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# Merton Council

## Cabinet Agenda

### Membership

#### Councillors:

Mark Allison (Chair)  
Agatha Mary Akyigyina OBE  
Tobin Byers  
Natasha Irons  
Rebecca Lanning  
Owen Pritchard  
Marsie Skeete  
Eleanor Stringer  
Martin Whelton  
Brenda Fraser

**Date: Monday 6 December 2021**

**Time: 7.15 pm**

**Venue: Council Chamber, Merton Civic Centre, London Road, Morden SM4 5DX**

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## **Cabinet Agenda**

### **6 December 2021**

1	Apologies for absence	
2	Declarations of pecuniary interest	
3	Minutes of the previous meeting	1 - 8
4	References from Scrutiny Panels	9 - 10
5	Business Plan 2022-26	To Follow
6	Financial Monitoring Report - Period 7 October 2021	11 - 70
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8	Award of term building services contracts for the planned preventative maintenance and reactive repairs of building services, plant and equipment	71 - 78
9	Supply of Power	79 - 84
10	Exclusion of the public To RESOLVE that the public are excluded from the meeting during consideration of the following report(s) on the grounds that it is (they are) exempt from disclosure for the reasons stated in the report(s).	
11	Item 7 - Appendices A-D	85 - 92
12	Item 8 - Appendices A-B	93 - 96
13	Update on CHAS - Appointment of financial advisers	97 - 132

#### **Note on declarations of interest**

Members are advised to declare any Disclosable Pecuniary Interest in any matter to be considered at the meeting. If a pecuniary interest is declared they should withdraw from the meeting room during the whole of the consideration of that matter and must not participate in any vote on that matter. For further advice please speak with the Managing Director, South London Legal Partnership.

# Agenda Item 3

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

## CABINET

8 NOVEMBER 2021

(7.15 pm - 7.53 pm)

**PRESENT** Councillor Mark Allison (in the Chair), Councillor Tobin Byers, Councillor Rebecca Lanning, Councillor Eleanor Stringer and Councillor Martin Whelton

**ALSO PRESENT** Councillor Nick Draper  
Councillor Aidan Mundy

Hannah Doody (Chief Executive), Caroline Holland (Director of Corporate Services), John Morgan (Interim Director, Community & Housing) and Amy Dumitrescu (Democracy Services Manager)

**ATTENDING REMOTELY** Councillor Agatha Akyigyina, Councillor Brenda Fraser, Councillor Natasha Irons, Councillor Owen Pritchard and Councillor Marsie Skeete.

Louise Round (Managing Director SLLP), James McGinlay (Assistant Director Sustainable Communities), Tom Procter (Head of Contracts and School Org), Tim Catley S106/External Funding Officer and Octavia Lamb (Research and Policy Officer – Labour Group)

### 1 APOLOGIES FOR ABSENCE (Agenda Item 1)

No apologies were received. Councillors Akyigyina, Fraser, Irons, Pritchard and Skeete attended remotely.

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

There were no declarations of interest.

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

**RESOLVED:** That the minutes of the meeting held on 11 October 2021 are agreed as an accurate record.

### 4 REFERENCES FROM SCRUTINY PANELS (Agenda Item 4)

At the invitation of the Chair, Councillor Aidan Mundy, Chair of the Sustainable Communities Overview and Scrutiny Panel spoke on the item and gave an overview of the ongoing work of the Panel working with Clarion Housing and of the panel's reference.

The Cabinet Member for Housing, Regeneration and the Climate Emergency thanked Councillor Mundy and the Panel for their work. Councillor Whelton noted this was a complex regeneration scheme and that this would continue to be scrutinised.

The Assistant Director for Sustainable Communities noted that work was ongoing on the reporting matrix and once further clarification had been obtained between the Council and Clarion this would be fed back in due course.

RESOLVED :

That the Cabinet noted the reference of the The Sustainable Communities Overview and Scrutiny Panel set out in paragraphs 2.7 to 2.12 below.

2.7. The Panel RESOLVED (five votes for, two against, one abstention) to send the following recommendations to Cabinet;

2.8. Amend the Stock Transfer Agreement between Clarion and Merton Council for the principles of:

2.9. Suspending the council's clawback until the programme reaches breakeven; publishing, through the performance management item of the Sustainable Communities Panel, the status of profitability;

2.10. Requiring Clarion to commit to delivering Decent Homes if Clarion fails to reach deadlines for delivering regeneration, while agreeing category 1 faults without fail and category 2 faults as per health and safety assessments are repaired;

2.11. Agreeing monthly business plan and risk management monitoring, open book approach and reporting back to the Sustainable Communities Panel at every meeting as part of performance monitoring. Clarion to fund all. Metrics to be agreed between Chair and Council Officers before calendar year end 2021.

2.12. Council will continue with 100% nomination rights to true voids as per the 2010 Nomination Rights Deed.

## 5 BUSINESS PLAN 2022-26 (Agenda Item 5)

The Chair announced that items 5 and 10 would be taken together at this stage of the meeting. For the purposes of the minutes these are minuted separately and in the order of the published agenda.

The Cabinet Member for Finance presented the report, thanking officers for their work. The Business Plan had been brought to the three scrutiny panels and was due to be taken to the Overview and Scrutiny Commission during the upcoming week along with the draft Capital programme if approved by Cabinet, with the next substantive update on the Business Plan due at the December meeting of Cabinet which would include savings proposals.

It was noted that the final settlement from Central Government would not be known until mid-December 2021, however the Council had already been advised that it would be able to levy a 1% Adult Social Care precept and it was expected that the Council Tax threshold would remain at 2%.

RESOLVED:

1. That Cabinet considered and agreed the draft Capital Programme 2022-2031 and referred it to the Overview and Scrutiny panels and Commission in January 2022 for consideration and comment.
2. That the Cabinet noted the details set out in the Government's Autumn Budget 2021 and Spending Review 2021.

## 6 COUNCIL TAX SUPPORT SCHEME 2022/23 (Agenda Item 6)

The Cabinet Member for Finance presented the report and thanked officers for their work. The annual report recommended that the scheme be retained and uprated to keep it in line with Government provided scheme and if agreed would proceed to Full Council for a decision later in November.

### RESOLVED:

1. That the uprating revisions for the 2022/23 council tax support scheme detailed in the report were agreed, in order to maintain low council tax charges for those on lower incomes and other vulnerable residents
2. That Cabinet recommended to Council that it adopts the proposed revisions to the 2022/23 scheme.

## 7 HOME TO SCHOOL TRANSPORT (Agenda Item 7)

The Cabinet Member for Children and Education presented the report, thanking officers for their work. The consultation would seek to discuss whether the existing policy was appropriate and cost efficient and whether any changes could be made to benefit young people and to become more efficient, with a range of suggested options provided for discussion.

### RESOLVED:

A. That Cabinet agreed to commence a consultation as outlined in the paper to consider changes to the council's Home to School/College Travel Assistance policy for providing travel support from September 2022, and particularly the discretionary policy.

## 8 SECONDARY SCHOOLS CATERING CONTRACT AWARD DECISION (Agenda Item 8)

The Cabinet Member for Children and Education presented the report, thanking officers for their work. The report followed a previous Cabinet decision to remove catering from the PFI contract which covered a number of schools and therefore this report sought to award a contract for the provision of school meals catering to these schools following a bidding process to identify a supplier.

### RESOLVED:

A. That Cabinet agreed to award to Bidder A (as detailed in the Confidential Appendix to this report) a contract for provision of the school meals catering service at Merton PFI secondary schools for a period of 3 years from 1 January 2022, with an option to extend for up to two further years at the discretion of the Council.

B. In accordance with Contract Standing Orders (CSO 24.3) that authority was delegated to the Director of Children, Schools and Families to exercise, in consultation with the Cabinet Member for Children and Education, the council's option to grant one or more extensions of the contract term for any period up to two further years beyond the expiry of the initial contract term on 31 December 2025.

## 9 NEIGHBOURHOOD FUND BID APPROVALS 2021 (Agenda Item 9)

The Cabinet Member for Housing, Regeneration and the Climate Emergency presented the report, thanking officers for their work.

Following a consultation earlier in the year, project bids totalling £1.78m had been received and the Cabinet Member thanked all those who had submitted a bid to the fund. The report proposed the approval of £1.275m covering 22 of the projects and 2 top-ups of previously successful bids, based on criteria previously agreed by Cabinet.

The Cabinet Member for Children and Education spoke on the number and breadth of bids that had been approved that would benefit children and young people.

The Cabinet Member for Local Environment and Green Spaces spoke on bids which improve the local environment.

### RESOLVED:

1. That Cabinet agreed to allocate CIL Neighbourhood Fund money to individual projects received through the 2021 Neighbourhood Fund consultation in line with Merton Council's approved Neighbourhood Fund criteria as set out in Appendix A
2. That delegated authority was granted to the Director of Environment and Regeneration in consultation with the Cabinet Member for Housing, Regeneration and the Climate Emergency and Transport to make any amendments to funding bid amounts received through the recent Neighbourhood Fund consultation, in line with Cabinet's agreed Neighbourhood Fund criteria

## 10 FINANCIAL MONITORING REPORT - PERIOD 6 SEPTEMBER 2021 (Agenda Item 10)

The Cabinet Member for Finance presented the report, thanking officers for their work, noting that the forecast net variance had increased from the previous report, with the cost of Covid remaining the primary factor for this.

In regards to the Dedicated Schools Grant, the Council continued in discussions with the Department for Education but was unlikely to have any resolution on those discussions until early 2022.

The Director of Corporate Services advised that the report would be discussed by the Financial Monitoring Task Group at their next meeting and noted that an invoice recently paid by the CCG had improved the position.

The Chair thanked the officers for their work and it was RESOLVED:

A. That Cabinet noted the financial reporting data for month 6, September 2021, relating to revenue budgetary control, showing a forecast net adverse variance at year end on net service expenditure of £6.197m, increasing to £7.687m when corporate and funding items are included.

B. That Cabinet approved a draw down of £250k from the Your Merton reserve to E&R revenue budgets to fund a series of street and parks improvement projects within the department.

C. That Cabinet noted the contents of Section 5 and Appendix 5b of the report and approve the adjustments to the Capital Programme in the Table below:

	Budget 2021-22	Budget 2022-23	Budget 2023-24	Budget 2024-25	Narrative
	£	£		£	
<b>Corporate Services</b>					
Invest to Save – General	(473,690)	273,690			Re-profiled in line with projected spend
Invest to Save - Photovoltaics	(50,000)	50,000			Re-profiled in line with projected spend
<b>Community and Housing</b>					
Disabled Facilities Grant	262,410		220,000	440,410	Grant for 2021-22 Applied to Prog.
<b>Children, Schools and Families</b>					
West Wimbledon Capital Maintenance Budget	75,000				Virements-projected spend capital maintenance
Hatfeild Capital Maintenance Budget	60,000				Virements-projected spend capital maintenance
Hillcross Capital Maintenance Budget	105,000				Virements-projected spend capital maintenance
Joseph Hood Capital Maintenance Budget	37,000				Virements-projected spend capital maintenance
Dundonald Capital Maintenance Budget	(1,990)				Virements-projected spend capital maintenance
Merton Park Capital Maintenance Budget	50,000				Virements-projected spend capital maintenance
Pelham Capital Maintenance Budget	35,000				Virements-projected spend capital maintenance
Wimbledon Chase Capital Maintenance Budget	40,000				Virements-projected spend capital maintenance

Abbotsbury Capital Maintenance Budget	18,000				Virements-projected spend capital maintenance
Malmesbury Capital Maintenance Budget	13,000				Virements-projected spend capital maintenance
Bond Capital Maintenance Budget	35,000				Virements-projected spend capital maintenance
Cranmer Capital Maintenance Budget	50,000				Virements-projected spend capital maintenance
Haslemere Capital Maintenance Budget	90,000				Virements-projected spend capital maintenance
St Mark's Capital Maintenance Budget	65,000				Virements-projected spend capital maintenance
Lonesome Capital Maintenance Budget	35,000				Virements-projected spend capital maintenance
Sherwood Capital Maintenance Budget	30,000				Virements-projected spend capital maintenance
Unallocated Capital Maintenance Budget	(786,010)				£xk virement to specific schemes
Perseid Capital Maintenance Budget	50,000				Virements-projected spend capital maintenance
Unlocated SEN – Medical PRU Expansion	(300,000)	300,000			Re-profiled in accordance with projected Spend
<b><u>Environment and Regeneration</u></b>					
SLWP – General	(8,080)	8,080			Re-profiled in accordance with projected Spend
SLWP – Waste Bins	(13,350)	13,350			NCIL Capital Bidding 2021-22
Mitcham Area Regen – Pollards Hill Bus Shelter		150,000			NCIL Capital Bidding 2021-22
Highways & Footways – S Wimb Bus Area Wayfinding		135,630			NCIL Capital Bidding 2021-22
Highways & Footways – Street Lighting Wimb	(261,680)	261,680			Re-profiled in accordance with projected Spend
Cycle Route Imps – Cycle Lane Plough Lane	(120,000)	120,000			Re-profiled in accordance with projected Spend
Wimb Area Regen – Wimb Public Realm Implement	(401,190)	401,190			Re-profiled in accordance with projected Spend
Wimb Area Regen – Haydons Rd Public Realm Imps	(300,000)	300,000			Re-profiled in accordance with projected Spend
<b>Total</b>	<b>(1,665,580)</b>	<b>2,013,620</b>	<b>220,000</b>	<b>440,410</b>	



D. That Cabinet approved the Revenue NCIL Bids below as contained in Appendix 5d – these are summarised below:

<b><u>Revenue Schemes</u></b>	<b>Budget 2021- 22 £</b>	<b>Budget 2022- 23 £</b>
The Small Quarter: Community growing and culture space		38,914
The Mitcham Colour Way		3,500
Attic's Creative Community Engagement Programme		42,549
Sherwood Park Café and Mini Golf		60,000
Uptown Youth Services		30,000
Martin Way – Greener, Brighter & Revitalised		27,335
Merton Garden Streets 2022		31,288
Museum of Wimbledon Refurbishment Project (Grant)		50,000
Energy Matters: Building the next generation of energy champions		88,823
There's More to Morden		35,000
20mph banners		35,000
Community Champions 2022: Building social capital in Merton's journey towards net zero	57,600	6,400
The Wheel – A Circular Economy for Merton		75,000
Parade Programme Management top-up		27,500
<b>Total Revenue Schemes</b>	<b>57,600</b>	<b>551,309</b>

E. That Cabinet approved the use of £802,000 of the Climate Change reserve for carbon reduction and the delivery of Merton's Climate Action Plan across 2021/22 (£20k) and 2022/23 (£782k). Further allocations for future years will be required and will be built in to the business plan.

#### 11 EXCLUSION OF THE PUBLIC (Agenda Item 11)

The Cabinet agreed not to refer to the exempt information contained in Item 8 during consideration of the items and therefore the meeting remained in public.

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## **Committee: Cabinet**

**Date: 6 December 2021**

Wards: All

### **Subject: Reference from the Sustainable Communities Overview and Scrutiny Panel – Waste services, recycling and fly-tipping**

Lead officer: Rosie Mckeever, Scrutiny Officer

Lead member: Councillor Aidan Mundy, Chair of the Sustainable Communities Overview and Scrutiny Panel

Contact officer: Rosie Mckeever, Scrutiny Officer, 0208 545 4035

#### **Recommendations:**

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1. The Sustainable Communities Overview and Scrutiny Panel requests that Cabinet implement its recommendations as set out in paragraphs 2.6 to 2.9 below and report back to the Panel with an update in six months' time.
- 

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

- 1.1. On 1 November the Sustainable Communities Overview and Scrutiny Panel welcomed the Assistant Director of Public Space to lead a discussion on how Merton residents can be encouraged to recycle more. A presentation was also given on the recycling rates in Morden and London wide.
- 1.2. The Panel were reassured to hear that Merton's current recycling rate places us in the top quartile in London and would like to build on this with a few suggested areas of investigation for Cabinet and officers as set out in paragraphs 2.6 to 2.9 below.

## **2 DETAILS**

### **2.1. Scrutiny process**

- 2.2. The Panel were reassured to hear that Merton's current recycling rate places us in the top quartile in London.
- 2.3. However it should be noted that whilst Merton delivers similar levels of food waste and recycling as its neighbouring boroughs, our garden waste is much lower in comparison which has led to the Panels suggestion at point 2.7.
- 2.4. Panel Members also asked questions in relation to resident queries they have received regarding contaminated waste, with the Assistant Director of Public Space agreeing that this issue is the biggest blocker to improving the recycling rate.

### **2.5. Scrutiny response**

- 2.6. The Panel RESOLVED (six votes for, one abstention) to send the following recommendation to Cabinet;
- 2.7. The Sustainable Communities Panel recommends Cabinet look at the feasibility of offering discounted access to our paid for waste services, to those residents on council tax support, in order to incentivize take up of

these services and further increase the rate of recycling. This should include garden waste collection.

2.8. Furthermore the Panel recommended (five votes for, two abstentions) that as a Council we lobby the government to accept central responsibility for producing effective policy and legislation to deter and deal with fly tipping.

2.9. Lastly, all seven voting Members of the Panel agreed to recommend that the Council, over a suitable time frame, proactively writes to all those blocks of flats with communal recycling, with details on how to recycle correctly and avoid waste contamination.

### **3 ALTERNATIVE OPTIONS**

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

### **4 CONSULTATION UNDERTAKEN OR PROPOSED**

4.1. None for the purpose of this report.

### **5 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

5.1. None for the purpose of this report.

### **6 LEGAL AND STATUTORY IMPLICATIONS**

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

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

7.1. There are no human rights, equalities and community cohesion implications as a result of this report.

### **8 CRIME AND DISORDER IMPLICATIONS**

8.1. These are no crime and disorder implications as a result of this report.

### **9 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

9.1. There are no risk management and health and safety implications as a result of this report.

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

- None

### **11 BACKGROUND PAPERS**

None

## Cabinet

Date: 6 December 2021

Subject: Financial Report 2021/22 – Period 7 October 2021

Lead officer: Roger Kershaw

Lead member: Councillor Tobin Byers

### Recommendations:

- A. That Cabinet note the financial reporting data for month 7, October 2021, relating to revenue budgetary control, showing a forecast net adverse variance at year end on net service expenditure of £5.732m, increasing to £8.534m, an increase of £847k over last month when corporate and funding items are included.
- B. That CMT note the contents of Section 5 and approve the adjustments to the Capital Programme contained in Appendix 5b  
That Cabinet note the contents of Section 5, Appendix 5b and 5d of the report and approve the adjustments to the Capital Programme in the Table below:

	Budget 2021-22	Budget 2022-23	Narrative
	£	£	
<b>Corporate Services</b>			
Compulsory Purchase Order - Clarion	(721,730)		No CPOs Required for Ravensbury
Customer Contact Programme	(200,000)	200,000	Re-profiled in line with projected spend
Westminster Coroners Court	(400,000)	400,000	Re-profiled in line with projected timing of spend, liaising with WCC over project cost
<b>Children, Schools and Families</b>			
West Wimb. - Capital Maintenance Budget	(65,000)	65,000	Re-profiled in accordance with projected Spend
Hillcross - Capital Maintenance Budget	(63,000)	63,000	Re-profiled in accordance with projected Spend
Joseph Hood - Capital Maintenance Budget	(45,000)	45,000	Re-profiled in accordance with projected Spend
Dundonald - Capital Maintenance Budget	(20,000)	20,000	Re-profiled in accordance with projected Spend
Pelham - Capital Maintenance Budget	(30,000)	30,000	Re-profiled in accordance with projected Spend
Wimb. Chase - Capital Maintenance Budget	(35,000)	35,000	Re-profiled in accordance with projected Spend
Bond - Capital Maintenance Budget	(30,000)	30,000	Re-profiled in accordance with projected Spend
Crammer - Capital Maintenance Budget	(45,000)	45,000	Re-profiled in accordance with projected Spend
Links - Capital Maintenance Budget	(20,000)	20,000	Re-profiled in accordance with projected Spend
St Marks - Capital Maintenance Budget	(55,000)	55,000	Re-profiled in accordance with projected Spend
Lonesome - Capital Maintenance Budget	(30,000)	30,000	Re-profiled in accordance with projected Spend
Harris Academy Merton - Community Sport Pitch	(65,000)	65,000	Re-profiled in accordance with projected Spend
Rutlish - Capital Maintenance Budget	5,000		Virements - projected spend capital maintenance
Perseid - Capital Maintenance Budget	(45,000)	40,000	Virements - projected spend capital maintenance
Whately Avenue Expansion	(30,000)	30,000	Re-profiled in accordance with projected Spend
Unallocated SEN Expansions	(30,000)	30,000	Re-profiled in accordance with projected Spend
<b>Environment and Regeneration</b>			
Highways & Footways - Highways bridges & structures	105,000		Re-profiled in accordance with projected Spend
Highways & Footways - Salt Barn	(23,600)		Re-profiled in accordance with projected Spend
On Street Parking P&D - Pay and Display Machines	(303,000)	303,000	Re-profiled in line with projected spend
Off Street Parking P&D - Car Park Upgrades	(465,530)	465,530	Re-profiled in line with projected spend
Wimbledon Area Regeneration - Crowded Places-Hostile Vehicle	(180,000)	180,000	Re-profiled in accordance with projected Spend
Mitcham Area Regeneration - Canons Parks for the People	590,000		Additional SCIL Funding
Parks Investment - Canons Parks for the People	150,000		Additional SCIL Funding
Parks Investment - Sports Drainage	150,000		New SCIL Funding
<b>Total</b>	<b>(1,901,860)</b>	<b>2,151,530</b>	

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the period 7 monitoring report for 2021/22 presented in line with the financial reporting timetable.

This financial monitoring report provides -

- A full year forecast projection as at period 7.
- 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 2021/22;
- Progress on the delivery of the 2021/22 revenue savings

## **2. THE FINANCIAL REPORTING PROCESS**

- 2.1 The budget monitoring process for 2021/22 continues to focus on the ongoing financial impact of Covid-19. The Council's services remain 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 for some time. The detrimental impact of Covid-19 is being monitored closely as the situation evolves.
- 2.2 There are also significant pressures on the Dedicated Schools Grant (DSG) which are being monitored. The cumulative deficit at the end of 2020/21 was £24.981m and the deficit is forecast to continue to increase in 2021/22, the cumulative deficit is now estimated to be £37.634m by the end of this financial year.
- 2.3 Chief Officers, together with budget managers with support from 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.

## **3. 2021/22 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA**

**Executive summary** – At period 7 to 31 October 2021, the year end forecast is a net adverse variance of £8.534m when all incremental Covid costs are included, after applying known government grant funding.

**Summary Position as at 31st  
October 2021**

	Current Budget 2021/22 £000s	Forecast Variance at year end (October) £000s	Forecast Variance at year end (September) £000s	Covid-19 Forecast Variance £000s	Outturn variance 2020/21 £000s
<b>Department</b>					
Corporate Services	11,833	1,322	1,691	905	3,746
Children, Schools and Families	63,048	643	802	714	(2,971)
Community and Housing	69,470	(1,557)	(1,334)	1,143	(2,264)
Public Health	(0)	0	0	0	(18)
Environment & Regeneration	15,329	5,324	5,038	6,726	10,689
Overheads	0	0	0	0	0
<b>NET SERVICE EXPENDITURE</b>	<b>159,679</b>	<b>5,732</b>	<b>6,197</b>	<b>9,488</b>	<b>9,182</b>
<b>Corporate Items</b>					
Impact of Capital on revenue budget	11,157	(145)	(145)	0	(27)
Other Central budgets	(7,431)	803	803	0	2,151
Levies	959	0	0	0	0
<b>TOTAL CORPORATE PROVISIONS</b>	<b>4,685</b>	<b>658</b>	<b>658</b>	<b>0</b>	<b>2,124</b>
<b>Covid-19</b>	<b>0</b>	<b>1,036</b>	<b>833</b>	<b>1,036</b>	<b>176</b>
<b>TOTAL GENERAL FUND</b>	<b>164,364</b>	<b>7,425</b>	<b>7,687</b>	<b>10,524</b>	<b>11,306</b>
<b>FUNDING</b>					
Revenue Support Grant	(5,187)	0	0	0	0
Business Rates	(34,339)	0	0	0	0
Other Grants	(16,949)	0	0	0	(382)
Council Tax and Collection Fund	(98,434)	0	0	0	4
COVID-19 emergency funding	(6,811)	0	0	0	0
Income compensation for SFC	(2,643)	1,109	0	1,109	
<b>FUNDING</b>	<b>(164,363)</b>	<b>1,109</b>	<b>0</b>	<b>1,109</b>	<b>(378)</b>
<b>NET</b>	<b>1</b>	<b>8,534</b>	<b>7,687</b>	<b>11,633</b>	<b>10,928</b>

The current level of GF balances is £14.0m and the minimum level reported to Council for this is £14.0m.

**Covid-19 Financial Impact**

The government announced a scheme to reimburse Councils for lost income from sales, fees and charges. This involves a 5% deductible rate, whereby the Council absorbs up to 5% and the government compensation covers 75p in every pound of relevant loss thereafter. The scheme was extended for the first quarter of 2021/22. Amounts expected from the income compensation scheme have now been included in the forecast, subject to confirmation by DLUHC. This is c.£1.5m which represents a shortfall against a budgeted £2.643m as the circumstances around the pandemic and impact on income has greatly improved since the budget was set, particularly around parking income.

The ongoing situation with high levels of uncertainty continues to make forecasting difficult for the year ahead as it's unclear if or when some service areas will see activity return to pre-covid levels.

### Covid Expenditure

Covid expenditure which is incremental is reported centrally on Corporate items – Covid costs. These are the incremental costs not covered by specific covid grants.

### Income shortfall

Income budgets are included within departments so the impact of Covid-19 on lost income is reflected in departmental forecasts.

### Savings unachieved

Departmental budgets are adjusted for the agreed savings targets for 2021/22 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 departments. This is inclusive of 2020/21 savings which remain under pressure.

#### Covid-19 Summary

<b>COVID-19 COST SUMMARY</b>	<b>Forecast as at October 2021</b>	<b>Forecast as at September 2021</b>
	<b>2021/22 £000s</b>	<b>2021/22 £000s</b>
<b><u>Department</u></b>	-	-
Corporate Services	905	980
Children, Schools and Families	714	714
Community and Housing	1,143	703
Environment & Regeneration	6,726	5,931
<b>TOTAL INCOME LOSS &amp; SAVINGS UNACHIEVED</b>	<b>9,488</b>	<b>8,328</b>
<b><u>Corporate Items - Covid costs</u></b>	-	-
Corporate Services	115	115
Children, Schools and Families	180	180
Community and Housing	242	242
Environment & Regeneration	499	296
<b>ADDITIONAL COVID EXPENDITURE</b>	<b>1,036</b>	<b>833</b>
<b><u>FUNDING</u></b>	-	-
Business Rates	5,387	5,835
Council Tax	0	0
<b>TOTAL FUNDING LOSS</b>	<b>5,387</b>	<b>5,835</b>
<b>GROSS COST OF COVID-19</b>	<b>15,911</b>	<b>14,996</b>
<b>Covid general funding</b>	<b>-6,811</b>	<b>-6,811</b>
<b>Income compensation for sales, fees &amp; charges</b>	<b>-1,534</b>	<b>TBC</b>
<b>NET COST OF COVID-19</b>	<b>7,566</b>	<b>8,185</b>

### Covid-19 impact on the Collection Fund

Due to COVID-19 the amount of Business Rates collected will be less than budgeted for 2021/22 when the budget was approved by Council in March 2021. 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 businesses arriving and leaving during the year.

Due to Covid-19 the level of collection is less than expected and will result in a deficit in Business



Rates for the financial year 2021/22. This deficit is currently estimated at £5.387m as shown in the covid table above to demonstrate the full impact of covid, however, due to the way Business Rates are accounted for in local authorities, any shortfall will not be reflected in the 2021/22 financial year but will be managed via the Collection Fund and accounted for in future years. The Council will build estimates for Business Rates including any deficit/surplus from previous accounting years into the MTFS and budgets for 2022/23 onwards. The estimated deficit is therefore not reflected in the main summary position table for 2021/22 as it will not impact the general fund outturn.

In 2020/21 Merton collected 90.04% of its Business Rates income. As at the end of October, 2021/22 business rates collected is 2.53% less than the equivalent for last year, but the forecast for the full year is up 2% compared to last month.

On 3 March 2021 the government confirmed that the Expanded Retail Discount would continue to apply in 2021/22 at 100% for three months, from 1 April 2021 to 30 June 2021, and at 66% for the remaining period, from 1 July 2021 to 31 March 2022. The government confirmed that there would be no cash cap on the relief received for the period from 1 April 2021 to 30 June 2021. From 1 July 2021, relief will be capped at £105,000 per business, or £2 million per business where the business is in occupation of a property that was required, or would have been required, to close, based on the law and guidance applicable on 5 January 2021.

## **Cashflow**

The Covid-19 outbreak created pressure on the council's cash flow but the position is starting to settle down in 2021-22. 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 (MMFs).

In light of Government relief announcements made last year, the Council continues to see a reduction in income. 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/MMFs to maintain liquidity. This approach helped the council meet its cash flow needs and avoided any short term unplanned borrowing. The Council has now increased its MMFs investment limits and the number of MMFs to maintain a healthy liquid position. However, as we can now see the signs of the UK economy returning to some sense of normality and the confidence provided by the vaccine we expect the Council's cash flow to stabilise going forward. This will help us to place any excess cash in suitable short term fixed term deposits and earn improved returns.

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, but there remains a concern over the longer term in the context of the DSG deficit. However, if a cash shortfall 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	Current Budget £000	Full year Forecast (October) £000	Full Year Forecast Variance (October) £000	Full Year Forecast Variance (September) £000	Covid-19 Forecast Impact (October) £000	Outturn Variance 2020/21 £000
Customers, Policy & Improvement	5,755	5,630	(125)	(104)	45	915
Infrastructure & Technology	12,488	12,620	131	176	176	(51)
Corporate Governance	1,750	1,827	77	70	19	(88)
Resources	5,698	6,103	405	580	544	1,811
Human Resources	1,903	2,127	224	259	120	102
Corporate Other	710	1,320	610	710	0	1,057
<b>Total (Controllable)</b>	<b>28,305</b>	<b>29,626</b>	<b>1,321</b>	<b>1,691</b>	<b>905</b>	<b>3,746</b>

##### Overview

The department is currently forecasting an adverse variance of £1,321k at year end of which £905k is due to the external impact of covid-19. The adverse forecast variance has reduced by £370k since September.

##### Customers, Policy and Improvement - £125k favourable variance

The favourable variance is primarily due to various vacancies expected to be held for part of the year, such as in the AD (£95k) and Programme Office budgets (£61k).

The Voluntary Sector Coordination budget is also forecasting a favourable variance of £43k on grant payments.

The Registrars services are also forecasting a favourable variance of £50k due to the strong recovery of income levels following the cessation of covid restrictions earlier this year. The forecast income for this service is cautious at this stage and income is likely to reduce as it is expected that the demand for the service will reduce over the winter months.

Additional favourable variances include £49k due to reduced spend against budget on the cash collection contract, over-achieving the saving and £24k against the Merton Link budget.

Partially offsetting the favourable variances are the Press and PR budget which is forecasting a £168k adverse variance owing to the use of agency staff to cover the Head of Communications post pending the completion of a restructure. There is also a net adverse variance of £56k in the Translations services due to under-achievement against the income budget as external demand remains low and

a £27k adverse variance in the Policy and Strategy team partly due to the use of agency.

### **Infrastructure & Technology - £131k 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 £216k on the Corporate Print Strategy and £103k on the PDC (Chaucer Centre). These will be reviewed throughout the year and may improve depending on the level of staff returning to the office. 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 £92k adverse variance due to the lack of commissions since the pandemic began, though the forecast is significantly improved on the outturn position for 2020/21. There is a variance on Corporate Contracts (£31k adverse) due to 2020/21 savings for reducing cleaning in corporate buildings remaining unachievable within the current circumstances. A further £39k adverse variance is within the Client Financial Affairs team, mainly relating to the unachieved saving (reference 2019-20 CS23) relating to the introduction of a charging scheme.

There are also multiple favourable variances within the division, such as on the Microsoft EA (Enterprise Agreement) which is forecast less than budgeted and £71k in Safety Services due to recruitment lag as well as contingency not expected to be required in year. The Business Systems Team is also forecasting a £48k favourable variance due to vacancies in the team and there is a favourable £46k variance forecast for Garth Road from rental income.

### **Corporate Governance – £77k adverse variance**

The adverse variance is primarily due to forecast overspend within LBM Legal Service (£130k) of which £115k results from prior year unachieved savings. This will continue to be reviewed and reported as part of the progress on savings for Corporate Services.

The adverse variance has been partially offset by various favourable variances within the division which include £15k within AD Corporate Governance due to recharges for land charges migration work for the AD's salary costs, £13k within Democracy Services from IT costs and Mayor's allowances spend being less than budgeted, £16k across Electoral Services largely from less than budgeted canvass pay and £17k within the South London Legal Partnership (SLLp).

SLLp is currently forecasting a £81k surplus overall, £17k is forecast to be LBM's share. The variance in SLLp is largely due to reduced running costs as staff largely continue to work remotely and less than budgeted staffing costs.

### **Resources - £405k adverse variance**

The adverse variance forecast within Resources has reduced by £175k since September. This is mainly due to a £50k increase in forecast income within Local Taxation Services and the interim Head of Recovery's costs now being met from the Recovery and Modernisation fund.

Within Resources there are multiple budgets forecasting adverse variances due to covid-19. Resulting from covid is an adverse variance forecast in the Bailiffs service of £415k (inclusive of the shared service element) as a result of unachieved income which will be monitored as the circumstances around the pandemic improve and the service is able to operate more fully. Covid's impact on income also extends to the Local Taxation Service although there is a £112k favourable variance overall due to additional funding from the GLA and new burdens income from DWP. The Chief Executive's budget is also reporting a £52k adverse variance mainly due to the use of agency staff within the service for additional communication work.

The Corporate Accountancy service is forecasting a £120k adverse variance which includes an increase in fee proposed by the Council's external auditors, EY, though confirmation of the fee increase is still outstanding. A further adverse variance of £118k is forecast on insurance premiums though an updated projection is expected in the coming months when the impact on the cost of insurance premiums as a result of six schools leaving the insurance SLA arrangement is confirmed with our insurance provider. The Financial Systems Team is forecasting a £49k adverse variance owing to salary budget pressure as well as revenue costs for upgrading the financial system planned for later this year.

Favourable variances within Resources include £16k and £9k on the Director of Corporate Services and AD budgets respectively due to consultants and subscription budgets not required in year. The Support team within Revenues and Benefits has £20k favourable variance mainly against staffing costs. Within the Benefits Administration service a £141k favourable variance is largely due to receipts from DWP.

### **Human Resources – £224k adverse variance**

The adverse variance has seen a £35k favourable movement since period 6 due to staff changes.

This adverse variance is primarily due to agency cover in place against the AD budget (£102k variance) and Learning and Development budget (£28k variance).

Additionally, there is an adverse variance of £127k relating to the HR Transactions budget for the shared payroll system and iTrent client team charges from Kingston. This is reflective of a saving not expected to be achieved in year as new contract negotiations were delayed as a result of covid during 2020/21.

The Payroll service is anticipating a £21k favourable variance across various staffing and running costs as well as overachievement of income.

### **Corporate Items - £610k adverse variance**

The Corporate Items budget has seen a favourable movement of £100k since period 6 due to Housing Benefit Rent Allowances budget. However, the budget is still forecasting a net adverse variance of £798k. The variance is due to a shortfall on the subsidy attracted by overpayments compared to the budgeted amount for 2021/22 and is inclusive of £100k allowance for topping up the bad debt provision at year end in line with the level of top-up required in each of the past two financial years.

Partly offsetting the above are favourable variances on the corporately funded items budget of £92k due to budget not expected to be required in year, £51k on the added years pension budget and £45k net income forecast for the recovery of old Housing Benefits debts previously written off.

## Environment & Regeneration

Environment & Regeneration	2021/22 Current Budget	Full year Forecast (Oct)	Forecast Variance at year end (Oct)	Forecast Variance at year end (Sep)	2021/22 Covid-19 Forecast Impact (Oct)	2020/21 Outturn Variance
	£000	£000	£000	£000	£000	£000
Public Protection	(16,031)	(11,402)	4,628	4,189	5,513	8,973
Public Space	16,254	16,813	608	750	701	2,003
Senior Management	1,043	866	(177)	(130)	0	(134)
Sustainable Communities	8,330	8,594	264	230	511	(153)
<b>Total (Controllable)</b>	<b>9,546</b>	<b>14,870</b>	<b>5,324</b>	<b>5,039</b>	<b>6,726</b>	<b>10,689</b>

Description	2021/22 Current Budget	Forecast Variance at year end (Oct)	Forecast Variance at year end (Sep)	2020/21 Variance at year end
	£000	£000	£000	£000
Regulatory Services	625	223	252	194
Parking Services	(17,675)	4,382	3,915	8,804
Safer Merton & CCTV	1,019	24	22	(25)
<b>Total for Public Protection</b>	<b>(16,031)</b>	<b>4,628</b>	<b>4,189</b>	<b>8,973</b>
Waste Services	14,553	486	547	875
Leisure & Culture	549	242	210	764
Greenspaces	1,832	(48)	58	525
Transport Services	(729)	(71)	(65)	(161)
<b>Total for Public Space</b>	<b>16,205</b>	<b>608</b>	<b>750</b>	<b>2,003</b>
Senior Management & Support	1,043	(177)	(130)	(134)
<b>Total for Senior Management</b>	<b>1,043</b>	<b>(177)</b>	<b>(130)</b>	<b>(134)</b>
Property Management	(2,636)	(177)	(202)	(381)
Building & Development Control	(15)	293	293	281
Future Merton	10,981	148	139	(53)
<b>Total for Sustainable Communities</b>	<b>8,330</b>	<b>264</b>	<b>230</b>	<b>(152)</b>
<b>Total Excluding Overheads</b>	<b>9,546</b>	<b>5,324</b>	<b>5,039</b>	<b>10,689</b>

### Overview

The department is currently forecasting an adverse variance of £5,324k at year end. The main areas of variance are Regulatory Services, Parking Services, Waste Services, Leisure & Culture, Greenspaces, Property Management, Development & Building Control and Future Merton.

### Public Protection

#### **Regulatory Services adverse variance of £223k**

The section has cumulative income savings of £210k relating to potential commercial opportunities.

However, the focus for the financial year 2020/21 needed to be redirected from income generation to Covid-19 service delivery and service improvement including a major IT project resulting in an adverse income variance of £316k.

The IT transition Project is scheduled for completion in the new year which will then permit some resources to refocus on income generation. Covid-19 continues to impact licensing income due to continually changing business restrictions resulting in a reduction in income from Street Trading Licences and Gambling Licences. Licensing income has improved through an increase in licence applications some resulting from the new Pavement Licencing Regime. Business recovery does show signs of improvement however licensing income remains below pre-pandemic levels.

Whilst the loss of income experienced at the start of the financial year is unlikely to be recouped, services are focussing additional resources on fee recovery by identifying unlicensed businesses. To date the main focus of this work has been in Richmond . The work in Merton has yielded £7,000 from unlicensed business activities so far, with a view to increasing licensing checks within the borough to further increase income. Current forecasts estimate an adverse variance against budget of £30k.

### **Parking Services adverse variance of £4,382k**

It should be noted that the section has a £3,800k budget expectation relating to the review of parking charges, which commenced on the 14<sup>th</sup> 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 continues to try and better understand this.

Covid-19 continues to affect parking revenue across the board including ANPR, PCNs as well as on and off-street charges income. Analysis to better understand the short and longer-term impact of this is ongoing, but current forecasts show the adverse variance on PCN, P&D, and permit income of £2.2m, £1.3m, and £1.07m respectively.

Contributing to the PCN adverse variance is a further £348k decrease in anticipated income since period 6. Additionally, there is a 2020/21 and 2021/22 saving (ENV1920-01) of £680k 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 February 2022.

These adverse variances are being partially offset by a favourable variance on parking admin fee of £189k, employee spend of £72k and supplies and services £49k (of which £135k relates to the research and modernisation of SSZs cameras which will not be utilised until next year).

It should also be noted that that £750k EBC savings target this year will now be met from the corporate contingency, for which a budget transfer has taken place following Cabinet approval in October 2021.

### **Public Space**

#### **Waste Services adverse variance of £486k**

The section is forecasting an adverse variance on disposal costs of £368k. 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. In order to

mitigate this cost, the service is currently supporting SLWP in the planning of the re-procurement of both Food and Garden waste processing services which currently expire in 2022.

An adverse variance of £165k is being forecast in relation to its waste collection and street cleansing contract, as a result of agreed and necessary services being undertaken on our behalf by the service provider.

An adverse variance of £184k is also being forecast in relation to the Household, Reuse, Recycling Centre (HRRC), mainly as a result of extending the current contract during 2020/21, via a contract variation, in order to both minimise future costs and to align the contract period with the other SLWP boroughs. The service is currently exploring alternative access for residents to neighbouring sites along with implementing improvements to the current booking system which has contributed to the management of waste volumes. To date there are no planned service changes, and we note that any significant change to the provision of this service will first be presented to Cabinet for consideration.

Favourable variances on the Council's Environmental Enforcement services in respect of enforcing and issuing Fix Penalty Notices for littering (£199k), and employee related spend (£117k) is partially mitigating these adverse variances.

### **Leisure & Culture adverse variance of £242k**

Due to the ongoing impact of Covid-19 the Authority continues to support our service provider, GLL, and forego the guaranteed income due. Recovery forecasts estimate income returning in October 2021, which equates to an income shortfall of about £418k. However, during this time the Authority has been incurring lower utility costs at these premises, leading to a forecast favourable variance of £50k.

The continuation of Covid-19 related restrictions at the Wimbledon Sailing Base has also led to programmes with less attendees being available, resulting in a net adverse variance of £45k being forecast.

Favourable variances on one-off reimbursement costs of £100k, and employee related spend of £85k is partially mitigating these adverse variances.

### **Greenspaces favourable variance of £48k**

The favourable variance is primarily due to an increase in rental income from Wimbledon Tennis Fortnight outdoor events of £152k and over recovery of Phase C income of £62k.

The variance is reduced by anticipated under-recovery of income from outdoor events entertainment (£90k) and Parking Charges (£50k) resulting from the Covid-19 restrictions at the start of the year.

## **Sustainable Communities**

### **Property Management favourable variance of £176k**

The principal reason for the favourable variance relates to exceeding the commercial rental income expectations by £483k, which includes £167k of one-off income from conducting the backlog of rent reviews in line with the tenancy agreements. There is also a favourable variance on employees of £111k due to underspend being forecast on salaries against a budget of £312k.

This is being partially offset by an adverse variance of £232k on premises related expenditure, for example, building improvements, utilities, repairs & maintenance costs, and £152k on supplies & services related expenditure, for example, on employment of consultants to progress rent reviews due to lack of internal resource, and valuations to support asset valuations and potential disposals.

### **Building and Development Control adverse variance of £293k**

There is a £332k adverse variance on income which is being partially reduced by a favourable variance on supplies & services spend (£48k) and transport (£12k).

Within Development Control, income is up across all categories other than PPAs. This is due to the big increase in applications across the board. We have already processed 514 decisions more than for the same 11 month period last year. This is despite changes introduced by the Government last year which has resulted in the same amount of work being undertaken for lower fees on certain types of applications – prior approvals - (estimated loss of income due to these changes £43,370). One area of overspend for DC is on agency staff.

The area which is problematic is Building Control but this is not due to a reduction in applications. For the past several years, a budget figure of £625k has been put in, and each year the actual income achieved is consistently lower by around a third or over £200k. We need to strengthen the way that income is collected but additionally, Building Control only has a third of the market with Approved Inspectors taking two thirds. The only way it would be possible for Building Control to achieve a greater share of the market and higher income levels is by increasing the size of the team and marketing. A complete overhaul of the team is planned following receipt of the LABC report earlier in the year and internal audit concerns.

## **Children Schools and Families**

<b>Children, Schools and Families (£000's)</b>	<b>2021/22 Current Budget</b>	<b>Full Year Forecast</b>	<b>Forecast Variance October</b>	<b>Forecast Variance September</b>	<b>2021/22 Covid Forecast Impact</b>
<b>Education</b>					
Education Budgets	£ 17,210	£ 17,467	£ 257	£ 420	£ 274
Depreciation	£ 9,801	£ 9,801	£ -	£ -	£ -
Other Education Budgets	£ 127	£ 127	£ -	£ -	£ -
Education Services Grant	-£ (1,062)	-£ (1,062)	£ -	£ -	£ -
<b>Education Sub-total</b>	<b>£ 26,076</b>	<b>£ 26,333</b>	<b>£ 257</b>	<b>£ 420</b>	<b>£ 274</b>
<b>Other CSF</b>					
Child Social Care & Youth Inclusion	£ 21,009	£ 21,334	£ 326	£ 299	£ 440
Cross Department	£ 858	£ 883	£ 25	-£ (29)	£ -
PFI Unitary Costs	£ 8,168	£ 8,202	£ 34	£ 112	£ -
Pension and Redundancy Costs	£ 1,592	£ 1,592	£ -	£ -	£ -
<b>Other CSF Sub-total</b>	<b>£ 31,627</b>	<b>£ 32,011</b>	<b>£ 385</b>	<b>£ 382</b>	<b>£ 440</b>
<b>Grand Total</b>	<b>£ 57,703</b>	<b>£ 58,344</b>	<b>£ 642</b>	<b>£ 802</b>	<b>£ 714</b>

### **Overview**

At the end of September 2021, the Children Schools and Families directorate is forecasting an adverse variance against budget of £0.642m on local authority funded services. This is a favourable movement since period 6 of £160k. Since period 3 have seen a return to more normal levels of activity, including



a spike in high cost placements and this is reflected in the forecast. Alongside this, we have forecast a return to more normal levels of education activity including transport. There has been an increase in the number of pupils being educated at home but overall the number is still small as a proportion of overall pupils. As at period 6 there is the inclusion of £300k costs relating to the DSG “Safety Valve” team, it is anticipated that this will be funded corporately as part of the ongoing DSG “Safety Valve” discussions.

£714k Covid-19 cost pressure has been identified relating to savings shortfalls from the last financial year. These have been included in the forecast position. There remains some uncertainty about the likely level of increased costs due to Covid-19. We are currently reviewing one of the larger savings for this year relating to the PFI that requires additional modelling by the service and finance jointly. The £400k saving based on Public Health commissioning is not achievable as this recommissioning has not taken place. The increased numbers of children needing CP plans last year is now reducing nearer to expected levels and our looked after children numbers are stable. An additional temporary project team was secured to help with the increased demand in our first response service which has helped to keep caseloads at acceptable levels. It is possible that some loss of income relating to covid19 will occur this year but it will not be possible to accurately forecast this until towards the end of the financial year.

It remains difficult to forecast the patterns of demand across all services as families, communities and services return to normal life. We continue to monitor the situation closely and respond in a timely way to changes.

## Local Authority Funded Services

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

Local Authority Funded Services (£000's)	Budget	October Variance	September Variance
<b>Child Social Care and Youth Inclusion</b>			
Adolescent & Family Services	£ 2,113	-£ (359)	-£ (359)
Asylum Seeker Costs (14+)	£ 137	£ 126	£ 126
Asylum Seeker Costs (ART)	£ 306	£ 30	£ 30
Children Cntrl Social Wrk Serv	£ 4,285	-£ (88)	-£ (88)
Head of ChildSocIcare& YthIncl	£ 213	-£ (45)	-£ (45)
Mash & Child Protection Serv	£ 2,643	-£ (152)	-£ (152)
Safeguarding, Stndrds & Train	£ 1,210	-£ (159)	-£ (159)
Senior Management	£ 271	-£ (4)	-£ (4)
Children In Care and Resources	£ 9,831	£ 976	£ 949
<b>CSC &amp; Youth Incl Total</b>	<b>21,009</b>	<b>325</b>	<b>298</b>
<b>Education</b>			
Contracts, Proc & School Org	£ 7,545	-£ (9)	£ 59
Early Years & Children Centres	£ 4,232	£ 172	£ 168
Education - School Improvement	£ 20	£ 17	-£ (18)
Education Inclusion	£ 1,780	-£ (87)	-£ (43)
Schools Delegated Budget	£ -	£ -	£ -
SEN & Disability Integrat Serv	£ 2,036	-£ (96)	-£ (35)
Senior Management	£ 864	£ 204	£ 204
Policy, Planning & Performance	£ 523	£ 92	£ 96
Departmental Business Support	£ 211	-£ (37)	-£ (12)
<b>Education Total</b>	<b>£ 17,210</b>	<b>£ 256</b>	<b>£ 419</b>

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

The Children in Care service is recording an adverse forecast of £976k compared with budget. To note, the full £400k Public Health saving which was predicated on recommissioning integrated services, which has not taken place, (referred to in the overview section above) has all been put against this budget. This savings option is now no-longer achievable. Over the past year there has been an increase in placements of children with complex needs in high cost provision. Additionally, providers have increased the cost of caring for the most complex children.

Work is currently underway with this service to focus on a number of areas:

- ensure that Merton continues to develop the tri-partite process to share planning for vulnerable children.
- ensure that children's plans are reviewed regularly with senior managers offering support and challenge to explore alternative arrangements.
- improve commissioning and procurement activity to ensure best value is obtained through a more systemised purchasing approach;
- a move to more activity based forecasting across the division as a whole.

The impact of these actions will be reflected within future monitoring updates.

- The Division overall is forecasting an adverse variance against budget of £325k at period 7.

## **Education Division**

The Education forecast for Senior Management includes forecast costs for the agency staff which are part of the DSG Safety Valve team. Expenditure to period 7 is £106k and is expected to be c.£150k for the full year. Expected expansion of this team could increase the full year spend to c. £300k. These costs have been included within the forecast but it is anticipated that this will be funded corporately as part of the ongoing DSG "Safety Valve" discussions.

The Education Division forecast is based on a spend situation returning to more normal levels. The period 7 budget shows a favourable movement from period 6 related to transport costs which we will continue to closely monitor and reduced office expenses.

The Division overall is forecasting an adverse variance against budget of £256k, this is a favourable movement from period 6 of £163k.

## **Schools PFI**

Initial work in this area is forecasting an adverse position of £107k to budget. Further work re-modelling this area will be undertaken in the coming months.

## Dedicated Schools Grant (DSG)

Dedicated Schools Budget (£000's)	Budget	October Variance	September Variance
<b><u>Education</u></b>			
Contracts, Proc & School Org	£ 286	-£ (5)	-£ (10)
Early Years & Children Centres	£ 16,335	£ 1	£ -
Education - School Improvement	£ 1,107	-£ (98)	-£ (38)
Education Inclusion	£ 1,468	£ 55	£ 37
SEN & Disability Integrat Serv	£ 17,468	£ 10,672	£ 11,215
<b>Sub-total</b>	<b>£ 36,664</b>	<b>£ 10,625</b>	<b>£ 11,204</b>
<b><u>CSC &amp; Youth Inclusion</u></b>			
Adolescent & Family Services	£ 43	-£ (9)	-£ (25)
<b>Sub-total</b>	<b>£ 43</b>	<b>-£ (9)</b>	<b>-£ (25)</b>
<b><u>Schools Delegated Budget</u></b>			
DSG Reserve	£ -	£ -	£ -
Retained Schools Budgets	£ 2,945	-£ (1,369)	-£ (1,955)
Schools Delegated Budget	-£ (39,784)	£ 3,406	£ 3,402
<b>Sub-total</b>	<b>-£ (36,839)</b>	<b>£ 2,037</b>	<b>£ 1,447</b>
<b>DSG Total</b>	<b>-£ (132)</b>	<b>£ 12,653</b>	<b>£ 12,626</b>

DSG funded services are forecasting an adverse variance of £12.653m which is a stable position since period 6.

The DSG had a cumulative overspend of £24.981m at the end of 2020/21.

Merton has been selected as one of the LAs to take part in the 'safety valve' intervention programme with the DfE as it has one of the highest percentage deficits in the country as at the end of 2020/21. The programme aims to agree a package of reform to our high needs system that will bring the DSG deficit under control. We have confirmed participation in this programme and provided a draft updated plan to the DfE. Discussions are continuing and an update will be provided to Cabinet in January as part of the MTFs report, but if successful, we are unlikely to hear about the detail of any financial support and performance targets until late January.

The main reason for the adverse forecast variance from budget relates to a £6.534m 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. 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 the overall DSG deficit to be in line with current forecast. The current additional pressure of the DSG is forecast to be £12.653m for 2021/22, with an overall estimated deficit of £37.634m by year end.

Other adverse variances include £2.721m on EHCP allocations to Merton primary and secondary schools, £2.332m on out of borough maintained primary, secondary and special school payments, post 16 provision is forecasting a pressure of £744k.

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.

In addition to the pressures on the high needs block, which are clear from the budget monitoring figures highlighted above and which continue into 2021/22 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. 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.

## **Community and Housing**

### **Overview**

Community and Housing is currently forecasting a favourable variance of £1.6m as at October 2021. This is made up of forecasted favourable variances in Adult Social Care of £1.9m, and reduced unfavourable variances in Housing of £305k, and Libraries of £45k. Public Health and Merton Adult Learning are forecasting a breakeven position.

### **Community and Housing Summary Position**

The forecast reflects the uncertainty surrounding the impact of the pandemic on the departments' budgets.

Community & Housing	2021/22 Current Budget £	2021/22 Full Year Forecast £ (Oct)	2021/22 Full Year Variance £ (Oct)	2021/22 Full Year Variance £ (Sept)	2021/22 Covid-19 Forecast £ (Oct)	2021/22 Outturn Variance £ (Mar'21)
Adult Social Care	58,822	56,915	(1,907)	(1,762)	1,074	(2,947)
Libraries and Heritage	2,475	2,520	45	47	69	195
Merton Adult Learning	0	0	0	0	0	0
Housing General Fund	3,333	3,638	305	380	0	489
Public Health	(163)	(163)	0	0	0	0
<b>Total Favourable/Unfavourable</b>	<b>64,467</b>	<b>62,910</b>	<b>(1,557)</b>	<b>(1,335)</b>	<b>1,143</b>	<b>(2,263)</b>

## Adult Social Care

Adult Social Care is forecasting a favourable variance of £1.9m as at October 2021, compared to £2.9m at year end 2020/21 demonstrates that the one off covid-19 impacts are dissipating. The current position reflects a reduction of £127k in gross placements between September to October, delays in planned recruitment and the transfer of covid-19 related expenditure to the Contain Outbreak Management Fund (COMF).

## Monthly Movements in Packages of Care

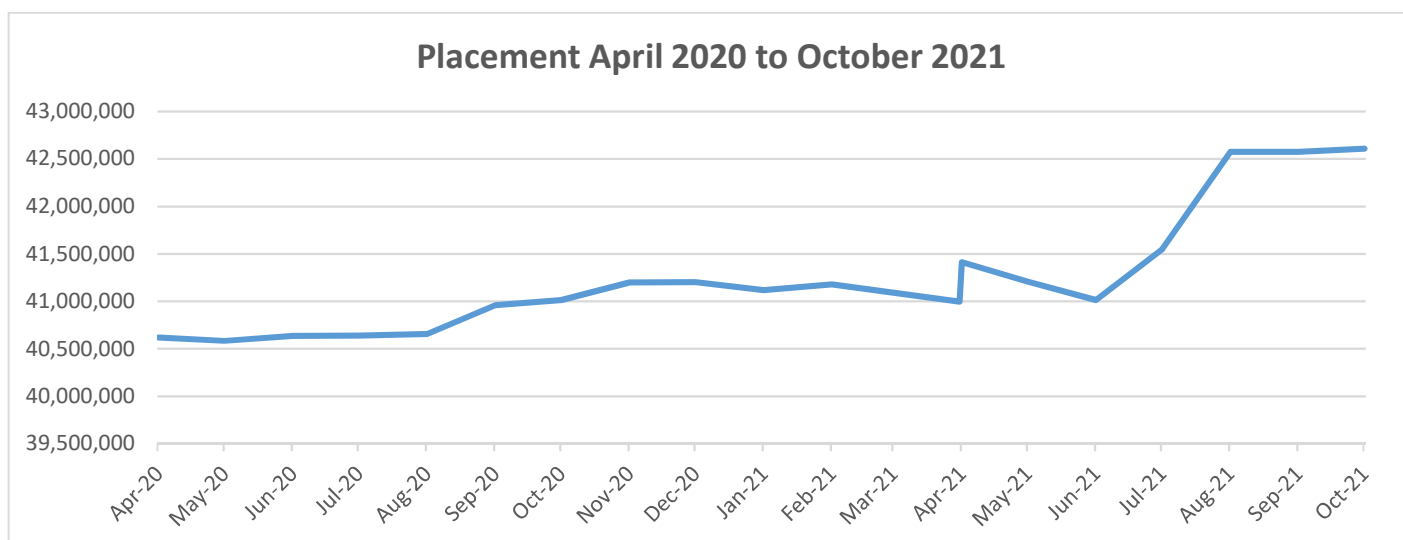
Month	New Customers	Deceased Customers	Customers No Longer Receiving a Service	Net Movement
April'21	48	-9	-13	26
May'21	31	-16	-18	-3
June'21	32	-17	-22	-7
July'21	45	-13	-13	19
Aug'21	43	-14	-25	4
Sept'21	53	-22	-25	6
Oct'21	58	-16	-31	11
<b>Total to Date</b>	<b>310</b>	<b>-107</b>	<b>-147</b>	<b>56</b>
<b>Average to Date</b>	<b>44</b>	<b>-15</b>	<b>-21</b>	<b>8</b>
<b>Average 2020/21</b>	<b>37</b>	<b>-27</b>	<b>-17</b>	<b>-7</b>
<b>Average 2019/21</b>	<b>34</b>	<b>-24</b>	<b>-24</b>	<b>-14</b>
<b>Average 2018/19</b>	<b>36</b>	<b>-23</b>	<b>-25</b>	<b>-11</b>

The hospital discharge models that have been operated through-out the pandemic (Discharge to Assess) is expected to continue into next year. National funding has been agreed for the period from October 2021 to March 2022 and Southwest London ICS (Integrated Care System) has an allocation, but the allocation to borough level has not yet been agreed. We expect it to at least match current levels for Merton and may give scope for further expansion of the 'Reablement' services. However, from April 2022 it is likely that systems will be expected to continue the model from within local resources.

The deadline for care home vaccination expired on the 11<sup>th</sup> of November 2021 and Merton based providers can cope with the impact. However, this situation is being continually reviewed.

Winter planning bid was completed, and the service was able to secure £1.1m to meet the challenges of winter. The focus on the plan is to enable customers to be continue to discharge home safely and with the appropriate support.

The line graph below continues to indicate that there is an upward trend in placements and in LBM's case it seems to be in older people customers and the impact of the covid-19 pandemic. This trend may be partly explained by sectors of the economy reopening and a return for many to more 'normal' working patterns. The upturn in trend coincides with the winding up of the Government Furlough scheme. In some cases, family carers can no longer support people, in the same way they could through lockdowns and therefore packages of care are needed to replace this support. There can also often be a more complex presentation of need as a result.



### **Adult Social Care Internal Provision –favourable Variance - £44k**

This service unfavourable variance as at September has moved to a favourable position in October. This is due a revision of salary forecast in Glebelands and Mascot, as well as continuing to hold some vacant posts in day services.

There has been a temporary increase in salary expenditure at Meadowsweet due to extra staff required to support a resident who is placed on an emergency basis. Expenditure on utilities across day centres has been reviewed and the forecast reduced for Eastway and JMC.

### **Library & Heritage Service- Unfavourable Variance - £45k**

This service at the end of October was showing an unfavourable variance of £45k this is due to increased income from lettings and rentals. Demand for services has started to gradually recover and usage of libraries has recovered to 75% of pre-pandemic usage in October and is expected to continue to increase. Online services and new services like Connecting Merton, the services IT equipment loaning and training project, are in particularly high demand. Full services for SEND children and young people have also now resumed and a film published recently by Arts Council England highlights the good work being undertaken.

### **Adult Learning- Breakeven position**

Adult Learning continues to forecast a breakeven position. Merton Adult Learning is fully funded by external grants from the GLA (Greater London Authority) and ESFA (Education and Skills Funding Agency).

Adult Learning budgets operate to an academic year and the new grant allocations from the GLA and ESFA started in August. This year's curriculum has been developed to even further focus on reskilling residents for the post-pandemic job market and has a particular focus on increasing participation from residents in priority wards in the east of the borough.

### **Housing General Fund- Unfavourable variance - £305k**

This service is currently forecasting an unfavourable variance of £305k as at October which is a

decrease of £76k since September.

The removal of the moratorium on evictions and the enactment of the Domestic Abuse Act has had a gradual impact on demand for housing support which the service is able to cope with at present.

The re-settlement of Afghan families by the Home Office has led to some families presenting at local authorities as homeless even though the Home Office and Department for Levelling Up, Housing and Communities have accepted responsibility for meeting immediate and temporary housing needs. At present most of these families are not eligible for Home Office support but this is being challenged by London Councils.

The demand for accommodation continues to exceed supply which creates difficulties in the re-housing of households with acute housing need including those living in expensive temporary accommodation.

However, notwithstanding the challenges of predicting demand upon the TA (Temporary Accommodation) budget there is also the need to be mindful of the effects to TA subsidy, HB (Housing Benefit) contributions and client contributions which are all factors which shape the service's predictions.

#### Analysis of Housing and Temporary Accommodation Expenditure to October 2021

Housing	Total Budget 2021/22	Forecast Expenditure (Oct'21)	Forecast Variances (Oct'21)	Forecast Variances (Sept'21)	Outturn Variances (March'21)
	£000	£'000	£'000	£'000	£000
Temporary Accommodation-Expenditure	2,439	3,353	914	914	1,286
Temporary Accommodation-Client Contribution	(140)	(325)	(185)	(185)	(253)
Temporary Accommodation-Housing Benefit Income	(2,087)	(2,469)	(382)	(382)	(931)
Temporary Accommodation-Subsidy Shortfall	322	1,134	812	812	1,029
Temporary					



Accommodation-Grant	0	(945)	(945)	(945)	(851)
<b>Subtotal Temporary Accommodation</b>	<b>534</b>	<b>748</b>	<b>214</b>	<b>213</b>	<b>280</b>
Housing Other Budgets	2,799	2,890	91	167	209
<b>Total Controllable (Favourable)/Adverse Variance</b>	<b>3,333</b>	<b>3,638</b>	<b>305</b>	<b>380</b>	<b>489</b>

### Number of households in Temporary Accommodation as at October 2021

Numbers in temporary accommodation (TA) reduced by 2 in at the end of October.

Temporary Accommodation	Numbers In	Numbers Out	Net Movement	Previous Year
Mar'17	-	-	186	Position as at March for previous financial years ←
Mar'18	16	16	165	
Mar'19	15	11	174	
Mar'20	12	6	199	
Mar'21	11	7	197	
			2021/22	2020/21
Apr'21	12	10	199	196
May'21	16	17	198	204
June'21	9	16	191	213
July'21	24	8	207	212
Aug'21	12	12	207	210
Sept'21	19	9	217	211
Oct'21	14	16	215	214

### Public Health –Breakeven positions

The service is forecasting a breakeven position as at October 2021.

### Potential Cost pressures

The service continues to seek a resolution with NHS provider CLCH for both the children's contract (health visitors and school nurses) and for sexual health. The provider is currently involved in an open-book exercise.

### Covid-19 Related Programmes

The team, together with public protection, is leading on outbreak management and Covid-19 resilience, implementing the refreshed Local Outbreak Management Plan (LOMP) which includes provision of local

contact tracing, support for community testing with Lateral Flow Tests (LFTS) and surge testing in cases of outbreaks and variants of concern.

LOMP implementation costs will be covered by Contain Outbreak Management Fund (COMF), or directly recharged to DHSC (Department of Health & Social Care) (Department of Health & Social Care) where there is a variant of concern.

## Corporate Items

The details comparing actual expenditure up to 31 October 2021 against budget are contained in Appendix 2. COVID-19 corporate expenditure is again shown on a separate line:-

Corporate Items	Current Budget 2021/22 £000s	Full Year Forecast (Oct.) £000s	Forecast Variance at year end (Oct.) £000s	Forecast Variance at year end (Sep) £000s	Outturn Variance 2020/21 £000s
<b>Impact of Capital on revenue budget</b>	<b>11,157</b>	<b>11,012</b>	<b>(145)</b>	<b>(145)</b>	<b>(27)</b>
Investment Income	(387)	(470)	(83)	(83)	(141)
Pension Fund	86	86	0	0	2,646
Pay and Price Inflation	3,338	3,063	(275)	(275)	(250)
Contingencies and provisions	24,851	20,540	(4,311)	(4,311)	331
Income Items	(2,223)	(2,223)	0	0	7,413
Appropriations/Transfers	(7,502)	(2,030)	5,472	5,472	(7,848)
<b>Central Items</b>	<b>18,162</b>	<b>18,965</b>	<b>803</b>	<b>803</b>	<b>2,151</b>
Levies	959	959	0	0	0
Depreciation and Impairment	(25,593)	(25,593)	0	0	0
<b>TOTAL CORPORATE PROVISIONS</b>	<b>4,685</b>	<b>5,343</b>	<b>658</b>	<b>658</b>	<b>2,124</b>
COVID-19 Emergency expenditure	0	1,036	1,036	833	5,356
<b>TOTAL CORPORATE EXPENDITURE inc. COVID-19</b>	<b>4,685</b>	<b>6,379</b>	<b>1,694</b>	<b>1,491</b>	<b>7,480</b>

Based on expenditure to 31 October 2021, an adverse variance of £658,000 is forecast for corporate expenditure items. There have been no significant changes between September and October.

## 5 Capital Programme 2021-25

5.1 The Table below shows the movement in the 2021/25 corporate capital programme since the last monitoring report:

Depts	Current Budget 21/22	Variance	Revised Budget 21/22	Current Budget 22/23	Variance	Revised Budget 22/23	Original Budget 2023-24	Variance	Revised Budget 23/24	Original Budget 2024-25	Variance	Revised Budget 24/25
Corporate Services	9,686	(1,322)	8,364	8,070	600	8,670	5,245		5,245	13,071		13,071
Community & Housing	1,280	(15)	1,265	2,500	15	2,515	972		972	920		920
Children Schools & Families	8,246	(603)	7,643	4,620	603	5,223	1,900		1,900	1,900		1,900
Environment and Regeneration	17,567	134	17,701	10,978	949	11,926	7,918		7,918	7,324		7,324
<b>Total</b>	<b>36,778</b>	<b>(1,806)</b>	<b>34,972</b>	<b>26,168</b>	<b>2,167</b>	<b>28,335</b>	<b>16,035</b>	<b>0</b>	<b>16,035</b>	<b>23,216</b>	<b>0</b>	<b>23,216</b>

5.2 The table below summarises the position in respect of the 2021/22 Capital Programme as at October 2021. The detail is shown in Appendix 5a.

### Capital Budget Monitoring - October 2021

Department	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Forecast 2020/21	Full Year Variance
Corporate Services	693,515	1,243,955	(550,440)	8,363,900	8,363,900	0
Community and Housing	697,929	599,915	98,014	1,264,830	1,264,830	(0)
Children Schools & Families	4,173,484	5,194,798	(1,021,314)	7,642,690	7,642,690	0
Environment and Regeneration	5,944,501	8,676,042	(2,731,541)	17,700,710	16,988,532	(712,178)
<b>Total</b>	<b>11,509,429</b>	<b>15,714,710</b>	<b>(4,205,281)</b>	<b>34,972,130</b>	<b>34,259,952</b>	<b>(712,178)</b>

a) Corporate Services – After the adjustments to the budgets below budget managers are forecasting a full spend on all their budgets:

		Budget 2021-22	Budget 2022-23	Narrative
-		£	£	
<b>Corporate Services</b>				
Compulsory Purchase Order - Clarion	(1)	(721,730)		Clarion have confirmed no CPOs for Ravensbury
Customer Contact Programme	(1)	(200,000)	200,000	Re-profiled in line with projected spend
Westminster Coroners Court	(1)	(400,000)	400,000	Re-profiled in line with projected timing of spend, liaising with WCC over project cost

(1) Requires Cabinet approval

b) Community and Housing – After the adjustments to the budgets below budget managers are forecasting a full spend on all their budgets:

		Budget 2021-22	Budget 2022-23	Narrative
		£	£	
Telehealth		(15,400)	15,400	Re-profiled in line with projected spend

c) Children, Schools and Families – After the virements in the table below budget managers are forecasting a full spend on all their budgets:

		Budget 2021-22	Budget 2022-23	Narrative
<b>Corporate Services</b>		£	£	
Compulsory Purchase Order - Clarion	(1)	(721,730)		Clarion have confirmed no CPOs for Ravensbur
Customer Contact Programme	(1)	(200,000)	200,000	Re-profiled in line with projected spend
Westminster Coroners Court	(1)	(400,000)	400,000	Re-profiled in line with projected timing of spend, liaising with WCC over project cost
<b>Community and Housing</b>				
Telehealth		(15,400)	15,400	Re-profiled in line with projected spend
<b>Children, Schools and Families</b>				
West Wimb. - Capital Maintenance Budget	(1)	(65,000)	65,000	Re-profiled in accordance with projected Spend
Hillcross - Capital Maintenance Budget	(1)	(63,000)	63,000	Re-profiled in accordance with projected Spend
Joseph Hood - Capital Maintenance Budget	(1)	(45,000)	45,000	Re-profiled in accordance with projected Spend
Dundonald - Capital Maintenance Budget	(1)	(20,000)	20,000	Re-profiled in accordance with projected Spend
Pelham - Capital Maintenance Budget	(1)	(30,000)	30,000	Re-profiled in accordance with projected Spend
Wimb. Chase - Capital Maintenance Budget	(1)	(35,000)	35,000	Re-profiled in accordance with projected Spend
Bond - Capital Maintenance Budget	(1)	(30,000)	30,000	Re-profiled in accordance with projected Spend
Cranmer - Capital Maintenance Budget	(1)	(45,000)	45,000	Re-profiled in accordance with projected Spend
Links - Capital Maintenance Budget	(1)	(20,000)	20,000	Re-profiled in accordance with projected Spend
St Marks - Capital Maintenance Budget	(1)	(55,000)	55,000	Re-profiled in accordance with projected Spend
Lonesome - Capital Maintenance Budget	(1)	(30,000)	30,000	Re-profiled in accordance with projected Spend
Harris Academy Merton - Community Sport Pitch	(1)	(65,000)	65,000	Re-profiled in accordance with projected Spend
Rutlish - Capital Maintenance Budget	(1)	5,000		Virements - projected spend capital maintenance
Perseid - Capital Maintenance Budget	(1)	(45,000)	40,000	Virements - projected spend capital maintenance
Whately Avenue Expansion	(1)	(30,000)	30,000	Re-profiled in accordance with projected Spend
Unallocated SEN Expansions	(1)	(30,000)	30,000	Re-profiled in accordance with projected Spend

(1) Requires Cabinet approval

A detailed quantity surveyor's report has been requested for Melrose School Expansion, it is estimated that this scheme is likely overspend. Further information will be provided within a subsequent monitoring report.

d) Environment and Regeneration – After the adjustments to the programme in the table below budget managers are forecasting the following year end variances:

		Budget 2021-22	Budget 2022-23	Narrative
-		£	£	
Highways & Footways - Highways bridges & structures	(1)	105,000		Re-profiled in accordance with projected Spend
Highways & Footways - Salt Barn	(1)	(23,600)		Re-profiled in accordance with projected Spend
On Street Parking P&D - Pay and Display Machines	(1)	(303,000)	303,000	Reversal of original virement as lower cost
Off Street Parking P&D - Car Park Upgrades	(1)	(465,530)	465,530	Reversal of original virement as lower cost
Wimbledon Area Regeneration - Crowded Places-Hostile Vehicle	(1)	(180,000)	180,000	Re-profiled in accordance with projected Spend
Mitcham Area Regeneration - Canons Parks for the People	(1)	590,000		Additional SCIL Funding
Parks Investment - Canons Parks for the People	(1)	150,000		Additional SCIL Funding
Parks Investment - Sports Drainage	(1)	150,000		New SCIL Funding
Wimb Area Regen - Wimb. Vill. Heritage Led Public Realm		30,000		New SCIL Funding
Highways & Footway - Surface Water Drainage		40,000		New SCIL Funding
CCTV Investment - Rapid Response Cameras		41,000		New CCTV Scheme
<b>Total</b>		<b>(1,203,260)</b>	<b>1,563,930</b>	

(1) Requires Cabinet approval

- Officers are projecting a £25k favourable variance on Public Protection and Development.
- Officers are projecting a £6k favourable variance on Alley Gating

- Officers are projecting a £5k favourable variance on Borough Regeneration – Bramcote Parade Improvements
- Officers are projecting a £495k favourable variance on the TfL Unallocated Budget
- After the additional £740k SCIL funding has been added to budgets officers are projecting a £182k favourable variance on the Canons Parks for the People Scheme (split £146k within Mitcham Area Regeneration and £36k within Parks Investment), but the overall costs of the scheme are still being finalised. In accordance with financial procedures Appendix 5D contains a detailed report on the variance from the original budget for the Canons scheme.

5.3 The table below summarises the movement in the Capital Programme for 2021/22 since its approval in March 2021 (£000s):

Depts.	Original Budget 21/22	Net Slippage 2021/22	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 21/22
Corporate Services	11,205	1,123	(200)	(722)	153	(3,195)	8,364
Community & Housing	1,132	135		262		(265)	1,265
Children Schools & Families	9,050	432	135	1,139		(3,113)	7,643
Environment and Regeneration	19,408	3,141	(711)	30	1,239	(5,406)	17,701
<b>Total</b>	<b>40,795</b>	<b>4,831</b>	<b>(776)</b>	<b>709</b>	<b>1,392</b>	<b>(11,980)</b>	<b>34,972</b>

5.4 The table below compares capital expenditure (£000s) to October 2021 to that in previous years':

Depts.	Spend To October 2018	Spend To October 2019	Spend to October 2020	Spend to October 2021	Variance 2018 to 2021	Variance 2019 to 2021	Variance 2020 to 2021
CS	2,991	1,659	845	694	(2,298)	(965)	(151)
C&H	492	502	213	698	206	196	485
CSF	3,565	5,583	1,060	4,173	609	(1,409)	3,113
E&R	6,581	3,242	4,759	5,945	(637)	2,702	1,186
<b>Total Capital</b>	<b>13,630</b>	<b>10,986</b>	<b>6,877</b>	<b>11,509</b>	<b>(2,121)</b>	<b>524</b>	<b>4,633</b>

Outturn £000s	31,424	26,960	15,123	
Budget £000s				34,972
Projected Spend October 2021 £000s				34,260
Percentage Spend to Budget				32.91%
% Spend to Outturn/Projection	43.37%	40.75%	45.47%	33.59%
Monthly Spend to Achieve Projected Outturn £000s				4,150

5.5 October is seven months into the financial year and departments have spent just over 32.9% of the budget. Spend to date is higher than two of the last three previous financial years

<b>Department</b>	<b>Spend To September 2021 £000s</b>	<b>Spend To October 2021 £000s</b>	<b>Increase £000s</b>
<b>CS</b>	627	694	67
<b>C&amp;H</b>	612	698	86
<b>CSF</b>	3,424	4,173	749
<b>E&amp;R</b>	5,053	5,925	871
<b>Total Capital</b>	<b>9,716</b>	<b>11,489</b>	<b>1,773</b>

5.6 During October 2021 officers spent just under £1.8 million, to achieve year end spend officers would need to spend approximately £4.2 million each month to year end. Finance officers will continue to review in detail the projected outturn with budget managers.

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

## 6 DELIVERY OF SAVINGS FOR 2021/22

### Progress on savings 2021/22

Department	Target Savings 2021/22	Projected Savings 2021/22	Period 7 Forecast Shortfall	Period Forecast Shortfall (P7)	2022/23 Expected Shortfall
	£000	£000	£000	%	£000
Corporate Services	1,322	1,090	232	17.5%	80
Children Schools and Families	1,460	410	1,050	71.9%	400
Community and Housing	2,541	1,517	1,024	40.3%	1,000
Environment and Regeneration	1,580	311	1,269	80.3%	750
<b>Total</b>	<b>6,903</b>	<b>3,328</b>	<b>3,575</b>	<b>51.8%</b>	<b>2,230</b>

Appendix 6 details the progress on unachieved savings from 2021/22 by department and the impact on the current year and next year.

### Progress on savings 2020/21

Department	Target Savings 2020/21	Shortfall 2020/21	Projected Shortfall 2021/22 (October)	Projected Shortfall 2022/23 (October)
	£000	£000	£000	£000
Corporate Services	2,718	883	213	678
Children Schools and Families	2,969	664	500	0
Community and Housing	2,460	128	128	128
Environment and Regeneration	3,927	3,373	2,837	0
<b>Total</b>	<b>12,074</b>	<b>5,048</b>	<b>3,678</b>	<b>806</b>

Appendix 7 details the progress on unachieved savings from 2020/21 by department and the impact on the current year and next year.

## 7. CONSULTATION UNDERTAKEN OR PROPOSED

7.1 All relevant bodies have been consulted.

## 8. TIMETABLE

8.1 In accordance with current financial reporting timetables.

## 9. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

9.1 All relevant implications have been addressed in the report.

## 10. LEGAL AND STATUTORY IMPLICATIONS

10.1 All relevant implications have been addressed in the report.

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

11.1 Not applicable

## **12. CRIME AND DISORDER IMPLICATIONS**

12.1 Not applicable

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

13.1 The risk of part non-delivery of savings is already contained on the key strategic risk register and will be kept under review.

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

- Appendix 1- Detailed 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 5D - Canons Parks for the People – Variation from Original Budgeted Costs
- Appendix 6 – Progress on savings 2021/22
- Appendix 7 – Progress on savings 2020/21

## **15. BACKGROUND PAPERS**

15.1 Budgetary Control files held in the Corporate Services department.

## **16. REPORT AUTHOR**

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APPENDIX 1

3E. Corporate Items	Council 2021/22 £000s	Current Budget 2021/22 £000s	Year to Date Budget (Oct.) £000s	Year to Date Actual (Oct.) £000s	Full Year Forecast (Oct.) £000s	Forecast Variance at year end (Oct.) £000s	Forecast Variance at year end (Sep) £000s	Outturn Variance 2020/21 £000s
Cost of Borrowing	11,157	11,157	6,508	3,349	11,012	(145)	(145)	(27)
<b>Impact of Capital on revenue budget</b>	<b>11,157</b>	<b>11,157</b>	<b>6,508</b>	<b>3,349</b>	<b>11,012</b>	<b>(145)</b>	<b>(145)</b>	<b>(27)</b>
<b>Investment Income</b>	<b>(387)</b>	<b>(387)</b>	<b>(194)</b>	<b>(246)</b>	<b>(470)</b>	<b>(83)</b>	<b>(83)</b>	<b>(141)</b>
<b>Pension Fund</b>	<b>86</b>	<b>86</b>	<b>43</b>	<b>0</b>	<b>86</b>	<b>0</b>	<b>0</b>	<b>2,646</b>
<b>Pay and Price Inflation</b>	<b>3,338</b>	<b>3,338</b>	<b>1,669</b>	<b>0</b>	<b>3,063</b>	<b>(275)</b>	<b>(275)</b>	<b>(250)</b>
Contingency	1,500	500	250	12	500	0	0	(365)
Bad Debt Provision	1,500	1,500	750	108	1,500	0	0	388
Loss of income arising from P3/P4	400	200	100	0	200	0	0	0
Loss of HB Admin grant	23	23	11	0	23	0	0	(23)
Apprenticeship Levy	450	450	225	(212)	450	0	0	(80)
Revenuisation and miscellaneous	8,005	8,100	4,050	165	3,789	(4,311)	(4,311)	411
Growth - Provision against DSG	14,078	14,078	7,039	0	14,078	0	0	0
<b>Contingencies and provisions</b>	<b>25,955</b>	<b>24,851</b>	<b>12,425</b>	<b>73</b>	<b>20,540</b>	<b>(4,311)</b>	<b>(4,311)</b>	<b>331</b>
Other income	0	0	0	11	0	0	0	7,413
CHAS IP/Dividend	(2,223)	(2,223)	(1,112)	(180)	(2,223)	0	0	0
<b>Income items</b>	<b>(2,223)</b>	<b>(2,223)</b>	<b>(1,112)</b>	<b>(169)</b>	<b>(2,223)</b>	<b>0</b>	<b>0</b>	<b>7,413</b>
Appropriations: CS Reserves	(1,656)	(1,656)	(828)	0	(1,656)	0	0	0
Appropriations: E&R Reserves	(50)	(337)	(169)	0	(337)	0	0	0
Appropriations: CSF Reserves	(303)	(200)	(100)	(96)	(200)	0	0	0
Appropriations: C&H Reserves	(104)	(104)	(52)	0	(104)	0	0	0
Appropriations: Public Health Reserves	(93)	(93)	(47)	0	(93)	0	0	0
Appropriations: Corporate Reserves	(5,472)	(5,112)	(2,556)	360	360	5,472	5,472	(7,848)
<b>Appropriations/Transfers</b>	<b>(7,678)</b>	<b>(7,502)</b>	<b>(3,751)</b>	<b>265</b>	<b>(2,030)</b>	<b>5,472</b>	<b>5,472</b>	<b>(7,848)</b>
<b>Depreciation and Impairment</b>	<b>(25,593)</b>	<b>(25,593)</b>	<b>0</b>	<b>0</b>	<b>(25,593)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Central Items</b>	<b>4,654</b>	<b>3,726</b>	<b>15,589</b>	<b>3,271</b>	<b>4,383</b>	<b>658</b>	<b>658</b>	<b>2,124</b>
<b>Levies</b>	<b>959</b>	<b>959</b>	<b>480</b>	<b>959</b>	<b>959</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL CORPORATE PROVISIONS</b>	<b>5,614</b>	<b>4,685</b>	<b>16,069</b>	<b>4,230</b>	<b>5,343</b>	<b>658</b>	<b>658</b>	<b>2,124</b>
<b>COVID-19 Emergency expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>739</b>	<b>1,036</b>	<b>1,036</b>	<b>833</b>	<b>5,356</b>
<b>TOTAL CORPORATE EXPENDITURE inc. COVID-19</b>	<b>5,614</b>	<b>4,685</b>	<b>16,069</b>	<b>4,970</b>	<b>6,379</b>	<b>1,694</b>	<b>1,491</b>	<b>7,480</b>

### Pay and Price Inflation as at October 2021

In 2021/22, the budget includes 1.5% for increases in pay and 1.5% for increases in general prices, with an additional amount 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 4.2% and RPI at 6.0% 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 advised, in February 2021, unions submitted a pay claim of 10% plus other requirements but on 14 May 2021 the National Employers made a pay offer of 1.5% to the NJC unions.

On 27 July 2021, the National Employers made a "final offer" as follows:

- With effect from 1 April 2021, an increase of 2.75 per cent on NJC pay point 1
- With effect from 1 April 2021, an increase of 1.75 per cent on all NJC pay points 2 and above
- Completion of the outstanding work of the joint Term-Time Only review group

The employers also considered non-pay elements of union proposals and hope joint discussions can begin on the basis of the following:-

- A national minimum agreement on homeworking policies for all councils

In response the unions UNISON, GMB and Unite are urging local government employers to rethink their revised pay offer of a 1.75% pay rise (with 2.75% for those on the bottom pay point) for 2021/22 by "awarding an increase that will properly and fairly reward council and school support staff". Unite are to ballot its 70,000 members on whether they should take industrial action, including the option to strike. The ballot will run from 1 September 2021 to 4 October 2021. The GMB are also balloting its members and its joint Local Government and Schools Committee representatives have discussed the pay offer and are recommending to reject the offer. UNISON have launched a consultation to ask members to vote whether to accept or reject the final pay offer and strongly recommend that its members vote to reject the offer.

With 1.5% provided for a pay award in 2021/22, if unions accept the 1.75% offer it will require additional budget of c.£0.225m in 2021/22 and future years. (a 1% increase costs c.£0.9m per year).

#### Prices:

The previous statistics have been affected by COVID-19 but there are no more CPIH items identified as unavailable because of lockdown restrictions.

The Consumer Prices Index (CPI) rose by 4.2% in the 12 months to October 2021, up from 3.1% in September. On a monthly basis, CPI increased by 1.1% in October 2021, compared with no change in October 2020. The largest upward contribution to the change in the 12-month inflation rate between September and October 2021, were large upward contributions to change from several divisions, including transport, restaurants and hotels, education, furniture and household goods, and food and non-alcoholic beverages.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 3.8% in the 12 months to October 2021, up from 2.9% in the 12 months to September. The largest upward

contribution to the October 2021 CPIH 12-month inflation rate came from housing and household services.

The RPI rate for October 2021 was 6.0%, which is up from 4.9% in September 2021.

#### 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 2020, 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 2 November 2021, the Committee judged that the existing stance of monetary policy remained appropriate. The MPC voted by a majority of 7-2 to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £20 billion. The Committee voted by a majority of 6-3 for the Bank of England to continue with its existing programme of UK government bond purchases, financed by the issuance of central bank reserves, maintaining the target for the stock of these government bond purchases at £875 billion and so the total target stock of asset purchases at £895 billion. The next MPC decision on the Bank Base Rate will be published on 16 December 2021.

The MPC state that "Twelve-month CPI inflation fell slightly from 3.2% in August to 3.1% in September. Bank staff expect inflation to rise to just under 4% in October, accounted for predominantly by the impact on utility bills of past strength in wholesale gas prices. CPI inflation is then expected to rise to 4½% in November and remain around that level through the winter, accounted for by further increases in core goods and food price inflation. Wholesale gas prices have risen sharply since August. CPI inflation is now expected to peak at around 5% in April 2022, materially higher than expected in the August Report. The upward pressure on CPI inflation is expected to dissipate over time, as supply disruption eases, global demand rebalances, and energy prices stop rising. As a result, CPI inflation is projected to fall back materially from the second half of next year. Conditioned on the market-implied path for Bank Rate and the MPC's current forecasting convention for future energy prices, CPI inflation is projected to be a little above the 2% target in two years' time and just below the target at the end of the forecast period. In an alternative scenario that is conditioned on energy prices following forward curves throughout the forecast period and as set out in the November Report, CPI inflation falls back towards the target more rapidly than in the MPC's central projection, and is materially lower over the second half of the forecast period."

The MPC has updated central projections for activity and inflation and these are set out in the "November Monetary Policy Report" which was published at the same time as the November interest rate decision.

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 (November 2021)			
	Lowest %	Highest %	Average %
2021 (Quarter 4)			
CPI	2.2	4.5	3.7
RPI	3.3	6.4	5.4
LFS Unemployment Rate	4.5	5.5	4.9
2022 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.8	5.1	2.8
RPI	2.8	6.2	4.0
LFS Unemployment Rate	3.9	6.0	4.6

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 2021 to 2025 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (November 2021)					
	2021	2022	2023	2024	2025
	%	%	%	%	%
CPI	2.4	4.0	2.6	2.5	2.3
RPI	3.8	5.8	4.1	3.7	3.5
LFS Unemployment Rate	4.7	4.6	4.2	4.1	4.1

## Treasury Management: Outlook

The Bank's Monetary Policy Committee (MPC) sets monetary policy to keep inflation low and stable, which supports growth and jobs. Subject to maintaining price stability, the MPC is also required to support the Government's economic policy. The Government has set the MPC a target for the 12-month increase in the Consumer Prices Index of 2%.

The MPC currently uses two main monetary policy tools.

1. setting the interest rate that banks and building societies earn on deposits, or 'reserves', placed with the Bank of England — this is Bank Rate.
2. buying government and corporate bonds, financed by the issuance of central bank reserves — this is asset purchases or quantitative easing.

At its meeting ending on 2 November 2021, the Committee judged that the existing stance of monetary policy remained appropriate. The MPC voted by a majority of 7-2 to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £20 billion. The Committee voted by a majority of 6-3 for the Bank of England to continue with its existing programme of UK government bond purchases, financed by the issuance of central bank reserves, maintaining the target for the stock of these government bond purchases at £875 billion and so the total target stock of asset purchases at £895 billion.

The Monetary Policy Committee's (MPC's) core approach is summarised in the minutes as they note that "The MPC's remit is clear that the inflation target applies at all times, reflecting the primacy of price stability in the UK monetary policy framework. The framework also recognises that there will be occasions when inflation will depart from the target as a result of shocks and disturbances. In the recent unprecedented circumstances, the economy has been subject to very large shocks. Given the lag between changes in monetary policy and their effects on inflation, the Committee, in judging the appropriate policy stance, will as always focus on the medium term prospects for inflation, rather than factors that are likely to be transient."

The MPC indicate that in future months "the Committee judges that, provided the incoming data, particularly on the labour market, are broadly in line with the central projections in the November Monetary Policy Report, it will be necessary over coming months to increase Bank Rate in order to return CPI inflation sustainably to the 2% target. In observing the market-implied path for Bank Rate, the Committee notes that, in the November Monetary Policy Report central projections, CPI inflation is projected to be below the 2% target at the end of the forecast period, and would probably fall a little further beyond that point, given the margin of spare capacity that is expected to emerge."

The November 2021 Monetary Policy Report makes the following assumptions:-

- The MPC's projections assume that the impact of Covid on activity continues to fade.
- Fiscal policy continues to support demand, especially in the near term, with that support waning over time.
- The market-implied path for Bank Rate is materially higher than three months ago.
- Risky asset prices are generally little changed since August, while household credit conditions have eased.
- Wholesale energy prices have continued to rise since August

- Global GDP continues to rise as the impact of Covid continues to wane, although supply disruption constrains activity in the near term.
- World growth is projected to return to around pre-Covid rates towards the end of the forecast period.
- Global inflationary pressures are forecast to remain strong in the near term, but are expected to ease as demand and supply imbalances dissipate.
- UK GDP growth is constrained by supply disruption in the near term but activity continues to recover as the effects of Covid wane. Subsequently, the pace of expansion slows.
- There is a lot of uncertainty about the degree of slack in the economy, although it is judged likely that there is a small margin of excess demand at the moment.
- Excess demand is projected to be eroded over the forecast period, with a margin of slack opening up by the end of the forecast period.
- CPI inflation is projected to peak at around 5% in April 2022, with the further increase driven largely by energy and goods prices.
- Conditioned on the market-implied path for Bank Rate, CPI inflation is projected to fall back towards the 2% target as energy prices stop rising and supply bottlenecks ease.

In the November 2021 Monetary Policy report the MPC has used the following projections implied by current data trends:-

	Projections (November 2021)			
	2021 Q.4	2022 Q.4	2023 Q.4	2024 Q.4
GDP	6.7	2.9	1.1	0.9
CPI Inflation	4.3	3.4	2.2	1.9
LFS Unemployment Rate	4.5	4.0	4.1	4.4
Excess Supply/Excess Demand	0.25	0.25	0	-0.5
Bank Rate	0.2	1.0	1.1	1.0

The conclusions that the MPC reach in the November 2021 Monetary Policy Report are supported by the following Key Judgements:--

Key judgement 1: supply disruption constrains global and UK activity in the near term, and bottlenecks exert upward pressure on prices, but they dissipate over time as demand and supply adjust.

Key judgement 2: UK unemployment does not rise materially over the forecast period, and any frictions in matching workers and jobs are temporary, with underlying wage growth falling back from current rates

Key judgement 3: by the end of the forecast period, supply growth returns to around 1½%; demand growth is somewhat lower.

Key judgement 4: inflation rises further above the target in the near term, largely reflecting the impact of transitory factors; in the medium term, conditioned on the market-implied path for Bank Rate, inflation falls back to just under 2%.

**Capital Budget Monitoring – October 2021**

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2021/22	Full Year Variance
<b>Capital</b>	<b>11,509,429</b>	<b>15,714,710</b>	<b>(4,205,281)</b>	<b>34,972,130</b>	<b>34,259,952</b>	<b>(712,178)</b>
<b>Corporate Services</b>	<b>693,515</b>	<b>1,243,955</b>	<b>(550,440)</b>	<b>8,363,900</b>	<b>8,363,900</b>	<b>0</b>
<b>Customer, Policy and Improvement</b>	<b>120</b>	<b>0</b>	<b>120</b>	<b>150,000</b>	<b>150,000</b>	<b>0</b>
Customer Contact Programme	120	0	120	150,000	150,000	0
<b>Facilities Management Total</b>	<b>189,907</b>	<b>822,240</b>	<b>(632,333)</b>	<b>1,370,130</b>	<b>1,370,130</b>	<b>0</b>
Works to other buildings	164,492	325,000	(160,508)	740,000	739,700	(300)
Civic Centre	0	0	0	60,000	60,300	300
Invest to Save schemes	25,415	497,240	(471,825)	570,130	570,130	0
<b>Infrastructure &amp; Transactions</b>	<b>303,488</b>	<b>221,715</b>	<b>81,773</b>	<b>2,504,310</b>	<b>2,504,310</b>	<b>0</b>
Business Systems	115,196	83,640	31,556	868,020	868,020	0
Social Care IT System	68,290	0	68,290	157,180	157,180	0
Disaster recovery site	0	0	0	332,960	332,960	0
Planned Replacement Programme	120,001	138,075	(18,074)	1,146,150	1,146,150	0
<b>Corporate Items</b>	<b>200,000</b>	<b>200,000</b>	<b>0</b>	<b>4,339,460</b>	<b>4,339,460</b>	<b>0</b>
Acquisitions Budget	200,000	200,000	0	200,000	200,000	0
Westminster CC Coroners Court	0	0	0	60,000	60,000	0
Compulsory Purchase Orders	0	0	0	4,079,460	4,079,460	0
<b>Community and Housing</b>	<b>697,929</b>	<b>599,915</b>	<b>98,014</b>	<b>1,264,830</b>	<b>1,264,830</b>	<b>(0)</b>
<b>Adult Social Care</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,000</b>	<b>15,000</b>	<b>(0)</b>
Telehealth	0	0	0	15,000	15,000	(0)
<b>Housing</b>	<b>579,773</b>	<b>500,000</b>	<b>79,773</b>	<b>1,050,000</b>	<b>1,050,000</b>	<b>0</b>
Disabled Facilities Grant	579,773	500,000	79,773	1,000,000	1,000,000	0
Major Projects - Social Care H	0	0	0	50,000	50,000	0
<b>Libraries</b>	<b>118,156</b>	<b>99,915</b>	<b>18,241</b>	<b>199,830</b>	<b>199,830</b>	<b>0</b>
Major Library Projects	118,156	87,915	30,241	175,830	175,830	0
Libraries IT	0	12,000	(12,000)	24,000	24,000	0

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2021/22	Full Year Variance
<b>Children Schools &amp; Families</b>	<b>4,173,484</b>	<b>5,194,798</b>	<b>(1,021,314)</b>	<b>7,642,690</b>	<b>7,642,690</b>	<b>0</b>
<b>Primary Schools</b>	<b>1,654,402</b>	<b>1,951,958</b>	<b>(297,556)</b>	<b>3,082,910</b>	<b>3,082,910</b>	<b>0</b>
Hollymount	26,377	50,000	(23,623)	60,000	60,000	0
West Wimbledon	271,546	200,000	71,546	360,000	360,000	0
Hatfeild	34,779	65,000	(30,221)	135,000	135,000	0
Hillcross	145,669	126,093	19,576	195,000	195,000	0
Joseph Hood	23,447	63,000	(39,553)	65,000	65,000	0
Dundonald	124,002	123,625	377	159,010	159,010	0
Merton Abbey	44,466	15,000	29,466	65,000	65,000	0
Merton Park	0	0	0	50,000	50,000	0
Pelham	37,375	40,000	(2,625)	55,000	55,000	0
Wimbledon Chase	88,981	117,340	(28,359)	181,000	181,000	0
Wimbledon Park	132,012	303,330	(171,318)	450,000	450,000	0
Abbotsbury	25,782	59,200	(33,418)	79,000	79,000	0
Malmesbury	96,261	78,000	18,261	108,000	108,000	0
Morden	(2,219)	0	(2,219)	0	0	0
Bond	18,400	22,000	(3,600)	38,000	38,000	0
Cranmer	20,986	52,000	(31,014)	64,000	64,000	0
Haslemere	0	100,000	(100,000)	240,000	240,000	0
Liberty	(487)	0	(487)	0	0	0
Links	116,160	140,000	(23,840)	160,000	160,000	0
St Marks	75,221	85,900	(10,679)	125,900	125,900	0
Lonesome	(1,875)	0	(1,875)	5,000	5,000	0
Sherwood	246,010	248,520	(2,510)	330,000	330,000	0
William Morris	131,509	75,950	55,559	158,000	158,000	0
Unallocated Primary School Proj	0	(13,000)	13,000	0	0	0



**Capital Budget Monitoring – October 2021**

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2021/22	Full Year Variance
<b>Secondary School</b>	<b>345,007</b>	<b>403,875</b>	<b>(58,868)</b>	<b>544,040</b>	<b>544,040</b>	<b>0</b>
Harris Academy Morden	0	0	0	70,000	70,000	0
Harris Academy Merton	0	25,628	(25,628)	34,170	34,170	0
Raynes Park	0	21,000	(21,000)	21,000	21,000	0
Ricards Lodge	0	21,610	(21,610)	21,610	21,610	0
Rutlish	27,408	32,295	(4,887)	60,000	60,000	0
Harris Academy Wimbledon	317,599	303,342	14,257	337,260	337,260	0
<b>SEN</b>	<b>1,966,127</b>	<b>2,425,083</b>	<b>(458,956)</b>	<b>3,424,290</b>	<b>3,424,290</b>	<b>0</b>
Perseid	257,369	270,425	(13,056)	369,130	369,130	0
Cricket Green	124,571	195,480	(70,909)	195,480	195,480	0
Melrose	1,571,944	1,777,878	(205,934)	2,337,980	2,337,980	0
Whatley Ave SEN Provision	6,620	45,000	(38,380)	250,000	250,000	0
Unlocated SEN	0	30,000	(30,000)	40,000	40,000	0
Melbury College - Smart Centre	(1,857)	4,165	(6,022)	7,500	7,500	0
Medical PRU	0	52,500	(52,500)	200,000	200,000	0
Mainstream Additional Resource Provision	7,480	49,635	(42,155)	24,200	24,200	0
<b>CSF Schemes</b>	<b>207,949</b>	<b>413,882</b>	<b>(205,933)</b>	<b>591,450</b>	<b>591,450</b>	<b>0</b>
Devolved Formula Capital	207,949	237,632	(29,683)	356,450	356,450	0
Children's Centres	0	41,250	(41,250)	55,000	55,000	0
Youth Provision	0	135,000	(135,000)	180,000	180,000	0

**Capital Budget Monitoring – October 2021**

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2021/22	Full Year Variance
<b>Environment and Regeneration</b>	<b>5,944,501</b>	<b>8,676,042</b>	<b>(2,731,541)</b>	<b>17,700,710</b>	<b>16,988,532</b>	<b>(712,178)</b>
<b>Public Protection and Development</b>	<b>122,310</b>	<b>776,375</b>	<b>(654,065)</b>	<b>942,110</b>	<b>917,110</b>	<b>(25,000)</b>
On Street Parking - P&D	0	415,000	(415,000)	530,000	530,000	0
Off Street Parking - P&D	76,336	324,265	(247,929)	180,000	180,000	0
CCTV Investment	45,974	37,110	8,864	197,110	197,110	0
Public Protection and Development	0	0	0	35,000	10,000	(25,000)
<b>Street Scene &amp; Waste</b>	<b>180,008</b>	<b>310,790</b>	<b>(130,782)</b>	<b>804,000</b>	<b>798,000</b>	<b>(6,000)</b>
Fleet Vehicles	298,792	298,790	2	673,000	673,000	0
Alley Gating Scheme	389	12,000	(11,612)	24,000	18,000	(6,000)
Waste SLWP	(119,173)	0	(119,173)	107,000	107,000	0
<b>Sustainable Communities</b>	<b>5,642,183</b>	<b>7,588,877</b>	<b>(1,946,694)</b>	<b>15,954,600</b>	<b>15,273,422</b>	<b>(681,178)</b>
Street Trees	20,328	0	20,328	134,590	134,590	0
Raynes Park Area Roads	2,188	0	2,188	2,970	2,970	0
Highways & Footways	3,531,119	4,628,356	(1,097,237)	8,489,720	8,489,717	(3)
Cycle Route Improvements	109,596	255,816	(146,220)	414,870	414,870	0
Unallocated Tfl	0	0	0	495,250	0	(495,250)
Mitcham Area Regeneration	952,981	1,188,250	(235,269)	1,905,230	1,759,480	(145,750)
Wimbledon Area Regeneration	130,793	146,565	(15,772)	403,310	403,310	0
Morden Area Regeneration	0	75,000	(75,000)	150,000	150,000	0
Borough Regeneration	104,922	135,720	(30,798)	816,020	811,365	(4,655)
Morden Leisure Centre	15,846	0	15,846	15,850	15,850	0
Wimbledon Park Lake and Waters	165,185	588,980	(423,795)	1,177,960	1,177,960	0
Sports Facilities	118,982	199,845	(80,863)	410,470	410,470	0
Parks	490,242	370,345	119,897	1,538,360	1,502,840	(35,520)

## Virement, Re-profiling and New Funding - October 2021

		2021/22 Budget	Virements	Funding Adjustments	Reprofiling	Revised 2021/22 Budget	2022/23 Budget	Movement	Revised 2022/23 Budget	Narrative
		£	£		£	£	£		£	
<b>Corporate Services</b>										
Compulsory Purchase Order - Clarion	(1)	4,801,190		(721,730)		4,079,460	2,421,840		2,421,840	Clarion have confirmed no CPOs for Ravensbury
Customer Contact Programme	(1)	350,000			(200,000)	150,000	2,026,000	200,000	2,226,000	Re-profiled in line with projected spend
Westminster Coroners Court	(1)	460,000			(400,000)	60,000	0	400,000	400,000	Re-profiled in line with projected timing of spend, liaising with WCC over project cost
<b>Community and Housing</b>										
Telehealth		30,400			(15,400)	15,000	0	15,400	15,400	Re-profiled in line with projected spend
<b>Children, Schools and Families</b>										
West Wimb. - Capital Maintenance Budget	(1)	425,000			(65,000)	360,000	0	65,000	65,000	Re-profiled in line with projected spend
Hillcross - Capital Maintenance Budget	(1)	258,000			(63,000)	195,000	0	63,000	63,000	Re-profiled in line with projected spend
Joseph Hood - Capital Maintenance Budget	(1)	110,000			(45,000)	65,000	0	45,000	45,000	Re-profiled in line with projected spend
Dundonald - Capital Maintenance Budget	(1)	179,010			(20,000)	159,010	0	20,000	20,000	Re-profiled in line with projected spend
Pelham - Capital Maintenance Budget	(1)	85,000			(30,000)	55,000	0	30,000	30,000	Re-profiled in line with projected spend
Wimb. Chase - Capital Maintenance Budget	(1)	216,000			(35,000)	181,000	0	35,000	35,000	Re-profiled in line with projected spend
Bond - Capital Maintenance Budget	(1)	68,000			(30,000)	38,000	0	30,000	30,000	Re-profiled in line with projected spend
Cranmer - Capital Maintenance Budget	(1)	109,000			(45,000)	64,000	0	45,000	45,000	Re-profiled in line with projected spend
Links - Capital Maintenance Budget	(1)	180,000			(20,000)	160,000	0	20,000	20,000	Re-profiled in line with projected spend
Marks - Capital Maintenance Budget	(1)	180,900			(55,000)	125,900	0	55,000	55,000	Re-profiled in line with projected spend
Mesome - Capital Maintenance Budget	(1)	35,000			(30,000)	5,000	0	30,000	30,000	Re-profiled in line with projected spend
Morris Academy Morden - Community Sport Pitch	(1)	135,000			(65,000)	70,000	0	65,000	65,000	Re-profiled in line with projected spend
Natish - Capital Maintenance Budget	(1)	55,000	5,000			60,000	0	0	0	Virements - projected spend capital maintenance
Perseid - Capital Maintenance Budget	(1)	405,000	(5,000)		(40,000)	360,000	0	40,000	40,000	Re-profiled in line with projected spend
Shately Avenue Expansion	(1)	50,000			(30,000)	20,000	1,310,000	30,000	1,340,000	Re-profiled in line with projected spend
Unallocated SEN Expansions	(1)	54,200			(30,000)	24,200		30,000	30,000	Re-profiled in line with projected spend
<b>Environment and Regeneration</b>										
On Street Parking P&D - Pay and Display Machines	(1)	833,000			(303,000)	530,000	0	303,000	303,000	Re-profiled in accordance with projected Spend
Off Street Parking P&D - Car Park Upgrades	(1)	645,530			(465,530)	180,000		465,530	465,530	Re-profiled in accordance with projected Spend
Highways & Footways - Highways bridges & structures	(1)	779,000	105,000			884,000	260,000	0	260,000	Virement from Saltbarn as SCIL Funding Confirmed
Highways & Footways - Salt Barn	(1)	105,000	(105,000)	81,400		81,400	0	0	0	SCIL Funding - virement to Highway Bridges
Wimbledon Area Regeneration - Crowded Places-Hostile Vehicle	(1)	180,000			(180,000)	0		180,000	180,000	Re-profiled in accordance with projected Spend
Mitcham Area Regeneration - Canons Parks for the People	(1)	1,080,750		590,000		1,670,750	0		0	Additional SCIL Funding
Parks Investment - Canons Parks for the People	(1)	135,520		150,000		285,520	0		0	Additional SCIL Funding
Parks Investment - Sports Drainage	(1)	0		150,000		150,000	0		0	New SCIL Funding
Wimb Area Regen - Wimb. Vill. Heritage Led Public Realm		0		30,000		30,000	0		0	New SCIL Funding
Highways & Footway - Surface Water Drainage		103,630		40,000		143,630	60,000		60,000	New SCIL Funding
CCTV Investment - Rapid Response Cameras		0		41,000		41,000	0		0	New CCTV Scheme
<b>Total</b>		<b>12,049,130</b>	<b>0</b>	<b>360,670</b>	<b>(2,166,930)</b>	<b>10,242,870</b>	<b>6,077,840</b>	<b>2,166,930</b>	<b>8,244,770</b>	

(1) Requires Cabinet approval

## Capital Programme Funding Summary 2021/22

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
<b>Proposed September Monitoring</b>	<b>19,495</b>	<b>17,284</b>	<b>36,778</b>
<b><u>Corporate Services</u></b>			
Compulsory Purchase Order - Clarion	0	(722)	(722)
Customer Contact Programme	(200)	0	(200)
Westminster Coroners Court	(400)	0	(400)
<b><u>Community and Housing</u></b>			
Telehealth	(15)	0	(15)
<b><u>Children, Schools and Families</u></b>			
West Wimb. - Capital Maintenance Budget	0	(65)	(65)
Hillcross - Capital Maintenance Budget	0	(63)	(63)
Joseph Hood - Capital Maintenance Budget	0	(45)	(45)
Dundonald - Capital Maintenance Budget	0	(20)	(20)
Pelham - Capital Maintenance Budget	0	(30)	(30)
Wimb. Chase - Capital Maintenance Budget	0	(35)	(35)
Bond - Capital Maintenance Budget	0	(30)	(30)
Cranmer - Capital Maintenance Budget	0	(45)	(45)
Links - Capital Maintenance Budget	0	(20)	(20)
St Marks - Capital Maintenance Budget	0	(55)	(55)
Lonesome - Capital Maintenance Budget	0	(30)	(30)
Harris Academy Morden - Community Sport Pitch	(65)	0	(65)
Perseid - Capital Maintenance Budget	0	(40)	(40)
Whately Avenue Expansion	(30)	0	(30)
Unallocated SEN Expansions	(30)	0	(30)
<b><u>Environment and Regeneration</u></b>			
On Street Parking P&D - Pay and Display Machines	(303)	0	(303)
Off Street Parking P&D - Car Park Upgrades	(466)	0	(466)
Wimbledon Area Regeneration - Crowded Places-Hostile Vehicle	(180)	0	(180)
Highways & Footways - Salt Barn	81	0	81
Mitcham Area Regeneration - Canons Parks for the People	590	0	590
Parks Investment - Canons Parks for the People	150	0	150
Parks Investment - Sports Drainage	150	0	150
Wimb Area Regen - Wimb. Vill. Heritage Led Public Realm	30	0	30
Highways & Footway - Surface Water Drainage	40	0	40
CCTV Investment - Rapid Response Cameras	41	0	41
<b>Proposed October Monitoring</b>	<b>18,888</b>	<b>16,084</b>	<b>34,972</b>

## Capital Programme Funding Summary 2022/23

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
<b>Proposed September Monitoring</b>	<b>19,720</b>	<b>6,449</b>	<b>26,168</b>
<b><u>Corporate Services</u></b>			
Customer Contact Programme	200	0	200
Westminster Coroners Court	400	0	400
<b><u>Community and Housing</u></b>			
Telehealth	15	0	15
<b><u>Children, Schools and Families</u></b>			
West Wimb. - Capital Maintenance Budget	0	65	65
Hillcross - Capital Maintenance Budget	0	63	63
Joseph Hood - Capital Maintenance Budget	0	45	45
Dundonald - Capital Maintenance Budget	0	20	20
Pelham - Capital Maintenance Budget	0	30	30
Wimb. Chase - Capital Maintenance Budget	0	35	35
Bond - Capital Maintenance Budget	0	30	30
Cranmer - Capital Maintenance Budget	0	45	45
Links - Capital Maintenance Budget	0	20	20
St Marks - Capital Maintenance Budget	0	55	55
Lonesome - Capital Maintenance Budget	0	30	30
Harris Academy Morden - Community Sport Pitch	65	0	65
Perseid - Capital Maintenance Budget	0	40	40
Whately Avenue Expansion	30	0	30
Unallocated SEN Expansions	30	0	30
<b><u>Environment and Regeneration</u></b>			
On Street Parking P&D - Pay and Display Machines	303	0	303
Off Street Parking P&D - Car Park Upgrades	466	0	466
Wimbledon Area Regeneration - Crowded Places-Hostile Vehicle	180	0	180
<b>Proposed October Monitoring</b>	<b>21,409</b>	<b>6,927</b>	<b>28,335</b>

## Canons Parks for the People – Variation from Original Budgeted Costs

### Executive Summary

#### 1.0 Background

- 1.1 In June 2017, National Lottery Heritage Fund awarded London Borough of Merton £4,440,600, 85% of total estimated project cost of £5,184,375 'towards a project to restore Canons House & Grounds, giving a greater unity and becoming a thriving centre of culture and leisure activity.'
- 1.2 The nature of the project led to two contracts being devised, a Building Contract focussing on Canons House, the Dovecote and the new Café and a Landscape Contract covering the rest of the grounds, the pond, walled garden, play area, community garden, car park, running track, the Obelisk and site wide landscape works. Due to the time constraints, the contracts largely ran concurrently, starting in May 2020 and completing in July 2021.

#### 2.0 Overall Cost Position

- 2.1 Due to a number of issues, the contingencies allowed at Contract stage have been expended on variations and there is an overspend on both contracts. Although the Final Account of the Landscape Contract are agreed, there are some significant issues on the Building Contract that need to be resolved between the client's design team quantity surveyor and the contractor. It is likely that there will be an overspend on the contracts of circa £277,085 when compared to the total capital budget, however the worst-case forecast shows an overspend of £662,481 (£740k has been added funded from SCIL). In addition to this there have been additional design team costs incurred which is forecasted to be in the region £170k, giving a predicted overall overspend of 447K or an overall worst case overspend of £832k. The design team has been working hard to minimise the overspend in liaison with the council and National Lottery Fund, without compromising on the scope of the works or quality.

#### 3.0 Summary of Reasons for the Overspend

- 3.1 The main reasons for the overspend are largely unforeseen factors uncovered in the fabric of Canons House and material in the ground and the pond as well as changes instructed by Merton in relation to the running track, community garden and car park. We outline below a summary of the reasons for the overspend on and refer to attached reports. These fall into three categories:
- Landscape Contract
  - Building Contract
  - Additional Fees

#### 3.2 Landscape Contract

- 3.2.1 The Landscape Contract Final Account has been agreed at £1,388,897.46, an overspend of £125,560.08 on the original Contract Sum of £1,263,337.38. The main cost issues within the Landscape Contract were attributed to the classification of the pond silt for disposal of site, the additional pond scrape, car park level issues and additional car park access and gates, additional running track area and walled garden repairs.

##### a) Pond silt for disposal of site

A provisional sum of £11k was allowed for in the Contract for some of the pond silt to be disposed of as hazardous material. However, it was discovered on 30/06/2020 that all of the pond silt would be classified as hazardous for off-site disposal which carries a significant premium. The design team looked at ways of keeping the material on site in permanent bunds but these options were considered to be too much of an intrusion on the historic landscape and the material was led off site after it had dried out. The additional cost of this work was **£74,701.78 77**.

*Report reference – Appendix A - Silt Removal Strategy Summary*

**b) Amended car park proposals**

Additional Type 1 fill material and bitmac regulating course were required to make up the levels within the car park in order to achieve the required drainage falls necessary to ensure functionality of the SUDS. In addition a new vehicular access was provided for the proposed Merantum Developments site, the layout was revised to maintain access to the rear of properties on Madeira Road and the entrance to the car park was redesigned. The additional cost of this item was **£52,134.89**.

*Email Reference – Confirmation to proceed 15.06.20*

**c) Running track**

When the works to the running track was costed, the 100 yard straight was not included. However, when works commenced on site, there were a number of complaints from the public that this had been omitted and a decision was made by the council to include the 100 yard straight, resulting in an additional cost of **£10,212.92**.

*Email Reference – Confirmation to proceed 26.06.20*

**d) Walled Garden Repairs**

When work commenced the state of the listed walls were found to be worse than anticipated. In order to protect the investment in repairs, items of work identified as non-essential were revised to essential which resulted in an additional cost of **£14,424.52**.

**e) Removal of Concrete Base in Community Garden Area**

A concrete base circa 300mm deep within the community garden area was uncovered in the former car park area by Tilhill. This was unforeseen and required breaking out prior to the community garden and play area works in order that the drainage proposals comprising a permeable surface and base function as per design. The works cost an additional **£12,032.03**.

*Email reference – email from Contractor dated 07.08.20*

**f) Redesign of Community Garden**

Working with the Community Engagement Officer who commenced work when works began on site, the design team redesigned the community garden to include further planters and seats and to improve the space for community use. The additional cost was **£15,240.03**.

*Email Reference – Email from Design Team to Client Team dated 27.08.20*

**g) Pond Scrape Feature**

It became clear during the works that original proposal for dealing with the overflow provided insufficient capacity for the proposed works. Several options for a scrape were assessed and discussed with the design team and the Contractor with budget costs provided for each. The most practical and least intrusive solution was to create a pond scrape feature in the north east corner of the west lawn. The additional cost of this work including an extension of time of 8 weeks with preliminaries cost was **£36,569.10**.

*Report Reference - Appendix B - Pond Outfall - Options Appraisal*

**h) Remediation of Pond Liner**

The only residual risk to the landscape works is the remediation of the pond liner. Currently, we have allowed a provisional sum of **£10,000** for a reduced scope remediation, however Tilhill provided a cost of circa £45-50k for directional drilling and the associated preliminaries costs. We have received remediation proposals from JBA (Project Hydrologists) and are in the process of reviewing and costing.

**i) Extension of Time**

Tilhill was granted 3 extensions of time, totalling 8 weeks as follows:

16 December 2020 – 4 weeks due to:

- Proposed scrape feature and outfall from the pond to the West Lawn and its affect works to the Obelisk area and the resurfacing of the paths around the same areas, due to sequencing requirements.

12 February 2021 – 3 weeks due to:

- Work to the proposed scrape feature and outfall from the pond to the West Lawn,
- Supply and installation of additional bollards to the main car park entrance
- Supply and installation of sett detail to the base of the obelisk and fencing and gates to the play area.

18 March 2021 for 1 week for miscellaneous small works including:

- 5no. chains to be welded to lock and to gate at Client request as follows:
- Locks for the height restriction barrier
- Relocation of 1no bench and painting of metal benches
- Vehicle gate/post and 5no. metal bollards to be painted
- Install 1no. Lifebuoy by pond

Additional costs related to the extension of time were **£20,424.00**.

### **3.3 Building Contract**

3.3.1 Although the project progressed smoothly, several unanticipated items of work were required which resulted in the expenditure of the contingency allocated to the project and an additional overspend. The main factors which affected the budget are out lined below.

#### **a) Contaminated Land**

Contaminated (diesel) and poor-quality ground conditions on the site of the new café were discovered when the former link building was demolished. The contaminated earth had to be removed from site and properly disposed of, at additional expense. In addition, the foundations for the new café had to be redesigned to account for the poor quality ground conditions. The cost of this additional work was **£62,065.02**. This also delayed the programme and an extension of time, and the contractor was entitled to loss and expenses associated with the delay

#### **b) Structural Repairs**

Additional structural repairs were required to the inside and outside of the house following opening up and a more detailed inspection of the elevations from the scaffolding. Additional ties had to be installed in parts of the building to prevent movement in the historic walls and several new lintels had to be installed over window and door openings. Repairs to the floor structure were required when the floorboards in the house were lifted and it was discovered that that the condition of the structure was not as expected. Repairs were also needed on the north elevation of the house when the link building was demolished and it was discovered that the roof of the building had been built into the gable of the house rather than it being built against the gable as is common practice. The cost of these additional works is approximately **£80,000**.

During the contract a perimeter drain or 'undercroft' running around most of the building was discovered. This presumably acted as means of waterproofing the basement. Parts of the drain had collapsed and had to be repaired while others had to be altered to allow for the new services and drainage to be installed. The budget cost for this work is **£14,677.62**.

#### **c) Discovery of Historic Panelling**

Early in the contract period, historic wall panelling was discovered hidden behind plasterboard in F05, one of the first floor offices. In the contract documents, the existing plaster in the office was to be retained and repaired but following the discovery and discussion with the employer it was decided that the existing panelling should be visible instead. Extensive repairs to the panelling were necessary. The panelling also had to be recorded by the archaeologist and paint samples were also taken to date the panelling. The additional cost for this work is budgeted at **£9,226.63**.



**d) Works to Attic Flat (funded outside the project)**

The attic flat has been altered and refurbished to a basic level of finish as part of the contract. The contract originally only included minor repairs to the attic flat but during the contract the employer decided to undertake more significant alterations and improvements to the flat. The cost of some of this work was covered by a provisional sum (£10,750) that had been allowed for in the contract but the additional cost (budgeted at **£61,946.84**) shown in the cost report reflects the significant amount of work that was added into the contract.

**e) Works to Madeira Hall (funded outside the project)**

The refurbishment of the Madeira Hall (including upgrades to lighting and fire alarms, and redecoration) was also added into the contract during the contract period. The additional cost of this work is budgeted at **£48,270.11**. There had been no allowance in the original budget for any work to the hall but additional funding was secured for the work.

**f) Dovecote roof repairs**

When scaffolding was erected in the Dovecote and the roof was inspected, it was discovered that the roof structure was in a very poor condition. As a result, the roof had to be stripped (originally they were going to be overhauled) and parts of the structure, which had rotten, had to be carefully cut out and replaced or strengthened before the roof could be reinstated. The additional cost of this work is budgeted at **£20,000.00**

**g) Revised hard landscaping proposals including steps**

Approximate budget cost for the changes to the hard-landscaping works. Generally, there has been a saving to the courtyard works, however this is countered by additional works to the steps and pond stringer detail. These works were required to suit the accessibility requirements to Canons House following review with Building Control. There was also a requirement to substitute the original stone selection due to the range being discontinued. An alternative was approved by Merton's Conservation team but came at greater expense and associated lead-in times. The additional cost of this work is budgeted at **£5,000.00**

**h) Revised construction build ups to hard landscape work**

Due to the poor ground conditions the structural engineer advised that the construction build ups to the hard landscaped to the north and east of Canons House were required to be deeper. This has introduced a significant additional cost as additional excavation was required to achieve this. The additional cost of this work is budgeted at **£17,000.00**.

**i) Additional area of surfacing to Madeira Drive**

The area of surfacing has been significantly extended from the Building Contract boundary to the Madeira Hall entrance due to the poor existing condition of the tarmac. There was also a necessity to transfer some of the drive works originally costed in the landscape contract (Tilhill) into the building contract (Buxton) due to a delayed start and overrun in the building contract conflicting with the landscape contract programme. The additional cost of this work is budgeted at **£17,000.00**.

**j) Extension of Time**

Buxton Building Contractors were granted 3 extension of time, totalling 12 weeks as follows:

17<sup>th</sup> March 2021 – 5 weeks due to:

- Contaminated ground, and poor ground conditions beneath the café, as noted in 3.2.1 above.

28<sup>th</sup> May 2021 – 4 weeks due to:

- Additional internal structural alterations and repairs, as noted in 3.2.2 above.
- Delay in confirming revised paving slab specification.

21<sup>st</sup> July 2021 – 3 weeks due to:

- Addition of internal refurbishment work of Madeira Hall into the contract, as noted in 3.2.5 above.
- Additional resurfacing of Madeira Drive and additional work to pond steps, as noted in 3.2.7 and 3.2.9 above.

The additional loss and/or expense costs associated with the extension of time is budgeted at approximately **£78,000**.

### **3.4 Additional Fees**

The design team has incurred additional costs in the region of £170,000. This is made up of:

- Additional archaeological work in relation to Canons House and additional ecology surveys
- Monitoring of tree protection as part of a planning condition
- Design works to the attic flat
- Redesign and managing of items noted above including the car park, pond and silt contamination, scrape, community garden, play area, dovecote, revised Café foundations due to contamination, etc
- Prolongation fees due to the extension granted to the two contracts, a total of 12 weeks

**APPENDIX 6**

<b>Department</b>	<b>Target Savings 2021/22</b>	<b>Projected Savings 2021/22</b>	<b>Period 7 Forecast Shortfall</b>	<b>Period Forecast Shortfall (P7)</b>	<b>2022/23 Expected Shortfall</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>	<b>£000</b>
Corporate Services	1,322	1,090	232	17.5%	80
Children Schools and Families	1,460	410	1,050	71.9%	400
Community and Housing	2,541	1,517	1,024	40.3%	1,000
Environment and Regeneration	1,580	311	1,269	80.3%	750
<b>Total</b>	<b>6,903</b>	<b>3,328</b>	<b>3,575</b>	<b>51.8%</b>	<b>2,230</b>

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2021-22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Achieved £000	Shortfall	RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	2022/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
<b>SUSTAINABLE COMMUNITIES</b>											
ENV2021-01	Future Merton: Street works team income (increase in income)	100	100	0	G	100	0	G	James McGinlay		
ENV1920-06	Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway.	70	0	70	R	70	0	G	James McGinlay	Covid-19 estimated to impact on saving. Should be achieved from 2022/23.	Y
ENV2021-10	D&BC: Savings as a result of the 'Assure' M3 upgrade . Reduce BC/DC admin by 1 FTE	15	15	0	A	15	0	G	James McGinlay	Staff issue with the admin manager being off sick has delayed progress.	Y
ENV2021-02	D&BC: Increase PPA's income (increased income) through a dedicated Majors team	80	0	80	R	80	0	G	James McGinlay	Staff issue with the admin manager being off sick has delayed progress.	Y
ENV2021-05	D&BC: Reduction in various minor budget spends	12	12	0	G	12	0	G	James McGinlay		
<b>PUBLIC PROTECTION</b>											
ENV1819 - 04	Parking: Reduction in the number of pay & display machines required.	26	26	0	G	26	0	G	Cathryn James	Please refer to Item ENV 2021-04 below where the modernisation project is due to be rolled out in October 2021 and will deliver the reduction targets.	
ENV1920-01	Parking: Application to change Merton's PCN charge band from band B to band A. To effect this a full business case will need to be presented to Full Council. Following this, an application will be made to the London Councils Transport, and Environment Committee. Depending on the outcome at the Committee, the Mayor will also be required to ratify the application and the Secretary of State has final sign off. This 'saving' reflects the impact on estimated revenue until motorist compliance takes full effect .The objective is to reduce non-compliance but if the band change is implemented it is likely that there will be a short term increase in revenue.  The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.	340	56	284	R	340	0	G	Cathryn James	Following the consultation process and approval by Merton, approved is required by the following: London Councils, GLA, Mayor for London and Secretary of State. Applications are now with Secretary of state for final sign off. Possible implementation date Q4 2022.  Process was delayed due to London Mayoral Election, officers working with GLA to progress the application. Additional questions raised by GLA have now been responded to and approved. Estimated operational date Feb 2022 resulting in 2 months (£56k) pro rata of this saving being achieved. to be sent by GLA to Mayor for London.	Y
ENV2021-04	Parking: EBC - potentially commencing in 2nd half of 2021/22. Assumes a 10% reduction in 2023/24, and a further 10% in 2024/25.	750	0	750	R	0	750	R	Cathryn James	EBC no longer going ahead - saving to be removed from next financial year. In th current year this has been met from the corporate contingency.	Y
ENV2021-08	Parking: Activity to improve On Street parking compliance.	100	50	50	R	100	0	A	Cathryn James	Due to Covid and current on street activity this saving has not been met in Q1-3 2021. Operational consideration now being worked through for implementation in Q4. Possible Risk £50k will be achieved next year rather than this financial year.	Y
ENV2021-06	Service restructure across Safer Merton and CCTV	35	0	35	R	35	0	A	Cathryn James	Cost pressures within the CCTV budget present a challenge to meeting this savings target. The CCTV upgrade programme will reduce the CCTV revenue costs (e.g. the upgrades to the network will lower data transmission costs), therefore the delivery of these savings is contingent on the timely implantation of the upgrade programme.	Y
<b>PUBLIC SPACE</b>											

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2021-22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Achieved £000	Shortfall	RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	2022/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
ENV2021-09	Zero tolerance approach to littering and environmental offences leading to increase in the intensification of patrols and subsequent fix penalty notices being issued.	52	52	0	G	52	0	G	John Bosley		
<b>Total Environment and Regeneration Savings 2021/22</b>		<b>1,580</b>	<b>311</b>	<b>1,269</b>		<b>830</b>	<b>750</b>				

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2021/22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Forecast £000	Shortfall	RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
<b>Customers, Policy &amp; Improvement</b>											
2019-20 CS28	cash collection reduction	19	19	0	G	19	0	G	Sean Cunniffe		
2021-22 CS01	Cash collection contract	23	23	0	G	23	0	G	Sean Cunniffe		
2021-22 CS05	Contract savings and IT procurement	200	200	0	G	200	0	G	CPI AD		
2021-22 CS15	Delete a post from Customer Contact	32	32	0	G	32	0	G	Sean Cunniffe		
<b>Resources</b>											
2018-19 CS07	Retender of insurance contract	25	0	25	R	0	25	A	Nemashe Sivayogan	Expected saving to be reviewed following six schools leaving the insurance SLA, new contract has delivered cost savings but there is shortfall against the budgeted saving due to original pressures in the budget	Y
2018-19 CS08	Increase in income from Enforcement Service	15	0	15	R	0	15	R	David Keppler	Not achievable in year due to covid	Y
2021-22 CS11	Review of shared Bailiff service with Sutton	40	0	40	R	0	40	R	David Keppler	Not achievable in year due to covid	Y
2021-22 CS12	Miscellaneous savings within Resources (eg. Consultancy)	69	69	0	G	35	0	G	Resources Senior Management	Includes a one off saving of £34k, saving target reduces to £35k from 2022/23 onwards	
<b>Corporate Governance</b>											
2021-22 CS04	Establish income grant budget for transparency agenda	13	13	0	A	13	0	A	Paul Phelan	Grant income expected but not yet confirmed by central govt.	N
2021-22 CS07	Remove previous inflation built in to reduce Overall Members' Allowances Budget	11	9	2	A	11	0	G	Andrew Robertson	Currently forecasting saving shortfall of 2K	Y
2021-22 CS08	reduced running costs due to canvass reform	10	10	0	G	10	0	G	Andrew Robertson	Currently on track even with decision to send household notification letters early next year.	
2021-22 CS09	legal services - reduce affiliation, counsel and land registry fees	40	40	0	G	40	0	G	Paul Phelan		
2021-22 CS10	reduce AD budget running costs	6	6	0	G	6	0	G	Louise Round		
2021-22 CS14	Local Land Charges - amend income budget for service to reflect net cost recovery	90	90	0	G	90	0	G	Paul Phelan		
<b>Human Resources</b>											
2019-20 CS26	Review of contract arrangements	120	0	120	R	120	0	G	Liz Hammond	The iTrent contract renewal did not proceed to an early exit as previously expected and the savings will now not start until 22/23.	Y
<b>Infrastructure &amp; Technology</b>											
2019-20 CS21	Implement phase 2 of the Flexible Working Programme to generate additional vacant floor space and generate income from commercial lease arrangements.	90	90	0	G	90	0	G	Edwin O'Donnell		
2019-20 CS23	Implement a means assessed charging scheme for appointments undertaken by the CFA team.	30	0	30	R	30	0	A	Tina Dullaway	Charging scheme yet to be agreed and implemented	Y
2021-22 CS06	Facilities Management - Reduction in various running costs.	75	75	0	G	75	0	G	Various I&T managers		
<b>Corporate</b>											
2019-20 CS12	Increase in Empty Homes Premium for long term empty properties	16	16	0	G	16	0	G	David Keppler		
2021-22 CS02	Corporately funded items (eg. Supplies and services)	75	75	0	G	75	0	G	Senior Management		
2021-22 CS03	Realignment of Pension Added years budget	63	63	0	G	63	0	G	Senior Management		
2021-22 CS13	CHAS Dividend	260	260	0	G	260	0	G	Senior Management		
<b>Total CS Savings for 2021/22</b>		<b>1322</b>	<b>1090</b>	<b>232</b>		<b>1208</b>	<b>80</b>	<b>0</b>			

Updated Oct'21											APPENDIX 6
DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2021/22											
Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Expected £000	Shortfall	RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
<b>Adult Social Care</b>											
CH93	LD Offer- Proposal to review the LD offer to adults with learning disabilities	500	500	0	G	500	0	G	Gill Moore	The programme is underway and additional resources are being put in place to ensure delivery	
CH94	Integration- Merton Health & Care Together Partnership Programme	500	0	500	R	0	500	R	Phil Howell	Changes in the health landscape make savings through integrated working more difficult to deliver at this time. This will be kept under review as the new ICS arrangements emerge	
CH95	Public Health	500	100	400	R	0	500	R	Dagmar Zeuner	the impact of COVID and provider issues make this undeliverable at this time.	
CH96	Home care monitoring	110	110	0	G	110	0	G	Keith Burns	Project to broaden number of providers using ECM solution is in progress.	
CH98	Transport	200	200	0	A	200	0	G	Phil Howell	The transport review has been delayed by COVID but this is offset in year by reduced concessionary fares costs (one off)	
CH99	Promoting Independence	500	500	0	G	500	0	G	Phil Howell		
CH102	Dementia Hub Recommissioning	55	55	0	G	55	0	G	Richard Ellis	The savings has been delivered for 2021/22 by achievement of additional contribution from health	
CH103	HRS Decommissioning Floating Support	176	52	124	A	176	0	G	Steve Langley	The work was delayed by COVID but is now on track to be delivered by end Dec 2021 with fye 2022/23	
<b>Subtotal Adult Social Care</b>		<b>2,541</b>	<b>1,517</b>	<b>1,024</b>		<b>0</b>	<b>1,541</b>	<b>1,000</b>			
<b>Total C &amp; H Savings for 2021/22</b>		<b>2,541</b>	<b>1,517</b>	<b>1,024</b>			<b>1,541</b>	<b>1,000</b>			

## DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 21-22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Expected £000	Shortfall	21/22 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSF2019-12	Review of public health commissioned services	400	0	400	R	0	400	R	Sue Myers	This saving is unachievable as it is related to a saving in Public Health related to recommissioning integrated service that didn't occur	
CSF2019-16	National Minimum rate for Fostering/Guardianship/Adoption	20	20	0	G	20	0	G	Sue Myers	Review in progress full update to be provided in Period 7	
CSF2019-17	Increased use of in-house foster care	40	40	0	G	40	0	G	Sue Myers	Review in progress full update to be provided in Period 7	
CSF2019-18	Review and reshape shortbreaks provision	200	0	200	R	200	0	G	Elizabeth Fitzpatrick	Shortbreaks review was delayed by Covid and the saving is therefore also delayed	
CSF2019-19	SEND travel assistance	150	150	0	G	150	0	G	Elizabeth Fitzpatrick	Review in progress full update to be provided in Period 7	
2021-22 CSF01	Education & Early Help -Reduction made in provision for PFI Unitary Charges	450	0	450	R	450	0	G	Elizabeth Fitzpatrick	Finance review of the PFI Unitary charge model needed	
2021-22 CSF03	CSF - Ongoing underspend	200	200	0	A	200	0	G	Sue Myers/Elizabeth Fitzpatrick	Currently CSF forecasting overspend so this saving is at risk to be reviewed in Period 7	
	<b>Total Children, Schools and Families Department Savings for 2021/22</b>	<b>1,460</b>	<b>410</b>	<b>1,050</b>	<b>0</b>	<b>1,060</b>	<b>400</b>	<b>0</b>			



**APPENDIX 7**

<b>Department</b>	<b>Target Savings 2020/21</b>	<b>Shortfall 2020/21</b>	<b>Projected Shortfall 2021/22 (October)</b>	<b>Projected Shortfall 2022/23 (October)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Corporate Services	2,718	883	213	678
Children Schools and Families	2,969	664	500	0
Community and Housing	2,460	128	128	128
Environment and Regeneration	3,927	3,373	2,837	0
<b>Total</b>	<b>12,074</b>	<b>5,048</b>	<b>3,678</b>	<b>806</b>

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2020-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	2021/22 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R / A Included in Forecast Over/Under spend? Y/N
ENV1920-06	Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway.	40	0	40	R	0	40	R	40	0	G	James McGinlay	Covid-19 estimated to impact on saving. Should be achieved from 2022/23.	Y
ENV1819-03	Parking: The objective of the proposal is to support the delivery of key strategic council priorities including public health, air quality and sustainable transportation, in addition to managing parking, kerbside demand and congestion. Whilst implementation of the proposals will have the incidental effect of generating additional revenue, it is difficult to assess the level of change in customer behaviour and any subsequent financial impact arising from the changes. This will be monitored after implementation and any resulting impacts will be considered during the future years' budget planning cycles. The above will be subject to the outcome of the consultation process in 2019.	1,900	0	1,900	R	0	1900	R	1900	0	A	Cathryn James	PARKING PERMITS: The new charges were implemented on 14th January 2020. Early analysis shows a reduction in sales of Permits, including scratch cards, and a greater number of 6 month permits being sold than 12 month permits against historic trends, which is even more evident in the case of diesel cars permits. Unfortunately Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a significant change in Permit sales, which has made projections very difficult. Permit sales for 20/21 were estimated to be down by approx. 10% overall for the calendar year 2020. Due to the reasons above this saving will not be fully met in 2020/21. Lockdown continued in quarter 1 of 2021/22 and activity will continue to be monitored and reviewed.  ON STREET PARKING CHARGES - PAY & DISPLAY: Following the introduction of On Street charges, data showed expected income was being achieved, but off street showed a slight under recovery on estimated. Unfortunately, Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a reduction in parking activity, which makes analysis against budget projection very difficult. For the period June through to October 20/21 data showed off street activity at 50% of pre covid and on street at 80%. Lockdown 2 (Nov 2020) resulted in a reduction in 'on and off street' parking activity. Lockdown 3 had a further significant detrimental effect in 'on and off street parking' activity. Covid / lockdown and associated change in social behaviour during the last quarter 2020/21 continued to have a direct effect on service activity and resulted in the saving not being met. This saving will continue to be reviewed and monitored on a monthly basis but lockdown during the first quarter in 2021/22 continues to affect income levels. As at October 2021 savings continue to be monitored but lockdown and change in driver behaviour continues to result in this saving not being achieved.	Y
ENV1819-04	Parking: Reduction in the number of pay & display machines required.	13	0	13	R	13	0	G	13	0	G	Cathryn James	Expected to be achieved in 2021/22.	
ENV1920-01	Parking: Application to change Merton's PCN charge band from band B to band A. To effect this a full business case will need to be presented to Full Council. Following this, an application will be made to the London Councils Transport, and Environment Committee. Depending on the outcome at the Committee, the Mayor will also be required to ratify the application and the Secretary of State has final sign off. This 'saving' reflects the impact on estimated revenue until motorist compliance takes full effect. The objective is to reduce non-compliance but if the band change is implemented it is likely that there will be a short term increase in revenue.  The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.	340	0	340	R	340	0	A	340	0	G	Cathryn James	Following the consultation process and approval by Merton, the proposal was put before London Council, GLA, Mayor for London and Secretary of State to approve.  Process was delayed due to London Mayoral Election, officers are working with GLA to progress the application. GLA now approved application and Sec of State has 3 weeks to comment. Earliest implementation will be in January 2022.	N
ENV1920-02	Parking: Compliance rates for ANPR Moving Traffic Offences have not decreased significantly or as estimated since the implementation of the ANPR cameras and as a consequence the PCN revenue remains above original estimations. This 'saving' recognises revenue currently being received by the Council rather than any estimated increase.  The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.	300	0	300	R	0	300	R	300	0	A	Cathryn James	Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. It is however expected that this saving will not be met. Tier 4 and Lockdown 3 will result in less 'on street' activity. It is therefore estimated that there will be a greater shortfall in achieving this saving this year. Current traffic movements remain affected with less ANPR activity. It is projected that this saving will not be met in 2021/22.	Y
ALT1920-02	Parking: The use of ANPR to enforce moving traffic contraventions has been operational since July 2016. The number of cameras has increased and the locations varied over this period and the number of PCNs remains above initial estimates.	337	0	337	R	0	337	R	337	0	A	Cathryn James	Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. It is however expected that this saving will not be met. Tier 4 and Lockdown 3 will result in less 'on street' activity. It is therefore estimated that there will be a greater shortfall in achieving this saving this year. Lockdown continues in Q1 2021/22 and on street activity remains lower than normal. Saving for 2020/21 is unlikely to be met on current trends. Current traffic movements remain affected with less ANPR activity. It is projected that this saving will not be met in 2021/22.	Y
ENV1920-04	Waste: The service change in October 2018 has had a significant impact on waste arisings and recycling levels. Residual waste volume has reduced by c12% whilst recycling levels have increased from c34% to c45%. Whilst we have already built £250k into the MTFs we believe that this can be added to.	250	0	250	R	0	250	R	250	0	A	John Bosley	The service maintained a high recycling rate in 2019/20, recycled 42% of all domestic waste and delivered significant (above target) savings in the disposal cost. This budget is now under pressure due to the sudden growth in domestic waste following the National impact of COVID 19 and residents now self isolating and working from home. With the national increase in the level of recycling being generated, processing facilities are becoming stricter with regards to the quality of the material being accepted, resulting in areas of non compliance being rejected. CONFIDENTIAL The current national shortage of drivers impacting the collection schedule, the service has been required to combine rounds and co collect waste streams. This is being monitored through our BCP and the financial impact amended through our budget forecasting.	Y

ALT1920-03	Leisure: Increased income from Leisure Centres Management Contract	10	0	10	R	0	10	R	10	0	G	John Bosley	This amount is already included in the income target for this year and going forward, but with Covid 19 changing the uses of leisure centres this will not be achieved this year	Y
ALT1920-04	Waste Services: Increase level of Environmental Enforcement activities of both internal team & service provider - ensuring the operational service is cost neutral	150	31	119	R	150	0	G	150	0	G	John Bosley	The commissioning and procurement of a new enforcement contract along with the wider Public Space restructure is scheduled for late 21/22 and we hope to implement this in the new year subject to any continuity plans which may take presedent over these two work streams.	
ALT1920-07	Greenspaces: Realign budgets to better reflect current levels of income from outdoor events.	64	0	64	R	64	0	G	64	0	G	John Bosley		
<b>Total Environment and Regeneration Savings 2020/21</b>		<b>3,404</b>	<b>31</b>	<b>3,373</b>		<b>567</b>	<b>2,837</b>		<b>3,404</b>	<b>0</b>				

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2020/21													APPENDIX 7	
Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
	<b>Adult Social Care</b>													
CH76	OPMH Staffing	100	0	100	R	0	100	R	0	100	R	John Morgan	We need to review the demand for MH services with the trust due to C19. Further work is required to establish the necessary resourcing	
CH87	Mascot Income	100	72	28	R	72	28	R	72	28	R	Andy Ottaway-Searle	MASCOT income has fallen due to cancelled services	
	<b>Subtotal Adult Social Care</b>	<b>200</b>	<b>72</b>	<b>128</b>		<b>0</b>	<b>72</b>		<b>72</b>	<b>128</b>				
	<b>Total C &amp; H Savings for 2020/21</b>	<b>200</b>	<b>72</b>	<b>128</b>		<b>72</b>	<b>128</b>		<b>72</b>	<b>128</b>				

## DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R / A Included in Outturn Over/Under spend? Y/N
<b>Customers, Policy &amp; Improvement</b>														
2019-20 CS02	Charge for Blue Badges	15	0	15	R	15	0	A	15	0	A	Sean Cunniffe	Looking to have an outsourced solution that can incorporate charges for BB's	Y
2018-19 CS07	Retender of insurance contract	50	0	50	R	7	43	A	7	43	A	Nemashe Sivayogan	Expected saving to be reviewed following six schools leaving the insurance SLA, new contract has delivered cost savings but there is shortfall against the budgeted saving due to original pressures in the budget	Y
2018-19 CS08	Increase in income from Enforcement Service	20	0	20	R			N/A	0	20	R	David Keppler	Not achievable in light of covid-19 circumstances. Saving removed from 2021/22 and deferred to 2022/23 per December 2020 Cabinet report	Y
<b>Corporate Governance</b>														
2018-19 CS12	SLLp - reduction in legal demand	50	0	50	R	0	50	A	0	50	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
2019-20 CS14	impose criminal litigation cap at 20k	20	0	20	R	0	20	A	0	20	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
2019-20 CS15	reduce civil litigation legal support by 50%	45	0	45	R	0	45	A	0	45	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
<b>Infrastructure &amp; Technology</b>														
2019-20 CS22	Reduction in the frequency of the cleaning within the corporate buildings	25	0	25	R	0	25	A	25	0	G	Edwin O'Donnell	Not achievable in light of covid-19 circumstances	Y
2020-21 CS9	Reduction in the frequency of the cleaning within the Councils corporate buildings.	30	0	30	R	0	30	A	30	0	G	Edwin O'Donnell	Not achievable in light of covid-19 circumstances	Y
<b>Corporate</b>														
2019-20 CS13	Improved collection of HB overpayments and reduce Bad Debt Provision	500	0	500	R			N/A	0	500	R	David Keppler	Saving removed from 2021/22 and deferred to 2022/23 per December 2020 Cabinet report	Y
<b>Total CS Savings for 2020/21</b>		<b>755</b>	<b>0</b>	<b>755</b>		<b>22</b>	<b>213</b>	<b>0</b>	<b>77</b>	<b>678</b>				

## DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 20-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	20/21 RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	20/21 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSF2019-10	Reduced contribution towards the MSCB	44	10	34	R	44	0	G				Elizabeth Fitzpatrick	Won't be able to deliver more than approx £10k if reorganisation is undertaken in 3rd quarter of 2021/22..	
CSF2019-21	Review and reshaping of Short Break provision across CWD	200	60	140	R	0	200	R				Elizabeth Fitzpatrick	This is progressing, but slowly (discussion with parent reps 20/5). Need to engage with parents and providers of short breaks. Hard to do during Covid. Won't secure full year effect. Currently paying for commissioned services not being delivered in line with government advice. There may, in due course, be additional expenses as a result. Increased provision for shielded children. Maximum of £60k deliverable, and only if it's possible to initiate the consultation in 3rd quarter. (May be able to secure some savings against this line by coding some additional activity against the Covid Budget).	
CSF2019-15	South London Family Drug and Alcohol Court commissioning	45	15	30	R	15	30	R				Sue Myers	South London Family Drug and Alcohol Court contract has been decommissioned. Plan is to deliver savings from practice changes supported by the wider CSC & YI reorganisation. The reorganisation has been delayed due to coronavirus alternative operating measures. Will deliver no more than £15k. Some mitigating activity through temporary recruitment to posts likely to be impacted in the reorganisation.	
CSF2019-02	Establish more cost effective Merton independent living provision	400	200	200	R	200	200	R				Sue Myers	This savings work has been significantly impacted by Covid-19 and the need to re-direct aspects of the transformation resource (Graduate Management Trainee) to Ofsted preparation. Proposed CSC reorganisation creates recourse for this savings work to be delivered in 2021/22.	
CSF2019-04	Deliver the 14+ leaving care service through personal advisors rather than social workers	60	20	40	R	60	0	G				Sue Myers	Part of wider CSC reorganisation which was delayed due to coronavirus alternative operating measures. Will deliver no more than £20k.	
CSF2019-13	Review of current Adolescent and Family service	100	30	70	R	30	70	R				Sue Myers	Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures. Will deliver no more than £30k, some mitigating activity - vacancies being held and only recruited to on a fixed term basis.	
CSF2019-15	Development of Family Network Co-Ordinators Service	45	15	30	R	45	0	G				Sue Myers	DfE funding withdrawn. Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures.	

## DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 20-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	20/21 RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	20/21 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSF2019-17	Culture change and clarification of financial support entitlement for care leavers	50	0	50	R	50	0	G				Sue Myers	Financial payments to care leavers have increased due to the impact of Covid-19 restrictions and requirement to match DWP Covid-19 increase in benefit rates - some of this has been set against the Covid-19 cost centre. Timing not appropriate to shift funding culture where continued Covid-19 situation impacts on external resources and progression of other agencies decision-making i.e. Home Office asylum decisions.	
CSF2019-18	Implementation of the DfE National Minimum rate	20	0	20	R	20	0	G				Sue Myers	Covid-19 restrictions have impacted on foster carer recruitment and approval. Older age demographics of in-house carers increases risk of reduced capacity due to increased likelihood of Covid-19 health complications. This savings work would likely have resulted in short term impact on in-house fostering capacity - this risk is too high in current context. Plan to revisit this savings work when Covid-19 situation stabilises.	
	<b>Total Children, Schools and Families Department Savings for 2020/21</b>	<b>964</b>	<b>350</b>	<b>614</b>		<b>464</b>	<b>500</b>		<b>0</b>	<b>0</b>	<b>0</b>			

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## Committee: Cabinet

Date: 6 December 2021

Wards: ALL

**Subject:** Award of term building services contracts for the planned preventative maintenance and reactive repairs of building services, plant and equipment

Lead officer: Caroline Holland, Director of Corporate Services

Lead member: Tobin Byers, Cabinet Member for Finance

Contact officer: Nick Layton, Compliance and Maintenance Manager

### ***Exempt or confidential report***

*The following paragraph of [Part 4b Section 10 of the constitution](#) applies in respect of information within Appendices A-D and they are therefore exempt from publication:*

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

*Members and officers are advised not to disclose the contents of Appendices A-D.*

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### **Recommendations:**

- A. To award new term contracts for the maintenance of the council's buildings for a period of 4 years to the contractors listed in Appendix A with potential extensions of 2 years plus one, starting from 01 April 2022.
- B. In accordance with Contract Standing Orders (CSO 24.3) that authority be delegated to the Director of Corporate Services to exercise, in consultation with the Cabinet Member for Finance, the council's option to grant the extension of the contract term for any period up to three further years beyond the expiry of the initial contract term on 31 March 2026.

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

- 1.1 The purpose of this report is to explain the procurement process for a set of new term building maintenance contracts and to recommend that Cabinet approves the award of the contracts to the bidders contained within Appendix A.
- 1.2 The tender process involved contractors bidding for a basket of 6 separate contracts (LOTS) following a pre-qualification exercise, fully in line with CSOs and the Public Contract Regulations 2015.
- 1.3 A total of 5 contractors are recommended to be appointed. Due to the commercial sensitivity the details of assessment results have been circulated as a confidential appendix to this report.
- 1.4 The recommended contractor's offered overall best value for money in the procurement process.

## **2 DETAILS**

- 2.1 This report outlines the key features and benefits of this recommendation and the impact that this will have on overall improvements in service quality, cost control and value for money.
- 2.2 The contracts are for the provision of fabric, mechanical and electrical (M&E), air conditioning, legionella, fire alarms and data centre planned preventative maintenance (PPM), reactive repairs, and emergency attendance up to £10k and project works up to £50k, beginning April 2022.
- 2.3 The contracts include for statutory and mandatory compliance testing and certification to meet the requirements of the Health and Safety at Work etc. Act and all relevant regulations made under it, such as the Gas (Installation and Use) Regulations, the Electricity at Work Regulations etc.
- 2.4 The existing term contracts expire on 31<sup>st</sup> March 2022.
- 2.5 Services progress on the issue of a valid purchase order, with each PO generally not exceeding £10k. Average PO values are currently in the order of £440 per job.
- 2.6 Servicing and inspections are carried out against an agreed priced activity list. The number of assets will change during the course of the contract and the costs will be reconciled during each financial year to ensure the London Borough of Merton only pays for the services it receives.
- 2.7 Reactive works are carried out against agreed labour rates and % add on costs for plant and materials.
- 2.8 The contracts allow for orders to be placed up to a maximum value of £50k under emergency works which otherwise could lead to a serious health and safety risk or imminent closure of a premises.
- 2.9 The total annual value of the term contracts, and estimated total value over the full contract term can be found within Appendix A.
- 2.10 There is no guaranteed minimum level of spend or volume of work under the contracts and the council has the ability to procure services outside of these contracts should it wish to do so.
- 2.11 During their term, these contracts will provide sufficient flexibility to account for changes in the property estate.
- 2.12 The contracts cover maintenance of all properties within the FM portfolio of operational buildings, including offices, day centres, libraries, community centres, E&R and Greenspace buildings. Call off arrangements have been allowed for, so that Merton schools can take advantage of the contract terms and conditions and rates should they wish.

## Procurement Process

- 2.13 The procurement was undertaken via a two stage restricted tender. The OJEU/Find a Tender (FTS) notice and Selection Questionnaire (SQ) was published on 20<sup>th</sup> May 2021. The submission deadline was 22<sup>nd</sup> June 2021.
- 2.14 The procurement process was managed via the Merton Councils electronic tendering system 'The London Tenders Portal', in line with the Councils Contract Standing Orders (CSO's), and in collaboration with the Commercial Services team.
- 2.15 40 bidders submitted a response during this stage, and 27 were successfully shortlisted and invited to tender as per stage 2 of the process.
- 2.16 Following the pre-qualification exercise, the Invitation to Tender (ITT) was published on 25 August 2021, with a submission deadline of 12 noon on 27 September 2021. The ITT was published via the London Tenders Portal under the following LOTS:

Lot	Service	Description
1	Fabric	Mainly reactive maintenance services to the fabric of buildings such as roofs, walls, floors etc. Fabric Services includes plumbing.
2	M&E	Planned preventative and reactive maintenance to mechanical and electrical systems within buildings including gas boilers and water heaters, ventilation systems, electrics and lighting.
3	Air Conditioning	Planned preventative and reactive maintenance to air conditioning systems; excludes that solely serving the data centre and comms. rooms within the Civic
4	Legionella	Legionella risk assessments and planned preventative maintenance to plant and equipment associated with the control of legionella.
5	Fire Alarms	Planned preventative and reactive maintenance to fire alarm systems, the gas suppression system at Gifford House and portable fire-fighting equipment.
6	Data Centre	Responsibility for ensuring the built environment within the data centre and comms rooms at the Civic Centre are within the limits to ensure no disruption of supply. This involves monitoring of the environment 24/7 and carrying out planned preventative and reactive maintenance to the data centre plant and equipment such as air conditioning, fire services and the UPS.

- 2.17 A total of 31 submissions were received across all LOTS and the evaluation of the bids was carried out in line with the evaluation methodology set out in the ITT.
- 2.18 Tenderers were required to answer a set of method statement questions to assess the quality of their bid, along with a completed price list.
- 2.19 The tender evaluation comprised of three stages: the first of which was a tender compliance check, on a pass/fail basis; the second was the quality and technical evaluation in line with the methodology prescribed in the tender, and; the third was the assessment of price.

- 2.20 The quality and technical evaluations were carried out by panels of officers from Facilities and an officer from IT for the Data Centre LOT. Each compliant tender was evaluated individually by members of the evaluation panels.
- 2.21 The panels, along with an officer from Commercial Services, met between 11th and 14th October to discuss individual scores and comments for each question in order to arrive at an agreed, moderated score.
- 2.22 The names of the bidders and their respective scores are included within Appendices A and B.
- 2.23 The ITT stated that the contracts would be awarded on the basis of the most economically advantageous tender, based on a 30% Quality and 70% Price split. A quality threshold was contained within the evaluation methodology. Bidders who failed to meet this threshold would be disqualified from the process, and would not progress to stage three – price assessment. Two of the bidders for LOT 6 – Data Centre Services failed to meet the quality threshold and was rejected from further consideration for this contract.
- 2.24 The bids were evaluated against the following seven method statement questions to assess the quality of each bidder:

No	Method Statement Questions	Weighting
Q1	<p>Tenderers are to provide details of their proposed management and staffing arrangements for the contract including:</p> <p>An organisational chart showing the structure of the proposed company and proposed key maintenance contract team detailing job title, role and qualifications and experience. Include in your chart where proposed subcontractors fit into the overall structure;</p> <p>How do you propose to manage and supervise your day to day operational activities in order to provide the Services? Please provide a flow chart of your proposed processes, in particular how you deal with reactive maintenance and PPM tasks.</p>	5%
Q2	Tenderers are to provide details of any proposed subcontractors including the arrangements for selecting and managing those subcontractors.	3%
Q3	<p>Good communication and liaison with the Client and the building occupiers is key to the success of the contract. Tenderers are to explain the procedures they will put in place to ensure that good communication is maintained at all times.</p> <p>Your approach to customer care, how you will be sensitive to and accommodating of individual customer operational needs and how this will be applied to the contract to ensure a high level of satisfaction among building users and occupiers, including how you manage and resolve customer complaints.</p>	3%
Q4	Under what circumstances will bespoke method statements and risk assessments (RAMS) be provided and what level of detail is proposed to be incorporated within RAMS documents. Provide one example RAMS from a previous contract (it can be anonymised if you wish) that relates to the Services being tendered.	5%

Q5	<p>Tenderers are to provide a transition plan (in the form of a Gantt chart) setting out how they would propose to manage the mobilisation and handover phase of the contract.</p> <p>Also as part of the transition plan the tenderer explains:</p> <p>The steps you will take to ensure that you have the necessary staff, subcontractors, administrative and support systems in place for commencement of service delivery and how you will manage communications with the Client?</p> <p>How you will ensure that IT and reporting systems are designed, tested and recording data in the agreed format from contract commencement.</p> <p>How you will ensure that your contract team, including your subcontractors are familiar with the contract requirements.</p>	5%
Q6	<p>Financial and data management of the contract is key to its success. How do you propose to provide timely financial and contract delivery information in accordance with the contract requirements?</p>	4%
Q7	<p>Completion of Social Value Charter</p>	5%

2.25 The bidders provided a completed Price List as part of their tender returns. The Price List consisted of a series of rates and percentages against a comprehensive asset list and assumed number of reactive orders (based on historical work volumes).

2.26 The evaluation panel returned to bidders (where required) with post tender clarifications to remove any areas of uncertainty, and respond to any caveats contained in the bid prices to prevent any ambiguity in resultant contracts.

### **3 ALTERNATIVE OPTIONS**

3.1 An options appraisal was undertaken to determine the most appropriate way to package the services and presented to Procurement Board in February 2021.

3.2 The preferred option was to have a mixture of medium sized contractors for M&E and Fabric Services and smaller 'best of breed' providers for specialist services, which are often subcontracted by larger contractors. This model is preferred to having one large FM provider as it provides a certain level of security of provision (not all our eggs in one basket) and by reducing a contractor's reliance on subcontractors it should provide the London Borough of Merton with better value for money. The approach also ensured that SME's could have competitive access to the opportunity to stimulate the market for local and/or small businesses.

3.3 Lots were packaged up so that those bidding for LOTs 1 and 2 (Fabric Services and M&E) could also bid for the smaller specialist engineering contracts as some contractors will have these facilities in-house. No one contractor could win both LOT 1 and 2.

### **4 CONSULTATION UNDERTAKEN OR PROPOSED**

4.1 The approach outlined and followed for this procurement was initially conveyed at the Operational Procurement Group (OPG) in February 2021.

4.2 The Procurement Board which is representative of the council departments have considered the options presented in a business case report to them in February 2021.

- 4.3 Legal Services and Finance have been consulted and their comments incorporated within the report.

## 5 TIMETABLE

Event	Date
Pre-qualification (SQ) complete	23 August 2021
Deadline for receipt of tenders	27 September 2021
Evaluation of tenders	28 September – 14 October 2021
Procurement Board	16 November 2021
Leadership Group	22 November 2021
Cabinet	06 December 2021
Call-in period	07 December – 14 December 2021
Notification of contract award decision	14 December 2021
"Standstill" period	14 – 24 December 2021
Confirm award of contract	4 January 2022
Contract commencement date	1 <sup>st</sup> April 2022

- 5.1 Bidders provided a mobilisation plan at tender stage and this will be finalised and implemented during the mobilisation period, immediately after the contract is awarded so that systems and procedures are in place for 1<sup>st</sup> April 2022.
- 5.2 As part of the conditions of contract the contractor, within 6 weeks of the contract start produces a Contractor's Plan setting out how it will fully meet the requirements of the Scope and implement the agreed processes and procedures developed with Facilities during the mobilisation period. This Contractor's Plan, along with a set of pre-determined KPIs will be used to monitor the performance of the contractor during the contract period.

## 6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1 There has been a decrease in the number of reactive maintenance orders since 2020/21 due to COVID 19. With the relaxing of the rules around COVID 19 works volumes are beginning to increase.
- 6.2 From an analysis of the price lists provided at tender stage the spend is likely make the contract cost neutral.

- 6.3 The tendered rates increase 1.5% year on year for the duration of the contract. This figures ties in with the annual percentage increase incorporated in to the council's budgets. The increase is not linked to an inflation index so any increases in costs above 1.5% is at the contractor's risk.
- 6.4 A credit check was carried out on each recommended contractor, the result of which are contained within Appendix C.6.5. As part of the contract KPIs will be used to monitor the performance of the contractors. The KPIs are the same for each contract which allows a certain amount of comparison (particularly between Lots 1 and 2) although it is appreciated that not all services are directly comparable.
- 6.5 The scope of each contract and terms and conditions align as much as practicable. This will help with the monitoring of the contracts and assist the FM Helpdesk in assigning priorities to each job etc.

## **7 LEGAL AND STATUTORY IMPLICATIONS**

- 7.1 The contracts were tendered fully in-line with CSO19, in particular 19.4, (Contracts above the relevant UK procurement threshold) and in line with UK Procurement Regulations.
- 7.2 The Council will be required to publish details of the award on Contracts Finder as required by regulation 108 of the Public Contracts Regulations 2015 and enter the details in the relevant contract register in accordance with Contract Standing Order 32.
- 7.3 Section 2 of the Health and Safety at Work etc. Act 1974 created a general duty on the Council as an employer to ensure the health, safety and welfare at work of its employees. That duty specifically requires the council to provide maintenance of plant and systems at work so that they are safe and without risk to health. Under section 3 of that Act the council has a general duty to not expose persons who are not in its employment to risks to their health and safety. These contracts will be instrumental in the Council complying with these statutory obligations.

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

- 8.1 The successful supplier must, in carrying out its functions, have due regard to the need to eliminate unlawful discrimination and harassment and to promote equality of opportunity in relation to disability, race and gender and the need to take steps to take account of disabilities, even where that involves treating the disabled more favourably than others (section 13(3) Equality Act 2010).
- 8.2 Within the tender, bidders were required to propose social value offers via the Councils Social Value charter, under 4 specific theme areas: Economy; Social; Environmental, and; Innovation. The social value offers submitted via the successful bidders across all 6 Lots will potentially generate social value to the London Borough of Merton. The value of which can be found within Appendix D. 5% of this will be specifically for 'Environmental' measures to support the Councils Climate Emergency declaration and efforts to become Carbon neutral.

## **9 CRIME AND DISORDER IMPLICATIONS**

- 9.1 There are no crime and disorder implications relating to the subject of this report

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

- 10.1 Only when the London Borough of Merton enters into legally binding contracts under the terms of the contracts will the contracts come in to force.

- 10.2 The London Borough of Merton does not guarantee the value or volume of instructions it may place with any of the contractors under the contracts.
- 10.3 The contracts include a termination clause, allowing the council to terminate the contracts should it wish.
- 10.4 All contractors have successfully completed satisfactory financial checks as well as checks on competency in delivery of similar contracts at the pre-qualification and tender stage of the procurement exercise.

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

Appendix A – Successful Contractors (Restricted)

Appendix B – Details of Price / Quality Analysis (Restricted)

Appendix C – Credit Checks (Restricted)

Appendix D – Social Value Commitments (Restricted)

**12 BACKGROUND PAPERS**



## **Committee: Cabinet**

**Date: 6 December 2021**

Wards: All

## **Subject: Award of Contract for the Supply of Power**

Lead officer: Mark Humphries - Assistant Director, Infrastructure & Technology

Lead member: Cabinet Member for Finance

Contact officer: Richard Neal – Energy and Sustainability Manager

### ***Exempt or confidential report***

*The following paragraph of [Part 4b Section 10 of the constitution](#) applies in respect of information within the appendices and they are therefore exempt from publication:*

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

*Members and officers are advised not to disclose the contents of the appendices.*

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### **Recommendations:**

- A. That the Council Award a 4+1 year contract for the supply of power to Bidder A.
- B. That authority to take up the optional 1 year extension on the contract be delegated to the Chief Officer & Director of Corporate Services.
- C. That Authority to take up the option to purchase Renewable Energy Guarantee of Origin Certificates (REGOs) via this contract be delegated to the Director of Corporate Services.

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

1.1. The Council's contract for the Supply of Power to its buildings (including schools which choose to opt in) is due to expire on 31<sup>st</sup> March 2022. This report seeks approval to award a 4 year contract, with the option of extending by an additional 1 year at the Council's discretion, to Bidder A.

1.2. The report outlines the compliant tender exercise that was conducted, the key benefits of the preferred supplier's bid, and the financial implications for the Council over the term of the proposed contract.

## **2 DETAILS**

2.1. The Council's existing contract for the supply of power is due to expire on 31<sup>st</sup> March 2022, and the Council's Procurement Board has approved re-procurement of this contract.

2.2. The total value of the Council's Power Supply contract is estimated to be around £10,000,000 over the full 5-year term, though the majority of this expenditure will be

made up of pass-through charges and the cost of wholesale energy. The actual supplier fees are anticipated to make up around 0.5% of this value.

2.3. The approach selected was for the Council's Energy Consultant / Third Party Intermediary (TPI), Inspired Energy, to conduct a PCR compliant Open tender to select a new supplier.

2.4. Inspired are considered uniquely placed to manage this exercise given their extensive experience in procuring energy, their comprehensive industry knowledge, and understanding of the public sector. They took the lead in developing the tender documentation (in consultation with Commercial Services).

2.5. Publication of the ITT was delayed for a few weeks due to the onset of the ongoing energy crisis. Council officers discussed the extreme volatility in the market with Inspired, and it was felt that as several suppliers were indicating they were waiting to see how the crisis developed before taking on any new business, making the opportunity available at that time would lead to a very poor level of interest.

2.6. Around 14 days into the energy crisis, Inspired advised that the market was indicating a renewed willingness to tender for new business. This combined with shortening timescales to get an energy supply contract in place and purchase energy on the wholesale market led to a the decision to proceed with the procurement.

2.7. The ITT was published on 24<sup>th</sup> September and was made available to all interested parties via Inspired on their MyTenders procurement portal.

2.8. 9 suppliers initially registered an interest in bidding via the portal, but ultimately only 1 response was received.

2.9. The bid was evaluated by a panel of 3 officers, comprising 2 from Inspired Energy, and the Council's Energy and Sustainability Manager, Richard Neal. A representative from Commercial Services was present to oversee the moderation meeting, which took place on 28<sup>th</sup> October.

2.10. The tender was assessed based on a split of 40% Price / 60% Quality, with quality criteria including questions covering customer service, billing, wholesale trading functions, social value and sustainability.

2.11. As only a single bid was received it scored 100% for the Price section. However the panel conducted a comparison of the pricing offered against both the Council's current contract, and against other prices Inspired are seeing offered in the wider market. This analysis can be found in exempt Appendix A.

2.12. Overall, excluding the cost of REGOs, the offer represents a small saving against current pricing. Please refer to the exempt Appendix A for Pricing information.

2.13. The Council currently purchases REGOs, which certify that the Council's power comes from a 100% renewable source. The price offered, while in line with current market conditions, does represent a very large increase on the one Merton are currently benefiting from.

2.14. The Council currently purchases REGOs to cover 100% of its electricity consumption, and this is considered to be an important part of achieving the Council's 2030 Climate Emergency target as it allows the Council to demonstrate that all of the power it consumes comes from a zero carbon renewable source.

2.15. Purchasing REGOs for the forthcoming contract is entirely at the Council's discretion. Given the value of the REGOs it is recommended that the decision of whether to take up this option is delegated to the Director of Corporate services.

2.16. At current market prices purchasing REGOs will add 1-2% to the council's overall power costs (annualised costings for REGOs can be found in exempt Appendix A). Given the increasing profile of the Climate Emergency across the UK, and associated demand for zero carbon power it is considered likely that the price will continue to increase.

2.17. Bidder A's overall quality score was 48.69% out of a possible 60%, and scored particularly well in areas such as Onboarding, provision of renewable energy, billing transparency, and trading support. Full details of the quality scoring can be found in exempt Appendix B.

2.18. Bidder A evidenced a strong corporate commitment to sustainability, as well as being an industry leader in meeting the two UN Sustainable Development Goals most relevant to their business (7 – Affordable and non polluting energy, and 13 – Action for the climate). The renewable energy they could provide (via REGOs) would be 100% from UK generated "top tier" sourced such as Wind, Solar and Hydro. Any renewable certificates issued would also be independently verified as zero carbon.

2.19. The offer also included potential provision of educational activities (e.g. visits to windfarm education centres) and assisting the Council's work in tackling fuel poverty through strategies such as home insulation and support accessing domestic home improvement grants. They also indicated a willingness to share their knowledge, experience and expertise in support of the Council's Net Zero Carbon targets.

2.20. It is therefore the recommendation of the panel that the contract for the supply of power be awarded to Bidder A.

2.21. A debrief with the interested suppliers who ultimately chose not to bid was undertaken by Inspired after moderation of the offer received. Of the nine interested suppliers who did not submit an offer, four have not yet responded to requests for feedback. However, two indicated that they could not meet the full requirements of the contract and so did not bid, and one stating they were only currently responding to larger flexible procurement opportunities, and one stating they were undergoing internal reorganisation and as such meeting the deadline for responses was not practical.

2.22. Work to analyse the reasons for the low response rate is ongoing, and will help inform the route to market for the forthcoming Gas Supply procurement in 2022.

### **3 ALTERNATIVE OPTIONS**

3.1. Do not award a contract: This approach would not be compliant with the regulations or CSOs, and as "out of contract" rates quoted by suppliers are significantly higher than those they offer within a contract there would also be a significant financial cost to the council. While quantifying this cost is difficult, Bidder A's current published "Out of Contract" rates are 19p/kWh for larger commercial supplies, this compares to an expected rate of ~15p/kWh based on prevailing market rates.

3.2. Do not award and re-run the tender exercise: There is no guarantee that a second tender exercise would generate additional interest, especially with the energy crisis still ongoing. Conducting a further exercise would also mean there would only be a very

short time between the start of any contract and 1<sup>st</sup> April 2022, limiting the ability of Inspired to secure wholesale energy at the best price for the Council.

3.3. Do not award and seek to award via a framework: There are a number of suitable frameworks available to the council which could be used to appoint a supplier. However similarly to 3.2 following this route would leave little time for Inspired to purchase wholesale power for the council at a good price. It is also unlikely the Council could secure a contract with all of the key functionality that was required within its bespoke exercise.

#### **4 CONSULTATION UNDERTAKEN OR PROPOSED**

4.1. Prior to tender the project team considered there was a good opportunity to secure added value through this contract by detailing routes through which potential suppliers could contribute to the Council’s Social Value goals. To this end officers from Public Health and Future Merton were consulted.

4.2. Subsequent to the exercise Inspired Energy will contact the suppliers who registered an interest but then declined to bid in order to ascertain their reasoning. It is thought that the outcome of this consultation will help inform the procurement for the Supply of Gas scheduled for 2023.

#### **5 TIMETABLE**

<b>DATE</b>	<b>STAGE</b>
<b>16<sup>th</sup> November 2021</b>	<b>Procurement Board</b>
<b>6<sup>th</sup> December 2021</b>	<b>Cabinet</b>
<b>8<sup>th</sup> December 2021</b>	<b>Notification of Intention to Award (issue accept and regret letters)</b>
<b>8<sup>th</sup> December 2021</b>	<b>Mandatory Standstill period commences</b>
<b>20<sup>th</sup> December 2021</b>	<b>Expiry of standstill period required under Regulation 87 of the Public Contracts Regulations 2015</b>
<b>20<sup>th</sup> December 2021</b>	<b>Terms and Conditions agreed between Inspired Energy Solutions and the preferred Supplier(s)</b>
<b>21<sup>st</sup> December 2021</b>	<b>Contract Award</b>
<b>22<sup>nd</sup> December 2021</b>	<b>Interim Contract Start Date – Electricity Trading Commences</b>
<b>1<sup>st</sup> April 2022</b>	<b>Full Contract Start Date - Supply Commences</b>

#### **6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

6.1. This report has been reviewed by the Service Financial Advisor.

6.2. The estimated value of the contract is £10,000,000, though given the wholesale cost of energy will make up a large portion of this expenditure market volatility does add some uncertainty to this forecast.

6.3. The price that Bidder A submitted as part of their bid (shown in exempt Appendix A) covers the fees, charged through energy bills, that cover the service provided by the supplier and make up only a small portion of the total contract value. The remaining contract value is made up of levies, taxes, passed through charges from network operators, and the wholesale costs of the purchased power.

6.4. While the bid received could not be compared with any others, Inspired compared the quoted prices to those on the Council's current contract (see exempt Appendix A). They also indicated that these prices are market reflective based on other similar procurements they have been involved in over the last 6 months.

6.5. While the wholesale cost of power is separate from any contractual arrangement that the Council enters into, it should be noted that the current energy crisis, which has led to extremely high wholesale power prices, will have a significant impact on the Council's energy prices moving forward and will put pressure on existing revenue budgets.

6.6. Costs will be contained within the current revenue provisions.

6.7. A credit check was carried out and the recommended contract value is £240,000,000. The report placed no limit on the total value of contracts for this supplier.

## **7 LEGAL AND STATUTORY IMPLICATIONS**

7.1. This report was reviewed by Jonathan Miller from SLLP.

7.2. The Procurement as described in the report was undertaken following Find a Tender Service advertisement and process following the Public Contracts Regulations 2015 (PCR).

7.3. The Council is empowered to enter into contracts with third party providers under section 111 of the Local Government Act 1972, section 1 of the Local Government (Contracts) Act 1997 and section S 1 Localism Act. Additionally the Council is empowered under sections 9E – 9EB Local Government Act 2000 to delegate the discharge of its functions including the actions contained in recommendation B and C to the officers specified.

7.4. Once awarded, the Council must enter the contract on the contract register and ensure that it publishes the necessary information on Contracts Finder in accordance with regulation 108 of the PCR.

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

8.1. None identified

## **9 CRIME AND DISORDER IMPLICATIONS**

9.1. None identified

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

10.1. None Identified

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

- Appendix A – Pricing (Exempt)

- Appendix B – Quality Scoring (Exempt)

**12 BACKGROUND PAPERS**

None

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

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