Merton Council

Cabinet Agenda

Membership

Councillors:

Ross Garrod (Chair)
Eleanor Stringer
Stephen Alambritis MBE
Billy Christie
Caroline Cooper-Marbiah
Brenda Fraser
Natasha Irons
Andrew Judge
Sally Kenny
Peter McCabe

Co-opted members:

Substitute Members:

Date: **Monday 7 November 2022**

Time: **7.15 pm**

Venue: **Committee Rooms, Merton Civic Centre, London Road, Morden SM4 5DX**

This is a public meeting and attendance by the public is encouraged and welcomed. For more information about the agenda please contact democratic.services@merton.gov.uk or telephone 020 8545 3357.

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

Cabinet Agenda
7 November 2022

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 mater and must not participate in any vote on that matter. For further advice please speak with the Managing Director, South London Legal Partnership.

CABINET
10 OCTOBER 2022

(7.16 pm - 7.44 pm)

PRESENT	Councillors Councillor Ross Garrod (in the Chair), Councillor Eleanor Stringer, Councillor Stephen Alambritis, Councillor Billy Christie, Councillor Caroline Cooper-Marbiah, Councillor Brenda Fraser, Councillor Natasha Irons, Councillor Andrew Judge, Councillor Sally Kenny and Councillor Peter McCabe
	Adrian Ash (Interim Director, Environment and Regeneration), Robert Cayzer (Interim Head of Cabinet Office), Roger Kershaw (Interim Executive Director of Finance and Digital), Paul McGarry (FutureMerton Manager), John Morgan (Interim Director, Community & Housing), Tom Procter (Head of Contracts & School Organisation) and Louise Round (Interim Executive Director of Innovation and Change)

1 APOLOGIES FOR ABSENCE (Agenda Item 1)

No apologies were received.

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 22 September 2022 are agreed as an accurate record.

4 WASTE AND STREET CLEANSING CONTRACT (Agenda Item 4)

The Cabinet Member for Local Environment, Green Spaces and Climate Change presented the report, thanking officers for their work on the report, which recommended the current Waste and Street Cleansing Contract not be extended. This followed lengthy conversations with the contractor and noted that an extension would lead to an increase in costs and risks for the Council.

It was noted that the break clause had always been in place within the contract and the Council would ask residents what they wished to see in a future service and consider how to move forward.

The Interim Director Environment and Regeneration advised that the legal advice received by the partner Boroughs was that the contract extension as proposed would leave Councils open to legal challenge and the Boroughs would benefit from a new specification reflecting local priorities.

If the recommendations were agreed, a 6 week consultation would follow including pop-up high street sessions, focus groups, phone interviews and online Q&As.

The Leader of the Council thanked officers and the Cabinet Member for their work on the report.

RESOLVED:

A. That Cabinet agree not to extend the current waste collection and street cleansing contract, following a review of the proposed requirements by the contractor to support an extension of the current contract.
B. That Cabinet agree to not jointly procure with the SWLP and therefore require officers to develop and manage a new Service Delivery Strategy for the waste collection and street cleansing services while coordinating with the South London Waste Partnership (SLWP) boroughs.
C. That Cabinet note and agree the resourcing and co-ordination function of the SLWP. The SLWP will coordinate the partnership and help ensure compliance with the London Environment Strategy (LES), while providing technical, financial, and strategic advice.
D. That Cabinet note the powers held by the Mayor of London under the GLA Act to issue directions to London boroughs in relation to waste management procurement and encourage the project team to develop a working relationship with the GLA Borough Liaison Team to ensure service specifications are in general conformity with the LES.
E. That Cabinet note the proposed timetable and budget implications

5 SELECTIVE AND ADDITIONAL LICENSING AND ARTICLE 4 DIRECTIONS - CURRENT PROPOSALS (Agenda Item 5)

The Cabinet Member for Housing and Sustainable Development presented the report, noting that Merton had over 29,000 rented properties within the Borough, above the national average and providing an overview of some of the issues within this sector.
The Cabinet Member gave an overview of the measures proposed within the report. These would all require consultation and a robust evidence base as well as consideration of the geographical areas these measures would be applied to. The data provided had highlighted certain wards and therefore having reviewed this data the proposed recommendations were set out.
If the Consultation results were in favour, the Article 4 direction would be immediately applied to those particular wards set out in the recommendations. Selective licensing could be introduced by September 2023 and an Article 4 direction by May 2023.
The Leader of the Council thanked the Cabinet Member and officers for their work and it was RESOLVED:

1.That Cabinet approve Consultation on the proposed introduction of Selective Licensing to Figge's Marsh; Graveney; Longthorton; and Pollards Hill Wards
2. That Cabinet approve Consultation on the proposed introduction of Additional Licensing to Figge's Marsh; Graveney; Longthornton; Pollards Hill; Colliers Wood; Cricket Green and Lavender Fields Wards
3.That Cabinet approve an Immediate Article 4, noting the possible financial risk to the Council
4. That Cabinet approve Consultation on the introduction of an Immediate Article 4 Direction for small HMOs in Figge's Marsh; Graveney; Lonthornton; Pollards Hill; Colliers Wood; Cricket Green and Lavender Fields Wards
5. That Cabinet note that following the consultation exercise, which is scheduled to run from November 2022 to January 2023, a further report will be brought back to Cabinet to agree the way forward following consideration of representations received
6. That Cabinet note the report on Empty Homes which is for information only
7. That Cabinet agree that the additional cost of £134k be funded by a transfer from the corporate contingency fund

6 HOUSING DELIVERY OPTIONS (Agenda Item 6)

The Cabinet Member for Housing and Sustainable Development presented the report and provided an overview of the series of options within the report.
The proposal included the recommendation not to dispose of four council sites and allocate them instead for affordable homes, these being 21 homes at the Elm Nursery car park site, 36 homes at Raleigh Gardens car park, 18 homes at the Canons Madeira Road and 18 homes at Farm Road, with 93 homes in total. It was noted that £300,000 had already been allocated for the necessary architectural work.

RESOLVED:

A. That Cabinet notes the options appraisal setting out how the Council can achieve its strategic ambition to deliver affordable housing on council owned sites.
B. That Cabinet agrees not to dispose of the first four sites for private sale and instead allocates the sites for affordable homes, delivered either by the Council or a Registered Provider (Housing Association).
C. That Cabinet note the implications for the Council of Merton re-establishing a Housing Revenue Account should it decide to be the direct provider of social needs housing.
D. That Cabinet note the finance, timescale and officer resource implications for the programme.

7 CLIMATE ACCREDITATION: EMBEDDING MERTON'S CLIMATE COMMITMENTS THROUGH SENIOR STAFF AND COUNCILLOR TRAINING (Agenda Item 7)

The Cabinet Member for Local Environment, Green spaces and Climate Change presented the report which outlined the Council's plan to achieve climate accreditation within the Council through training the Chief Executive, Directors and Cabinet Members to become climate literate. The report also outlined recommendations to train commercial services staff and to approve literacy training for officers who work with volunteers.

RESOLVED:

A. That Cabinet approves the commitment of senior council staff and cabinet members to undertake carbon literacy training provided by APSE (Association of Public Service Excellence). Training undertaken by the Chief Executive and Directors will enable the council to achieve 'Bronze Level Carbon Literacy Accreditation'.
B. That Cabinet approves the commitment of Commercial Services staff and those most involved in contract management and commissioning to undertake procurement specific carbon literacy or climate change training.
C. That Cabinet approves volunteering officers to achieve carbon literacy accreditation.

8 BUSINESS PLAN 2023-27 (Agenda Item 8)

The Cabinet Member for Finance and Corporate Services presented the report, thanking the former Director of Corporate Services Caroline Holland for her years of service to the Council.
The report set out an initial review of the Medium term financial strategy including the capital programme, noting the impact of rising inflation for which an additional £6.5m had been allocated in next years budget. The Cabinet Member was working with officers to revise the MTFS and to identify initial savings and income targets for departments to consider.
The Interim Director Finance and Digital advised that there were still a number of unknown factors including the settlement and grants from central government and Cabinet would continue to be updated on progress. In relation to the pay award, this required two of three unions to accept the proposal and currently one had rejected and one accepted the offer, with the third union expected to relay a decision at the end of October.

RESOLVED:

1. That Cabinet notes the approach to rolling forward the MTFS for 2023-27.
2. That Cabinet confirm the latest position with regards to savings already in the MTFS
3. That Cabinet agrees the approach to setting a balanced budget outlined in Section 4 as the basis for the setting of targets for 2023-27
4. That Cabinet agrees the proposed savings targets based on a standstill position.
5. That Cabinet agrees the timetable for the Business Plan 2023-27 including the revenue budget 2023/24 the MTFS 2023-27 and the Capital Programme for 2023-27.

Committee: Cabinet

Date: 7 November 2022

Wards: all

Subject: Adoption of the South London Waste Plan as part of Merton's Local Plan

Lead officer: Mark Gaynor - Interim Executive Director of Housing and Sustainable Development

Lead member: Councillor Andrew Judge, Cabinet Member for Housing and Sustainable Development

Contact officer: Tara Butler, Deputy Head of Future Merton and Eben van der Westhuizen, planning policy, Future Merton

Recommendations:

1. That Cabinet resolves to recommend adoption of the South London Waste Plan to Council (16 November 2022) as part of Merton's statutory Local Plan and subsequent updating of Merton's statutory Policies Map, subject to any amendments necessary in order to give effect to any recommendations contained in the Final Report from the Planning Inspectors and that authority to make such amendments be delegated to the Executive Director of Housing and Sustainable Development in consultation with the Cabinet Member for Housing and Sustainable Development.
2. That authority be delegated to the Executive Director of Housing and Sustainable Development to deal with all the necessary adoption documents and other consequential matters in accordance with the appropriate Regulations.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. This report recommends the adoption of the South London Waste Plan as part of Merton's statutory Local Plan. This follows the Plan's successful examination by independent planning inspectors. The adoption of the South London Waste Plan will meet the Council's strategic objectives of Civic Pride and Sustainability.

1.2. If adopted, the South London Waste Plan will be one of the key documents guiding planning decisions in the borough regrading waste management matters, alongside Merton's adopted Core Planning Strategy 2011, the Sites and Policies Plan and Policies Map 2014, the Estates Local Plan 2018 and the draft New Local Plan. The South London Waste Plan therefore has no direct relation to matters concerning the local authority's waste collection services and the management of related contracts.

1.3. The South London Waste Plan (with proposed modifications), the associated sustainability appraisal and the planning inspectors' Final Report will be published on the council's website and as appendices to this report.

2. DETAILS

2.1. In 2012 the four boroughs of Merton, Kingston, Sutton and Croydon adopted the 10-year South London Waste Plan, for the plan period 2011-2021, which allocated sites, created planning policies and designated areas for waste management development. The existing South London Waste Plan can no longer be considered as an ‘up-to-date’ plan as referred to in national planning policy.

2.2. In 2019 the four boroughs agreed to work together again and produce a new South London Waste Plan to cover the geographical area of the London boroughs of Croydon, Kingston, Merton and Sutton.

2.3. The London Plan sets the boroughs the target of managing 100% of London’s waste within Greater London by 2026 and having zero biodegradable and recyclable waste going to landfill by 2026. It also sets targets for local authority-collected waste, commercial and industrial waste, construction and demolition, and excavation waste.

2.4. Since the current South London Waste Plan was adopted in 2012, the four boroughs have been working closely together on:

- Monitoring the South London Waste Plan annually
- Fulfilling the legal Duty to Co-operate with other councils on waste management issues, responding to other Local Plan documents regarding waste management matters.
- Preparing and submitting a successful bid for government funding to support a new South London Waste Plan 2022-2037 on the basis of joint working.

2.5. In 2018 the four boroughs successfully bid for government funding (Planning Delivery Fund – Joint Working) for £136,594 to support the project.

Relationship with the South London Waste Partnership

2.6. Although the South London Boroughs already work together as the South London Waste Partnership and have a shared contract for the municipal collection and disposal of waste, the South London Waste Plan relates to the waste planning functions and responsibilities of the South London Boroughs as Waste Planning Authorities.

2.7. As a Local Plan document, at a strategic level, the South London Waste Plan considers the local authority collected waste and the other forms of waste collected by private contractors, and accordingly safeguards sufficient sites to treat both the South London Waste Partnership’s waste needs and that of other commercial waste operators.

2.8. At a more detailed level, the policies in the South London Waste Plan will be used to assess the merits of any planning application submitted by the South London Waste Partnership’s contractor or any other commercial waste operator.

Plan preparation and the planning inspectors' Final Report.

2.9. Between 31 October and 22 December 2019, the four councils consulted on a draft South London Waste Plan: issues and preferred options document. Details of the draft report and the consultation findings can be found in the committee report for the Council meeting on 8 July 2020 for which a link is provided as background document 12.4 below.

2.10. Following the public hearings, the planning inspectors indicated that some changes to the submission version of the draft South London Waste Plan were required in order for it to progress towards adoption and indicated to the boroughs where these changes ('Main Modifications') were needed. The Main Modifications were consulted on between 14 July and 2 September 2022.

2.11. While the planning inspectors have recommended some changes to the Plan, in accordance with the Main Modifications, many important and beneficial new policies will still remain. The evidence base for the South London Waste Plan showed that, across the four boroughs, there are sufficient existing or consented sites to meet waste targets over the next 15 years. As such, the new South London Waste Plan:

- maintains its restrictive approach to new waste sites coming forward. The Main Modifications have introduced a criteria based approach that means new sites will not normally be permitted unless there are exceptional circumstances to justify it. This criteria is set out in Policies WP1 to WP4 and includes a requirement to demonstrate why a new site cannot be delivered in other London boroughs. This strikes a balance between meeting the London Plan waste targets, achieving net self-sufficiency in waste management and not stifling industrial land uses, whilst having some flexibility for new waste sites to be delivered in exceptional cases.
- removes the 'waste safeguarding' designation from the Benedict Wharf site, which allows it to be developed for other uses, such as housing, once the new waste management facility at Beddington, which will provide the compensatory waste management capacity, is operational.
- removes the existing designation 'Areas with Sites suitable for Waste Facilities' which covered the Willow Lane, Garth Road and Durnsford Road Industrial Estates.
- designates no new sites for waste, that are not already operating or have planning permission and designates no new areas for waste in Merton.
- has air quality policies that are stronger than those in the current 2012 South London Waste Plan.
- provides strengthened support for the delivery of net zero carbon developments which will contribute towards tackling the climate emergency.

2.12. The planning inspectors informed officers on 23 September 2022 that:

> *"On review of your response to the Main Modification consultation, the Inspectors are aware that some minor changes might be necessary to*

detailed wording, to incorporate factual updates and other post-hearings matters.

The Inspectors suggest that the following actions are taken, and would welcome your views:

- *Changes to page numbering references as a result of formatting changes to be actioned by the Boroughs by way of additional modification prior to adoption;*

- *The factual update on the position regarding the Benedict Wharf site to be actioned by the Boroughs as an additional modification prior to adoption;*

- *The Inspectors will incorporate the minor changes to MM12 and MM13 (to identify the correct policy criterion) in the MM table appended to their Final Report;*

- *The Inspectors will import the correct wording from MM27 into MM31 in the MM table appended to their Final Report;*

- *MM120 – the Inspectors suggest that the statement "Biodiversity Net Gain 3.0 is expected by the end of 2021" is deleted, as the phrase "the latest biodiversity metric published by DEFRA" covers any future updates. If this is agreeable the Inspectors will make this change in the MM schedule appended to their Final Report;*

- *MM 120 – to take into account changes to Building Regulations and the emerging London Plan response to this, the Inspectors consider that the phrase "100% of planning permissions for intensified or compensatory waste developments achieving at least a 35% on-site reduction in CO2 emissions compared to Part L2A of the 2013 Building Regulations" should be deleted and replaced with "100% of planning permissions for intensified or compensatory waste developments achieving on-site reduction in CO2 emissions in accordance with relevant London Plan targets" – if that is agreeable the Inspectors will make this change in the MM schedule appended to their Final Report."*

2.13. These further minor changes proposed by the planning inspectors have been agreed by all four partner boroughs and The Planning Inspectorate have committed to sending the draft of the planning inspectors' Final Report for fact-checking by 18 October 2022 but this report is still awaited. The partner boroughs have agreed to expedite the fact-checking and officers expect to receive the Final Report by early November.

2.14. Following receipt of the planning inspectors' Final Report, the four boroughs will each need approval for the adoption of the South London Waste Plan by means of a decision at their respective (full) Council meetings. The National Planning Policy Framework now requires that a Local Plan document has a lifespan of 15-years from adoption and as the South London Waste Plan has a plan period of 2022 to 2037, it must ideally be adopted before the end of 2022.

2.15. The current South London Waste Plan has a plan period covering 2011-2021 and was adopted by Merton Council in February 2012. With the current South London Waste Plan ending, it is important that a replacement plan is in place to ensure that the residents in the plan area have up-to-date and robust policies that can be used to refuse inappropriate applications for waste facilities.

2.16. The adoption of the new South London Waste Plan will also ensure that the residents of Merton have waste related Local Plan policies that have a locally defined approach and a consistent basis on which to determine planning applications for waste facilities. This new Local Plan document demonstrates that the councils can meet their combined waste targets whilst proposing that no new sites should be safeguarded for waste facilities, except in some circumstances, such as a replacement site that meets the relatively onerous policy tests.

Delegated authority

2.17. If the council resolves to adopt the South London Waste Plan, there will be a number of statutory adoption documents and other procedures that the council will need to undertake, such as notifying the people who participated in the making of the South London Waste Plan, of its adoption.

2.18. It is recommended that these statutory matters be delegated to the Executive Director of Housing and Sustainable Development.

3. ALTERNATIVE OPTIONS

3.1. There are no reasonable alternative options, as most of the processes being undertaken are specified by statutory requirements or by government policies (refer to Part 7 of the report).

3.2. If the Waste Plan was not adopted, many more sites in Merton and across the three partner boroughs, would continue to be considered suitable for waste management facilities via the planning system. This would leave Merton Council with very limited planning scope to refuse inappropriate waste management planning applications or negotiate amendments to inappropriate proposals. Furthermore, as the council has a statutory requirement to have a waste Local Plan document or policies in place, the four boroughs would have to commence the process of preparing another Waste Plan all over again.

3.3. Another alternative is for each borough to produce a waste related Local Plan document or policies independently, which would be far more resource intensive for each borough. The production of a ‘sound’ Local Plan would in any case require neighbouring boroughs to collaborate in order to develop consistent policies and proposals in line with the legal requirement of ‘duty to co-operate’. Furthermore, independent working may trigger a requirement to reimburse the government funding that has been awarded to this project, for ‘joint working’.

4. CONSULTATION UNDERTAKEN OR PROPOSED

4.1. Consultation was carried out in accordance with the Council’s adopted Statement of Community Involvement and the requirements within the Town and Country Planning (Local Planning) (England) Regulations 2012 (as amended).

4.2. Between 31 October and 22 December 2019, the four partner boroughs, Merton, Kingston, Sutton and Croydon, consulted on the Issues and Preferred Options draft of the South London Waste Plan.

4.3. At the Council meeting on 8 July 2020, it was agreed that the Draft South London Waste Plan could be submitted to the Secretary of State for independent examination by a planning inspector, following a six-week pre-submission publication period. The 'submission version' of Draft South London Waste Plan was published from 4 September 2020 until 22 October 2020 and the draft plan and responses received were submitted on 19 January 2021.

4.4. Objectors had the opportunity to submit written statements to the planning inspectors and participate in the public hearings sessions that were held in September 2021.

4.5. Following the public hearings, the proposed Main Modifications were consulted on between 14 July and 2 September 2022.

4.6. Officers have also fulfilled the legal Duty to Co-operate with other councils on waste management issues.

5. TIMETABLE

5.1. All four partner boroughs will endeavour to adopt the South London Waste Plan before the end of 2022 and a report recommending that Merton adopt the South London Waste Plan will be considered at the Council meeting on 16 November 2022.

6. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. In 2018, the four boroughs successfully bid for £136,594 from the Ministry of Housing, Communities and Local Government's Planning Delivery Fund for joint working to produce a new South London Waste Plan. It was agreed that the London Borough of Sutton would be the project administrative lead and their officers have managed the spending and reporting of these funds.

6.2. At the start of the 2022-23 financial year, the boroughs had £49,218 remaining from the original grant funding and officers are confident that the remaining grant funding is sufficient to cover the final stages of the production of the South London Waste Plan.

7. LEGAL AND STATUTORY IMPLICATIONS

7.1. Waste treatment is a strategic planning issue across London and a challenge for all successful urban areas. As Waste Planning Authorities, all London Boroughs have a statutory duty to prepare a waste Development Plan Document (*also known as a Local Plan document*) in line with Article 28 of the Waste Framework Directive (2008).

7.2. The National Planning Policy for Waste states that Waste Planning Authorities should have regard to their apportionments set out in the London Plan when preparing their plans and work collaboratively in groups with other Waste Planning Authorities to provide a suitable network of facilities to deliver sustainable waste management.

7.3. With the aim of encouraging more local authorities to have an up to date Local Plan in place, the Housing and Planning Act 2016, gives the Secretary of State greater powers to intervene in the plan making process. Specifically, it would allow the Secretary of State to intervene if a local authority was failing or omitting to do anything it is necessary for them to do in connection with the preparation, revision or adoption of a Local Plan.

7.4. The proposals in this report and the process described to progress the South London Waste Plan, are in accordance with the Town and Country Planning (Local Planning) (England) Regulations 2012 (as amended) and the requirements set out in those regulations.

7.5. The requirement to send the South London Waste Plan to a Council meeting for adoption, arises from Regulation 3 of the Local Authorities (Committee System) (England) Regulations (SI 2012/1020)

7.6. If the council were to resolve to adopt the South London Waste Plan on 16 November 2022, it would become part of Merton's Local Plan documents and following decision to adopt the South London Waste Plan, there would be a six-week period for people to challenge the South London Waste Plan through judicial review.

8. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. Local Plans contain planning policies to help improve community cohesion and are subject to Sustainability Appraisal / Strategic Environmental Assessments and Equalities Impact Assessments. These appraisals, which are currently available via a link on Merton's Local Plan webpage to the South London Waste Plan webpage hosted by LB Sutton (https://www.merton.gov.uk/planning-and-buildings/planning/local-plan#titleCol13) will be published on Merton Local Plan alongside the adopted plan.

9. CRIME AND DISORDER IMPLICATIONS

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

10. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. As set out in the body of this report.

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

- Appendix A – The Draft South London Waste Plan with proposed modifications (available online via https://www.sutton.gov.uk/documents/20124/60401/Plain+Text+Version+-+South+London+Waste+Plan+with+Mods.pdf/946cd9f7-91db-9b51-16bc-b1790c62cd5a?t=1658222504950)

- Appendix B - Sustainability Appraisal of the Draft South London Waste Plan with proposed modifications (available online via https://www.sutton.gov.uk/documents/20124/825670/SA+Addendum+on+Main+Modifications.pdf/5e21a831-cbc3-aeb8-1139-052fb2b64be2?t=1657618599182)
- Appendix C - Representations received on the proposed Main Modifications to the Draft South London Waste Plan (available online via https://drive.google.com/file/d/1Yxp537ZwdEBjqzDzei5Ab83VA4Hhs-ho/view)
- Appendix D – Inspectors Final Report (awaited)

12. BACKGROUND PAPERS

12.1. South London Waste Plan 2011-2021

12.2. South London Waste Plan Issues and Preferred Options Document (2019)

12.3. South London Waste Plan Submission Draft (2020)

12.4. Committee report for Council meeting on 8 July 2020

12.5. Waste Framework Directive (2008)

12.6. Planning and Compulsory Purchase Act (2004, as amended)

12.7. The Town and Country Planning (Local Planning) (England) Regulations 2012

12.8. National Planning Policy Framework

12.9. National Planning Policy for Waste

12.10. The London Plan (2021)

12.11. Merton’s Statement of Community Involvement adopted (2020)

12.12. Merton’s Core Planning Strategy adopted (2011)

12.13. Merton’s Site and Policies Plan adopted (2014)

12.14. Merton’s Polices Map (2014)

12.15. Merton’s Local Development Scheme adopted (2019)

Committee: Cabinet

Date: 7th November 2022

Wards: All

Subject: Council Tax Support Scheme 2023/24

Lead officer: Roger Kershaw, Interim Executive Director of Finance and Digital

Lead member: Councillor Billie Christie

Contact officer: Rebecca Dodd, Head of Benefits

Recommendations:

1. That the updating revisions for the 2023/24 council tax support scheme detailed in the report be agreed, in order to maintain low council tax charges for those on lower incomes and other vulnerable residents.
2. That Council agrees the proposed revisions to the 2023/24 scheme.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.0. This report details the proposed revisions to Merton's adopted council tax support scheme to ensure that the level of support awarded stays in line with the old council tax benefit scheme had it continued and therefore residents are not worse off due to the new scheme.

1.1. That Council agrees to implement recommendation 1 and 2.

2 DETAILS

2.1. **Council Tax Support Scheme 2023/24**

2.2. As part of the Spending Review 2010, the Government announced that it intended to localise council tax benefit (CTB) from 1 April 2013 with a 10% reduction in expenditure. These plans were included as part of the terms of reference for the Local Government Resource Review and the then Welfare Reform Bill contained provisions to abolish CTB.

2.3. Following a formal consultation exercise full Council agreed on the 21 November 2012 to absorb the funding reduction and adopt the prescribed default scheme in order to maintain low council tax charges for those on lower incomes and other vulnerable residents. CTB was formally abolished with effect from 1 April 2013

2.4. Council have subsequently agreed to continue with the same scheme, subject to revisions on an annual basis for 2014/15, 2015/16, 2016/17, 2017/18, 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23.

2.5. The Government have stated that under the new local council tax support scheme pensioners must not be worse off and that existing levels of support for them must remain and this protection will be achieved by keeping in place existing national rules, with eligibility and rates defined in Regulations broadly similar to those that previously existed. This is known as the Prescribed Pensioners scheme.

2.6. When full Council adopted the Government's default scheme in November 2012 it was not clear what would happen with regards to the uprating of the default scheme from April 2014 onwards. Advice received from the then Department of Communities and Local Government (DCLG) at the end of September 2013 stated that if a Council did not formally agree a revised scheme for the following financial year which would include any "uprating" then its local scheme for the previous year would automatically become its default scheme and as a consequence the "uprating" would not take place and many residents would face an increased council tax bill.

2.7. In 2021/22, the Government introduced increases to disregarded earnings and grants and loans for the self-employed to support people during the COVID-19 pandemic. These resulted in increases to Universal Credit and other DWP benefits which reduced council tax support for our residents. The Council awarded the difference in the form of a hardship reduction as part of the Council Tax Hardship facility; however the Council was unable to amend the disregards set out in the Council Tax Support Scheme.

2.8. The rules of the scheme for 2021/22 were amended and agreed by full Council to permit any in year changes if the Government made any in year changes to disregards or elements of the Housing Benefit scheme or Prescribed Pensioners scheme that will benefit residents.

2.9. Any in year changes will be approved by the Section 151 officer of the Council. However, the Council's decision making process will be followed for any changes.

2.10. This means that if Merton wants to continue with its council tax support scheme which is broadly similar to the old council tax benefit scheme it would have to formally consult and agree on the revised "uprating" each year. Merton has subsequently agreed this approach in prior years and is now seeking agreement to the same for 2023/24.

2.11. It is estimated that if the uprating was not applied the expenditure of the scheme, if everything else remained constant, would be approximately cost neutral. Increases in payments for non-dependants living in households would not be applied and some residents receiving disability benefits or premiums could face higher council tax bills.

2.12. **Council Tax Support Scheme 2023/24**

2.13. Each year the Government "uprate" the housing benefit scheme and the prescribed scheme for pensioners. This is where state pensions and benefits are increased by a set percentage and the Government also increase the applicable amounts and personal allowances (elements that help identify how much income a family or individual requires each week before their housing benefit starts to be reduced) and also non dependant adult deductions (the amount an adult who lives with the claimant is expected to contribute to the rent and/or council tax each week).

2.14. The Government have also previously introduced new elements to the housing benefit scheme and pensioner scheme which can affect entitlement. These introductions are often made after Council has agreed the CTS scheme for the following year. For example, on 12th February 2022 the Government introduced new legislation which introduced the £150 energy rebate. This was introduced after Council agreed the scheme in November 2021 but before the new scheme began on the 1st April 2022. The changes to the scheme will include any changes affecting CTS entitlement under new legislation and changes to the pensioner scheme and Housing Benefit Scheme after Council have agreed the scheme and before the scheme commences on 1st April 2023.

2.15. The Government will uprate the housing benefit scheme from the 1 April 2023 and the detail of this process is unlikely to be known until early December 2022. The Government will also uprate the prescribed pensioner scheme for council tax support from 1 April 2022, with the details announced in December 2022. Once the detailed information is known it is proposed to use the data from these to uprate the council tax support scheme.

2.16. The new council tax support scheme will be effective from the 1 April 2023

2.17. A formal consultation exercise regarding the proposed revision of the scheme was undertaken between 19 August 2022 and 16 October 2022. The consultation was on 2 options which are detailed in the briefing paper in Appendix 1. Only 12 responses were received, 7 preferred Option 1, to apply the uprating, and 5 preferred Option 2, not to apply the uprating. Of the responses, 1 person indicated that they were in receipt of council tax support.

The Council has also consulted with our major precepting authority, the Greater London Authority (GLA). The GLA have acknowledged the Council's proposal and is content to endorse Merton's preferred option 1 and would encourage the Council to take a proactive approach to informing those council tax support claimants facing difficulties paying council tax bills about the help available, particularly in light of the current cost of living difficulties Londoners are faced with.

Full details of the responses to the consultation are available if required.

3 ALTERNATIVE OPTIONS

3.1. The only alternative option for the Council Tax Support Scheme based on the consultation undertaken would be not to revise it and not uprate the scheme and continue with the existing scheme. This would result in some of the poorest residents facing increased council tax bills from April 2023.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1. A consultation exercise has been undertaken and the results of this are detailed in 2.17 above.

5 TIMETABLE

5.1. The key milestones for council tax support scheme are detailed below:

Task	Deadline
Consultation with public and precepting authority on proposed change to the scheme	19 August 2021 to 16 October 2022

Report to full Council for agreement to proposed change to the scheme	16 November 2022
Detailed analysis of the housing benefit and prescribed pensioner schemes uprating to establish exact parameters to be applied for the uprating of the council tax support scheme	December 2022– or as soon as the information is available from the DWP
Deadline for agreement of amended scheme	10 March 2023
Testing of IT software for amended scheme	February 2023
Implement revised scheme	1 April 2023

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. Based on levels of council tax support, as at October 2022, it is estimated that £13.5 million will be granted in council tax support for 2023/24 assuming a 2% increase in council tax from April 2023. This figure includes the Greater London Authorities share of the scheme (£3.0 million), the cost for Merton is estimated at £10.5 million.

6.2. The council has recently submitted its Council Tax Base Return (CTB) to Government. This is based as at October 2022 and incorporates the latest information on council tax support and discounts and exemptions. This will be used to calculate the Council Tax Base for 2023/24 and the Medium Term Financial Statement 2022-2026 will be updated as appropriate during the budget process.

6.3. The level of reduction in Council Tax Base due to the Council Tax Support Scheme has decreased from last year and is the highest decrease since the scheme began. The adjustment for reduction in tax base as a result of local council tax support since the scheme was introduced is summarised in the table below:

CTB year	Reduction in Council Tax Base due to Local Council Tax Support Scheme	Change in CT Base	Yr..on Yr. % Change
CTB Oct.2013	10,309.31		
CTB Oct.2014	9,686.64	(622.67)	-6.04%
CTB Oct.2015	9,099.90	(586.74)	-6.06%
CTB Oct.2016	8,639.20	(460.70)	-5.06%
CTB Oct.2017	8,192.10	(447.10)	-5.18%
CTB Oct.2018	8,177.10	(15.00)	-0.18%
CTB Oct.2019	7,688.10	(489.00)	-5.98%
CTB Oct.2020	8,320.70	632.60	8.23%
CTB Oct.2021	8,086.00	(234.70)	-2.82%
CTB Oct.2022	7,462.06	(623.94)	-7.71%

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. Under the Local Government Finance Act 1992, as amended by the Local Government Finance Act 2012, ("the Act") every billing authority in England is required to make a Council Tax Reduction Scheme (CTRS). Merton refers to its CTRS as its Council Tax Support Scheme.

7.2. Each financial year every billing authority in England is required to consider whether to revise or replace its CTRS. The Act imposes certain procedural requirements which must be satisfied before a billing authority can make any revisions, including a requirement to consult persons who are likely to have an interest in the operation of their CTRS.

7.3. The statutory consultation is intended to ensure public participation in the decision-making process. In determining what revisions, the Authority should make to its CTRS, if any, it must have regard to the requirements of the Act, including the outcome of the consultation and the public sector equality duty referred to below. The outcome of the consultation is considered elsewhere in this report.

7.4. If the Authority's CTRS is to be revised as proposed the decision to do so must be made by Full Council no later than 10 March 2023 to enable the revisions to come into force on 1 April 2023.

7.5. As with any public law decision of the Authority it may be challenged by way of an application for judicial review.

7.6. If the revised scheme is not agreed by 10 March 2023, then the scheme the Council administered for the previous year (2022/21) would become the default scheme for 2023/24.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. A formal consultation exercise has been undertaken. The results of this are detailed in 2.17 above.

8.2. Any changes to the council tax scheme which results in reductions of support will mean some residents facing an increase in their council tax bills. Some of these residents, due to the yearly uprating undertaken by the DWP, would not have previously been faced with increased council tax bills. In the past it has sometimes proved difficult in collecting council tax from residents who are on limited income and or benefits.

In considering the proposed revisions to the Council Tax Support Scheme, upon which the Authority is required to consult, the Council must consider the Council's Public Sector Equality Duty under Section 149 of the Equalities Act 2010 and to have due regard to the need to:

a) Eliminate unlawful discrimination, harassment and victimisation

b) Advance equality of opportunity between persons who share a protected characteristic and persons who do not, and

c) Foster good relations between people who share a protected characteristic and those who do not.

9 CRIME AND DISORDER IMPLICATIONS

9.1. None for the purpose of this report.

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. The Council will need to continue to closely monitor the cost of the council tax support scheme to ensure it is affordable for future years. Although in previous years we have not seen an increase in caseload, it is possible that the full impact of the welfare reform could result in more families located in inner London moving into Merton which would result in an increase in council tax support expenditure.

10.2. Additionally, the applicable amounts and personal allowances used to calculate the local council tax reduction, may rise to match inflation. This may increase the number of residents who are entitled to CTS if wages do not rise in line with inflation. The council tax support expenditure for 2023/24 could further increase if there is an increase in claims. The current economic climate is volatile given the impact of increasing inflation, particularly in energy costs. Unemployment rates are currently low, but many claimants are working and any increase in benefit allowances will mean more people may qualify under the new rates.

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

11.1 Appendix 1 Consultation briefing paper

11.2 Appendix 2 Equalities Impact Assessment

12 BACKGROUND PAPERS

Council Tax Support update for 2023/24

Merton’s Council Tax Support Scheme (CTS) was developed in 2012 after it was announced that the Government’s Council Tax Benefit (CTB) scheme would be replaced by individual CTS schemes run by local authorities from April 2013. The Government decided that pensioners would not be worse off under any local council tax support schemes. To achieve this, the Government continued with a prescribed Council Tax Reduction scheme for pensioners (which Merton must administer). The local CTS scheme is up to each Local Authority to decide. The decision making process must include consultation with interested parties.

Since then, Merton’s CTS scheme has replicated the Government’s prescribed scheme to ensure that that residents would get the same rate of CTS had CTB continued. Merton has also decided to maintain that principle for the 2023/24 scheme.

Additionally, every year national benefits and tax credits for working age people are reviewed by the Government. These adjustments are not always known in advance of the scheme being set by Merton. These reviews can result in increases, decreases or indeed no change to the amount of HB scheme, prescribed Council Tax Reduction scheme and national welfare benefits, tax credits, grants and loans. To ensure the principal of mirroring the scheme continues, several changes are required to the existing scheme from 2022/23 and therefore we are consulting on these proposed changes.

We are consulting on the following options:

Option 1 – To incorporate any changes made to the HB scheme and the prescribed Council Tax Reduction scheme for pensioners during the 2022/2023 financial year and retain the option to make changes within the year the scheme applies where changes are made to HB scheme, prescribed Council Tax Reduction scheme and national welfare benefits, tax credits, grants and loans, where it affects the award of CTS:

This is the Council's preferred option. It allows Merton to amend the scheme in line with these changes made by the Government’s at a national level, at any time during the financial year to which it applies. These in year changes will be approved by the Section 151 officer responsible for the proper administration of the council’s affairs. The Section 151 officer can also refer the decision to Cabinet.

The effect of this will be that:

1. Any national changes which affect the award of CTS such as equivalent applicable amounts, personal allowances, non-dependant deductions and disregards, may be reflected in the CTS scheme. This includes those changes already known and any which occur in the year the CTS scheme applies. This includes beneficial and non-beneficial changes and allows for consideration of the financial impact to the Council and its residents.

2. There may be changes announced which are beneficial to claimants which we would not be able introduce until the following year if Option 2 is the selected option.

Broadly speaking Option 1 means the claimant would receive the same amount of Council Tax Support as they would have done under the Government's previous Council Tax Benefit scheme, providing circumstances remain the same. It will allow the Council to decide how changes made to the HB scheme, prescribed Council Tax Reduction scheme and national welfare benefits, tax credits, grants and loans, should be treated under the CTS for Merton.

Option 2 - Continue to award Council Tax Support based on the current scheme, including the current rates of applicable amounts, personal allowances and non-dependent deductions. Not make technical adjustments to the scheme to bring it in line with the HB scheme, prescribed Council Tax Reduction scheme and national welfare benefits, tax credits, grants and loans.

The effect of this will be that:

1. if the national applicable amounts, personal allowances and disregards are increased these would remain the same in the CTS scheme and therefore the claimant would not get as much Council Tax Support compared to the amount they would have got under the Government's old scheme.
2. if the national applicable amounts, personal allowances and disregards are decreased these would remain the same in the CTS scheme and therefore the claimant would more Council Tax Support compared to the amount they would have got under the Government's old scheme.
3. Not making the changes will leave the council tax support scheme misaligned with the prescribed pensioner scheme and HB scheme.

Merton's current scheme will become our default scheme for 2023/24 if no changes are required or full Council do not agree a new scheme.

Equality Analysis

What are the proposals being assessed?	Council Tax Support Scheme for 2023/24
Which Department/ Division has the responsibility for this?	Corporate Services / Resources

Stage 1: Overview	
Name and job title of lead officer	Rebecca Dodd, Head of Benefits
1. What are the aims, objectives and desired outcomes of your proposal? (Also explain proposals e.g. reduction/removal of service, deletion of posts, changing criteria etc)	Agree the Council Tax Support scheme for 2023/24. The national Council Tax Benefit (CTB) scheme ended on 1st April 2013 to be replaced by a locally determined system of Council Tax Support. The funding available for the new scheme will be cash limited and be determined by the Council. The aim of the council tax support scheme is to provide financial assistance to council taxpayers who have low incomes. Persons who are of state pension credit qualifying age are protected under the scheme in that the calculation of the support they are to receive has been set by Central Government. For working age applicants however, the support they receive is to be determined by the local authority.
2. How does this contribute to the council's corporate priorities?	Ensures that residents on low income are supported by the Council with help with their council tax
3. Who will be affected by this proposal? For example, who are the external/internal customers, communities, partners, stakeholders, the workforce etc.	Working age local residents currently in receipt of council tax support, working age residents who will apply for council tax support within the financial year. Pension age residents receive support based on the Government scheme
4. Is the responsibility shared with another department, authority or organisation? If so, who are the partners and who has overall responsibility?	The Council collects a council tax precept for the Greater London Authority from all residents. The amount of council tax support granted affects the level of the precept collected for the Greater London Council

Stage 2: Collecting evidence/ data

5. What evidence have you considered as part of this assessment?
Provide details of the information you have reviewed to determine the impact your proposal would have on the protected characteristics (equality groups).

The Council has continued to base its local council tax support scheme on the Governments previous Council tax benefit scheme. This has ensured that working age residents have not had to contribute more towards council tax since the localisation of the scheme.

This has ensured that the working age, disabled, families and the less well off all continue to receive up to 100% council tax support based on their circumstances and income.

It also ensures parity between working age and pension age residents, with no group being unequal in entitlement to Council Tax Support.

Stage 3: Assessing impact and analysis

6. From the evidence you have considered, what areas of concern have you identified regarding the potential negative and positive impact on one or more protected characteristics (equality groups)?

Protected characteristic (equality group)	Tick which applies Positive impact		Tick which applies Potential negative impact		Reason Briefly explain what positive or negative impact has been identified
	Yes	No	Yes	No	
Age	✓			✓	Positive impact for all working age claimants – the level of council tax support will not be reduced - Neutral impact for pension age claimants as the Government has stipulated this group must have their claims assessed
Disability	✓			✓	Positive impact for all working age claimants – the level of council tax support will not be reduced
Gender Reassignment	✓			✓	Positive impact for all working age claimants – the level of council tax support will not be reduced
Marriage and Civil Partnership	✓			✓	Positive impact for all working age claimants – the level of council tax support will not be reduced

Pregnancy and Maternity	✓			✓	Positive impact for all working age claimants – the level of council tax support will not be reduced
Race	✓			✓	Positive impact for all working age claimants – the level of council tax support will not be reduced
Religion/ belief	✓			✓	Positive impact for all working age claimants – the level of council tax support will not be reduced
Sex (Gender)	✓			✓	Positive impact for all working age claimants – the level of council tax support will not be reduced
Sexual orientation	✓			✓	Positive impact for all working age claimants – the level of council tax support will not be reduced
Socio-economic status	✓			✓	Positive impact for all working age claimants – the level of council tax support will not be reduced

7. If you have identified a negative impact, how do you plan to mitigate it?

N/A

Stage 4: Conclusion of the Equality Analysis

8. Which of the following statements best describe the outcome of the EA (Tick one box only)

Please refer to the guidance for carrying out Equality Impact Assessments is available on the intranet for further information about these outcomes and what they mean for your proposal

✓	**Outcome 1** – The EA has not identified any potential for discrimination or negative impact and all opportunities to promote equality are being addressed. No changes are required.
	Outcome 2 – The EA has identified adjustments to remove negative impact or to better promote equality. Actions you propose to take to do this should be included in the Action Plan.
	Outcome 3 – The EA has identified some potential for negative impact or some missed opportunities to promote equality and it may not be possible to mitigate this fully. If you propose to continue with proposals you must include the justification for this in Section 10 below, and include actions you propose to take to remove negative impact or to better promote equality in the Action Plan. You must ensure that your proposed action is in line with the PSED to have 'due regard' and you are advised to seek Legal Advice.
	Outcome 4 – The EA shows actual or potential unlawful discrimination. Stop and rethink your proposals.

Stage 5: Improvement Action Pan

9. Equality Analysis Improvement Action Plan template – Making adjustments for negative impact

This action plan should be completed after the analysis and should outline action(s) to be taken to mitigate the potential negative impact identified (expanding on information provided in Section 7 above).

Negative impact/ gap in information identified in the Equality Analysis	**Action required to mitigate**	**How will you know this is achieved?** e.g. performance measure/ target)	**By when**	**Existing or additional resources?**	**Lead Officer**	**Action added to divisional/ team plan?**

Note that the full impact of the decision may only be known after the proposals have been implemented; therefore it is important the effective monitoring is in place to assess the impact.

Stage 6: Reporting outcomes

10. Summary of the equality analysis

This section can also be used in your decision making reports (CMT/Cabinet/etc) but you must also attach the assessment to the report, or provide a hyperlink

This Equality Analysis has resulted in an Outcome 1 Assessment
There is potential negative impact on the SMEs that do not meet the Government criteria. Local equality data needs to be collected at the application stage to give a better picture of the types of businesses applying for the grant or may be ineligible for the grant.

Stage 7: Sign off by Director/ Head of Service			
Assessment completed by	Rebecca Dodd – Head of Benefits	**Signature:** R Dodd	**Date:** 18 October 22
Improvement action plan signed off by Director/ Head of Service	Roger Kershaw – Interim Executive Director Finance and Digital	**Signature:** R Kershaw	**Date:** 18 October 2022

Committee: Cabinet

Date: 07 November 2022

Wards: All

Subject: Mid-year Treasury Management Performance Report 30 Sept 2022

Lead officer: Roger Kershaw- Interim Director of Finance and Digital

Lead member: Councillor Billy Christie – Cabinet Member for Finance and Corporate Services

Contact officer: Nemashe Sivayogan- Head of Treasury and Pensions

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Recommendations:

A. That Cabinet note the update on Treasury Management performance for the half year to 30 September 2022 and agrees to submit this update to Full Council

B. That Cabinet agrees to recommend to Council that it delegates authority to the Executive Director of Finance and Digital (S151 officer) to make short term treasury investment decisions, even if those investments would not currently be in accordance with the Council's Treasury Management Strategy, based on current market conditions/interest rates movements and funds availability to maximise investment returns. The Annual Treasury Management Strategy for FY2023/24 will be presented to the Council in March 2023.

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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. This report provides an update on Treasury Management performance for the half year to 30 September 2022. The last performance update report was presented to the Cabinet on the 18 July and covered the full year to 31 March 2022.

1.2. Since the beginning of the Covid-19 out break and continued lock downs the Council took a precautionary move and held most of its cash in liquid form. A large proportion of our cash was placed in money market funds which gave us instant liquidity and security.

1.3. Now the BOE base interest has started to go up resulting in raising interest rate/returns on fixed deposits and other cash investments. The current investment strategy has limitations on amount, duration, and counter parties that the Council can deposit cash in. This report asks the Council to delegate short-term investment decisions to the S151 officer in order to utilise any favourable investment opportunities as a result of the financial market movement and/or availability of excess cash balances even if those investments would not currently be in accordance with the existing treasury management policy. This will help us to maximise our investment income for the year.

2 DETAILS

2.1. The Council's Treasury Management Strategy and Prudential Indicators were set out in Section 1, A to the Business Plan Report 2022-2026 presented to the Council on 3rd March 2022. They follow the requirements of the CIPFA Treasury Management Code of Practice and incorporate a debt management strategy that reflects the Council's potential need to borrow to finance its capital expenditure plans.

2.2. In addition, the Council follows the Ministry for Housing, the Department for Levelling Up, Housing and Communities (DLUHC), revised guidance on local authority investments of March 2018 that requires the Council to approve an investment strategy before the start of each financial year. The Guidance stipulated that the Council monitors the Treasury management activity undertaken.

2.3 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being deposited with low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.

2.4 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

2.5 Accordingly, treasury management is defined as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.6 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- A review of the Treasury Management Strategy Statement
- An economic update for the first half of the 2022/23 financial year;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Council's investment portfolio for 2022/23;
- A review of compliance with Treasury and Prudential Limits for 2022/23.

2.7 The Council approved the 2022/23 Treasury Management Strategy (TMS) at its meeting on 3rd March 2022. The Council's stated investment strategy is to prudently manage an investment policy achieving first of all, security (protecting the capital sum from loss), liquidity (keeping money readily available for expenditure when needed), and to consider what yield can be obtained consistent with those priorities.

2.8 The total cash and deposit balance as at the end of 30 September 2022 was £115m. The current forecast of interest income receivable for 2022/23 is £0.938m against a budget of £0.495m. With the Bank of England base rate rising steadily since December 2021 coupled with the recent volatile market conditions driven by global political events interest rates and therefore income returns have increased significantly.

2.9 The Council's gross debt is £109.01m at 30 September 2022 and the average rate of interest is 5.87%. Out of the total debt, £26.5m will mature between now and March 2025. Based on the council capital programme the council will make new long-term borrowings if needed.

2.10 The Council's stated borrowing strategy is to finance long term borrowing from cash balances to the extent that reserves allow in addition to external borrowing.

2.11 Monthly Treasury meetings are held to discuss issues and to review the performance of the investments. Part of these meetings is to establish a position on whether the Council will go to the market to seek external borrowing or to continue funding its financial obligations through internal cash balances.

2.12 So far this year the decision has been not to borrow externally. This is mainly due to the fact the Council at this time does not need to borrow for any significant capital projects. PWLB interest rates are steadily increasing and the cost of carry will be a factor in making the decision. The decision not to borrow has been further influenced by the availability of cash balances and expected future capital expenditure. This decision is reviewed every month as part of the monthly treasury meeting.

2.13 We are pleased to report that all treasury management activity undertaken between 1 April 2022 and 30 September 2022 period complied with the approved strategy, the CIPFA Code of Practice, and the relevant legislative provisions.

2.14 The key drivers for an effective treasury strategy are security, liquidity and yield management. A robust cash flow forecast is in place and is continuously reviewed to take account of the funding requirements both operational and major programme financing. This will better inform the borrowing and investment decisions providing an opportunity to review the budgeted investment income level.

Treasury Management Performance

2.15 The investment balance held as at the 30 September 2022 stood at £115 million and the average rate of return on these investments was 1.45%. The forecast full year interest receivable income is £0.938m set against a budget of £0.495m.

2.16 The table below shows how the cash flow has moved for the half year and the projected cash flow for the next six months.

	Actual	Actual	Actual	Actual	Actual	Actual	Proj	Proj	Proj	Proj	Proj	Proj
	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Opening Balance	23.17	32.32	30.03	30.73	38.77	27.82	8.22	9.60	9.93	11.85	13.95	3.97
Total Payments	-77.23	-66.66	-57.49	-68.18	-60.00	-72.49	-66.86	-61.96	-61.58	-72.35	-61.55	-62.04
Total Receipts	85.69	66.05	59.17	78.67	50.76	55.74	70.08	65.07	65.07	75.16	52.61	52.61
Capital Expenditure (projected)	0.69	-1.69	-0.98	-2.45	-1.71	-2.86	-1.84	-2.77	-1.57	-0.71	-1.04	-6.09
Net position (balance in the bank)	32.32	30.03	30.73	38.77	27.82	8.22	9.60	9.93	11.85	13.95	3.97	-11.55
Money Market investment	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Total Cash (bank + MMF)	82.32	80.03	80.73	88.77	77.82	58.22	59.60	59.93	61.85	63.95	53.97	38.45
0- 3 months Investments	20.00	10.00	0.00	5.00	15.00	15.00						
3- 6 months Investments	20.00	25.00	25.00	30.00	30.00	40.00						
6- 9 months Investments	0.00	20.00	30.00	20.00	10.00	0.00						
9-12 Months	20.00	0.00	0.00	0.00	0.00	0.00	60.00	60.00	60.00	60.00	40.00	40.00
CCLA- Property investment (3-4months liquidity)	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Total Cash Position	152.32	145.03	145.73	153.77	142.82	123.22	129.60	129.93	131.85	133.95	103.97	88.45

2.17 The table overleaf sets out the key performance indicators of our treasury management activities and the position as at 30 September 2022. Each indicator has been RAG rated for ease of reference.

Indicator Description	Agreed Performance or target	Status at 30 September 2022	RAG Status
Borrowing Limits for the years 2022/23			
Authorised Limit	£241m	£235m	
Operational Limit	£206m	£200m	
Security: average credit rating			
Portfolio average credit rating	A-	A-	
Compliance with CLG Non-specified investments Limits			
Total investments in Money Markets Fund (MMF)* increased to £100m at Sept 2021 Council meeting	£100m	£50m	
Total of other Pooled Funds	£10m	£10m	
Budgeted Investment Return			
Return on Investments	0.50%	1.45%	
Liquidity: cash available			
Total cash available without borrowing	£10m	£72m	
Total cash available including borrowing (cash + under borrowing)	£20m	£104m	
Deposit Interest rate exposure			
Fixed rate exposures	No limit	£55m	
Variable rate exposures	£100m	0	
Maturity structure of borrowing			
Under 12 months	0% - 20%	0.1%	
1 to 2 years	0% - 20%	18%	
2 to 5 Years	0% - 40%	10%	
Five years and within 10 years	0% - 20%	1%	
10 to 20 years	0% - 30%	11%	
20 to 30 years	0% - 50%	19%	
30 to 40 years	0% - 70%	41%	
Principal sums invested for periods longer than 365 days			
Investments longer than 365 but less than 2 years	£0m	£0m	

3.0 Risk Management and Creditworthiness Policy

3.1 This Council applies the creditworthiness service provided by Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

3.2 This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long term rating where applicable)	Money Limit	Time Limit
Banks	**yellow**	**£25m**	**5yrs**
Banks	**purple**	**£25m**	**2 yrs**
Banks	**orange**	**£25m**	**1 yr**
Banks – part nationalised	**blue**	**£25m**	**1 yr**
Banks	**red**	**£10m**	**6 mths**
Banks	**green**	**£5m**	**100 days**
Banks	**No colour**	**Not to be used**	
Other institutions limit	**-**	**£5m**	**1yrs**
Government (DMADF)		**unlimited**	**6 months**
Local authorities	**Yellow**	**£35m**	**5yrs**
	Fund rating	**Money Limit**	**Time Limit**
Money market funds (maximum 5 Funds, £20m per Fund)	**AAA**	**£100m**	**Instant**
Ultra-Short Dated Bond funds with a credit score of 1.25	**Dark pink / AAA**	**£25m**	**Instant**
Ultra-Short Dated Bond funds with a credit score of 1.5	**Light pink / AAA**	**£10m**	**Instant**

4. CAPITAL PRUDENTIAL INDICATORS 2022/23 – 2025/26

4.1 The Council is required to calculate various indicators for the next three years. The aim of prudential indicators is to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The prudential indicators are calculated for the Medium Term Financial Strategy (MTFS) period and are linked to the CIPFA Prudential Code and TM Code of Practice. The indicators relate to capital expenditure, external debt and treasury management.

4.2 The Council will monitor performance against the indicators and prepare indicators based on the Statement of Accounts (SoA) at year end. Actuals are calculated from the SoAs with estimates based on the Capital programme.

Capital Expenditure

4.3 The Council's capital expenditure plans are fundamental to its treasury management activity. The output of the capital expenditure plans are reflected in prudential indicators, which are designed to provide Council members an overview and confirm the impact of capital expenditure plans.

4.4 This indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle as reported in the MTFS. Environment and Regeneration figures include projects relating to Public Health programmes. However these are fully funded and have no impact on the Council's net financing need for the year or borrowing requirement

Please find below the capital expenditure forecast (as at September 2022).

Capital Forecast	2021/22	2022/23	2023/24	2024/25	20245/26
	Estimate	Estimate	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Corporate Services	2,260	4,358	16,658	8,502	11,538
Community & Housing	1,275	812	782	2228.008	1302.882
Children Schools & Families	6,682	7,010	8,380	8,449	3,751
Environment & Regeneration	11,559	11,371	10,879	6,802	20,301
Total	**21,776**	**23,552**	**36,698**	**25,982**	**36,893**

4.5 The above financing need excludes other long-term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

4.6 The table below shows how the capital expenditure plans are being financed by revenue or capital resources. A shortfall of resources means a borrowing need. The capital programme expenditure figures used in calculating the financing costs have been adjusted for slippage in the programme as at September 2022.

Capital Expenditure	**2021/22 Estimate £'000**	**2022/23 Estimate £'000**	**2023/24 Estimate £'000**	**2024/25 Estimate £'000**	**2025/26 Estimate £'000**
Capital Budget*	21,776	32,428	39,847	22,761	40,066
Slippage	0	(8,876)	(3,149)	3,221	(3,173)
Leasing Budgets	0	0	0	(600)	0
Total Capital Expenditure	21,776	23,552	36,698	25,382	36,893
Financed by:					
Capital Receipts	3,448	900	900	900	500
Capital Grants & Contributions	14,860	13,868	24,979	14,930	6,163
Capital Reserves	0	0	0	0	0
Revenue Provisions	3,469	270	188	24	4
Other Financing Sources	0	0	0	0	0
Net financing need for the year (a)	0	8,514	10,631	9,528	30,226

* Includes finance lease expenditure table in Treasury Management Strategy which excludes this expenditure.

5.0 ECONOMIC UPDATE ALTERNATIVE OPTIONS

5.1 The second quarter of 2022/23 saw:

- GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;
- Signs of economic activity losing momentum as production fell due to rising energy prices;
- CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;
- The unemployment rate fall to a 48-year low of 3.6% due to a large shortfall in labour supply;
  - Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;
  - Gilt yields surge and sterling fall following the "fiscal event" of the new Prime Minister and Chancellor on 23rd September.

5.2 The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.

5.3 There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.

5.4 The fall in the composite PMI from 49.6 in August to a 20-month low preliminary reading of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices. Indeed, cash in households' bank accounts rose by £3.2bn in August, which was below the £3.9bn rise in July and much smaller than the 2019 average monthly rate of £4.6bn.

5.5 The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.

5.6 CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below $90pb, we would expect to see fuel prices fall further in the coming months.

5.7 However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.

5.8 Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.

5.9 During H1 2022, there has been a change of both Prime Minister and Chancellor. The new team have made a step change in government policy. The government's huge fiscal loosening from its proposed significant tax cuts will add to existing domestic inflationary pressures and will potentially leave a legacy of higher interest rates and public debt. Whilst the government's utility price freeze, which could cost up to £150bn (5.7% of GDP) over 2 years, will reduce peak inflation from 14.5% in January next year to 10.4% in November this year, the long list of tax measures announced at the “fiscal event” adds up to a loosening in fiscal policy relative to the previous government’s plans of £44.8bn (1.8% of GDP) by 2026/27. These included the reversal of April’s national insurance tax on 6th November, the cut in the basic rate of income tax from 20p to 19p in April 2023, the cancellation of next April’s corporation tax rise, the cut to stamp duty and the removal of the 45p tax rate, although the 45p tax rate cut announcement has already been reversed.

5.10 Fears that the government has no fiscal anchor on the back of these announcements has meant that the pound has weakened again, adding further upward pressure to interest rates. Whilst the pound fell to a record low of $1.035 on the Monday following the government’s “fiscal event”, it has since recovered to around $1.12. That is due to hopes that the Bank of England will deliver a very big rise in interest rates at the policy meeting on 3rd November and the government will lay out a credible medium-term plan in the near term. This was originally expected as part of the fiscal statement on 23rd November but has subsequently been moved forward to an expected release date in October. Nevertheless, with concerns over a global recession growing, there are downside risks to the pound.

5.11 The MPC has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England’s latest 50 basis points hike looks relatively dovish. However, the UK’s status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.

5.12 Since the fiscal event on 23rd September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government’s fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.

5.13 Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate rises to offset the government’s extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the “fiscal event”, which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31st October. Second, it committed to buy up to £65bn of long-term gilts to “restore orderly market conditions” until 14th October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.

5.14 Since the Bank’s announcement on 28th September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.

5.15 There is a possibility that the Bank continues with QE at the long-end beyond 14th October or it decides to delay quantitative tightening beyond 31st October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.

5.16 After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

6.0 Interest rate forecasts

6.1 The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

6.2 The latest forecast on 27th September sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.

6.3 The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.

6.4 Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View	27.09.22											
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

7. **CONSULTATION UNDERTAKEN OR PROPOSED**

Regular discussion with Treasury consultants and peer group.

8. **TIMETABLE**

Throughout the year

9. **FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

Covered in the main report.

10 **LEGAL AND STATUTORY IMPLICATIONS**

There are no legal implications arising out of the contents of the report and Recommendation B is permissible under Section 9E of the Local Government Act 2000.

11 **HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATION**

none

12 **CRIME AND DISORDER IMPLICATIONS**

none

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

None

14 **APPENDICES-**

15 **BACKGROUND PAPERS-**

- LINK REPORTS

CMT/CABINET

Date: 27 September

Subject: Financial Report 2022/23 – Period 5 August 2022

Lead officer: Roger Kershaw

Lead member: Councillor Billy Christie

Recommendations:

A. That Cabinet note the financial reporting data for month 5, August 2022, relating to revenue budgetary control, showing a forecast net adverse variance at 31 August on service expenditure of £2.317m 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 and Appendix 5b of the report and approve the adjustments to the Capital Programme in the Table below:

	Budget 2022-23	Budget 2023-24	Budget 2024-25	Narrative
Corporate Services	£	£	£	
Invest to Save schemes - De-Carbonisation scheme	137,000			Additional spend covered by Grant
Business Systems - Environmental Asset Management	(240,000)	240,000		Reprofiled in line with projected spend
Business Systems - Revenue and Benefits	(700,000)	300,000	400,000	Reprofiled in line with projected spend
Business Systems - Spectrum Spatial Analyst Replacement (GIS)	(100,000)	100,000		Reprofiled in line with projected spend
Community and Housing				
Major Projects - Social Care H - Learning Disability Housing	(50,000)	(1,528,000)	1,578,000	Reprofiled in line with projected spend
Children, Schools and Families				
Unlocated Primary School Proj	(32,500)			Reprofiled in line with projected spend
Raynes Park - Schools Capital Maintenance	32,500			Reprofiled in line with projected spend
Medical PRU - PRU Expansion	30,000	(30,000)		Reprofiled in line with projected spend
Environment and Regeneration				
Pay and Display Machines	20,000			Virement from Car Park Upgrades
Car Park Upgrades	(20,000)			Virement to Pay and Display Machines
Parks - New Water Play Feature Wimbledon Park	43,000	(226,000)		Unspent SCIL Balance on Project Relinquished
Parks - Abbey Ward	8,240			Funded by NCIL
Parks - Figges Marsh	4,980			Funded by NCIL
Parks - Multi Use Sports Areas	6,400			Funded by NCIL
Parks- Wimbledon Park NCIL Ward	13,080			Funded by NCIL
Total	**(847,300)**	**(1,144,000)**	**1,978,000**	

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the Period 5 monitoring report for 2022/23 presented in line with the financial reporting timetable.

This financial monitoring report provides -

1.1.1 A full year forecast projection as at period 5.
1.1.2 An update on the financial impact of Covid-19
1.1.3 An update on the capital programme and detailed monitoring information;
1.1.4 An update on Corporate Items in the budget 2022/23;
1.1.5 Progress on the delivery of the 2022/23 revenue savings

2. THE FINANCIAL REPORTING PROCESS

2.1 The Council's services are still 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 continues to be monitored closely given its impact on service delivery.

2.2 The Council is also facing significant inflationary pressures in the supply of goods and services to the Council, energy costs, cost of borrowing and potential wage increases against budget add to the Council's financial challenges in 2022/23 and future years. Whereas higher interest rates will have a positive impact on our investment returns these will be overshadowed by the inflationary pressures the Council faces together with the potential for increased demands for some of the Council's services due to the cost of living crisis.

2.3 There are also significant pressures on the Dedicated Schools Grant (DSG) which are being monitored. The cumulative deficit at the end of 2021/22 was £26.930m and the deficit is forecast to continue to increase to £34.39m by the end of 2022/23 after the second tranche of Safety Valve funding. The Safety Valve programme is starting to have a positive impact, but progress is currently behind the agreed target.

2.4 Chief Officers, together with budget managers with support from Service Financial Advisers are responsible for keeping budgets under scrutiny and ensuring that expenditure within areas which are above budget are 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. 2022/23 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

Executive summary – At period 5 (to 30 August 2022), the year-end forecast is a net adverse variance of £8.393m on Net Service Expenditure; a favourable variance of £5.647m on Corporate Provisions; and a small adverse variance of £0.054m relating to Covid-19. A summary is provided on the following details and more detailed analysis by Department is set out in Section 4 of the report.

	Current Budget 2022/23 £000s	Year to Date Budget (Aug) £000s	Year to Date Actual (Aug) £000s	Full Year Forecast (Aug) £000s	Forecast Variance at year end (Aug) £000s	Forecast Variance at year end (July) £000s	Outturn Variance 2021/22 £000s
Department							
Corporate Services	30,090	12,314	14,298	31,051	961	1,144	645
Children, Schools and Families	60,867	21,748	15,747	62,296	1,429	1,202	2,426
Community and Housing	33,380	33,380	30,635	72,071	879	848	(699)
Public Health	(162)	1,502	(4,504)	(162)	0	0	
Environment & Regeneration	12,039	1,447	(4,764)	16,897	4,857	4,792	3,431
Overheads	(267)			0	267	267	
NET SERVICE EXPENDITURE	**135,948**	**70,391**	**51,412**	**182,153**	**8,393**	**8,253**	**5,803**
			6				
Corporate Items							
Impact of Capital on revenue budget	11,066	4,611	1,604	10,947	(119)	0	(235)
Other Central budgets	(13,849)	4,926	(464)	(19,478)	(5,628)	(2,428)	(17,298)
Levies	988	412	454	988	0	0	0
TOTAL CORPORATE PROVISIONS	**(1,795)**	**9,949**	**1,594**	**(7,542)**	**(5,747)**	**(2,428)**	**(17,533)**
Covid-19	**0**	**0**	**54**	**54**	54	52	176
TOTAL GENERAL FUND	**134,153**	**80,340**	**53,060**	**174,664**	**2,700**	**5,877**	**(11,554)**
FUNDING							
Revenue Support Grant	(5,350)	(2,229)	(2,354)	(5,350)	0	0	
Business Rates	(32,380)	0	(4,195)	(32,380)	0	0	
Other Grants	(25,602)	(10,667)	(10,906)	(26,031)	(429)	(429)	
Council Tax and Collection Fund	(103,973)	0	0	(103,973)	0	0	
COVID-19 emergency funding	0	0	(442)	0	0	0	710
Income compensation for SFC	0	0	0	0	0	0	
FUNDING	**(167,305)**	**(12,897)**	**(17,897)**	**(167,734)**	**(429)**	**(429)**	**710**
NET	**(33,152)**	**67,443**	**35,163**	**6,930**	**2,271**	**5,448**	**(10,844)**

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 ongoing situation continues to make forecasting difficult as it is 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 2022/23 as part of the budget setting process. The savings which are now under pressure due to inflation and other factors are included in the forecast of the departments. This is inclusive of 2021/22 savings which are still under pressure where they have not been adjusted for. Further details are set out in Appendix 6.

Cashflow

The Covid-19 outbreak created pressure on the council's cash-flow, but the position has stabilised since the middle of 2021. Through prudent treasury cash flow management, the Council continues to meet any additional expenditure from its cash in balances in the bank and primarily from liquid cash balances held in Money Market Funds (MMFs).

From Summer 2021, with the stability and the confidence seen in the UK economy the fixed deposit rates started to go up and as a result the Council started to return to medium term fixed deposit to earn interest income from any short-term excess cash balances.

Since December 2021, the Bank of England has steadily increased the base rate from 0.10% to 2.25% in September 2022. Further increases are expected given the current forecasts for inflation and the Bank's overarching brief to bring inflation down to 2.0% over the medium-term. As a result of this policy the Council can expect to receive additional interest income on deposits, although much of this additional income has already been expected in the 2022/23 budget.

The Council still has a strong position on its liquidity and where the opportunity arises places excess cash in short-term deposits to generate income.

Cash flow is monitored daily, and the current forecast shows the Council has sufficient funds to meet its payment needs going forward over the medium term, but there still is a concern over the longer term in the context of the DSG deficit, subject to the use of Safety Valve funding. However, if a cash shortfall occurs, the Council has the option to borrow from the market to meet its needs.

4. DEPARTMENTAL SUMMARY OF CURRENT POSITION

Corporate Services

Division	Current Budget £000	Full year Forecast (August) £000	Full Year Forecast Variance (August) £000	Full Year Forecast Variance (July) £000	Outturn Variance 2021/22 £000
Customers, Policy & Improvement	5,530	5,652	203	415	(191)
Infrastructure & Technology	12,937	13,272	335	326	80
Corporate Governance	2,657	2,624	(33)	(6)	141
Resources	6,019	6,435	416	484	13
Human Resources	2,183	2,274	143	158	214
Corporate Other	764	662	(102)	(232)	388
Total (Controllable)	**30,090**	**30,920**	**962**	**1,144**	**645**

Overview

The department is currently forecasting an adverse variance of £910k at year end. This has moved favourable by £185k since period 4.

Customers, Policy and Improvement - £203k adverse variance

The variance has moved favourably by £212k since period 4. The movement is primarily due to difficulties in recruiting to vacancies within the Comms and Engagement team.

Adverse variances within the division include £23k within the Marketing and Communications team due to staffing, £311k within Press and Publications owing to use of agency staffing and unachievable income targets. Policy and strategy are also reporting a £52 overspend within its staffing budget lines, this will be funded by the underspend in Programme Office. There is also a net adverse variance of £17k in the Translations services due to under-achievement against the income budget as external demand remains low and £39k within Customer Contact.

These adverse variances are partly offset by favourable variances within the AD and Programme Office budgets of (£129k) and (£77k) respectively due to vacancies. A £51k budget of a vacant post within Programme Office will be used to fund a post in Policy and Strategy. The Voluntary Sector Coordination budget also has a favourable variance of (£44k) on grants expenditure.

Additional favourable variances include (£26k) due to an over-achievement against the cash collection saving, (£15k) in the Community Engagement team and (£15k) in the Complaints team due to staffing underspends and various running costs less than budget.

Infrastructure & Technology - £335k adverse variance

The adverse variance has moved favourable by £9k since period 4.

Many of the adverse variances within the division are due to reduced recharges resulting from the changes in working arrangements surrounding the covid-19 pandemic. These adverse variances include £191k on the Corporate Print Strategy and £118k on the PDC (Chaucer Centre). These are reviewed throughout the year and adjusted depending on the level of staff returning to the office.

The FM External account is also forecasting a £121k adverse variance due to the lack of commissions since the pandemic began, though the forecast is significantly improved on the outturn position for 2021/22. There is a variance on Corporate Contracts (£50k adverse) due to 2020/21 savings for reducing cleaning in corporate buildings remaining unachievable within the current circumstances. A further £56k 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 and agency cover for maternity leave.

IT Service Delivery is also forecasting an adverse variance of £25k owing to the use of agency staff and £36k on security services.

There are also multiple favourable variances within the division, such as on the Microsoft EA (Enterprise Agreement) which is forecast less than budgeted by £141k, £34k in Safety Services due to recruitment lag as well as contingency not expected to be required in year. A lag in recruitment has also resulted in a £44k favourable variance within Facilities. Within the Transactional services is a £30k staffing underspend due to a part vacant post.

Additional favourable variances include £101k for Postal Services. This offsets the forecast overspends on Printing and Photocopying where income targets are not expected to be achieved.

Corporate Governance – £33k favourable variance

The adverse variance has moved favourable by £28k since period 4.

The service is projecting underspend in the Information Team (£7k) due to a lag in the recruitment, (£10k) underspend in Democracy Services due to a 2 month lag in the recruitment of Democratic Services officer post and (£24k) underspend in members allowances.

The LBM Legal services is projecting a £30k favourable variance owing to the increase in income resulting from an increase in service provision.

SLLP (South London Legal Partnership) SLLP is currently forecasting £155k deficit overall, £27k is forecast to be LBM's Share. The variance in SLLP is largely due to a reduction in income projection from chargeable hours. In the last three months, the service has done less chargeable work for the boroughs and has been prudent in their forecast. This will be reviewed and updated to reflect any changes in chargeable work.

Resources - £416k adverse variance

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 £211k (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. The Local Taxation Service has a £270k adverse variance due to anticipated under recovery on the court fees and projected increase in staffing costs.

A further adverse variance of £128k within AD resources due to consultancy costs for e5 upgrade and £72k within the budget management team due to a principal accountant for C&H finance team and 50% of Head of Finance's maternity cover till July 2022 and use of agency cover for existing vacancies.

Adverse variance of £55k is forecast on insurance premiums and £56k on pensions. Even though six schools moved out of the council cover, the insurance premium did not change significantly. The service is currently working on the open claims and are planning to reduce the annual insurance provision to the insurance fund to mitigate the overspend on the insurance premium. They are also doing detailed work on the properties and there is a possibility that a few of the properties can be removed from the insurance cover for next year and this will help to reduce the insurance premium from 2023/24.

The Financial Systems Team is forecasting a £16k adverse variance owing to salary budget pressure as well as revenue costs for upgrading the financial system planned for later this year.

Within the Benefits Administration services is a £183k favourable variance is largely due to grant receipts from DWP.

Favourable variances within Resources include £56k within Director of Corporate Services and time lag between the current director retiring and new director coming into post and £24k on the Chief Executive budget due to consultants and subscription budgets not required in year. The Support team within Revenues and Benefits has £19k favourable variances mainly against staffing costs and further £68k on business rates.

Human Resources – £143k adverse variance

This adverse variance is primarily due to agency cover in place against the AD budget (£114k variance) and staff side budget resulting from maternity leave (£8k).

Additionally, there is an adverse variance of (£30k) relating to the HR Transactions budget for the shared payroll system and iTrent client team charges from Kingston.

Corporate Items - £102k favourable variance

This is primarily due to (£351k) underspend in in redundancy payments. In addition to this, Coroners Courts received a (£273k) reimbursement from the Westminster Bridge Inquest resulting in a £264k projected underspend. Within this division is a £65k projected underspend on corporate funded items.

The above favourable variances are partly offset by an adverse variance in Housing Benefits Rent allowance subsidies of £576 and £76k spend on consultants within Project Chaplin.

Environment & Regeneration

Division	Current Budget £000	Full year Forecast (August) £000	Full Year Forecast Variance (August) £000	Full Year Forecast Variance (July) £000	Outturn Variance 2021/22 £'00
Public Protection	(15,500)	(12,197)	3,302	3,234	4,142
Public Space	17,612	18,611	998	1,050	157
Senior Management	1,176	1,235	60	22	(192)
Sustainable Communities	8,750	9,249	499	486	(675)
Total (Controllable)	**12,038**	**16,897**	**4,859**	**4,792**	**3,431**

Description	2022/23 Current Budget £000	Forecast Variance at year end (August) £000	Forecast Variance at year end (July) £000	2021/22 Variance at year end £000
Regulatory Services	631	255	199	38
Parking Services	(17,424)	2,979	3,002	4,181
Safer Merton & CCTV	1,294	69	33	(77)
Total for Public Protection	**(15,500)**	**3,302**	**3,234**	**4,142**
Waste Services	15,280	397	324	390
Leisure & Culture	584	373	462	(210)
Greenspaces	2,402	123	177	(93)
Transport Services	(654)	106	87	70
Total for Public Space	**17,612**	**998**	**1,050**	**157**
Senior Management & Support	1,176	60	22	(192)
Total for Senior Management	**1,176**	**60**	**22**	**(192)**
Future Merton	11,425	333	315	(708)
Building & Development Control	42	294	296	335
Property Management	(2,718)	(127)	(125)	(303)
Total for Sustainable Communities	**8,750**	**499**	**486**	**(675)**
Total Excluding Overheads	**12,038**	**4,859**	**4,792**	**3,431**

Overview

The department is currently forecasting an adverse variance of £4,895k at year end. The main areas of variance are Regulatory Services, Parking Services, Waste, Leisure & Culture, Greenspaces, Property Management, Development & Building Control and Future Merton.

Public Protection

Regulatory Services adverse variance of £255k

The section has cumulative income savings of £135k relating to potential commercial opportunities. Since the pandemic, the focus has been redirected from income generation to Covid-19 service delivery and service improvement including a major IT project.

Although the service has seen an increasing in licensing income from alcohol licencing, temporary notices and massage/special treatment licences, the service is still forecasting an income shortfall of £117k. Current forecasts estimate an adverse variance against the trading standards income budget of £95k, environmental health-pollution £56k and health & safety £41k.

The service is also anticipating a £14k overspend on electricity due to increase in rates.

The above adverse variances are partly offset by a £84k anticipated underspend within the partnership (RSP)

Parking Services adverse variance of £2,979k

This adverse variance improved by £23k since July.

Changes in travel patterns following Covid-19 continues to affect parking revenue across the board including PCN issuance, as well as on- and off-street income. Analysis to better understand the short and longer-term impact of this is ongoing, but the end of August forecasts shows adverse variances on PCN, P&D, and permit income of £810m, £739k, and £1.174m, respectively. This is primarily due to a reduction in expected income from across the various categories.

Other adverse variances within the service include staffing £200k, owing to the recruitment of additional CEOs and the use of agency staff, skip licences £103k, supplies and services £141k; and premises £79k. These adverse variances are being partially offset by a favourable variance on parking admin fee of £257k.

It should be noted that the section has a £3,800k budget expectation relating to a review of parking charges which were implemented on the 14th of January 2020. The new charges were designed to influence motorists' behaviour and reduce the use of private vehicles. The extent to which behaviour has been affected has been masked by the impact of Covid-19, but work continues to try and better understand this. A recent review of the budget expectation has indicated there may be a shortfall of £1,800k p.a.

<u>Public Space</u>

Waste Services adverse variance of £397k

The adverse variance has increased by £73k since period July. This is owing to the increase in Grath Road Tip core contract by Viola £34k and £38k subscriptions for fix my streets.

An adverse variance of £189k 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, 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. There is an additional variance of £140k being forecast against the SLWP management fee.

These adverse variances are partly offset by favourable variance on disposal costs of (£122k). The current forecast is at par with last year's actuals and is despite changes to our residents' working arrangements, where we have seen a greater increase in the number of households now working from home post pandemic resulted in an increase in overall domestic waste across all kerbside collection services. This section will continue to be closely monitored and the service is currently supporting SLWP in the planning of the re-procurement of both Food and Garden waste processing services which currently expire this financial year.

Other favourable variances include (£106k) on the Council's Environmental Enforcement services in respect of enforcing and issuing Fix Penalty Notices for littering and (£105k) on employee related spend.

Included in this section are savings target of £104k (ENV2022-23 01) for disposal processing savings (Food Waste Recyclate). The service is projecting to deliver these savings.

Leisure & Culture adverse variance of £373k

Due to the unprecedented increase in energy bills, the service is currently forecasting to spend double its leisure centre utilities budget resulting in a variance of £434k. Potential under recovery lettings income of £25k as we currently have one tenant in Morden Assembly Hall.

These adverse variances are partly offset by the following favourable variances on employees (£89k) and supplies and services (£8k).

During the pandemic, Merton Council issued a loan of £575k to GLL to help it keep afloat. The loan was repaid in full in June however, GLL are now requesting a 25% reduction in guaranteed income so that they can fully recover from the pandemic. This is currently under negotiation. In addition, as a company they are facing hugely increased energy bills across board.

Greenspaces adverse variance of £123k

Although the service is starting to recover post Covid, the service is projecting income under recovery of £130k; includes £90k under recovery in Canon Park income, £45k park and display income and £40k parks and recreational grounds rental income. This under recovery in income is partly offset by £110k anticipated over recovery in events income and £31k on parks operations income.

The service is currently projecting £102k overspend on gas and electricity owing to the unprecedented increase in energy prices.

Additional overspends include £54k on staffing due to the use of agency staff for the tree inspector for highways.

The above is partly offset by £157k projected underspend in tree works against a budget of £712k.

<u>Sustainable Communities</u>

Future Merton adverse variance of £333k

The reason for the adverse variances on Highways Maintenance of £220k is mainly due to expected cost of reactive repairs but also some over-spend for 1) Bishopsford Bridge, 2) traffic signals (where TfL charges have increased), and 3) a small under achievement on JCD income (now only approx. £13k below target).

Additional adverse variances include Street Lighting £340k, due to the significant increase in energy costs, under recovery in income from Merantun £100k and £100k on Local Plan Fees.

The above adverse variances are partly offset by anticipated underspends on CPZs (£89k) and staff (£100k); and an over-achievement in income on Temp traffic orders (£120k), , streetworks/permitting (£75k) and CIL income (£60k)

Property Management favourable variance of £127k

The principal reason is a favourable variance on employees of £149k due to an underspend being forecast on salaries against a budget of £320k. There is also a favourable variance relating to exceeding the commercial rental income expectations (£256k) due to rent reviews in line with the tenancy agreements which is being offset by an adverse variance on premises related expenditure of £85k, for example, building improvements, utilities, repairs & maintenance costs and £130k 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 £294k

The adverse variance is primarily due to a £156k under recovery in Building control income and £357k adverse variance on employees. This adverse variance is partly offset by a £139k anticipated over recovery in Development Control income and £92k supplies and services underspend.

The services expect that income will undoubtedly be higher than currently projected but have been prudent in calculating forecasts to avoid being overly optimistic early in the year.

Children Schools and Families

Children, Schools and Families (£000's)		2022/23 Current Budget		Full Year Forecast		Forecast Variance August		Forecast Variance July		2021-22 Year Variance
Education										
Education Budgets	£	18,947	£	19,983	£	1,037	£	1,104	£	394
Depreciation	£	9,801	£	9,801	£	-	£	-	£	-
Other Education Budgets	£	135	£	135	£	-	£	-	-£	(114)
Education Services Grant	-£	(1,062)	-£	(1,062)	£	-	£	-	-£	(12)
Education Sub-total	**£**	**27,821**	**£**	**28,857**	**£**	**1,037**	**£**	**1,104**	**£**	**268**
Other CSF										
Child Social Care & Youth Inclusion	£	22,183	£	23,526	£	1,343	£	1,552	£	2,009
Cross Department	£	875	£	566	-£	(310)	-£	(830)	£	-
PFI Unitary Costs	£	8,409	£	8,409	£	-	£	-	£	766
Pension and Redundancy Costs	£	1,624	£	982	-£	(641)	-£	(624)	-£	(617)
Other CSF Sub-total	**£**	**33,091**	**£**	**33,483**	**£**	**392**	**£**	**98**	**£**	**2,158**
Grand Total	**£**	**60,912**	**£**	**62,340**	**£**	**1,429**	**£**	**1,202**	**£**	**2,426**

Summary

The department is forecasting an overspend of £1.4m, as at period 5 compared £1.2m as at period 4 and £2.4m overspent at year end.

As in previous periods, the greatest impact on the forecast since is the continuing dependency on agency social workers, the high cost of social care placements, high levels of general inflation and rising energy costs. We are making progress with recruitment of permanent social workers, but it will remain a pressure for the rest of the year. We have also made progress with the placement budgets. However, the general high level of inflation is having an impact across a range of services.

The Dedicated Schools Grant (DSG), which sits outside of the General Fund, is showing a deficit of £10.2m compared to £10.4m in period 4 and £13.5m at year end. The Safety Valve agreement is a five-year agreement with the DfE that is based on getting to balance in the fifth year. It will remain in deficit until then and DfE are proving £28m of funding towards that. We are making good progress against all of the agreed actions and have made significant savings to date.

Of the savings agreed for 2022/23, the Shorts Breaks Review savings (£200k) are outstanding due to delays in the project. The savings on transport (£150k) are no longer achievable due to the rising cost of transport. Apart from the high cost of fuel, which may be temporary, there is a shortage of drivers and fewer operators in the market post-COVID.

Local Authority Services

Local Authority Funded Services (£000's)	Budget	August Variance	July Variance	202122 Outturn Variance
Child Social Care and Youth Inclusion				
Senior Management	£ 303	-£ (31)	-£ (80)	£ 429
Head of Help & Family Assessment	£ 3,070	-£ (304)	-£ (151)	-£ (676)
Head of Family Support & Safeguarding	£ 4,382	£ 810	£ 1,893	£ 2,019
Head of Corporate Parenting	£ 12,461	£ 1,025	£ 598	£ 809
Head of Adolescent and Safeguarding	£ 1,968	-£ (157)	-£ (709)	-£ (572)
CSC & Youth Incl Total	**22,184**	**1,343**	**1,551**	**2,009**
Education				
Contracts, Proc & School Org	£ 7,854	£ 1,551	£ 1,557	£ 409
Early Years & Children Centres	£ 4,191	-£ (84)	£ 8	-£ (311)
Education - School Improvement	£ 64	£ 68	£ 13	-£ (1)
Education Inclusion	£ 1,815	-£ (5)	£ 54	-£ (131)
Schools Delegated Budget	£ -	£ -	£ -	-£ (3)
SEN & Disability Integrat Serv	£ 2,037	-£ (56)	£ 123	£ 49
Senior Management	£ 1,985	-£ (234)	-£ (234)	£ 364
Policy, Planning & Performance	£ 692	-£ (50)	-£ (248)	£ 75
Departmental Business Support	£ 308	-£ (153)	-£ (168)	-£ (57)
Education Total	**£ 18,946**	**£ 1,037**	**£ 1,105**	**£ 394**
Other CSF				
Joint Commissioning & Partnrsh	£ 875	-£ (310)	-£ (830)	£ 0
PFI Unitary Charges	£ 8,409	£ -	£ -	£ 766
Depreciation	£ 9,801	£ -	£ -	-£ (0)
Other Education Budgets	£ 135	£ -	£ -	-£ (114)
Education Services Grant	-£ (1,062)	£ -	£ -	-£ (12)
Pension & Redundancy Costs	£ 1,624	-£ (641)	-£ (624)	-£ (617)
Education Total	**£ 19,782**	**-£ (951)**	**-£ (1,454)**	**£ 23**
LA Total	**£ 60,912**	**£ 1,429**	**£ 1,202**	**£ 2,426**

Child Social Care & Youth Inclusion

Overall CSC&YI forecast overspend has come down by £210k since last period. There are a number of movements between the budgets within this service, which reflect the movement of budgets and spend as a result of the re-structure and rationalisation of the coding structure.

The main pressures in Child Social Care & Youth Inclusion budget remain the dependency on and increasing cost of agency social workers and the cost of placements for looked alter children. However, we continue to make headway, with eight Merton trained social workers replacing agency workers in September.

We are making progress on reducing out the number of agency workers, but we will remain dependant on agency social workers for some time, and rates have been increasing steadily across London. By the end of last year hourly rates had increased by an average of £4ph and due to the restructuring of this division the use of agency social workers increased from 67 to 92. This situation continues to improve gradually and as of mid Sept 2022, the number of agency staff had reduced to 55, compared to 63 in July. Merton has signed up to a pan-London pledge which caps agency rates.

We are continually recruiting to vacant posts and trying to persuade agency social workers to convert to permanent contracts. We will launch a recruitment campaign in the post-holiday period showcasing our offer to the workforce alongside celebrating the successes of Social Care in the borough.

It is difficult to predict recruitment success in such a competitive labour market, but we have eight trainees who will be ready to start case holding in September and who will replace agency social workers. The forecast includes a prudent estimate of the impact reduced use of agency staff.

The cost of residential placements remains a concern. Work continues to review high-cost placements regularly with a view to moving to placements with better outcomes and lower costs.

Education

The Education forecast overspend has reduced by £170k from £1.20m to £1.03m. The Education budget is facing significant pressures in the cost of transport. The number of children with an Education Health & Care Plan (EHCP) which includes home to school transport has been increasing in recent years. The Safety Valve plan aims to reduce the number of plans and is starting to have an impact overall, but the cohort with transport tend to have more complex needs. We have opened a new 80 place special school annexe in September, with 40 places filled so far. We have in principle agreement from DfE for them to fund a new special free school in the borough. The refreshed transport policy is being applied to new applications and there will be a focus on transport in reviews from the start of the new term.

COVID has reduced the number of taxi firms in the market, reducing competition. The shortage of drivers and increased fuel costs is pushing up the costs of all forms of transport. This is reflected in the increased from year-end in the forecast overspend from £0.39m to £1.6m. That forecast reflects the expected spike in transport needs in September with the start of the new school year.

The joint commissioning and partnerships budget has been reviewed to assess likely activity and spend for the year across a range of services, which has reduced the underspend by £0.5m. As a result of which the projected underspend has reduced to £310k.

Dedicated Schools Budget (£000's)	Budget	August Variance	July Variance	202122 Outturn Variance
Education				
Contracts, Proc & School Org	£ 286	£ 20	£ 20	-£ (16)
Early Years & Children Centres	£ 15,823	-£ (519)	-£ (733)	-£ (3,348)
Education - School Improvement	£ 1,120	£ 45	£ 85	-£ (41)
Education Inclusion	£ 1,464	-£ (13)	£ 66	£ 99
SEN & Disability Integrat Serv	£ 24,075	£ 9,112	£ 9,101	£ 13,899
Sub-total	**£ 42,768**	**£ 8,645**	**£ 8,539**	**£ 10,593**
CSC & Youth Inclusion				
DSG - Child Social Care & Youth Incl	£ 42	£ -	£ -	-£ (7)
Sub-total	**£ 42**	**£ -**	**£ -**	**-£ (7)**
Schools Delegated Budget				
DSG Reserve	**£ -**	**-£ (1,200)**	**-£ (1,200)**	**-£ (2)**
Retained Schools Budgets	£ 2,828	-£ (1,290)	-£ (1,363)	-£ (417)
Schools Delegated Budget	-£ (45,683)	£ 4,115	£ 4,485	£ 3,387
Sub-total	**-£ (42,855)**	**£ 1,625**	**£ 1,922**	**£ 2,967**
DSG Total	**-£ (45)**	**£ 10,270**	**£ 10,461**	**£ 13,553**

Dedicated Schools Grant (DSG) and Safety Valve

The Safety Valve plan agreed with the DfE is a five-year plan to bring the DSG budget into balance. We are not expected to achieve that balance before the fifth year. However, we are making good progress. As at period 5, the DSG forecast is an overspend of £10.3m against the year end target of £6.4m compared to £10.6m in period 3 and £13.5m at year end.

In the Schools Bill and the SEND Green Paper, the government has recognised that the current SEND system is broken. The Schools Bill includes provision to try to ensure that mainstream schools are inclusive of those with SEND, and the Green Paper proposes significant changes to the SEND process. A failure in funding keeping pace with demand and costs have combined with policy changes (such as the extension in responsibility to age 25) to leave the majority of authorities in England with rising demand and increasing deficits. Merton in particular has faced a high level of EHCPs and the impact of having a significant amount of expensive independent sector provision in the area.

Merton was invited to join the second tranche of the Safety Valve programme process in July 2021. The programme is a mechanism for the DfE to provide deficit funding to local authorities in recognition of the significant pressures. The agreement with the DfE in March 2022 commits them to £28.8m deficit funding, of which £11.6m has been paid upfront. The remainder will be paid over five years subject to meeting the agreement conditions. Following submission of the first monitoring report to DfE, the DfE approved the release of the first instalment of the 2022/23 payment of £875k.

The number of EHCPs has stabilised and although referrals for EHCP assessments are fairly consistent, the proportion accepted for assessment has dropped from 92% in 2021 to 70% in 2022. This tells us that whilst our processes for agreeing to assess are tighter, there is more work to do with partners on appropriate referrals and alternative support and funding, including support ordinarily available in mainstream schools. At present health contributions to EHCPs is below that set out in the plan, although it is a case by case decision and therefore difficult to predict.

A key part of the Merton SEND plan is the expansion of local maintained special school places. The preponderance of expensive independent special school provision is a major factor in our deficit and across southwest London and Surrey. Our capital bid to DfE for the delivery of new places was successful and the first major expansion, the Whatley Avenue annexe to Melrose School, opened in September, keeping pupils local and providing alternatives to expensive independent sector provision. The new in-borough places provided have already achieved £1.1m in reduced costs to meet children’s educational needs and is doing so closer to home.

We have in principle approval from DfE for the delivery of a new special school in borough, which is a key part of the plan. We have met with the DfE and agreed a timetable. We will be submitting the full application shortly.

Community and Housing Summary Position

Overview

Community and Housing is currently forecasting an unfavourable position as of August of £879k which is an increase of £32k since July. Adult Social Care unfavourable was reduced by £90k, Housing increased by £131k, Libraries forecast reduced by £10k and Merton Adult Learning and Public Health continues to forecast a breakeven position.

Adult Social Care is currently forecasting an unfavourable variance of £528k. However, due to the significant increase in demand for packages of care and inflationary pressures and thus as a result this budget is currently forecasting an overspend. This is also due to a combination of additional issues such as expensive packages of care for new customers, increase in Mental Health customers, and a movement from less expensive domiciliary care to long term nursing.

Community & Housing	2022/23 Current Budget £ 'm	2022/23 Full Year Forecast £ 'm (Aug)	2022/23 Full Year Variance £'m (Aug)	2022/23 Full Year Variance £'m (Jul)	2022/23 Outturn Variance £'m (Mar'22)
Adult Social Care	60,517	61,045	528	618	(881)
Libraries and Heritage	2,499	2,521	22	31	105
Merton Adult Learning	4	4	0	0	0
Housing General Fund	3,519	3,848	329	198	77
Public Health	(162)	(162)	0	0	0
Total Favourable/ Unfavourable	66,377	67,256	879	847	(699)

Adult Social Care

The department continues to forecast an increase in demand for services which is driven partly due to living with the long-term effects of Covid and partly by an increase in the older people cohort, both in terms of volume and increasing frailty. There has been a consistent increase in placements since April, total new clients in August were 44 making total to date of 246. However, in consideration of the increase in demand the service has implemented new procedures to monitor placements daily. The placement forecast is based on Mosaic expenditure data to August 2022 and income based is based on 2021/22 billing data plus estimated income based on increase in customer numbers.

In terms of the new customers the majority were in long stay residential, supported living and a move from domiciliary care to residential nursing care. Additionally, there is a steady increase in mental health customers which is also the trend seen in the neighbouring boroughs. The current placement forecast includes a number of high cost transitions customers which the service is currently seeking clarification regarding contributions from external parties.

It should also be noted that the Financial Assessment Team have had a few vacancies but despite the scarcity of experienced Financial Assessment officers the team has made two permanent appointments who are now in post and undertaking the necessary learning to enable them to manage a full caseload. The Team's administration officer has also been successful in being selected to act up into an Assessment Officer role for a fixed term and is due to commence this from the beginning of October. Two temporary officers have also been recruited from Civica and will commence work in early October. The Team continues to prioritise assessments for residential care and high-cost community packages in order to manage risk. The additional resources now recruited will enable the team to manage any remaining backlog and return to a position of managing incoming work without any delays.

Monthly Movements in Packages of Care April 2022 to Aug 2022

Month	New Customers	Deceased Customers	Customers No Longer Receiving a Service	Net Movement
April'22	44	-21	-23	0
May'22	53	-21	-49	-17
June'22	51	-12	-15	24
July'22	54	-33	-21	0
Aug'22	44	-24	-37	-17
Total	**246**	**-111**	**-145**	**-10**
Annual (to date) Average 2022/23	**49**	**-22**	**-29**	**-2**
Annual Average 2021/22	**50**	**-17**	**-20**	**13**
Annual Average 2020/21	**37**	**-27**	**-17**	**-7**
Annual Average 2019/21	**34**	**-24**	**-24**	**-14**
Annual Average 2018/19	**36**	**-23**	**-25**	**-11**

The above table to shows that to August there were 246 new customers, 111 deaths and 145 customers no longer requiring a service. It is also important to note that customers are presenting with increased frailty, and more complex need which affects costs.

The sustained growth in out of hospital demand continues and has not returned to the pre-COVID levels as reflected in the forecasted placements expenditure to August 2022. It is expected that the government's recent announcement regarding the additional £500m for Adult Social Care discharge fund could assist with this pressure. However, the allocation or distribution source is unclear at the moment.

Discharge activity is expected to remain under severe pressure into 2022/23 as general hospital activity is at record levels, compounded by additional recent Covid admissions, together with an ever-growing backlog of elective procedures.

The department was successful in securing an allocation for winter pressures however amount secured was less than amount received in 2021/22.

Description of Pathways: -

Pathway 0- 50 % of Clients

- People discharged requring minimal support,or interventions from health and social care services.

Pathway 1- 45% of clients

- People who are discharged and able to return home with a new, additional or a restarted package of care.

Pathway 2- 4% of clients

- People who discharged with a short term intensive support package at a 24 hour bed based setting before returning home.

Pathway 3-1% of clients

- People who require 24 hours bed based care

Comparison of Discharge Activities 2021/22 to August 2022

Discharge Activities April to August 2021/22

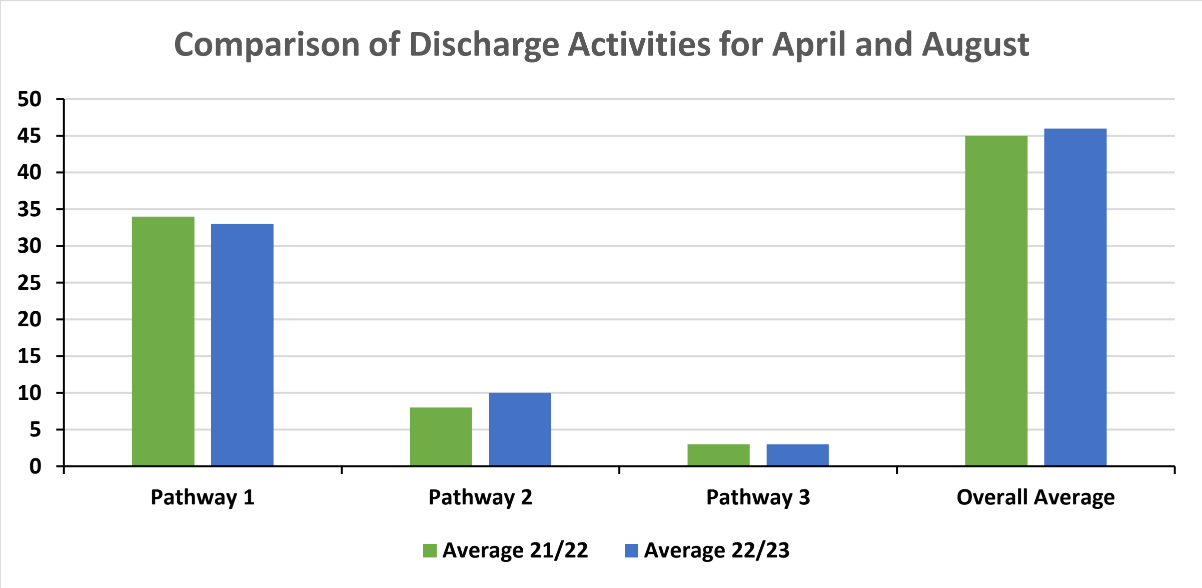
Week Commencing	Pathway 1	Pathway 2	Pathway 3	Grand Total
Grand Total	757	172	62	991
Average	**34**	**8**	**3**	**45**

NB: No information on pathway 0

Discharge Activities April to August 2022/23

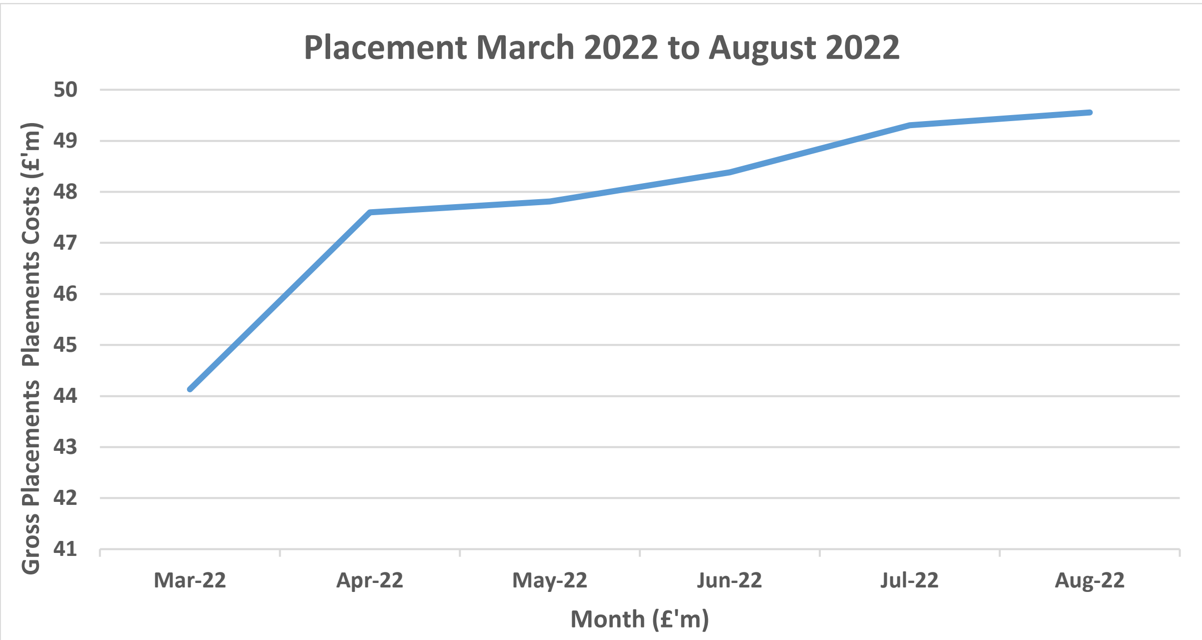
Week Commencing	Pathway 1	Pathway 2	Pathway 3	Grand Total
Grand Total	724	224	61	1009
Average	**33**	**10**	**3**	**46**

Bar Chart depicting comparison of the average discharge activities between April to August 2021/22 and 2022/23



The above graph shows an increase, on par or slight decrease on Pathways as compared to 2021/22.

Graph of Gross Placement Forecast from April 2020 to August 2022



The above representation shows a marked increase between March 2022 to April and continues to increase as per the graph above. Using linear forecast potentially by December 2022 estimated gross placement cost could potentially be £52m assuming all things remain equal.

Adult Social Care Internal Provision –unfavourable Variance - £13k

Direct Provision which is included in Adult Social Care above and is currently forecasting an unfavourable position.

The service is dealing with a small number of long - term sickness cases in key areas, and there is also currently a shortage of available bank staff to cover some residential and supported living shifts which has led to staff working overtime to ensure safe staffing levels. Currently looking at a further recruitment campaign to add more bank staff and therefore reduce overtime expenditure. There is additional spending in the Merton Employment Team to support the Employment Pilot, and that should be rectified in the next month's forecast. An additional amount of £11k has been added to the forecast to cover anticipated utilities due to that cost-of-living pressures.

Library & Heritage Service- Unfavourable Variance - £22k

This service is forecasting an unfavourable variance of £22k in August 2022, which is a reduction of £10k. The overspend has reduced due to an improved income outlook although the service is still forecasting to overspend on utilities by £27k, which is incorporated into the forecast.

New services are due to be launched this autumn including new Health & Wellbeing Zones and two further Cost of Living events run to support residents. Libraries are also established as warm banks that will provide shelter and warmth for any resident during the winter months.

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).

New funding streams are being allocated to enhance curriculum provision around mathematics (Multiply government initiative) and green skills. The service is in the process of awarding new provider contracts to support with some of this.

Housing General Fund- unfavourable variance - £329k

This service is currently forecasting an unfavourable variance which has increased since July by £131k. Current unfavourable variance is made up of a revised forecast on customer contributions, increase in temporary accommodation expenditure, and rent deposits.

Temporary Accommodation (TA) numbers and cost increased in August. The borough now has 284 families in TA which is a net increase of 14 since July.

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. Thus, the service is finding it extremely difficult to source properties in the Private Sector Housing market.

Housing	Total Budget 2022/23 £000	Forecast Expenditure (Aug'22) £'000	Forecast Variances (Aug'22) £'000	Forecast Variances (Jul'22) £'000	Outturn Variances (March'22) £000
Temporary Accommodation-Expenditure	2,544	4,193	1,649	1,482	1,346
Temporary Accommodation-Client Contribution	(140)	(250)	(110)	(190)	(177)
Temporary Accommodation-Housing Benefit Income	(2,087)	(3,555)	(1,468)	(1,468)	(465)
Temporary Accommodation-Subsidy Shortfall	322	1,640	1,318	1,436	838
Temporary Accommodation-Grant	0	(961)	(961)	(981)	(1,514)
Subtotal Temporary Accommodation	**639**	**1,067**	**428**	**309**	**28**
Housing Other Budgets	2,880	2,781	(99)	(111)	49
Total Controllable (Favourable)/Unfavourable Variance	**3,519**	**3,848**	**329**	**198**	**77**

Analysis of Housing and Temporary Accommodation Expenditure to August 2022

Number of Households in Temporary Accommodation in Previous years

Previous Financial Years (Month' Year)	Annual Numbers at Financial Year End
Mar'17	186
Mar'18	**165**
Mar'19	174
Mar'20	**199**
Mar'21	197
Mar'22	**230**

The total numbers in temporary accommodation (TA) in March 2022 was 230 which is an overall increase of 17% on March 2021. The numbers in (TA) continues to increase since March as demonstrated below.

Current Financial Years (Month' Year)	Numbers In	Numbers Out	Net Movement
Apr'22	18	15	233
May'22	28	7	254
June'22	21	16	259
July'22	19	8	270
Aug'22	26	12	284

The table above shows the total numbers in temporary accommodation (TA) to August 2022. This shows that net numbers in (TA) is increased by 51 since April. Based on numbers to date the numbers in TA could potentially increase to 335 by December. However, this is significantly lower than most of LBM's neighbouring boroughs.

Numbers in Temporary Accommodation as of March 2022 in neighbouring boroughs

Sutton - 844
Kingston - 837
Richmond - 314
Croydon - 1988
Bromley - 1653
Wandsworth - 2894

Statistical Data from Department of Levelling up, Housing and Communities (Extract-March'22)

This is due to a combination of factors: -

1. Increase in demand, primarily from the end of assured short tenancies (AST) and domestic abuse cases, but also family evictions, hospital discharges, prison releases and some cases from Ukraine
2. Fewer private sector rentals
3. Increase in numbers of customers going into TA

Feedback from other boroughs is that this situation is London wide and since January in some cases there has been a doubling of homelessness applications. There was an improvement in available properties from Capital Letters during June, though supply dropped again in July. However, rent deposit staff were able to find alternative sources of PRS properties so there were 12 moves during the month. Early indications are that September supply from capital letters has been considerably down on previous months.

Lastly, the service is working with colleagues in the housing benefit team to chase cases that have not yet received assessments. This is the reason for an additional in the member of staff in the team as another of staff is required to progress this work. Our modelling suggests there could be significant sums from previous years, Housing Benefit forms were submitted but not processed thus the team are producing data on this to share with colleagues in the Housing Benefits so that urgent action can be taken.

Public Health –Breakeven position

The service is forecasting a breakeven position in August 2022.

Potential Cost pressures

The service has agreed a financial position for CLCH Integrated Sexual health services to March 2024 and a financial position for CLCH children's contract (health visitors and school nurses) to March 2023. Further negotiations are required on the financial agreement for the 2023/24 children's contracts (health visiting and school nursing), including any potential inflationary increases and managing cost pressures on service.

Covid-19 Related Programmes

The team continues with the Covid-19 resilience programme, funded by the Contain Outbreak Management Fund (COMF) in 2022/23. COMF will be utilised in line with terms and conditions of the grant by March 2023.

Substance Misuse

The service also secured additional funding which is the Supplemental Substance Misuse Treatment and Recovery grant for 2022-2025 for the Department of Health and Social Care. This funding is to be used to increase the boroughs investment in drug and alcohol treatment and recovery. Thus, to be used co-ordinate and commission a provider, encourage, increase, and enhance treatment capacity and quality. At this stage, only the 2022-23 allocation is confirmed with future years investment subject to DHSC confirmation.

CORPORATE ITEMS

The details comparing actual expenditure up to 31 August 2022 against budget are contained in Appendix 1. COVID-19 corporate expenditure is again shown on a separate line but it is intended that in future all covid related expenditure will be charged to the appropriate service:-

Corporate Items	Current Budget 2022/23 £000s	Full Year Forecast (Aug.) £000s	Forecast Variance at year end (Aug.) £000s	Forecast Variance at year end (July) £000s	Outturn Variance 2021/22 £000s
Impact of Capital on revenue budget	**11,066**	**10,947**	**(119)**	**0**	**(235)**
Investment Income	(396)	(938)	(542)	(542)	(143)
Pension Fund	503	503	0	0	0
Pay and Price Inflation	6,076	5,786	(290)	960	(1,945)
Contingencies and provisions	19,916	15,226	(4,690)	(2,740)	(17,212)
Income Items	(4,223)	(4,223)	0	0	10
Appropriations/Transfers	(10,131)	(10,237)	(106)	(106)	1,972
Central Items	**11,744**	**6,116**	**(5,628)**	**(2,428)**	**(17,318)**
Levies	988	988	0	0	0
Depreciation and Impairment	(25,593)	(25,593)	0	0	20
TOTAL CORPORATE PROVISIONS	**(1,795)**	**(7,542)**	**(5,747)**	**(2,428)**	**(17,533)**
COVID-19 Emergency expenditure	0	54	54	52	235
TOTAL CORPORATE EXPENDITURE inc. COVID-19	**(1,795)**	**(7,488)**	**(5,693)**	**(2,376)**	**(17,298)**

Based on expenditure to 31 August 2022, a favourable variance of £5.693m including Covid (£5.747m excluding covid) is forecast for corporate expenditure items. This is a favourable movement of £3.317m including Covid (£3.319m excluding Covid) on the July forecast and the reasons for this are:-

1. Based on July monitoring and taking into account the impact of slippage following draft outturn 2021/22, the forecast of capital financing costs arising from the capital programme is for a favourable variance of £119k against the 2022/23 budget.

2. Based on the latest estimates for the change in the DSG Deficit in 2022/23, there is a decrease of £200k in the use of the provision for this purpose.

3. Corporate Covid costs have increased by £2k between July and August.

4. Given the extreme pressure on service budgets from the increased inflation a review of corporate budgets has been undertaken and with careful management favourable variances can be achieved against the following budgets:-

Budget	Variance £000
Pay inflation – provision for national minimum wage Provision for Excess inflation Redundancy/Pension strain Replenish Reserves Covid impact on income	(250) (1,000) (250) (750) (750)
Total Favourable Variance	**(3,000)**

5 Capital Programme 2022-26

5.1 The Table below shows the movement in the 2022/26 corporate capital programme since the last monitoring report:

Depts	Current Budget 22/23	Variance	Revised Budget 22/23	Current Budget 2023-24	Variance	Revised Budget 23/24	Current Budget 2024-25	Variance	Revised Budget 24/25	Current Budget 2025-26	Variance	Revised Budget 25/26
Corporate Services	8,195	(903)	**7,292**	19,558	640	**20,198**	4,755	400	**5,155**	12,427		**12,427**
Community & Housing	995	(50)	**945**	2,495	(1,528)	**967**	1,177	1,578	**2,755**	1,237		**1,237**
Children Schools & Families	9,108	30	**9,138**	7,013	(30)	**6,983**	8,737		**8,737**	3,479		**3,479**
Environment and Regeneration	16,058	76	**16,133**	10,509	(226)	**10,283**	6,114		**6,114**	22,923		**22,923**
Total	**34,355**	**(847)**	**33,507**	**39,576**	**(1,144)**	**38,432**	**20,783**	**1,978**	**22,761**	**40,066**	**0**	**40,066**

5.2 The table below summarises the position in respect of the 2022/23 Capital Programme as at August 2022. The detail is shown in Appendix 5a.

Capital Budget Monitoring - August 2022

Department	Actuals	Year to Date Budget	Variance	Final Budget 2022-23	Forecast Outturn 2022-23	Forecast Variance 2022-23
Corporate Services	1,003,728	1,521,047	(517,319)	7,292,170	7,292,523	353
Community and Housing	275,901	261,840	14,061	944,530	944,530	0
Children Schools & Families	2,169,122	117,915	2,051,207	9,137,400	9,137,400	0
Environment and Regeneration	3,065,544	3,835,422	(769,878)	16,133,290	16,133,290	(0)
Total	**6,514,295**	**5,736,224**	**778,071**	**33,507,390**	**33,507,743**	**353**

a) Corporate Services – After the adjustments in the Table below budget managers are projecting full spend on all budgets.

		Budget 2022-23	Budget 2023-24	Budget 2024-25	Narrative
-		£	£	£	
Corporate Services					
Invest to Save schemes - De-Carbonisation scheme	(1)	137,000			Additional spend covered by Grant
Business Systems - Environmental Asset Management	(1)	(240,000)	240,000		Reprofiled in line with projected spend
Business Systems - Revenue and Benefits	(1)	(700,000)	300,000	400,000	Reprofiled in line with projected spend
Business Systems - Spectrum Spatial Analyst Replacement (GIS)	(1)	(100,000)	100,000		Reprofiled in line with projected spend
Total		**(903,000)**	**640,000**	**400,000**	

(1) Requires Cabinet approval

b) Community and Housing – After the adjustments in the Table below budget managers are projecting full spend on all budgets.

		Budget 2022-23	Budget 2023-24	Budget 2024-25	Narrative
		£	£	£	
Community and Housing					
Major Projects - Social Care H - Learning Disability Housing	(1)	(50,000)	(1,528,000)	1,578,000	Reprofiled in line with projected spend

(1) Requires Cabinet approval

c) Children, Schools and Families – After the adjustments in the Table below budget managers are projecting full spend on all budgets.

		Budget 2022-23	Budget 2023-24	Narrative
		£	£	
Children, Schools and Families				
Unlocated Primary School Proj	(1)	(32,500)		Reprofiled in line with projected spend
Raynes Park - Schools Capital Maintenance	(1)	32,500		Reprofiled in line with projected spend
Medical PRU - PRU Expansion	(1)	30,000	(30,000)	Reprofiled in line with projected spend
Total		**130,000**	**(30,000)**	

(1) Requires Cabinet approval

The Melrose School expansion is a major scheme which completed at the end of February 2022, some three months later than programmed. The contract is subject to a series of cost claims by the contractor which are being considered line by line by the council's appointed project manager, quantity surveyor and the design consultant. The previously increased budget for the scheme is fully committed, any further costs will require further budget approval.
The Authority is also awaiting the final account for one element of the Harris Academy Wimbledon.

d. Environment and Regeneration – After the adjustments in the Table below budget managers are forecasting full spend on their budgets.

		Budget 2022-23	Budget 2023-24	Narrative
		£	£	
Environment and Regeneration				
Pay and Display Machines	(1)	20,000		Virement from Car Park Upgrades
Car Park Upgrades	(1)	(20,000)		Virement to Pay and Display Machines
New Water Play Feature Wimbledon Park	(1)	43,000	(226,000)	Unspent SCIL Balance on Project Relinquished
Parks - Abbey Ward	(1)	8,240		Funded by NCIL
Parks - Figges Marsh	(1)	4,980		Funded by NCIL
Parks - Multi Use Sports Areas	(1)	6,400		Funded by NCIL
Parks- Wimbledon Park NCIL Ward	(1)	13,080		Funded by NCIL
Total		**75,700**	**(226,000)**	

Wimbledon Park Splash Pool works are complete to upgrade the existing facility, the new splash pool is waiting the AELTC development of Wimbledon Park Golf Course so the SCIL budget is being relinquished back into the SCIL pot slipped into 2023-24.
Final accounts are still outstanding with some contractors on both Canons Parks for the People and Bishopsford (Mitcham) Bridge.

5.3 Appendix 5c shows the revised funding of the proposed budget for 2022/25

5.4 The table below summarises the movement in the Capital Programme for 2022/23 since its approval in March 2022 (£000s):

Depts.	Original Budget 22/23	Net Slippage 2021/22	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 22/23
Corporate Services	8,522	5,454		137	161	(6,982)	**7,292**
Community & Housing	2,530	87			50	(1,723)	**945**
Children Schools & Families	6,441	888	422	2,287		(901)	**9,138**
Environment and Regeneration	15,118	3,489	(12)	828	1,051	(4,340)	**16,133**
Total	**32,611**	**9,919**	**410**	**3,252**	**1,261**	**(13,946)**	**33,507**

5.5 The table below compares capital expenditure (£000s) to August 2022 to that in previous years':

Depts.	Spend To August 2019	Spend To August 2020	Spend to August 2021	Spend to August 2022	Variance 2019 to 2022	Variance 2020 to 2022	Variance 2021 to 2022
CS	900	635	542	1,004	103	369	462
C&H	354	120	439	276	(78)	156	(163)
CSF	3,482	464	1,865	2,169	(1,313)	1,705	304
E&R	1,554	2,057	4,346	3,066	1,511	1,008	(1,281)
Total Capital	**6,290**	**3,275**	**7,192**	**6,514**	**224**	**3,239**	**(678)**

Outturn £000s	23,161	16,930	21,776	
Budget £000s				33,507
Projected Spend August 2022 £000s				33,508
Percentage Spend to Budget				19.44%
% Spend to Outturn/Projection	27.16%	19.35%	33.03%	19.44%
Monthly Spend to Achieve Projected Outturn £000s				3,613

5.6 August is five months into the financial year and departments have spent just over 19% of the budget. Spend to date is higher than two of the last three previous financial years

Department	Spend To July 2022 £	Spend To August 2022 £	Increase £
CS	778,116	1,003,728	225,612
C&H	246,294	275,901	29,607
CSF	1,183,089	2,169,122	986,034
E&R	2,226,307	3,065,544	839,236
Total Capital	**4,433,806**	**6,514,295**	**2,080,489**

5.7 During August 2022 officers spent just under £2.1 million, to achieve year end spend officers would need to spend approximately £3.6 million each month to year end. Finance officers will continue to review in detail the projected outturn with budget managers.

6.0 DELIVERY OF 2022/23 SAVINGS

Department	Target Savings 2022/23	Projected Savings 2022/23	2023/24 Expected Shortfall
	£000	£000	£000
Corporate Services	695	395	300
Children Schools and Families	1,888	1,338	550
Community and Housing	1,659	305	1,354
Environment and Regeneration	1,148	549	599
Total	**5,390**	**2,587**	**2,803**

Appendix 6 provides a breakdown on Directorate savings.

1) CONSULTATION UNDERTAKEN OR PROPOSED

- All relevant bodies have been consulted.

2) TIMETABLE

- Following current financial reporting timetables.

3) FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- All relevant implications have been addressed in the report.

4) LEGAL AND STATUTORY IMPLICATIONS

- All relevant implications have been addressed in the report.

5) HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- Not applicable

6) CRIME AND DISORDER IMPLICATIONS

- Not applicable

7) RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

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

- **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 4 -	Next Debt update will be in Period 6
Appendix 5a –	Current Capital Programme
Appendix 5b -	Detail of Virements
Appendix 5c -	Summary of Capital Programme Funding
Appendix 6-	Progress on Savings 2021/22 (revised and simplified format)

8) BACKGROUND PAPERS

- Budgetary Control files held in the Corporate Services department.

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APPENDIX 1

3E.Corporate Items	Council 2022/23 £000s	Current Budget 2022/23 £000s	Year to Date Budget (Aug.) £000s	Year to Date Actual (Aug.) £000s	Full Year Forecast (Aug.) £000s	Forecast Variance at year end (Aug.) £000s	Forecast Variance at year end (July) £000s	Outturn Variance 2021/22 £000s
Cost of Borrowing	11,066	11,066	4,611	1,604	10,947	(119)	0	(235)
Impact of Capital on revenue budget	**11,066**	**11,066**	**4,611**	**1,604**	**10,947**	**(119)**	**0**	**(235)**
Investment Income	**(396)**	**(396)**	**(132)**	**(425)**	**(938)**	**(542)**	**(542)**	**(143)**
Pension Fund	**503**	**503**	**209**	**0**	**503**	**0**	**0**	**0**
Corporate Provision for Pay Award	3,468	2,076	865	0	4,036	1,960	1,960	(195)
Corporate Provision for National Minimum Wage	1,500	1,500	625	0	250	(1,250)	(1,000)	(1,500)
Provision for excess inflation	2,500	2,500	1,042	0	1,500	(1,000)	0	(250)
Pay and Price Inflation	**7,468**	**6,076**	**2,532**	**0**	**5,786**	**(290)**	**960**	**(1,945)**
Contingency	1,500	1,392	580	0	1,392	0	0	(488)
Bad Debt Provision	1,500	1,500	625	0	1,500	0	0	(2,397)
Loss of income arising from P3/P4	400	400	167	0	200	(200)	(200)	(200)
Loss of HB Admin grant	23	23	9	0	23	0	0	(23)
Apprenticeship Levy	450	450	188	109	450	0	0	(69)
Revenuisation and miscellaneous	6,028	5,608	2,337	12	3,858	(1,750)	0	(3,153)
Growth - Provision against DSG	10,543	10,543	4,393	0	7,803	(2,740)	(2,540)	(10,882)
Contingencies and provisions	**20,444**	**19,916**	**8,298**	**121**	**15,226**	**(4,690)**	**(2,740)**	**(17,212)**
Other income	0	0	0	(0)	0	0	0	10
CHAS IP/Dividend	(2,223)	(4,223)	(1,760)	(2,120)	(4,223)	0	0	0
Income items	**(2,223)**	**(4,223)**	**(1,760)**	**(2,120)**	**(4,223)**	**0**	**0**	**10**
Appropriations: CS Reserves	(2,167)	(2,167)	(903)	0	(2,167)	0	0	0
Appropriations: E&R Reserves	(1,314)	(1,314)	(547)	0	(1,314)	0	0	0
Appropriations: CSF Reserves	(300)	(340)	(142)	(40)	(340)	0	0	0
Appropriations: C&H Reserves	(104)	(104)	(43)	0	(104)	0	0	0
Appropriations:Public Health Reserves	(93)	(93)	(39)	0	(93)	0	0	0
Appropriations:Corporate Reserves	(8,112)	(6,112)	(2,547)	2,000	(6,218)	(106)	(106)	1,972
Appropriations/Transfers	**(12,091)**	**(10,131)**	**(4,221)**	**1,960**	**(10,237)**	**(106)**	**(106)**	**1,972**
Depreciation and Impairment	**(25,593)**	**(25,593)**	**0**	**0**	**(25,593)**	**0**	**0**	**20**
Central Items	**(822)**	**(2,783)**	**9,537**	**1,140**	**(8,531)**	**(5,747)**	**(2,428)**	**(17,533)**
Levies	**988**	**988**	**412**	**454**	**988**	**0**	**0**	**0**
TOTAL CORPORATE PROVISIONS	**166**	**(1,795)**	**9,949**	**1,594**	**(7,542)**	**(5,747)**	**(2,428)**	**(17,533)**
COVID-19 Emergency expenditure	0	0	0	54	54	**54**	52	235
Sub-total: COVID-19 Expenditure	0	0	0	54	54	54	52	235
TOTAL CORPORATE EXPENDITURE inc. COVID-19	**166**	**(1,795)**	**9,949**	**1,648**	**(7,488)**	**(5,693)**	**(2,376)**	**(17,298)**

APPENDIX 2

Pay and Price Inflation as at August 2022 Monitoring

In 2022/23, the budget includes 2% for increases in pay and 2.5% for increases in general prices, with an additional amount of £2.5m which will be 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 9.9% and RPI at 12.3% and the Council's overall revenue budget under extreme pressure, this budget will be retained as cover and only released in exceptional circumstances.

Pay:

For 2022/23 the final pay award has not been agreed but provision of 2% was included in the MTFS.

As reported to Cabinet in the period 2 (May) monitoring report, on 6 June 2022, the three local government unions, UNISON, GMB and Unite, representing 1.4 million council and school employees, submitted a pay claim for staff in England, Wales and Northern Ireland.

The 2022 claim, which would apply from the start of April 2022, would see council employees receive either a £2,000 rise at all pay grades or the current rate of RPI (presently 11.7%), whichever is higher for each individual.

On 25 July 2022, the National Employers agreed to make the following one-year (1 April 2022 to 31 March 2023), final offer to the unions representing the main local government NJC workforce:

- With effect from 1 April 2022, an increase of £1,925 on all NJC pay points 1 and above
- With effect from 1 April 2022, an increase of 4.04 per cent on all allowances
- With effect from 1 April 2023, an increase of one day to all employees' annual leave entitlement
- With effect from 1 April 2023, the deletion of pay point 1 from the NJC pay spine

This offer would achieve a bottom rate of pay of £10.50 with effect from 1 April 2022 (which equates to a pay increase of 10.50 per cent for employees on pay point 1); everyone on the NJC pay spine would receive a minimum 4.04 per cent pay increase; and the deletion of pay point 1 on 1 April 2023, would increase the bottom rate to £10.60 (providing 10p headroom above the current upper-end forecast for the NLW on that date), pending agreement being reached on a 2023 pay award.

Potential rates of pay for London from 1 April 2022 based on the national employers' pay offer to the unions representing Local Government Services employees.

- With effect from 1 April 2022 the national offer is for a pay increase of £1,925 on all NJC pay points.
- In London this translates to an equivalent offer of £2,229 on all Outer London pay points and an increase of £2,355 on all Inner London pay points.
- Allowances to be increased by 4.04%

As previously reported, given the current pressure that pay negotiations are under, and the continuing upward forecast for inflation in the coming months, it is clear that the current 2% provision will not be sufficient.

The previous forecast outturn in June (Period 3) assumed a pay award of 5% and an unfavourable variance of c. £2.970m but this is increased to 6% in the July forecast leading to an unfavourable variance of £3.960m.

Unions are balloting their members on the offer. There are three recognised unions involved, Unison, GMB and Unite. Unison members have voted to accept the offer whilst the outcome of the GMB and Unite ballots will not be known until October.

If this level of pay award is agreed, it is currently proposed to mitigate this by a one-off contribution from reserves of £2m in 2022/23.

Prices:
The Consumer Prices Index (CPI) rose by 9.9% in the 12 months to August 2022, down from 10.1% in July. On a monthly basis, CPI rose by 0.5% in August 2022, compared with a rise of 0.7% in August 2021. A fall in the price of motor fuels made the largest downward contribution to the change in both the CPIH and CPI annual inflation rates between July and August 2022. Rising food prices made the largest, partially offsetting, upward contribution to the change in the rates.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 8.6% in the 12 months to August 2022, down from 8.8% in July. On a monthly basis, CPIH rose by 0.5% in August 2022, compared with a rise of 0.6% in August 2021. The largest upward contributions to the annual CPIH inflation rate in August 2022 came from housing and household services (principally from electricity, gas and other fuels, and owner occupiers' housing costs), transport (principally motor fuels), and food and non-alcoholic beverages.

The RPI rate for August 2022 was 12.3%, which is unchanged from July 2022.

Outlook for inflation:
The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment.

At its meeting ending on 21 September 2022, the MPC voted to increase Bank Rate by 0.5 percentage points, to 2.25%. Five members voted to raise Bank Rate by 0.5 percentage points, three members preferred to increase Bank Rate by 0.75 percentage points, to 2.5%, and one member preferred to increase Bank Rate by 0.25 percentage points, to 2%. The Committee also voted unanimously to reduce the stock of purchased UK government bonds, financed by the issuance of central bank reserves, by £80 billion over the next twelve months, to a total of £758 billion, in line with the strategy set out in the minutes of the August MPC meeting.

The next Bank of England MPC base rate decision is on 3 November 2022.

In the minutes to the September meeting, the MPC gave a bleak economic outlook stating that "In the August Monetary Policy Report, the MPC noted that the risks around its projections from both external and domestic factors were exceptionally large, given the very large increase in wholesale gas prices since May and the consequent impacts on real incomes for UK households and on CPI inflation.

Since August, wholesale gas prices have been highly volatile, and there have been large moves in financial markets, including a sharp increase in government bond yields globally. Sterling has depreciated materially over the period.

Uncertainty around the outlook for UK retail energy prices has nevertheless fallen, following the Government's announcements of support measures including an Energy Price Guarantee. The Guarantee is likely to limit significantly further increases in CPI inflation, and reduce its volatility, while supporting aggregate private demand relative to the Committee's August projections. An additional Growth Plan announcement is scheduled to take place shortly after this MPC meeting, which is expected to provide further fiscal support, and is likely to contain news that is material for the economic outlook. Once this announcement has been made, and as part of its November MPC round, the Committee will make a full assessment of the impact on demand and inflation from all these announcements, along with other news, and determine further implications for monetary policy….. Nevertheless, energy bills will still go up and, combined with the indirect effects of higher energy costs, inflation is expected to remain above 10% over the following few months, before starting to fall back.

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 recognises that there will be occasions when inflation will depart from the target as a result of shocks and disturbances. The economy has been subject to a succession of very large shocks. Monetary policy will ensure that, as the adjustment to these shocks continues, CPI inflation will return to the 2% target sustainably in the medium term. Monetary policy is also acting to ensure that longer-term inflation expectations are anchored at the 2% target."

On 26 September the Governor of the Bank of England made the following statement:-
"The Bank is monitoring developments in financial markets very closely in light of the significant repricing of financial assets. In recent weeks, the Government has made a number of important announcements. The Government's Energy Price Guarantee will reduce the near-term peak in inflation. Last Friday the Government announced its Growth Plan, on which the Chancellor has provided further detail in his statement today. I welcome the Government's commitment to sustainable economic growth, and to the role of the Office for Budget Responsibility in its assessment of prospects for the economy and public finances.

The role of monetary policy is to ensure that demand does not get ahead of supply in a way that leads to more inflation over the medium term. As the MPC has made clear, it will make a full assessment at its next scheduled meeting of the impact on demand and inflation from the Government's announcements, and the fall in sterling, and act accordingly. The MPC will not hesitate to change interest rates as necessary to return inflation to the 2% target sustainably in the medium term, in line with its remit."

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 (September 2022)			
2022 (Quarter 4)	Lowest %	Highest %	Average %
CPI	7.4	14.0	10.2
RPI	8.7	17.7	13.1
LFS Unemployment Rate	3.6	4.5	4.1
2023 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.9	7.6	4.0
RPI	1.6	8.9	5.1
LFS Unemployment Rate	3.2	5.0	4.3

Note the wide range between highest and lowest forecasts which reflects the volatility and uncertainty arising from volatile fuel and utility costs impacting on the cost of living 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 2022 to 2026 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (August 2022)					
	2022	2023	2024	2025	2026
	%	%	%	%	%
CPI	8.3	4.7	1.3	1.6	1.8
RPI	9.1	6.5	2.4	3.1	3.4
LFS Unemployment Rate	3.9	4.2	4.2	3.8	3.7

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 21 September 2022, the MPC voted to increase Bank Rate by 0.5 percentage points, to 2.25%. Five members voted to raise Bank Rate by 0.5 percentage points, three members preferred to increase Bank Rate by 0.75 percentage points, to 2.5%, and one member preferred to increase Bank Rate by 0.25 percentage points, to 2%. The Committee also voted unanimously to reduce the stock of purchased UK government bonds, financed by the issuance of central bank reserves, by £80 billion over the next twelve months, to a total of £758 billion, in line with the strategy set out in the minutes of the August MPC meeting.

The next Bank of England MPC base rate decision is on 3 November 2022.

The MPC outlined the background behind the August decision as "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 recognises that there will be occasions when inflation will depart from the target as a result of shocks and disturbances. The economy has been subject to a succession of very large shocks. Monetary policy will ensure that, as the adjustment to these shocks continues, CPI inflation will return to the 2% target sustainably in the medium term. Monetary policy is also acting to ensure that longer-term inflation expectations are anchored at the 2% target. There have been further signs since the August Report of continuing strength in domestically generated inflation. In and of itself, the Government's Energy Price Guarantee will lower and bring forward the expected peak of CPI inflation. For the duration of the Guarantee, this might be expected to reduce the risk that a long period of externally generated price inflation leads to more persistent domestic price and wage pressures, although that risk remains material. The labour market is tight and domestic cost and price pressures remain elevated. While the Guarantee reduces inflation in the near term, it also means that household spending is likely to be less weak than projected in the August Report over the first two years of the forecast period. All else equal, and relative to that forecast, this would add to inflationary pressures in the medium term."

The MPC is clear that it "will take the actions necessary to return inflation to the 2% target sustainably in the medium term, in line with its remit. Policy is not on a pre-set path. The Committee will, as always, consider and decide the appropriate level of Bank Rate at each meeting. The scale, pace and timing of any further changes in Bank Rate will reflect the Committee's assessment of the economic outlook and inflationary pressures. Should the outlook suggest more persistent inflationary pressures, including from stronger demand, the Committee will respond forcefully, as necessary."

In the August 2022 Monetary Policy report the MPC has used the following projections implied by current data trends:-

	Projections (August 2022)			
	2022 Q.3	2023 Q.3	2024 Q.3	2025 Q.3
GDP	2.3	(2.1)	0.0	0.4
CPI Inflation	9.9	9.5	2.0	0.8
LFS Unemployment Rate	3.7	4.4	5.5	6.3
Excess Supply/Excess Demand	0.75	-2.25	-3.25	-3.75
Bank Rate	1.6	3.0	2.5	2.2

The conclusions that the MPC reach in the August 2022 Monetary Policy Report are supported by the following Key Judgements:-

Key judgement 1: in the baseline forecast, persistently high gas and other commodity prices continue to put upward pressure on global consumer price inflation and depress global growth in the near term before their effects gradually dissipate.

Key judgement 2: given the sharp decline in household real incomes, consumer spending falls over the next year and the UK economy enters recession. Consumption falls by less than income, however, as households, in aggregate, reduce their saving. GDP growth is weak thereafter, even though the pressures on real incomes ease somewhat.

Key judgement 3: given elevated recruitment difficulties and strong labour demand, firms respond initially to the weakness in spending by using their existing inputs less intensively. So although economic slack emerges in 2022 Q4, the labour market remains tight over the next year and unemployment only starts to rise above its current level in mid-2023. It reaches 6¼% at the end of the forecast period, with slack building to 3¾% of potential GDP.

Key judgement 4: : domestic price pressures remain strong over the first half of the forecast, as nominal wage growth strengthens and many companies are able to protect their margins. But the building degree of economic slack moderates these forces and inflation expectations adjust downwards quickly as external pressures abate and inflation itself begins to fall. Domestic pressures therefore fade and, conditioned on the market yield curve, inflation is around the 2% target in two years' time and well below it in three years.

Appendix 5a

Capital Budget Monitoring – August 2022

Description	Actuals	Year to Date Budget	Variance	Current Budget 2022-23	Forecast Outturn 2022-23	Forecast Variance 2022-23
Capital	**6,514,295**	**5,736,224**	**778,071**	**33,507,390**	**33,507,743**	**353**
Corporate Services	**1,003,728**	**1,521,047**	**(517,319)**	**7,292,170**	**7,292,523**	**353**
Customer Contact Programme	0	0	0	518,000	518,000	0
Works to other buildings	194,376	308,604	(114,228)	1,189,720	1,150,108	(39,612)
Civic Centre	19,152	90,000	(70,848)	360,000	399,501	39,501
Invest to Save schemes	203,521	244,917	(41,396)	854,560	854,214	(346)
Business Systems	650	414,500	(413,850)	1,433,940	1,433,940	0
Social Care IT System	0	0	0	281,000	281,000	0
Disaster recovery site	19,551	94,080	(74,529)	94,080	94,080	0
Planned Replacement Programme	96,618	368,946	(272,328)	1,229,820	1,229,820	0
Acquisitions Budget	469,860	0	469,860	469,050	469,860	810
Westminster Ccl Coroners Court	0	0	0	862,000	862,000	0
Corporate Capital Contingency	0	0	0	0	0	0
Compulsory Purchase Order	0	0	0	0	0	0
Community and Housing	**275,901**	**261,840**	**14,061**	**944,530**	**944,530**	**0**
Telehealth	0	0	0	30,400	30,400	0
Disabled Facilities Grant	275,901	261,840	14,061	885,130	885,130	0
Major Projects - Social Care H	0	0	0	0	0	0
Major Library Projects	0	0	0	5,000	5,000	0
Libraries IT	0	0	0	24,000	24,000	0

Appendix 5a

Capital Budget Monitoring – August 2022

Description	Actuals	Year to Date Budget	Variance	Current Budget 2022-23	Forecast Outturn 2022-23	Forecast Variance 2022-23
Children Schools & Families	**2,169,122**	**117,915**	**2,051,207**	**9,137,400**	**9,137,400**	**0**
Primary Schools	**412,434**	**0**	**412,434**	**2,943,100**	**2,943,100**	**0**
Hollymount	40	0	40	4,200	4,200	0
West Wimbledon	24,724	0	24,724	158,610	158,610	0
Hatfeild	68,235	0	68,235	85,290	85,290	0
Hillcross	38,041	0	38,041	220,110	220,110	0
Joseph Hood	136	0	136	15,000	15,000	0
Dundonald	7,548	0	7,548	24,080	24,080	0
Merton Park	(809)	0	(809)	14,500	14,500	0
Pelham	15,731	0	15,731	126,000	126,000	0
Poplar	3,055	0	3,055	40,000	40,000	0
Wimbledon Chase	37,886	0	37,886	185,390	185,390	0
Wimbledon Park	48,034	0	48,034	164,130	164,130	0
Abbotsbury	19,137	0	19,137	137,000	137,000	0
Malmesbury	9,731	0	9,731	47,000	47,000	0
Morden	10,824	0	10,824	75,000	75,000	0
Bond	14,327	0	14,327	52,000	52,000	0
Cranmer	8,551	0	8,551	250,830	250,830	0
Gorringe Park	18,558	0	18,558	60,000	60,000	0
Haslemere	271	0	271	251,740	251,740	0
Liberty	(487)	0	(487)	80,490	80,490	0
Links	34,364	0	34,364	114,850	114,850	0
Singlegate	33,028	0	33,028	145,000	145,000	0
St Marks	(2,484)	0	(2,484)	68,760	68,760	0
Lonesome	18,723	0	18,723	190,000	190,000	0
Sherwood	8,443	0	8,443	150,150	150,150	0
William Morris	(3,170)	0	(3,170)	18,420	18,420	0
Unlocated Primary School Proj	0	0	0	264,550	264,550	0

Appendix 5a

Capital Budget Monitoring – August 2022

Description	Actuals	Year to Date Budget	Variance	Current Budget 2022-23	Forecast Outturn 2022-23	Forecast Variance 2022-23
Secondary	**60,723**	**0**	**60,723**	**363,800**	**363,800**	**0**
Harris Academy Morden	0	0	0	135,000	135,000	0
Harris Academy Merton	0	0	0	34,170	34,170	0
Raynes Park	45,600	0	45,600	135,000	135,000	0
Ricards Lodge	0	0	0	21,610	21,610	0
Rutlish	13,964	0	13,964	23,080	23,080	0
Harris Academy Wimbledon	1,160	0	1,160	14,940	14,940	0
SEN	**1,547,751**	**0**	**1,547,751**	**5,032,160**	**5,032,160**	**0**
Perseid	(6,196)	0	(6,196)	299,490	299,490	0
Cricket Green	(15,000)	0	(15,000)	46,120	46,120	0
Melrose	368,292	0	368,292	589,000	589,000	0
Melrose Whatley Ave SEN	877	0	877	0	0	0
Unlocated SEN	1,102,685	0	1,102,685	2,972,940	2,972,940	0
Melbury College - Smart Centre	3,813	0	3,813	155,000	155,000	0
Medical PRU	49,400	0	49,400	431,700	431,700	0
Perseid Lower School	0	0	0	100,000	100,000	0
Other	**148,214**	**117,915**	**30,299**	**798,340**	**798,340**	**0**
CSF Safeguarding	295	0	295	152,000	152,000	0
Devolved Formula Capital	147,385	117,915	29,470	353,740	353,740	0
Children's Centres	279	0	279	55,000	55,000	0
Youth Provision	255	0	255	237,600	237,600	0

Appendix 5a

Capital Budget Monitoring – August 2022

Description	Actuals	Year to Date Budget	Variance	Current Budget 2022-23	Forecast Outturn 2022-23	Forecast Variance 2022-23
Environment and Regeneration	**3,065,544**	**3,835,422**	**(769,878)**	**16,133,290**	**16,133,290**	**(0)**
On Street Parking - P&D	157,235	201,034	(43,799)	492,780	492,780	(0)
Off Street Parking - P&D	57,789	192,853	(135,064)	1,474,510	1,474,510	0
CCTV Investment	90,373	291,081	(200,708)	1,015,840	1,015,840	0
Public Protection and Developm	0	0	0	50,000	50,000	0
Fleet Vehicles	0	214,668	(214,668)	748,470	748,470	0
Alley Gating Scheme	0	0	0	46,000	46,000	0
Waste SLWP	219,259	102,000	117,259	433,430	433,430	0
Street Trees	23,187	0	23,187	103,990	103,990	0
Raynes Park Area Roads	3,635	0	3,635	43,500	43,500	0
Highways & Footways	1,771,476	1,393,269	378,207	5,813,320	5,813,320	0
Cycle Route Improvements	48,153	118,107	(69,954)	398,640	398,640	0
Mitcham Area Regeneration	35,420	336,685	(301,265)	1,083,950	1,083,950	0
Wimbledon Area Regeneration	102,533	359,889	(257,356)	1,265,870	1,265,870	0
Morden Area Regeneration	0	0	0	150,000	150,000	0
Borough Regeneration	169,112	184,842	(15,730)	807,140	807,140	0
Property Management Enhancement	0	0	0	35,000	35,000	0
Wimbledon Park Lake and Waters	390,057	156,063	233,994	520,210	520,210	0
Sports Facilities	23,538	94,566	(71,028)	315,220	315,220	0
Parks	(26,222)	190,365	(216,587)	1,335,420	1,335,420	0

Appendix 5b

Virement, Re-profiling and New Funding - August 2022

		2022/23 Budget	Virements	Funding Adjustments	Reprofiling	Revised 2022/23 Budget	2023/24 Budget	Movement	Revised 2023/24 Budget	Narrative
-	-	£	£		£	£	£		£	
Corporate Services	-					**0**			**0**	
Invest to Save schemes - De-Carbonisation scheme	**(1)**	**57,810**		137,000		**194,810**				Additional spend covered by Grant
Business Systems - Environmental Asset Management	(1)	**240,000**			(240,000)	**0**	**0**	240,000	**240,000**	Reprofiled in line with projected spend
Business Systems - Revenue and Benefits	(1)	**700,000**			(700,000)	**0**	**0**	300,000	**300,000**	Reprofiled in line with projected spend
Business Systems - Spectrum Spatial Analyst Replacement (GIS)	(1)	**270,000**			(100,000)	**170,000**	**0**	100,000	**100,000**	Reprofiled in line with projected spend
Community and Housing										
Major Projects - Social Care H - Learning Disability Housing	**(1)**	**50,000**			**(50,000)**	**0**	**1,528,000**	(1,528,000)	**0**	Reprofiled in line with projected spend
Children, Schools and Families										
Unlocated Primary School Proj	**(1)**	**297,050**	(32,500)			**264,550**			**0**	Reprofiled in line with projected spend
Raynes Park - Schools Capital Maintenance	**(1)**	**102,500**	32,500			**135,000**	**0**		**0**	Reprofiled in line with projected spend
Medical PRU - PRU Expansion	**(1)**	**401,700**			30,000	**431,700**	**60,000**	(30,000)	**30,000**	Reprofiled in line with projected spend
Environment and Regeneration	-	-	-	-	-	-	-	-	-	-
Pay and Display Machines	**(1)**	386,780	20,000	-	-	**406,780**	-	-	**0**	Virement from Car Park Upgrades
Car Park Upgrades	**(1)**	794,510	(20,000)	-	-	**774,510**	-	-	**0**	Virement to Pay and Display Machines
New Water Play Feature Wimbledon Park	**(1)**	0		-	43,000	**43,000**	226,000	(226,000)	**0**	Unspent SCIL Balance on Project Relinquished
Parks - Abbey Ward	**(1)**	**40,000**		8,240		**48,240**			**0**	Funded by NCIL
Parks - Parkes Investment (Figges Marsh)	**(1)**	**266,210**		4,980		**271,190**			**0**	Funded by NCIL
Parks - Multi Use Sports Areas	**(1)**	**175,000**		6,400		**181,400**			**0**	Funded by NCIL
Parks- Wimbledon Park NCIL Ward	**(1)**	**0**		13,080		**13,080**			**0**	Funded by NCIL
Total	**(1)**	**3,781,560**	**0**	**169,700**	**(1,017,000)**	**2,934,260**	**1,814,000**	**(1,144,000)**	**670,000**	

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

Appendix 5b

Virement, Re-profiling and New Funding - August 2022

		2024/25 Budget	Movement	Revised 2024/25 Budget	2025/26 Budget	Movement	Revised 2025/26 Budget	Narrative
		£	£	£	£		£	
Corporate Services								
Business Systems – Revenue and Benefits	(1)	**0**	400,000	**400,000**	**0**		**0**	Reprofiled in line with projected spend
Community and Housing								
Major Projects - Social Care H - Learning Disability Housing	(1)	**150,000**	1,578,000	**1,728,000**	**0**		**0**	Reprofiled in line with projected spend
Total		**150,000**	**1,978,000**	**2,128,000**	**0**	**0**	**0**	

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

Capital Programme Funding Summary 2022/23

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
July 22 Monitoring	**16,278**	**18,077**	**34,355**
Corporate Services			
Invest to Save schemes - De-Carbonisation scheme	**0**	**137**	**137**
Business Systems - Environmental Asset Management	**(240)**	**0**	**(240)**
Business Systems - Revenue and Benefits	**(700)**	**0**	**(700)**
Business Systems - Spectrum Spatial Analyst Replacement (GIS)	**(100)**	**0**	**(100)**
Community and Housing			
Major Projects - Social Care H - Learning Disability Housing	**0**	**(50)**	**(50)**
Children, Schools and Families			
Medical PRU - PRU Expansion	**0**	**30**	**30**
Environment and Regeneration			
Parks - New Water Play Feature Wimbledon Park	**0**	**43**	**43**
Parks - Abbey Ward	**0**	**8**	**8**
Parks - Parkes Investment (Figges Marsh)	**0**	**5**	**5**
Parks - Multi Use Sports Areas	**0**	**6**	**6**
Parks- Wimbledon Park NCIL Ward	**0**	**13**	**13**
Proposed August Monitoring	**15,238**	**18,270**	**33,507**

Capital Programme Funding Summary 2023/24

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
July 22 Monitoring	**12,198**	**27,378**	**39,576**
Corporate Services			
Business Systems - Environmental Asset Management	**240**	**0**	**240**
Business Systems - Revenue and Benefits	**300**	**0**	**300**
Business Systems - Spectrum Spatial Analyst Replacement (GIS)	**100**	**0**	**100**
Community and Housing			
Major Projects - Social Care H - Learning Disability Housing	**0**	**(1,528)**	**(1,528)**
Childrens, Schools and Families			
Medical PRU Expansion	**0**	**(30)**	**(30)**
Environment & Regeneration			
New Water play Feature	**0**	**(226)**	**(226)**
Proposed August Monitoring	**12,838**	**25,594**	**38,432**

Appendix 5c

Capital Programme Funding Summary 2024/25

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Proposed July Monitoring	10,619	10,164	20,783
Corporate Services			
Business Systems - Revenue and Benefits	400	0	400
Community and Housing			
Major Projects - Social Care H - Learning Disability Housing	0	1,578	1,578
Proposed August Monitoring	11,019	11,742	22,761

Appendix 6 Progress on Savings expected in 2022/2

PROGRESS ON 2022/23 SAVINGS
DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2022/23

Ref	Description of Saving	2022/23 Savings Required £000	2022/23 Savings Forecast £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
Savings due in 22/23								
2019-20 CS04	Reduce strategic partner grant by 10%	78	78	0	G	John Dimmer		
2019-20 CS28	Cash collection reduction	13	13	0	G	Sean Cunniffe		
2020-21 CS7	Staff reductions	75	75	0	G	Sean Cunniffe		
2022-23 CS5	Customer, Policy & Improvement – Registrars Service	32	32	0	G	Sean Cunniffe		
2022-23 CS6	Customer, Policy & Improvement – Cash Collection	20	20	0	G	Sean Cunniffe		
2022-23 CS8	Customer, Policy & Improvement – Customer Contact	15	15	0	G	Sean Cunniffe		
2020-21 CS11	Commercial Services - restructure	50	0	50	R	Tina Dullaway	Will not be achieved - awaiting approval from CMT to implement the findings of the Commercial Services review. Due to go to CMT 07.07.22	
2018-19 CS08	Increase in income from Enforcement Service	20	0	20	R	David Keppler	Not achievable in year due to covid	
2022-23 CS1	Resources - AD budget	10	10	0	G	Roger Kershaw		
2022-23 CS2	Resources - AD budget	15	15	0	G	Roger Kershaw		
2022-23 CS3	Resources - Insurance	25	25	0	G	Nemashe Sivayogan		
2022-23 CS4	HR - Payroll	15	15	0	G	Liz Hammond		
2022-23 CS9	Corporate Governance - AD Budget	3	3	0	G	Louise Round		
2022-23 CS10	Corporate Governance - Electoral Services and Democratic services	15	15	0	G	Andrew Robertson		
2022-23 CS12	Corporate Governance - Information Team	29	29	0	G	Paul Phelan		
2022-23 CS13	Corporate items	50	50	0	G	Martin Hone		
Prior Year savings not delivered in 2021/22								
2018-19 CS07	Retender of insurance contract	25	0	25	R	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	David Keppler	Not achievable in year due to covid	Y
2021-22 CS11	Review of shared Bailiff service with Sutton	40	0	40	R	David Keppler	Not achievable in year due to covid	Y
2019-20 CS26	Review of contract arrangements	120	0	120	R	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
2019-20 CS23	Implement a means assessed charging scheme for appointeeships undertaken by the CFA team.	30	0	30	R	Tina Dullaway	Charging scheme yet to be agreed and implemented	Y
	Total CS Savings for 2022/23	**695**	**395**	**300**				

PROGRESS ON 2022/23 SAVINGS
CHILDREN, SCHOOLS AND FAMILIES SAVINGS PROGRESS: 2022-23

Ref	Description of Saving	2022/23 Savings Required £000	2022/23 Savings Achieved/ Expected £000	Shortfall	RAG	Responsible Officer	Comments
Savings due in 22/23							
CSF2019-12	Review of public health commissioned services	**N/A**	**N/A**	**N/A**	**N/A**	Dheeraj Chibber	This saving has been cancelled
CSF2019-16	National Minimum rate for Fostering/Guardianship/Adoption	**20**	**20**	**0**	G	Dheeraj Chibber	
CSF2019-17	Increased use of in-house foster care	**40**	**40**	**0**	G	Dheeraj Chibber	
CSF2019-18	Review and reshape shortbreaks provision	**200**	**0**	**200**	A	Elizabeth Fitzpatrick	Review delayed
CSF2019-19	SEND travel assistance	**150**	**0**	**150**	R	Elizabeth Fitzpatrick	There seems little prospect of transport costs reducing for the foreseeable future
2021-22 CSF01	Education & Early Help -Reduction made in provision for PFI Unitary Charges	**450**	**450**	**0**	G	Elizabeth Fitzpatrick	There may be an impact in 2029/30 when the PFI reserve may not be adequate
2021-22 CSF03	CSF - Ongoing underspend	**200**	**200**	**0**	G	Dheera Chibber/Elizabeth Fitzpatrick	
CSF1-22/23	School Meals PFI	**100**	**100**	**0**	G	Elizabeth Fitzpatrick	as above
CSF2-22/23	Education - Office Efficiencies	**50**	**50**	**0**	G	Elizabeth Fitzpatrick	
CSF3-22/23	Education Inclusion - Streamlined Activities	**28**	**28**	**0**	G	Elizabeth Fitzpatrick	
CSF4-22/23	CSC Placements - Demand Management and Commissioning			**0**		Dheerah Chibber	High inflation will drive up unit costs
Prior Year savings not delivered in 2021/22							
CSF2019-18	Review and reshape shortbreaks provision	**200**	**0**	**200**	A	Elizabeth Fitzpatrick	
2021-22 CSF01	Education & Early Help -Reduction made in provision for PFI Unitary Charges	**450**	**450**	**0**	G	Elizabeth Fitzpatrick	
	Total Children, Schools and Families Savings 2022/23	**1,888**	**1,338**	**550**			

DEPARTMENT: Community & Housing Savings Progress 2022/23

Ref	Description of Saving	Division	2022/23 Savings Required £000	2022/23 Savings Forecasted £000	Shortfall	RAG	Responsible Officer	Comments
(Nov'20)CH 100	Review of in-house day care provision	Adult Social Care	700		700	R	To be up dated	
(Nov'20)CH 101	Review of in-house LD Residential provision	Adult Social Care	544		544	A	To be up dated	
(Nov'20)CH 102	Dementia hub re-commissioning	Adult Social Care	55	55	0	G	Keith Burns	To be reviewed for period beyond 2022/23 in light of new administration priorities.
(Oct'21) CH105	Commissioning and Market Development – Increasing take up of Direct Payments	Adult Social Care	100	100	0	G	Keith Burns	Closer collaboration with operational teams to promote uptake. Work planned to streamline paperwork to make a more attractive option.
(Oct'21) CH106	Community & Housing - Housekeeping – review of ancillary budget lines	Adult Social Care	50	50	0	A	Various	
(Oct'21)CH1 09	Adult Social Care - Placements	Adult Social Care	100		100	G	Phil Howell	
Oct'21) CH110	Commissioning and Market Development – Commissioning efficiencies arising from re-procuring a high cost service	Adult Social Care	50	40	10	G	Keith Burns	Negotiation with provider in progress, but complex as aresult of TUPE position. May be recoverable but part year impact now reflected in forecast.
	Subtotal Adult Social Care		1,599	245	1,354			
(Jan'20) CH97	Increase income and better use of technology	Libraries	60	60	0	G	Anthony Hopkins	On track
	Subtotal Libraries		60	60	0			
	Total C & H Savings for 2022/23		1,659	305	1,354			

PROGRESS ON 2022/23 SAVINGS

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2022-23

Ref	Description of Saving	2022/23 Savings Required £000	2022/23 Savings Achieved £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N	Budget manager
Savings due in 22/23									
ENV2021-07	Property Management - Increase residential (former Service tenancies) rent (increased income)	100	100	0	G	James McGinlay	Saving will not be made from additional rent from residential properties but from Industrial rent increase.		**Jacquie Denton**
ENV2021-10	Development Control/Building Control - Savings as a result of the 'Assure' M3 upgrade	15	0	15	R	James McGinlay			**Jonathan Berry**
ENV2022-23 05	Highways; Increased income from street permitting through enforcement of utility works.	40	40	0	G	James McGinlay			**Paul McGarry**
ENV2022-23 07	Future Merton, Policy team: Additional income from planning performance agreements (PPA)	50	50	0	G	James McGinlay			**Paul McGarry**
ENV1819-04	Parking: Reduction in the number of pay & display machines required.	14	14	0	G	Calvin McLean			**Gavin Moore**
ENV2021-08	Parking - Activity to improve On Street parking compliance.	100	100	0	G	Calvin McLean			**Gavin Moore**
E1	Regulatory Services: Investigate potential commercial opportunities	65		65	R	Calvin McLean			**Chris Nash**
ENV2022-23 01	Public Space - Waste services: Disposal processing savings (Food Waste Recyclate)	104	104	0	G	John Bosley			**Charles Baker**
ENV2022-23 02	Public Space – Greenspaces: Raynes Park Sports Ground - new lease arrangement	35	35	0	G	John Bosley			**Andrew Kauffman**
Prior Year savings not delivered in 2021/22									
ENV1920-06	Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway.	70	0	70	R	James McGinlay	Covid-19 estimated to impact on saving. Should be achieved from 2022/23.	Y	**Paul McGarry**
ENV2021-02	D&BC: Increase PPA's income (increased income) through a dedicated Majors team	80	0	80	R	James McGinlay	Staff issue with the admin manager being off sick has delayed progress.	Y	**Jonathan Berry**
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	Calvin McLean	Following the consultation process and approval by Merton, approved is required by the follong: 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. Band A charges were introduced on the 1st February 2022. The impact of the increased charge will be monitored.	Y	**Gavin Moore**
ENV2021-08	Parking: Activity to improve On Street parking compliance.	100	50	50	R	Calvin McLean	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. Additional on street activity commenced in January and a minimun £50k saving will be achieved in 2021/22.	Y	**Gavin Moore**
ENV2021-06	Service restructure across Safer Merton and CCTV	35	0	35	R	Calvin McLean	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	**Alun Goode**
	Total Environment and Regeneration Savings 2021/22	**1,148**	**549**	**599**					

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CABINET

Date: 27 September

Subject: Financial Report 2022/23 – Period 6 September 2022

Lead officer: Roger Kershaw

Lead member: Councillor Billy Christie

Recommendations:

A. That Cabinet note the financial reporting data for month 6, September 2022, relating to revenue budgetary control, showing a forecast net adverse variance at 30 September on service expenditure of £1.579m when corporate and funding items are included.

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

	Budget 2022-23	Budget 2023-24	Narrative
Corporate Services	**£**	**£**	
Civic Centre Cycle Parking	(60,000)	60,000	Reprofiled in line with projected spend
Children, Schools and Families			
Unlocated Primary School Proj	**(264,550)**	298,430	Virement & Reprofiled in line with projected spend
Hollymount - Schools Capital Maintenance	100,800		Virement in line with projected spend
Hatfeild - Schools Capital Maintenance	69,800		Virement in line with projected spend
Hillcross - Schools Capital Maintenance	(50,110)		Virement in line with projected spend
Joseph Hood - Schools Capital Maintenance	38,000		Virement in line with projected spend
Dundonald - Schools Capital Maintenance	(9,080)		Virement in line with projected spend
Pelham - Schools Capital Maintenance	(16,000)		Virement in line with projected spend
Wimbledon Chase - Schools Capital Maintenance	(65,390)		Virement in line with projected spend
Wimbledon Park - Schools Capital Maintenance	15,900		Virement in line with projected spend
Haslemere - Schools Capital Maintenance	52,300		Virement in line with projected spend
St Marks - Schools Capital Maintenance	16,300		Virement in line with projected spend
William Morris - Schools Capital Maintenance	13,600		Virement in line with projected spend
Raynes Park - Schools Capital Maintenance	(50,000)		Virement in line with projected spend
Whatley - Capital Maintenance	50,000		Virement in line with projected spend
CSF Safeguarding - Care Leavers Living Accommodation	(66,000)	66,000	Reprofiled in line with projected spend
Youth Provision - Pollards Hill Digital Divide	(210,000)	210,000	Reprofiled in line with projected spend

Continued………

	Budget 2022-23	Budget 2023-24	Narrative
Environment and Regeneration	**£**	**£**	
Highways & Footways - Residential Secure Cycle Store	(25,670)	25,670	Reprofiled in line with projected spend
Highways & Footways - Accesibility Programme	130,000		Additional TfL Funding
Highways & Footways - Casualty Reduction & Schools	199,000		Additional TfL Funding
Cycle Route Improvements - Cycle Parking	75,000	5,000	Reprofiled in line with projected spend & Addit. TfL Funding
Cycle Route Improvements - Cycle Improve Residential Streets	205,000		Additional TfL Funding
Mitcham Area Regeneration - Sandy Lane Public Realm	(200,000)	200,000	Reprofiled in line with projected spend
Wimbledon Area Regeneration - Crowded Places/Hostile Veh	(180,000)	180,000	Reprofiled in line with projected spend
Wimbledon Area Regeneration - Wimbl Hill Heritage Led Pblc Realm	(50,000)	50,000	Reprofiled in line with projected spend
Borough Regeneration - Merton Lost Rivers	(200,000)	200,000	Reprofiled in line with projected spend
Parks Investment - Myrna Close Public Realm	48,800		Reprofiled in line with projected spend
Borough Regeneration - 42 Graham Road	(50,000)	50,000	Reprofiled in line with projected spend
Borough Regeneration - Carbon Offset Funding	(50,000)	50,000	Reprofiled in line with projected spend
Parks Investment - Paddling Pools	(70,000)	70,000	Reprofiled in line with projected spend
Total	**(602,300)**	**1,465,100**	

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the Period 6 monitoring report for 2022/23 presented in line with the financial reporting timetable.

This financial monitoring report provides -

1.1.1 A full year forecast projection as at period .

1.1.2 An update on the financial impact of Covid-19

1.1.3 An update on the capital programme and detailed monitoring information;

1.1.4 An update on Corporate Items in the budget 2022/23;

1.1.5 Progress on the delivery of the 2022/23 revenue savings

2. THE FINANCIAL REPORTING PROCESS

2.1 The Council's services are still 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 continues to be monitored closely given its impact on service delivery.

2.2 The Council is also facing significant inflationary pressures in the supply of goods and services to the Council, energy costs, cost of borrowing and potential wage increases against budget add to the Council's financial challenges in 2022/23 and future years. Whereas higher interest rates will have a positive impact on our investment returns these will be overshadowed by the inflationary pressures the Council faces together with the potential for increased demands for some of the Council's services due to the cost of living crisis.

2.3 There are also significant pressures on the Dedicated Schools Grant (DSG) which are being monitored. The cumulative deficit at the end of 2021/22 was £26.930m and the deficit is forecast to continue to increase to £34.129m by the end of 2022/23 after the second tranche of Safety Valve funding. The Safety Valve programme is starting to have a positive impact, but progress is currently behind the agreed target.

2.4 Chief Officers, together with budget managers with support from Service Financial Advisers are responsible for keeping budgets under 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. 2022/23 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

Executive summary – At period 6 (to 30 September 2022), the year-end forecast is a net adverse variance of £8.159m on Net Service Expenditure; a favourable variance of £6.151m on Corporate Provisions; and a small adverse variance of £0.089m relating to Covid-19. A summary is provided on the following details and more detailed analysis by Department is set out in Section 4 of the report.

	Current Budget 2022/23 £000s	Year to Date Budget (Sept) £000s	Year to Date Actual (Sept) £000s	Full Year Forecast (Sept) £000s	Forecast Variance at year end (Sept) £000s	Forecast Variance at year end (Aug) £000s	Outturn Variance 2021/22 £000s
Department							
Corporate Services	30,090	14,713	17,419	31,083	992	961	645
Children, Schools and Families	60,867	25,883	28,810	62,245	1,378	1,429	2,426
Community and Housing	0	44,289	39,947	67,283	903	879	(699)
Public Health	(162)	(399)	(3,894)	(162)	0	0	
Environment & Regeneration	12,039	829	(5,641)	16,658	4,619	4,857	3,431
Overheads	(267)			0	267	267	
NET SERVICE EXPENDITURE	**102,568**	**85,316**	**76,641**	**177,107**	**8,159**	**8,393**	**5,803**
			6				
Corporate Items							
Impact of Capital on revenue budget	11,066	5,533	2,567	10,947	(119)	(119)	(235)
Other Central budgets	(13,849)	5,938	(561)	(19,882)	(6,032)	(5,628)	(17,298)
Levies	988	494	617	988	0	0	0
TOTAL CORPORATE PROVISIONS	**(1,795)**	**11,965**	**2,623**	**(7,947)**	**(6,151)**	**(5,747)**	**(17,533)**
Covid-19	**0**	**0**	**89**	**89**	89	54	176
TOTAL GENERAL FUND	**100,773**	**97,281**	**79,264**	**169,159**	**2,008**	**2,646**	**(11,730)**
FUNDING							
Revenue Support Grant	(5,350)	(2,229)	(2,354)	(5,350)	0	0	
Business Rates	(32,380)	0	(4,195)	(32,380)	0	0	
Other Grants	(25,602)	(10,667)	(10,906)	(26,031)	(429)	(429)	
Council Tax and Collection Fund	(103,973)	0	0	(103,973)	0	0	
COVID-19 emergency funding	0	0	(442)	0	0	0	710
Income compensation for SFC	0	0	0	0	0	0	
FUNDING	**(167,305)**	**(12,897)**	**(17,897)**	**(167,734)**	**(429)**	**(429)**	**710**
NET	**(66,533)**	**84,384**	**61,367**	**1,425**	**1,579**	**2,217**	**(11,020)**

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 ongoing situation continues to make forecasting difficult as it is 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 2022/23 as part of the budget setting process. The savings which are now under pressure due to inflation and other factors are included in the forecast of the departments. This is inclusive of 2021/22 savings which are still under pressure where they have not been adjusted for. Further details are set out in Appendix 6.

Cashflow

The Covid-19 outbreak created pressure on the council's cash-flow, but the position has stabilised since the middle of 2021. Through prudent treasury cash flow management, the Council continues to meet any additional expenditure from its cash in balances in the bank and primarily from liquid cash balances held in Money Market Funds (MMFs).

From Summer 2021, with the stability and the confidence seen in the UK economy the fixed deposit rates started to go up and as a result the Council started to return to medium term fixed deposit to earn interest income from any short-term excess cash balances.

Since December 2021, the Bank of England has steadily increased the base rate from 0.10% to 2.25% in September 2022. Further increases are expected given the current forecasts for inflation and the Bank's overarching brief to bring inflation down to 2.0% over the medium-term. As a result of this policy the Council can expect to receive additional interest income on deposits, although much of this additional income has already been expected in the 2022/23 budget.

The Council still has a strong position on its liquidity and where the opportunity arises places excess cash in short-term deposits to generate income.

Cash flow is monitored daily, and the current forecast shows the Council has sufficient funds to meet its payment needs going forward over the medium term, but there still is a concern over the longer term in the context of the DSG deficit, subject to the use of Safety Valve funding. However, if a cash shortfall occurs, the Council has the option to borrow from the market to meet its needs.

4. DEPARTMENTAL SUMMARY OF CURRENT POSITION

Corporate Services

Division	Current Budget £000	Full year Forecast (September) £000	Full Year Forecast Variance (September) £000	Full Year Forecast Variance (August) £000	Outturn Variance 2021/22 £000
Customers, Policy & Improvement	5,530	5,682	153	203	(191)
Infrastructure & Technology	12,937	13,257	320	335	80
Corporate Governance	2,657	2,665	8	(33)	141
Resources	6,019	6,397	378	416	13
Human Resources	2,183	2,294	111	143	214
Corporate Other	764	787	24	(102)	388
Total (Controllable)	**30,090**	**31,083**	**993**	**962**	**645**

Overview

The department is currently forecasting an adverse variance of £992k at year end. This has moved adversely by (£31k) since period 5.

Customers, Policy and Improvement - £153k adverse variance

The variance for CPI has moved favourably by (£50k) since period 5.
Adverse variances within the division include:

- £311k within Press and Publications owing to use of agency staffing and unachievable income targets
- £39k within Customer Contact team
- £35k in Translations services due to under-achievement against the income budget as external demand remains low
- £26k within the Marketing and Communications team due to staffing
- £21k Policy and strategy overspend within its staffing budget lines, this will be funded by underspend in Programme Office
- £11k for Reg of Birth, Deaths & Marriages increased costs

Above adverse variances are partly offset by favourable variances as follows:

- (£129k) within the AD due to vacancies
- (£77k) Programme Office due to vacancies of which £51k will be used to fund a post in Policy and Strategy
- (£44k) Voluntary Sector Coordination - reduced grants expenditure
- (£28k) due to an over-achievement against the cash collection saving

- (£20k) in the Merton Link team and
- (£15k) in the Community Engagement team due to staffing underspends and various running costs less than budget.

Infrastructure & Technology - £320k adverse variance

The adverse variance has moved favourable by £15k since period 5.

Many of the adverse variances within the division are due to reduced recharges resulting from the changes in working arrangements surrounding the covid-19 pandemic. These adverse variances include £191k on the Corporate Print Strategy and £120k on the PDC (Chaucer Centre). These are reviewed throughout the year and adjusted depending on the level of staff returning to the office.
The FM External account is also forecasting a £120k adverse variance due to the lack of commissions since the pandemic began, though the forecast is significantly improved on the outturn position for 2021/22.
There is an adverse variance of £62k on Corporate Contracts due to 2020/21 savings for reducing cleaning in corporate buildings remaining unachievable within the current circumstances.
A further £56k adverse variance is within the Client Financial Affairs team, mainly relating to the unachieved saving (reference 2019-20 CS23) for the introduction of a charging scheme and agency cover for maternity leave.
Printing and photocopying team is forecasting £44k overspend. This will be offset by underspend from Post services.
Security Services is also forecasting an adverse variance of £31k, IT Service Delivery £25k owing to the use of agency staff and Civic centre increased costs of £21k.

There are also multiple favourable variances within the division, such as the Microsoft EA (Enterprise Agreement) which is forecasted less than budget by (£141k), (£34k) in Safety Services due to recruitment lag as well as contingency not expected to be required in year. A lag in recruitment has also resulted in a (£45k) favourable variance within Facilities. Within the Transactional services is a (£30k) staffing underspend due to a part vacant post and (£12) underspend for Business systems agency staff costs.

Additional favourable variances include (£101k) for Postal Services. This offsets the forecast overspends on Printing and Photocopying where income targets are not expected to be achieved.

Corporate Governance – £8k adverse variance

The favourable variance since period 5 has moved adversely by £41k.

The service is projecting £38k overspend in Democracy Services due increased staff costs and £13k increase in Local Election expenses.
SLLP (South London Legal Partnership) SLLP is currently forecasting £291k deficit overall, £51k is forecast to be LBM's Share. The variance in SLLP is largely due to a reduction in income projection from chargeable hours. In the last three months, the service has done less chargeable work for the boroughs and has been prudent in their forecast. This will be reviewed and updated to reflect any changes in chargeable work.

LBM Legal services is projecting a (£26k) favourable variance owing to the increase in income resulting from an increase in service provision.
Members Allowances is projecting an underspend of (£25k), Information Team underspend of (£15k) due to a lag in recruitment and (£14k) decrease in Electoral registration costs for postage and IT

licence.

Resources - £378k adverse variance

Overall Resources forecast variance has changed favourably by (£38k) since P5.
There are multiple budgets forecasting adverse variances due to Covid-19. The Bailiffs service is forecast to overspend by £338k (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. The Local Taxation Service has a £205k adverse variance due to anticipated under recovery and £35k increase in Local welfare support costs.

A further adverse variance of £143k within AD resources due to consultancy costs for e5 upgrade and £72k within the budget management team due to a principal accountant for C&H finance team and 50% of Head of Finance's maternity cover till July 2022 and use of agency cover for existing vacancies.

Pensions are forecasting an adverse variance of £56k, Corporate Accountancy £23k and Financial Systems Team are forecasting a £16k adverse variance owing to salary budget pressure as well as revenue costs for upgrading the financial system planned for later this year.

Within the Benefits Administration services is a (£201k) favourable variance which is largely due to grant receipts from DWP.
Other favourable variances include Revenues and Benefits Support team (£119k) favourable variance mainly against staffing costs, (£87k) in Treasury & Insurance, (£56k) for Director of Corporate Services time lag between the current director retiring and new director coming into post, (£23k) Chief Executive underspends, (£19k) on purchase card project and (£10k) Business Rates bids.

Human Resources – £111k adverse variance

HR's forecast variance has changed favourably since P5 by (£32k).

This adverse variance is primarily due to £123k within Learning & Development owing to the use of agency cover, £64k agency cover in place against the AD budget, £30k relating to the HR Transactions budget for the shared payroll system and iTrent client team charges from Kingston and.

Favourable variances forecasted within HR are as follows: (£36k) Payroll, (£31k) Occupational Health, (£27k) Graduates & Apprentices and (£19k) Business partnerships.

Corporate Items - £24k adverse variance

Corporate items forecast variance has moved adversely since P5 by £126k.

This is primarily due to an adverse variance in Housing Benefits Rent allowance subsidies of £552k and £106k spend on consultants within Project Chaplin.

The above adverse variances are partly offset by (£269k) underspend in redundancy payments. In addition to this, Coroners Courts received a (£273k) reimbursement from the Westminster Bridge Inquest resulting in a (£264k) projected underspend, (£55k) decrease in Corporately funded items, (£31k) underspend Democratic Rep & Man and (£12k) underspend in Staff groups.

Environment & Regeneration

Division	Current Budget £000	Full year Forecast (September) £000	Full Year Forecast Variance (September) £000	Full Year Forecast Variance (August) £000	Outturn Variance 2021/22 £'00
Public Protection	(15,500)	(12,467)	3,032	3,302	4,142
Public Space	17,612	18,669	1,057	998	157
Senior Management	1,176	1,235	60	60	(192)
Sustainable Communities	8,750	9,221	472	499	(675)
Total (Controllable)	**12,038**	**16,658**	**4,620**	**4,859**	**3,432**

Description	2022/23 Current Budget £000	Forecast Variance at year end (September) £000	Forecast Variance at year end (August) £000	2021/22 Variance at year end £000
Regulatory Services	631	310	255	38
Parking Services	(17,424)	2,660	2,979	4,181
Safer Merton & CCTV	1,294	62	69	-77
Total for Public Protection	**(15,500)**	**3,032**	**3,302**	**4142**
Waste Services	15,280	397	397	390
Leisure & Culture	584	397	373	-210
Greenspaces	2,402	157	123	-93
Transport Services	(654)	106	106	70
Total for Public Space	**17,612**	**1,057**	**998**	**157**
Senior Management & Support	1,176	60	60	-192
Total for Senior Management	**1,176**	**60**	**60**	**-192**
Future Merton	11,425	333	333	-708
Building & Development Control	42	294	294	335
Property Management	(2,718)	(155)	(127)	-303
Total for Sustainable Communities	**8,750**	**472**	**499**	**-676**
Total Excluding Overheads	**12,038**	**4,620**	**4,860**	**3,431**

Overview

The department is currently forecasting an adverse variance of £4,619k at year end. The main areas of variance are Regulatory Services, Parking Services, Waste, Leisure & Culture, Greenspaces, Property Management, Development & Building Control and Future Merton.

Public Protection

Regulatory Services adverse variance of £310k

The section has cumulative income savings of £275k relating to historic savings targets the department have been unable been able to achieve. These have contributed to the Non RSP income under recovery of £341k. Current forecast estimate an adverse variance within the licensing team of £151k, environmental health pollution of £57k, Health & Safety EH Commercial of £41k, Street Market of £35k and trading standards of £95k.

Additionally, the department is currently forecasting a £14k adverse variance on its premises line as a result of the increase in electricity costs.

The above adverse variance has been offset by a £7k forecast underspend on supplies and services and £8k forecast underspend on transport.

Additionally, the department is forecasting a £27k underspend in relation to the shared services (RSP).

Parking Services adverse variance of £2,660k

This adverse variance improved by ££255k since August following an in-depth review and analysis of the parking income. This is primarily due to an improvement in PCN incomes of £141k,improvement in forecast overspend on staffing of £57k and improvement in forecast overspend on premises budget of £56k

As at September, forecasts show adverse variances on PCN, P&D, and permit income of £634m, £776k, and £1.250m, respectively. This is primarily due to a reduction in expected income from across the various categories.

Other adverse variances within the service include staffing £200k, owing to the recruitment of additional CEOs and the use of agency staff, skip licences £103k, supplies and services £141k; and premises £79k. These adverse variances are being partially offset by a favourable variance on parking admin fee of £257k.

It should be noted that there are unachieved income savings within this section that have attributed to the current adverse variance such as the £3,800k budget expectation relating to a review of parking charges which were implemented on the 14th of January 2020 and £360k income expectation within parking services .

Public Space

Waste Services adverse variance of £397k

The service is not forecasting any movement in its projected spend since August.

An adverse variance of £189k 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, 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. There is an additional variance of £140k being forecast against the SLWP management fee.

These adverse variances are partly offset by favourable variance on disposal costs of (£122k). The current forecast is at par with last year's actuals and is despite changes to our residents' working arrangements, where we have seen a greater increase in the number of households now working from home post pandemic resulted in an increase in overall domestic waste across all kerbside collection services. This section will continue to be closely monitored and the service is currently supporting SLWP in the planning of the re-procurement of both Food and Garden waste processing services which currently expire this financial year.

Other favourable variances include (£106k) on the Council's Environmental Enforcement services in respect of enforcing and issuing Fix Penalty Notices for littering and (£105k) on employee related spend.

Included in this section are savings target of £104k (ENV2022-23 01) for disposal processing savings (Food Waste Recyclate). The service is projecting to deliver these savings.

Leisure & Culture adverse variance of £397k

The service is anticipating a £25k adverse movement since August resulting from a reduction in anticipated income from water sports at Wimbledon sailing Base

Due to the unprecedented increase in energy bills, the service is currently forecasting to spend double its leisure centre utilities budget resulting in a variance of £434k. Potential under recovery in water sports income of £55k and lettings income of £25k as we currently have one tenant in Morden Assembly Hall.

These adverse variances are partly offset by the following favourable variances on employees (£89k) and supplies and services (£33k).

Greenspaces adverse variance of £157k

The adverse variance has moved by £34k since August.

Although the service is starting to recover post Covid, the service is projecting income under recovery of £118k; includes £90k under recovery in Canon Park income, £45k park and display income and £40k parks and recreational grounds rental income. This under recovery in income is partly offset by £110k anticipated over recovery in events income and £31k on parks operations income.

The service is currently projecting £128k overspend on its utilities owing to the unprecedented increase in energy prices.

Additional overspends include £53k on staffing due to the use of agency staff for the tree inspector for highways.

The above is partly offset by £157k projected underspend in tree works against a budget of £712k and £95k on Canons supplies and services.

<u>Sustainable Communities</u>

Future Merton adverse variance of £333k

The movement in variance between August and September has not been material.

The reason for the adverse variances on Highways Maintenance of £220k is mainly due to expected cost of reactive repairs but also some over-spend for 1) Bishopsford Bridge, 2) traffic signals (where TfL charges have increased), and 3) a small under achievement on JCD income (now only approx. £13k below target).

Additional adverse variances include Street Lighting £340k, due to the significant increase in energy costs, under recovery in income from Merantun £100k and £100k on Local Plan Fees.

The above adverse variances are partly offset by anticipated underspends on CPZs (£89k) and staff (£100k); and an over-achievement in income on Temp traffic orders (£120k), , streetworks/permitting (£75k) and CIL income (£60k)

Property Management favourable variance of £155k

The forecast has moved adversely by £28k since August. This is primarily due to an increase in rental income of £15k, decrease in building maintenance costs and projected decrease in legal costs of £5k.

The principal reason is a favourable variance on employees of £149k due to an underspend being forecast on salaries against a budget of £320k. There is also a favourable variance relating to exceeding the commercial rental income expectations (£256k) due to rent reviews in line with the tenancy agreements which is being offset by an adverse variance on premises related expenditure of £85k, for example, building improvements, utilities, repairs & maintenance costs and £130k 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 £294k

The service is not forecasting a movement in variances between August and September.

The adverse variance is primarily due to a £156k under recovery in Building control income and £357k adverse variance on employees. This adverse variance is partly offset by a £139k anticipated over recovery in Development Control income and £92k supplies and services underspend.

The services expect that income will undoubtedly be higher than currently projected but have been prudent in calculating forecasts to avoid being overly optimistic early in the year.

Children Schools and Families

Children, Schools and Families (£000's)	2022/23 Current Budget	Full Year Forecast	Forecast Variance September	Forecast Variance August	2021-22 Year Variance
Education					
Education Budgets	£ 18,911	£ 19,892	£ 981	£ 1,037	£ 394
Depreciation	£ 9,801	£ 9,801	£ -	£ -	£ -
Other Education Budgets	£ 135	£ 135	£ -	£ -	-£ (114)
Education Services Grant	-£ (1,062)	-£ (1,062)	£ -	£ -	-£ (12)
Education Sub-total	**£ 27,785**	**£ 28,766**	**£ 981**	**£ 1,037**	**£ 268**
Other CSF					
Child Social Care & Youth Inclusion	£ 22,183	£ 23,539	£ 1,356	£ 1,343	£ 2,009
Cross Department	£ 910	£ 601	-£ (310)	-£ (310)	£ -
PFI Unitary Costs	£ 8,409	£ 8,409	£ -	£ -	£ 766
Pension and Redundancy Costs	£ 1,624	£ 975	-£ (649)	-£ (641)	-£ (617)
Other CSF Sub-total	**£ 33,126**	**£ 33,524**	**£ 397**	**£ 392**	**£ 2,158**
Grand Total	**£ 60,911**	**£ 62,290**	**£ 1,378**	**£ 1,429**	**£ 2,426**

Summary

The department is forecasting an overspend of £1.37m compared £1.43m as at period 5 and £2.4m overspent at year end. As in previous periods, the continuing dependency on agency social workers, the high cost of social care placements and the higher cost of transport are key pressures.

We are making progress with recruitment of permanent social workers and have reduced the number to 51 from a peak of 92. We have a project in train to make further in-roads into agency usage and to expand our permanent social work workforce. We have also made progress with the social care placement budgets. However, reductions elsewhere have been offset by an increase in costs related to a small number of high-cost placements.

Transport costs remain high which has exacerbated the impact of the historic rise in demand from children with Special Educational Needs. With the landscape for fuel costs and driver availability remaining difficult, we are focussing in trying to reduce the demand for transport.

The Dedicated Schools Grant (DSG) deficit has decreased by £260k since last period to £10m and compared to £13.5m at year end. The Safety Valve agreement is a five-year agreement with the DfE that is based on getting to balance in the fifth year. We are making good progress against all of the agreed actions and have made significant savings to date. The number of Education Health & Care Plans (EHCPs) is stable as the actions we committed to take effect. There continues to be new plans agreed according to need, but the in and out flows are roughly equal.

Of the general fund savings agreed for 2022/23, the Shorts Breaks Review savings (£200k) are outstanding due to delays in the project. The savings on transport (£150k) are no longer achievable due to the rising cost of transport. Apart from the high cost of fuel, which may be temporary, there is a shortage of drivers and fewer operators in the market.

Local Authority Services

Local Authority Funded Services (£000's)	Budget	September Variance	August Variance	202122 Outturn Variance
Child Social Care and Youth Inclusion				
Senior Management	£ 303	-£ (31)	-£ (31)	£ 429
Head of Help & Family Assessment	£ 3,070	-£ (517)	-£ (304)	-£ (676)
Head of Family Support & Safeguarding	£ 4,382	£ 810	£ 810	£ 2,019
Head of Corporate Parenting	£ 12,461	£ 1,408	£ 1,025	£ 809
Head of Adolescent and Safeguarding	£ 1,968	-£ (315)	-£ (157)	-£ (572)
CSC & Youth Incl Total	**22,184**	**1,355**	**1,343**	**2,009**
Education				
Contracts, Proc & School Org	£ 7,854	£ 1,576	£ 1,551	£ 409
Early Years & Children Centres	£ 4,191	-£ (172)	-£ (84)	-£ (311)
Education - School Improvement	£ 64	£ 21	£ 68	-£ (1)
Education Inclusion	£ 1,815	-£ (9)	-£ (5)	-£ (131)
Schools Delegated Budget	£ -	£ -	£ -	-£ (3)
SEN & Disability Integrat Serv	£ 2,037	-£ (16)	-£ (56)	£ 49
Senior Management	£ 1,985	-£ (334)	-£ (234)	£ 364
Policy, Planning & Performance	£ 749	-£ (50)	-£ (50)	£ 75
Departmental Business Support	£ 216	-£ (35)	-£ (153)	-£ (57)
Education Total	**£ 18,911**	**£ 981**	**£ 1,037**	**£ 394**
Other CSF				
Joint Commissioning & Partnrsh	£ 910	-£ (310)	-£ (310)	£ 0
PFI Unitary Charges	£ 8,409	£ -	£ -	£ 766
Depreciation	£ 9,801	£ -	£ -	-£ (0)
Other Education Budgets	£ 135	£ -	£ -	-£ (114)
Education Services Grant	-£ (1,062)	£ -	£ -	-£ (12)
Pension & Redundancy Costs	£ 1,624	-£ (649)	-£ (641)	-£ (617)
Education Total	**£ 19,817**	**-£ (959)**	**-£ (951)**	**£ 23**
LA Total	**£ 60,912**	**£ 1,377**	**£ 1,429**	**£ 2,426**

Child Social Care & Youth Inclusion

Overall CSC&YI forecast overspend has increased by £12k since last period. There are a number of movements between the forecasts within this service, which reflect focussed reviews of budgets and forecasting over the last few months.

The main pressures in the Child Social Care & Youth Inclusion budget remain the dependency on and increasing cost of agency social workers and the cost of placements for looked alter children. However, we continue to make headway, with eight Merton trained social workers replacing agency workers in September. We have a focus on recruitment which included attending a London wide recruitment fair this month and updated our social work recruitment site. Work is underway around development of a dedicated social work recruitment micro-site for Merton Adults and Children's Services.

We are partners to a London-wide protocol on agency rates which is aimed at stemming the hourly rates which had been rising, typically by £4 per hour last year. This situation continues to improve gradually and as of the end of Sept 2022, the number of agency staff had reduced to 51, compared to 55 in September. Merton has signed up to a pan-London pledge which caps agency rates.

The cost of residential placements remains a concern. Work continues to review high-cost placements regularly with a view to moving to placements with better outcomes and lower costs. The increase relates to three new cases which are high cost.

Education

The Education forecast overspend has reduced by £56k to £0.98m. The Education budget is facing significant pressures in the cost of transport. The number of children with an Education Health & Care Plan (EHCP) which includes home to school transport increased in the last few years. The Safety Valve plan aims to reduce the number of plans and is starting to have an impact overall, but the cohort with transport tend to have more complex needs. We have opened a new 80 place special school annexe in September, with 40 places filled so far.

With the cost of journeys unlikely to come down in the short term, our focus is on managing and reduction demand. We have managed to stabilise the number of children transported for the new academy year, by applying our refreshed transport policy is being applied to new applications. The overspend in transport has stabilised at £1.6m. This also includes the unachieved saving of £150k. Now that the new term transport packages are sorted, we will now focus on reviewing existing transport arrangements.

Dedicated Schools Budget (£000's)	Budget		September Variance		August Variance		202122 Outturn Variance	
Education								
Contracts, Proc & School Org	£	286	£	20	£	20	-£	(16)
Early Years & Children Centres	£	15,823	-£	(167)	-£	(519)	-£	(3,348)
Education - School Improvement	£	1,120	-£	(4)	£	45	-£	(41)
Education Inclusion	£	1,464	-£	(39)	-£	(13)	£	99
SEN & Disability Integrat Serv	£	24,075	£	8,431	£	9,112	£	13,899
Sub-total	**£**	**42,768**	**£**	**8,241**	**£**	**8,645**	**£**	**10,593**
CSC & Youth Inclusion								
DSG - Child Social Care & Youth Incl	£	42	£	-	£	-	-£	(7)
Sub-total	**£**	**42**	**£**	**-**	**£**	**-**	**-£**	**(7)**
Schools Delegated Budget								
DSG Reserve	**£**	**-**	**-£**	**(1,200)**	**-£**	**(1,200)**	**-£**	**(2)**
Retained Schools Budgets	£	2,828	-£	(1,481)	-£	(1,290)	-£	(417)
Schools Delegated Budget	-£	(45,683)	£	4,449	£	4,115	£	3,387
Sub-total	**-£**	**(42,855)**	**£**	**1,768**	**£**	**1,625**	**£**	**2,967**
DSG Total	**-£**	**(45)**	**£**	**10,009**	**£**	**10,270**	**£**	**13,553**

Dedicated Schools Grant (DSG) and Safety Valve

We continue to make good progress on our Safety Valve programme. The in-year deficit has come down a further £260k from last month. The number of Education Health & Care Plans (EHCPs) has stabilised and as at the end of September was 2,493. New plans are being approved in line with need and our policy, but this is offset by plans coming to an end. The new provision of special school places at Whately Avenue and in additional Additionally Resources Places on our mainstream school sites has already made over £1m contribution to the reduction in the deficit and there are still places to be filled to meet ongoing need.

Overall, the in-year deficit is £3.54m lower than last year. However, it is still short of the very ambitious year one target of £6.9m as set out in the Safety Valve plan. We continue to work to get closer to this target in year but are also looking across the life of the five-year plan for opportunities to offset any shortfall in later years. In particular, we are looking to bring forward the delivery of further new special school places. We have in principle agreement for a new special school in the borough and we are working with the DfE to deliver this ahead of plan. The aim is to try to claw back some of the under-achievement against the year one plan in later years in the five year cycle.

Background

The Safety Valve plan agreed with the DfE is a five-year plan to bring the DSG budget into balance. We are not expected to achieve that balance before the fifth year. However, we are making good progress. As at period 6, the DSG forecast is an overspend of £10m against the year-end target of £6.4m and compared to £10.3m in period 5 and £13.5m in 2021/22.

In the Schools Bill and the SEND Green Paper, the government has recognised that the current SEND system is broken. The Schools Bill includes provision to try to ensure that mainstream schools are inclusive of those with SEND, and the Green Paper proposes significant changes to the SEND process. A failure in funding keeping pace with demand and costs have combined with policy changes (such as the extension in responsibility to age 25) to leave the majority of authorities in England with rising demand and increasing deficits. Merton in particular has faced a high level of EHCPs and the impact of having a significant amount of expensive independent sector provision in the area.

Merton was invited to join the second tranche of the Safety Valve programme process in July 2021. The programme is a mechanism for the DfE to provide deficit funding to local authorities in recognition of the significant pressures. The agreement with the DfE in March 2022 commits them to £28.8m deficit funding, of which £11.6m has been paid upfront. The remainder will be paid over five years subject to meeting the agreement conditions. Following submission of the first monitoring report to DfE, the DfE approved the release of the first instalment of the 2022/23 payment of £875k.

Community and Housing Summary Position

Overview

Community and Housing is currently forecasting an unfavourable position as at September of £903k which is an increase in unfavourable variance of £24k since August. Adult Social Care unfavourable forecast increased by £127k, Housing reduced by £105k, Libraries forecast increased by £3k and Merton Adult Learning and Public Health continues to forecast a breakeven position.

Favourable positions on other budget lines within Community and Housing such as employees budget lines due to recruitment lag/delays is assisting with the overall position. Adult Social Care overall position could improve once client contribution is updated.

Adult Social Care is currently forecasting an unfavourable variance of £655k. However, due to the continued increase in overall demand and increasingly complex packages of care this budget is currently forecasting an overspend. This is due to a combination of issues, primarily related to the

Community & Housing	2022/23 Current Budget £ 'm	2022/23 Full Year Forecast £ 'm (Sept)	2022/23 Full Year Variance £'m (Sept)	2022/23 Full Year Variance £'m (Aug)	2022/23 Outturn Variance £'m (Mar'22)
Adult Social Care	60,517	61,174	655	528	(881)
Libraries and Heritage	2,499	2,524	25	22	105
Merton Adult Learning	4	4	0	0	0
Housing General Fund	3,519	3,743	224	329	77
Public Health	(162)	(162)	0	0	0
Total Favourable/ Unfavourable	66,377	67,283	903	879	(699)

higher complexity of new packages meaning these costs more on average than ended packages – this is driving an upward overall cost pressure even though overall numbers of packages appear to be stabilising over the last two months as a result of the actions reported in previous monitoring reports.

Adult Social Care

The department continues to forecast an increase in demand for services which is driven partly due to living with the effects of long-term Covid and partly by an increase in the older people cohort, both in terms of volume and increasing frailty. There was an overall increase in placements in the first four months of the year. However, in consideration of the increase in demand the service has implemented new procedures to monitor placements daily and the number of new placements in August and September has reduced. The placement forecast is based on Mosaic expenditure data to September 2022 and income based is based on 2021/22 billing data plus estimated income based on increase in customer numbers.

In terms of the new customers the majority were in long stay residential, supported living and a move from domiciliary care to residential nursing care. Additionally, there is a steady increase in mental health customers which is also the trend seen in the neighbouring boroughs. The current placement forecast includes several high-cost transitions customers which the service is currently seeking clarification regarding contributions from external parties.

Pressure on the Financial Assessment Team has been reported in previous months' monitoring reports. Recruitment of permanent and temporary staff is alleviating this situation and the risk of under-collection of income is reducing as a result.

Monthly Movements in Packages of Care April 2022 to Sept 2022

Month	New Customers	Deceased Customers	Customers No Longer Receiving a Service	Net Movement
April'22	44	-21	-23	0
May'22	53	-21	-49	-17
June'22	51	-12	-15	24
July'22	54	-33	-21	0
Aug'22	44	-24	-37	-17
Sept'22	41	-11	-29	1
Total	**287**	**-122**	**-174**	**-9**
Annual (to date) Average 2022/23	**48**	**-20**	**-29**	**-2**
Annual Average 2021/22	**50**	**-17**	**-20**	**13**
Annual Average 2020/21	**37**	**-27**	**-17**	**-7**
Annual Average 2019/21	**34**	**-24**	**-24**	**-14**
Annual Average 2018/19	**36**	**-23**	**-25**	**-11**

The above table to shows that to September there were 287 new customers, 122 deaths and 174 customers no longer requiring a service. It is also important to note that customers are presenting with increased frailty, and more complex need which affects costs.

The sustained growth in out of hospital demand continues and has not returned to the pre-COVID levels as reflected in the forecasted placements expenditure to August 2022. It is expected that the government's recent announcement regarding the additional £500m for Adult Social Care discharge fund could assist with this pressure. However, only 40% of the Council's allocation will come directly to the Council, with the remaining 60% going to the Integrated Care Board.

Discharge activity is expected to remain under severe pressure into 2022/23 as general hospital activity is at record levels, compounded by additional recent Covid admissions, together with an ever-growing backlog of elective procedures.

Description of Pathways: -

Pathway 0- 50 % of Clients

- People discharged requring minimal support,or interventions from health and social care services.

Pathway 1- 45% of clients

- People who are discharged and able to return home with a new, additional or a restarted package of care.

Pathway 2- 4% of clients

- People who discharged with a short term intensive support package at a 24 hour bed based setting before returning home.

Pathway 3-1% of clients

- People who require 24 hours bed based care

Comparison of Discharge Activities 2021/22 to September 2021

Discharge Activities April to September 2021/22

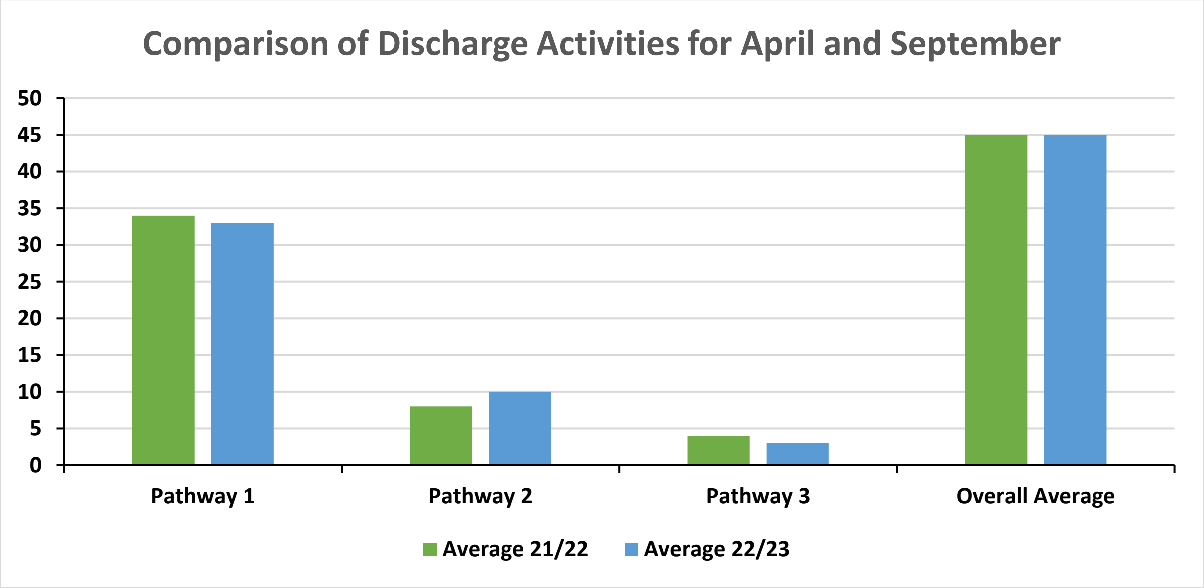
Week Commencing	Pathway 1	Pathway 2	Pathway 3	Grand Total
Grand Total	875	207	84	1166
Average	**34**	**8**	**4**	**45**

NB: No information on pathway 0

Discharge Activities April to September 2022/23

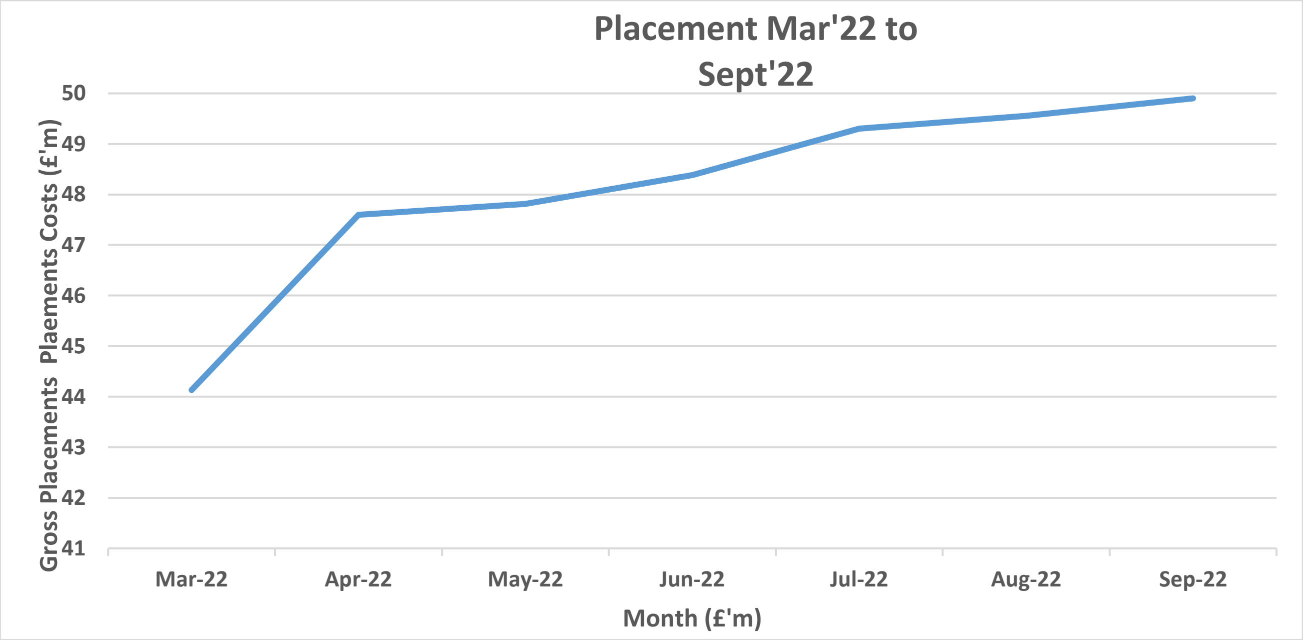
Week Commencing	Pathway 1	Pathway 2	Pathway 3	Grand Total
Grand Total	853	255	73	1181
Average	**33**	**10**	**3**	**45**

Bar Chart below is a comparison of the average discharge activities between April to September 2021/22 and 2022/23



The above graph now shows overall discharge rate is as 2021/22 and more customers with intensive short term support need.

Graph of Gross Placement Forecast from April 2020 to September 2022



The above representation shows a marked increase between March 2022 to April and continues to increase as per the graph above. Using linear forecast potentially by December 2022 estimated gross placement cost could potentially be £52m assuming all things remain equal.

Adult Social Care Internal Provision –unfavourable Variance - £13k

Direct Provision forecast was unchanged, service currently forecasting an unfavourable position. The service is dealing with a small number of long - term sickness cases in key areas, and there are several vacancies across residential and supported living services. There is also currently a shortage of available bank staff to cover some of the 24/7 shifts, which has led to staff working overtime to ensure safe staffing levels. We are currently preparing a further recruitment campaign to add more bank staff and therefore reduce overtime expenditure. All rotas are reviewed on a weekly basis. There is additional spending in the Merton Employment Team to support the Employment Pilot, and this needs to be balanced by the additional funding which had been agreed. An additional amount of £11k has been added to the forecast to cover anticipated utilities costs.

Library & Heritage Service- unfavourable Variance - £25k

This service is forecasting an unfavourable variance of £25k in September 2022, which is an increase of £3k. The current position also includes additional unforeseen cost of £13k incurred due to the monarch death.

New services are due to be launched this autumn including new Health & Wellbeing Zones and Cost of Living events to support residents. Libraries are also established as warm banks that will provide shelter and warmth for any resident during the winter months.

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).

New funding streams are being allocated to enhance curriculum provision around mathematics (Multiply government initiative) and green skills. The service is in the process of awarding new provider contracts to support with some of this.

Housing General Fund- unfavourable variance - £224k

This service is currently forecasting an unfavourable variance which has reduced by £105k. Current unfavourable variance is made up of a revised forecast on customer contributions, reduction in Housing Benefit subsidy, increase in temporary accommodation expenditure, rent deposits and employee costs.

Temporary Accommodation (TA) numbers increased slightly in September. The borough now has 285 families in TA which is a net increase of 1 since August.

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. Thus, the service is finding it extremely difficult to source properties in the Private Sector Housing market.

Housing	Total Budget 2022/23 £000	Forecast Expenditure (Sept'22) £'000	Forecast Variance (Sept'22) £'000	Forecast Variance (Aug'22) £'000	Outturn Variance (March'22) £000
Temporary Accommodation-Expenditure	2,544	4,204	1,660	1,649	1,346
Temporary Accommodation-Client Contribution	(140)	(230)	(90)	(110)	(177)
Temporary Accommodation-Housing Benefit Income	(2,087)	(3,555)	(1,468)	(1,468)	(465)
Temporary Accommodation-Subsidy Shortfall	322	1,576	1,254	1,318	838
Temporary Accommodation-Grant	0	(991)	(991)	(961)	(1,514)
Subtotal Temporary Accommodation	639	1,004	365	428	28
Housing Other Budgets	2,880	2,739	(141)	(99)	49
Total Controllable (Favourable)/Unfavourable Variance	3,519	3,743	224	329	77

Analysis of Housing and Temporary Accommodation Expenditure to September 2022

Number of Households in Temporary Accommodation in Previous years

Previous Financial Years (Month' Year)	Annual Numbers at Financial Year End
Mar'17	186
Mar'18	**165**
Mar'19	174
Mar'20	**199**
Mar'21	197
Mar'22	**230**

The total numbers in temporary accommodation (TA) in March 2022 was 230 which is an overall increase of 17% on March 2021. The numbers in (TA) continues to increase since March as demonstrated below. TA numbers in September was 285 which is 24% increase since March 2022.

Current Financial Years (Month' Year)	Numbers In	Numbers Out	Net Movement
Apr'22	18	15	233
May'22	28	7	254
June'22	21	16	259
July'22	19	8	270
Aug'22	26	12	284
Sept'22	20	19	285

The table above shows the total numbers in temporary accommodation (TA) to September 2022. This shows that net numbers in (TA) is increased by 52 since April. Based on numbers to date the numbers in TA could potentially increase to 335 by December. However, this is significantly lower than most of LBM's neighbouring boroughs.

Numbers in Temporary Accommodation as of March 2022 in neighbouring boroughs

Sutton - 844
Kingston - 837
Richmond - 314
Croydon - 1988
Bromley - 1653
Wandsworth - 2894

Statistical Data from Department of Levelling up, Housing and Communities (Extract-March'22)

This is due to a combination of factors: -

1. Increase in demand, primarily from the end of assured short tenancies (AST) and domestic abuse cases, but also family evictions, hospital discharges, prison releases and some cases from Ukraine
2. Fewer private sector rentals
3. Increase in numbers of customers going into TA

Feedback from other boroughs is that this situation is London wide and since January in some cases there has been a doubling of homelessness applications. There was an improvement in vacant properties from Capital Letters during June, though supply dropped again in July. However, rent deposit staff were able to find alternative sources of PRS (Private Rented Sector) properties so there were 12 moves during the month.

Lastly, the service is working with colleagues in the housing benefit team to chase cases that have not yet received assessments. This is the reason for an additional in the member of staff in the team as another of staff is required to progress this work. Our modelling suggests there could be significant sums from previous years, Housing Benefit forms were submitted but not processed thus the team have produced data on this to share with colleagues in the Housing Benefits so that urgent action can be taken.

Public Health –Breakeven position

The service is forecasting a breakeven position in September 2022.

Potential Cost pressures

The service has agreed a financial position for CLCH (Central London Community Health) Integrated Sexual health services to March 2024 and a financial position for CLCH children's contract (health visitors and school nurses) to March 2023. Further negotiations are required on the financial agreement for the 2023/24 children's contracts (health visiting and school nursing), including any potential inflationary increases and managing cost pressures on service.

Covid-19 Related Programmes

The team continues with the Covid-19 resilience programme, funded by the Contain Outbreak Management Fund (COMF) in 2022/23. COMF will be utilised in line with terms and conditions of the grant by March 2023.

Substance Misuse

The service also secured additional funding which is the Supplemental Substance Misuse Treatment and Recovery grant for 2022-2025 for the Department of Health and Social Care. This funding is being used in line with the grant conditions for drug and alcohol treatment and recovery. At this stage, only the 2022-23 allocation is confirmed with future years investment subject to DHSC confirmation.

CORPORATE ITEMS

The details comparing actual expenditure up to 30 September 2022 against budget are contained in Appendix 1. COVID-19 corporate expenditure is again shown on a separate line but it is intended that in future all covid related expenditure will be charged to the appropriate service:-

Corporate Items	Current Budget 2022/23 £000s	Full Year Forecast (Sep.) £000s	Forecast Variance at year end (Sep.) £000s	Forecast Variance at year end (Aug.) £000s	Outturn Variance 2021/22 £000s
Impact of Capital on revenue budget	11,066	10,947	(119)	(119)	(235)
Investment Income	(396)	(1,343)	(947)	(542)	(143)
Pension Fund	503	503	0	0	0
Pay and Price Inflation	6,076	5,786	(290)	(290)	(1,945)
Contingencies and provisions	19,916	15,226	(4,690)	(4,690)	(17,212)
Income Items	(4,223)	(4,223)	0	0	10
Appropriations/Transfers	(10,131)	(10,237)	(106)	(106)	1,972
Central Items	**11,744**	**5,711**	**(6,033)**	**(5,628)**	**(17,318)**
Levies	988	988	0	0	0
Depreciation and Impairment	(25,593)	(25,593)	0	0	20
TOTAL CORPORATE PROVISIONS	**(1,795)**	**(7,947)**	**(6,152)**	**(5,747)**	**(17,533)**
COVID-19 Emergency expenditure	0	89	89	54	235
TOTAL CORPORATE EXPENDITURE inc. COVID-19	**(1,795)**	**(7,859)**	**(6,063)**	**(5,693)**	**(17,298)**

Based on expenditure to 30 September 2022, a favourable variance of £6.063m including Covid (£6.152m excluding covid) is forecast for corporate expenditure items. This is a favourable movement of £0.370m including Covid (£0.405m excluding Covid) on the August forecast and the reasons for this are:-

a) The forecast investment income for 2022/23 has improved due mainly to the large and rapid increase in interest rates which is estimated to result in a favourable variance of £0.947m at the end of the year, an improvement of £0.405m on the August forecast.

b) The forecast for COVID-19 expenditure has increased by £35k since August.

5 Capital Programme 2022-26

5.1 The Table below shows the movement in the 2022/26 corporate capital programme since the last monitoring report:

Depts	Current Budget 22/23	Variance	**Revised Budget 22/23**	Current Budget 2023-24	Variance	**Revised Budget 23/24**	Current Budget 2024-25	Variance	**Revised Budget 24/25**	Current Budget 2025-26	Variance	**Revised Budget 25/26**
Corporate Services	7,292	(60)	**7,232**	20,198	60	**20,258**	5,155		**5,155**	12,427		**12,427**
Community & Housing	945		**945**	967		**967**	2,755		**2,755**	1,237		**1,237**
Children Schools & Families	9,137	(374)	**8,763**	6,984	574	**7,558**	8,737		**8,737**	3,479		**3,479**
Environment and Regeneration	16,133	(168)	**15,965**	10,283	831	**11,114**	6,114		**6,114**	22,923		**22,923**
Total	**33,507**	**(602)**	**32,905**	**38,432**	**1,465**	**39,897**	**22,761**	**0**	**22,761**	**40,066**	**0**	**40,066**

5.2 The table below summarises the position in respect of the 2022/23 Capital Programme as at September 2022. The detail is shown in Appendix 5a.

Capital Budget Monitoring - September 2022

Department	Actuals	Year to Date Budget	Variance	Final Budget 2022-23	Forecast Outturn 2022-23	Forecast Variance 2022-23
Corporate Services	1,091,594	2,186,286	(1,094,692)	7,232,170	7,232,523	353
Community and Housing	378,273	349,120	29,153	944,530	944,524	(6)
Children Schools & Families	3,867,706	4,422,831	(555,125)	8,762,970	8,762,970	0
Environment and Regeneration	4,207,435	5,390,570	(1,183,135)	15,965,420	15,965,420	0
Total	**9,545,008**	**12,348,807**	**(2,803,798)**	**32,905,090**	**32,905,437**	**347**

a) Corporate Services – After the adjustments in the Table below budget managers are projecting full spend on all budgets.

Corporate Services		**Budget 2022-23**	**Budget 2023-24**	**Narrativ e**
		£	**£**	
Civic Centre Cycle Parking	(1)	(60,000)	60,000	Reprofiled in line with projected spend

(1) Requires Cabinet approval

b) Community and Housing – Budget managers are projecting full spend on all budgets.

c) Children, Schools and Families – After the adjustments in the Table below budget managers are projecting full spend on all budgets.

Children, Schools and Families		**Budget 2022-23**	**Budget 2023-24**	**Narrative**
		£	**£**	
Unlocated Primary School Proj	**(1)**	**(264,550)**	298,430	Virement and Reprofiled in line with projected spend
Hollymount - Schools Capital Maintenance	**(1)**	100,800		Virement in line with projected spend
Hatfeild - Schools Capital Maintenance	**(1)**	69,800		Virement in line with projected spend
Hillcross - Schools Capital Maintenance	**(1)**	(50,110)		Virement in line with projected spend
Joseph Hood - Schools Capital Maintenance	**(1)**	38,000		Virement in line with projected spend
Dundonald - Schools Capital Maintenance	**(1)**	(9,080)		Virement in line with projected spend
Pelham - Schools Capital Maintenance	**(1)**	(16,000)		Virement in line with projected spend
Wimbledon Chase - Schools Capital Maintenance	**(1)**	(65,390)		Virement in line with projected spend
Wimbledon Park - Schools Capital Maintenance	**(1)**	15,900		Virement in line with projected spend
Haslemere - Schools Capital Maintenance	**(1)**	52,300		Virement in line with projected spend
St Marks - Schools Capital Maintenance	**(1)**	16,300		Virement in line with projected spend
William Morris - Schools Capital Maintenance	**(1)**	13,600		Virement in line with projected spend
Raynes Park - Schools Capital Maintenance	**(1)**	(50,000)		Virement in line with projected spend
Whatley - Capital Maintenance	**(1)**	50,000		Virement in line with projected spend
CSF Safeguarding - Care Leavers Living Accommodation	**(1)**	(66,000)	66,000	Reprofiled in line with projected spend
Youth Provision - Pollards Hill Digital Divide	**(1)**	(210,000)	210,000	Reprofiled in line with projected spend
Total		**(374,430)**	**574,430**	

(1) Requires Cabinet approval

The Melrose School expansion is a major scheme which completed at the end of February 2022, some three months later than programmed. The contract is subject to a series of cost claims by the contractor which are being considered line by line by the council's appointed project manager, quantity surveyor and the design consultant. The previously increased budget for the scheme is fully committed, any further costs will require further budget approval.

The Authority is also awaiting the final account for one element of the Harris Academy Wimbledon.

d. Environment and Regeneration – After the adjustments in the Table below budget managers are forecasting full spend on their budgets.

Environment and Regeneration		**Budget 2022-23**	**Budget 2023-24**	**Narrative**
		£	**£**	
Highways & Footways - Residential Secure Cycle Store	**(1)**	(25,670)	25,670	Reprofiled in line with projected spend
Highways & Footways - Accesibility Programme	**(1)**	130,000		Additional TfL Funding
Highways & Footways - Casualty Reduction & Schools	**(1)**	199,000		Additional TfL Funding
Cycle Route Improvements - Cycle Parking	**(1)**	75,000	5,000	Reprofiled in line with projected spend & Addit. TfL Funding
Cycle Route Improvements - Cycle Improve Residential Streets	**(1)**	205,000		Additional TfL Funding
Mitcham Area Regeneration - Sandy Lane Public Realm	**(1)**	(200,000)	200,000	Reprofiled in line with projected spend
Wimbledon Area Regeneration - Crowded Places/Hostile Veh	**(1)**	(180,000)	180,000	Reprofiled in line with projected spend
Wimbledon Area Regeneration - Wimbl Hill Heritage Led Pblc Realm	**(1)**	(50,000)	50,000	Reprofiled in line with projected spend
Borough Regeneration - Merton Lost Rivers	**(1)**	(200,000)	200,000	Reprofiled in line with projected spend
Parks Investment - Myrna Close Public Realm	(1)	48,800		New Section 106 Scheme
Borough Regeneration - 42 Graham Road	(1)	(50,000)	50,000	Reprofiled in line with projected spend
Borough Regeneration - Carbon Offset Funding	(1)	(50,000)	50,000	Reprofiled in line with projected spend
Parks Investment - Paddling Pools	(1)	(70,000)	70,000	Reprofiled in line with projected spend
Total		**(167,870)**	**830,670**	

(1) Requires Cabinet approval

Final accounts are still outstanding with some contractors on both Canons Parks for the People and Bishopsford (Mitcham) Bridge.

5.3 Appendix 5c shows the revised funding of the proposed budget for 2022/25

5.4 The table below summarises the movement in the Capital Programme for 2022/23 since its approval in March 2022 (£000s):

Depts.	**Original Budget 22/23**	**Net Slippage 2021/22**	**Adjustments**	**New External Funding**	**New Internal Funding**	**Re-profiling**	**Revised Budget 22/23**
Corporate Services	8,522	5,454		137	161	(7,042)	**7,232**
Community & Housing	2,530	87			50	(1,723)	**945**
Children Schools & Families	6,441	888	422	2,487		(1,475)	**8,763**
Environment and Regeneration	15,118	3,489	(12)	1,442	1,099	(5,171)	**15,965**
Total	**32,611**	**9,919**	**410**	**4,066**	**1,310**	**(15,411)**	**32,905**

5.5 The table below compares capital expenditure (£000s) to September 2022 to that in previous years':

Depts.	Spend To September 2019	Spend To September 2020	Spend to September 2021	Spend to September 2022	Variance 2019 to 2022	Variance 2020 to 2022	Variance 2021 to 2022
CS	1,131	769	627	1,092	(39)	323	465
C&H	414	171	612	378	(36)	207	(234)
CSF	4,752	868	3,424	3,868	(884)	2,999	444
E&R	2,851	2,787	5,053	4,207	1,356	1,420	(846)
Total Capital	**9,148**	**4,595**	**9,716**	**9,545**	**397**	**4,950**	**(171)**

Outturn £000s	23,161	16,930	21,776	
Budget £000s				32,905
Projected Spend September 2022 £000s				32,905
Percentage Spend to Budget				29.01%
% Spend to Outturn/Projection	39.50%	27.14%	44.62%	29.01%
Monthly Spend to Achieve Projected Outturn £000s				3,610

5.6 September is half way through the financial year and departments have spent just over 29% of the budget. Spend to date is higher than two of the last three previous financial years

Department	Spend To August 2022 £	Spend To September 2022 £	Increase £
CS	1,003,728	1,091,594	87,866
C&H	275,901	378,273	102,372
CSF	2,169,122	3,867,706	1,698,583
E&R	3,065,544	4,207,435	1,141,892
Total Capital	**6,514,295**	**9,545,008**	**3,030,714**

5.7 During September 2022 officers spent just over £3 million, to achieve year end spend officers would need to spend approximately £3.6 million each month to year end. Finance officers will continue to review in detail the projected outturn with budget managers.

6.0 DELIVERY OF 2022/23 SAVINGS

Department	Target Savings 2022/23	Projected Savings 2022/23	2023/24 Expected Shortfall
	£000	£000	£000
Corporate Services	695	395	300
Children Schools and Families	1,888	1,338	550
Community and Housing	1,659	305	1,354
Environment and Regeneration	1,148	549	599
Total	**5,390**	**2,587**	**2,803**

Appendix 6 provides a breakdown on Directorate savings.

1) CONSULTATION UNDERTAKEN OR PROPOSED

- All relevant bodies have been consulted.

2) TIMETABLE

- Following current financial reporting timetables.

3) FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- All relevant implications have been addressed in the report.

4) LEGAL AND STATUTORY IMPLICATIONS

- All relevant implications have been addressed in the report.

5) HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- Not applicable

6) CRIME AND DISORDER IMPLICATIONS

- Not applicable

7) RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

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

- **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 4 -	Next Debt update will be in Period 6
Appendix 5a –	Current Capital Programme
Appendix 5b -	Detail of Virements
Appendix 5c -	Summary of Capital Programme Funding
Appendix 6-	Progress on Savings 2021/22 (revised and simplified format)

8) BACKGROUND PAPERS

- Budgetary Control files held in the Corporate Services department.

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APPENDIX 1

3E.Corporate Items	Council 2022/23 £000s	Current Budget 2022/23 £000s	Year to Date Budget (Sep.) £000s	Year to Date Actual (Sep.) £000s	Full Year Forecast (Sep.) £000s	Forecast Variance at year end (Sep.) £000s	Forecast Variance at year end (Aug.) £000s	Outturn Variance 2021/22 £000s
Cost of Borrowing	11,066	11,066	5,533	2,567	10,947	(119)	(119)	(235)
Impact of Capital on revenue budget	**11,066**	**11,066**	**5,533**	**2,567**	**10,947**	**(119)**	**(119)**	**(235)**
Investment Income	**(396)**	**(396)**	**(132)**	**(570)**	**(1,343)**	**(947)**	**(542)**	**(143)**
Pension Fund	**503**	**503**	**251**	**0**	**503**	**0**	**0**	**0**
Corporate Provision for Pay Award	3,468	2,076	1,038	0	4,036	1,960	1,960	(195)
Corporate Provision for National Minimum Wage	1,500	1,500	750	0	250	(1,250)	(1,250)	(1,500)
Provision for excess inflation	2,500	2,500	1,250	0	1,500	(1,000)	(1,000)	(250)
Pay and Price Inflation	**7,468**	**6,076**	**3,038**	**0**	**5,786**	**(290)**	**(290)**	**(1,945)**
Contingency	1,500	1,392	696	0	1,392	0	0	(488)
Bad Debt Provision	1,500	1,500	750	0	1,500	0	0	(2,397)
Loss of income arising from P3/P4	400	400	200	0	200	(200)	(200)	(200)
Loss of HB Admin grant	23	23	11	0	23	0	0	(23)
Apprenticeship Levy	450	450	225	274	450	0	0	(69)
Revenuisation and miscellaneous	6,028	5,608	2,804	16	3,858	(1,750)	(1,750)	(3,153)
Growth - Provision against DSG	10,543	10,543	5,272	0	7,803	(2,740)	(2,740)	(10,882)
Contingencies and provisions	**20,444**	**19,916**	**9,958**	**291**	**15,226**	**(4,690)**	**(4,690)**	**(17,212)**
Other income	0	0	0	(0)	0	0	0	10
CHAS IP/Dividend	(2,223)	(4,223)	(2,112)	(2,240)	(4,223)	0	0	0
Income items	**(2,223)**	**(4,223)**	**(2,112)**	**(2,240)**	**(4,223)**	**0**	**0**	**10**
Appropriations: CS Reserves	(2,167)	(2,167)	(1,084)	0	(2,167)	0	0	0
Appropriations: E&R Reserves	(1,314)	(1,314)	(657)	0	(1,314)	0	0	0
Appropriations: CSF Reserves	(300)	(340)	(170)	(40)	(340)	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	(8,112)	(6,112)	(3,056)	2,000	(6,218)	(106)	(106)	1,972
Appropriations/Transfers	**(12,091)**	**(10,131)**	**(5,066)**	**1,960**	**(10,237)**	**(106)**	**(106)**	**1,972**
Depreciation and Impairment	**(25,593)**	**(25,593)**	**0**	**0**	**(25,593)**	**0**	**0**	**20**
Central Items	**(822)**	**(2,783)**	**11,471**	**2,006**	**(8,935)**	**(6,151)**	**(5,747)**	**(17,533)**
Levies	**988**	**988**	**494**	**617**	**988**	**0**	**0**	**0**
TOTAL CORPORATE PROVISIONS	**166**	**(1,795)**	**11,965**	**2,623**	**(7,947)**	**(6,151)**	**(5,747)**	**(17,533)**
COVID-19 Emergency expenditure	0	0	0	89	89	**89**	54	235
TOTAL CORPORATE EXPENDITURE inc. COVID-19	**166**	**(1,795)**	**11,965**	**2,712**	**(7,859)**	**(6,063)**	**(5,693)**	**(17,298)**

APPENDIX 2

Pay and Price Inflation as at September 2022 Monitoring

In 2022/23, the budget includes 2% for increases in pay and 2.5% for increases in general prices, with an additional amount of £2.5m which will be 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 10.1% and RPI at 12.6% and the Council's overall revenue budget under extreme pressure, this budget will be retained as cover and only released in exceptional circumstances.

Pay:

For 2022/23 the final pay award has not been agreed but provision of 2% was included in the MTFS.

As reported to Cabinet in the period 2 (May) monitoring report, on 6 June 2022, the three local government unions, UNISON, GMB and Unite, representing 1.4 million council and school employees, submitted a pay claim for staff in England, Wales and Northern Ireland.

The 2022 claim, which would apply from the start of April 2022, would see council employees receive either a £2,000 rise at all pay grades or the current rate of RPI (presently 11.7%), whichever is higher for each individual.

On 25 July 2022, the National Employers agreed to make the following one-year (1 April 2022 to 31 March 2023), final offer to the unions representing the main local government NJC workforce:

- With effect from 1 April 2022, an increase of £1,925 on all NJC pay points 1 and above
- With effect from 1 April 2022, an increase of 4.04 per cent on all allowances
- With effect from 1 April 2023, an increase of one day to all employees' annual leave entitlement
- With effect from 1 April 2023, the deletion of pay point 1 from the NJC pay spine

This offer would achieve a bottom rate of pay of £10.50 with effect from 1 April 2022 (which equates to a pay increase of 10.50 per cent for employees on pay point 1); everyone on the NJC pay spine would receive a minimum 4.04 per cent pay increase; and the deletion of pay point 1 on 1 April 2023, would increase the bottom rate to £10.60 (providing 10p headroom above the current upper-end forecast for the NLW on that date), pending agreement being reached on a 2023 pay award.

Potential rates of pay for London from 1 April 2022 based on the national employers' pay offer to the unions representing Local Government Services employees.

- With effect from 1 April 2022 the national offer is for a pay increase of £1,925 on all NJC pay points.
- In London this translates to an equivalent offer of £2,229 on all Outer London pay points and an increase of £2,355 on all Inner London pay points.
- Allowances to be increased by 4.04%

As previously reported, given the current pressure that pay negotiations are under, and the continuing upward forecast for inflation in the coming months, it is clear that the current 2% provision will not be sufficient.

The forecast outturn assumes a pay award of 6% and an unfavourable variance of c. £3.960m .

Unions have balloted their members on the offer. There are three recognised unions involved, Unison, GMB and Unite. Unison members have voted to accept the offer, Unite have voted to reject the offer whilst the GMB ballot closes on 21 October 2022.

If this level of pay award is agreed, it is currently proposed to mitigate this by a one-off contribution from reserves of £2m in 2022/23.

<u>Prices:</u>
The Consumer Prices Index (CPI) rose by 10.1% in the 12 months to September 2022, up from 9.9% in August and returning to July's recent high. CPI rose by 0.5% in September 2022, compared with a rise of 0.3% in September 2021. Rising food prices made the largest upward contribution to the change in both the CPIH and CPI annual inflation rates between August and September 2022. The continued fall in the price of motor fuels made the largest, partially offsetting, downward contribution to the change in the rates.
The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 8.8% in the 12 months to September 2022, up from 8.6% in August and returning to July's recent high. CPIH rose by 0.4% in September 2022, compared with a rise of 0.3% in September 2021. The largest upward contributions to the annual CPIH inflation rate in August 2022 came from housing and household services (principally from electricity, gas and other fuels, and owner occupiers' housing costs), food and non-alcoholic beverages, and transport (principally motor fuels).

The RPI rate for September 2022 was 12.6%, up from 12.3% in August 2022.

<u>Outlook for inflation:</u>
The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment.

At its meeting ending on 21 September 2022, the MPC voted to increase Bank Rate by 0.5 percentage points, to 2.25%. Five members voted to raise Bank Rate by 0.5 percentage points, three members preferred to increase Bank Rate by 0.75 percentage points, to 2.5%, and one member preferred to increase Bank Rate by 0.25 percentage points, to 2%. The Committee also voted unanimously to reduce the stock of purchased UK government bonds, financed by the issuance of central bank reserves, by £80 billion over the next twelve months, to a total of £758 billion, in line with the strategy set out in the minutes of the August MPC meeting.

The next Bank of England MPC base rate decision is on 3 November 2022.

Recent weeks have seen extremely volatile economic conditions and uncertainty. This is expected to continue until more clarity is provided about how the government intends to approach management of the cost of living pressures and high inflation currently experienced.

The government had announced help for people with their energy bills but the mini-budget on 23 September 2022 didn't explain how it would be paid for. In fact it announced lots of tax cuts - suggesting that borrowing would have to rise even more than expected to make up the difference. Financial markets were concerned about the amount the government would have to borrow to pay for its mini-budget. As a consequence, the value of gilts fell after the mini-budget, and pension funds had to sell more to raise the same amount of money to repay their loans. With more gilts being sold, their value fell further and this risked creating a downward spiral that could have left some pension funds unable to pay their debts.

The Bank of England is independent from the government but has instructions to keep the country financially stable - something that would have been at risk if lots of big pension funds had collapsed. It stepped in on 28 September 2022 and promised to buy gilts to stop their price dropping any further - effectively acting as a backstop and putting a floor on the price of a gilt and a ceiling on the yield. However, that support finished on 14 October 2022.

Concerns about the mini-budget on 23 September also made the pound less attractive to investors - so the value of sterling fell when compared with the dollar.
That meant it would cost more to import things we needed from abroad and would push up inflation.

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 recognises that there will be occasions when inflation will depart from the target as a result of shocks and disturbances. The economy has been subject to a succession of very large shocks. Monetary policy will ensure that, as the adjustment to these shocks continues, CPI inflation will return to the 2% target sustainably in the medium term. Monetary policy is also acting to ensure that longer-term inflation expectations are anchored at the 2% target."

The Bank of England hasn't raised its interest rates since the mini-budget but High Street banks believe it will have to do this - one reason mortgage rates are rising.
In addition, High Street banks raise money from the markets, which they then lend to customers in mortgages and other loans, but they have to offer investors higher interest rates than the government because they are seen as riskier investments.
This feeds through to the interest rates banks charge us - so when it costs the government more to borrow money, it makes our mortgages and other bank loans more expensive.

With the Bank of England's promise to buy gilts ending on 14 October, the government needed to act to reassure the markets that it would not be borrowing too much money to avoid the whole cycle starting again. The Chancellor of the Exchequer has cancelled almost all of the tax cuts announced in the mini-budget and says the help given to people for energy bills will be more limited. Now attention will be on what happens to gilts and sterling - and as a result to interest rates charged on mortgages and bank loans.

The Chancellor of The Exchequer on 17 October, brought forward a number of measures from 31 October's Medium-Term Fiscal Plan.

- Changes designed to ensure the UK's economic stability and provide confidence in the government's commitment to fiscal discipline
- Basic rate of income tax to remain at 20% until economic conditions allow for it to be cut, IR35 and dividend tax rate reforms no longer going ahead
- Treasury-led review of energy support after April 2023 launched

In his statement the Chancellor announced a reversal of almost all of the tax measures set out in the Growth Plan that have not been legislated for in parliament.

The Chancellor of the Exchequer stated that he has taken these decisions to ensure the UK's economic stability and to provide confidence in the government's commitment to fiscal discipline. The Chancellor made clear in his statement that the UK's public finances must be on a sustainable path into the medium term.

There are two key dates in the short term economic diary that are keenly awaited by financial markets and economic commentators:-

31 October 2022: The Chancellor will deliver the full Medium-Term Fiscal Plan to be published alongside a forecast from the independent Office for Budget Responsibility

3 November 2022: The next Bank of England MPC base 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 (October 2022)			
2022 (Quarter 4)	Lowest %	Highest %	Average %
CPI	7.4	14.0	10.4
RPI	8.7	17.7	13.1
LFS Unemployment Rate	3.4	4.5	4.0
2023 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.9	7.4	4.1
RPI	1.6	8.2	5.2
LFS Unemployment Rate	3.2	5.0	4.4

Note the wide range between highest and lowest forecasts which reflects the volatility and uncertainty arising from volatile fuel and utility costs impacting on the cost of living 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 2022 to 2026 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (August 2022)					
	2022	2023	2024	2025	2026
	%	%	%	%	%
CPI	8.3	4.7	1.3	1.6	1.8
RPI	9.1	6.5	2.4	3.1	3.4
LFS Unemployment Rate	3.9	4.2	4.2	3.8	3.7

APPENDIX 3

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 21 September 2022, the MPC voted to increase Bank Rate by 0.5 percentage points, to 2.25%. The Committee also voted unanimously to reduce the stock of purchased UK government bonds, financed by the issuance of central bank reserves, by £80 billion over the next twelve months, to a total of £758 billion, in line with the strategy set out in the minutes of the August MPC meeting.

The next Bank of England MPC base rate decision is on 3 November 2022.

In a widely reported speech published on 15 October 2022 the Governor of the Bank of England clarified the role of the MPC in the forthcoming months stating that "more recently, the UK Government has made a number of fiscal announcements, and has set October 31 as the date for a further fiscal statement. The MPC will respond to all this news at its next meeting in just under three weeks from now. This is the correct sequence in my view. We will know the full scope of fiscal policy by then. But I will repeat what we have said already. We will not hesitate to raise interest rates to meet the inflation target. And, as things stand today, my best guess is that inflationary pressures will require a stronger response than we perhaps thought in August.
UK financial markets have experienced some violent moves in the last few weeks particularly at the long-end of the Government debt market. This has put the spotlight on flaws in the strategy and structure of one important part of a lot of pension funds. The Bank of England has had to intervene to deal with a threat to the stability of the financial system, our other core objective.

There may appear to be a tension here between tightening monetary policy as we must, including so-called Quantitative Tightening, and buying government debt to ease a critical threat to financial stability. This explains why we have been clear that our interventions are strictly temporary, and have been designed to do the minimum necessary.

The MPC is not using the stock of asset holdings as an active tool of monetary policy at present. As we have made clear over a number of years, once Bank Rate was away from the lower bound, and could move in both directions, the intention was to unwind the stock of Quantitative Easing gradually and predictably, and in a way that wasn't bound to underlying economic conditions. Instead, monetary conditions are now steered by Bank Rate, the primary instrument of policy. Should monetary conditions prove too loose to meet the inflation target, given the economic news, it's Bank Rate that responds. And whatever the source of any disturbance to monetary conditions, the MPC is free to offset those disturbances by means of its primary instrument, Bank Rate."
In the August 2022 Monetary Policy report the MPC has used the following projections implied by current data trends:-

	Projections (August 2022)			
	2022 Q.3	2023 Q.3	2024 Q.3	2025 Q.3
GDP	2.3	(2.1)	0.0	0.4
CPI Inflation	9.9	9.5	2.0	0.8
LFS Unemployment Rate	3.7	4.4	5.5	6.3
Excess Supply/Excess Demand	0.75	-2.25	-3.25	-3.75
Bank Rate	1.6	3.0	2.5	2.2

The conclusions that the MPC reach in the August 2022 Monetary Policy Report are supported by the following Key Judgements:-

Key judgement 1: in the baseline forecast, persistently high gas and other commodity prices continue to put upward pressure on global consumer price inflation and depress global growth in the near term before their effects gradually dissipate.

Key judgement 2: given the sharp decline in household real incomes, consumer spending falls over the next year and the UK economy enters recession. Consumption falls by less than income, however, as households, in aggregate, reduce their saving. GDP growth is weak thereafter, even though the pressures on real incomes ease somewhat.

Key judgement 3: given elevated recruitment difficulties and strong labour demand, firms respond initially to the weakness in spending by using their existing inputs less intensively. So although economic slack emerges in 2022 Q4, the labour market remains tight over the next year and unemployment only starts to rise above its current level in mid-2023. It reaches 6¼% at the end of the forecast period, with slack building to 3¾% of potential GDP.

Key judgement 4: : domestic price pressures remain strong over the first half of the forecast, as nominal wage growth strengthens and many companies are able to protect their margins. But the building degree of economic slack moderates these forces and inflation expectations adjust downwards quickly as external pressures abate and inflation itself begins to fall. Domestic pressures therefore fade and, conditioned on the market yield curve, inflation is around the 2% target in two years' time and well below it in three years.

Appendix 5a

Capital Budget Monitoring – September 2022

Description	Actuals	Year to Date Budget	Variance	Current Budget 2022-23	Forecast Outturn 2022-23	Forecast Variance 2022-23
Capital	**9,545,008**	**12,348,807**	**(2,803,798)**	**32,905,090**	**32,905,437**	**347**
Corporate Services	**1,091,594**	**2,186,286**	**(1,094,692)**	**7,232,170**	**7,232,523**	**353**
Customer Contact Programme	31,000	0	31,000	518,000	518,000	0
Works to other buildings	261,193	571,992	(310,799)	1,189,720	1,150,108	(39,612)
Civic Centre	26,515	120,000	(93,485)	300,000	339,501	39,501
Invest to Save schemes	203,521	307,286	(103,765)	854,560	854,214	(346)
Business Systems	17,350	601,000	(583,650)	1,433,940	1,433,940	0
Social Care IT System	0	0	0	281,000	281,000	0
Disaster recovery site	19,551	94,080	(74,529)	94,080	94,080	0
Planned Replacement Programme	62,604	491,928	(429,324)	1,229,820	1,229,820	0
Acquisitions Budget	469,860	0	469,860	469,050	469,860	810
Westminster Ccl Coroners Court	0	0	0	862,000	862,000	0
Community and Housing	**378,273**	**349,120**	**29,153**	**944,530**	**944,524**	**(6)**
Telehealth	0	0	0	30,400	30,400	0
Disabled Facilities Grant	378,273	349,120	29,153	885,130	885,124	(6)
Major Library Projects	0	0	0	5,000	5,000	0
Libraries IT	0	0	0	24,000	24,000	0

Appendix 5a

Capital Budget Monitoring – September 2022

Description	Actuals	Year to Date Budget	Variance	Current Budget 2022-23	Forecast Outturn 2022-23	Forecast Variance 2022-23
Children Schools & Families	**3,867,706**	**4,422,831**	**(555,125)**	**8,762,970**	**8,762,970**	**0**
Primary Schools	**853,984**	**1,646,275**	**(792,291)**	**2,844,670**	**2,844,670**	**0**
Hollymount	40	4,200	(4,160)	105,000	105,000	0
West Wimbledon	99,030	75,360	23,670	158,610	158,610	0
Hatfeild	68,235	84,040	(15,805)	155,090	155,090	0
Hillcross	80,555	127,610	(47,055)	170,000	170,000	0
Joseph Hood	136	15,000	(14,864)	53,000	53,000	0
Dundonald	7,548	10,080	(2,532)	15,000	15,000	0
Merton Park	(809)	14,500	(15,309)	14,500	14,500	0
Pelham	44,111	75,055	(30,944)	110,000	110,000	0
Poplar	3,055	30,000	(26,945)	40,000	40,000	0
Wimbledon Chase	50,227	132,390	(82,164)	120,000	120,000	0
Wimbledon Park	48,034	140,380	(92,346)	180,030	180,030	0
Abbotsbury	78,240	104,208	(25,968)	137,000	137,000	0
Malmesbury	34,356	36,383	(2,026)	47,000	47,000	0
Morden	12,693	56,250	(43,557)	75,000	75,000	0
Bond	38,827	17,970	20,857	52,000	52,000	0
Cranmer	10,737	159,080	(148,343)	250,830	250,830	0
Gorringe Park	31,344	45,000	(13,656)	60,000	60,000	0
Haslemere	2,315	86,740	(84,425)	304,040	304,040	0
Liberty	(487)	0	(487)	80,490	80,490	0
Links	75,586	75,600	(14)	114,850	114,850	0
Singlegate	90,999	108,750	(17,751)	145,000	145,000	0
St Marks	(1,630)	13,760	(15,390)	85,060	85,060	0
Lonesome	74,626	99,280	(24,654)	190,000	190,000	0
Sherwood	9,389	114,400	(105,011)	150,150	150,150	0
William Morris	(3,170)	18,420	(21,590)	32,020	32,020	0
Unlocated Primary School Proj	0	1,820	(1,820)	0	0	0

Appendix 5a

Capital Budget Monitoring – September 2022

Description	Actuals	Year to Date Budget	Variance	Current Budget 2022-23	Forecast Outturn 2022-23	Forecast Variance 2022-23
Secondary	**84,774**	**111,940**	**(27,166)**	**313,800**	**313,800**	**0**
Harris Academy Morden	0	0	0	135,000	135,000	0
Harris Academy Merton	0	34,170	(34,170)	34,170	34,170	0
Raynes Park	55,610	59,750	(4,140)	85,000	85,000	0
Ricards Lodge	14,040	0	14,040	21,610	21,610	0
Rutlish	13,964	3,080	10,884	23,080	23,080	0
Harris Academy Wimbledon	1,160	14,940	(13,780)	14,940	14,940	0
SEN	**2,751,257**	**2,391,186**	**360,072**	**5,112,160**	**5,112,160**	**0**
Perseid	86,584	202,610	(116,026)	299,490	299,490	0
Cricket Green	(15,000)	46,120	(61,120)	46,120	46,120	0
Melrose	368,918	72,750	296,168	589,000	589,000	0
Melrose Whatley Ave SEN	877	0	877	50,000	50,000	0
Unlocated SEN	1,647,799	1,525,073	122,726	2,972,940	2,972,940	0
Melbury College - Smart Centre	131,321	124,500	6,821	155,000	155,000	0
Medical PRU	261,711	1,700	260,011	431,700	431,700	0
Mainstream SEN (ARP)	269,047	318,433	(49,386)	437,910	437,910	0
Perseid Lower School	0	100,000	(100,000)	130,000	130,000	0
Other	**177,691**	**273,430**	**(95,739)**	**522,340**	**522,340**	**0**
CSF Safeguarding	295	0	295	86,000	86,000	0
Devolved Formula Capital	176,862	235,830	(58,968)	353,740	353,740	0
Children's Centres	279	20,000	(19,721)	55,000	55,000	0
Youth Provision	255	17,600	(17,345)	27,600	27,600	0

Appendix 5a

Capital Budget Monitoring – September 2022

Description	Actuals	Year to Date Budget	Variance	Current Budget 2022-23	Forecast Outturn 2022-23	Forecast Variance 2022-23
Environment and Regeneration	**4,207,435**	**5,390,570**	**(1,183,135)**	**15,965,420**	**15,965,420**	**0**
On Street Parking - P&D	157,235	264,712	(107,477)	492,780	492,780	0
Off Street Parking - P&D	63,754	278,804	(215,050)	1,474,510	1,474,510	0
CCTV Investment	94,245	433,148	(338,903)	1,015,840	1,015,840	0
Public Protection and Developm	0	25,000	(25,000)	50,000	50,000	0
Fleet Vehicles	0	269,768	(269,768)	748,470	748,470	0
Alley Gating Scheme	0	20,000	(20,000)	46,000	46,000	0
Waste SLWP	219,259	156,000	63,259	433,430	431,862	(1,568)
Street Trees	23,187	0	23,187	103,990	103,990	0
Raynes Park Area Roads	5,167	0	5,167	43,500	43,500	0
Highways & Footways	2,611,003	1,877,572	733,431	6,116,650	6,118,218	1,568
Cycle Route Improvements	67,126	157,476	(90,350)	678,640	678,640	0
Mitcham Area Regeneration	41,249	440,580	(399,331)	883,950	883,950	0
Wimbledon Area Regeneration	262,148	479,852	(217,704)	1,035,870	1,035,870	0
Morden Area Regeneration	0	0	0	150,000	150,000	0
Borough Regeneration	224,564	246,456	(21,892)	507,140	507,140	0
Property Management Enhancemen	0	0	0	35,000	35,000	0
Wimbledon Park Lake and Waters	390,057	208,084	181,973	520,210	520,210	0
Sports Facilities	23,538	126,088	(102,550)	315,220	315,220	0
Parks	24,902	407,030	(382,128)	1,314,220	1,314,220	0

Appendix 5b

Virement, Re-profiling and New Funding - September 2022

		2022/23 Budget	Virements	Funding Adjustments	Reprofiling	Revised 2022/23 Budget	2023/24 Budget	Movement	Revised 2023/24 Budget	Narrative
Corporate Services		£	£		£	£	£		£	
Civic Centre Cycle Parking	(1)	**60,000**			(60,000)	**0**	**0**	60,000		Reprofiled in line with projected spend
Children, Schools and Families										
Unlocated Primary School Proj	(1)	**264,550**	(166,120)	200,000	**(298,430)**	**0**	**2,500,000**	298,430	**2,798,430**	Virement & Reprofiled in line with projected spend
Hollymount - Schools Capital Maintenance	(1)	**4,200**	100,800			**105,000**			**0**	Virement in line with projected spend
Hatfeild - Schools Capital Maintenance	(1)	**85,290**	69,800			**155,090**			**0**	Virement in line with projected spend
Hillcross - Schools Capital Maintenance	(1)	**220,110**	(50,110)			**170,000**			**0**	Virement in line with projected spend
Joseph Hood - Schools Capital Maintenance	(1)	**15,000**	38,000			**53,000**			**0**	Virement in line with projected spend
Dundonald - Schools Capital Maintenance	(1)	**24,080**	(9,080)			**15,000**			**0**	Virement in line with projected spend
Pelham - Schools Capital Maintenance	(1)	**126,000**	(16,000)			**110,000**			**0**	Virement in line with projected spend
Wimbledon Chase - Schools Capital Maintenance	(1)	**185,390**	(65,390)			**120,000**			**0**	Virement in line with projected spend
Wimbledon Park - Schools Capital Maintenance	(1)	**164,130**	15,900			**180,030**			**0**	Virement in line with projected spend
Haslemere - Schools Capital Maintenance	(1)	**251,740**	52,300			**304,040**			**0**	Virement in line with projected spend
St Marks - Schools Capital Maintenance	(1)	**68,760**	16,300			**85,060**			**0**	Virement in line with projected spend
William Morris - Schools Capital Maintenance	(1)	**18,420**	13,600			**32,020**	**0**		**0**	Virement in line with projected spend
Raynes Park - Schools Capital Maintenance	(1)	**135,000**	(50,000)			**85,000**			**0**	Virement in line with projected spend
Whatley - Capital Maintenance	(1)	**0**	50,000			**50,000**				Virement in line with projected spend
CSF Safeguarding - Care Leavers Living Accommodation	(1)	**132,000**			(66,000)	**66,000**	**0**	66,000	**66,000**	Reprofiled in line with projected spend
Youth Provision - Pollards Hill Digital Divide	(1)	**237,600**			(210,000)	**27,600**	**0**	210,000	**210,000**	Reprofiled in line with projected spend
Environment and Regeneration										
Highways & Footways - Residential Secure Cycle Store	(1)	25,670			(25,670)	**0**	**0**	25,670	**25,670**	Reprofiled in line with projected spend
Highways & Footways - Accesibility Programme	(1)	21,380		130,000		**151,380**	**0**		**0**	Additional TfL Funding
Highways & Footways - Casualty Reduction & Schools	(1)	17,000		199,000		**216,000**	**0**		**0**	Additional TfL Funding
Cycle Route Improvements - Cycle Parking	(1)	5,000		80,000	(5,000)	**80,000**	**40,000**	5,000	**45,000**	Reprofiled in line with projected spend and additional TfL Funding
Cycle Route Improvements - Cycle Improve Residential Streets	(1)	29,560		205,000		**234,560**				Additional TfL Funding
Mitcham Area Regeneration - Sandy Lane Public Realm	(1)	235,000			(200,000)	**35,000**	**0**	200,000	**200,000**	Reprofiled in line with projected spend
Wimbledon Area Regeneration - Crowded Places/Hostile Veh	(1)	180,000			(180,000)	**0**	**0**	180,000	**180,000**	Reprofiled in line with projected spend
Wimbledon Area Regeneration - Wimbl Hill Heritage Led Pblc	(1)	50,000			(50,000)	**0**	**750,000**	50,000	**800,000**	Reprofiled in line with projected spend
Borough Regeneration - Merton Lost Rivers	(1)	200,000			(200,000)	**0**	**100,000**	200,000	**300,000**	Reprofiled in line with projected spend
Parks Investment - Myrna Close Public Realm	(1)	0		48,800		**48,800**	**0**		**0**	Reprofiled in line with projected spend
Borough Regeneration - 42 Graham Road	(1)	**50,000**			(50,000)	**0**	**0**	50,000	**50,000**	Viable scheme could not be progressed
Borough Regeneration - Carbon Offset Funding	(1)	**150,000**			(50,000)	**100,000**	**0**	50,000	**50,000**	Reprofiled in line with projected spend
Parks Investment - Paddling Pools	(1)	**270,000**			(70,000)	**200,000**	**0**	70,000	**70,000**	Reprofiled in line with projected spend
Total		**3,225,880**	**0**	**862,800**	**(1,465,100)**	**2,623,580**	**3,390,000**	**1,465,100**	**4,795,100**	

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

Appendix 5c

Capital Programme Funding Summary 2022/23

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	**£000s**	**£000s**
August Monitoring	**15,238**	**18,270**	**33,507**
<u>Corporate Services</u>			
Civic Centre Cycle Parking	**(60)**	**0**	**(60)**
<u>Children, Schools and Families</u>			
CSF Safeguarding - Care Leavers Living Accommodation	**(66)**	**0**	**(66)**
Youth Provision - Pollards Hill Digital Divide	**(210)**	**0**	**(210)**
Unallocated - Schools Capital Maintenance	**0**	**(98)**	**(98)**
<u>Environment and Regeneration</u>			
Highways & Footways - Residential Secure Cycle Store	**(26)**	**0**	**(26)**
Highways & Footways - Accesibility Programme	**0**	**130**	**130**
Highways & Footways - Casualty Reduction & Schools	**0**	**199**	**199**
Cycle Route Improvements - Cycle Parking	**(5)**	**80**	**75**
Cycle Route Improvements - Cycle Improve Residential Streets	**0**	**205**	**205**
Mitcham Area Regeneration - Sandy Lane Public Realm	**(200)**	**0**	**(200)**
Wimbledon Area Regeneration - Crowded Places/Hostile Veh	**(180)**	**0**	**(180)**
Wimbledon Area Regeneration - Wimbl Hill Heritage Led Pblc Realm	**(50)**	**0**	**(50)**
Borough Regeneration - Merton Lost Rivers	**(200)**	**0**	**(200)**
Parks Investment - Myrna Close Public Realm	**49**	**0**	**49**
Borough Regeneration - 42 Graham Road	**(50)**	**0**	**(50)**
Borough Regeneration - Carbon Offset Funding	**(50)**	**0**	**(50)**
Parks Investment - Paddling Pools	**(70)**	**0**	**(70)**
Proposed September Monitoring	**14,120**	**18,785**	**32,905**

Capital Programme Funding Summary 2023/24

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
August Monitoring	**12,838**	**25,594**	**38,432**
Corporate Services			
Civic Centre Cycle Parking	**60**	**0**	**60**
Children, Schools and Families			
Unallocated - Schools Capital Maintenance	**0**	**298**	**298**
CSF Safeguarding - Care Leavers Living Accommodation	**66**	**0**	**66**
Youth Provision - Pollards Hill Digital Divide	**210**	**0**	**210**
Environment and Regeneration			
Highways & Footways - Residential Secure Cycle Store	**26**	**0**	**26**
Cycle Route Improvements - Cycle Parking	**5**	**0**	**5**
Mitcham Area Regeneration - Sandy Lane Public Realm	**200**	**0**	**200**
Wimbledon Area Regeneration - Crowded Places/Hostile Veh	**180**	**0**	**180**
Wimbledon Area Regeneration - Wimbl Hill Heritage Led Pblc Realm	**50**	**0**	**50**
Borough Regeneration - Merton Lost Rivers	**200**	**0**	**200**
Borough Regeneration - 42 Graham Road	**50**	**0**	**50**
Borough Regeneration - Carbon Offset Funding	**50**	**0**	**50**
Parks Investment - Paddling Pools	**70**	**0**	**70**
Proposed July Monitoring	**14,005**	**25,892**	**39,897**

Appendix 6 Progress on Savings expected in 2022/2

PROGRESS ON 2022/23 SAVINGS
DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2022/23

Ref	Description of Saving	2022/23 Savings Required £000	2022/23 Savings Forecast £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
Savings due in 22/23								
2019-20 CS04	Reduce strategic partner grant by 10%	78	78	0	G	John Dimmer		
2019-20 CS28	Cash collection reduction	13	13	0	G	Sean Cunniffe		
2020-21 CS7	Staff reductions	75	75	0	G	Sean Cunniffe		
2022-23 CS5	Customer, Policy & Improvement – Registrars Service	32	32	0	G	Sean Cunniffe		
2022-23 CS6	Customer, Policy & Improvement – Cash Collection	20	20	0	G	Sean Cunniffe		
2022-23 CS8	Customer, Policy & Improvement – Customer Contact	15	15	0	G	Sean Cunniffe		
2020-21 CS11	Commercial Services - restructure	50	0	50	R	Tina Dullaway	Will not be achieved - awaiting approval from CMT to implement the findings of the Commercial Services review. Due to go to CMT 07.07.22	
2018-19 CS08	Increase in income from Enforcement Service	20	0	20	R	David Keppler	Not achievable in year due to covid	
2022-23 CS1	Resources - AD budget	10	10	0	G	Roger Kershaw		
2022-23 CS2	Resources - AD budget	15	15	0	G	Roger Kershaw		
2022-23 CS3	Resources - Insurance	25	25	0	G	Nemashe Sivayogan		
2022-23 CS4	HR - Payroll	15	15	0	G	Liz Hammond		
2022-23 CS9	Corporate Governance - AD Budget	3	3	0	G	Louise Round		
2022-23 CS10	Corporate Governance - Electoral Services and Democratic services	15	15	0	G	Andrew Robertson		
2022-23 CS12	Corporate Governance - Information Team	29	29	0	G	Paul Phelan		
2022-23 CS13	Corporate items	50	50	0	G	Martin Hone		
Prior Year savings not delivered in 2021/22								
2018-19 CS07	Retender of insurance contract	25	0	25	R	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	David Keppler	Not achievable in year due to covid	Y
2021-22 CS11	Review of shared Bailiff service with Sutton	40	0	40	R	David Keppler	Not achievable in year due to covid	Y
2019-20 CS26	Review of contract arrangements	120	0	120	R	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
2019-20 CS23	Implement a means assessed charging scheme for appointeeships undertaken by the CFA team.	30	0	30	R	Tina Dullaway	Charging scheme yet to be agreed and implemented	Y
	Total CS Savings for 2022/23	**695**	**395**	**300**				

PROGRESS ON 2022/23 SAVINGS
CHILDREN, SCHOOLS AND FAMILIES SAVINGS PROGRESS: 2022-23

Ref	Description of Saving	2022/23 Savings Required £000	2022/23 Savings Achieved/ Expected £000	Shortfall	RAG	Responsible Officer	Comments
Savings due in 22/23							
CSF2019-12	Review of public health commissioned services	N/A	N/A	N/A	N/A	Dheeraj Chibber	This saving has been cancelled
CSF2019-16	National Minimum rate for Fostering/Guardianship/Adoption	20	20	0	G	Dheeraj Chibber	
CSF2019-17	Increased use of in-house foster care	40	40	0	G	Dheeraj Chibber	
CSF2019-18	Review and reshape shortbreaks provision	200	0	200	A	Elizabeth Fitzpatrick	Review delayed
CSF2019-19	SEND travel assistance	150	0	150	R	Elizabeth Fitzpatrick	There seems little prospect of transport costs reducing for the foreseeable future
2021-22 CSF01	Education & Early Help -Reduction made in provision for PFI Unitary Charges	450	450	0	G	Elizabeth Fitzpatrick	There may be an impact in 2029/30 when the PFI reserve may not be adequate
2021-22 CSF03	CSF - Ongoing underspend	200	200	0	G	Dheera Chibber/Elizabeth Fitzpatrick	
CSF1-22/23	School Meals PFI	100	100	0	G	Elizabeth Fitzpatrick	as above
CSF2-22/23	Education - Office Efficiencies	50	50	0	G	Elizabeth Fitzpatrick	
CSF3-22/23	Education Inclusion - Streamlined Activities	28	28	0	G	Elizabeth Fitzpatrick	
CSF4-22/23	CSC Placements - Demand Management and Commissioning			0		Dheerah Chibber	High inflation will drive up unit costs
Prior Year savings not delivered in 2021/22							
CSF2019-18	Review and reshape shortbreaks provision	200	0	200	A	Elizabeth Fitzpatrick	
2021-22 CSF01	Education & Early Help -Reduction made in provision for PFI Unitary Charges	450	450	0	G	Elizabeth Fitzpatrick	
	Total Children, Schools and Families Savings 2022/23	1,888	1,338	550			

DEPARTMENT: Community & Housing Savings Progress 2022/23

Ref	Description of Saving	Division	2022/23 Savings Required £000	2022/23 Savings Forecasted £000	Shortfall	RAG	Responsible Officer	Comments
(Nov'20)CH 100	Review of in-house day care provision	Adult Social Care	700		700	R	To be up dated	
(Nov'20)CH 101	Review of in-house LD Residential provision	Adult Social Care	544		544	A	To be up dated	
(Nov'20)CH 102	Dementia hub re-commissioning	Adult Social Care	55	55	0	G	Keith Burns	To be reviewed for period beyond 2022/23 in light of new administration priorities.
(Oct'21) CH105	Commissioning and Market Development – Increasing take up of Direct Payments	Adult Social Care	100	100	0	G	Keith Burns	Closer collaboration with operational teams to promote uptake. Work planned to streamline paperwork to make a more attractive option.
(Oct'21) CH106	Community & Housing - Housekeeping – review of ancillary budget lines	Adult Social Care	50	50	0	A	Various	
(Oct'21)CH1 09	Adult Social Care - Placements	Adult Social Care	100		100	G	Phil Howell	
Oct'21) CH110	Commissioning and Market Development – Commissioning efficiencies arising from re-procuring a high cost service	Adult Social Care	50	40	10	G	Keith Burns	Negotiation with provider in progress, but complex as aresult of TUPE position. May be recoverable but part year impact now reflected in forecast.
	Subtotal Adult Social Care		1,599	245	1,354			
(Jan'20) CH97	Increase income and better use of technology	Libraries	60	60	0	G	Anthony Hopkins	On track
	Subtotal Libraries		60	60	0			
	Total C & H Savings for 2022/23		1,659	305	1,354			

PROGRESS ON 2022/23 SAVINGS

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2022-23

Ref	Description of Saving	2022/23 Savings Required £000	2022/23 Savings Achieved £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N	Budget manager
Savings due in 22/23									
ENV2021-07	Property Management - Increase residential (former Service tenancies) rent (increased income)	100	100	0	G	James McGinlay	Saving will not be made from additional rent from residential properties but from Industrial rent increase.		Jacquie Denton
ENV2021-10	Development Control/Building Control - Savings as a result of the 'Assure' M3 upgrade	15	0	15	R	James McGinlay			Jonathan Berry
ENV2022-23 05	Highways; Increased income from street permitting through enforcement of utility works.	40	40	0	G	James McGinlay			Paul McGarry
ENV2022-23 07	Future Merton, Policy team: Additional income from planning performance agreements (PPA)	50	50	0	G	James McGinlay			Paul McGarry
ENV1819-04	Parking: Reduction in the number of pay & display machines required.	14	14	0	G	Calvin McLean			Gavin Moore
ENV2021-08	Parking - Activity to improve On Street parking compliance.	100	100	0	G	Calvin McLean			Gavin Moore
E1	Regulatory Services: Investigate potential commercial opportunities	65		65	R	Calvin McLean			Chris Nash
ENV2022-23 01	Public Space - Waste services: Disposal processing savings (Food Waste Recycle)	104	104	0	G	John Bosley			Charles Baker
ENV2022-23 02	Public Space – Greenspaces: Raynes Park Sports Ground - new lease arrangement	35	35	0	G	John Bosley			Andrew Kauffman
Prior Year savings not delivered in 2021/22									
ENV1920-06	Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway.	70	0	70	R	James McGinlay	Covid-19 estimated to impact on saving. Should be achieved from 2022/23.	Y	Paul McGarry
ENV2021-02	D&BC: Increase PPA's income (increased income) through a dedicated Majors team	80	0	80	R	James McGinlay	Staff issue with the admin manager being off sick has delayed progress.	Y	Jonathan Berry
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	Calvin McLean	Following the consultation process and approval by Merton, approved is required by the follong: 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. Band A charges were introduced on the 1st February 2022. The impact of the increased charge will be monitored.	Y	Gavin Moore
ENV2021-08	Parking: Activity to improve On Street parking compliance.	100	50	50	R	Calvin McLean	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. Additional on street activity commenced in January and a minimun £50k saving will be achieved in 2021/22.	Y	Gavin Moore
ENV2021-06	Service restructure across Safer Merton and CCTV	35	0	35	R	Calvin McLean	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	Alun Goode
	Total Environment and Regeneration Savings 2021/22	**1,148**	**549**	**599**					

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