-489	-470	-515
Human Resources	1,811	1,825	14	11	-207
Corporate Other	768	-260	-1,027	-795	22
Total (Controllable)	**26,510**	**24,552**	**-1,958**	**-1,629**	**-812**

Overview

At the end of period 10 (January) the Corporate Services (CS) department is forecasting an underspend of £1,958k at year end. The table above reflects the new structure within Corporate Services in 2018/19. This is an increase in the forecast underspend of £329k compared to the period 9 (December) position.

Customers, Policy and Improvement - £62k under

The principal reason for the forecast underspend is additional income within the registrars and translations services reflecting an increased level of demand and a lower than budgeted cost of the cash collection service. There is also a forecast underspend on customer contact due to lower than budgeted support costs for the current system. These underspends are largely offset by an underachievement of advertising income within the communications service.

There has been a favourable movement of £55k from the position reported in December. This is mainly due to increased registrars service income relating to marriage notices and citizenship ceremonies, as well as the identification of salary costs which are to be capitalised within the customer contact team. Additionally, community plan engagement work previously forecast to be carried out in 2018/19 will now take place in the next financial year.

Infrastructure & Technology - £218k under
There is a forecast underspend of £192k against the corporate print strategy budget that reflects the recharge to clients for the services provided within the division. There is also additional rental income compared to the budget for the Civic Centre and further income from the recovery of expenses within transactional services. These underspends are partly offset by an overspend on telecoms and lower than expected income from the professional development centre (Chaucer Centre) where the number of bookings is expected to be below the budgeted level.

There has been an adverse movement of £10k from the position reported in December. This is mainly due to increased agency staff forecasts in IT service delivery and facilities. These are largely offset by increased rental income from the Civic Centre.

Corporate Governance – £176k under
Merton's legal services outside of the SLLp model is forecasting a £91k underspend due to the over achievement of income relating to property work, planning agreements and court fees. The AD budget is also forecasting an underspend in year on various small running cost budgets and electoral services are expected to be underspent as a household notification exercise has not been required.

There has been a favourable movement across Corporate Governance of £37k from the position reported in December due to the reduction in electoral services forecast and reduced agency spend within the SLLp budgets resulting in a small surplus being expected.

Resources - £489k under
The Merton Bailiff Service is forecasting to underspend by £308k mainly due to income in excess of the budget. This is in line with the 2017/18 position. There is a forecast underspend of £241k within Benefits Administration principally due to additional one-off unbudgeted income from DWP for a number of schemes, as well as underspends across various supplies and services budgets. There is a forecast overspend within Local Taxation Services of £36k principally due to additional IT licence and postage costs.

Further underspends are forecast within the Director of Corporate Services budget (£57k) due to unused consultancy budget, Financial Strategy and Capital (£54k) due to vacancies and within the Assistant Director's budget (£60k) mainly within consultancy. These will be used to part fund a forecast overspend of £116k on the Financial Information System's budget where some additional temporary staffing resource is required pending a request to increase the permanent establishment by one full-time equivalent post to meet additional demand.

There has been a favourable movement of £19k from the position reported in December, mainly due to increased bailiff income and reduced benefits administration staffing costs.

Human Resources – £14k over
There are a number of vacant posts within the division that are offset by a number of budget pressures including lower than budgeted income from schools as part of the buy back scheme and higher than budgeted costs of the shared payroll system and iTrent client team that are charged by the London Borough of Kingston. There has been an adverse movement of £3k from the position reported in December, mainly due to increased external training and the cost of the recent staff survey.

<u>Corporate Items - £1,027k under</u>
The Housing Benefit budget shows a forecast surplus of £1.32m on the account against a budgeted surplus of £1m. The unbudgeted surplus relates to an underspend against the budget to top-up the bad debt provision, part offset by a reduced subsidy forecast as triggering the lower error rate threshold in 17/18 has reduced the subsidy receivable.

The remaining underspend relates to the budget held for corporately funded items which is not currently forecast to be required and a £150k underspend on redundancy payments based on redundancy costs to date. This is partly offset by a forecast overspend on Merton's share of the coroners' court due to unbudgeted coroner costs for Grenfell and the Westminster Bridge inquest. There is also an underachievement of the budgeted charges to clients for the use of the Comensura agency staff service.

There has been a favourable movement of £232k from the position reported in December, mainly due to a reduced forecast for corporately funded items as, at this point in the year, it is likely that a significant portion of this budget will not be utilised.

Environment & Regeneration

Environment & Regeneration	2018/19 Current Budget £000	Full year Forecast (Jan) £000	Forecast Variance at year end (Jan) £000	Forecast Variance at year end Oct (Dec) £000	2017/18 Outturn Variance £000
Public Protection	(11,078)	(11,903)	(825)	(950)	(1,602)
Public Space	14,944	13,603	(1,341)	(1,330)	632
Senior Management	1,005	998	(7)	(36)	3
Sustainable Communities	8,520	9,399	879	848	(244)
Total (Controllable)	**13,391**	**12,097**	**(1,294)**	**(1,468)**	**(1,211)**

Description	2018/19 Current Budget £000	Forecast Variance at year end (Jan) £000	Forecast Variance at year end (Dec) £000	2017/18 Variance at year end £000
Overspend within Regulatory Services	578	186	170	78
Underspend within Parking Services	(12,599)	(1,081)	(1,166)	(1,663)
Overspend within Safer Merton & CCTV	943	70	46	(47)
Total for Public Protection	**(11,078)**	**(825)**	**(950)**	**(1,602)**
Underspend within Waste Services	13,785	(1,668)	(1,469)	97
Underspend within Leisure & Culture	833	(77)	(76)	(166)
Overspend within Greenspaces	1,252	194	143	754
Overspend within Transport Services	(926)	210	72	(53)
Total for Public Space	**14,944**	**(1,341)**	**(1,330)**	**632**
Underspend within Senior Management & Support	1,005	(7)	(36)	3
Total for Senior Management	**1,005**	**(7)**	**(36)**	**3**
Overspend within Property Management	(2,819)	556	634	(422)
Overspend within Building & Development Control	(32)	252	250	397
Overspend within Future Merton	11,371	71	(36)	(219)
Total for Sustainable Communities	**8,520**	**879**	**848**	**(244)**
Total Excluding Overheads	**13,391**	**(1,294)**	**(1,468)**	**(1,211)**

Overview

The department is currently forecasting an underspend of £1,294k at year end. The main areas of variance are Parking Services, Waste Services, Property Management, and Development & Building Control.

<u>Public Protection</u>

Parking Services underspend of £1,081k
The underspend is mainly as a result of additional penalty charge notices being issued, following the implementation of the ANPR system across the borough (£1,121k).

Included within this forecast is employee related overspend of c£139k due to a combination of savings not yet implemented and increased demand.

There have been delays in implementing all of the parking savings to date. In terms of ANPR, there was an initial assumption that there would be a peak in the processing work and, balanced with on-going compliance, the processing volume would drop. However, although the section still expects compliance to further increase, it has not yet occurred to the level expected as processing volumes remain above estimated levels, leading to the need to continue to employ additional agency staff.

The new Head of Service is looking to undertake a review of the staffing requirements and budgets within the section to address the continued overspend in this area

<u>Public Space</u>

Waste Services underspend of £1,668k
The forecast underspend is largely as a result of an in-year underspend on disposal costs of £1,928k, which can be attributed to two main factors. Firstly, the section has continued to experience a reduction in total waste tonnages being generated across all of the authority's waste streams. Secondly, Viridor our disposal contractor, is nearing the end of testing the new ERF facility. During this commissioning phase, currently eight months, the authority will benefit from reduced disposal costs leading to an estimated cost reduction of c£1,200k this financial year only.

This forecast underspend on disposal costs is being partially offset by the mobilisation costs relating to the October 2018 service change, and IT integration costs (£332k).

<u>Sustainable Communities</u>

Property Management overspend of £556k
The principal reason for the forecast overspend relates to costs involved with the management of Battle Close, which is now the responsibility of the Authority following the departure of the leaseholder (£693k). Authority for demolition has now been agreed and so the forecast now includes the estimated demolition and associated management fee costs of £176k, which should remove most of these costs in the future.

The section is also forecasting to incur some significant, but essential, costs this year on several of the buildings the Authority manages, attributing to a forecast premises related overspend of £127k.

In addition, the section is forecasting to overspend on consultants by c£131k due to the need for independent valuations to benchmark property disposals, obtain a temporary and long term injunction, progress rent reviews due to a lack of internal resource, and on external valuations to support asset valuations for the Council's accounts.

The section is also incurring some one-off, but un-budgeted, external audit fees of c£72k as a result of additional audit work required for the 2017/18 Statement of Accounts.

These pressures are being partially mitigated by exceeding their commercial rental income expectations by £444k mainly due to conducting the back log of rent reviews in line with the tenancy agreements. Approximately £242k relates to ongoing rental income but £202k is one-off due this year only.

Development & Building Control overspend by £252k
The section is forecasting to underachieve on income by £359k, in particular within building control, which reflects the continued reduction in the Authority's market share against target.

Children Schools and Families

Children, Schools and Families	2018/19 Current Budget £000	Full year Forecast (Jan) £000	Forecast Variance at year end (Jan) £000	Forecast Variance at year end (Dec) £000	2017/18 Variance at year end £000
Education	22,214	22,458	244	380	(703)
Social Care and Youth Inclusion	21,500	25,074	3,574	3,498	3,596
Cross Department budgets	480	446	(34)	(30)	(95)
PFI	8,075	7,722	(353)	(363)	(342)
Redundancy costs	2,124	1,625	(499)	(397)	(207)
Total (controllable)	**54,393**	**57,325**	**2,932**	**3,088**	**2,249**

Overview
At the end of January Children Schools and Families has a forecast overspend of £2.932m on local authority funded services; a reduction in overspend from December's forecast. The overspend is mainly due to the volatile nature of placement and SEN transport budgets, and the current volume of CSC activity and Education, Health and Care Plan (EHCP) requests. Despite an increasing population, Merton is managing to keep our number of looked after children in care stable through a combination of actions, which is detailed in the management action section below.

The CSF department received £500k growth for the current financial year that has mainly been used to fund the additional eight social workers that were previously funded through contingency for three years and were last year part of the departmental overspend. Last year's overspend also included planned underspends and non-recurring management action which, together with additional demographic growth, is forecast to result in an increased overspend for the current financial year.

Local Authority Funded Services

Significant budget variances identified to date are detailed in the table below:

Description	Budget £000	Jan £000	Dec £000	2017/18 £000
Procurement & School organisation	643	(381)	(381)	(319)

SEN transport	4,133	1,164	1,017	566
Short beaks	217	192	207	64
My futures team	509	(135)	(135)	(212)
Early Years services	3,115	(294)	(133)	(114)
Other small over and underspends	13,597	(302)	(195)	(688)
Subtotal Education	**22,214**	**244**	**380**	**(703)**
Fostering and residential placements (ART)	7,094	1,232	1,000	813
Un-accompanied asylum seeking children (UASC)	902	642	851	693
Community Placement	0	500	500	750
No Recourse to Public Funds (NRPF)	21	290	294	353
MASH & First Response staffing	1,587	324	311	403
Legal costs	514	298	215	126
Other small over and underspends	11,382	288	327	458
Subtotal Children's Social Care and Youth Inclusion	**21,500**	**3,574**	**3,498**	**3,596**

Education Division

Procurement and school organisation budgets are forecast to underspend by £381k because of lower spend on revenuisation budgets. This budget relates to the revenue cost of construction projects. 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 £1.164m at the end of the financial year, which includes £958k maintained school taxi cost and £245k direct payments. The forecast outturn for maintained school taxis is £3.266m, circa £543k more than last year. Substantial management action was undertaken over the summer period such that at the end of October, 17 extra children were being transported compared to the end of June using the same number of taxi routes. The taxi forecast this month is £32k higher than in December due to a further increase in demand from in-year pupils being placed in out of borough special schools and the result of a review of the forecasting model to provide a more accurate spend projection. The direct payments forecast has also increased by £80k. Although there continues to be significant pressure on this budget, it provides a more cost effective home to school travel option for SEND children.

The overall forecast overspend reflects increased demand over a number of years although the budget for taxi commissioning has not been increased for demographic pressures since 2015/16. Over the period from September 2015 to September 2018 there has been a 30% increase in the number of children transported by taxi.

The number of children needing transport has increased significantly due to the increase in EHCPs requiring a specialist placement, and there continue to be pressures. Strategies are in place to alleviate this pressure, including continuing to maximise any further opportunities for placing more children on the buses, re-tendering routes, considering any consolidation possible and encouraging parents to accept personal budgets to directly arrange transport. The expansion of Cricket Green School will enable extra local places from September 2019 and the draft capital programme includes further proposals to increase the range of in-borough special educational needs provision to reduce the reliance on transporting children significant distances to out of borough special schools.

The children's short breaks budget is forecast to overspend by £192k. This relates to an increase in caseload from 398 in April 2018 to 447 in January 2019. A review of short break services delivered across the department is being carried out with the aim to reduce the overall cost pressure of short breaks. Realistically any changes resulting from this review will only affect cost in next financial year.

The My Futures team is forecast to underspend by £135k due to vacancies held during the year as part of management action to reduce the departmental in-year overspend.

As part of management action, where possible in the Early Years' service, recruitment to vacancies in some areas were delayed with the aim to reduce the overall in-year departmental overspend. Additional work has also been undertaken to maximise income generating opportunities. This resulted in an overall underspend of £294k, an increase over an underspend of £133k last month..

There are various other small over and underspends forecast across the division netting to a £302k underspend. These combine with the items described above to arrive at the total reported divisional overspend of £244k.

Children's Social Care and Youth Inclusion Division

The numbers of Looked after Children (LAC) in Merton remains relatively stable and we continue to maintain relatively low levels of children in care as detailed in the table below.

Overview	2016	2017	2018
Number of children in care as at 31st March	163	152	154
Of which UASC	22	20	28
Rate per 10,000	35	33	33
London Rate	51	50	n/a
England Rate	60	62	n/a

At the end of January we had 161 LAC. The complexity of a significant proportion of cases is causing cost pressures as detailed below. Placement costs are reviewed on a monthly basis to ensure that projections of spend are as accurate as possible. The January placements forecast overspend has increased by £232k, mainly due to a re-classification of some supported housing cases from UASC to indigenous care leavers resulting in an offsetting reduction in UASC cost.

Service	Budget £000	Forecast spend £000	Variance		Placements	
			Jan £000	Dec £000	Jan No	Dec No
Residential Placements	2,271	2,662	391	414	18	19
Independent Agency Fostering	1,816	1,976	160	151	38	36
In-house Fostering	978	1,428	450	440	61	62
Secure accommodation	136	132	(4)	(7)	1	1
Mother and baby	101	89	(12)	(57)	1	1
Supported lodgings/housing	1,792	2,039	247	59	56	50
Total	**7,094**	**8,326**	**1,232**	**1,000**	**175**	**169**

The ART service seeks to make placements with in-house foster carers wherever possible and in line with presenting needs, however, the capacity within our in-house provision and 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 overspend by £391k. This is a reduction of £23k in cost, in January due to 1 new residential placement and 2 residential placements ending,
- The agency fostering expenditure is forecast to be overspent by £160k.The increase of £9k in January is due to having 2 new placements. We have also included the financial effect of 2 placements ending in first week of February, although numbers will only be adjusted in February.
- The in-house foster carer expenditure is forecast to overspend by £450k. The increase of £10k in January is due to one new placement cost which moved from the UASC budget due to a reclassification of these placements by the Home Office. This was partially offset by 2 placements ending.
- The secure accommodation expenditure is forecast to be underspent by £4k in January. This forecasted underspend has decreased from last month due to the extension of the placement.
- The mother and baby assessment unit expenditure is forecast to underspend by £12k. The increase of £45k is due to extension of an existing placement with an extra parent joining the placement.
- We are forecasting that the budget for the semi-independent accommodation and supported lodgings/housing placements will overspend by £247k in January. The increase of £188k is due to the classification of some UASC supported housing cases as indigenous care leavers resulting in a reduction in UASC cost.

At the end of January, UASC placements and previously UASC that are now Care Leavers are expected to overspend by £642k, down from £851k last month.

Service	Budget £000	Forecast spend £000	Variance Jan £000	Variance Dec £000	Placements Jan No	Placements Dec No
Independent Agency Fostering	372	407	35	43	9	10
In-house Fostering	363	537	174	156	25	21
Supported lodgings/housing	167	600	433	652	24	29
Total	**902**	**1,544**	**642**	**851**	**58**	**60**

At the end of January, we had 34 placements for UASC young people under 18 but this is expected to reduce over the next month. Merton receives UASC grant towards these placements although it is not sufficient to cover the full cost. The overall cost for UASC fostering has increased from £199k in December to £209k in January. The increase is due to a net of 3 new placements.

The overall cost for Semi- Independent has decreased from £652k to £433k from last month. This is due to reclassification of some UASC supported housing cases as indigenous care leavers resulting in a reduction in UASC cost. At the end of January we have forecast for 24 young people aged 18+ with No Recourse to Public Funds in semi-independent accommodation who were formerly UASC young people. Once UASC young people reach age 18, we retain financial responsibility for them until their immigration status is agreed. We have included in the forecast those young people currently in placement who will be turning 18 during this financial year.

For 2017/18 Merton received additional UASC capacity support funding of £94k. If Central Government provide this funding again in 2018/19, we would expecting a higher allocation as we have now reached our target of UASC numbers equivalent to 0.07% of our child population on the Pan London Rotas which for Merton is 33.

We are forecasting a £500k overspend on a community placement. This provision relates to a complex case currently under discussion between the CCG and the local authority. The figure is our best current estimate and is subject to change as we are still in negotiation. A review has been underway to change the current provision with the expectation that, once resolved, this should reduce the cost to Merton. Forecast costs are currently based on an interim arrangement in place while further work is undertaken to secure the right long term support arrangements. The CCG seems to be retreating from its understood position that this is accepted as a continuing care case and that the council should be responsible for the education cost only. Once the position is finalised, education costs apportioned to the council will transfer from the general fund to the DSG.

The NRPF budget is £21k and is forecast to overspend by £290k in the current financial year. This is about £88k less than last year's overspend. The NRPF worker is working closely with housing colleagues to manage cases as they arise and also reviews historic cases to identify ones where claimant circumstances have changed and they can therefore be stepped down from services. We continue to use the Connect system to progress cases and continue to review open cases with the aim to limit the cost pressure on the council. Strong gate- keeping has resulted in a reduction of overall numbers from a peak of about 30 in 2016/17 to a current caseload of 15.

We are expecting to overspend by £324k on the MASH and First Response teams' staffing costs. This is because the team is covering 14 vacancies out of an establishment of 30 (excluding Common and Shared Assessments and management also included in this service area on iTrent) with agency staff due to difficulty in recruiting permanent members of staff in this area.

Legal costs are expected to overspend by £298k. This cost relate to third party legal fees including Counsel, court and medical fees as well as independent expert witness and Family Drug and Alcohol Court (FDAC) costs. The investment in the FDAC is intended to reduce placement costs due to fewer children coming into care.

There are various other small over and underspends forecast across the division netting to a £288k overspend. These combine with the items described above to arrive at the total reported divisional overspend of £3.574m.

Dedicated Schools Grant (DSG)

DSG funded services are forecast to overspend by £4.821m. Of this overspend £340k can be funded from the DSG reserve, but at the current estimate, the DSG will be going into a deficit position during this financial year. This will be carried forward as a negative reserve, similar to other boroughs. We are currently in discussion with our external auditors about the correct treatment of this deficit in the financial statements.

The main reasons for the forecast relates to an estimated overspend of £3.635m on Independent Day School provision. This is £33k increase from last month due to an increase in numbers although cost increases will only be pro-rata to the current financial year. At the end of January we had 202 placements, an increase of 8 since last month.

Other pressures include £659k on EHCP allocations to Merton primary and secondary schools, £888k on EHCP allocations to out of borough maintained primary, secondary and special schools, and £1.109m on one-to-one support, OT/SLT and other therapies as well as alternative education. We are also forecasting £439k overspend on post 16 further education and independent special school provision. There are underspending budgets in three areas which is reducing the overall overspend. We are forecasting a £680k underspend on independent residential placements, £305k on the growth fund and £231k on de-delegated parenting cover. Additional High Needs grant has also been received from the ESFA of £483k. The table below shows the increase in number of EHCPs over the past 4 years. In January there were 1,712 EHCPs. The number of EHCPs reported has gone down from 1,763 in December due to the final stages of ceasing EHCPs for a number of young people. The young people were not receiving any education and therefore had no cost attached to them. Neither the parents nor young people have responded to requests for a meeting to agree ceasing the plans. We have therefore removed these from the overall number for budget monitoring and statistical return purposes.

+Type of Provision	**Jan 2015 (Statements and EHCPs)**		**Jan 2016 (Statements and EHCPs)**		**Jan 2017 (Statements and EHCPs)**		**Jan 2018 (Statements and EHCPs)**	
	No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Mainstream School (inc. Academies)	456	44%	423	39%	432	34%	526	35%
State Funded Special School	338	32%	354	33%	386	31%	415	28%
Independent/Non-Maintained Provision (including Other Independent Special Schools)	119	11%	145	13%	178	14%	217	15%
ARP (Additional Resourced Provision)	113	11%	108	10%	137	11%	116	8%
Further Education	0	0%	20	2%	97	8%	164	11%
Early Years (inc. Private & Voluntary Settings)	4	0%	5	0%	2	0%	7	0%
Other (including children Educated at Home, Pupil Referral Units and Secure Units)	15	1%	23	2%	32	3%	41	3%
Total	**1045**	**100%**	**1078**	**100%**	**1264**	**100%**	**1486**	**100%**

There are various other smaller over and underspends forecast across the DSG netting to a £210k underspend which, combined with the items above, equates to the net overspend of £4.821m.

We continue to keep abreast of proposed changes to the National Funding Formula, especially in relation to risks associated with services currently funded by de-delegated elements of the DSG. We are also working with other authorities on the deficit DSG issue and have responded to the national consultation relating to the treatment of DSG deficits.

The Early Years block of the DSG is normally adjusted in the June following the end of the financial year as it is based on January census information. We process an estimated adjustment as part of year-end to account for this. We are not able to forecast this adjustment yet and are therefore expecting a change to the net DSG overspend.

Although the pressures on the high needs block are clear from the budget monitoring figures highlighted above, some schools are also having trouble in setting balanced budgets with the funding provided to them through the funding formula. The number of schools setting deficit budgets has increased from five in 2017/18 to fourteen in 2018/19. We will not know the position for 2019/20 until June 2019. There are various reasons for schools requiring to set deficit budgets including unfunded pay increases, increased cost relating to children that require additional support but do not meet statutory thresholds for additional funding, reduction in pupil numbers and reduced levels of reserves that schools would previously have used to balance their budgets.

Management action

Quarter three staffing report
The number of employed Social Workers increased this quarter to 125 (118.20 WTE). There has been ongoing strong recruitment with 31 new starters in the last year. Additionally, there has been a number of internal transfers where staff have had opportunities for career development. Vacancy rates reduced in Q3 to 19.84% and has been on a general downward trend since September 2017. Turnover increased this quarter to 21.14%, which reflects the increase in leavers in the last 3 quarters (22 SWs).

Agency social workers make up 14% of the Social Worker workforce. Agency expenditure is on a general downward trend and the lowest spend in at least the last decade. 44% of all agency workers are working in Safeguarding & Care Planning/ Vulnerable Children's Teams and 21% in First Response. Most agency workers are covering vacant posts (78%). 22% are covering long term vacancies (mainly maternity leave cover and secondments). We are further reducing the use of agency by imposing a three month recruitment drag where appropriate for non-social work posts.

Placements
This month we have had 1 new residential placement and 2 residential placements ended, one being for respite. We continue to use the Panel processes to provide an overview of the use of IFAs as well as continuing our scrutiny on residential children's home placements.

Our ART Fostering Recruitment and Assessment team is continuing to recruit new foster carers who will offer locally based placements with a campaign targeted at attracting foster carers for teenagers and UASC young people. We have now recruited 16 new foster care placements of which 3 are for Supported Lodgings, 3 are for Connected Persons and 10 are new foster carers. Of the 10 new foster carers, 2 have been recruited direct from an IFA and another 3 had been with an IFA but had left their employ and had now subsequently come to work for Merton. We forecast a further 2 carers by the end of the financial year.

Whilst there may be a drop out in these applications, we are currently confident that we will be able to approve a significant number of carers this year. These figures compare favourably with the same time last year. Our aim is to slow down the increase in more expensive agency foster placements. In addition, we are implementing actions to retain our experienced existing foster carers such as increasing the support offer to them through the Domiciliary Care Framework to enable them to take and retain children with more challenging behaviours in placement.

We are also targeting our recruitment to increase our number of in-house mother and child foster placements. One family remains in a residential parenting assessment for the Court directed placement extension to also accommodate and assess the father.

Our ART Placement service is working with providers to establish more local provision and offer better value placements to the Council. We continue to convene the SIA Panel which will record costs incurred. We have commenced work to identify our Housing Benefit payments and what we should be getting and what are the actuals received. This is work is still in progress and with the aim of reporting at the end of year.

We have contracted with a provider to block purchase five independent units for care leavers aged 18+. This will act as a step down into permanent independent living. For the total five placements in the provision, this cost is £1,800 per week including support costs (£1400 + £400). This is a better financial deal than using the semi-independent market for our care leavers where the average cost for five placements averages at £3,200 per week for a similar service. We have five young people living there in January, fully utilising these cost-effective placements. We expect to be able to procure further placements of this type in the next financial year.

Our average placements costs against each budget code are reported each month. Due to the low numbers in mother and baby units and UASC IFAs, small changes in numbers result in big variations in the average weekly unit costs as detailed in the following table.

	Sep	Oct	Nov	Dec	Jan	Movement from last month	Jan
Description	£	£	£	£		£	No
ART Independent Agency Fostering	887	889	901	904	906	2	38
ART In-house Fostering	428	442	437	442	445	3	61
UASC Independent Agency (Grant)	791	794	797	803	804	1	8
UASC In house Fostering (Grant)	505	496	497	500	492	-8	20
UASC Independent Agency (Non-Grant)	764	764	791	792	548	-244	1
UASC In house Fostering (Non-Grant)	455	436	445	456	487	31	5
ART Residential Placements	4,029	4,032	4,071	4,068	3,977	-91	18
ART Secure Accommodation	3,918	3,823	2,663	2,822	2,841	19	1
ART Mother & Baby Unit		3,357	3,357	3,357	3,516	159	1
Supported Housing & Lodgings (Art 16+ Accommodation)	634	644	659	677	661	-16	56
Supported Housing & Lodgings - UASC (Grant)	838	793	788	771	772	1	7
Supported Housing & Lodgings - UASC (Non Grant)	505	500	499	487	447	-40	17

We have updated our Staying Put policy for young people aged 18+ to enable them to remain with their foster carers in line with statutory requirements and as recommended by Ofsted in our inspection. However, the increased use of Staying-Put for young people aged 18+ impacts on available placements for younger teenagers, therefore highlighting again the need for targeted recruitment for foster carers for teenager and UASC young people. We continue to focus our foster carer recruitment on carers for teenagers to mitigate these potential additional costs.

<u>Children with additional needs</u>

We are working with colleagues in CCGs through the tripartite process in order to secure appropriate health contribution to children with complex needs, particularly through continuing healthcare funding. This is an area we need to improve with closer working with the CCG is a focus going forward. This will mainly affect the CWD budget as many of the children discussed will be placed at home with shared packages of care. Details of any arrangements made will be recorded and reflected in budget returns.

We have tried to reduce costs associated with SEND transport through a number of strategies but this is a continuing challenge with the increasing numbers of children eligible for this service. Strategies introduced include: the introduction of a dynamic taxi purchasing system; the re-provisioning of taxi routes to ensure best value for money; the introduction of bus pick up points where appropriate; promotion of independent travel training and personal travel assistance budgets where this is option is cheaper.

We have a multi-agency SEND panel providing strategic oversight of the statutory assessment process to ensure that at both a request for assessment stage and the agreement of a final EHCP, criteria and thresholds are met and the best use of resources is agreed.

To limit the increased costs, to the DSG High Needs block, of the increased number of children with EHCPs we have expanded existing specialist provision and have recently approved a contract to expand Cricket Green special school. We have increased Additionally Resourced Provision (ARP) in Merton mainstream schools and have further plans for new ARP provision and expansion of existing bases. Additional local provision should also assist with minimising increases to transport costs.

We are also part of a South West London consortium, which uses a dynamic purchasing system for the commissioning of specialist independent places, this enables LAs together to challenge any increases in cost and ensure best value for money in the costs of these placements.

New burdens

There are a number of duties placed on the Local Authority that have not been fully funded or not funded at all through additional burdens funding from Central Government. Excluding the cost of these duties would leave a net departmental overspend of £1.753m, however that figure masks substantial one 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	Jan overspend forecast £000	Dec overspend forecast £000	2017/18 over £000
Supported lodgings/housing- care leavers	1,792	247	59	156
Supported lodgings/housing- UASC	167	433	652	520
UASC	734	209	199	173
No Recourse to Public Funds (NRPF)	21	290	294	353
Total	**2,478**	**1,179**	**1,204**	**1,202**

Following changes introduced through the Children & Social Work Act, local authorities took on new responsibilities in relation to children in care and care leavers. Local authorities are required to offer support from a Personal Adviser to all care leavers to age 25. New burdens funding of £21k was provided to support implementation of this change. There has been no on-going funding for the additional work required.

Other unfunded burdens include:

- the increase in the age range of EHCPs, particularly for those young people aged 18-25, due to legislation changes, which are causing cost pressures in both the general fund (in education psychology and SEN transport) and the DSG (High Needs Block costs relating to most EHCP services);
- new statutory duties in relation to children missing from education has increased the cases dealt with by the Education Welfare Service by 79% (from 290 in the 6 months from September to March 2016 to 519 in the same 6 months the following year and the level of referrals has remained at this level)

Further new burdens are expected for 2018/19 including:

- Social Care Act requirement for new assessment process for all social workers
- SEND tribunals will cover elements of children care packages and therefore cost.
- New requirement of social work visits to children in residential schools and other provision.

Community and Housing Current Summary Position

Community and Housing is currently forecasting an under spend of £132k as at period 10 January 2019.

Adult Social Care is currently forecasting an under spend of £376k, Housing and Libraries service are forecasting a combined overspend of £244k. Public Health and Merton Adult Learning continues to forecast a breakeven position for 2018.19.

Community and Housing	2018/19 Current Budget £000	Forecast (Jan'19) £'000	Forecast Variance (Jan'19) £000	Forecast Variance (Dec'19) £000	2017/18 Outturn Variance £000
Access and Assessment	45,956	45,681	(275)	(380)	455
Commissioning	4,578	4,366	(212)	17	211
Direct Provision	4,480	4,529	49	(26)	(195)
Directorate	973	1,035	62	69	181
Adult Social Care	**55,987**	**55,611**	**(376)**	**(320)**	**652**
Libraries and Heritage	2,131	2,158	27	22	20
Merton Adult Learning	(11)	(11)	0	0	(6)
Housing General Fund	1,848	2,065	217	185	256
Sub-total	**59,955**	**59,823**	**(132)**	**(113)**	**922**
Public Health	**(143)**	**(143)**	**0**	**0**	**0**
Grand Total	**59,812**	**59,680**	**(132)**	**(113)**	**922**

Access & Assessment - £275k underspend

The Access & Assessment underspend has decreased slightly, but is still forecast to have a small underspend by year-end. The impact of winter is starting to be felt by the department. The re-ablement service has been full and the number of referrals to home care has increased. The Winter Warm & Well programme (funded from the Winter Pressures Grant) with the voluntary sector is in progress, providing a range of solutions and interventions, around fuel poverty, small grants to meet immediate issues, increased capacity for the handyperson scheme and the 'Tuned In' project in Wimbledon Art Space.

The table below shows areas of significant expenditure in Access & Assessment

Access & Assessment	Forecast Variances Jan'19 £'000	Forecast Variances Dec'18 £000	Outturn Variances March 18 £000
Underspend on Concessionary Fares- (Postage/taxi-cards)	(104)	(104)	(100)
Overspend on Better Care Fund Risk Share	0	0	425
Other	(354)	(483)	(307)
Placements	(287)	40	1,671
Income	470	167	(1,234)
Total	(275)	(380)	455

Adult Social Care savings not deferred for 2018-19 are on track to be delivered.

The table below sets on the movement in the number of service users in each care group between the months. It shows a net decrease of 21 packages between December and January and a cumulative reduction of 94 since April 2018. There is currently a downward trend in the number of packages but a spike is expected before March 2019.

Total Number of Clients with an external care package

Placements	Nos. of Clients Jan'19	Nos. of Clients Dec'18	Nos. of Client Nov'18	Nos. of Client Apr'18
Older People	1069	1092	1104	1167
Physical/Sensory	208	206	207	219
Learning Disabilities	361	361	363	356
LD Housing Support	3	3	3	2
Mental Health	129	129	130	125
MH Housing Support	14	14	13	11
Substances Misuse	3	3	4	1
Grand Total	**1787**	**1808**	**1824**	**1881**

Commissioning - £212k underspend

The commissioning service is currently forecasting an under spend of £212k as at January 2019. This is due to the revision of forecasted spend in several areas.

Direct Provision - £49k overspend (Internal Care Provision)

Direct Provision service is currently forecasting an over spend of £49k as at January 2019. This is due to an additional cost of regrading a group of residential staff, as well as a re-stating of costs for Supported Living staff following a series of journals from the Learning Disability team regarding The Gables. This is now felt to be the true forecast figure for the year.

We have also seen increased costs of utilities, and analysis will be completed over the next quarter to enable an accurate forecast for next year.

There have also been some unforeseen costs from Transport services, passing on high maintenance and repair bills, including around changes to leased vehicles.

C&H - Other Services

Libraries - £27k overspend

The Library & Heritage Service is forecasting an over spend of £27k which is an increase of £5K. This is due to a small decrease in anticipated client receipts and an increase in utilities costs.

The service is continuing to work towards achieving a balanced budget by year-end and is working to increase income generation to offset overspends.

Merton Adult Education – Breakeven

The service continues to forecast a breakeven position as at January 2019.

Housing - £217k overspend

The housing service is forecasting an over spend as at January 2019 of £217k. This service forecasted overspend continues to fluctuate based on a small increase in demand between December and January. This is due to the unpredictability surrounding the shortfall on subsidy, demand for temporary accommodation, Housing Benefit and client contributions.

This service is also engaged in homelessness preventative measures on a daily basis as legally required. The diagram below shows number of homelessness prevented to date. The diagram below shows that the year to date target continues to be exceeded each month.

Period	Homelessness Prevention Targets
Full Year Target	**450**
Target YTD	**375**
Achieved - Sept'18	**243**
Achieved - Oct'18	**263**
Achieved - Nov'18	**313**
Achieved - Dec'18	**346**
Achieved - Jan'19	**387**

Homeless prevention includes, legal advocacy on behalf of private tenants' rights, prevention advice against unlawful eviction and harassment, money management, housing options, relationship breakdowns, rights to homes, access to social housing, seeking accommodation in homeless hostel and/or private rented sector, and mediation with family members to prevent exclusion and homelessness.

Analysis of Housing Temporary Accommodation Expenditure

The diagram below shows the forecasted variance for financial year 2018.19 of the boroughs temporary accommodation provision as at January 2019. There has been a gradual reduction in numbers of households in temporary accommodation with a corresponding reduction in expenditure.

Housing	Budget 2018/19 £000	Forecast Variance (Jan'19) £'000	Forecast Variances (Dec'18) £000	Outturn Variances (Mar'18) £000
Temporary Accommodation-Expenditure	2,330	574	541	909
Temporary Accommodation-Client Contribution	(140)	(532)	(576)	(595)
Temporary Accommodation-Housing Benefit Income	(2,000)	135	97	(160)
Temporary Accommodation-Subsidy Shortfall	322	388	414	517
Temporary Accommodation- Grant	-	(481)	(481)	(406)
Sub-total Temporary Accommodation	**512**	**84**	**(5)**	**259**
Housing Other Budgets- Over(under)spend	1,336	133	190	(3)
Total	**1,848**	**217**	**185**	**256**

Temporary Accommodation (TA) Movements to date

The data below shows the number of households i.e. families and single (placements) in temporary accommodation.

Based on data below to date the service currently accommodate on an average 172 clients. This is less that numbers as at March 2017 but more than that of March 2018.

Temporary Accommodation	Numbers IN	Numbers OUT	Total for the Month
March 2017	-	-	186
March 2018	16	16	165
April 2018	22	17	170
May 2018	21	16	175
June 2018	14	17	172
July 2018	15	12	175
August 2018	16	15	176
September 2018	11	13	174
October 2018	14	20	168
November 2018	14	13	169
December 2018	11	13	167
January 2019	19	15	171

<u>Public Health - Forecasting a breakeven position</u>

Public Health continues to report a break-even position. This assumes potential pressures are fully neutralised by the potential capacities. The remaining shortfall in Sexual Health Services are mitigated by:

- Efficiencies emanating from re-commissioning the Substance Misuse Detox contract and 1 FTE and a part-year staff vacant post.
- Savings from the repatriation of Sexual Health clients to local providers and the channel shift of asymptomatic clients from use of clinics to the online Pan-London Service.

The department maintains a culture of effective cost control.

Corporate Items

The details comparing actual expenditure up to 31 January 2019 against budget are contained in Appendix 2. The main areas of variance as at 31 January 2019 are:-

Corporate Items	Current Budget 2018/19 £000s	Full Year Forecast (Jan.) £000s	Forecast Variance at year end (Jan.) £000s	Forecast Variance at year end (Dec.) £000s	2016/17 Year end Variance £000s
Impact of Capital on revenue budget	**8,403**	**8,930**	**527**	**527**	**(103)**
Investment Income	(759)	(1,031)	(272)	(241)	408
Pension Fund	3,346	3,096	(250)	0	(389)
Pay and Price Inflation	1,122	744	(378)	(378)	(736)
Contingencies and provisions	4,419	3,386	(1,033)	(650)	(2,447)
Income Items	(1,367)	(1,991)	(624)	(624)	(104)
Appropriations/Transfers	(2,593)	(2,593)	0	0	2,445
Central Items	**4,168**	**1,611**	**(2,557)**	**(1,893)**	**(823)**
Levies	938	938	0	0	0
Depreciation and Impairment	(22,876)	(22,876)	0	0	0
TOTAL CORPORATE PROVISIONS	**(9,367)**	**(11,397)**	**(2,030)**	**(1,366)**	**(926)**

There are a number of revisions to the forecast for corporate items based on spend up to 31 January 2019:-

a) It is anticipated that there will be an underspend of £0.250m within the budget provision for the Pension Fund which relates to auto enrolment because these costs are being contained within departmental employees budgets.
b) An increase in the underspend in the Corporate contingency of £0.250m is anticipated.
c) The balance of £0.083m in the budget provided to cover for loss of Housing Benefit Administration Grant will not be required.
d) Based on current expenditure, it is anticipated that there will be an underspend of £0.200m on the Apprenticeship Levy budget, an increase of £0.050m on the previous forecast.
e) There has been a small increase in the forecast for investment income of £0.031m.

4 Capital Programme 2018-22

4.1 The Table below shows the movement in the 2018/22 corporate capital programme since the last meeting of Cabinet:

Depts	Current Budget 18/19	Variance	Revised Budget 18/19	Current Budget 19/20*	Variance	Revised Budget 19/20*	Current Budget 20/21	Variance	Revised Budget 20/21	Revised Budget 21/22	Variance	Revised Budget 21/22
CS*	8,636	(1,565)	7,071	27,985	1,499	29,484	3,945	0	3,945	12,083	0	12,083
C&H	1,118	0	1,118	480	0	480	630	0	630	280	0	280
CSF	9,397	0	9,397	16,639	0	16,639	3,202	0	3,202	650	0	650
E&R	18,005	(310)	17,695	10,159	436	10,595	7,517	0	7,517	7,264	0	7,264
TOTAL	**37,156**	**(1,875)**	**35,281**	**55,325**	**1,935**	**57,197**	**15,294**	**0**	**15,294**	**20,277**	**0**	**20,277**

* Includes £23 million Housing Company Budget

4.2 The table below summarises the position in respect of the 2018/19 Capital Programme as at January 2019. The detail is shown in Appendix 5a

<u>Capital Budget Monitoring January 2019</u>

Department	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Forecast 2018/19	Full Year Variance
Corporate Services	4,307,711	5,491,795	(1,506,084)	7,070,720	6,985,574	(85,146)
Community and Housing	706,809	838,090	(131,281)	1,118,010	1,030,184	(87,826)
Children Schools & Families	5,271,775	7,076,970	(1,805,195)	9,396,180	9,254,756	(141,424)
Environment and Regeneration	11,857,815	11,348,520	509,295	17,694,680	17,652,461	(42,220)
Total	**22,144,110**	**24,755,375**	**(2,933,265)**	**35,279,590**	**34,922,974**	**(356,616)**

a) <u>Corporate Services</u> – All budget managers are projecting a full year spend apart from:
   - Business Systems are projecting an in year underspend of £53k
   - E-payments £32k in year underspend based on profiled spend

   Customer contact budget of £1,499 has been re-profiled into 2019-20 and the planned replacement programme within Infrastructure and Transactions has been reduced by £66k to reflect the movement of items to revenue expenditure.

b) <u>Community and Housing</u> – All budget managers are projecting a full year spend apart from Disabled Facilities Grant which is projecting an in year underspend of £47k and Telehealth projected in-year underspend by £40k.

c) <u>Children, Schools and Families</u> – All budget managers are projecting a full year spend apart from Harris Academy Wimbledon which is projecting and in year underspend of £141k.

d) <u>Environment and Regeneration</u> – All budget areas are projecting full spend apart from
   - Fleet vehicles are projecting a £45k in year underspend and have requested that up to £38k be slipped into 2019/20.
   - Parks are showing a small overspend of £3k which will be contained within other E&R capital budgets.

The following TfL re-profiling from 2018-19 to 2019-20 is being actioned:

Scheme		2018/19 Budget	2019/20 Budget
Highways & Footways - Accessibility Programme		(30,980)	30,980
Highways & Footways - Casualty Red. & Schools		(73,770)	73,770
Highways & Footways - Safer Walking Routes		(16,000)	16,000
Highways & Footways - School Part Time Rd Closure	-	(60,000)	60,000
Cycle Route Imps - Cycle Imps Residential Sts		(45,000)	45,000
Cycle Route Imps - Beddinington Lane Cycle Routes	(1)	(135,000)	135,000
Mitcham Transport Imps - Figges Marsh		(45,000)	45,000
Mitcham Transport Imps - Mitcham Town Centre		(30,100)	30,100

The following items have been added to the programme funded by revenue contributions and London Marathon Trust:

Scheme		2018/19 Budget	Narrative
On Street Parking - P&D		36,720	Purch of new P&D Machines funded from Revenue
CCTV Investment		33,730	Purch of new CCTV Cameras funded from Revenue
Property Management Enhancement		41,840	Purch of new Boiler funded from Revenue
Sports Facilities - Leisure Centres Plant & Machinery		13,500	London Maraton Trust Grant

4.3 The table below compares capital expenditure (£000s) to January 2019 to that achieved over the last few years:

Depts.	Spend To January 2016	Spend To January 2017	Spend to January 2018	Spend to January 2019	Variance 2016 to 2019	Variance 2017 to 2019	Variance 2018 to 2019
CS	713	547	6,289	4,308	3,595	3,760	(1,982)
C&H	1,345	1,606	776	707	(638)	(899)	(69)
CSF	11,159	10,623	4,379	5,272	(5,887)	(5,351)	892
E&R	5,553	9,128	10,743	11,858	6,305	2,730	1,115
Total Capital	**18,770**	**21,904**	**22,188**	**22,144**	**3,374**	**240**	**(43)**

Outturn £000s	29,327	30,626	32,230	
Budget £000s				35,281
Projected Spend January 2019 £000s				34,923
Percentage Spend to Budget				62.77%
% Spend to Outturn/Projection	64.00%	71.52%	68.84%	63.41%
Monthly Spend to Achieve Projected Outturn £000s				6,389

4.4 January is ten months into the financial year and departments have spent just over 64% of the budget. Spend to date is higher than two of the three previous financial years shown.

Department	Spend To Dec 2018 £000s	Spend To Jan 2019 £000s	Increase £000s
CS	3,975	4,308	333
C&H	635	707	72
CSF	4,777	5,272	495
E&R	11,155	11,858	703
Total Capital	**20,542**	**22,144**	**1,602**

4.5 During January 2019 officers spent £1.602 million, which highlights that it is highly unlikely that a projected Authority wide spend of £35 million will be achieved. Moving budget into subsequent financial years will be progressed as part of slippage within the closing of accounts 2018/19 process.

5. DELIVERY OF SAVINGS FOR 2018/19

Department	Target Savings 2018/19	Projected Savings 2018/19	Period 10 Forecast Shortfall	Period 9 Forecast Shortfall	Period Forecast Shortfall (P10)	2019/20 Expected Shortfall
	£000	**£000**	**£000**	**£000**	**%**	**£000**
Corporate Services	2,024	1,519	505	505	25.0%	385
Children Schools and Families	489	489	0	0	0.0%	0
Community and Housing	2,198	2,061	137	200	6.2%	18
Environment and Regeneration	1,874	1,401	473	473	25.2%	0
Total	**6,585**	**5,470**	**1,115**	**1,178**	**16.9%**	**403**

Appendix 6 details the progress on savings for 2018/19 by department.

Progress on savings 2017/18

Department	Target Savings 2017/18	2017/18 Shortfall	2018/19 Period 9 Projected shortfall	2019/20 Period 9 Projected shortfall	2018/19 Period 8 Projected shortfall	2019/20 Period 8 Projected shortfall
	£000	£000	£000	£000	£000	£000
Corporate Services	2,316	196	0	0	0	0
Children Schools and Families	2,191	7	0	0	0	0
Community and Housing	2,673	201	100	0	0	0
Environment and Regeneration	3,134	2,188	705	45	666	45
Total	**10,314**	**2,592**	**805**	**45**	**666**	**45**

Appendix 7 details the progress on savings for 2017/18 by department and the impact on the current year and next year.

6. CONSULTATION UNDERTAKEN OR PROPOSED

6.1 All relevant bodies have been consulted.

7. TIMETABLE

7.1 In accordance with current financial reporting timetables.

8. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

8.1 All relevant implications have been addressed in the report.

9. LEGAL AND STATUTORY IMPLICATIONS

9.1 All relevant implications have been addressed in the report.

10. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

10.1 Not applicable

11. CRIME AND DISORDER IMPLICATIONS

11.1 Not applicable

12. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

12.1 The emphasis placed on the delivery of revenue savings within the financial monitoring report will be enhanced during 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.

13. 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 2018/19
Appendix 5b –	Summary of Capital Programme Funding
Appendix 6 –	Progress on savings 2018/19
Appendix 7 –	Progress on savings 2017/18

14. BACKGROUND PAPERS

14.1 Budgetary Control files held in the Corporate Services department.

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APPENDIX 1

Summary Position as at 31st January 2019

	Original Budget 2018/19 £000s	Current Budget 2018/19 £000s	Full Year Forecast (Jan) £000s	Forecast Variance at year end (Jan) £000s	Forecast Variance at year end (Dec) £000s	Outturn variance 2017/18 £000
Department	-	-	-	-	-	-
3A.Corporate Services	9,495	11,320	9,362	(1,958)	(1,629)	(812)
3B.Children, Schools and Families	56,145	59,409	62,341	2,932	3,088	2,249
3C.Community and Housing	-	-	-			-
Adult Social Care	58,778	59,257	58,881	(376)	(320)	646
Libraries & Adult Education	2,771	2,829	2,856	27	22	20
Housing General Fund	2,207	2,141	2,358	217	185	256
3D.Public Health	(0)	(0)	(0)	0	(0)	0
3E.Environment & Regeneration	17,951	18,746	17,451	(1,294)	(1,468)	-1,211
NET SERVICE EXPENDITURE	**147,345**	**153,701**	**153,250**	**-451**	**-123**	**1,148**
3E.Corporate Items	-	-	-	-		-
Impact of Capital on revenue budget	8,403	8,403	8,930	527	527	(103)
Other Central items	(12,353)	(18,708)	(21,265)	(2,557)	(1,893)	(823)
Levies	938	938	938	0	0	0
TOTAL CORPORATE PROVISIONS	**(3,012)**	**(9,367)**	**(11,397)**	**(2,030)**	**(1,366)**	**(926)**
TOTAL GENERAL FUND	**144,333**	**144,334**	**141,853**	**-2,481**	**-1,489**	**222**
-	-	-	-	-		-
Funding						
- Business Rates	(45,636)	(45,636)	(45,636)	0	0	182
- RSG	0	0	0	0	0	1
- Section 31 Grant	(1,975)	(1,975)	(1,975)	0	0	(672)
- New Homes Bonus	(2,371)	(2,371)	(2,371)	0	0	2
- PFI Grant	(4,797)	(4,797)	(4,797)	0	0	0
- Adult Social Care Grant 2017/18	(2,115)	(2,115)	(2,115)	0	0	0
Grants	**(56,894)**	**(56,894)**	**(56,894)**	**0**	**0**	**(487)**
Collection Fund - Council Tax Surplus(-)/Deficit	(1,653)	(1,653)	(1,653)	0	0	0
Collection Fund - Business Rates Surplus(-)/Deficit	1,223	1,223	1,223	0	0	0
Council Tax						
- General	(86,678)	(86,678)	(86,678)	0	0	0
- WPCC	(331)	(331)	(331)	0	0	0
Council Tax and Collection Fund	**(87,439)**	**(87,439)**	**(87,439)**	**0**	**0**	**0**
FUNDING	**(144,333)**	**(144,333)**	**(144,333)**	**0**	**0**	**(487)**
NET	**(0)**	**1**	**(2,480)**	**(2,481)**	**(1,489)**	**(265)**

Appendix 2

3E.Corporate Items	Council 2018/19 £000s	Original Budget 2018/19 £000s	Current Budget 2018/19 £000s	Year to Date Budget (Jan.) £000s	Year to Date Actual (Jan.) £000s	Full Year Forecast (Jan.) £000s	Forecast Variance at year end (Jan.) £000s	Forecast Variance at year end (Dec.) £000s	Outturn Variance 2017/18 £000s
Cost of Borrowing	8,403	8,403	8,403	5,263	4,953	8,930	527	527	(103)
Revenue Impact of Capital	**8,403**	**8,403**	**8,403**	**5,263**	**4,953**	**8,930**	**527**	**527**	**(103)**
Investment Income	**(759)**	**(759)**	**(759)**	**(633)**	**(677)**	**(1,031)**	**(272)**	**(241)**	**408**
Pension Fund	**3,346**	**3,346**	**3,346**	**3,346**	**3,469**	**3,096**	**(250)**	**0**	**(389)**
Corporate Provision for Pay Award	2,108	2,108	744		0	744	0	0	0
Provision for excess inflation	378	378	378		0	(0)	(378)	(378)	(436)
Utilities Inflation Provision	0	0	0		0	0	0	0	(300)
Pay and Price Inflation	**2,486**	**2,486**	**1,122**	**0**	**0**	**744**	**(378)**	**(378)**	**(736)**
Contingency	1,500	1,500	1,500		0	1,000	(500)	(250)	(1,500)
Single Status/Equal Pay	100	100	100		16	50	(50)	(50)	(96)
Bad Debt Provision	500	500	500		0	500	0	0	395
Loss of income arising from P3/P4	200	200	200		0	0	(200)	(200)	(400)
Loss of HB Admin grant	179	179	83		0	0	(83)	0	(179)
Apprenticeship Levy	450	450	450	338	225	250	(200)	(150)	(235)
Revenuisation and misc.	1,361	1,361	1,586	1,306	455	1,586	0	0	(432)
Contingencies/provisions	**4,291**	**4,291**	**4,419**	**1,643**	**696**	**3,386**	**(1,033)**	**(650)**	**(2,447)**
Other income	0	0	0	0	(631)	(624)	(624)	(624)	(56)
CHAS IP/Dividend	(1,367)	(1,367)	(1,367)	(935)	(935)	(1,367)	0	0	(48)
Income items	**(1,367)**	**(1,367)**	**(1,367)**	**(935)**	**(1,566)**	**(1,991)**	**(624)**	**(624)**	**(104)**
Appropriations: CS Reserves	0	0	(815)	(815)	(815)	(815)	0	0	0
Appropriations: E&R Reserves	4	4	(400)	(400)	43	(400)	0	0	2
Appropriations: CSF Reserves	49	49	17	17	(32)	17	0	0	0
Appropriations: C&H Reserves	(104)	(104)	(104)	(104)	0	(104)	0	0	(600)
Appropriations:Public Health Reserves	(1,200)	(1,200)	(1,200)	(1,200)	0	(1,200)	0	0	600
Appropriations:Corporate Reserves	(91)	(91)	(91)	(91)	0	(91)	0	0	2,443
Appropriations/Transfers	**(1,342)**	**(1,342)**	**(2,593)**	**(2,593)**	**(804)**	**(2,593)**	**0**	**0**	**2,445**
Depreciation/Impairment	**(19,008)**	**(19,008)**	**(22,876)**	**(22,873)**	**(22,873)**	**(22,876)**	**0**	**0**	**0**
Central Items	**(3,950)**	**(3,950)**	**(10,305)**	**(16,781)**	**(16,801)**	**(12,335)**	**(2,030)**	**(1,366)**	**(926)**
Levies	**938**	**938**	**938**	**849**	**849**	**938**	**0**	**0**	**0**
CORPORATE PROVISIONS	**(3,012)**	**(3,012)**	**(9,367)**	**(15,932)**	**(15,951)**	**(11,397)**	**(2,030)**	**(1,366)**	**(926)**

Appendix 3

Pay and Price Inflation as at January 2019

In 2018/19, the budget includes 2.7% for increases in pay and 1.5% for increases in general prices, with an additional amount, currently £0.378m 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 2.4% and RPI at 3.3% this budget will only be released when it is certain that it will not be required.

Pay:

The local government pay award for 2018/19 was agreed in April 2018 covering 2018/19 and 2019/20. For the lowest paid (those on spinal points 6-19) this agreed a pay rise of between 2.9% and 9.2%. Those on spinal points 20-52 received 2%. The Chief Officers pay award is 2% for 2018/19.

Prices:

The Consumer Prices Index (CPI) 12-month rate was 1.8% in January 2019, down from 2.1% in December 2018.The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 1.8% in January 2019, down from 2.0% in December 2018. The largest downward contribution to the change in the 12-month rate came from electricity, gas and other fuels, with prices overall falling between December 2018 and January 2019 compared with price rises the same time a year ago. These downward effects were partially offset by air fares, with prices falling between December 2018 and January 2019 by less than a year ago. The RPI 12-month rate for January 2019 stood at 2.5%, down from 2.7% in December 2018.

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 6 February 2019, the MPC voted unanimously to maintain Bank Rate at 0.75%. 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.

In the minutes of the meeting the MPC state that "CPI inflation fell to 2.1% in December and is expected to decline to slightly below the MPC's 2% target in the near term, largely due to the sharp fall in petrol prices which has occurred since November. As that effect unwinds, CPI inflation rises above 2%. The MPC judges that demand and potential supply are currently broadly in balance. The weaker near-term outlook is likely to lead to a small margin of slack opening up this year. Thereafter, demand growth exceeds the subdued pace of supply growth and excess demand builds over the second half of the forecast period. As a result, domestic inflationary pressures firm, as the upward pressure on inflation of sterling's past depreciation wanes. Under the assumptions that condition the February Report, inflation settles at a rate a little above the target. "

The MPC's updated projections for inflation and activity are set out in the February Inflation Report published on 7 February 2019.

In the February Inflation Report, the MPC considers what the prospects for inflation are for the period under review. It states that " inflation is expected to fall to 1.8% in January, and to remain just below the target throughout 2019. That forecast is lower than in the November Report, mainly reflecting the continued impact of lower petrol prices. It also includes the estimated impact of measures announced in Budget 2018. These measures include a freeze in the rate of fuel duty and some alcohol duties, which together reduce inflation by just under 0.1 percentage points from early 2019. Over the forecast period as a whole, external cost pressures are expected to be lower compared with recent years. Domestic cost pressures are expected to continue to strengthen. Inflation expectations, which can influence wage and price-setting decisions, remain consistent with inflation returning to the target in the medium term."

The MPC conclude that "in the near term, inflation is expected to fall to slightly below the MPC's 2% target, largely reflecting the sharp fall in oil prices which has occurred since November. As that effect unwinds, CPI inflation rises above 2%, and remains a little above the target for the rest of the forecast period."

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

Short Term Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (February 2019)			
2019 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.4	3.5	1.9
RPI	2.1	4.2	2.8
LFS Unemployment Rate	3.6	4.8	4.1
2020 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.6	4.0	2.1
RPI	2.3	4.5	3.2
LFS Unemployment Rate	3.3	5.3	4.1

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

Independent medium-term projections for the calendar years 2019 to 2023 are summarised in the following table:-

Medium-term Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (February 2019)					
	2019	2020	2021	2022	2023
	%	%	%	%	%
CPI	1.9	2.0	2.0	2.0	2.1
RPI	2.8	3.2	3.2	3.2	3.2
LFS Unemployment Rate	4.1	4.2	4.4	4.4	4.4

Office for Budget Responsibility– Fiscal and economic outlook (October 2018)
The Office for Budget Responsibility (OBR) published its 2018 “Economic and fiscal outlook” at the same time as the Budget 2018 on 29 October 2018. Some of the key forecasts for the economy and public finances are included in the following table:-

OBR Fiscal and Economic Outlook for the UK Economy

	Outturn 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24
Gross Domestic Product (GDP) Growth (%)	1.7	1.3	1.6	1.4	1.4	1.5	1.6
Public Sector Net Borrowing (£bn)	39.8	25.5	31.8	26.7	23.8	20.8	19.8
Public Sector Net Borrowing (% of GDP)	1.9	1.2	1.4	1.2	1.0	0.9	0.8
Public Sector Net Debt (%)	85.0	83.7	82.8	79.7	75.7	75.0	
CPI (%)	2.7	2.6	2.0	2.0	2.1	2.1	2.0
RPI (%)	3.6	3.5	3.1	3.1	3.2	3.1	3.1
LFS Unemployment Rate (%)	4.4	4.0	3.7	3.8	3.9	3.9	4.0

FUTURE KEY ANNOUNCEMENTS

The Chancellor of the Exchequer, Philip Hammond will present his Spring Statement to Parliament on Wednesday 13 March 2019. The Statement will respond to the forecast from the Office for Budget Responsibility (OBR).

The OBR is expected to produce its latest “Economic and Fiscal Outlook” at the same time and the Spring Statement will comment on this. The Economic and Fiscal Outlook is expected to look at the main developments since the OBR’s last forecast in October 2018 and the latest external forecasts for the UK economy. It is anticipated that the OBR will set out its forecasts for the economy over a five year horizon and include its assumptions regarding the UK’s exit from the EU, its latest forecast changes in light of recent developments and the effect of any relevant Government policies announced since the October 2018 publication.

Appendix 4

Treasury Management: Outlook

At its meeting ending on 6 February 2019, the MPC voted unanimously to maintain Bank Rate at 0.75%. 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 February Inflation Report was published on 7 February 2019. As is to be expected the outcome of the Brexit negotiations is seen as key but uncertain with the MPC noting that “The economic outlook will continue to depend significantly on the nature of EU withdrawal, in particular: the new trading arrangements between the European Union and the United Kingdom; whether the transition to them is abrupt or smooth; and how households, businesses and financial markets respond. The appropriate path of monetary policy will depend on the balance of these effects on demand, supply and the exchange rate. The monetary policy response to Brexit, whatever form it takes, will not be automatic and could be in either direction. The MPC judges at this month’s meeting that the current stance of monetary policy is appropriate. The Committee will always act to achieve the 2% inflation target.”
In terms of prospects for interest rates and economic growth, the MPC conclude that “Over the past few months, market expectations for the path of Bank Rate have fallen. That path currently implies a gradual rise in Bank Rate to around 1.1% by the end of the forecast period, around 25 basis points lower than at the time of the November 2018 Report. At the same time, UK equity prices are a little lower and corporate bond spreads higher. There have been similar developments in financial conditions in other advanced economies, which have occurred alongside the weaker outlook for global growth. The sterling exchange rate has been volatile, largely reflecting Brexit news, but starts the projection a little lower than in November. Four-quarter UK GDP growth is projected to decline in 2019, before rising to 2% by the end of the forecast period. That is lower than in the November Report in the near term, reflecting the impact of heightened uncertainty, weaker global GDP growth and tighter financial and credit conditions. Further out, UK GDP growth picks up as uncertainty wanes and as the stimulus from looser fiscal policy and lower paths for interest and exchange rates more than offsets the impact of lower global activity and tighter financial conditions. In the medium term, growth is higher than in the November Report. Over the forecast as a whole, growth remains modest by historical standards.”

The MPC recognises that UK GDP growth seems to have slowed and expect it to remain subdued during most of 2019 which reflects a weakening of global growth and “the intensification of Brexit uncertainties”. The MPC concludes that “conditioned on paths for interest and exchange rates that are somewhat more stimulative than in November, UK GDP growth begins to pick up later this year and is expected to be a little stronger in the medium term than was projected three months ago. Although it remains modest by historical standards, demand growth exceeds potential supply growth on average over the forecast. As a result, excess demand builds over the second half of the forecast period, raising domestic inflationary pressures.”

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.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	End Q.4 2020	End Q.1 2021	End Q.2 2021	End Q.3 2021	End Q.4 2021	End Q.1 2022
Feb.'19	0.7	0.7	0.8	0.9	0.9	0.9	1.0	1.0	1.0	1.1	1.1	1.1	1.1
Nov.'18	0.8	0.9	0.9	1.0	1.1	1.1	1.2	1.2	1.3	1.3	1.4	1.4	
Aug.'18	0.7	0.8	0.9	0.9	1.0	1.0	1.0	1.1	1.1	1.1	1.1		
May '18	0.8	0.9	1.0	1.0	1.1	1.1	1.2	1.2	1.2	1.2			
Feb.'18	0.8	0.9	0.9	1.0	1.0	1.1	1.1	1.1	1.2				
Nov.'17	0.8	0.8	0.8	0.9	0.9	0.9	1.0	1.0					
Aug.'17	0.5	0.6	0.6	0.7	0.7	0.7	0.8						
May '17	0.4	0.4	0.4	0.5	0.5	0.5							
Feb'17	0.5	0.5	0.6	0.6	0.7								
Nov.'16	0.3	0.3	0.4	0.4									
Aug.'16	0.2	0.2	0.2										
May '16	0.7	0.8											
Feb. '16	1.1												

Source: Bank of England Inflation Reports

In order to maintain price stability, the Government has set the Bank's Monetary Policy Committee (MPC) a target for the annual inflation rate of the Consumer Prices Index of 2%. Subject to that, the MPC is also required to support the Government's economic policy, including its objectives for growth and employment.

The MPC's projections in the February Inflation report are based on four key assumptions:-

Key Judgement 1: global GDP growth weakens further and settles at close to its potential rate.

Key Judgement 2: UK domestic demand growth is soft over much of 2019, due in part to elevated Brexit uncertainties, before picking up.

Key Judgement 3: potential supply continues to grow at subdued rates and excess demand emerges over the forecast.

Key Judgement 4: CPI inflation is supported by strengthening domestic inflation, although it falls slightly below the target temporarily due to lower energy prices

Description	Actuals to Date 2018/19	Budget Year to Date	Year to Date Variance	Final Budget 2018/19	Forecast Outturn	Full Year Variance
Capital	**22,144,110**	**24,755,375**	**(2,933,265)**	**35,279,590**	**34,922,974**	**(356,616)**
Corporate Services	**4,307,711**	**5,491,795**	**(1,506,084)**	**7,070,720**	**6,985,574**	**(85,146)**
Customer, Policy and Improvement	**4,305**	**600,000**	**(595,695)**	**500,300**	**500,300**	**0**
Customer Contact Programme	4,305	600,000	(595,695)	500,300	500,300	0
Facilities Management Total	**2,432,222**	**2,611,505**	**(179,283)**	**3,214,220**	**3,214,220**	**0**
Works to other buildings	186,323	585,040	(398,717)	695,040	513,396	(181,644)
Civic Centre	214,587	282,715	(68,128)	481,430	648,808	167,378
Invest to Save schemes	2,031,312	1,743,750	287,562	2,037,750	2,052,016	14,266
Infrastructure & Transactions	**1,645,184**	**2,081,740**	**(436,556)**	**2,216,850**	**2,163,754**	**(53,096)**
Business Systems	59,149	164,240	(105,091)	255,490	202,394	(53,096)
Social Care IT System	48,000	12,500	35,500	62,500	62,500	0
Disaster recovery site	393,638	350,000	43,638	394,290	394,290	0
Planned Replacement Programme	1,144,397	1,555,000	(410,603)	1,504,570	1,504,570	0
Resources	**0**	**132,050**	**(132,050)**	**211,850**	**179,800**	**(32,050)**
Financial System	0	59,000	(59,000)	97,000	97,000	0
ePayments System	0	32,050	(32,050)	32,050	0	(32,050)
Invoice Scanning SCIS/FIS	0	41,000	(41,000)	82,800	82,800	0
Corporate Items	**65,000**	**66,500**	**(1,500)**	**66,500**	**66,500**	**0**
Acquisitions Budget	65,000	66,500	(1,500)	66,500	66,500	0
Investments	**161,000**	**0**	**(161,000)**	**861,000**	**861,000**	**0**
Housing Company	161,000	0	(161,000)	861,000	861,000	0
Community and Housing	706,809	838,090	(131,281)	1,118,010	1,030,184	(87,826)
Adult Social Care	**0**	**43,750**	**(43,750)**	**43,750**	**3,645**	**(40,105)**
Telehealth	0	43,750	(43,750)	43,750	3,645	(40,105)
Housing	**668,958**	**727,600**	**(58,642)**	**917,520**	**870,000**	**(47,520)**
Disabled Facilities Grant	668,958	727,600	(58,642)	917,520	870,000	(47,520)
Libraries	**37,851**	**66,740**	**(28,889)**	**156,740**	**156,539**	**(201)**
Library Enhancement Works	(1,000)	16,740	(17,740)	16,740	16,706	(34)
Libraries IT	38,851	50,000	(11,149)	140,000	139,833	(167)

Appendix 5a

Capital Budget Monitoring January 2019

Description	Actuals to Date 2018/19	Budget Year to Date	Year to Date Variance	Final Budget 2018/19	Forecast Outturn	Full Year Variance
Children Schools & Families	**5,271,775**	**7,076,970**	**(1,805,195)**	**9,396,180**	**9,254,756**	**(141,424)**
Primary Schools	**644,711**	**725,560**	**(80,849)**	**899,050**	**898,421**	**(629)**
Hollymount	55,166	0	55,166	59,000	59,000	0
Hatfeild	37,324	41,000	(3,676)	41,000	41,000	0
Joseph Hood	2,836	2,900	(64)	2,900	2,900	0
Dundonald	12,385	50,980	(38,595)	60,190	60,190	0
Merton Abbey	0	0	0	50,560	50,560	0
Poplar	34,910	47,590	(12,680)	47,590	47,590	0
Wimbledon Park	21,126	23,500	(2,374)	43,580	43,571	(9)
Abbotsbury	(628)	0	(628)	0	0	0
Morden	64,841	76,380	(11,539)	76,380	76,380	0
Cranmer	49,912	54,600	(4,688)	54,600	54,600	0
Gorringe Park	28,051	30,670	(2,620)	30,670	30,670	0
Haslemere	45,618	50,000	(4,382)	52,230	52,230	0
Liberty	55,577	70,000	(14,423)	74,440	74,440	0
Links	(690)	0	(690)	0	0	0
Singlegate	0	11,000	(11,000)	11,000	11,000	0
St Marks	92,593	99,240	(6,647)	100,920	100,300	(620)
Lonesome	47,690	55,000	(7,310)	81,290	81,290	0
Stanford	98,000	112,700	(14,700)	112,700	112,700	0
Secondary School	**2,614,266**	**4,259,210**	**(1,644,944)**	**4,800,430**	**4,659,631**	**(140,799)**
Harris Academy Morden	0	104,000	(104,000)	104,000	104,000	0
Harris Academy Merton	417,938	383,130	34,808	444,090	444,090	0
Raynes Park	0	0	0	574,000	574,000	0
Ricards Lodge	0	15,000	(15,000)	15,000	15,000	0
Rutlish	21,282	21,500	(218)	21,500	21,500	0
Harris Academy Wimbledon	2,175,047	3,735,580	(1,560,533)	3,641,840	3,501,041	(140,799)
SEN	**1,661,785**	**2,033,890**	**372,105**	**2,571,140**	**2,571,141**	**1**
Perseid	1,002,078	805,960	196,118	1,271,120	1,271,121	1
Cricket Green	652,215	1,150,000	(497,785)	1,200,000	1,200,000	0
Unlocated SEN	7,492	77,930	(70,438)	100,020	100,020	0
CSF Schemes	**351,013**	**58,310**	**292,703**	**1,125,560**	**1,125,563**	**3**
CSF IT Schemes	56,513	58,310	(1,797)	58,310	58,310	0
Devolved Formula Capital	294,500	0	294,500	1,067,250	1,067,253	3

Appendix 5a

Description	Actuals to Date 2018/19	Budget Year to Date	Year to Date Variance	Final Budget 2018/19	Forecast Outturn	Full Year Variance
Environment and Regeneration	**11,857,815**	**11,348,520**	**509,295**	**17,694,680**	**17,652,461**	**(42,220)**
Public Protection and Developm	**0**	**140,930**	**(140,930)**	**300,420**	**300,415**	**(5)**
On Street Parking - P&D	0	0	0	36,720	36,720	0
CCTV Investment	0	0	0	73,220	73,215	(5)
Public Protection and Developm	0	140,930	(140,930)	190,480	190,480	0
Street Scene & Waste	**2,707,799**	**2,293,060**	**414,739**	**5,114,060**	**5,069,642**	**(44,418)**
Fleet Vehicles	0	337,100	(337,100)	472,600	427,593	(45,007)
GPS Vehical Tracking Equipment	2,460	0	2,460	0	0	0
Alley Gating Scheme	7,833	15,000	(7,167)	25,000	25,000	0
Smart Bin Leases - Street Scen	6,552	0	6,552	5,500	6,552	1,052
Waste SLWP	2,690,954	1,940,960	749,994	4,610,960	4,610,497	(463)
Sustainable Communities	**9,150,016**	**8,914,530**	**235,486**	**12,280,200**	**12,282,404**	**2,204**
Street Trees	14,169	17,690	(3,521)	57,690	57,690	0
Raynes Park Area Roads	0	0	0	26,110	26,110	0
Highways & Footways	2,808,484	3,063,350	(254,866)	4,042,190	4,042,190	0
Cycle Route Improvements	324,993	417,120	(92,127)	480,980	480,980	0
Mitcham Transport Improvements	32,079	246,680	(214,601)	138,900	138,900	0
Tackling Traffic Congestion	(18)	0	(18)	0	(1)	(1)
Mitcham Area Regeneration	39,340	114,360	(75,020)	136,360	136,369	9
Wimbledon Area Regeneration	9,003	0	9,003	25,000	25,000	0
Borough Regeneration	364,205	224,820	139,385	560,050	560,050	0
Property Management Enhancemen	0	0	0	41,840	41,841	1
Morden Leisure Centre	4,844,414	4,546,760	297,654	5,864,530	5,864,530	0
Sports Facilities	212,969	0	212,969	386,960	386,600	(360)
Parks	500,378	283,750	216,628	519,590	522,144	2,554

Virement, Re-profiling and New Funding - January 2019

Appendix 5b

		2018/19 Budget	Virements	Funding Adjustments	Reprofiling	Revised 2018/19 Budget	2019/20 Budget	Movement	Revised 2019/20 Budget	Narrative
-	-	£	£		£	£	£		£	
Corporate Service	-									
Customer Contact Programme	(1)	1,899,010			(1,499,010)	400,000	250,000	1,499,010	1,749,010	Reprofiled in accordance with projected spend
Planned Replacement Programme		1,571,000		(66,430)		1,504,570	0		0	Items being moved to Revenue budget reduced
Environment and Regeneration										
On Street Parking - P&D		0		36,720		36,720	60,000		60,000	Purch of new P&D Machines funded from Revenue
CCTV Investment		39,490		33,730		73,220	0		0	Purch of new CCTV Cameras funded from Revenue
Property Management Enhancement		0		41,840		41,840	0		0	Purch of new Boiler funded from Revenue
Highways & Footways - Accessibility Programme		197,680			(30,980)	166,700		30,980	30,980	TfL Approved Re-profiling
Highways & Footways - Casualty Red. & Schools		349,570			(73,770)	275,800		73,770		TfL Approved Re-profiling
Highways & Footways - Safer Walking Routes		18,000			(16,000)	2,000		16,000		TfL Approved Re-profiling
Highways & Footways - School Part Time Rd Closure		74,000			(60,000)	14,000		60,000		TfL Approved Re-profiling
Cycle Route Imps - Cycle Imps Residential Sts		225,000			(45,000)	180,000		45,000	45,000	TfL Approved Re-profiling
Cycle Route Imps - Beddinington Lane Cycle Routes	(1)	261,000			(135,000)	126,000		135,000		TfL Approved Re-profiling
Mitcham Transport Imps - Figges Marsh		150,000			(45,000)	105,000		45,000	45,000	TfL Approved Re-profiling
Mitcham Transport Imps - Mitcham Town Centre		64,000			(30,100)	33,900	425,000	30,100	455,100	TfL Approved Re-profiling
Sports Facilities - Leisure Centres Plant & Machinery		190,510		13,500		204,010			0	London Maraton Trust Grant
Total		5,039,260	0	59,360	(1,934,860)	3,163,760	735,000	1,934,860	2,385,090	

1) Requires Cabinet Approval

Appendix 5c

Capital Programme Funding Summary 2018/19

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Current Capital Programme	**22,139**	**15,016**	**37,155**
Corporate Services			
Customer Contact	(1,499)	0	(1,499)
Planned Replacement Programme	(66)	0	(66)
Environment and Regeneration			
On Street Parking - P&D	37	0	37
CCTV Investment	34	0	34
Property Management Enhancement	42	0	42
Highways & Footways - Accessibility Programme	0	(31)	(31)
Highways & Footways - Casualty Red. & Schools	0	(74)	(74)
Highways & Footways - Safer Walking Routes	0	(16)	(16)
Highways & Footways - School Part Time Rd Closure	0	(60)	(60)
Cycle Route Imps - Cycle Imps Residential Sts	0	(45)	(45)
Cycle Route Imps - Beddinington Lane Cycle Routes	0	(135)	(135)
Mitcham Transport Imps - Figges Marsh	0	(45)	(45)
Mitcham Transport Imps - Mitcham Town Centre	0	(30)	(30)
Sports Facilities - Leisure Centres Plant & Machinery	0	14	14
Proposed Capital Programme	**20,686**	**14,594**	**35,280**

Capital Programme Funding Summary 2019/20

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	**£000s**	**£000s**
Approved Capital Programme	**49,235**	**6,028**	**55,263**
Corporate Services			
Customer Contact	**1,499**	**0**	**1,499**
Environment and Regeneration			
Highways & Footways - Accessibility Programme	**0**	**31**	**31**
Highways & Footways - Casualty Red. & Schools	**0**	**74**	**74**
Highways & Footways - Safer Walking Routes	**0**	**16**	**16**
Highways & Footways - School Part Time Rd Closure	**0**	**60**	**60**
Cycle Route Imps - Cycle Imps Residential Sts	**0**	**45**	**45**
Cycle Route Imps - Beddinington Lane Cycle Routes	**0**	**135**	**135**
Mitcham Transport Imps - Figges Marsh	**0**	**45**	**45**
Mitcham Transport Imps - Mitcham Town Centre	**0**	**30**	**30**
Proposed Capital Programme	**50,734**	**6,464**	**57,198**

APPENDIX 6

Department	Target Savings 2018/19	Projected Savings 2018/19	Period 10 Forecast Shortfall	Period 9 Forecast Shortfall	Period Forecast Shortfall (P10)	2019/20 Expected Shortfall
	£000	£000	£000	£000	%	£000
Corporate Services	2,024	1,519	505	505	25.0%	385
Children Schools and Families	489	489	0	0	0.0%	0
Community and Housing	2,198	2,061	137	200	6.2%	18
Environment and Regeneration	1,874	1,401	473	473	25.2%	0
Total	**6,585**	**5,470**	**1,115**	**1,178**	**16.9%**	**403**

		Jan-19								APPENDIX 6	
DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2018/19											
Ref	**Description of Saving**	**2018/19 Savings Required £000**	**2018/19 Expected Savings £000**	**Shortfall £000**	**RAG**	**2019/20 Savings Expected £000**	**2019/20 Expected Shortfall £000**	**19/20 RAG**	**Responsible Officer**	**Comments**	**R /A Included in Forecast Over/Underspend? Y/N**
	Adult Social Care										
CH55	Less 3rd party payments through "Promoting Independence" throughout the assessment, support planning and review process and across all client groups. Aim to reduce Res Care by £650k and Dom Care by £337k.	987	987	0	G	987	0	G	John Morgan		Y
CH73	A review of management and staffing levels of the AMH team in line with the reductions carried out in the rest of ASC.	100	87	13	R	100	0	G	Richard Ellis	Balance deferred to 2019/20	Y
CH36	Single homeless contracts (YMCA, Spear, Grenfell) - Reduce funding for contracts within the Supporting People area which support single homeless people - Reduced support available for single homeless people - both in terms of the numbers we could support and the range of support we could provide. In turn this would reduce their housing options. (CH36)	38	14	24	R	38	0	G	Steve Langley	£38k deferred to 2019/20. Impact offset by in year one off savings	Y
CH71	Transport: moving commissioned taxis to direct payments. Service users can purchase taxi journeys more cheaply than the council.	50	50	0	G	50	0	G	Phil Howell		Y
CH72	Reviewing transport arrangements for in-house units, linking transport more directly to the provision and removing from the transport pool.	100	0	100	R	100	0	A	Richard Ellis	£100k deferred to 2019/20. Impact offset by in year one off savings	Y
CH74	The implementation of the MOSAIC social care system has identified the scope to improve the identification of service users who should contribute to the costs of their care and assess them sooner, thus increasing client income. Assessed as a 3% improvement less cost of additional staffing	231	231	0	G	231	0	G	Richard Ellis		Y
	Subtotal Adult Social Care	**1,506**	**1,369**	**137**		**1,506**	**0**				
	Library & Heritage Service										
CH56	Introduce a coffee shop franchise across 6 libraries	30	30	0	G	30	0	G	Anthony Hopkins		Y
	Housing Needs & Enabling										
CH42	Further Staff reductions. This will represent a reduction in staff from any areas of the HNES & EHH :	62	62	0	G	62	0	G	Steve Langley		Y
	Public Health										
CH75	Public Health: health related services in other budgets	600	420	180	R	582	18	R	Dagmar Zeuner	Shortfall offset by CH85 and CH86(see below)	Y
CH85	Review of external Woodland Day Care Contract	0	30	(30)	G	30	0	G	Phil Howell	Offset CH75 above	Y

Jan-19

APPENDIX 6

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2018/19

Ref	Description of Saving	2018/19 Savings Required £000	2018/19 Expected Savings £000	Shortfall £000	RAG		2019/20 Savings Expected £000	2019/20 Expected Shortfall £000	19/20 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CH86	The proposal is to reduce the long-term pressures that arise from winter peaks in activity and provide a period of recuperation for some residents in residential or nursing care as well as utilize this service to prevent admission to hospital if needed.	0	150	(150)	G		150	0	G	**John Morgan**	Offset CH75 above	**Y**
	Total C & H Savings for 2018/19	**2,198**	**2,061**	**137**			**2,360**	**18**				

APPENDIX 6

DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 18-19

Ref	Description of Saving	2018/19 Savings Required £000	Shortfall	18/19 RAG		2019/20 Expected Shortfall £000	19/20 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	Schools									
CSF2015-03	Increased income from schools and/or reduced LA service offer to schools	**200**	**0**	G		**0**	G	Jane McSherry		**N**
	Commissioning, Strategy and Performance									
CSF2015-04	Commissioning rationalisation	**60**	**0**	G		**0**	G	Leanne Wallder		**N**
	Cross cutting									
CSF2017-01	Review of non-staffing budgets across the department	**106**	**0**	G		**0**	G	Jane McSherry		**N**
CSF2017-02	Reduction in business support unit staff	**33**	**0**	G		**0**	G	Jane McSherry		**N**
	Children Social Care									
CSF2017-03	Delivery of preventative services through the Social Impact Bond	**45**	**0**	G		**0**	G	Jane McSherry		**N**
CSF2017-04	South London Family Drug and Alcohol Court commissioning	**45**	**0**	G		**0**	G	Jane McSherry		**N**
	Total Children, Schools and Families Department Savings for 2017/18	**489**	**0**			**0**				

APPENDIX 6

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2018-19

Ref	Description of Saving	2018/19 Savings Required £000	2018/19 Savings Expected £000	Shortfall	18/19 RAG		2019/20 Savings Expected £000	2019/20 Expected Shortfall £000	19/20 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	SUSTAINABLE COMMUNITIES											
E&R6	Property Management: Reduced costs incurred as a result of sub-leasing Stouthall until 2024.	18	18	0	G		18	0	G	James McGinlay		**N**
ENV14	Property Management: Increase in income from rent reviews of c60 properties.	100	100	0	G		100	0	A	James McGinlay	Performance dependent on full implementation of commercial property review.	**N**
ENV16	Traffic & Highways: Further reductions in the highways maintenance contract costs following reprocurement	65								James McGinlay	For both 2018-19 and 2019-20 these savings are covered by Growth (ERG1)	**N**
ENV17	Traffic & Highways: Reduction in reactive works budget	35								James McGinlay	For both 2018-19 and 2019-20 these savings are covered by Growth (ERG1)	**N**
ENV20	D&BC: Increased income from building control services.	35	0	35	R		35	0	A	James McGinlay	This has not been possible due to staff shortages and difficulty with filling posts	**Y**
ENV34	Property Management: Increased income from the non-operational portfolio.	40	40	0	G		40	0	G	James McGinlay		**N**
ENR8	Property Management: Increased income from rent reviews	150	150	0	G		150	0	A	James McGinlay	Performance dependent on full implementation of commercial property review.	**N**
	PUBLIC PROTECTION											
E&R7	Parking: 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	G		163	0	G	Cathryn James		**N**
ENV07	Parking: Reduction in supplies & services/third party payment budgets.	60	13	47	R		60	0	A	Cathryn James	Saving is being reviewed and an alternative saving may be required.	**Y**
ENV08	Regulatory Services: Funding of EH FTE by public health subsidy. As agreed between DPH and Head of PP .	40	0	40	R					Cathryn James	Alternative saving has been agreed for 2019/20.	**Y**
ENV09	Regulatory Services: Investigate potential commercial opportunities to generate income	50	0	50	R		50	0	A	Cathryn James	This saving is conditional on income being generated from chargeable business advice/consultancy. A new income generating Business Development team is proposed as part of the 2018/19 restructure of the Regulatory Services Partnership.	**Y**
ENR2	Parking & CCTV: Pay & Display Bays (On and off street)	44	0	44	R		44	0	G	Cathryn James	Saving is being reviewed and an alternative saving may be required. However, saving is being met from other income streams.	**Y**
ENR3	Parking & CCTV: Increase the cost of existing Town Centre Season Tickets in Morden, Mitcham and Wimbledon.	17	0	17	R		17	0	G	Cathryn James	Saving is being delayed as it will now form part of the wider discussion on parking charges.	**Y**
ALT1	Parking: The further development of the emissions based charging policy by way of increased charges applicable to resident/business permits as a means of continuing to tackle the significant and ongoing issue of poor air quality in the borough.	440	440	0	G		440	0	G	Cathryn James		**N**

APPENDIX 6

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2018-19

Ref	Description of Saving	2018/19 Savings Required £000	2018/19 Savings Expected £000	Shortfall	18/19 RAG		2019/20 Savings Expected £000	2019/20 Expected Shortfall £000	19/20 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	PUBLIC SPACE											
E&R1	Leisure Services: Arts Development - further reduce Polka Theatre core grant	4	4	0	G		4	0	G	Anita Cacchioli		**N**
E&R2	Leisure Services: Water sports Centre - Additional income from new business - Marine College & educational activities.	5	5	0	G		5	0	G	Anita Cacchioli		**N**
E&R4	Leisure Services: Morden Leisure Centre	100	100	0	G		100	0	G	Anita Cacchioli		**N**
E&R20	Waste: To contribute to a cleaner borough, enforcement of litter dropping under EPA/ ASB legislation with FPN fines for contraventions.	-2	-2	0	G		-2	0	G	Anita Cacchioli	The level of income from the successful issuing and processing of FPN has remained constant . High payment rates (72-74%) are being achieved supported by the prosecution of non payment with full cost being award. We are currently forecasting an increase in the revenue recieved. This increase will be offered as a alternative saving.	**N**
ENV18	Greenspaces: Increased income from events in parks	100	100	0	A		100	0	A	Anita Cacchioli	Works on going to secure additional income from events.	**Y**
ENV31	Waste: Commencing charging schools for recyclable waste (17/18) and food waste (18/19) collection	9	9	0	G		9	0	G	Anita Cacchioli	COMPLETED - Guaranteed income being achieved. Risk is now managed by our collections contractor.	**N**
ENV32	Transport: Review of Business Support requirements	30	0	30	R					Anita Cacchioli	Alternative saving has been proposed as this saving can not be delivered. Please see E&R20	**Y**
ENV35	Waste: Efficiency measures to reduce domestic residual waste rounds by 1 crew following analysis of waste volumes and spread across week	150	150	0	G		150	0	A	Anita Cacchioli	Saving forms part of Phase C.	**Y**
ENV37	Transport workshop: develop business opportunities to market Tacho Centre to external third parties	35	35	0	G		35	0	G	Anita Cacchioli	Saving forms part of Phase C.	**Y**
ENR5	Transport Services: Delete 1 Senior Management post	76	76	0	G		76	0	G	Anita Cacchioli	Completed - establishment and budget has been amended to reflect the reduction of post.	**Y**
ENR6	Waste: Wider Department restructure in Waste Services	200	0	200	R		200	0	A	Anita Cacchioli	This will not be delivered in 2018. Review and restructure still outstanding. Scheduled for May 2019	**Y**
ENR7	Transport Services: Shared Fleet services function with LB Sutton	10	0	10	R					Anita Cacchioli	Alternative saving has been proposed as this saving can not be delivered. Please see E&R20	**Y**
	Total Environment and Regeneration Savings 2018/19	**1,874**	**1,401**	**473**			**1,794**	**0**				

APPENDIX 6

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 18-19

Ref	Description of Saving	2018/19 Savings Required £000	Shortfall	18/19 RAG	2019/20 Expected Shortfall £000	19/20 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend?
	Customers, Policy & Improvement								
CSD19	Staff reductions - Delete 1 FTE	49	0	G	0	G	James Flynn	Achieved via 0.5fte reduction in Community Engagement and remainder replaced with reduced Press & PR agency budget	Y
CS2015-11	Reduction in corporate grants budget	19	0	G	0	G	John Dimmer		Y
CSREP 2018-19 (7)	Translation - increase in income	10	0	G	0	G	Sean Cunniffe		Y
CSREP 2018-19 (16)	Operating cost reduction	11	0	G	0	G	Sophie Ellis		Y
	Infrastructure & Technology								
CS71	Delete two in house trainers posts	43	0	G	0	G	Richard Warren		Y
CSD2	Energy Savings (Subject to agreed investment of £1.5m)	150	0	G	0	G	Richard Neal		Y
CS2015-09	Restructure of Safety Services & Emergency Planning team	30	0	G	0	G	Adam Vicarri		Y
CS2015-10	FM - Energy invest to save	465	465	R	365	A	Richard Neal	The capital spend to achieve this was slipped and hence the saving will be delayed with £100k expected in 19/20 and the balance in 20/21. Shortfall to be funded by Corporate Services reserve	Y
CSREP 2018-19 (1)	Renegotiation of income generated through the corporate catering contract	20	0	G	0	G	Edwin O Donnell		Y
CSREP 2018-19 (2)	Review the specification on the corporate cleaning contract and reduce frequency of visits	15	0	G	0	G	Edwin O Donnell		Y
CS2015-01	Reduction in IT support / maintenance contracts	3	0	G	0	G	Clive Cooke		Y
CS2015-02	Expiration of salary protection	16	0	G	0	G	Clive Cooke		Y
CSREP 2018-19 (13)	Business Improvement - Business Systems maintenance and support reduction	10	10	R	10	R	Clive Cooke	This saving will be met in the year from other underspends within I&T.	Y
CSREP 2018-19 (14)	M3 support to Richmond/Wandsworth	20	20	R	0	A	Clive Cooke	This is dependent on agreement with RSSP, may be at risk in 19/20 if they don't migrate to M3 system. Saving will be met in 18/19 from other underspends within I&T	Y
CSREP 2018-19 (15)	Street Naming and Numbering Fees/Charges Review	15	0	G	0	G	Clive Cooke		Y
	Corporate Governance								

APPENDIX 6

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 18-19

Ref	Description of Saving	2018/19 Savings Required £000	Shortfall	18/19 RAG	2019/20 Expected Shortfall £000	19/20 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend?
CSD43	Share FOI and information governance policy with another Council	10	10	R	10	R	Karin lane	This saving will be met in the year from a salary underspend due to 2 staff members working slightly reduced hours. This may result in an overspend in future years if these staff wish to revert to their full time salary.	Y
CS2015-06	Delete auditor post and fees	50	0	G	0	G	Margaret Culleton		Y
CS2015-12	Savings in running expenses due to further expansion of SLLP	41	0	G	0	G	Fiona Thomsen		Y
CSREP 2018-19 (9)	Corp Gov -Reduction in running costs budgets	11	0	G	0	G	Julia Regan		Y
CSREP 2018-19 (10)	SLLp - Increase in legal income	25	0	G	0	G	Fiona Thomsen		Y
CSREP 2018-19 (11)	Audit and investigations	50	0	G	0	G	Margaret Culleton		Y
	Resources								
CSD20	Increased income	16	0	G	0	G	Nemashe Sivayogan		Y
CSD27	Further restructuring (2 to 4 posts)	100	0	G	0	G	Roger Kershaw		Y
CS2015-05	Staffing costs and income budgets	75	0	G	0	G	Roger Kershaw		Y
CSREP 2018-19 (6)	Reduction in running costs budgets	9	0	G	0	G	David Keppler		Y
CSREP 2018-19 (3)	Miscellaneous budgets within Resources	13	0	G	0	G	Roger Kershaw		Y
CSREP 2018-19 (4)	Recharges to pension fund	128	0	G	0	G	Nemashe Sivayogan		Y
	Human Resources								
CSREP 2018-19 (12)	Reduction in posts across the department	185	0	G	0	G	Kim Brown		Y
	Corporate								
CSREP 2018-19 (5)	Council tax and business rates credits	220	0	G	0	G	Roger Kershaw		Y
CSREP 2018-19 (8)	Dividend from CHAS 2013 Limited	215	0	G	0	G	Ian McKinnon		Y
	Total Corporate Services Department Savings for 2018/19	2,024	505		385				

APPENDIX 7

Department	Target Savings 2017/18	2017/18 Shortfall	2018/19 Period 9 Projected shortfall	2019/20 Period 9 Projected shortfall	2018/19 Period 8 Projected shortfall	2019/20 Period 8 Projected shortfall
	£000	£000	£000	£000	£000	£000
Corporate Services	2,316	196	0	0	0	0
Children Schools and Families	2,191	7	0	0	0	0
Community and Housing	2,673	201	100	0	0	0
Environment and Regeneration	3,134	2,188	705	45	666	45
Total	**10,314**	**2,592**	**805**	**45**	**666**	**45**

APPENDIX 7

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

Ref	Description of Saving	2017/18 Savings Required £000	2017/18 Expected Shortfall £000	17/18 RAG	2018/19 Expected Shortfall £000	18/19 RAG	2019/20 Expected Shortfall £000	19/20 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	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**	**7**	**R**	**0**	**G**	**0**	**G**	Paul Angeli	The ETE saving was delivered from July 2017 and the short for the first quarter covered through reduced grant-funding for targeted intervention services.	**N**
	Total Children, Schools and Families Department Savings for 2017/18		**7**		**0**		**0**				

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 17-18

Ref	Description of Saving	2017/18 Savings Required £000	2017/18 Shortfall	17/18 RAG	2018/19 Expected Shortfall £000	18/19 RAG	2019/20 Expected Shortfall £000	19/20 RAG	Responsible Officer	Comments
	Business improvement									
CSD42	Restructure functions, delete 1 AD and other elements of management	**170**	**70**	R					Sophie Ellis	Replacement saving identified and approved for 18/19 - CSREP 2018-19 (1-16)
CS2015-	Staffing support savings	**13**	**13**	R					Sophie Ellis	Replacement saving identified and approved for 18/19 - CSREP 2018-19 (1-16)
	Infrastructure & transactions									
CS70	Apply a £3 administration charge to customers requesting a hard copy paper invoice for services administered by Transactional Services team	**35**	**35**	R					Pam Lamb	Replacement saving identified and approved for 18/19 - CSREP 2018-19 (1-16)
	Resources									
CSD26	Delete 1 Business Partner	**78**	**78**	R	**0**	G		G	Caroline Holland	Due to delays in projects this saving was not achieved until 18/19
	Total Corporate Services Department Savings for 2017/18		**196**		**0**		**0**			

Jan-19

APPENDIX 7

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2017/18

Ref	Description of Saving	2017/18 Savings Required £000	Shortfall £000	17/18 RAG		2018/19 Expected Shortfall £000	18/19 RAG	2019/20 Expected Shortfall £000	19/20 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend ? Y/N
	Adult Social Care											
CH57	**Staff savings: transfer of savings from housing**	50	19	R		0	G	0	G	**Richard Ellis**	Achievable	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	100	R		100	R	0	G	**Richard Ellis**	Work on re-commissioning in progress. This savings has been replaced and moved to 2019/20 (£309k)	Y
	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	33	R		0	G	0	G	**Anthony Hopkins**	The new operating model went live in May 2018 and savings will continue to be achieved ongoing. The first year's underachievement was due to the savings only being realised over 11 months and increased one off spend for agency staff.	Y
	Housing Needs & Enabling											
CH43	Further Staff reductions. This will represent a reduction in staff from any areas of the HNES & EHH :	100	49	R		0	G	0	G	**Steve Langley**	This savings was partly achieved in 2017/18 due to the reduction in one post in the team..	Y
	Total C & H Savings for 2017/18		**201**			**100**		**0**				

APPENDIX 7

DEPARTI DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2017-18

Budget Manager	Ref	Description of Saving	2017/18 Savings Required £000	2017/18 Savings Achieved £000	Shortfall	17/18 RAG		2018/19 Savings Expected £000	2018/19 Expected Shortfall £000	18/19 RAG		2019/20 Savings Expected £000	2019/20 Expected Shortfall £000	19/20 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		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
Neil Milligan	D&BC1	Fast track of householder planning applications	55	0	55	R									James McGinlay	A replacement saving (ALT1) implemented in 2018/19, was agreed by Cabinet in November 2017.	N
Neil Milligan	D&BC2	Growth in PPA and Pre-app income	50	0	50	R									James McGinlay	A replacement saving (ALT1) implemented in 2018/19, was agreed by Cabinet in November 2017.	N
Neil Milligan	D&BC3	Commercialisation of building control	50	0	50	R									James McGinlay	A replacement saving (ALT1) implemented in 2018/19, was agreed by Cabinet in November 2017.	N
Neil Milligan	D&BC4	Deletion of 1 FTE (manager or deputy) within D&BC	45	0	45	R		45	0	G		45	0	G	James McGinlay		N
Neil Milligan	D&BC5	Eliminate the Planning Duty service (both face to face and dedicated phone line) within D&BC	35	0	35	R									James McGinlay	A replacement saving (ALT1) implemented in 2018/19, was agreed by Cabinet in November 2017.	N
Neil Milligan	D&BC6	Stop sending consultation letters on applications and erect site notices only	10	0	10	R									James McGinlay	A replacement saving (ALT1) implemented in 2018/19, was agreed by Cabinet in November 2017.	N
Paul McGarry	ENV15	Reduction in street lighting energy and maintenance costs. Would require Capital investment of c£400k, which forms part of the current capital programme - Investment in LED lights in lamp Colum stock most capable of delivering savings	148	100	48	R		148	0	G		148	0	G	James McGinlay		N
Neil Milligan	ENV20	Increased income from building control services.	35	0	35	R									James McGinlay	A replacement saving (ALT1) implemented in 2018/19, was agreed by Cabinet in November 2017.	N
		PUBLIC PROTECTION															
Paul Foster	E&R14	Further expansion of the Regulatory shared service.	100	0	100	R		15	85	R		100	0	A	Cathryn James	Wandsworth staff joined the RSP on 1st November 2017. This saving is linked to efficiencies associated with the current management restructure of the RSP.	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		0	190	R		190	0	A	Cathryn James	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		0	45	R		0	45	R	Cathryn James	Alternative saving required	Y
Ben Stephens	ENV06	Reduction in transport related budgets	46	0	46	R									Cathryn James	A replacement saving (ALT1) implemented in 2018/19, was agreed by Cabinet in November 2017.	N
	ENV09	Investigate potential commercial opportunities to generate income	50	7	43	R		0	50	R		50	0	A	Cathryn James		Y
		PUBLIC SPACE															
Charles Baker	E&R16	joint procurement of waste, street cleansing, winter maintenance and fleet maintenance services (Phase C)	1,500	795	705	R		1,268	232	R		1500	0	A	Anita Cacchioli	Actual savings delivered are being monitored closely	N
Doug Napier	E&R25	Joint procurement of greenspace services as part 2 of the Phase C SLWP procurement contract with LB Sutton	160	44	116	R		160	0	G		160	0	G	Anita Cacchioli		N
	ENV12	Loss of head of section/amalgamated with head of Greenspaces	70	0	70	R		0	70	R		70	0	A	Anita Cacchioli	Saving has been delayed but expected to be implemented next year.	N
	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		70	0	A	Anita Cacchioli	Saving forms part of Phase C, but may not be achieved this financial year.	N
Doug Napier	ENV18	Increased income from events in parks	100	0	100	R									Anita Cacchioli	A replacement saving (ALT1) implemented in 2018/19, was agreed by Cabinet in November 2017.	N
Doug Napier	ENV21	Reduction in the grant to Wandle Valley Parks Trust	6	0	6	R		6	0	G		6	0	G	Anita Cacchioli		N
Doug Napier	ENV23	Further savings from the phase C procurement of Lot 2.	160	0	160	R		145	15	R		160	0	A	Anita Cacchioli	Saving forms part of Phase C, but will not be achieved this financial year.	N
Charles Baker	ENV25	Department restructure of the waste section	191	0	191	R		191	0	G		191	0	G	Anita Cacchioli		Y
		Total Environment and Regeneration Savings 2016/17	**3,134**	**946**	**2,188**			**2,048**	**705**			**2,708**	**45**				

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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