Merton Council

Overview and Scrutiny Commission - financial monitoring task group

Task group members

Councillors:

Stephen Crowe (Chair)
Nigel Benbow
Edward Gretton
Paul Kohler
Peter Southgate
Joan Henry
Simon McGrath

Wednesday 9 December 2020 at 7.15 pm

Agenda

To RESOLVE that the public are excluded from the meeting during consideration of the following report on the grounds that it is exempt from disclosure for the reasons stated in the report.

The following paragraph of Part 4b Section 10 of the constitution applies in respect of information within Appendix 1 to this report and it is therefore exempt from publication:

Information relating to the financial or business affairs of any particular person (including the Authority holding that information).

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The following paragraph of Part 4b Section 10 of the constitution applies in respect of information supplied within this presentation and it is therefore exempt from

publication.

Information relating to the financial or business affairs of any particular person (including the Authority holding that information).

Contact for further information about the task group meeting:
Rosie.Mckeever@merton.gov.uk, , 020 8545 3864; scrutiny@merton.gov.uk

OVERVIEW AND SCRUTINY COMMISSION - FINANCIAL MONITORING TASK GROUP
15 SEPTEMBER 2020

(7.15 pm - 9.25 pm)

PRESENT Councillors Stephen Crowe, Nigel Benbow, Edward Gretton, Natasha Irons, Paul Kohler, Owen Pritchard, Peter Southgate, Joan Henry and Simon McGrath

Caroline Holland (Director of Corporate Services), Bindi Lakhani (Head of Accountancy), Roger Kershaw (Assistant Director of Resources), David Keppler (Head of Revenues and Benefits) and Zoe Church (Head of Business Planning)

1 ELECTION OF CHAIR (Agenda Item 1)

Councillor Stephen Crowe was elected for Chair. Councillor Natasha Irons seconded this. All voted in favour.

2 APOLOGIES FOR ABSENCE (Agenda Item 2)

No apologies received.

3 DECLARATIONS OF PECUNIARY INTEREST (Agenda Item 3)

There were no declarations of pecuniary interest.

4 MINUTES OF LAST MEETING (Agenda Item 4)

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

Matters arising:

Bishopford Road Bridge – Agreed this matter has been covered at the Overview and Scrutiny Commission.

Keith Burns agreed to provide details of the minimum and maximum payments, in response to a query about the average payment amount. Not yet provided so to be carried over to the next meeting.

The Head of Revenues and Benefits provided the requested breakdown of Adult Social Care debt by Residential and Homecare services.
Invoices raised in 19/20 showed Residential = 4m and Non-residential = 1.3m.

Keith Burns agreed that there is scope to look at increasing the £10 DRE disregard and will look at reviewing this figure with Michael Turner (Merton CIL).

Following on from this, the Chair proposed making a recommendation to the Overview and Scrutiny Commission with regards to reviewing the £10 Disability Related Expenditure disregard for social care customers, which has remained unchanged for many years. Cllr Peter Southgate agreed and seconded.

Whilst acknowledging the severe financial pressure facing the Council due to the Covid crisis, the FMTG agreed to make a recommendation to the Overview and Scrutiny Commission on the matter of the disregard, inviting Cabinet to review the appropriateness and fairness of the Disability Related Expenditure disregard of £10 per week.

5 OUTTURN REPORT 2019/20 (Agenda Item 5)

The Director of Corporate Services gave an overview of the current situation including:

- General fund outturn balance was 1.7m.
- Additional grants received – most significant being the Covid Emergency funding of 4.8m.
- Dedicated Schools Grant deficit.
- Slowdown in Capital

In response to Panel Member questions, the Director of Corporate Services provided additional details:

- Corporate Services are looking to review their top structure which has led to some vacant posts not being recruited to and an increase in agency staff in an effort to maintain a flexible and agile approach whilst still ensuring the Council has resources and capacity.
- Budget for redundancy payments not required, which led to a favourable variance of £233,000.
- SEN Transport Review is currently underway between the Directors of Children's, Schools and Families, Environment & Regeneration and Community & Housing. Looking at the current and projected levels of transport and looking at retendering the taxi contract for schools transport.
- Office 365 roll out has already restarted and will be completed by December.

Action: Member queried invoice of £820,000 unpaid and passed to the legal team. The Head of Revenues and Benefits agreed to check.

6 QUARTER 1 2020/21 (Agenda Item 6)

The Director of Corporate Services, Caroline Holland, outlined the overall financial position at the end of the first quarter and provided additional detail in response to questions:

- Current deficit is 23.7m.

- As a result of Covid, the Children's, Schools and Families and Community & Housing departments are underspending whilst Corporate Services and Environment & Regeneration are overspending.

- We are seeing much less commercial waste / more residential waste due to people working from home.

- The Head of Revenues and Benefits explained some debts (including council tax) aren't being collected yet. The administration team have been on furlough since mid-June (9 admin staff furloughed in total)

- Dedicated Schools Grant is still an ongoing debate as to who holds deficit.

7 FUTURE MEETING DATES AND WORK PROGRAMME (Agenda Item 7)

The task group discussed potential items for the coming year. Suggestions included:

- Make or Buy review
- Capital Budget programme
- Adult Social Care – Debt
- Refresh of the Target Operating Models
- Covid expenditure (how much is it costing, increases etc)
- Morden Regeneration plans (finance, ownership, financial pressures and viability, impact of covid on plans)
- Quarterly returns (as mandated in the groups Terms of Reference)

Strong Member support for Morden Regeneration and understanding the impacts of Covid on the Council's finances.

Draft work programme:
- Nov (now 9 December) – Morden Regeneration with Q2
- 16 Feb – Covid – effect on income and costs with Q3
- 20 July – TBC with Q4

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APPENDIX 6

Department	Target Savings 2020/21	Projected Savings 2020/21	Period 6 Forecast Shortfall	Period Forecast Shortfall (P6)	Period 5 Forecast Shortfall	2021/22 Expected Shortfall
	£000	£000	£000	%	£000	£000
Corporate Services	2,718	1,746	972	35.8%	968	595
Children Schools and Families	2,969	2,235	734	24.7%	734	400
Community and Housing	2,460	1,460	1,000	40.7%	1,000	500
Environment and Regeneration	3,927	812	3,115	79.3%	3,115	0
Total	**12,074**	**6,253**	**5,821**	48.2%	**5,817**	**1,495**

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Updated to September 2020

APPENDIX 7

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2019/20

Ref	Description of Saving	2019/20 Savings Required £000	2019/20 Savings Achieved £000	Shortfall	RAG	2020/21 Savings Expected £000	2020/21 Expected Shortfall £000	20/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	Adult Social Care										
CH89	**Older People Day Care Activities:-**As less people are choosing to attend these formal day centre we currently having increasingly vacancies within these provisions which are not been utilised. The proposal seeks to assess and analyse the demand and supply of activity aimed at supporting older people to access community activity. This will objectively look at the supply of building based and non-building based activity, its utilisation and the limitations on providing what people expect and need within the current model. It is envisaged that this will include a rationalisation and reduction of the current level of building based 'day centre' activity. This is based on current demand statistics and will include consideration of the effect of 2018/19 reductions in contracted day centre services; which is covered in a separate EIA for that specific proposal.	236	118	118	R	236	0	G	Richard Ellis	Engagement with the new owner has established an agreed timeline that means that the majority of savings will not be achieved until the new year. The work is underway to ensure that delivery	Y
	Subtotal Adult Social Care	236	118	118		236	0				

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Appendix 8

Subject: Miscellaneous Debt Update September 2020

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

1.1 A breakdown of departmental net miscellaneous debt arrears, as at 30 September 2020, is shown in column F of the table below.

1.2 Please note that on the 6 February 2017 the new financial computer system E5 went live and this included the raising and collection of invoices and the debt recovery system.

Sundry Debtors aged balance – 30 September 2020 – not including debt that is less than 30 days old (Please note the new system reports debt up to 30 days whereas previously we reported up to 39 days)

Department a	30 days to 6 months b	6 months to 1 year c	1 to 2 years d	Over 2 years e	Sept 20 arrears f	June 20 arrears g	Direction of travel
	£	£	£	£	£	£	
Env & Regeneration	2,173,844	1,957,688	628,897	300,314	5,060,743	3,927,486	↑
Corporate Services	400,979	65,075	80,406	119,216	665,676	1,557,920	↓
Housing Benefits	322,104	701,078	841,387	3,216,068	5,080,637	5,140,971	↓
Children, Schools & Families	282,702	91,912	133,394	395,137	903,145	1,495,531	↓
Community & Housing	789,931	870,701	923,366	2,372,596	4,956,594	6,586,994	↓
Chief Executive's					-	-	-
CHAS 2013	77,919	22,874	1,166	-2,077	99,882	61,264	↑
Total	4,047,479	3,709,327	2,608,616	6,401,255	16,766,678	18,770,166	↓

1.3 Since the position was last reported on 30 June 2020, the net level of arrears, i.e. invoices over 30 days old, has reduced by £2,003,488.

1.4 Since last reported at the end of September, Environmental and Regeneration has increased by £1,133,257. Commercial rents debt has increased by £143,000 and Community Infrastructure debt by £1,382,000.

1.5 There has been an increase in CIL debt due to a number of large invoices being raised in September 20. As at the 30 September there is £4.6 million in outstanding invoices, this includes debt under 30 days so will not reconcile with the data in the above table. However, £1.3 million of this debt is less than 30 days old. In many instances although the invoices have been raised within E5, due to the agreements on CIL debts, the payments are not due until future dates.

1.6 In September 20, 4 invoices for just over £0.8 million were raised for the redevelopment of Plough Lane. The payments dates due on these invoices range from 12 December 20 to 14 April June 21. These amounts will show on the aged debt reports but will not actually be due to the council.

1.7 In total, of the £4.6 million debt for CIL, £0.8 million is due after the 1 October and a further £441,000 of debt has been deferred under the new deferral scheme.

1.8 In the March 20 update it was reported that one CIL debt for £823,000 had been referred to legal to pursue. There has been ongoing communication between legal services and the finance director and they have been given a further two months to re-finance with their bank.

1.9 The debt recovery team continue to work closely with the Future Merton team to ensure a joined up approach to collecting all CIL debts.

2 IMPACT OF COVID19

2.1 Towards the end of March 20, all recovery action for council tax, business rates, sundry debt, parking PCN’s and enforcement work ceased.

2.2 The new years council tax and business rates bills had already been distributed to residents and businesses in the borough.

2.3 Council Tax

2.4 From early April residents who contacted the service were offered advice on claiming welfare benefits and deferral of council tax instalments to June or July. The yearly debt was not reduced but the amount due spread over the remaining months of the year. Approximately 2,700 residents have had instalments deferred.

2.5 Recovery action for non-payment of council tax re-commenced in May with reminders and SMS being issued. Recovery action has continued although we have not yet issued summonses for non-payment.

2.6 The Council is still waiting for confirmation from the Court Service that remote Liability Order Hearings can be re-commenced. An action plan and risk assessment has already been undertaken. As soon as the Court Service give the go-ahead the issuing of summonses will re-commence.

2.7 When last reported at the end of June, the forecasted shortfall in council tax income for the year was £3.88 million, Merton's share of this shortfall would be £3.06 million.

2.8 At the end of September, the forecasted shortfall in council tax income for the year had reduced to £2.77 million, Merton's share of this shortfall would be £2.19million.

2.9 **Business Rates**

2.10 From early April businesses who contacted the service were offered advice on government support and grants and offered the deferral of business rates instalments to June or July. The yearly debt was not reduced but the amount due spread over the remaining months of the year. Approximately 750 businesses have had instalments deferred

2.11 The government introduced new reliefs for many businesses. Over £44.7 million in expanded retail, hospitality and leisure relief has been granted to businesses. In addition, a further £829,000 relief has been awarded to nurseries

2.12 At the beginning of the year the net debt for all business rates was £95 million. Following the award of the reliefs mentioned above the net debt now being collected is £49 million

2.13 An analysis of outstanding debt showed many businesses that should be able to pay their rates had not paid. This included large supermarket retailers, delivery companies and large institutions. There were also many businesses that were not be in a position to pay due to the impact of covid19. Reminder notices for non-payment were issued in August 20. Businesses were asked to contact the team if they were having difficulty paying and in these instances we have further deferred payments and spread payment arrangements into 2021/22.

2.14 When last reported at the end of June, the forecasted shortfall in business rates income for the year had reduced to £10.333 million, Merton's share of this shortfall would be £3.1 million.

2.15 At the end of September, the forecasted shortfall in business rates income for the year had reduced to £6.92 million, Merton's share of this shortfall would be £2.07 million.

2.16 **Sundry Debt**

2.17 Invoices have continued to be issued since April. Commercial rent clients have had their first quarter invoice deferred and payments spread across the remainder of the year

2.18 Issuing of letters for non-payment was recommenced in early June although not for Commercial rent clients

2.19 As detailed in the table above in 2.2, debt older than 30 days for all departments has increased reduced since June 20 by just over £2 million.

2.20 Recovery action has continued on existing long term cases although the team have not been able to undertake visits and the legal service recovery has been affected with reduced court access.

2.21 Although not reported in June, Adult Social Care debt has reduced from £4.65 million at the end of March 20 to £4.3 million at the end of September 20. A reduction of £300,000 over the past six months.

2.22 **Housing Benefit Overpayments**

2.23 Invoices have continued to be issued for new debts but no other recovery action has re-commenced.

2.24 Although not reported in June, Housing Benefit overpayment debt has reduced from £7.76 million in June 20 to £7.61 million at the end of September 20.

2.25 The external company undertaking the work on the old debt had stopped with engaging with clients and as a result the monthly payments received from them reduced. They recommenced this work in mid-September.

2.25 **Parking Debts**

2.26 Where parking enforcement has continued the service have progressed cases to Charge Certificate stage.

2.27 There are currently 4,991 cases waiting to be progressed to Debt Registration stage and then progressed to the enforcement team where the debts remain unpaid. Two batches of 300 cases are progressed each week and where the debts remain unpaid the files will be passed to the enforcement team. It is estimated that the first cases will come from week commencing 10 November 20.

2.28 **Enforcement service (bailiffs)**

2.29 Enforcement agents ceased visits in March before the government formally announced a stop to enforcement work.

2.30 In May 20, Councillors agreed to re-engagement by letter and text with existing debtors with a more customer focused approach offering welfare advice and longer term arrangements.

2.31 In June 20, the enforcement admin team were furloughed by agreement of the Shared Enforcement Service Board.

2.32 Re-engagement letters were issued in late September 20 and the in house team re-commenced enforcement visits on 6 October 20 for Merton and Sutton parking debts only.

2.33 Risk assessments, new working procedures, refresher training have all been completed. All enforcement agents have been provided with PPE and have been instructed on undertaking covid-19 assessments within their work.

2.33 A review of progress will be held in late October with the aim of re-commencing enforcement work for council tax in early November.

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3. TOTAL DEBT DUE TO MERTON

The total amount due to Merton as at 30 September 2020 is detailed in the table below.

Total debt outstanding as at 30 September 2020 and compared with previous periods over the past 15 months

	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
	£	£	£	£	£	£
Miscellanous sundry debt Note 1	16,803,235	16,459,168	12,584,544	15,997,460	18,485,599	15,943,871
Housing Benefit debt	7,893,055	7,823,641	7,653,539	7,644,804	7,758,894	7,611,691
Parking Services	4,535,378	3,848,876	4,183,930	3,489,345	3,645,037	3,967,251
Council Tax Note 2	7,215,847	6,825,605	6,496,094	8,755,512	8,182,271	7,721,592
Business Rates Note 3	2,586,876	2,474,270	1,941,014	3,661,859	3,725,128	3,689,921
Total	**39,034,391**	**37,431,560**	**32,859,121**	**39,548,980**	**41,796,929**	**38,934,326**

Note 1 The amount shown against miscellaneous sundry debt above differs from the amount shown in table 1 as it shows all debt, including debt which is less than 30 days old and table 1only includes debt over 30 days old and also includes housing benefit overpayments which is shown separate in the table above.

Note 2 Council tax debt now includes unpaid council tax for 2019/20 in March 20 figures hence the increase.
Note 3 Business rates debt now includes unpaid business rates for 2019/20 in March 20 figure hence the increase.

3.1 The overall debt outstanding has reduced by £2,862,603 since last reported at the end of June 2020. There has been an increase in parking debt of just over £320,000. All other debts have reduced.

3.2 A more relevant comparison is between September 2019 and September 2020. The changes in outstanding debt are as follows

Overall £1,502,000 increase
Sundry debt £515,000 decrease
Housing Benefit £212,000 decrease
Council Tax £896,000 increase
Parking £119,000 increase
Business Rates £1,785,000 increase

3.3 The increase in previous years debts for council tax and business rates is very likely due to the fact that we have not issued any summonses for non-payment. Hopefully, this may improve once we get agreement by the Courts Service for remote hearings.

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

Car Parking Aged Debtors – 30 September 2020
(They show the impact of Covid19)

Age of Debt	Outstanding £	Number of PCNs	Average Value £
0-3 months	£1,059,530	10,776	£98
3-6 months	£400,140	2,618	£153
6-9 months	£539,570	3,169	£170
9-12 months	£682,651	3,948	£173
12-15 months	£540,200	3,178	£170
Older than 15 months	£745,160	4,203	£176
Total	£3,967,251	27,892	£142
Total June 2020	£3,645,037	24,701	
Increase/-decrease	£322,214	3,191	

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

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CORPORATE SERVICES **APPENDIX A VACANCY DATA FOR MERTON - as at 30th September 2020**

Department / Team	Sub Team (if any)	Original Budget FTE	Budget FTE Variance	iTrent FTE Establishment	FTE Employees	Vacancies: iTrent Estab FTE less FTE Employees	FTE vacancies covered by agency workers	Unfilled vacancies
Chief Exec - Management		2.00	0.00	2.00	1.74	0.26	0.00	0.26
	Interim Head of Recovery	0.00	1.00	1.00	0.00	0.00	1.00	0.00
Chief Exec - Management Total		**2.00**	**1.00**	**3.00**	**1.74**	**0.26**	**1.00**	**0.26**
Corporate Governance								
Democracy and Electoral Services		17.30	-1.60	15.70	14.44	1.26	0.00	1.26
Information		10.73	0.28	11.01	9.31	1.70	0.00	1.70
South London Legal Partnership		123.56	-8.90	114.66	87.98	26.68	25.99	0.69
Management		1.00	0.00	1.00	1.00	0.00	0.00	0.00
Corporate Governance Total		**152.59**	**-10.22**	**142.37**	**112.73**	**29.64**	**25.99**	**3.65**
Customers, Policy and Improvement								
Continuous Improvement		5.00	-1.00	4.00	3.00	1.00	0.00	1.00
Customer Contact & Communica	Communications	6.50	0.80	7.30	6.30	1.00	3.00	-2.00
	Customer Contact	28.83	5.50	34.33	22.59	11.74	5.00	6.74
		1.00	0.00	1.00	0.00	1.00	0.00	1.00
Customer Contact Programme		0.00	2.00	2.00	0.00	2.00	0.00	2.00
Policy Strategy & Partnerships		6.60	4.20	10.80	10.80	0.00	1.00	-1.00
Management		3.00	0.00	3.00	1.00	2.00	0.00	2.00
Customers, Policy and Improvement Total		**50.93**	**11.50**	**62.43**	**43.69**	**18.74**	**9.00**	**9.74**
Executive								
Executive Assistant		1.00	0.00	1.00	1.00	0.00	0.00	0.00
Executive Total		**1.00**	**0.00**	**1.00**	**1.00**	**0.00**	**0.00**	**0.00**
Human Resources								
Human Resources	Advice and Consultancy	7.61	0.89	8.50	7.61	0.89	0.00	0.89
	HR Processing and Report	6.80	-0.80	6.00	5.80	0.20	0.00	0.20
	Organisational Development & HR Strategy	15.80	-4.02	11.78	6.78	5.00	2.00	3.00
	Recruitment	3.00	0.00	3.00	3.00	0.00	0.00	0.00
	Staff Side - Merton	3.54	0.00	3.54	3.54	0.00	0.00	0.00
	Management	1.00	0.00	1.00	0.00	1.00	1.00	0.00
HR Total		**37.75**	**-3.93**	**33.82**	**26.73**	**7.09**	**3.00**	**4.09**
Infrastructure & Technology								
Business Systems Team		26.20	2.40	28.60	24.20	4.40	2.00	2.40
Client Financial Affairs Team		6.00	-0.29	5.71	5.51	0.20	0.00	0.20
Commercial Services		9.00	0.00	9.00	7.00	2.00	0.00	2.00
Facilities Management	Compliance and Maintenance	9.20	-0.10	9.10	7.56	1.54	0.00	1.54
	Energy and Sustainability	2.00	0.00	2.00	2.00	0.00	0.00	0.00
	Facilities	5.60	0.00	5.60	5.60	0.00	0.00	0.00
	Major Projects	3.00	0.00	3.00	0.00	3.00	2.00	1.00
	Post & Print	10.83	1.60	12.43	10.57	1.86	1.00	0.86
	Management	1.00	0.00	1.00	1.00	0.00	0.00	0.00
IT Service Delivery	Business Development and Projects	3.00	0.00	3.00	3.00	0.00	0.00	0.00
	IT Customer Support & Services	12.00	0.00	12.00	11.00	1.00	1.00	0.00
	IT Operations	11.00	3.00	14.00	10.00	4.00	1.00	3.00
	Management	2.00	3.00	5.00	2.00	3.00	2.00	1.00
Safety Services		5.00	0.00	5.00	5.00	0.00	0.00	0.00
Transactional Services	Trans Services (Accounts)	5.00	0.00	5.00	5.00	0.00	0.00	0.00
	Trans Services (Care First)	2.60	0.00	2.60	2.60	0.00	0.00	0.00
	Vendor Maintenance Officer	1.71	0.00	1.71	1.00	0.71	0.43	0.28
	Management	1.00	0.00	1.00	1.00	0.00	0.00	0.00
Management		2.00	1.00	3.00	2.00	1.00	0.00	1.00
Infrastructure & Technology Total		**118.14**	**10.61**	**128.75**	**106.04**	**22.71**	**9.43**	**13.28**
Resources								
Accountancy	Budget Team	13.01	2.59	15.60	8.86	6.74	5.00	1.74
	Corporate Accountancy	7.00	2.00	9.00	8.20	0.80	1.00	-0.20
	Service Financial Adviser CSF	5.53	1.00	6.53	4.33	2.20	1.00	1.20
	Management	1.00	0.00	1.00	1.00	0.00	0.00	0.00
Financial Strategy and Capital		8.60	0.20	8.80	7.60	1.20	1.00	0.20
Revenues and Benefits	Bailiffs	19.60	-1.00	18.60	17.19	1.41	0.00	1.41
	Council Tax Incl R&B	1.00	0.00	1.00	1.00	0.00	0.00	0.00
	Council Tax Incl R&B Team 2	23.19	-1.97	21.22	20.79	0.43	0.00	0.43
	HB Support	9.80	0.00	9.80	8.80	1.00	0.00	1.00
	Housing Benefits Incl Appeals	32.66	1.00	33.66	31.46	2.20	0.00	2.20
	Income Collection C Tax Recovery	11.80	0.00	11.80	11.80	0.00	0.00	0.00
	Management & Support	2.00	0.00	2.00	2.00	0.00	0.00	0.00
Treasury & Insurance		4.65	0.25	4.90	4.00	0.90	0.00	0.90
Management	Management	2.00	0.00	2.00	2.00	0.00	0.00	0.00
Resources Total		**141.84**	**4.07**	**145.91**	**129.03**	**16.88**	**8.00**	**8.88**
Management								
Management		1.00	0.00	1.00	1.00	0.00	0.00	0.00
Management Total		**1.00**	**0.00**	**1.00**	**1.00**	**0.00**	**0.00**	**0.00**
Grand Total		**505.25**	**13.03**	**518.28**	**421.96**	**95.32**	**56.42**	**39.90**

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Date of meeting: 9 December 2020	**Appendix 9**	
Title of report:	**Establishment Control and Vacancy reporting – 2nd Quarter 2020/21**	
Lead Director:	**Caroline Holland**	
Lead Officer:	**Liz Hammond**	
To which strategic theme(s) does this item relate?	Sustainable communities	
	Safer & Stronger communities	
	Healthier Communities	
	Older People	
	Children & Young People	
	Corporate Capacity	Yes
Is this item for:	Information only?	
	Discussion?	Yes
	Decision?	
If this report is for decision, please list the recommendations that you are making to CMT	1.	
	2.	
	3.	
	4.	
	5.	
Is this report intended to…	Come back to CMT?	No
	Go to Leader's Policy Group?	No

Committee: Financial monitoring scrutiny task group

Date: 9 December 2020

Agenda item:

Wards:

Subject: Establishment Control and Vacancy reporting –2nd Quarter 2020/21

Lead officer: Liz Hammond – interim HR lead

Lead member: Councillor Mark Allison

Contact officer: Liz Hammond ext 3152

Recommendations:

A. To note the contents of this report

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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. The last report to this committee reported data was at Q1 2020/21 – data as at 30 June 2020.

1.2. This report provides data as at 2nd quarter 2020/21 (data as at 30 September 2020). Subject to timing of committee dates updates are provided quarterly, tied to the financial quarters of 30 June, 30 September, 31 December and 31 March.

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

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

2 DETAILS

2.1. Appendix 9A shows the position as at 30 September 2020. The appendices show vacancies not filled by direct employees, and vacancies not filled by either a direct employee or an agency worker/consultant. The size of establishment is measured in terms of authorised Full Time Equivalents, rather than numbers of posts, and therefore the appendix totals FTEs for budgeted posts, employees, agency workers and vacancies.

2.2. The budgeted FTEs at time of revenue budget setting are shown alongside the actual FTE establishment, based on iTrent data and managed through the Establishment Control process. The two figures will vary due, for example, to in-year changes and reorganisations, and due to external funding of posts (as in the case of Regulatory Services, where some posts are funded by Wandsworth) and posts funded from capital or grants.

2.3. Further work has been undertaken to ensure the accuracy of the data including close liaison with Heads of Service to review the detailed establishment for their areas.

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

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

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

2.7. HR provides information to Standards and General Purposes Committee on agency and interim usage.

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

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

3 ALTERNATIVE OPTIONS

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

4 CONSULTATION UNDERTAKEN OR PROPOSED

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

5 TIMETABLE

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

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

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

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

7 LEGAL AND STATUTORY IMPLICATIONS

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

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

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

9 CRIME AND DISORDER IMPLICATIONS

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

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

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

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

- Appendix 9A – establishment analysis including FTE agency workers and vacancies as at 30 September 2020

12 BACKGROUND PAPERS

12.1 Previous quarterly reports to Financial Management Task Group

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FMTG
Date: 9 December 2020

Subject: Financial Report 2020/21 – Period 6, September 2020

Lead officer: Roger Kershaw

Lead member: Mark Allison

Recommendations:

~~A.~~ That Cabinet note the financial reporting data for month 6, September 2020, relating to revenue budgetary control, showing a forecast net adverse variance at year-end of £10.7m.

B. That CMT note the contents of section 4 of the report and approve the adjustments to the Capital Programme in Appendix 5b

That Cabinet note the contents of Section 4 and Appendix 5b of the report and approve the amendments to the Programme contained in the Table below:

	Budget 2020-21	Budget 2021-22	Budget 2023-24	Narrative
Corporate Services	**£**	**£**	**£**	
Invest to Save	(140,000)			Budget relinquished as struggling to spend
Community and Housing				
Disabled Facilities Grant	(187,000)		187,000	Re-profiled Budget
Children, Schools and Families				
Melrose Primary SEMH annexe 16	35,950	89,050		Virement from Harris Wimb & Fur. SEN Prov
Melrose S'dary SEMH 14 Places		125,000		Virement from Harris Wimb
Harris Academy Wimbledon		(150,000)		Virement to Prim & Sec SEMH
Further SEN Provision	(35,950)	(64,050)		Virement to Secondary SEMH
Environment and Regeneration				
Culverts	(258,120)	258,120		Budet re-profile to match projected spend
Merton Lost Rivers	(100,000)		100,000	Budet re-profile to match projected spend
Beddington Lane Cycle Scheme	104,000			Additional TfL Grant added to Section 106 Funding
ANPR Cameras Supporting Enforcement of School Streets	486,000			SCIL Funded Scheme
Street Lighting Wimbledon	150,000	670,000		SCIL Funded Scheme
Haydons Road Public Realm Improvements	50,000	350,000		SCIL Funded Scheme
Rowan Park Community Facility Match Funding	150,000			SCIL Funded Scheme
Bishopsford Bridge	802,800	512,000		SCIL Funded Scheme
Cycle Lane&Roadway Bishopsford Bridge	20,000	130,000		SCIL Funded Scheme
Morden Town Centre Improvements	100,000	200,000		NCIL Funded Scheme
Crown Creative Knowlwdge Rxchange	150,000			SCIL Funded Scheme
Total	**1,327,680**	**2,120,120**	**287,000**	

C. That finance officers will continue to work with budget managers to identify further re-profiling and savings throughout the approved capital programme 2020-24.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the period 6 monitoring report for 2020/21 presented in line with the financial reporting timetable.
This financial monitoring report provides -

- The income and expenditure at period 6 and a full year forecast projection.
- An update on the financial impact of Covid-19
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2020/21;
- Progress on the delivery of the 2020/21 revenue savings,

2. THE FINANCIAL REPORTING PROCESS

2.1 The budget monitoring process for 2020/21 will focus on the financial impact of Covid-19. The Council's services are under pressure due to the need to support businesses and residents, particularly vulnerable groups in need of social care and there has been a major reduction in the Council's income which is expected to continue. The detrimental impact of Covid-19 exceeds the support that the Government has currently pledged to provide.

2.2 There are also significant pressures on the Dedicated Schools Grant (DSG) which are being monitored. The cumulative deficit at the end of 2019/20 was £12.7m and the deficit is forecast to continue to increase in 2020/21, now estimated to be £27.2m.

2.3 Chief Officers, together with budget managers and Service Financial Advisers are responsible for keeping budgets under close scrutiny and ensuring that expenditure within areas which are above budget is being actively and vigorously controlled and where budgets have favourable variances, these are retained until year end. Any final overall adverse variance on the General Fund will result in a call on balances; With the projected scale of the impact of the Covid-19 pandemic and the growing DSG deficit, in the absence of further funding, the call on reserves will use some of the general fund reserve.

3. 2019/20 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

Executive summary – At period 6 to 30th September 2020, the year-end forecast is a net adverse variance of £10.7m when all incremental Covid costs are included, after applying the remaining government emergency Covid-19 grant. If the Covid pressures hadn't arisen, the numbers suggest that we would be reporting a £3.5m favourable variance, however, there may be other impacts on services arising from Covid that are not apparent at this stage. This will be kept under review.

Summary Position as at 30th September 2020

	Current Budget 2020/21	Forecast Variance at year end (Sept)	Forecast Variance at year end (Aug)	Covid-19 Forecast	Outturn variance 2019/20

	£000s	£000s	£000s	£000s	£000s
Department					
Corporate Services	10,908	4,495	4,718	3,332	(490)
Children, Schools and Families	62,910	(1,229)	(1,226)	734	(241)
Community and Housing	68,656	-144	314	2,632	(319)
Public Health	-157	0	0	0	0
Environment & Regeneration	16,482	7,719	9,278	8,267	783
Overheads	0	0	0	0	120
NET SERVICE EXPENDITURE	**158,800**	**10,841**	**13,084**	**14,965**	**(147)**
Corporate Items					
Impact of Capital on revenue budget	11,190	(19)	(19)	0	(161)
Other Central budgets	(12,391)	604	650	0	(1,405)
Levies	962	0	0	0	(1)
TOTAL CORPORATE PROVISIONS	**(239)**	**585**	**631**	**0**	**(1,567)**
Covid-19		9,497	9,036	**9,497**	**176**
TOTAL GENERAL FUND	**158,560**	**20,924**	**22,750**	**24,462**	**(1,714)**
FUNDING					
Revenue Support Grant	-5,159	0	0	0	0
Business Rates***	(35,586)	2,077	2,529	2,077	(50)
Other Grants***	(18,245)	0	0	0	0
Council Tax and Collection Fund*	(97,713)	2,194	2,648	2,194	50
COVID-19	0	(14,467)	(11,973)	(14,467)	0
FUNDING	**(156,703)**	**(10,196)**	**(6,796)**	**(10,196)**	**0**
NET	**1,858**	**10,728**	**15,954**	**14,266**	**(1,714)**

***** The deficits on the Collection Fund relating to Business rates and Council Tax arising as a result of Covid-19 can be carried forward to the collection fund for accounting purposes over the next three year**

The current level of GF balances is £13.778m and the minimum level reported to Council for this is £13.8M.

<u>Covid-19 Financial Impact</u>

The ongoing Covid-19 pandemic has had a profound impact on council finances. The Government announced emergency grant funding of £4.7 billion nationally to fund costs associated with the response to the COVID-19 pandemic. The Council’s allocation is £14.5m in four tranches.

The government announced a scheme to reimburse Councils for lost income from sales, fees and charges. This will involve a 5% deductible rate, whereby the Council will absorb up to 5% and the government compensation will cover 75p in every pound of relevant loss thereafter. The first round has been submitted and we are waiting for the confirmation of the payment. This is excluded from the period 6 forecast position and will be included when confirmed, hopefully next month.

Merton, together with all London boroughs, moved from Tier 1 to Tier 2 (Covid high alert) from 17th October 2020 as infection rates continue to rise. Any new costs or additional loss of income from Tier 2 restrictions or a second wave have not been included in the period 6 forecast. Merton will be eligible for funding from the Contain Outbreak Management Fund(COMF) based on the population. Both the funding and associated expenditure are not included in this forecast.

At this time, the full financial impact of COVID-19 therefore continues to be uncertain, as does the extent to which the Government will mitigate the cost pressures on local government in this and many other areas. The effects will continue to be closely monitored and reported.

Covid Expenditure

Covid expenditure which is incremental is reported centrally and not included in the departmental summaries below. These are the incremental costs such as PPE, food banks and the community hub.

Income shortfall

Income budgets are included within departments and so the impact of Covid-19 is reflected in department forecasts.

Impact on savings

Departmental budgets are adjusted for the agreed savings targets for 2020/21 as part of the budget setting process. The savings which are now under pressure due to Covid-19 are included in the forecast of the department.

COVID-19 COST SUMMARY	**September 2020/21 £000s**
Department	-
Corporate Services	3,332
Children, Schools and Families	734
Community and Housing	2,632
Environment & Regeneration	8,267
TOTAL INCOME LOSS & SAVINGS UNACHIEVED	**14,965**
Corporate Items - Covid costs	
Corporate Services	705
Children, Schools and Families	1,086
Community and Housing	6,050
Environment & Regeneration	1,656
ADDITIONAL COVID EXPENDITURE	**9,497**
FUNDING	-
Business Rates***	2,077
Council Tax ***	2,194
TOTAL FUNDING LOSS	**4,271**
GROSS COST OF COVID-19	**28,733**
Covid-19 Emergency funding received	**-10,383**
Covid-19 Emergency funding - July 2020	**-1,590**
Covid-19 Emergency funding - October2020	**-2,494**
NET COST OF COVID-19	**14,266**

*** Covid-19 impact on the Collection Fund

Due to COVID-19 the amount of Council Tax and Business Rates collected will be less than budgeted for 2020/21 when the budget was approved by Council in March 2020. There is usually a small surplus or deficit which arises because the amount collected during the year will vary for different reasons such as new properties coming on stream during the year, or people and businesses arriving and leaving during the year.

Due to Covid-19 the level of collection is less than expected and will result in deficits in both Council Tax and Business Rates for the financial year 2020/21. However, as required by legislation any surplus/deficit on the Collection Fund would normally be funded in the following year of account so the expected deficit for 2020/21 would form part of the budget for 2021/22.

On 2 July 2020, the Secretary of State for Local Government announced a funding package for councils to help address the range of COVID-19 pressures they face. This package included changes so that local authorities can spread their tax deficits over three years rather than the usual one. In guidance supplied with the announcement it stated: -

- The Government's intention is for the deficit phasing to apply to all authorities, set at a fixed period of three years
- The phased amount will be the entire collection fund deficit for 2020-21 as estimated on the 15 January 2021 for council tax and in the 2021-22 NNDR1 for business rates
- The scheme will be prescribed in secondary legislation. Subject to parliamentary time, MHCLG would expect the necessary regulations to be laid in the early autumn.
- MHCLG is minded to put in place a scheme where the deficit will be phased across the financial years 2021-22, 2022-23 and 2023-24.
- MHCLG will continue to work with CIPFA and local government on the detailed operation of the scheme – including the accounting, audit and reporting implications – with a view to providing guidance to councils later in the year. We are still waiting for the legislation to be laid in the House of Commons.

As at 30 September 2020, Merton's share of estimated Council Tax and Business Rates deficits 2020/21 are:-

Council Tax	£2.194m
Business Rates	£2.077m

The estimated deficit will be incorporated into the MTFS in 2021/22 to 2023/24.

Cashflow

The Covid-19 outbreak created pressure on the council's cash flow which is likely to remain for the rest of the year. Through prudent treasury cash flow procedures, the Council has been able to meet its additional expenditure from its cash in balances in the bank and primarily from liquid cash balances held in Money Market Funds (MMF's).
In light of Government relief announcements, the Council will see a reduction in income going forward. Therefore, in order to meet its commitments going forward the decision was made to keep the bulk of the Council's available funds in cash/MMF's to maintain liquidly. This meant that as fixed short and medium term deposits matured they were placed in MMF's which is immediately callable. The Council has now increased its MMFs investment limits and the number of MMFs. This enable us to earn maximum interest income possible while maintaining liquidity.
Cash flow is monitored on a daily basis and the current forecast shows the Council has sufficient funds to meet its payment needs going forward over the medium term. However, if a cash short fall occurs, the Council has the option to borrow from the market in order to meet its needs.

4. DEPARTMENTAL SUMMARY OF CURRENT POSITION

Corporate Services

Division	2020/21 Current Budget £000	2020/21 Full year Forecast (Sept) £000	2020/21 Full Year Forecast Variance (Sept) £000	2020/21 Full Year Forecast Variance (August) £000	2020/21 Covid-19 Forecast Impact (Sept) £000	2019/20 Outturn Variance £000
Customers, Policy & Improvement	3,818	4,775	957	1,020	384	(169)
Infrastructure & Technology	12,185	12,502	317	283	231	(678)
Corporate Governance	2,168	2,116	(52)	(7)	82	(180)
Resources	5,550	7,741	2,191	2,327	2,045	95
Human Resources	2,083	2,250	167	218	0	187
Corporate Other	666	1,581	915	877	590	255
Total (Controllable)	**26,470**	**30,965**	**4,495**	**4,718**	**3,332**	**(490)**

Overview

At the end of period 6 (September) the Corporate Services (CS) department is forecasting an adverse variance of £4.495m at year end, of which £3.332m is due to the external impact of covid-19. The adverse forecast within CS has reduced by £222k compared with period 5.

Customers, Policy and Improvement - £957k adverse variance

The adverse variance in the division is mainly due to spend on the Customer Contact budget which is forecasting a £920k variance. This is made up of £172k for the cost of delays in light of the covid-19 pandemic and the remainder from the cost of contracts novated from the previous supplier which fall into the first months of 2020/21 and the estimated annual costs of the new systems.

The Registrars service is forecasting a £129k adverse variance and currently anticipating a 37% reduction in income compared to 2019/20, though this could be impacted further should there be a return to increased restrictions related to covid-19. Despite the significant impact on income for the first quarter of 2020/21, the Registrars service has recovered well, with monthly income on a par with 2019/20 for quarter 2. Other adverse variances within the division due to covid-19 include the Translations service (£33k) due to a reduced number of face to face interpretations being fulfilled. The Press and PR budget is also forecasting an adverse variance (£192k) mainly due to the use of agency staff covering the Head of Communications post pending the completion of a restructure within the division. There is a further adverse variance of £15k on Blue Badges as the saving (2019-20 CS02) to introduce charging has not yet been implemented.

Partly offsetting the above are various favourable variances including £88k in the AD budget and £44k in Continuous Improvement due to vacancies expected for part of the year. Other forecast variances from less than budgeted running costs are in Merton Link (£40k favourable), Cash Collections (£79k favourable) and Marketing and Communications (£60k favourable).

The forecast adverse variance overall for the division has reduced by £63k compared to period 5. This is due to revised forecasts around the timing of recruitment and agency assignments across various teams in the division, an improved outlook for the Registrars service and reduced estimate for various Customer Contact IT costs.

Infrastructure & Technology - £317k adverse variance

Many of the adverse variances within the division are due to reduced recharges as a result of the change in working arrangements surrounding the covid-19 pandemic. These adverse variances include £191k on the Corporate Print Strategy, £71k on the Print and Post room and £113k on the PDC (Chaucer Centre). Where these are internal recharges they have not been included in calculating the impact of covid-19 on the Council as they will positively impact other departments and are therefore not a net cost to LBM.

The FM External account is also forecasting a £130k adverse variance due to the lack of commissions being confirmed since lock-down began in March. There is a variance on Corporate Contracts (£24k adverse) due to savings for reducing cleaning in corporate buildings being unachievable within the current circumstances. £22k adverse variance is also forecast in the Business Systems Team mainly due to budget pressure on IT licenses, support and maintenance. The pandemic has added to this as some system licences have been extended due to the delay on IT projects.

Favourable variances within the division include £35k in Client Financial Affairs and £46k in Safety Services both from less than budgeted staffing costs, £22k on the Civic Centre from rental income over-achievement and £48k on Garth Road also from rental income. IT Service delivery also has a favourable variance of £23k mainly from IT licences, whilst the Transactional Services team have a £34k favourable variance from vacancies forecast for part of the year. There is a further £44k favourable variance on the Microsoft EA licences following a review by the supplier.

The forecast adverse variance in Infrastructure and Technology has increased by £34k compared to period 5. This is mainly due to the reduced internal income forecast for printing, reflecting the prolonged period of home working for many staff. Partly offsetting this is a reduced staffing forecast in the Business Systems, Client Financial Affairs and Transactional services teams reflecting the latest position on vacancies, secondments and use of agency staff.

Corporate Governance – £52k favourable variance

A £32k shortfall on the saving to merge Democracy and Electoral Services is expected due to the restructuring coming in to effect mid-year following the retirement of the Head of Democracy Services. This is, however, offset by various vacant hours and running cost budgets within both teams and the receipt of IER grant, resulting in a total £73k favourable variance across both services.

The Corporate Governance AD budget is forecasting a £8k favourable variance due to various running costs whilst the Information Governance team also have a favourable £12k variance due to various vacant hours held during the year.

The South London Legal Partnership (SLLp) is currently forecasting a £355k surplus, with £75k to be retained by LBM. The surplus relates mainly to additional chargeable hours being fulfilled.

Outside of SLLp, there is £115k of legal savings not forecast to be achieved in year.

The Corporate Governance favourable forecast has increased by £45k since period 5. This is mainly due to an increased surplus forecast in SLLp and reduced running costs within Democracy Services.

Resources - £2,191k adverse variance
Within Resources there are multiple budgets forecasting adverse variances due to covid-19. The Chief Executive's budget has a £112k adverse variance mainly due to an interim Head of Recovery being appointed as a result of the pandemic. The Bailiff Service ceased operations for the first 6 months of the year and is forecasting an adverse variance of £1,155k (including the shared service element). The Local Taxation Service is also showing an adverse variance of £815k mainly as a result of covid-19's impact on court cost income.

Other adverse variances within the division that are not covid-19 related include £127k in the Financial Information Systems (FIS) team due to salary budget pressure as well as system consultancy and support costs for the year. A £57k adverse variance in Insurance is due to property valuation fees incurred in preparation for the re-tendering of insurance contracts and the new contracts not commencing until mid-2020/21 resulting in a saving being unachieved in year. This is, however, partly offset by an overachievement anticipated on income. The Budget Management team also have an adverse variance (£82k) as a result of the use of agency staff covering vacancies in the team due to difficulties in recruiting. Corporate Accountancy are forecasting a £36k adverse variance due to proposed increases in audit fees and the use of agency staff which is, in part, offset with reduced banking costs.

Favourable variances in the department include £48k and £25k on the Director of Corporate Services and AD budgets respectively due to consultants and subscription budgets not forecast to be required in year. Within Revenues and Benefits the Benefits Administration and Support Teams are forecasting favourable variances of £102k and £28k respectively due to various running costs, vacancies and new burdens funding.

The forecast adverse variance in the division has reduced by £136k compared to period 5. This is largely due to improved forecasts for enforcement income in the Bailiffs service and court cost income as court hearings are expected to resume shortly. Partly offsetting the improved income forecast is a proposed increase in fees from LBM's external auditors which has been partially provided for in the forecast, pending the outcome of a review by PSAA (Public Sector Audit Appointments).

Human Resources – £167k adverse variance
The adverse variance in HR is mainly from the AD budget (£113k variance) as a result of the use of agency staff. Additionally, there is an adverse variance of £30k relating to the HR Transactions budget for the shared payroll system and iTrent client team charges from Kingston. HR Business Partnerships are also forecasting an adverse variance (£20k) mainly as a result of sickness cover required in the team.

The Occupational Health service is currently forecasting nil variance but will continue to be monitored through the year to review the impacts from covid-19 and changes to working arrangements.

The adverse forecast variance in HR has decreased by £51k since period 5 mainly as a result of a review of Learning and Development (L&D) which has identified reduced spend on external training and other running costs which is able to largely offset the use of agency staff within the L&D team which was previously causing a budget pressure.

Corporate Items - £915k adverse variance
The Housing Benefit Rent Allowances budget is forecasting a net adverse variance of £963k. This is due to a shortfall on the subsidy attracted by overpayments compared to the budgeted amount for 2020/21 and is inclusive of the £500k saving built in to the budget this year for improvement of

overpayment recovery and therefore reducing the bad debt provision budget which is now not expected to be achievable in light of covid-19.

There is also a one-off saving in 2020/21 for the recovery of old housing benefit debts which had previously been written off, due to new access to information from HMRC. There is a £90k adverse variance and shortfall on the saving as recovery has been significantly impacted by covid-19. On the Coroner's Court budget there is an adverse variance of £32k, of which £25k relates to an adjustment for 2019/20 quarter 4 costs.

Partly offsetting the above are favourable variances on the corporately funded items budget of £107k due to budget not expected to be required in year and £69k on the added years pension budget.

Compared to period 5, the Corporate Items adverse variance has increased by £38k. This is mainly due to a reduced subsidy on HB overpayments being forecast, and in particular those relating to overpayments in prior years.

Environment & Regeneration

Environment & Regeneration	2020/21 Current Budget £000	Full year Forecast (Sept) £000	Forecast Variance at year end (Sept) £000	Forecast Variance at year end (Aug) £000	2020/21 Covid-19 Forecast Impact (Sept) £000	2019/20 Outturn Variance £000

Public Protection	(15,451)	(9,720)	5,731	6,851	5,936	1,286
Public Space	15,500	17,161	1,661	2,039	1,486	(364)
Senior Management	1,360	1,251	(109)	(129)	0	81
Sustainable Communities	7,858	8,294	436	518	845	(220)
Total (Controllable)	**9,267**	**16,986**	**7,719**	**9,279**	**8,267**	**783**

Description	2020/21 Current Budget £000	Forecast Variance at year end (Sept) £000	Forecast Variance at year end (Aug) £000	2019/20 Variance at year end £000
Regulatory Services	627	288	293	87
Parking Services	(17,094)	5,435	6,550	1,171
Safer Merton & CCTV	1,016	8	8	28
Total for Public Protection	**(15,451)**	**5,731**	**6,851**	**1,286**
Waste Services	14,296	340	583	72
Leisure & Culture	467	783	795	(334)
Greenspaces	1,441	689	689	(111)
Transport Services	(704)	(151)	(28)	9
Total for Public Space	**15,500**	**1,661**	**2,039**	**(364)**
Senior Management & Support	1,360	(109)	(129)	81
Total for Senior Management	**1,360**	**(109)**	**(129)**	**81**
Property Management	(2,990)	(154)	(120)	(251)
Building & Development Control	42	226	248	34
Future Merton	10,806	364	390	(3)
Total for Sustainable Communities	**7,858**	**436**	**518**	**(220)**
Total Excluding Overheads	**9,267**	**7,719**	**9,279**	**783**

Overview

The department is currently forecasting an adverse variance of £7,719k at year end. The main areas of variance are Regulatory Services, Parking Services, Waste Services, Leisure & Culture, Greenspaces, Building & Development Control, and Future Merton.

It should be noted that the forecasts do not include any impact arising from Merton recently being moved into tier two of the Government's three-tier Covid restrictions.

Public Protection

Regulatory Services adverse variance of £288k

The section has implemented agreed income savings of £210k over the last few financial years relating to potential commercial opportunities. However, the focus for the financial year 2019/20 needed to refocus from income generation to service improvement including a major IT project and restructure of the service. Key projects and staff vacancies has meant it has not yet been possible to achieve these savings targets. The IT transition Project is scheduled for completion by the end of the financial year at which point the section will be able to refocus their efforts on generating additional income, for example, through the provision of business advice.

In addition, Covid-19 has impacted on licensing income levels due to factors including street markets being closed and new Government guidelines being relaxed in areas such as pavement licences. Current forecasts estimate the financial impact to be in the region of £108k, leading to an adverse variance against budget of £93k.

Parking Services adverse variance of £5,435k
Covid-19 has affected parking revenue across the board including ANPR, PCNs as well as on and off street charges income. Further work is underway to fully understand the short and longer term impact of this but current forecasts show an adverse variance on PCN, P&D, and permit income of £2,383k, £1,915k, and £1,015k respectively.

Contributing to the PCN adverse variance is a 2020/21 saving (ENV1920-01) of £340k relating to an application to change Merton's PCN charge band from band B to band A, which is now not expected to be implemented until April 2021 at the earliest.

Covid-19 has also had an impact of other areas of income, namely skip licences and parking bay suspensions, contributing to adverse variances of £179k and £68k being forecast respectively.

It should be noted that the section has a £3,800k budget expectation relating to the review of parking charges, which commenced on the 14th January 2020. The new charges were designed to influence motorists' behaviour and reduce the use of the motor car. It is too early to tell exactly how behaviour has been affected, which is being compounded by the impact of Covid-19, but work has started to try and better understand this.

The section is also forecasting an adverse variance on Supplies & Services (£164k), mainly in relation to the planned placement of statutory notices around the borough on emissions based charging.

The adverse variance is being partially offset by an employee related favourable variance of £187k.

Public Space

Waste Services adverse variance of £340k
The section is forecasting an adverse variance on disposal costs of £98k. As a result of changes to our residents working arrangements we have seen a greater increase in the number of households now working from home following the current Government advice in relation to Covid-19. This has resulted in an increase in overall domestic waste across all kerbside collection services.

Covid-19 has had a significant impact on the Council's Environmental Enforcement services in respect of enforcing and issuing Fix Penalty Notices for littering which was temporarily suspended and the resource redeployed to support engagement and education in our Parks and Green spaces advising residents and visitors on Government guidelines on social distancing, resulting in a net adverse variance against budget of £87k.

An adverse variance of £155k is also being forecast in relation to the Household, Reuse, Recycling Centre (HRRC), mainly as a result of extending the current contract, via a contract variation, in order to both minimise future costs and to align the contract period with the other SLWP boroughs. The section is currently working with both the SLWP and our service provider to mitigate these increased costs, and an associated report will be presented in due course for Cabinet consideration.

An adverse variance of £41k is being forecast in relation to its waste collection and street cleansing contract, due to recharges for additional services being undertaken by the service provider. The service continues to work with Veolia in finalising the annual review process and the additional impact of the unresolved commercial waste claim. As yet no agreement has been reached in regards to the commercial waste portfolio and impact this may have on the level of guaranteed income.

A favourable variance on employee related spend of £72k is partially mitigating the adverse variance.

Leisure & Culture adverse variance of £783k
Due to the Covid 19 pandemic, on the 21st March 2020 the Authority's Leisure Centres closed following central Government instruction. Since this request, officers have been working with our service provider, GLL, to consider how best to support them, whilst still ensuring that they maximise the Government benefits; minimise costs whilst keeping their previous customer base supported through such measures as 'free' online exercise classes, etc. until the phased reopening on 25th July.

However, it is clear from the continuous dialogue between the two parties that the GLL needs financial support from the council if they are going to survive. Following conversations with the industry, it is estimated that leisure centres might not be able to return to normal working practices until around January 2021. The contract requires that we forego the income due for this period, which equates to about £622k from the start of the year to the end of December 2020 (this may change depending on how the centres perform now they are open and the ability for them to remain open and/or operational).

During closure of the leisure centres, the Authority incurred lower utility costs at these premises, leading to a forecast favourable variance of £82k.

Covid-19 has also led to the temporary closure of the Wimbledon Sailing base from 20th March 2020. The site re-opened on the 15th June with much smaller programmes available, but due to the closure and social distancing measures a net adverse variance of £264k is being forecast, mainly as a result of reduced income.

Greenspaces adverse variance of £689k
The adverse variance is mainly as a result of most of this year's events in our parks and openspaces being cancelled due to Covid-19, which has led to a net variance of £365k.

In addition, an adverse variance of £181k is being forecasted in relation to the maintenance of the Authority's trees located on highways and in parks. This is due to the high number of trees requiring pollarding and maintenance and compliance with our management of public liability risk. We are now much clearer about the detailed maintenance regime and the costs, which should also help with our insurance claims going forward.

Further adverse variances are being forecast in relation to rental income (66k), and P&D within certain parks (£55k), whereby the original saving proposal to include charging on Saturdays was removed following consultation alongside a significant reduction in commuter (paid for) parking.

An adverse variance of £29k is being forecast in relation to the grounds maintenance contract, which assumes an expected contractual cemetery revenue share for 2018/19 and 2019/20 of £157k will be received. However, in tandem with the Phase C Waste Services (lot1) Annual Review process, a similar process is ongoing regarding the Grounds Maintenance contract (lot 2), which requires further discussion as the proposed solution was predicated on assumptions with the revenue income, barring Merton & Sutton Joint Cemetery activity. With the position so radically changed due to Covid-19, further discussions with our service provider will need to commence again to determine the final outcome. To note, there has been no requirement or indication by the service provider for any relief event under the PPN provision.

Sustainable Communities

Building and Development Control adverse variance of £226k

Covid-19 has also had a significant impact reducing various types of building and development control applications being submitted, leading to the section forecasting an associated income shortfall of £354k.

This adverse variance is being partially reduced by a favourable variance on employee related spend (£141k).

Future Merton adverse variance of £364k

The section continues to incur staff and consultancy costs in relation to Bishopsford Bridge, for which there is no budget, leading to a forecast adverse variance of £259k. Increased costs include legal fees dealing with contractual issues, fees to divert utilities and the need to pay for access to third party land for the demolition and construction of the new bridge.

The section is also forecasting a net adverse variance of £177k in relation to the footways & highways reactive maintenance costs. Merton has a statutory duty to maintain its highway network in accordance with Section 41 of the Highways Act 1980. The safety inspections that are undertaken are designed to identify defects that meets the Council strict intervention criteria. Defects that require intervention legally need to be addressed.

Merton's policy (with regards to safety inspections) was updated in May 2019, to comply with the changes to the Well Managed Highway Infrastructure Code of Practice – Risk Based Approach, and Merton's intervention levels to repair are predominately the same throughout all London authorities. Unfortunately it is very difficult to forecast reactive spend on the highway network and this is due to nature of the street, the streets inspection regime, type of defect, and repair required.

A contributing factor for this adverse variance is the removal of investment/funding Merton has received via TfL on our Principal Road Network since 2018/19 where we would have received (£424k per annum), meaning we have had to use our own capital funding for resurfacing to repair 'A' roads (Principal Roads). The net impact is that Merton funding for non-principal road and unclassified roads have been stretched further (and unfortunately capital investment was reduced by £300k for 2020/21) and, together, this inevitably has resulted in an increase in reactive repairs over the past two financial years (2019/20 and 2020 to date). In short, a reduction in capital (planned maintenance) is leading to a faster deterioration of the network, requiring more (revenue) reactive repairs.

Covid-19 has also significantly affected the section's ability to generate income. Firstly, an adverse variance of £243k is being forecast in relation to the income received from the contract for the provision of bus shelters and free standing units advertising within Merton, partly due to the fact that JC Decaux have invoked the force majeure clause in the contract due to lack of demand for advertising due to C-19. This has been agreed by SLLP with a loss of the guaranteed minimum income for at least 4 months. In addition, it was previously hoped that increased guaranteed income from digital upgrades could be achieved towards the end of the financial year but, it is now clear, that these upgrades will not be installed until at least spring 2021, so this increase will not occur until next financial year.

Secondly, Vestry Hall was closed between 26th March 2020 and August resulting in a forecast adverse variance of £190k in relation to room lettings and hall hiring's, and a total variance against budget of £132k. Vestry Hall can only re-open to the wider users on agreement from both Facilities Management and Public Health that the wider users Risk Assessment is acceptable, and approval for this is unlikely to happen before mid-November. In addition, Vestry Hall will be required to constantly monitor the number of people in the building at any one time to maintain the recommended social distancing required. Pre-Covid there could be 200+ people in the building, many are vulnerable residents who may not appreciate their responsibility to maintain a safe distance or follow the Health & Safety requirements.

These adverse variances are being partially mitigated by favourable variances on temporary traffic orders income (£110k), street work & permits income (£81k), and costs associated with CPZ consultation and implementation (£184k).

Children Schools and Families

Children, Schools and Families	2020/21 Current Budget £000	Full year Forecast Sept £000	Forecast Variance at year end (Sept) £000	Forecast Variance at year end (Aug) £000	2020/21 Covid-19 Forecast Impact £'000	2019/20 Variance at year end £000
Education	25,125	24,488	(637)	(671)	174	63
Social Care and Youth Inclusion	21,296	21,266	(30)	25	560	416
Cross Department budgets	893	869	(24)	(44)		(47)
PFI	8,730	8,240	(489)	(489)		(251)
Redundancy costs	1,927	1,878	(49)	(147)		(422)
Total (controllable)	**57,971**	**56,741**	**(1,229)**	**(1,226)**	**734**	**(241)**

Overview

At the end of September 2020, the Children Schools and Families directorate is forecasting a favourable £1.229m variance on local authority funded services, a favourable movement of £3k from last month.

£734k Covid-19 cost pressure has been identified relating to savings shortfalls. These have been included in the forecasted position. There remains considerable uncertainty about the likely level of increased costs due to Covid-19. It is expected that the impact of the lockdown on children and families will emerge in increased safeguarding referrals as the lockdown is lifted. It is too soon to forecast the likely increase in families who will need the support of our family wellbeing service, children in need, children on a child protection plan or children who become looked after as a result. We are monitoring the situation closely and expect the forecast to change as things become clearer by the end of October.

The Council has committed to cover the additional costs to schools of any food-related support provided over half term week (Monday 26 October to Friday 30 October) to families of children who would be eligible for Free School Meals during term time. The cost of this initiative is currently estimated to be in the region of £100,000.

The period 6 forecast favourable position is mainly due to a number of factors including:

- the Schools PFI forecast of £489k favourable variance. This is due to an overachievement of Schools Contribution Income, due to higher pupil numbers, which is greater than budgeted for;
- an ongoing review of the Unaccompanied Asylum Seekers and other CSC budgets;
- underspend on the SEN transport budget of £426k resulting from lower than expected costs when schools were closed;
- Other Education underspends across a number of areas including £66k in Departmental Business Support, £175k in Education Inclusion and £100k in Procurement and School Organisation.

Despite an increasing population, Merton has managed to hold steady our number of children in care through a combination of actions, which are detailed in the management action section below. EHCP numbers have increased from 2,011 in March, to 2,176 in August, an increase of 126 finalised EHCPs as at the end of September 2020.

The CSF department has received £3.847m growth for 2020/21. £1.756m has been allocated across Children's Social Care and £2,091m across Education.

Local Authority Funded Services

The table below details the significant budget variances identified to date:

Description	Budget £000	Sept Var £000	Aug Var £000	2019/20 £000
Procurement & School Organisation	890	(100)	(97)	(306)
SEN transport	6,198	(426)	(357)	1,289
Early Years services	4,203	(27)	(98)	(314)
Education Inclusion	1,700	(175)	(154)	(350)
Internal legal hard charge	493	0	0	(105)
LSCB	77	30	30	(65)
Other over and underspends	11,564	61	5	(86)
Subtotal Education	**25,125**	**(637)**	**(671)**	**63**
Fostering and residential placements (Access)	8,379	(369)	(290)	(98)
Un-accompanied asylum seeking children (UASC)	271	(18)	(6)	33
No Recourse to Public Funds (NRPF)	172	(14)	(14)	132
MASH & First Response staffing	1,667	530	530	257
CWD team staffing	562	(12)	(16)	(67)
CWD Placements	634	125	99	(58)
Legal Counsel	129	129	129	72
Other over and underspends	9,482	(401)	(407)	145
Subtotal Children's Social Care and Youth Inclusion	**21,296**	**(30)**	**25**	**416**

Education Division

£2.091m growth is attributed to; £1.496m SEN Transport, £400k SEN Team Staffing and £195k Education Psychology.

The procurement and school organisation budget is showing a favourable variance of £100k, £80k of which relates to lower revenue spend on capital projects. Capital programmes contain some expenditure which is not eligible for capitalisation and is affected by slippage of capital schemes. The majority of this is used for temporary classrooms usually required due to rising pupil demand when it is not viable to provide permanent buildings.

The SEN transport budget is forecasting £426k underspend, this budget has become increasingly difficult to forecast given COVID-19 and the variability of schools' wider opening and the impact of social distancing requirements on transport commissioning. This is our current best estimate based on the information available at the end of September. An increase in underspend of £69k from August, resulting from a review of the transport personal budgets, where a high number of parents have declined to use a personal budget for transport and want commissioned services i.e. taxi or bus. If budgets are not used they are clawed back.

The current estimated cost includes COVID-19 relief for our existing suppliers and approx. 8-10% increase in our weekly cost based on pre-covid spend pattern. Buses are also still being used to transport young people, but this is a moving target with no real way of predicting what will happen since we don't know what will occur in September and beyond. The position at the end of the summer term is that we are starting to transport more clients – rising from only around a quarter to nearly a half of the normal client base in recent weeks - but in many cases not full time. That being said, if all pupils were to return in the autumn term (before allowing for new applications), we could expect a significant increase in cost. To support the existing cost pressure in this area, £1.496m growth was allocated in 2020/21, but this does not reflect the Covid-19 impact, which was not known at the time.

The Early Years' service is reporting an under spend of £27k which is a reduction from period 5 (£98k). This movement relates primarily a decline in forecast income from Lavender Nursery.

Education Inclusion is reporting a £174k favourable variance primarily due to staffing underspends within the Youth Service, Education, Employment & Training and Children's Activities teams. This is a c. £20k increased in underspend on period 5.

LSCP has reported an adverse variance of £30k due to agency staff cost. A restructure is planned but timescales are uncertain at the moment because Covid-19 has delayed restructure activity.

Children's Social Care and Youth Inclusion Division

At the end of September, Merton had 155 looked after children and 113 care leavers. The numbers of looked after children in Merton remain relatively stable and we continue to maintain relatively low levels of children in care as detailed in the table below.

Overview	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
Number of children in care as at 31st March	163	152	154	160	154
Of which UASC	22	20	28	34	28
Rate per 10,000	35	33	33	34	33
London Rate	51	50	49	Tbc	Tbc
England Rate	60	62	64	Tbc	Tbc

£1.61m growth across Children's Social Care has been attributed to ART Placements (£604k), ART Supported Housing (£92k), Community Placement (£200k), and UASC placements and previous USAC that are now Care Leavers (£710k).

The table below provides an analysis of some key elements of this budget:

Service	Budget £000	Sept Forecast spend £000	Variance		Placements	
			Sep £000	Aug £000	Sep No	Aug No
Residential Placements	1,822	1079	(380)	(201)	3	10
Residential-SEN Placements	-	61	-	-	4	-
Residential-Respite Placements	-	302	-	-	3	-
Independent Agency Fostering-LAC	1,974	2051	118	111	41	44
Independent Agency Fostering-Care leavers	-	41	-	-	1	-
In-house Fostering-LAC	1,421	1474	264	227	63	80
In-house Fostering-Care leavers	-	211	-	-	9	-
Secure accommodation	245	349	104	0	2	2
Parent and Baby	105	381	276	45	6	5
Supported Housing/Lodging -LAC	1,850	466	(84)	(162)	17	61
Supported Housing/Lodging –Care leavers	-	1300	-	-	43	-
Total	**7,417**	**7715**	**298**	**20**	**192**	**202**

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 sometimes required. Some specific provision is mandated by the courts.

Placement costs have been forecast based on known placements as well as an estimated cost (Average no of placements for 2019/20) for movement in placements, including new cases, expected during the year. The demand-led nature of placements makes forecasting difficult but the assumptions will be reviewed and updated each month and estimates adjusted accordingly to provide our best estimate of full year costs.

- Residential placements reported a favourable variance of £380k at the end of September. This has been offset by pressures within agency and in-house fostering. We currently have 10 placements in total. 3 placements in Residential Homes, 3 in Respite and 4 placed by SEN in Residential Schools.
- Independent Agency Fostering reported an adverse variance of £118k. We currently have 42 placements.

- In-house Foster carer reported a £264k adverse variance. We currently have 73 placements. However, as our strategy is to have as many children as possible placed with in-house provision, rather than independent, the movement in the adverse variance should be seen as positive.

- Youth Justice secure accommodation expenditure reported to the budget. We currently have 2 placements. We have made adjustment in anticipation of increase in numbers and expenditure over this financial year which will be updated as part of budget monitoring throughout the year.

- Parent and Baby Fostering placement reported a £276k adverse variance. We currently have 5 Fostering and 3 residential parent and baby placements.

- Semi- Independent expenditure reported a favourable variance of £84k. We currently have 60 placements in September. This is inclusive of 11 non- term time placements.

- At the end of September, UASC placements and previous UASC that are now Care Leavers have reported a favourable variance of £667k.

The table below provides an analysis of some key elements of the budget for this service:

Service	Budget £000	Sept Forecast-spend £000	Variance		Placements	
			Sept £000	Aug £000	Sept No	Aug No
Independent Agency Fostering-LAC	383	350	(33)	296	7	10
Independent Agency Fostering-Care Leavers	710	94	(616)	-	3	
In-house Fostering-LAC	208	399	191	351	14	27
In-house Fostering-Care leavers	169	365	196	-	15	
Supported lodgings/housing -LAC	229	153	(76)	(35)	7	34
Supported lodgings/housing-Care leavers	464	609	145	-	30	
UASC grant	(1,200)	(1,674)	(474)	(618)		
Total	**963**	**296**	**(667)**	**(6)**	**76**	**71**

At the end of September, we have 76 USAC placements, 28 under 18 and 48 over 18. Of the 28 under 18 clients, 21 were placed in foster care and 7 in semi-independent accommodation. The administration's commitment (in line with other London Labour Councils) for Merton is to have the capacity to accommodate 38 unaccompanied asylum-seeking children (equivalent of 0.08% of the child population), this has been achieved. We receive UASC grant towards these placements although it is not sufficient to cover the full cost of placement, subsistence and social work intervention.

Merton had 48 young people aged 18+ who were formerly UASC in our care at the end of September, 18 in foster care, 30 in semi-independent accommodation. Once UASC young people reach age 18, we retain financial responsibility for them as Care Leavers until their immigration status is resolved.

A review of the UASC growth £710k and the above favourable variance forecast of £667k will take place shortly to ensure the budgets are aligned correctly to reflect the true expenditure for Unaccompanied minors across the service, including the increased rates, rather than just the placements budgets.

<u>Placements</u>

We continue to use the Panel processes to ensure that spending on IFAs instead of in-house placements can be justified, 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. Changes in the fostering recruitment budget from the corporate communications team has reduced the range of recruitment activity.

We have recruited 9 new foster carers (3 of these are connected persons & 6 are mainstream carers) this year so far. The target for this financial year is to recruit 20 new mainstream foster carers.

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 trauma-based training and support to enable them to accept and retain children with more challenging behaviours in placement and by implementing the Mockingbird Model. We are also targeting our recruitment to increase our number of in-house parent and child foster placements.

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 Semi-Independent Accommodation (SIA) Panel which will record costs incurred. We are working to identify our Housing Benefit payments and what we should be getting and what are the actuals received. This work is continuing with the aim to further reduce under-achievement of housing benefits during this year.

We continue to review all options to secure better value independent accommodation for our care leavers and expect to be able to procure further placements in 2020/21 which will help us reduce costs in this area.

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.

Schools PFI

Schools PFI is forecasting a £490k favourable variance. This is due to an overachievement of Schools

Contribution Income compared with the sums budgeted for.

Dedicated Schools Grant (DSG)

DSG funded services are forecasting an adverse £14.445m variance. The DSG had a cumulative overspend of £12.750m at the end of 2019/20. The over spend in the current financial year will be adding to this balance, currently estimated at just over c£27m. There was a separate report on the DSG Deficit Recovery Plan to Cabinet in January 2020. The DfE met with us on 11 February 2020 to discuss this recovery plan, and they will return to assess our progress in November, alongside an updated DSG Deficit Recovery plan.

There has been a reduction of £306k on the DSG allocation, this is as a result of the import/export adjustment. This adjustment is calculated based on the data inputs relating to the resident population.

The main reason for the variance relates to a £8.009m adverse variance on Independent Day School provision. The reason for the significant overspend is due to the high number of placements.

Based on past years' experience, we are expecting the number of placements within Independent day school provision to increase in the year. At this stage it is difficult to predict how many EHCPs' will be issued, or the type of education provision they will require. However, we note an increase of 144 to the end of the second quarter, and this therefore shows no slowing down, or plateauing of requirements. Requests for EHCPs go through assessment and a decision about issuing a plan and the type of provision is made once all the professional advice is received and reviewed by the SEND Panel.

We are seeking to increase the number of local maintained special school places in the borough, which have been built into the future forecasts on the deficit, in order to reduce these costs, but it will take time to bring these additional places on stream. At present the annual increase in the number of EHCPs significantly exceeds the number of additional special school places we are able to create in the borough. Based on the number of new EHCPs still being awarded following assessment, we would expect this cost to still increase towards year-end and the c£27m cumulative deficit to increase further.

Other adverse variances include £1.892m on EHCP allocations to Merton primary and secondary schools, £1.934m on EHCP allocations to out of borough maintained primary, secondary and special schools, and £1.670m on one-to-one support, OT/SLT and other therapies as well as alternative education.

Since period 1 we have seen an increase from 2032 finalised EHCPs to 2,176 EHCPs in period 6 which is an increase this financial year of 144 finalised EHCPs. As at early October we currently have 180 EHC Needs assessments being undertaken at various weeks within the 20 week statutory timescale. It should be noted that since COVID we have seen a significant increase in referrals for an EHC Needs assessments.

At period 6 the post 16 provision has seen an increase due to high cost placements in the Independent/Further Education colleges. We are still awaiting high needs funding requests for those pupils who have started in FE colleges in September 2020. We have received some requests for some pupils who started in September, however, colleges will continue to review and then apply for funding over the coming months. As previously mentioned an audit of EHCP's and where pupils are attending takes place between November and December when the next revised forecast will be made.

The table below shows the increase in number of EHCPs over the past 4 years since the entitlement changed following the implementation of the Children and Families Act. At the end of September 2020 there were 2,176 EHCPs.

Type of Provision	Jan 2016 Total Statements and EHCPs		Jan 2017 Total Statements and EHCPs		Jan 2018 Total Statements and EHCPs		Jan 2019 Total Statements and EHCPs		Jan 2020 Total Statements and EHCPs	
	No	%	No	%	No	%	No	%	No	%
Early Years (incl. Private & Voluntary Settings)	0	0%	1	0%	7	0%	7	0%	7	0%
Mainstream Schools (incl. Academies, Free and Independent)	422	39%	461	37%	526	35%	584	34%	707	37%
Additional Resourced Provision	110	10%	111	9%	116	8%	125	7%	125	6%
State Funded Special Schools	358	33%	388	31%	416	27%	440	26%	474	25%
Independent Special Schools	132	12%	153	12%	176	12%	228	13%	280	15%
Post 16 College and traineeships	25	2%	93	7%	183	12%	212	12%	199	10%
Post 16 Specialist	10	1%	25	2%	44	3%	37	2%	35	2%
Alternative Education (incl. EOTAS, Hospital Schools and	15	1%	10	1%	22	1%	28	2%	61	3%

EHE)										
No placement (including NEET)	3	0%	0	0%	28	2%	51	3%	40	2%
Total	**1075**	**100%**	**1242**	**100%**	**1518**	**100%**	**1712**	**100%**	**1928**	**100%**
Change over previous year				16%		22%		13%		11%

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 DSG deficit issue.

The Early Years block of the DSG is normally adjusted in the July following the end of the financial year as it is based on January census information. For 2019/20 this additional grant was £260k.

Merton was required to return to the DfE a Deficit Recovery Plan for the DSG, which is a 5-year plan, taking us up to 2023/24. A full update was included in a separate report on the DSG which went to Cabinet in January 2020 and is in the process of being updated.

In addition to the pressures on the high needs block, which are clear from the budget monitoring figures highlighted above and which continue into 2020/21 and beyond, some schools are also having trouble in setting balanced budgets with the funding provided to them through the funding formula. The Finance Service monitors this closely, and before any deficit budget is agreed, work is undertaken with the school to ensure they are maximising every opportunity to reduce costs and spend wisely. The number of schools setting deficit budgets has reduced from 13 in 2019/20 to 10 in 2020/21. There are various reasons for schools requiring to set deficit budgets, increased costs relating to children that require additional support but do not meet statutory thresholds for additional funding, reduction in pupil numbers, reduced levels of reserves that schools would previously have used to balance their budgets and loss of income due to Covid-19. Total school balances, including capital balances, did slightly increase last year.

Merton has been working in conjunction with Association of Directors for Children's Services (ADCS), Society for London Treasurers (SLT), London Councils and the Children’s Commissioner to lobby Central Government for additional funding. All commissioned analysis shows that the funding shortfall is a national issue that requires additional grant funding.

Management action

Staffing report

We continue to reduce the use of agency by imposing a three-month recruitment drag, where appropriate, for non-social work posts. We continue to prioritise meeting our statutory duties when determining whether recruitment drag may be applied to any vacant post. Children’s Social Care and Youth Inclusion are currently reviewing the distribution of social work staffing to ensure workloads in the MASH and First Response Service are at a level that supports recruitment and retention of permanent staff.

Placements

We continue to use the Panel processes to ensure that spending on IFAs instead of in-house placements can be justified, as well as continuing our scrutiny on residential children's home placements.

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 trauma based training and support to enable them to take and retain children with more challenging behaviours in placement and implementing the Mockingbird Model. We are also targeting our recruitment to increase our number of in-house mother and child foster placements.

Children with additional needs

We are working with colleagues in CCGs through the tripartite process in order to secure appropriate health contributions to funding for children with complex needs, particularly through continuing healthcare (CHC) funding. This is an area we need to improve with closer working with the CCG 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 option is cheaper. Some cost-saving measures linked to consolidation of routes or shared travel arrangements may not be possible in the light of Covid-19 restrictions

We have a multi-agency SEND panel providing strategic oversight of the statutory assessment process to ensure that at both 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 including the expansion of Cricket Green special school completed in early 2020, and the opening of an Additionally Resourced Provision (ARP) at Stanford Primary School. There is further expansion of provision in the capital programme, including the expansion of Melrose School (for children with Social, Emotional and Mental Health), which is currently at the statutory consultation and planning application stage. Additional local provision should also assist with minimising increases to transport costs.

New burdens

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. 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 is 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 have 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).
- SEND tribunals will cover all elements of children's care packages, not just education.
- New requirement of social work visits to children in residential schools and other provision.

Community and Housing

Overview

Community and Housing is forecasting a favourable variance of £144k as at September 2020. This is a movement of £458k since August. This is made up of forecasted favourable variances in Adult Social Care of £1m, and unfavourable variances in Housing of £663k, and Libraries of £239k. Public Health and Merton Adult Learning continue to forecast a breakeven position.

Community and Housing is working with partners to plan for winter and expected surges in both COVID and non-COVID demand. Non-COVID demand is likely to include the impact of the backlog of healthcare, other winter outbreaks and the consequences of high rent arrears on demand for homelessness support.

During the first wave the service experienced a significant level of one-off costs which were largely met by the main COVID grant and NHS funding. There has been no further general funding for local authorities for one off costs and the NHS support for hospital discharges is now more limited. These costs are therefore more likely to impact on the general fund position.

Current priorities include implementing the outbreak control plan, developing a better understanding on the impact of COVID on our communities, supporting former rough seekers into next steps accommodation, and planning for surges in demands. The department is likely to be running a hybrid of elements of business as usual and emergency response for the remainder of the year.

Community and Housing Summary Position

Community and Housing	2020/21 Current Budget £'000	2020/21 Full Year Forecast Sept'20 £'000	2020/21 Full Year Forecast Variance Sept'20 £'000	2020/21 Full Year Variance Aug'20 £'000	2020/21 Covid-19 Forecast Sept'20 £'000	2019/20 Outturn Variance £'000
Adult Social Care	60,028	58,982	(1,046)	(456)	2,377	(717)
Libraries and Heritage	2,353	2,592	239	253	155	70
Merton Adult Learning	(5)	(5)	0	0	0	0

Housing General Fund	**2,105**	**2,768**	**663**	**517**	**100**	**328**
Public Health	**(157)**	**(157)**	**0**	**0**	**0**	**0**
Total	**64,324**	**64,180**	**(144)**	**314**	**2,632**	**319**

The forecast above is prepared on the basis of our current understanding of activity and income and placement data as at September 2020. The COVID impact in the second last column of the table above.

In addition, the department is estimating gross expenditure of £8.8m which is one-off costs for COVID 19, this includes infection control, and test and track expenditure. Of this £8.8m, £4m has been committed to support care providers.

This year's savings forecast remains the same as August which is achieved £1.46m of the £2.46m savings target for 2020/21. The Department continues to work towards achieving the outstanding savings and maintain a balanced budget this year. We are reviewing outstanding savings against current activity levels to identify offsetting reductions in spend but could prove difficult if budget pressures increase due to COVID. However with the current anticipation of the second wave the department expects costs to increase as more is demanded from the Local Authority.

Adult Social Care

The cost of placements to September is showing a small reduction but due to the second wave of the pandemic it will be foolhardy to regard this as a favourable movement because it will change. There is some uncertainty surrounding what the CCG will fund and for what length of time under the second wave plus the likelihood that customers will present with more complex needs which may require high packages on care thus results in future budget pressures.

The net favourable variance of £1m reflects the reduction in care packages, community equipment expenditure and increase in forecasted income as at September. The department expectations of income in this area has reduced due to the pandemic and this is particularly so in the older people cohort of customers as a result of the number of deaths in April and May of this year. Please note that this will reduce further during the second wave of the COVID pandemic.

The arrangements whereby health met the costs of all COVID discharges ended on the 31st August. The forecast allows for the likely transfer of costs of those currently paid for by health who will be eligible for social care funding. Work is ongoing to ensure that the packages of support are appropriate and good value.

From the 1st September, whilst health will continue to manage all COVID discharges, whether short or long term, they will only meet the first six weeks of care costs and will be at nil cost to the customer. Anyone placed in this way will need to be assessed for continuing healthcare, adult social care or identified as self-funders.

Modelling has now been received from London ADASS which we are working through to try to forecast the impact of expected surges in demand. This will help us plan the capacity we will need to respond as well as to understand the potential financial impact.

The department has reconvene its weekly 'Sit Rep' meetings to monitor activity, staff, provider markets and PPE levels.

The service has not had to make use of the Care Act easements enabled by emergency legislation and continues to act in accordance with the Care Act 2014. The focus has naturally been on supporting borough residents and the NHS, as well as contributing to the cross-council work on shielding, the community hub and the food hub.

The national shielding programme has been suspended, but we continue to work with the voluntary sector to support those who had been shielding who need ongoing support. We have plans in place to re-commence a shielding service if we need to do so. The service is currently working on a plan to reactive the community hub in order to meet any potential demands. Even if a national or regional shielding programme is not re-commenced, it is likely that we will need to mobilise to support more people who are self-isolating due to their increased vulnerability.

Direct Provision remains in a position of an overall underspend. The Supported Living and Eastways' day centre forecast was updated with new information to reflect a number of issues including tenants increasingly returning to community activities, two tenants returning after living with family, and more day service staff returning to their usual posts after working in this service.

The department received the second tranche of the infection control grant and is awaiting guidance on how funds should be disbursed.

Library & Heritage Service

This service is currently forecasting an unfavourable variance of £239k, which is a reduction of £14k since August. This is mainly due to an increase in forecasted letting income due to all 7 libraries now being open to the public. However it should be noted if there is a return to the COVID restrictions then income will decline.

The current years unfavourable forecast is mainly due to library closures during lockdown and the impact on visitor figures that is still being experienced due to the current pandemic restrictions, which has had an impact on income. The overspend also includes a one-off old business rates recharge of £66k and additional costs incurred on the current security contract which is inclusive of the Living Wage and inflation increases.

Adult Learning

Adult Learning is currently forecasting a breakeven position. During lockdown and over the summer providers worked hard to move their course content online and deliver things in new ways due to restrictions in place regarding physical courses. As of September all providers are providing some classroom based activities with a high proportion of online and blended learning provision also available. As all of the courses planned could not go ahead the GLA and ESFA, who fund the adult learning provision for the borough, have confirmed that they will provide the borough with the full funding allocation for the year and this will be paid proportionately across agreed spend levels to providers.

Adult Learning has successfully bid for £540k funding over two years from the GLA to expand the skills offer and to respond to changes in the job market to assist with reskilling residents. Part of the bids is aimed at improving access to IT for those without it so that they can both benefit from online learning and improve their IT skills.

Housing General Fund

This service is currently forecasting an unfavourable variance of £663k which is an increase of £147k since August. This is due to reduction in forecasted Housing Benefit income, a reduction in subsidy shortfall, extension of a temporary post to March 2021 and an amendment of income in housing environmental services. The service is also affected by the pandemic restrictions in that it prevents the service from chasing unpaid debt. This is reflected in the 21% reduction in customer contributions in temporary accommodations as compared to September 2019.

During the pandemic the supply of housing association homes to which the council has nomination rights reduced dramatically, although work is underway with partners to obtain access to those dwellings. However the lack of housing supply has been impacted by the lack of movement from temporary accommodation and the increase in numbers. There has been fewer moves out of temporary accommodation, including evictions from temporary accommodation for reasons such as rent arrears, anti-social behaviour and refusal of offers of accommodation.

As a result, as at the end of September 2020 there were 211 households in temporary accommodation which represents an increase of 1 since August, which is 15 leavers and 14 arrivals.

The moratorium on evictions was initially extended to the 30th September but it seems that a ban on evictions is likely to be in place until March 2021. This will create a rise in expenditure to support and to prevent homelessness in line with our duties under the Homelessness Reduction Act 2017. Due the delays in the courts a rise in evictions is expected to take several months or years.

The service is working with former rough sleepers to move them on from temporary to move-on accommodation. This includes input from mental health and drug & alcohol services. Only 12 of the original 52 remains of which 6 are still sleeping rough and 6 received an offer of accommodation but turned it down.

The department's bid revenue from the MHCLG was successful and awaiting confirmation of the capital bid. The revenue bid will be utilised to offset the costs of the move-on accommodation that exceeds existing grants and provides for further support with mental health and substance misuse issues, and to try to ensure that these former rough sleepers remain accommodated. The capital bid is to purchase and convert two adjacent properties to provide six units of accommodation for rough sleepers in line with the Next Steps Accommodation Programme.

Analysis of Housing and Temporary Accommodation Expenditure

The table below shows the analysis of housing expenditure to September 2020

Housing	Budget 2020-21 £000	Forecast (Sept'20) £'000	Forecast Variances (Sept'20) £'000	Forecast Variances (Aug'20) £000	Outturn Variances (March'20) £000
Temporary Accommodation- Expenditure	2,403	3,830	1,427	1,462	1,002
Temporary Accommodation- Client Contribution	(140)	(359)	(219)	(223)	(321)

Temporary Accommodation-Housing Benefit Income	(2,005)	(2,818)	(813)	(926)	(535)
Temporary Accommodation-Subsidy Shortfall	322	1,310	988	1,043	793
Temporary Accommodation-Grant	0	(929)	(929)	(943)	(766)
Subtotal Temporary Accommodation	**580**	**1,034**	**454**	**414**	**173**
Housing Other Budgets	**1,525**	**1,734**	**209**	103	155
Total Controllable (Favourable)/Adverse Variance	**2,105**	**2,768**	**663**	**517**	**328**

Table below shows number of households in Temporary Accommodation to September 2020.

Temporary Accommodation	Numbers IN	Numbers OUT	Total for the Month	
Mar'17	-	-	186	
Mar'18	16	16	165	
Mar'19	15	11	174	
Mar'20	12	6	199	
			2020/21	2019/20
Apr'20	5	8	196	178
May'20	18	10	204	177
June'20	21	12	213	170
July'20	13	14	212	175
Aug'20	13	15	210	168
Sept'20	15	14	211	169

The number of customers in temporary accommodation is increasing and it is expected that as the second wave of the pandemic progresses that these numbers will increase further. However in these uncertain times one would have expected the numbers to much higher than the 25% increase since September 2019.

Public Health

Public continues to report a breakeven position.

The above current forecast includes funding of £71k for Sexual Health (HIV Pre-Exposure Prophylaxis) to meet costs to the end of this financial year. It is assumed at this stage that most consultations will take place in clinics.

The Commissioner is still liaising with London Programme Board to ensure allocation is adequate to cover potential costs.

Potential Cost pressures:-

- CLCH has indicated the contract is underfunded – that is a risk that has been shared and is significant. An initial meetings occurred recently to discuss access to the relevant finance data through an open book process ahead of the one year contract extension required.

The division is involved in a number of COVID – 19 government initiatives to contain the pandemic.

Additionally the team, together with public protection, is leading on LBM's outbreak control plan. A ring-fenced grant of £965k for Track and Trace is fully committed

Corporate Items

The details comparing actual expenditure up to 30 September 2020 against budget are contained in Appendix 2. COVID-19 corporate expenditure is again shown on a separate line:-

Corporate Items	Current Budget 2020/21 £000s	Full Year Forecast (Sep.) £000s	Forecast Variance at year end (Sep.) £000s	Forecast Variance at year end (Aug.) £000s	Outturn Variance 2019/20 £000s
Impact of Capital on revenue budget	**11,190**	**11,171**	**(19)**	**(19)**	**(161)**
Investment Income	(707)	(753)	(46)	0	(704)
Pension Fund	340	340	0	0	(104)
Pay and Price Inflation	2,535	3,085	550	550	(100)
Contingencies and provisions	19,268	19,368	100	100	(154)
Income Items	(1,963)	(1,963)	0	0	(343)
Appropriations/Transfers	(8,513)	(8,513)	0	0	0
Central Items	**10,961**	**11,565**	**604**	**650**	**(1,405)**
Levies	962	962	0	0	(1)
Depreciation and Impairment	(23,351)	(23,351)	0	0	0
TOTAL CORPORATE PROVISIONS	**(239)**	**346**	**585**	**631**	**(1,567)**
COVID-19 Emergency expenditure	0	9,497	9497	9,258	176

Since August there has been one small change to the forecast following the second quarter review of investment income where it is now anticipated that there will be a small favourable variance of £46k against the budget at year end.

4 Capital Programme 2020-24

4.1 The Table below shows the movement in the 2020/24 corporate capital programme since the last monitoring report:

Depts	Current Budget 20/21	Variance	**Revised Budget 20/21**	Current Budget 21/22	Variance	**Revised Budget 21/22**	Original Budget 2022-23	Variance	**Revised Budget 22/23**	Original Budget 2023-24	Variance	**Revised Budget 23/24**
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Corporate Services	22,242	(174)	**22,068**	18,413	0	**18,413**	3,220	0	**3,220**	14,674	0	**14,674**
Community & Housing	1,551	(187)	**1,364**	1,828	0	**1,828**	1,429	0	**1,429**	425	0	**425**
Children Schools & Families	4,950	0	**4,950**	6,850	0	**6,850**	1,900	0	**1,900**	1,900	187	**2,087**
Environment and Regeneration	15,473	1,793	**17,266**	12,822	2,175	**14,997**	8,382	0	**8,382**	7,416	100	**7,516**
TOTAL	**44,217**	**1,432**	**45,649**	**39,914**	**2,175**	**42,089**	**14,931**	**0**	**14,931**	**24,415**	**287**	**24,702**

4.2 Strategic Community Infrastructure Levy (SCIL)
As part of new Regulations and Government guidance that came into effect on 1st September 2019 introducing transparency requirements a formal bidding process has been introduced for Strategic CIL (SCIL) bids which is overseen by the Capital Programme Board. Although, SCIL allows greater flexibility than Section 106 it must deliver a component of infrastructure designed to provide new or better infrastructure/functionality/service or service new customers. SCIL funding can be used on both capital and revenue items and the results of the bidding process will be progressed through Cabinet (and Council as necessary) in phases. The second phase is being progressed as part of this report.

4.3 The table below summarises the position in respect of the 2020/21 Capital Programme as at September 2020. The detail is shown in Appendix 5.

Capital Budget Monitoring - September 2020

Department	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Forecast 2020/21	Full Year Variance
Corporate Services	768,583	2,345,500	(1,576,917)	22,068,190	21,814,553	(253,637)
Community and Housing	171,153	379,900	(208,747)	1,364,000	1,364,000	0
Children Schools & Families	868,358	1,721,670	(853,312)	4,950,420	4,950,421	1
Environment and Regeneration	2,787,254	4,308,643	(1,521,389)	17,266,030	17,014,031	(251,999)
Total	**4,595,348**	**8,755,713**	**(4,160,365)**	**45,648,640**	**45,143,006**	**(505,634)**

a) Corporate Services – All budget managers are projecting a full spend against budget apart from Customer Contact which is currently forecasting a favourable variance of £254k. There have been three adjustments to budgets this month:
- Invest to Save - £140k of this year's budget is being relinquished, block allocations for subsequent financial years remain unchanged at £300k
- Environmental Asset Management – the remaining in year budget of £7k is being relinquished
- Mosaic Group Working – the remaining in year budget of £27k is being relinquished.

b) Community and Housing – Budget managers are projecting a full year spend on all budgets. One adjustment is being made to Disabled Facilities Grants with £187k of budget being re-profiled to 2023-24.

c) Children, Schools and Families – Officers are currently projecting a full spend against budgets. The follow adjustments have been made to departmental budgets:

		Budget 2020-21	Budget 2021-22	Narrative
		£	£	
Dundonald Primary School Maintenance Budget		45,000	0	Virement from Unallocated Budget
Wimbledon Chase Primary School Maintenance Budget		18,000	0	Virement from Unallocated Budget
Sherwood Primary School Maintenance Budget		14,000	0	Virement from Unallocated Budget
Unallocated Maintenance Budget		(77,000)	0	Virement from Unallocated Budget
Melrose Primary SEMH annexe 16	(1)	35,950	89,050	Virement from Harris Wimb & Fur. SEN Prov
Melrose S'dary SEMH 14 Places	(1)		125,000	Virement from Harris Wimb
Harris Academy Wimbledon	(1)		(150,000)	Virement to Prim & Sec SEMH
Further SEN Provision	(1)	(35,950)	(64,050)	Virement to Secondary SEMH
Total		**0**	**0**	

(1) Requires Cabinet approval

d) Environment and Regeneration – Officers are projecting full spend on all budgets apart from favourable variances on three schemes:

- Car Park Upgrades are currently showing a favourable variance of £125k. This projection only includes essential Fire Safety Works at St Georges Car Park, all other works as part of this scheme are under review
- Paddling Pools Option 2 are currently showing a favourable variance of £113k. The programme currently contains both options for Paddling Pools only one option will be progressed following a consultation process.
- Alley Gating is currently showing a favourable variance of £14k

In addition, the following adjustments have been made to the approved departmental programme this month:

Environment and Regeneration		Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24	Narrative
		£	£	£	£	
School Part Time Road Closure		27,000	0	0	0	TfL Funded purchase of Cameras
Culverts	(1)	(258,120)	258,120			Budget re-profile to match projected spend
Merton Lost Rivers	(1)	(100,000)			100,000	Budget re-profile to match projected spend
Beddington Lane Cycle Scheme	(1)	104,000				Additional TfL Grant added to Section 106 Funding
ANPR Cameras Supporting Enforcement of School Streets	(1)	486,000				SCIL Funded Scheme
Street Lighting Wimbledon	(2)	150,000	670,000			SCIL Funded Scheme
Haydons Road Public Realm Improvements	(1)	50,000	350,000			SCIL Funded Scheme
Rowan Park Community Facility Match Funding	(1)	150,000				SCIL Funded Scheme
Bishopsford Bridge (a)	(1)	802,800	512,000			SCIL Funded Scheme
Cycle Lane&Roadway Bishopsford Bridge	(1)	20,000	130,000			SCIL Funded Scheme
Street Cleansing Sub Depot - Mitcham Area			55,000			SCIL Funded Scheme
Comm Arts Venue Cric Green Sch		(20,460)				NCIL Funded moved to revenue
Morely Park Enhancemnts		27,780				Section 106 Funded Scheme
Morden Town Centre Improvements	(1)	100,000	200,000			NCIL Funded Scheme
Crown Creative Knowlwdge Rxchange	(1)	150,000				SCIL Funded Scheme
Plough Lane Enhancement (Eastside Footpath Only)		52,000				SCIL Funded Scheme
Lamp Column Chargers		52,000				SCIL Funded Scheme
Total		**1,793,000**	**2,175,120**	**0**	**100,000**	

(1) Requires Cabinet approval and (2) Requires Council Approval (a) Budget to be kept under review

4.4 The table below summarises the movement in the Capital Programme for 2020/21 since its approval in March 2020 (£000s):

Depts.	Original Budget 20/21	Net Slippage 2020/21	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 20/21
Corporate Services	22,100	2,000	(1,044)	4,079		(5,067)	**22,068**
Community & Housing	2,004	189				(829)	**1,364**
Children Schools & Families	4,566	480		1,034		(1,130)	**4,950**
Environment and Regeneration	18,530	1,061	(1,996)	3,520	47	(3,896)	**17,266**
Total	**47,199**	**3,730**	**(3,041)**	**8,634**	**47**	**(10,921)**	**45,649**

4.5 The table below compares capital expenditure (£000s) to September 2020 to that in previous years':

Depts.	Spend To September 2017	Spend To September 2018	Spend to September 2019	Spend to September 2020	Variance 2017 to 2020	Variance 2018 to 2020	Variance 2019 to 2020
CS	1,182	2,401	1,131	769	(413)	(1,633)	(362)
C&H	340	411	414	171	(169)	(240)	(243)
CSF	2,673	2,850	4,752	868	(1,805)	(1,981)	(3,884)
E&R	4,598	6,380	2,851	2,787	(1,811)	(3,593)	(64)
Total Capital	**8,793**	**12,043**	**9,148**	**4,595**	**(4,198)**	**(7,448)**	**(4,552)**
Outturn £000s	32,230	31,424	26,960				
Budget £000s				45,649			
Projected Spend September 2020 £000s				45,143			
Percentage Spend to Budget				10.07%			
% Spend to Outturn/Projection	27.28%	38.32%	33.93%	10.18%			
Monthly Spend to Achieve Projected Outturn £000s				6,425			

4.6 September is half way through financial year and departments have spent just under 10.2% of the budget. Spend to date lower than all three previous financial years shown and is in part due to the impact of Covid 19

Department	Spend To August 2020 £000s	Spend To September 2020 £000s	Increase £000s
CS	635	769	134
C&H	120	171	51
CSF	464	868	405
E&R	2,057	2,787	730
Total Capital	**3,275**	**4,595**	**1,320**

4.7 During September 2020 officers spent just over a £1.3 million, to achieve year end spend officer would need to spend approximately £6.4 million each month to year end. Finance officers will continue to review in detail the projected outturn with budget managers as part of October Monitoring.

4.8 Appendix 5C summarises the impact of the changes to the Capital Programme on funding.

5. DELIVERY OF SAVINGS FOR 2020/21

Department	Target Savings 2020/21	Projected Savings 2020/21	Period 6 Forecast Shortfall	Period Forecast Shortfall (P6)	Period 5 Forecast Shortfall	2021/22 Expected Shortfall
	£000	£000	£000	%	£000	£000
Corporate Services	2,718	1,746	972	35.8%	968	595
Children Schools and Families	2,969	2,235	734	24.7%	734	400
Community and Housing	2,460	1,460	1,000	40.7%	1,000	500
Environment and Regeneration	3,927	812	3,115	79.3%	3,115	0
Total	**12,074**	**6,253**	**5,821**	48.2%	**5,817**	**1,495**

6. Appendix 6 details the progress on unachieved savings from 2020/21 by department and the impact on the current year and next year.

<u>Progress on savings 2019/20</u>

Department	Savings Target 2019/20	Shortfall 2019/20	Projected Shortfall 2020/21	Projected Shortfall 2021/22
	£000	£000	£000	£000
Corporate Services	1,484	100	70	0
Children Schools and Families	572	0	0	0
Community and Housing	1,534	118	0	0
Environment and Regeneration	2,449	837	2,065	0
Total	**6,039**	**1,055**	**2,135**	**0**

Appendix 7 details the progress on unachieved savings from 2019/20 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 2019/20; 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 Corporate Items table
Appendix 2 –	Pay and Price Inflation
Appendix 3 –	Treasury Management: Outlook
Appendix 5A –	Current Capital Programme
Appendix 5B -	Detail of Virements
Appendix 5C -	Summary of Capital Programme Funding
Appendix 6 –	Progress on savings 2020/21
Appendix 7 –	Progress on savings 2019/20
Appendix 8-	Debt Report
Appendix 9 -	HR establishment

14. BACKGROUND PAPERS

14.1 Budgetary Control files held in the Corporate Services department.

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APPENDIX 1

3E.Corporate Items	Original Budget 2020/21 £000s	Current Budget 2020/21 £000s	Year to Date Budget (Sep.) £000s	Year to Date Actual (Sep.) £000s	Full Year Forecast (Sep.) £000s	Forecast Variance at year end (Sep.) £000s	Forecast Variance at year end (Aug.) £000s	Outturn Variance 2019/20 £000s
Cost of Borrowing	11,190	11,190	3,158	2,640	11,171	(19)	(19)	(161)
Impact of Capital on revenue budget	**11,190**	**11,190**	**3,158**	**2,640**	**11,171**	**(19)**	**(19)**	**(161)**
Investment Income	**(707)**	**(707)**	**(354)**	**(544)**	**(753)**	**(46)**	**0**	**(704)**
		-	-	-	-	-		-
Pension Fund	**340**	**340**	**170**	**0**	**340**	**0**	**0**	**(104)**
Corporate Provision for Pay Award	2,231	585	293	0	1,235	650	650	0
Corporate Provision for National Minimum Wage	1,500	1,500	750	0	1,500	0	0	0
Provision for excess inflation	450	450	225	0	350	(100)	(100)	(100)
Pay and Price Inflation	**4,181**	**2,535**	**1,268**	**0**	**3,085**	**550**	**550**	**(100)**
Contingency	1,500	487	244	0	487	0	0	(500)
Single Status/Equal Pay	100	100	50	0	100	0	0	0
Bad Debt Provision	500	500	250	0	600	100	100	1,304
Loss of income arising from P3/P4	400	0	0	0	0	0	0	(100)
Loss of HB Admin grant	34	23	12	0	23	0	0	(34)
Apprenticeship Levy	450	450	225	37	450	0	0	(22)
Revenuisation and miscellaneous	3,384	1,698	849	177	1,698	0	0	(802)
Growth - Provision against DSG	16,009	16,009	8,005	0	16,009	0	0	0
Contingencies and provisions	**22,378**	**19,268**	**9,634**	**214**	**19,368**	**100**	**100**	**(154)**
Other income	0	0	0	18	0	0	0	(186)
CHAS IP/Dividend	(1,963)	(1,963)	(982)	(922)	(1,963)	0	0	(157)
Income items	**(1,963)**	**(1,963)**	**(982)**	**(904)**	**(1,963)**	**0**	**0**	**(343)**
Appropriations: CS Reserves	(908)	(948)	(474)	(40)	(948)	0	0	0
Appropriations: E&R Reserves	(317)	(513)	(256)	0	(513)	0	0	0
Appropriations: CSF Reserves	(360)	(448)	(224)	(88)	(448)	0	0	0
Appropriations: C&H Reserves	(104)	(104)	(52)	0	(104)	0	0	0
Appropriations:Public Health Reserves	(1,200)	(1,200)	(600)	0	(1,200)	0	0	0
Appropriations:Corporate Reserves	(8,386)	(5,300)	(2,650)	(5,300)	(5,300)	0	0	0
Appropriations/Transfers	**(11,275)**	**(8,513)**	**(4,256)**	**(5,428)**	**(8,513)**	**0**	**0**	**0**
Depreciation and Impairment	**(23,351)**	**(23,351)**	**0**	**0**	**(23,351)**	**0**	**0**	**0**
Central Items	**793**	**(1,201)**	**8,638**	**(4,022)**	**(616)**	**585**	**631**	**(1,566)**
Levies	**962**	**962**	**481**	**560**	**962**	**0**	**0**	**(1)**
TOTAL CORPORATE PROVISIONS	**1,754**	**(239)**	**9,119**	**(3,462)**	**346**	**585**	**631**	**(1,567)**
COVID-19 Emergency Exp.	**0**	**0**	**0**	**4,251**	**9,497**	**9,497**	**9,036**	**176**
Sub-total: COVID-19 Expenditure	**0**	**0**	**0**	**4,251**			**9,036**	**176**
TOTAL CORPORATE EXPENDITURE inc. COVID-19	**1,754**	**(239)**	**9,119**	**789**		**9,497**	**9667**	**(1,391)**

Appendix 2

Pay and Price Inflation as at September 2020

In 2020/21, the budget includes 2.0% for increases in pay and 1.5% for increases in general prices, with an additional amount, currently £0.450m, 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 0.2% and RPI at 0.5% and the Council's overall revenue budget under extreme pressure, this budget will be retained as cover and only released in exceptional circumstances.

Pay:

As previously reported the final pay award has now been agreed at 2.75% but provision of 2% was included in the MTFS agreed in March. The impact of a 2.75% pay increase on the Council's budget will increase employee costs in 2020/21 by c.£0.650m for and these will be ongoing and subject to increase for future pay awards.

Prices:

The latest statistics have been affected by COVID-19. However, the number of CPIH items that were unavailable to UK consumers in September remained at eight from August; one item was reintroduced, however, because of updated travel restrictions, another item is no longer available to consumers. These account for 1.1% of the CPIH basket by weight and made a small downward contribution of 0.01 percentage points to the change in the CPIH 12-month rate; the number of unavailable items is down from 12 for July and a high of 90 for April; for August, for September, the ONS have collected a weighted total of 90.2% of comparable coverage collected previously (excluding unavailable items).

The Consumer Prices Index (CPI) 12-month rate was 0.5% in September 2020, up from 0.2% in August.

The largest contribution to the 12-month inflation rate in September 2020 came from recreation and culture (0.31 percentage points). Transport costs, and restaurant and café prices, following the end of the Eat Out to Help Out scheme, made the largest upward contributions (of 0.23 and 0.21 percentage points, respectively) to the change in the 12-month inflation rate between August and September 2020.
This was partially offset by smaller downward contributions from furniture, household equipment and maintenance; games, toys and hobbies; and food and non-alcoholic beverages.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 0.7% in September 2020, up from 0.5% in August 2020.

The RPI rate for September 2020 was 1.1%, which is up from 0.5% in August 2020.

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. Previously at a special meeting on 19 March 20020, the Monetary Policy Committee (MPC) unanimously voted to cut interest rates from 0.25% to 0.1% and to increase holdings of UK government and corporate bonds by £200bn in response to the COVID-19 crisis.

At its meeting ending on 16 September 2020, the MPC voted unanimously to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to continue with its existing programmes of UK government bond and sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, maintaining the target for the total stock of these purchases at £745 billion.

In the minutes to the MPC meeting ending on 16 September the MPC indicate that the key influences acting on the economic outlook in the short term are the impact of Covid-19 and the Brexit negotiations and how businesses and individuals in the UK react to these. It states that "Twelve-month CPI inflation fell from 1.0% in July to 0.2% in August, consistent with temporary impacts on inflation from the Government's Eat Out to Help Out scheme and the cut in VAT for hospitality, holiday accommodation and attractions. This triggers the exchange of open letters between the Governor and the Chancellor published alongside this monetary policy announcement. CPI inflation is expected to remain below 1% until early 2021, albeit slightly higher than expected at the time of the August Report. The path of growth and inflation will depend on the evolution of the pandemic and measures taken to protect public health, as well as the nature of, and transition to, the new trading arrangements between the European Union and the United Kingdom. It will also depend on the responses of households, businesses and financial markets to these developments. The path of growth and inflation would depend on the evolution of the pandemic and measures taken to protect public health, as well as the nature of, and transition to, the new trading arrangements between the European Union and the United Kingdom. It would also depend on the responses of households, businesses and financial markets to these developments."

The next MPC decision on the Bank Base Rate will be on 5 November 2020.

In the Monetary Policy Report for August 2020 the MPC made the following assumptions for the four-quarter CPI inflation rate projections:-

MPC's CPI Inflation Rate Projections "August Monetary Policy Report"			
	Mode	Median	Mean
2021 Q.3	1.8	1.6	1.6
2022 Q.3	2.0	1.9	1.9
2023 Q.3	2.2	2.2	2.1

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

Table: Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (October2020)			
2020 (Quarter 4)	Lowest %	Highest %	Average %
CPI	(0.1)	1.8	0.6
RPI	0.1	2.2	1.2
LFS Unemployment Rate	5.0	12.7	7.7
2021 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.4	3.3	1.9
RPI	0.9	4.8	2.7
LFS Unemployment Rate	5.0	9.6	6.9

Note the wide range between highest and lowest forecasts which reflects the volatility and uncertainty arising from COVID-19 and the difficulty of forecasting how the situation will evolve. Clearly where the level of inflation during the year exceeds the amount provided for in the budget, this will put pressure on services to stay within budget and will require effective monitoring and control.

Independent medium-term projections for the calendar years 2020 to 2024 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (August 2020)					
	2020	2021	2022	2023	2024
	%	%	%	%	%
CPI	0.7	1.5	2.1	2.1	2.1
RPI	1.3	2.2	3.3	3.3	3.2
LFS Unemployment Rate	5.6	7.6	6.2	5.3	4.9

Appendix 3

Treasury Management: Outlook

On 12 August 2020 the ONS published "Coronavirus and the impact on output in the UK economy: June 2020". In this article the ONS summarise the overall position as:-

- "The economy is in a technical recession after Quarter 2 (Apr to June) 2020 saw a record fall of 20.4%, following a significant shock since the start of the coronavirus (COVID-19) pandemic; this follows a fall of 2.2% during Quarter 1 (Jan to Mar) 2020.
- Monthly gross domestic product (GDP) rose by 8.7% during June 2020 but is 17.2% below February 2020 levels.
- Analysis of our Monthly Business Survey (MBS) returns and external data, including comments from over 10,000 businesses, has shown that businesses are increasing output as demand has increased following the easing of social distancing and lockdown measures; businesses are striving to maximise output while working within official guidelines.
- Services experienced widespread growth in June 2020, where the easing of lockdown measures, most notably in England, had the most positive impact, with nearly half of growth from the wholesale and retail trade; repair of motor vehicles and motorcycles sector.
- Manufacturing and construction saw widespread growth during June 2020, primarily because of increased demand and the recommencement of work, as businesses managed to operate while adhering to social distancing measures."

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The MPC note that the outlook is being impacted upon by both Covid-19 and uncertainty over the Brexit negotiations although "Indicators of global activity have been broadly in line with the Committee's expectations at the time of the August MPC meeting. The sterling exchange rate index has fallen by around 2%, in part reflecting recent Brexit developments."

It was confirmed in the minutes to the MPC's meeting that it will continue to monitor the situation closely and is prepared to adjust monetary policy accordingly to meet its remit to set monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment. The MPC state that it will "keep under review the range of actions that could be taken to deliver its objectives. The Committee did not intend to tighten monetary policy until there was clear evidence that significant progress was being made in eliminating spare capacity and achieving the 2% inflation target sustainably."

The next MPC decision on the Bank Base Rate will be on 5 November 2020.

Negative Interest Rates As mentioned in the monitoring report for July, it was highlighted that the MPC had discussed its policy toolkit, and the effectiveness of negative policy rates in particular, in the August Monetary Policy Report, in light of the decline in global equilibrium interest rates over a number of years. In this respect the MPC minutes state that "subsequently, the MPC had been briefed on the Bank of England's plans to explore how a negative Bank Rate could be implemented effectively, should the outlook for inflation and output warrant it at some point during this period of low equilibrium rates. The Bank of England and the Prudential Regulation Authority will begin structured engagement on the operational considerations in 2020 Q4."

In its August 2020 Monetary Policy report the MPC has used the following projections implied by current data trends:-

	Projections (August 2020)			
	2020 Q.4	2021 Q.3	2022 Q.3	2023 Q3.
GDP	-5.4	8.6	3.0	1.9
CPI Inflation	0.3	1.8	2.0	2.2
LFS Unemployment Rate	7.5	6.6	4.7	4.0
Excess Supply/Excess Demand	-2.25	-0.25	+0.5	+0.75
Bank Rate	0.0	-0.1	-0.1	-0.1

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- "The economy is in a technical recession after Quarter 2 (Apr to June) 2020 saw a record fall of 20.4%, following a significant shock since the start of the coronavirus (COVID-19) pandemic; this follows a fall of 2.2% during Quarter 1 (Jan to Mar) 2020.
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LFS Unemployment Rate	7.5	6.6	4.7	4.0
Excess Supply/Excess Demand	-2.25	-0.25	+0.5	+0.75
Bank Rate	0.0	-0.1	-0.1	-0.1

Capital Budget monitoring- September 2020

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Capital	**4,595,348**	**8,755,713**	**(4,160,365)**	**45,648,640**	**45,143,005**	**(505,635)**
Corporate Services	**768,583**	**2,345,500**	**(1,576,917)**	**22,068,190**	**21,814,553**	**(253,637)**
Customer, Policy and Improvmen	**118,260**	**0**	**118,260**	**500,000**	**246,363**	**(253,637)**
Customer Contact Programme	118,260	0	118,260	500,000	246,363	(253,637)
Facilities Management Total	**98,148**	**598,890**	**(500,742)**	**1,305,370**	**1,305,370**	**0**
Works to other buildings	100,346	311,690	(211,344)	701,690	701,690	0
Civic Centre	0	87,200	(87,200)	268,680	268,680	0
Invest to Save schemes	(2,198)	200,000	(202,198)	335,000	335,000	0
Infrastructure & Transactions	**552,175**	**1,246,610**	**(694,435)**	**2,636,610**	**2,636,610**	**0**
Business Systems	126,786	335,670	(208,884)	873,500	873,500	0
Social Care IT System	40,050	123,100	(83,050)	246,190	246,190	0
Planned Replacement Programme	385,339	787,840	(402,501)	1,516,920	1,516,920	0
Corporate Items	**0**	**500,000**	**(500,000)**	**17,626,210**	**17,626,210**	**0**
Multi Functioning Device (MFD)	0	0	0	270,000	270,000	0
Westminster Ccl Coroners Court	0	0	0	460,000	460,000	0
Compulsory Purchase Orders	0	0	0	4,079,460	4,079,460	0
Housing Company	0	500,000	(500,000)	12,816,750	12,816,750	0
Community and Housing	**171,153**	**379,900**	**(208,747)**	**1,364,000**	**1,364,000**	**0**
Housing	**172,004**	**375,900**	**(203,896)**	**990,000**	**990,000**	**0**
Disabled Facilities Grant	172,004	375,900	(203,896)	640,000	640,000	0
Major Projects - Social Care H	0	0	0	350,000	350,000	0
Libraries	**(851)**	**4,000**	**(4,851)**	**374,000**	**374,000**	**0**
Library Enhancement Works	(851)	0	(851)	0	0	0
Major Library Projects	0	0	0	350,000	350,000	0
Libraries IT	0	4,000	(4,000)	24,000	24,000	0

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Children Schools & Families	**868,358**	**1,721,670**	**(853,312)**	**4,950,420**	**4,950,421**	**1**
Primary Schools	**473,398**	**565,030**	**(91,632)**	**2,335,580**	**2,335,581**	**1**
Hollymount	(356)	0	(356)	0	0	0
West Wimbledon	0	39,350	(39,350)	39,350	39,350	0
Hatfeild	34,031	8,910	25,121	54,910	54,910	0
Hillcross	(3,836)	24,790	(28,626)	83,290	83,290	0
Dundonald	45,900	23,200	22,700	124,500	124,500	0
Garfield	36,597	42,620	(6,023)	42,620	42,620	0
Merton Abbey	(530)	0	(530)	0	0	0
Poplar	8,453	8,510	(57)	24,010	24,010	0
Wimbledon Chase	77,501	18,990	58,511	99,990	99,990	0
Wimbledon Park	425	10,000	(9,575)	40,000	40,000	0
Abbotsbury	88,071	77,200	10,871	137,200	137,200	0
Malmesbury	0	10,000	(10,000)	35,000	35,000	0
Morden	(2,219)	0	(2,219)	0	0	0
Bond	6,092	6,030	62	6,030	6,030	0
Cranmer	0	8,000	(8,000)	34,000	34,000	0
Gorringe Park	24,700	32,650	(7,950)	86,650	86,650	0
Haslemere	(68)	0	(68)	0	0	0
Liberty	(487)	16,640	(17,127)	33,640	33,640	0
Links	3,110	77,000	(73,890)	170,000	170,000	0
St Marks	14,250	55,000	(40,750)	165,000	165,000	0
Lonesome	33,680	36,740	(3,060)	46,740	46,741	1
Sherwood	109,852	66,200	43,652	215,200	215,200	0
Stanford	(1,768)	0	(1,768)	0	0	0
William Morris	0	3,200	(3,200)	53,200	53,200	0
Unlocated Primary School Proj	0	0	0	844,250	844,250	0

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Secondary School	**(43,243)**	**160,010**	**(203,253)**	**260,010**	**260,010**	**0**
Harris Academy Merton	0	34,170	(34,170)	34,170	34,170	0
Raynes Park	0	5,590	(5,590)	5,590	5,590	0
Ricards Lodge	0	5,580	(5,580)	5,580	5,580	0
Rutlish	0	19,000	(19,000)	19,000	19,000	0
Harris Academy Wimbledon	(43,243)	95,670	(138,913)	195,670	195,670	0
SEN	**264,776**	**763,580**	**(498,804)**	**1,990,260**	**1,990,260**	**0**
Perseid	10,667	128,250	(117,583)	285,970	285,970	0
Cricket Green	94,320	197,190	(102,870)	366,150	366,150	0
Melrose	149,207	340,590	(191,383)	1,106,540	1,106,540	0
Secondary School Autism Unit	0	0	0	50,000	50,000	0
Unlocated SEN	(9,417)	84,210	(93,627)	168,260	168,260	0
Melbury College - Smart Centre	20,000	13,340	6,660	13,340	13,340	0
CSF Schemes	**173,427**	**233,050**	**(59,623)**	**364,570**	**364,570**	**0**
CSF IT Schemes	(1,353)	0	(1,353)	0	0	0
Devolved Formula Capital	174,780	233,050	(58,270)	349,570	349,570	0
Children's Centres	0	0	0	5,000	5,000	0
Youth Provision	0	0	0	10,000	10,000	0

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Environment and Regeneration	**2,787,254**	**4,308,643**	**(1,521,389)**	**17,266,030**	**17,014,031**	**(251,999)**
Public Protection and Developm	**0**	**168,736**	**(168,736)**	**450,340**	**325,340**	**(125,000)**
On Street Parking - P&D	0	40,000	(40,000)	100,000	100,000	0
Off Street Parking - P&D	0	68,600	(68,600)	200,000	75,000	(125,000)
CCTV Investment	0	60,136	(60,136)	150,340	150,340	0
Public Protection and Developm	0	0	0	0	0	0
Street Scene & Waste	**(117,973)**	**172,800**	**(290,773)**	**604,630**	**590,630**	**(14,000)**
Fleet Vehicles	0	163,200	(163,200)	542,200	542,200	0
Alley Gating Scheme	1,200	9,600	(8,400)	24,000	10,000	(14,000)
Waste SLWP	(119,173)	0	(119,173)	38,430	38,430	0
Sustainable Communities	**2,905,227**	**3,967,107**	**(1,061,880)**	**16,211,060**	**16,098,061**	**(112,999)**
Street Trees	20,756	26,400	(5,644)	126,000	126,000	0
Raynes Park Area Roads	0	10,444	(10,444)	26,110	26,110	0
Highways & Footways	2,213,241	1,567,558	645,683	7,203,570	7,203,571	1
Cycle Route Improvements	128,841	52,956	75,885	456,390	456,390	0
Mitcham Transport Improvements	52,552	38,644	13,908	96,610	96,610	0
Unallocated Tfl	0	0	0	0	0	0
Colliers Wood Area Regeneratio	6,838	6,000	838	15,000	15,000	0
Mitcham Area Regeneration	146,705	915,020	(768,315)	3,064,590	3,064,590	0
Wimbledon Area Regeneration	70,459	315,320	(244,861)	1,071,920	1,071,920	0
Morden Area Regeneration	0	0	0	300,000	300,000	0
Borough Regeneration	18,550	188,220	(169,670)	705,630	705,630	0
Morden Leisure Centre	9,693	14,670	(4,977)	55,000	55,000	0
Wimbledon Park Lake and Waters	28,812	86,500	(57,689)	329,500	329,500	0
Sports Facilities	32,511	81,340	(48,829)	458,840	458,840	0
Parks	176,271	664,035	(487,764)	2,301,900	2,188,900	(113,000)

Virement, Re-profiling and New Funding - September 2020

Appendix 5B

		2020/21 Budget	Virements	Funding Adjustments	Reprofiling	Revised 2020/21 Budget	2021/22 Budget	Movement	Revised 2021/22 Budget	Narrative
		£	£		£	£	£		£	
Corporate Services										
Invest to save schemes	(1)	400,000		(140,000)		260,000	300,000		300,000	Budget relinquished as struggling to spend
Environmental Asset Management		7,200		(7,200)		0	0		0	Relinquised Budget as Scheme Complete
Mosaic Group Work		26,680		(26,680)		0			0	Relinquished Budget
Community and Housing										
Disabled Facilities Grant	(1)	827,000			(187,000)	640,000			0	Re-profiled Budget
Children, Schools and Families										
Dundonald Primary School Maintenance Budget		79,500	45,000			124,500			0	Virement from Unallocated Budget
Wimbledon Chase Primary School Maintenance Bud		81,990	18,000			99,990	0		0	Virement from Unallocated Budget
Sherwood Primary School Maintenance Budget		201,200	14,000			215,200	0		0	Virement from Unallocated Budget
Unallocated Maintenance Budget		921,250	(77,000)			844,250	0		0	Virement from Unallocated Budget
Melrose Primary SEMH annexe 16	(1)	836,610		35,950		872,560	750,000	89,050	839,050	Virement from Harris Wimb & Fur. SEN Prov
Melrose S'dary SEMH 14 Places	(1)	200,000				200,000	750,000	125,000	875,000	Virement from Harris Wimb
Harris Academy Wimbledon	(1)	195,670				195,670	150,000	(150,000)	0	Virement to Prim & Sec SEMH
Further SEN Provision	(1)	35,950		(35,950)		0	250,000	(64,050)	185,950	Virement to Secondary SEMH
Environment and Regeneration										
School Part Time Road Closure		0		27,000		27,000	0		0	TfL Funded purchase of Cameras
Culverts	(1)	372,120			(258,120)	114,000	250,000	258,120	508,120	Budet re-profile to match projected spend
Merton Lost Rivers	(1)	100,000			(100,000)	0	100,000		100,000	Budet re-profile to match projected spend
Beddington Lane Cycle Scheme	(1)	60,000		104,000		164,000	0		0	Additional TfL Grant added to Section 106 Funding
ANPR Cameras Supporting Enforcement of Sc	(1)	0		486,000		486,000	0		0	SCIL Funded Scheme
Street Lighting Wimbledon	(2)	0		150,000		150,000	0	670,000	0	SCIL Funded Scheme
Haydons Road Public Realm Improvements	(1)	0		50,000		50,000	0	350,000	350,000	SCIL Funded Scheme
Rowan Park Community Facility Match Funding	(1)	0		150,000		150,000	0		0	SCIL Funded Scheme
Bishopsford Bridge	(1)	1,776,880		802,800		2,579,680	690,000	512,000	1,202,000	SCIL Funded Scheme
Cycle Lane&Roadway Bishopsford Bridge	(1)	0		20,000		20,000	0	130,000	130,000	SCIL Funded Scheme
Street Cleansing Sub Depot - Mitcham Area		0				0	0	55,000	55,000	SCIL Funded Scheme
Comm Arts Venue Cric Green Sch		49,480		(20,460)		29,020	0		0	NCIL Funded moved to revenue
Morely Park Enhancemnts		0		27,780		27,780			0	Section 106 Funded Scheme
Morden Town Centre Improvements	(1)	0		100,000		100,000	0	200,000	200,000	New NCIL Scheme
Crown Creative Knowlwdge Rxchange	(1)	0		150,000		150,000	0		0	SCIL Funded Scheme
Lamp Column Chargers		0		52,000		52,000	0		0	SCIL Funded Scheme
Plough Lane Enhancement (Eastside Footpath Only)		0		52,000		52,000	0		0	SCIL Funded Scheme
Total		6,171,530	0	1,977,240	(545,120)	7,603,650	3,240,000	2,175,120	4,745,120	

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

Virement, Re-profiling and New Funding - September 2020

Appendix 5B

		2022/23 Budget	Movement	Revised 2022/23 Budget	2023/24 Budget	Movement	Revised 2023/24 Budget	Narrative
		£	£	£	£		£	
Community and Housing								
Disabled Facilities Grant	(1)	827,000		827,000	280,000	187,000	467,000	Re-profiled Budget
Environment and Regeneration								
Merton Lost Rivers	(1)	100,000		100,000	0	100,000	100,000	Budet re-profile to match projected spend
Total		**927,000**	**0**	**927,000**	**280,000**	**287,000**	**567,000**	

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

Capital Programme Funding Summary 2020/21

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Proposed August Monitoring	**31,037**	**13,179**	**44,217**
Corporate Services			
Invest to Save	(140)	0	(140)
Environmental Asset Management	(7)	0	(7)
Mosaic Group Work	(27)	0	(27)
Community and Housing			
Disabled Facilities Grant	0	(187)	(187)
Environment and Regeneration			
School Part Time Road Closure	0	27	27
Culverts	(258)	0	(258)
Merton Lost Rivers	(100)	0	(100)
Beddington Lane Cycle Scheme	0	104	104
ANPR Cameras Supporting Enforcement of School Streets	486	0	486
Street Lighting Wimbledon	150	0	150
Haydons Road Public Realm Improvements	50	0	50
Rowan Park Community Facility Match Funding	150	0	150
Bishopsford Bridge	803	0	803
Cycle Lane&Roadway Bishopsford Bridge	20	0	20
Street Cleansing Sub Depot - Mitcham Area	0	0	0
Comm Arts Venue Cric Green Sch	(20)	0	(20)
Morely Park Enhancemnts	28	0	28
Morden Town Centre Improvements	100	0	100
Crown Creative Knowlwdge Rxchange	150	0	150
Lamp Column Chargers	52	0	52
Plough Lane Enhancement (Eastside Footpath Only)	52	0	52
Proposed September Monitoring	**32,525**	**13,123**	**45,649**

Capital Programme Funding Summary 2021/22

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Proposed August Monitoring	32,744	7,171	39,914
Environment and Regeneration			
Culverts	258	0	258
Street Lighting Wimbledon	670	0	670
Haydons Road Public Realm Improvements	350	0	350
Bishopsford Bridge	512	0	512
Cycle Lane&Roadway Bishopsford Bridge	130	0	130
Street Cleansing Sub Depot - Mitcham Area	55	0	55
Morden Town Centre Improvements	200	0	200
Proposed September Monitoring	34,919	7,171	42,089

Capital Programme Funding Summary 2023/24

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Proposed June Monitoring	21,215	3,200	24,415
Community and Housing			
Disabled Facilities Grant	187	0	187
Environment and Regeneration			
Merton Lost Rivers	100	0	100
Proposed June Monitoring	21,502	3,200	24,702

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Committee: Financial Monitoring Task Group

Date: 9 December 2020

Agenda item: 5

Wards: Ravensbury, St Helier, Merton Park and Canon Hill

Subject: Morden Town Centre Regeneration

Lead officer:	Director for Environment and Regeneration Chris Lee
Lead member:	Cabinet Member for Housing, Regeneration and the Climate Emergency, Councillor Martin Whelton
Contact officer:	Head of Future Merton, Paul McGarry

Recommendations:

A. That the Financial Monitoring Task Group note the information in this report

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. This report summarises the investment and funding plans for the regeneration of Morden Town Centre.

1.2. London Borough of Merton (LBM) is working closely with Transport for London (TfL) to structure a development joint venture to bring forward the development of 2000 new homes, a new bus station, improved public realm and new commercial space to deliver economic growth much needed housing including affordable housing in Morden. The project will also create a better tow centre for existing residents to enjoy.

1.3. This project has been affected by the loss of an external funding source and the Coronavirus pandemic but officers are considering alternative delivery and funding options.

1.4. There is currently no projected revenue or capital funding shortfall for the financial years 2020-21 and 2021-22 but this needs to remain under review as part of the consideration of the alternative delivery and funding options.

2 DETAILS - BACKGROUND

2.1. The regeneration of Morden town centre is a key priority for the council and officers have been working in partnership with TfL to facilitate the delivery of comprehensive regeneration within Morden town centre, which will stand as an exemplar of sustainable development while achieving the shared project objectives.

2.2. The regeneration vision and principles have been captured in Merton’s Local Plan. These plans seek to deliver a vibrant new town centre with c.2000 new homes across the 8.4 hectare site, together with an expanded and improved retail offer, modern business spaces, new and expanded bus infrastructure and a significantly improved public realm for the benefit of existing residents, businesses, commuters and other town centre users.

2.3. LBM and TfL are major landowners within the Morden Regeneration Zone but there are in excess of 350 different leasehold and freehold ownerships that will have to be acquired to deliver the comprehensive regeneration.

2.4. In November 2019, Cabinet approved a comprehensive set of proposals to enable the procurement of a development partner, subject to final confirmation of GLA funding for land assembly costs.

2.5. In March 2020 the GLA advised LBM and TfL that although they still support the scheme in principle, at the current time they were not in a position to support it financially through a significant sum of grant funding from their Land Assembly Fund within the Homes for Londoners Land Fund.

2.6. The impacts of the Coronavirus has changed the development market and the full impact is yet to be understood. The pandemic has also had an impact on TFL, with some of their staff working on the regeneration of Morden being placed on furlough. The priorities of the GLA staff that were working on the regeneration of Morden, were also redirected to dealing with the pandemic. This has caused delays to the project. Officers are currently assessing the market and are planning to engage commercial consultants to undertake another round of soft market testing prior to any procurement launch.

2.7. The project team has been investigating alternative delivery methods and funding mechanisms, including discussions with the Ministry for Housing, Communities and Local Government (MHCLG), and its sponsored agency, Homes England.

2.8. The LBM and TfL senior officers group overseeing the project team will be considering new delivery proposals at their meeting on 30 November 2020. These proposals aim to launch the procurement for a development partner in Spring 2021 and the milestones will be aligned to potential MHCLG investment funding process.

LLP Finances and LBM Capital

2.9. Both LBM and TfL are currently committed to a 50:50 equity split, to ensure that both risk and reward is shared. The equity split within the joint venture is based on an equalisation across the whole site of the parties' respective existing landholdings and a financial contribution, the level of which will be determined to ensure the equity investment of both the council and TfL, into the JV, is equal.

2.10. To that end, LBM and TfL's funding commitments include land and financial investment. Merton's current capital programme 2020-2024 includes £6m committed as 'Morden TC Regeneration Match Funding'. In addition, £4.3m of LBM's Local Implementation Plan (LIP) funding is currently held by TfL on the council's behalf. This is not currently reflected in the council's budgets, but it has been agreed in principle and will be formalised through the LLP as part of LBM's equity stake for the project.

2.11. Merton's total financial investment is therefore £10.3m and TfL have confirmed that they will be investing up to £20m in capital.

2.12. In addition to this, the Authority will also need to transfer its property interests in the regeneration site.

2.13. If the value of the current landholdings and capital resource is insufficient to fund the council's 50% share of the LLP contribution into the scheme, the Authority could be asked to contribute further. This will be confirmed through the procurement exercise.

2.14. The investment requirements for LBM and TfL are subject to change following further market research, receipt of detailed requirements from funders and the outcomes of procurement negotiations with the prospective development partners.

LBM Finances - Revenue

2.15. Appendix 1 sets out the current resourcing commitment to the scheme for 2020/21 and 2021/22. These costs will met by means of government funding via One Public Estate, council revenue funding and the use of capital funding for some items, once the procurement has commenced.

2.16. Significant council resources will be required to: negotiate its commercial interests in the joint ventures to be created, maintain sound project governance and reporting, manage specialist consultants, collaborating in the drafting of procurement documents, participating in complex procurement processes, instruction of legal advisors, review of land assembly risks and opportunities, delivery of a planning strategy, submission and reporting for funding bids, continued delivery of small interventions in the town centre and on-going communication with various stakeholders.

LBM Finances - CIL

2.17. Merton's Cabinet has approved the allocation of £300,000 from Merton's Neighbourhood Fund, which comes from the Community Infrastructure Levy (CIL) paid by developers, to bring forward improvements to Morden Town Centre.

2.18. The funding is for short-term deliverable improvements to Morden Town Centre to revitalise the high street and support businesses, pending the wider Morden regeneration scheme. The works would include, tidying the highway, improvements to shop fronts and the introduction of public art around the underground station.

2.19. The details of the projects that can be delivered over the next 2 years, are currently being scoped by the Future Merton team.

3 ALTERNATIVE OPTIONS

3.1. LBM and TfL will be working closely with commercial consultants to assess the options to take the scheme to the market, with the procurement launch currently aimed for April 2021.

Option 1 - Procure a development partner with a funding gap.

3.2. In this option, an opportunity is offered to the market without a potential funding partner to address the land assembly gap funding. The value of the development and therefore the size of the funding gap, is then effectively determined through the procurement process, and the third party development partner would be responsible for building the scheme out and provide private sector funding for Land Assembly.

3.3. This option is currently not favoured because the public bodies are likely to have an insignificant stake in the development and could be exposed to significant risks associated with funding failures. There is also a risk that developers don't participate in this process. When assessing investment opportunities, there are simpler, easier schemes on empty brownfield land that will yield a better return for investors. Regeneration projects require a long term commitment to the project, the place and ensuring value capture across the whole scheme. By securing grant funding (MHCLG) it de-risks the project for investors and reaffirms public sector support for the project and its outputs.

Option 2 – LBM and TFL procure a development manager to progress the regeneration.

3.4. In this option the development partner, LBM and TfL form a joint venture that develops a masterplan and is responsible for land assembly. The development partner is then a 'development manager' that make sites "oven ready" and delivers land parcels to be build out by themselves or other developers.

3.5. This option makes the delivery of the development less vulnerable to market changes as different housing types can be delivered by different specialist developers however, there is a risk that the parts of the site are not developed and land assembly costs and risks could be increased.

Option 3 - Council Funds Land Assembly

3.6. The council could fund the land assembly for the project up front. This would remove the need for external funding and could speed up the delivery of the project. This option would mean a significant cost for the council in the early stages of the project, in addition to additional resourcing costs and requirements, to enable the project to be fully managed internally by the council. This option is not recommended as it would place an unfavourable level of financial risk on the council.

Option 4 - Do nothing and do not proceed with the regeneration

3.7. Another alternative option would be for the council to no longer proceed with the regeneration plans. This would mean that the significant amount of work that has been undertaken over the past few years would be discarded. The council has had long-term plans to improve Morden and deliver a new town centre that supports local businesses and provides much needed new housing for residents. This option is not recommended as there is significant support to regeneration the town centre, both politically and in the local community.

3.8. The council would also not benefit from future revenues as described in part 6. The Council would still have to invest in Morden at some point in the next decade. As freeholder, the value of the property assets is diminishing as is the condition of the stock. The Council would also not benefit from new housing provision and place greater pressure on other parts of the borough to achieve housing needs targets.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. LBM and TFL have undertaken 2 rounds of soft market testing. In general the market was enthusiastic about the project and the outcome showed that there were a number of different development partners who would take different approaches to the development of Morden Town Centre.

4.2. We are currently working with TfL to appoint a consultant to update the soft market testing in light of the current market conditions and agree a method of development suitable for the current market and economic conditions.

5 TIMETABLE

5.1. The proposed new programme, to be considered by the Senior Officers group on 30 November 2020, shows the launch of the procurement in April 2021. In effect, this would result in a one year delay from the ‘Early 2020’ date that was in the programme of November 2019 Cabinet report.

5.2. The procurement launch milestone has a significant impact on resource as it requires a substantial quantity of preparation work and then the resourcing requirements for 12-18 months of OJEU procurement management.

5.3. The milestone below all have the same time periods between them, as those within programme of November 2019 Cabinet report, but only the procurement launch date has been amended:

Apr 2021	Procurement launch
Dec 2021	Adoption of new Local Plan
Jun 2022	Award Contract to Development Partner
Jan 2023	Masterplan completed
Apr 2024	Planning Permission Granted
Aug 2024	Start on site Phase 1 (final phased completed ~2035)

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

The Overall Scheme – Current Proposal

6.1. It is estimated that the scheme as a whole including regeneration will have a Gross Development Value of c.£1b and will take approximately 10 years to complete. The financial benefits to the council will come through the joint venture vehicle, in the form of dividends. The regeneration will also result in overall increases in council tax and business rates, with initial estimates shown in the table below. It should be noted that there may be some losses in the early phases of development due to the long-term delivery plans.

6.2. It is also estimated that the development could bring in £7.4m in Community Infrastructure Levy (CIL) funding for the council, in addition to Section 106 planning contributions deemed necessary for the development to be delivered. This figure excludes Mayoral CIL, which would be collected by the council on the GLA's behalf.

	Current	Estimated Additional
Annual Council Tax Based on 76% share received by Council in 2019/20	£138,332	£1,860,550
Annual Business Rates Based on 48% share received by Council in 2019/20	£476,429	£7,114

Property Implications

6.3. This project requires a significant amount of land assembly. The council and TfL both have substantial land interests within the regeneration boundary. In total there are approximately 350 land interests (of which 125 are freehold) within this boundary. In accordance with the land assembly strategy, the council will be required to put forward all of its landholdings within the Morden Regeneration Zone boundary while also managing the leases and tenancies of all Council owned freehold land.

Financial Implications – Revenue

6.4 There is currently an associated revenue budget of c£184k in 2020/21, and c£136k in 2021/22.

6.5 There is also c£303k of One Public Estate and c£27k of Heat Networks Delivery Unit reserve balances earmarked for the project.

6.6 This large town centre site will be delivered over a number of phases and the Authority's annual rental income will fluctuate, with reductions when the properties are needed for the development of the next phase and increases from the completed phase.

Financial Implications – Capital

6.7 The approved Capital Programme 2020-24 contains the following provision for Morden Town Centre Improvements/Regeneration:

Morden Town Centre Improvements	Revised Budget 2020-21	Revised Budget 2021-22	Revised Budget 2022-23	Revised Budget 2023-24	Total
Morden Town Centre Improvements*	100,000	200,000			**300,000**
Morden TC Regeneration Match Funding	50,000	2,190,000	1,608,000	2,152,000	**6,000,000**
Total Morden Town Centre Improvements	**150,000**	**2,390,000**	**1,608,000**	**2,152,000**	**6,300,000**

* Neighbourhood CIL funded scheme – there is an opportunity cost related to this scheme as funded utilised for Morden Town Centre Improvements will not be available to fund other schemes

6.8 This provision excludes any requirement to fund compulsory purchase orders for Council owned property, which it is envisaged will be reimbursed by the development partner.

6.9 The £6m in the Capital Programme is to be funded from borrowing and it is envisaged that, as these funds are drawn down, this spend would have the following impact on annual revenue and council tax payers:

£6 Million Investment	Full Year £
Minimum Revenue Provision @ 30 Years	**200,000**
Interest on Investment @ 2.56%	**153,600**
Total Cost to Revenue	**353,600**

6.10 The withdrawal of the GLA funding from the redevelopment has left a gap in the funding for the land assembly costs for the scheme. Section 3 in this report briefly discusses possible alternative options for the delivery of the scheme; the greater the control Merton retains in the scheme the greater the risk and rewards (financial and otherwise) for the Council.

6.11 The Table below shows, for illustration only, the estimated impact of each additional £1 million investment from Merton in the scheme, these annual costs will fall on revenue/council tax payers:

£1 Million Additional Investment	Full Year £
Minimum Revenue Provision @ 30 Years	**33,330**
Interest on Investment @ 2.56%	**25,600**
Total Cost to Revenue	**58,930**

6.12 If the regeneration scheme is not progressed or delayed for a number of years until the market improves then any capital monies spent that has not resulted in asset enhancement would need to be charged to revenue. Incurring these costs should be minimised.

6.13 As a condition of accessing the PWLB, LAs will be asked to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB. In order to minimise the administrative burden for LAs, this process is closely modelled on the existing application process that most large local authorities follow to access the Certainty Rate (a 20bps discounted rate offered by the PWLB).

6.14 As part of this, the PWLB will ask the finance director (s151, s95) of the local authority to confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This assessment is based on the finance director's professional interpretation of guidance issued alongside these lending terms.

6.15 It is impossible to reliably link particular loans to specific spending, so this restriction applies on a 'whole plan' basis – meaning that the PWLB will not lend to any local authority which plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether the transaction would notionally be financed from a source other than the PWLB.

6.16 When applying for a new loan, the local authority will be required to confirm that the plans they have submitted remain current and that the assurance that they do not intend to buy investment assets primarily for yield is still accurate.

6.17 The government is committed to the prudential system and has no intention of routinely reviewing the purpose of individual loans. If HM Treasury has concerns that a loan may be used in a way that is incompatible with HM Treasury's duties to ensure that public spending represents good value for money to the taxpayer, the department will contact the local authority to gain a fuller understanding of the situation. Should it transpire that an local authority has deliberately misused the PWLB, HM Treasury has the option to suspend that LA's access to the PWLB, and in the most extreme cases, to require that loans be repaid. In practice such an eventuality is highly unlikely and would only occur after extensive discussion with the local authority in question.

Resource Implications

6.18 As mentioned earlier in the report, the Resource Plan provided in Appendix 1 sets out the council's resource requirements for the next 2 financial years.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1 None of relevance to this report.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1 The regeneration of Morden Town Centre will form part of the council's Local Plan, which contains planning policies to improve community cohesion and will be subject to Sustainability Appraisals, Strategic

Environmental Assessments and Equalities Impact Assessments at the appropriate times.

9 CRIME AND DISORDER IMPLICATIONS

9.1 The Morden Town Centre Regeneration Zone forms part of the council's draft Local Plan, which contains planning policies to improve community cohesion and are subject to Sustainability Appraisal / Strategic Environmental Assessments, which also consider matters of crime and disorder.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1 As set out in the body of this report.

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

1. Resource Plans - Exempt

11.1 The following paragraph of Part 4b Section 10 of the constitution applies in respect of information within Appendix 1 to this report and it is therefore exempt from publication:

Information relating to the financial or business affairs of any particular person (including the Authority holding that information).

12 BACKGROUND PAPERS

12.1 Cabinet report January 2018 – Delivery of the regeneration of Morden town centre.

12.2 Cabinet report November 2019 – Morden Town Centre Regeneration.

12.3 Draft New Local Plan Policy Morden N3.3 and Site Allocation Mo4 – Morden Regeneration Zone

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

Document is Restricted