

## Cabinet

**Date: 7 March 2016**

**Subject: Financial Report 2015/16 – January 2016**

Lead officer: Paul Dale

Lead member: Mark Allison

### **Urgent report:**

Reason for urgency: The chair has approved the submission of this report as a matter of urgency as it provides the latest available monitoring information for 2015/16. This requires consideration as it has implications for current and future years' budget monitoring and management

### **Recommendations:**

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- A. That Cabinet note the financial reporting data relating to revenue budgetary control, showing a forecast net overspend at year end of £1.6million, 0.3% of the gross budget.
  - B. That Cabinet note the adjustment to the Capital Programme contained in Appendix 5b
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## **1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

1.1 This is the financial monitoring report for the tenth month period 31<sup>st</sup> January 2016. This financial monitoring report provides:-

- The income and expenditure at Period 10 and a full year forecast projection.
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2015/16;
- Progress on the delivery of the 2015/16 revenue savings in a revised format
- An update on the delivery of 2014/15 savings

## 2. 2015/16 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

**Executive summary** – At the end of period to 31<sup>st</sup> January 2016 the year end forecast is net £1.6m overspend, 0.3% of the gross budget.

### Summary Position as at 31st January 2016

	Current Budget 2015/16 £000s	Full Year Forecast (Jan) £000s	Forecast Variance at year end (Jan) £000s	Forecast Variance at year end-previous month (Dec) £000s	Outturn variance 2014/15 £000s
<b>Department</b>					
3A. Corporate Services	15,258	15,342	84	391	(691)
3B. Children, Schools and Families	53,000	53,401	401	644	2,663
3C. Community and Housing	61,884	62,760	876	1,045	2,774
3D. Public Health	1,154	1,224	70	(106)	(0)
3E. Environment & Regeneration	24,039	27,123	3,084	3,077	1,703
Overheads	0	0	0	0	0
<b>NET SERVICE EXPENDITURE</b>	<b>155,335</b>	<b>159,850</b>	<b>4,515</b>	<b>5,051</b>	<b>6,448</b>
<b>3E. Corporate Items</b>					
Impact of Capital on revenue budget	14,117	14,092	(25)	(25)	205
Central budgets	(15,362)	(18,258)	(2,896)	(2,421)	(2,817)
Levies	926	926	0	0	0
<b>TOTAL CORPORATE PROVISIONS</b>	<b>(320)</b>	<b>(3,240)</b>	<b>(2,921)</b>	<b>(2,446)</b>	<b>(2,612)</b>
<b>TOTAL GENERAL FUND</b>	<b>155,016</b>	<b>156,610</b>	<b>1,595</b>	<b>2,605</b>	<b>3,836</b>
<b>FUNDING</b>					
Revenue Support Grant	(30,425)	(30,425)	0	0	0
Business Rates	(33,686)	(33,686)	0	0	0
Other Grants	(9,434)	(9,434)	0	0	(154)
Council Tax and Collection Fund	(81,471)	(81,471)	0	0	0
<b>FUNDING</b>	<b>(155,016)</b>	<b>(155,016)</b>	<b>0</b>	<b>0</b>	<b>(154)</b>

The forecast overspend has decreased by £1.024m since last month. The delay to the award for tackling traffic congestion of net £3.2m remains one of the significant reasons for the forecast overspends, together with pressures in CSF caused by transport costs and additional burdens from central government, and pressures in C&H caused by delays in achieving 2014/15 and 2015/16 savings.

Spending needs to be reviewed across all departments as if the outturn remains at this level, General Fund balances will reduce to £13.5m, £1.4m above the revised minimum level. Further savings may need to be found if this continues to ensure a minimum level of General Fund balances are maintained.

**Subjective analysis as at 31st January 2016**

	Current Budget 2015/16	Full Year Forecast (Jan)	Forecast Variance at year end (Jan)	Forecast Variance at year end (Dec)
<b>Expenditure</b>	£000	£000	£000	£000
Employees	98,034	98,134	100	668
Premises Related Expenditure	9,090	8,756	(334)	(374)
Transport Related Expenditure	14,665	14,681	16	104
Supplies and Services	175,690	173,837	(1,853)	(1,957)
Third Party Payments	89,873	95,568	5,694	5,264
Transfer Payments	104,045	98,290	(5,755)	(4,885)
Support Services	31,902	31,901	(1)	(1)
Depreciation and Impairment Losses	16,505	16,505	(0)	(0)
Corporate Provisions	(320)	(3,240)	(2,921)	(2,446)
<b>GROSS EXPENDITURE</b>	<b>539,486</b>	<b>534,433</b>	<b>(5,053)</b>	<b>(3,628)</b>
<b>Income</b>				
Government Grants	(267,350)	(261,524)	5,827	5,279
Other Grants, Reimbursements and Contribs	(22,737)	(25,071)	(2,333)	(2,248)
Customer and Client Receipts	(61,631)	(58,868)	2,763	2,643
Interest	(44)	(20)	24	24
Recharges	(32,547)	(32,547)	1	1
Balances	(160)	207	367	535
<b>GROSS INCOME</b>	<b>(384,470)</b>	<b>(377,822)</b>	<b>6,648</b>	<b>6,234</b>
<b>NET EXPENDITURE</b>	<b>155,016</b>	<b>156,610</b>	<b>1,595</b>	<b>2,605</b>

Chart 1 below shows the forecast year end variance for departmental expenditure with a comparison against prior years.

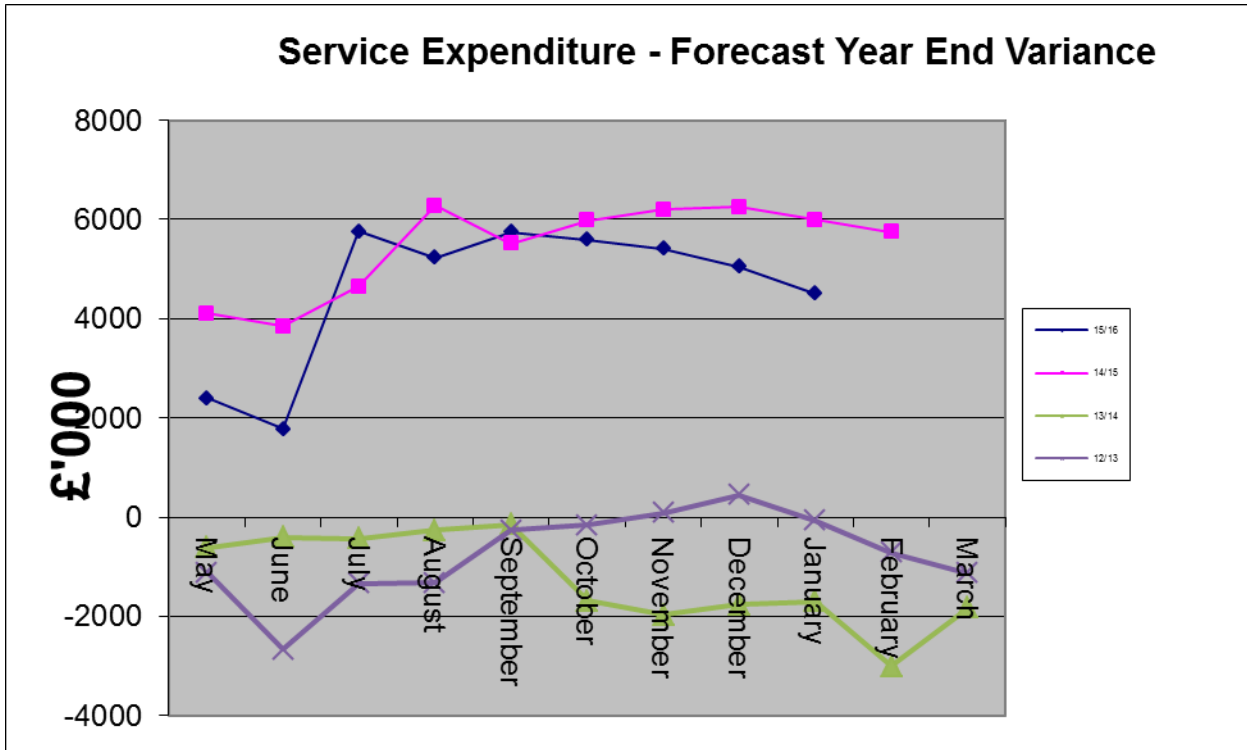
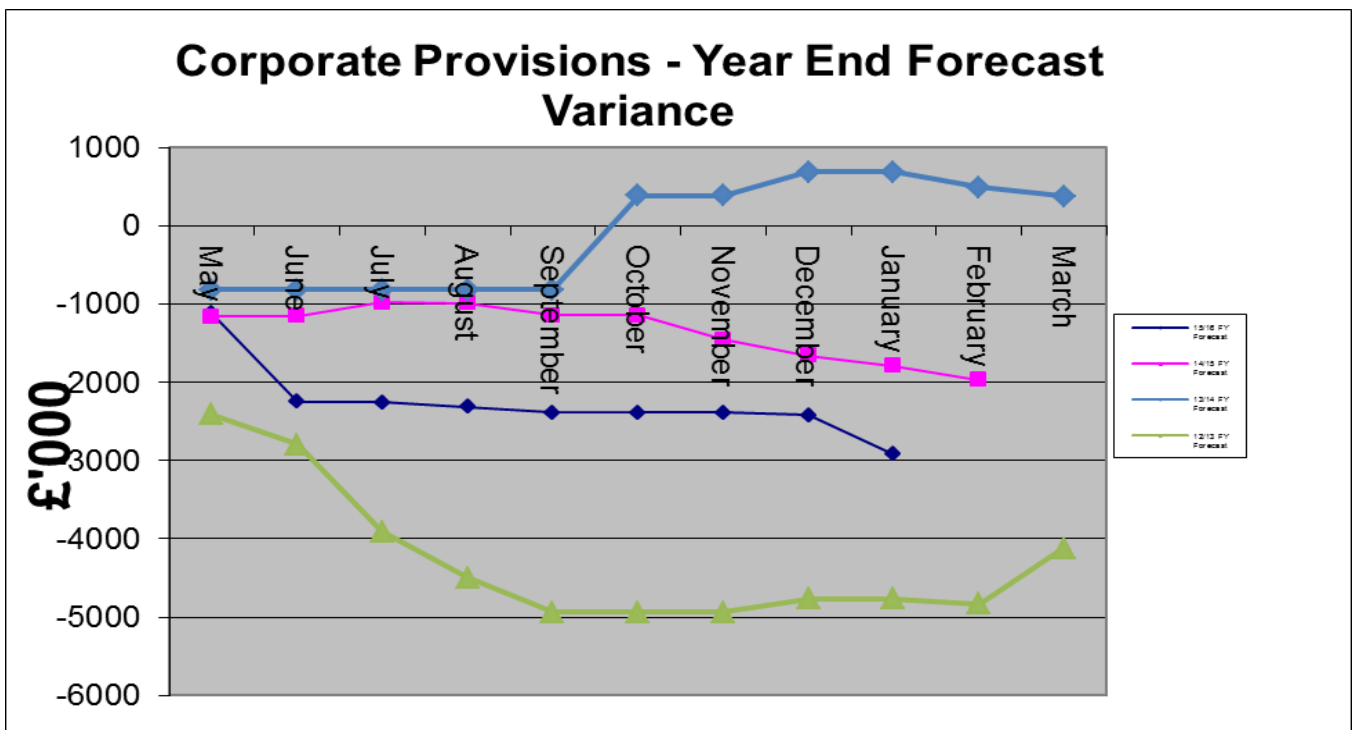


Chart 2 shows the forecast year end variance for corporate provisions with a comparison against 2014/15, 2013/14 and 2012/13.



### 3. DEPARTMENTAL SUMMARY OF CURRENT POSITION

#### Corporate Services

	2015/16 Current Budget	Full year Forecast January	Forecast variance at year end  Jan	Forecast variance at year end  Dec	2014/15 Outturn Variance
	£000	£000	£000	£000	£000
Business Improvement	5,120	4,954	-166	-181	-259
Infrastructure & Transactions	9,838	9,504	-333	-294	-347
Resources	7,562	7,314	-247	-232	-255
Human Resources	2,367	2,357	-9	-144	-26
Corporate Governance	3,055	2,781	-274	-243	-433
Customer Services	2,632	2,218	-414	-350	-273
Corporate Items including redundancy costs	1,296	2,824	1,528	1,834	1,320
<b>Total (controllable)</b>	<b>31,869</b>	<b>31,952</b>	<b>84</b>	<b>391</b>	<b>-273</b>

#### Overview

At period 10 (31st January 2016) the Corporate Services department are forecasting an overspend of £84k at year end, a decrease of £307k from last month. This decrease is a result of various section wide changes, however, chief among them is the reduction in redundancy costs forecast of £200k due to access to more accurate data.

#### Business Improvement – underspend £166k

The underspend is due to an overachievement of street naming income of approx. £125k and vacant posts in the new systems and development team structure due to a delay in successful recruitment.

The support and maintenance budget is overspending but is offset by the underspends on vacant posts. This will be a budget pressure next year.

#### Infrastructure and Transactions – underspend £333k

The forecast underspend relates to the revenue generated from the Corporate Print Strategy and an overachievement of income in the Post service following the introduction of Docqticket system and the renegotiation of the postal and print contracts.

There is an increased underspend since last month of approx. £40k, this is mainly due to a reduction in the Health and Safety staffing forecast. Recruiting to post has taken longer than

anticipated, in addition, more staff have recently left and replacements are unlikely to be found this financial year.

### **Resources – underspend £247k**

The majority of the forecasted underspend is due to reduced expenditure on supplies and services, £65k of this relates to a reduction in the Audit fee costs, there is also reduced spend on consultancy as well as some future years savings being captured early.

### **Corporate Governance – forecast underspend £274k**

There is a forecast underspend of approx. £140k following the transfer of the Benefits Investigation team to the DWP under the Single Fraud Investigation Service. There will be an underspend in the current year due to DCLG funding but the cost of this service will increase next year. There is a forecast underspend of £25k for vacant posts and £50k for future year saving captured early.

SLLP is forecasting a shortfall on demand. This is likely to result in a deficit in the hard charging model at year end. The model is designed to break even but variables such as demand for the service and underachievement of income can result in a deficit. This has been reported to the SLLP Board and an agreement has been reached whereby the shortfall will be split across the four boroughs and recovered by the SLLP.

### **Customer Services – forecast underspend £414k**

There is an increase underspend across Customer Services of approx. £60k. A large proportion of this is due to a reduced forecast on Benefits Administration staffing owing to a reduction in overtime and a vacant post.

The Merton bailiffs' service is forecasting an overachievement of fee income of £190k but this is partly offset by a shortfall on the shared bailiffs' income target of £125k.

Translation services and Registrars office are forecasting £20k overachievement of income and there are forecast underspends on the establishment and parking cash collection contracts of £30k.

### **Corporate items - forecast overspend £1,528k**

There is a forecast overspend of £960k for one-off redundancy payments and pension strain. This forecast has reduced by 200k as a result of HR providing redundancy data for the rest of the financial year enabling a more accurate forecast.

There is a £800k shortfall in subsidy for temporary accommodation as the cost of temporary accommodation is significantly higher than the subsidy available which is capped. The cost of temporary accommodation is disclosed in Housing Services within C&H whereas the benefit paid is within corporate items in Corporate Services together with Housing Benefits subsidy grant. From the start of financial year 2016/17 the benefit paid and grant recovered,

and therefore the shortfall, will appear in C&H budgets so the true cost of temporary accommodation is captured and reported in the correct division.

Budget managers and Finance staff will work closely to monitor and focus on pressures to ensure any mitigating action to reduce this overspend is taken.

## Environment & Regeneration

<b>Environment &amp; Regeneration</b>	<b>2015/16 Current Budget £000</b>	<b>Full year Forecast (Jan) £000</b>	<b>Forecast Variance at year end (Jan) £000</b>	<b>Forecast Variance at year end (Dec) £000</b>	<b>2014/15 Outturn Variance £000</b>
Public Protection	(9,398)	(6,144)	3,254	3,286	(53)
Sustainable Communities	12,715	12,473	(242)	(260)	203
Waste Services	15,431	15,230	(201)	(251)	1,440
Other	(877)	(605)	272	302	(291)
<b>Total (Controllable)</b>	<b>17,871</b>	<b>20,954</b>	<b>3,083</b>	<b>3,077</b>	<b>1,299</b>



Description	2015/16 Current Budget £000	Forecast Variance at year end (Jan) £000	Forecast Variance at year end (Dec) £000	2014/15 Variance at year end £000
Employee underspend within Parking Services	3,177	(105)	(115)	99
Delay in implementation of measures to tackle traffic congestion	(3,510)	3,510	3,510	0
Overachievement of income in Parking Services	(11,976)	(287)	(381)	110
General Supplies & Services overspend in Parking Services	503	284	281	(8)
Employee overspend within Regulatory Services	2,068	111	231	99
Employee overspend within Safer Merton	360	(93)	(95)	(91)
Underspend on third party payments within Safer Merton	251	(95)	(95)	(78)
Other	(271)	(71)	(50)	(78)
<b>Total for Public Protection</b>	<b>(9,398)</b>	<b>3,254</b>	<b>3,286</b>	<b>(53)</b>
General Supplies & Services underspend within Building & Development Control (B&DC)	243	(52)	(55)	(64)
Employee overspend within B&DC	1,710	81	79	200
Overachievement of Grants & Contributions within B&DC	(88)	(42)	(53)	(16)
Shortfall in B&DC income	(1,893)	158	139	(46)
Employee overspend within Future Merton	2,715	113	116	105
General Supplies & Services underspend within Future Merton	1,277	(70)	(69)	(132)
General 3 <sup>rd</sup> party payments underspend within Future Merton	3,473	(121)	(119)	(106)
Overachievement of Customer & Client Receipts within Future Merton	(1,642)	(44)	(57)	(39)
Premises related underspend within Property Management	428	(39)	(76)	32
Overachievement of rental income within Property Management	(4,205)	(239)	(199)	(181)
Employee related overspend within Greenspaces	2,370	107	112	142
Underachievement of Customer & Client Receipts within Greenspaces	(1,979)	271	302	79
General Supplies & Services underspend within Greenspaces	588	(43)	(67)	(10)
Overachievement of Grants & Contributions within Greenspaces	(191)	(59)	(75)	(160)
General Supplies & Services underspend within Leisure & Culture	365	(51)	(46)	(11)
Employee underspend within Senior Mgmt & Support	858	(144)	(144)	(51)
Other	8,686	(68)	(48)	461
<b>Total for Sustainable Communities</b>	<b>12,715</b>	<b>(242)</b>	<b>(260)</b>	<b>203</b>
Employee overspend within Waste Services	7,552	155	229	316
Transport related underspend within Waste Services	1,903	(254)	(317)	(155)
General Supplies & Services underspend within Waste Services	953	(96)	(107)	(169)
General 3 <sup>rd</sup> party payments overspend within Waste Services	6,970	113	27	909
Overachievement of Customer & Client Receipts within Waste Services	(2,357)	(143)	(90)	527
Overspend within Transport Services	(877)	272	302	(291)
Other	410	24	7	12
<b>Total for Street Scene &amp; Waste</b>	<b>14,554</b>	<b>71</b>	<b>51</b>	<b>1,149</b>
<b>Total Excluding Overheads</b>	<b>17,871</b>	<b>3,083</b>	<b>3,077</b>	<b>1,299</b>

## **Overview**

The department is currently forecasting an overspend of £3,083k at year end. The main area of variance is Parking Services, but there are variances within several sections of the department. Were it not for the delay in traffic congestion works the department would be projecting an underspend.

## **Pressures**

### **Public Protection**

#### **Parking & CCTV Services**

The section is currently forecasting an overspend of £3,363k mainly due an unsuccessful legal challenge to the award of the contract for the provision and maintenance of ANPR cameras, resulting in a delay to the contract award. The expected contract start date is now June 2016, whereas the budgeted expectation was for a November 2015 start. It is expected that improved compliance and traffic flow at the locations concerned will be seen within a couple of months of implementation.

The section is also forecasting to incur £200k in legal fees this year associated with the legal challenge from the unsuccessful tenderer.

In addition, the section is experiencing a continued reduction in existing PCN related income (£219k) due to increased compliance, and the continued funding of CPZ related expenditure (£260k). This is being offset by over-recoveries in most areas of on-street/ permit / bay suspension revenue (£621k), and off-street parking income (168k). In addition, this outturn position includes allowance for a c£60k loss of income as a result of providing free parking during the Christmas period.

There is also a forecast £105k employee related underspend, which will partly mitigate these budget pressures.

#### **Regulatory Services Partnership**

An overspend of £82k is forecast, mainly as a result of a delay in implementing the second phase of the shared service staffing structure, which was budgeted to begin in April but was not implemented until October.

#### **Safer Merton**

The section is forecasting an underspend on employees (£93k) and third party payments (£95k), mainly as a result of the recent reorganisation within the section.

## **Sustainable Communities**

#### **Building & Development Control**

The section is currently forecasting an employee overspend of £81k, and an underachievement of income of £158k. This is partially offset by an underspend of £52k in supplies and services.

#### **Property Management**

The section is currently forecasting an underspend of £302k. This is as a result of exceeding their commercial rental income expectations by £230k due to a current high occupancy rate (c98%). There is also an NNDR related underspend of £70k whereby the authority is not currently liable for the fee.

#### **Future Merton**

The employee overspend is as a result of a few factors. Firstly, the restructure between Future Merton and Traffic & Highways commenced in May so only a part-year effect will be seen this year, coupled with the associated notice periods and protected allowances. In addition, the section has struggled to fill some of the vacancies leading to more expensive agency staff being employed.

Secondly, an additional resource has been recruited to work on specific projects, such as the Phase C Lot 2 procurement (£67k).

The underspend on third party payments mainly relates to the annual payment to TfL for controlling the traffic light signals within the borough (£27k), unused CPZ consultation/ implementation budget (42k), the winter gritting contract (£22k), and other miscellaneous actions taken in order to contribute towards the department's mitigating actions.

### **Greenspaces**

The section is currently forecasting an overspend of £236k, which is mainly as a result of an underachievement of internment income (£113k), sports income (£71k), and income relating to rents (£35k).

This forecast also includes a loss of £56k (£81k loss overall as £25k marketing costs borne by the OCPB reserve) in relation to the inaugural Classics in the Park event.

The forecast employee overspend of £107k is as a result of overtime payments (Parks), Wimbledon fortnight, and staffing of the firework displays.

These pressures are being partially off-set by expected underspends within Premises (£50k), Supplies & Services (£43k), and Grants & Contributions (£59k).

### **Senior Management & Support**

An underspend of £144k is being forecast due to not filling vacant posts in order to contribute towards the department's mitigating actions.

### **Street Scene & Waste**

#### **Waste Services**

The section is currently forecasting an underspend of £208k, which is mainly due to an underspend on transport (£254k), supplies and services (£96k), and customer and client receipts (£144k). This reflects an improvement in commercial waste business.

However, the section is also forecasting an overspend relating to the ongoing operational and disposal costs associated with the management of the HRRC and transfer station (£160k). Although the site is now under new management, this overspend is due to the part year effect of the current arrangements. However, it is expected that this pressure will not reoccur next year.

In agreement with the Environment Director, the bulk leafing programme was reintroduced to ensure the level of service performance is maintained. The additional cost of this service has been capped at £10k and was covered by additional agency staff.

Waste services continue to work with SLWP to manage operational costs associated to the HRRC. In addition to this the waste transfer station is under review to assess its long term viability.

Waste Operations have procured two additional second-hand vehicles to provide greater service resilience and to mitigate the need for overtime to cover mechanical breakdowns.

#### **Transport Services**

The section is currently forecasting an overspend of £272k which is mainly as a result of a lower than expected user requirement of the Workshop, external income, additional agency requirements due to staffing issues in the first part of the year, and a delay in the external use of the tachograph centre.

Focus has been put on securing additional work for the Tachograph Centre, and a number of external customers are now signing up to use our services. Initially, the Fleet Maintenance Manager was targeting the bigger operators in the immediate and surrounding area of the depot. He has now confirmed that the following companies/operators have signed up to use this service; Dennis Eagle, Wandsworth Council, Veolia Croydon, Veolia Kingston, Epsom Coaches, Cappagh, Mitcham Belle, Zenith Vehicle Solutions.

The section is also in the process of replacing some of their older vehicles as the maintenance cost to repair them is slowly rising. It is anticipated that the new vehicles will be available before the end of the financial year.

### **Management Action**

The E&R Director has required the department to look for further actions and options to mitigate the forecast overspend as far as possible.

### **Children Schools and Families**

<b>Children, Schools and Families</b>	<b>2015/16 Current Budget £000</b>	<b>Full year Forecast (Jan) £000</b>	<b>Forecast Variance at year end (Jan) £000</b>	<b>Forecast Variance at year end (Dec) £000</b>	<b>2014/15 Variance at year end £000</b>
Commissioning, Strategy and Performance	8,630	9,683	1,053	1,143	1,287
Education	17,351	17,332	(19)	96	953
Social Care and Youth Inclusion	12,117	12,339	222	255	580
Public Health contribution	0	(328)	(328)	(328)	(415)
PFI	7,974	7,769	(205)	(200)	6
Redundancy costs	2,091	1,769	(322)	(322)	39
<b>Total (controllable)</b>	<b>48,163</b>	<b>48,564</b>	<b>401</b>	<b>644</b>	<b>2,450</b>

### **Overview**

At the end of January Children Schools and Families had a forecast overspend of £401k on local authority funded services. Although the department received growth for placements and transport, this was not sufficient to cover to total shortfall caused by the increased birth rate and additional burdens from central government. The overspend has also been netted down by one off Public Health money of £328k making the underlying overspend £729k, (£972 last month) a reduction of £243k.

It is important to note that the majority of the underspend used to offset cost pressures in this financial year are due to management actions that are not sustainable on an on-going basis or one-off windfalls which is not guaranteed to reoccur in future years. This would mean that the demographic and new burdens cost pressures will continue into the new financial year, as will pressures on staffing budgets to fund agency social workers to maintain safe caseloads.

## Local Authority Funded Services

There are a number of volatile budgets, which require continuous and careful demand management. Significant cost pressures and underspends identified to date are detailed below:

Description	Budget £000	Jan £000	Dec £000	2014/15 £000
Fostering and residential placements (ART)	5,192	696	831	1,052
Supported lodgings/housing	629	615	579	427
Un-accompanied asylum seeking children (UASC)	60	279	240	193
Procurement & School organisation	547	(268)	(237)	(128)
Legal cost	527	(96)	(104)	(123)
Other small over and underspends	1,675	(173)	(166)	(134)
<b>Subtotal Commissioning, Strategy and Performance</b>	<b>8,630</b>	<b>1,053</b>	<b>1,143</b>	<b>1,287</b>
SEN Transport	3,878	440	467	1,168
Staffing underspends across Early Years services	2,134	(307)	(232)	(192)
Other small over and underspends	11,287	(152)	(139)	(47)
<b>Subtotal Education</b>	<b>17,299</b>	<b>(19)</b>	<b>96</b>	<b>953</b>
No Recourse to Public Funds (NRPF)	20	472	457	441
Independent review and service quality	530	174	151	210
Social Work staffing	3,394	126	32	315
Serious case review	77	(77)	(77)	(76)
Youth Offending Team	616	(65)	(57)	0
CAMHS	303	(133)	(56)	(207)
Adoption & 14+ teams	1,498	(174)	(186)	0
Other small over and underspends	5,679	(101)	(9)	(103)
<b>Subtotal Children's Social Care and Youth Inclusion</b>	<b>12,117</b>	<b>222</b>	<b>255</b>	<b>580</b>
<b>Public Health contribution</b>	<b>0</b>	<b>(328)</b>	<b>(328)</b>	<b>(415)</b>
<b>Subtotal PFI</b>	<b>7,974</b>	<b>(205)</b>	<b>(200)</b>	<b>6</b>
<b>Subtotal Redundancy cost</b>	<b>2,091</b>	<b>(322)</b>	<b>(322)</b>	<b>39</b>
<b>Grand total Children, Schools and Families</b>	<b>48,111</b>	<b>401</b>	<b>644</b>	<b>2,450</b>

### Commissioning, Strategy and Performance Division

While the numbers of Looked After Children (LAC) remain relatively stable, the complexity of a significant proportion of cases is causing the net overspend of £696k. This includes on-going pressures on in-house fostering of £312k, residential placements of £419k, secure accommodation costs of £62k and mother and baby placements of £57k which is offset by underspends in independent agency fostering of £154k.

The budget for semi-independent and supported lodgings/housing placements is estimated to overspend by £615k. This budget is used to finance placements for young people aged 16/17 who require semi-independent provision and for Care Leavers through to independence or, in some cases, through to the age of 21. There has been an increase in forecast expenditure due to increase in caseload as some young people have now reached 18 and funding for their placement has transferred from the LAC placement into this budget. Because of their specific needs, some young people have also needed to move placements and this has resulted in increased expenditure on those placements.

The UASC payments are expected to overspend by £279k this year due to both an increase in cases and an increase in the number of claimants turning 18 which is when central government contribution towards these cases ceases. The number of UASC who have entered and who have been distributed across London has increased from 233 in 2011/12 to 462 in 2014/15 and 2015/16 figures will see further growth.

Procurement and school organisation budgets are expected to underspend by £268k as a result of lower spend forecast on reorganisation budgets. This budget relates to construction projects that cannot be classified as capital. The majority of this is required for temporary classrooms due to rising pupil demand when it is not viable to provide permanent buildings. This year demand for reception year places is slightly lower than forecast so there has been no need for temporary classrooms.

The direct charging budgets for the shared legal service is forecast to underspent by £96k.

There are various other small over and underspends forecast across the division netting to a £173k underspend. These combine with the items described above to arrive at the total reported divisional overspend of £1,053k.

### Education Division

SEN and FE transport cost are expected to overspend by £440k, £27k less than the forecast last month. This forecast is calculated on current year weekly costs modelled using previous year trend information. The overspend relates to cost on external home to school transport as additional budget was received to balance the internal transport cost. The overspend is due to an increase in complexity of caseload and cost of taxis. The DCSF is leading a council wide review of the current arrangements for procuring taxis and will be making recommendations once there is better understanding of the reason for the rising costs. We are reviewing demand management, cost efficiency of supply and safeguarding of students with E&R who provide the in-house service and commission the taxi service.

As part of management action, where possible, recruitment to vacancies in Early Years have been delayed in preparation for 2016/17 savings and to reduce the overall in-year departmental overspend. This is estimated to result in an overall underspend of £307k.

There are various other small over and underspends forecast across the division netting to a £152k underspend. These combine with the item described above to arrive at the total reported divisional underspend of £19k.

Government provided some grant funding to implement the changes introduced as part of the introduction of the Children and Families Act. This includes the conversion of SEN statements to EHC Plans which is planned to be phased in over four years. In order to fund the continued engagement of EHC Plan coordinators in 2016/17, planned SEN reform grant spend will be reviewed with the aim to reduce cost as and where possible to enable an estimated £50k underspend to be carried forward in the form of an earmarked grant reserve.

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

The NRPF budgets are forecast to overspend by £472k for the current financial year. This increase in cost is in response to case law regarding housing families with no recourse to public funds (Zambrano & Clue cases). This is an issue across London.

The independent review and service quality team is expected to overspend by £174k. This is due to the use of agency staff to cover permanent IRO vacancies as well as one post above establishment to ensure appropriate caseloads to support the quality assurance function.

The Central Social Work, MASH and Permanency team's staffing costs is expected to overspend by £126k. As highlighted in the budget reports to Cabinet and Council, additional capacity is being kept under regular review and funded quarterly from the corporate contingency. This amount equates to six additional social workers. The funding for the first two quarters has been included in the budgets and the forecast for the year adjusted for the last two quarters of the year. On top of the additional staff, the team also has to cover vacancies with agency staff due to difficulty in recruiting permanent members of staff. This cost could fluctuate during the course of the year depending on our ability to recruit permanent members of staff to our vacancies

The serious case review budget is expected to underspend by £77k because there has been limited need to commission reviews during the current financial year.

The Youth Offending Team (YOT) is expected to underspend by £65k. This is due to a combination of holding staff vacancies and providing a reduced wraparound service as part of management action to reduce the overall departmental overspend. This planned underspend was reduced due to an in-year reduction in grant.

The Children and Adolescent Mental Health Service (CAMHS) is expecting to underspend by £133k due to vacancies.

The adoption and 14+ teams are expected to underspend by £174k relating to temporarily holding staff vacancies as a result of management action to reduce the overall departmental overspend. There are various other small over and underspends forecast across the division netting to a £101k underspend. These combine with the item described above to arrive at the total reported divisional overspend of £222k.

Merton applied for extra Transforming Families grant to fast track working with a hundred families. This money is expected to be received in the current financial year and will require to be carried forward as part of earmarked grant reserves to 2016/17 to fund the cost of supporting these families.

### **Dedicated Schools Grant**

DSG funded services is forecast to underspend by £289k. These budgets are not within the council's general fund and cannot be offset against the local authority funded budgets. Any underspend will be added to the DSG reserve and applied after consultation with Schools Forum. Variances between individual subjectives have been shown in the overall departmental analyses.

The main reasons for the forecast relates to an estimated underspend of £149k in Independent Residential School provision.

Early Years funding is also forecast to underspend by £118k. This relates to the EY funding formula as well as maternity/vacancy cover relating to the EY support team. There will be a final adjustment to the Early Years Block of the DSG in June 2016 which could reduce this underspend.

Independent day care provision is expected to overspend by £225k. Increased cost and caseloads continue to be a cost pressure on these budgets.

There are various other smaller over and underspends forecast across the DSG netting to a £247k underspend which, combined with the items above, equates to the net underspend of £289k.



## Management Action

### Staffing

Agency cost continues to be a cost pressure for the department. The continued recruitment drive including recruitment of NQSWs and retention payments which we started with last year will all have a positive impact on the current financial year and we will continue to take action to bring down anticipated overspends on agency/staffing costs, but neighbouring authorities' inspections could impact on this.

### Placements

Our edge of care panel continues to ensure that entry to care threshold is maintained. The impact of increased numbers of UASC is in particular affecting our LAC and care leaver numbers and we remain in the lowest rate of care range in London.

Work continues to ensure we lever in appropriate health contribution to children with complex needs and our ART service is driving down placement costs including through regional partnership commissioning.

Our ART Fostering Recruitment and Assessment team is continuing to recruit new foster carers and supported lodgings providers who will offer locally based placements. This is already resulting in a reduction in more expensive agency foster placements.

Our ART Placement service is working with providers to establish more local provision and offer better value placements to the Council. There is now an established agreed cost framework for semi-independent providers and this has resulted in more appropriately priced placements for Care Leavers and older LAC.

We continue to work with housing needs to secure better local housing pathways for our young people as they become independence ready.

### Transport

We are modelling the potential impact of personal budgets from transport for 2015/16 to assist in delivering cost reduction solutions to individual children's transport needs. 22 personal budgets were approved this financial year providing an on-going cost reduction of £96k.

We are monitoring tight eligibility thresholds and defending appeals and we have extended our independence travel training which has delivered savings of £93k to date.

Having reviewed our policy on eligibility 2 years ago we are commencing a new review to establish whether it is possible to further tighten our policy.

### New burdens

There are a considerable number of duties placed on the Local Authority which have not been fully funded or not funded at all. Excluding the cost of these duties would leave a net departmental underspend of £965k, although £328k of this relates to Public Health contribution. The table below highlights the estimated overspends relating to these duties:

Description	Budget £000	Jan overspend forecast	Dec overspend forecast
-------------	----------------	------------------------------	------------------------------

		£000	£000
Supported lodgings/housing	629	615	579
Un-accompanied asylum seeking children (UASC)	60	279	240
No Recourse to Public Funds (NRPF)	20	472	457
<b>Total</b>	<b>709</b>	<b>1,366</b>	<b>1,276</b>

These estimates only include services for these children and families including housing cost, they do not include staffing cost. Staff cost related to these clients are estimated to be about £270k and are included in the overall £401k departmental overspend forecast.

Young people aged between 18 and 21 now have the right to stay in their foster, residential or other placements beyond 18. This means their fostering placement has to remain open to them and the in-house foster carer or Independent Fostering Agency will have to continue to be paid.

Young People on remand are classed as being LAC and also have access to care leavers' services across a range of budgets. These are in excess of the figures in the table above but included within the overall projections for the department. As the system does not separately identify costs relating to remand cases, it is not possible to identify this separately.

Unaccompanied Asylum Seeking Young People are also required to receive these leaving care services and we have 11 over 18s which is putting pressure on the UASC budget.

The majority of families presenting as NRPF needs are housing. Meetings are on-going to discuss options to reduce cost and strengthen processes and procedures. The work being undertaken by Housing Needs to stimulate local private housing supply and wider options will assist in reducing these costs. Discussions are on-going regarding the most economic way of procuring housing for families with no recourse to public funds.

## Community and Housing

### Overview

At the end of January 2016 Community and Housing is forecast to overspend by £876k as shown in the summary **table 1** below, a reduction of £169k on the previous month as a result of the Independent Living Fund grant received for 2015/16. The Department received funding/growth of £3.9m for protecting and modernising social care and increased integration under the Better Care Fund and to manage the new duties arising from the Care Act 2014.

The cost pressures are:

- the new requirements imposed through the Care Act;
- upward price increases from providers nationally in the social care market;
- demographic changes to the population which mean we have more people with higher and complex levels of need eligible for services;
- lack of domiciliary and bed-based capacity in the national and local social care market which has had a significant negative impact on the ability to avoid Delayed Transfer of Care (DToc) charges, which will be further compounded by Winter pressures;
- increasing cost trends resulting from the complexity of support for young people in transition from CSF to Adult Social Care; and

- Other new burdens such as the Cheshire West judgement on Deprivation of Liberty (DoLs) Safeguards, significantly increasing the volume of assessments under the DoLs procedure.

This has magnified and compounded the volatility of the 3rd party Placements budget. Due to similar pressures in 2014-15 and delayed implementation, the planned savings target for 2014 -15 was not met. The Department is in parallel trying to recoup the shortfall in savings via the 2015-16 and 2016-17 savings plans.

<b>Table 1 Community and Housing</b>	<b>2015/16 Current Budget £000</b>	<b>2015/16 Full Year Forecast (Jan'16) £000</b>	<b>2015/16 Forecast Variance (Jan'16) £000</b>	<b>2015/16 Forecast Variance (Dec'15) £000</b>	<b>2014/15 Variance at year end £000</b>
Access & Assessment	41,132	43,246	2,114	2,061	2,352
Commissioning	4,674	4,583	(91)	(112)	(221)
Direct Provision	5,918	6,333	415	462	1,188
Directorate	997	986	(11)	18	(223)
Care Act Implementation Expd	1,265	265	(1,000)	(900)	0
Directorate – Care Act Imp Income	(1,265)	(1,265)	0	0	0
**Contribution from Public Health	0	(328)	(328)	(328)	(500)
<b>Adult Social Care</b>	<b>52,721</b>	<b>53,820</b>	<b>1,099</b>	<b>1,201</b>	<b>2,596</b>
Libraries and Heritage	2,431	2,341	(90)	(76)	4
Merton Adult Education	(180)	69	249	230	254
Housing General Fund	1,903	1,521	(382)	(310)	(106)
<b>Total (controllable)</b>	<b>56,875</b>	<b>57,751</b>	<b>876</b>	<b>1,045</b>	<b>2,748</b>

The Adult Social Care forecast overspend has been netted down by £328k of one- off Public Health money giving an underlying overspend of £1.147m.

Additionally, a corporate settlement of £262k budget transfer has been approved to reduce the transport forecast over-spend.

## Access and Assessment – over-spend

Access and Assessment	Forecast Variance (Jan) £000	Forecast Variance (Dec) £000
Gross Placements overspend	3,542	3,413
Other A&A under-spends	(1,136)	(1,023)
<b>Sub-total Net over-spend</b>	<b>2,406</b>	<b>2,390</b>
Over achievement of Client Contribution	(292)	(329)
<b>Total Access &amp; Assessment</b>	<b>2,114</b>	<b>2,061</b>

Description	2015/16 Budget £000	Forecast Variance (Jan) £000	Forecast Variance (Dec) £000	2014/15 Variance at year end £000
<b>Libraries</b>	<b>2,431</b>	<b>(90)</b>	<b>(76)</b>	<b>4</b>
<b>Merton Adult Education</b>	<b>(180)</b>	<b>249</b>	<b>230</b>	<b>254</b>
<b><u>Housing</u></b>				
Temporary Accommodation	1,396	840	829	624
Temporary Accommodation – Housing Benefits	(1,140)	(960)	(860)	(540)
Temporary Accommodation – Client Contribution	(140)	(85)	(102)	
Homelessness Prevention	320	7	(5)	(127)
Housing Advice and Options	500	(10)	(10)	(7)
Housing Needs	283	(96)	(93)	(43)
Housing Strategy	139	(11)	0	(18)
Housing Supply & Development	266	(34)	(29)	(3)
Housing Environmental Health	228	(40)	(39)	(59)
Merton Action single Homeless	51	7	(1)	0
Reserves Funding Adjustment	0	0	0	67
<b>Sub-total Housing</b>	<b>1,903</b>	<b>(382)</b>	<b>(310)</b>	<b>(106)</b>
<b>Total Community &amp; Housing</b>	<b>56,874</b>	<b>876</b>	<b>1,045</b>	<b>2,748</b>

Description	2015/16 Budget £000	Forecast Variance (Jan) £000	Forecast Variance (Dec) £000	2014/15 Variance at year end
<u>Access &amp; Assessment</u>				
Gross Placements	38,178	3,542	3,413	3,689
Placements - Other	368	(39)	(39)	0
Transport	180	47	47	0
Client & CCG Contribution Income	(11,875)	(292)	(329)	(612)
Concessionary Fares & Taxi-card	9,203	(164)	(164)	(45)
Care-first	136	(84)	(126)	(117)
Other Access & Assessment	9,369	(896)	(741)	(563)
Better Care Fund – NHS Social Care Transfer Income	(4,427)	0	0	0
<b>Sub-total Access &amp; Assessment</b>	<b>41,132</b>	<b>2,114</b>	<b>2,061</b>	<b>2,352</b>
<u>Commissioning</u>				
Brokerage, Contracts, Performance & Planning & Commissioning	1,118	(142)	(166)	(237)
Voluntary Organisations - grants	760	78	78	138
Voluntary Organisations – Contracts	196	(18)	(19)	(24)
Voluntary Organisations – Dementia contract	230	8	8	11
Pollards Hill Contract (excluding transport)	82	(14)	(14)	0
Transport** (Pollards Hill & Woodlands)	133	(1)	0	32
LD – LDDF Grant	127	0	0	0
Supporting People Grant	2,128	(2)	1	(141)
Better Care Fund – NHS Social Care	(100)	0	0	0
<b>Sub-total Commissioning</b>	<b>4,674</b>	<b>(91)</b>	<b>(112)</b>	<b>(221)</b>
<u>Direct Provision</u>				
Transport **	619	(3)	9	604
Day Centres	1,808	(57)	(58)	(58)
Supported Living	873	566	563	109
Residential (Excluding transport)	806	194	201	222
Mascot	368	25	23	5
Other Direct Provision	276	4	(9)	10
Miles - Reablement	1,568	(289)	(242)	371
Helping People at home revenue grant	0	(25)	(25)	(75)
Better Care Fund – NHS Social Care Transfer Income	(400)	0	0	0
<b>Sub-total Direct Provision</b>	<b>5,918</b>	<b>415</b>	<b>462</b>	<b>1,188</b>
<u>Directorate</u>				
Staffing Costs	934	(11)	18	(223)
Adult Social Care Redesign – Projects	244	0	0	0
Better Care Fund – NHS Social Care Transfer Income	(181)	0	0	0
Care Act Implementation	1,265	(1000)	(900)	0
Care Act Implementation-Grant	(865)	0	0	0
Better Care Fund – NHS Social Care Transfer	(400)	0	0	0
<b>Subtotal Directorate</b>	<b>996</b>	<b>(1,011)</b>	<b>(882)</b>	<b>(223)</b>
Contribution from Public Health (Ageing-Well grants)	<b>0</b>	<b>(328)</b>	<b>(328)</b>	<b>(500)</b>
<b>Sub-total Adult Social Care</b>	<b>52,720</b>	<b>1,099</b>	<b>1,201</b>	<b>2,595</b>

## **Budget Pressures**

### **Access and Assessment (£2,114m Forecast Overspend)**

Access and Assessment is forecast to overspend by £2,114m in 2015-16. This is the net effect of forecast overspending on the third party placements budget of £3,542m less forecast under spending on other budgets of £1.428m.

The main pressures are:

**Price pressures.** Nationally the market in social care has shown that providers are successfully demanding increases in fees. This is due to pressures such as clarification over the definition of minimum wage and increasing challenges in hiring staff. Merton has in recent years held fees low compared with other boroughs, for example by not offering an increase for inflation for five years. However, providers can now obtain better prices from neighbouring boroughs and/or the NHS. This means that to secure supply and sustain a viable market Merton is having to negotiate new higher fees.

The impact of the negotiations agreed to date is £581k (£387k for Residential and Nursing placements and £194k for domiciliary care providers).

**New Demographic pressures:** Our best estimate of demographic growth pressures affecting 2015-16 are:

£432k in 2015-16 on older people's budgets due to an ageing of the population based on POPPI (Projecting Older People Population Information System) data. Further work is being done to assess risk impact.

£78k in 2015-16 on working age adult's budgets (excluding Learning disabilities) based on PANSI (Projecting Adult Needs and Service Information System) data.

**NHS pressures.** These pressures are from delayed hospital discharge as a result of a lack of capacity in the social care market to support the discharge of a greater volume people at a greater level of dependency, including :

- The number of people needing "double ups" (i.e. two carers at any one time to manage personal care for a customer) increased from 12.1% to 15.3% of domiciliary care customers in 2014/15.
- The average home care hours per week received per person supported in 2014-15 rose from 15.8 to 17.4 hours.
- £95k of DToC fines has been estimated and included in the forecast for impact of delay in transferring clients from hospital. NHS England and Merton CCG are scrutinising the reasons for the delay which will impact on the performance targets agreed in the Better Care Fund agreement and places this at risk.

### **New responsibilities arising from the Cheshire West judgement and the Care Act 2014.**

Although the Government has provided some funding to cover the implications of the Care Act (£865k) and the Cheshire West judgement around Deprivation of Liberty Assessments (DOLS) (£80k), risks are that the costs of the Care Act responsibilities, most notably to sustain a viable care and support market may exceed this funding, and is already clear that the costs of implementing the Cheshire West judgement are well in excess of £80k as DOLS activity has increased by more than 1000% e.g. there were 40 DOLS cases in 2013-14, 526 in 2014-15 and at the end of November 2015 trends suggest there will be more than 670-700 in 2015-16. The actual cost of implementing this judgement in 2015/16 is estimated at £290k.

**Ordinary Residents.** Three new Ordinary Residents cases costing £193k were passed to Merton by neighbouring boroughs.

### **Commissioning (£91k Forecast Underspend):**

There are various staff vacancies across the commissioning team resulting in an overall underspend of £91k which is a reduction of £21k from December due to amendment in staffing forecast.

**Supporting People Grant is now forecasting an under spend of £2k.**

### **Direct Provision (£415k Forecast Overspend)**

The overspend is mainly as a result of the demand for residential and supported living placements.

There is pressure on the staffing costs of £143k due to the on-going unfunded impact of the Single Status National Agreement.

The original staffing budget for Supported Living was set for a 22 bedded residential unit. The service changed from a residential service to a supported living service where customers live within their own homes with staff supporting them. This not only empowers the customer, but is cheaper at around £470 per week compared to £1,294 per week. Therefore, the service is now supporting 40 customers at various sites, two of these sites provide 24 hour staffing cover.

Glebelands Extra Care Supported Living was transferred to Direct Provision in 2009 with inadequate budget to cover the existing staff team. Since 2011, the client support hours have increased from 169 to 321 per week.

The forecast variance for Direct Provision excludes projected income that is recouped from the Access and Assessment placement budgets to cover the SLA. This is to be reviewed by finance and the budget will be realigned in 2016/17.

### **Directorate – (£1,011m Forecast underspend)**

The consultancy cost for the ASC staffing restructure has been included in the Directorate forecast spend.

### **Libraries- (£90k forecast underspend)**

The underspend is mainly attributable to some staff vacancies and reduction in running costs whilst temporary services are in place at Colliers Wood and forecast additional income.

### **Merton Adult Education – (£249k forecast over-spend)**

The over spend is caused by £153k in year reductions in SFA funding and the inability to realise savings target of £176K and a reduction in spend on other cost centres. Change from previous month is due to reduction in forecasted income.

This forecast has taken into account funding the new MAE Commissioning Team roles.

### **Housing- (£382k forecast underspend).**

There are various staff vacancies across the housing teams resulting in the under-spend.

The accounting for Housing benefits relating to Temporary accommodation is to be reviewed to clarify amount received as entitlement v subsidy, as mentioned earlier in the Corporate Services section.

### **Adult Social Care - Delivery of Savings**

The savings programme developed for 2014/15 contained a number of savings (£2.265m) which were not delivered in 2014-15. Similarly the 2015/16 savings have not been delivered and urgent action is required for both years to bring the budget back into balance. If savings had been delivered the budget would be under spending.

Actions to mitigate the pressures above and to recoup the savings shortfall from 2014-15 include:

Ones already in place:

- Regular budget monitoring with finance staff and ensuring that forecasts are timely and accurate
- Resources panels twice a week
- Clear programme of reviews
- Continued success from brokerage team to place people in difficult circumstances and negotiate costs down
- Re-ablement flexing role to take more people out of hospital temporarily when we can't place them in agencies
- Successful negotiations with providers to mitigate many requests for increased fees
- Market management/shaping work: Recognising the challenges posed by the market costs we are undertaking a number of individual negotiations with providers looking at what models of delivery we can design that will enable the services to be delivered in partnership with providers for the lowest costs. In addition, there are some areas where we feel we can negotiate even keener prices and we are actively pursuing those as well. So far in these negotiations we have achieved agreed rate increases, on average of just 38% of what was demanded by providers. The estimated cost impact is £581k versus £1,522k demanded by providers.



Further measures:

- New reports on all individual customers to be introduced to show fluctuations in support costs and activity including new ways of procuring access to care home placements, creating a more flexible market for domiciliary care based on personal assistants and investigating how we can use varied tools and techniques to forecast demand even more accurately and reduce void costs.

### **Placements Activity Data**

The table below details the current number of clients, care packages, and placement commitment has increased by £129k from the previous month, whilst the numbers of care packages has reduced by 54.

<b>Activity Data</b>	<b>Care Packages (No's) Jan 16</b>		<b>Care Packages (No's) Dec 16</b>	<b>Clients (No's) Jan 16</b>		<b>Clients (No's) Dec 15</b>	<b>Total Annual Commitment @ Jan 16</b>
<u>Service Area</u>							
Mental Health	134	↑	129	115	↑	110	£1,721
Physical & Sensory	336	↑	332	238	↑	231	£4,677
Learning Disabilities	416	↓	421	340	↓	343	£13,196
Older People	1,712	↓	1,771	1,202	↓	1,211	£21,693
Substance Misuse	14	↑	13	14	↑	12	£213
No Recourse to Public Funds	15	↔	15	9	↔	9	£220
<b>TOTAL</b>	<b>2,627</b>		<b>2,681</b>	<b>1,918</b>		<b>1,916</b>	<b>£41,720</b>

The impact of the rate increase negotiations agreed to date is £581k of which £387k is to Residential and Nursing providers and £194k for Domiciliary care providers.

Learning Disability Commitment also includes transition costs of £581k as of January 2016 of the £675k expenditure predicted.

**Details of the estimated costs are:-**

At age 18 when the young person comes to ASC - Placements data includes £212k of estimated £250k predicted as at January 2016.

At age 19 when they leave school - £ 77k of the estimated £125k predicted are now in placements.

At age 21/22 (or possible older with the recent Children and Families Act) when they leave college - £291k of estimated spend of £300k are now on in January 2016 placements.

- **Public Health**

Public Health is forecasting an over spend of £71k as at January 2016. This is due to an unexpected uncertainty surrounding the new weight management contract, and the possibility of having to extend that contract.

<b>Public Health</b>	<b>2015/16 Budget £000</b>	<b>Period 10 (Jan) Forecast £000</b>	<b>Forecast Variance (Jan) £000</b>	<b>Forecast Variance (Dec) £000</b>	<b>2014/15 Final Out-turn Variance £000</b>
PH - Directorate	1,246	1,066	(180)	(246)	(305)
PH- Contraception	713	704	(9)	(6)	(26)
PH - STI Testing and Treatment (GUM)	2,060	2,194	134	134	110
PH - SH Advice, Prevent and Promotion	217	252	35	6	(97)
PH - NHS Health check	316	279	(37)	(34)	17
PH - Falls Prevention	66	66	0	0	(1)
PH – Non Recurrent Project	1,154	1,107	(47)	(47)	0
PH – Obesity	595	541	(54)	(145)	(28)
PH – Live well (including smoking Cessation)	345	331	(14)	(14)	(35)
PH – Substance Misuse (Drugs and Alcohol)	2,098	1,790	(308)	(308)	(422)
PH – School Nursing (including National Child Measurement programme)	849	833	(16)	(16)	(4)
PH Surveillance and Control of Infectious Diseases	10	0	(10)	(10)	(9)
PH – Determinants	160	105	(55)	(52)	0
PH – Community Services Contract Estates	285	285	0	0	0
PH – New Investments	104	88	(16)	(16)	(275)
PH – Health Visiting Service***	1,476	1,461	(15)	(15)	0
<b>Total Public Health (controllable)</b>	<b>11,694</b>	<b>11,102</b>	<b>(592)</b>	<b>(769)</b>	<b>(1,075)</b>
Public Health Main – Grant Income	(9,236)	(8,573)	663	663	0
Public Health Visiting – Grant Income ***	(1,476)	(1,476)	0	0	0
<b>Total Public Health Net Expenditure</b>	<b>982</b>	<b>1,053</b>	<b>71</b>	<b>(106)</b>	<b>(1,075)</b>

## (E) Corporate Items

The details comparing actual expenditure up to 31 January 2016 against budget are contained in Appendix 2. The main areas of variance as at 31 January 2016 are:-

Corporate Items	Current Budget 2015/16 £000s	Full Year Forecast (Jan.) £000s	Forecast Variance at year end (Jan.) £000s	Forecast Variance at year end (Dec.) £000s	2014/15 Year end Variance £000s
Cost of borrowing	14,117	14,092	(25)	(25)	205
Use for Capital Programme	0	0	0	0	0
<b>Impact of Capital on revenue budget</b>	<b>14,117</b>	<b>14,092</b>	<b>(25)</b>	<b>(25)</b>	<b>205</b>
<b>Investment Income</b>	<b>(559)</b>	<b>(797)</b>	<b>(238)</b>	<b>(305)</b>	<b>(385)</b>
Pension Fund	5,042	5,042	0	0	(300)
Pay and Price Inflation	575	33	(542)	0	(883)
Contingencies and provisions	4,251	2,761	(1,490)	(1,490)	64
Income Items	(174)	(800)	(626)	(626)	(914)
Appropriations/Transfers	(7,992)	(7,992)	0	0	(399)
<b>Central Items</b>	<b>1,143</b>	<b>(1,752)</b>	<b>(2,896)</b>	<b>(2,421)</b>	<b>(2,817)</b>
Levies	926	926	0	0	0
Depreciation and Impairment	(16,506)	(16,506)	0	0	0
<b>TOTAL CORPORATE PROVISIONS</b>	<b>(320)</b>	<b>(3,240)</b>	<b>(2,921)</b>	<b>(2,446)</b>	<b>(2,612)</b>

There have been some small revisions to the forecast variance since December:-

- The estimated surplus on investment income has been revised to £238k;
- The provision for inflation, mainly for utilities and inflation exceeding 1.5% have been reviewed and the expected under utilisation has been released

## 4. CAPITAL PROGRAMME 2015-19

### 4.1 Capital Expenditure

4.1.1 The table below compares capital expenditure to January 2016 over the last four years:

Depts.	Spend To January 2013	Spend To January 2014	Spend To January 2015	Spend To January 2016	Variance 2012 to 2015	Variance 2013 to 2015	Variance 2014 to 2015
<b>C&amp;H</b>	983	1,061	520	866	(117)	(195)	346
<b>CS</b>	1,735	3,075	1,404	1,353	(382)	(1,722)	(51)
<b>CSF</b>	21,401	7,912	16,438	11,602	(9,798)	3,690	(4,836)
<b>E&amp;R</b>	7,010	7,328	4,066	7,149	139	(179)	3,083
<b>Total Capital</b>	31,129	19,376	22,428	20,970	(10,159)	1,594	(1,458)

Outturn £000s	40,487	31,564	36869	
Budget £000s				37,184
Projected Spend December 15 £000s				32,611
Percentage Spend to Budget				56.40%
Percentage Spend to Outturn/Projection	76.89%	61.39%	60.83%	64.30%
Monthly Spend to Achieve Projected Outturn £				5,821

4.1.2 January is 10 months (83%) of the way into the financial year, departments have only spent 56.4% of their budget or 64.3% of their forecast outturn. The Authority is marginally ahead of the spend achieved in 2014/15 but remains behind that achieved in 2012/13 and 2013/14. To achieve a projected spend of 32.8m officers will need to spend just over £5.8 million per month for the rest of the financial year. The table below shows that in December 2015 departments have managed to spend £2.2 million.

Department	Spend To December 2015 £000s	Spend To January 2016 £000s	Increase £000s
<b>C&amp;H</b>	713	866	153
<b>CS</b>	1,345	1,353	8
<b>CSF</b>	11,159	11,602	443
<b>E&amp;R</b>	5,553	7,149	1,596
<b>Total Capital</b>	18,770	20,970	2,200

4.2 The table below summarises the position in respect of the Capital Programme as at January 2016 the detail is shown in Appendix 5a

### Merton Summary Capital Report - January 2016 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Community and Housing	1,610,890	865,664	1,499,536	(633,872)	1,410,273	(200,617)
Corporate Services	6,831,120	1,352,827	3,620,506	(2,267,679)	3,509,397	(3,321,723)
Children Schools and Families	14,619,190	11,602,121	13,366,060	(1,763,940)	14,304,671	(314,519)
Environment and Regeneration	14,122,510	7,149,382	10,074,513	(2,925,131)	13,387,134	(735,376)
<b>Total Capital</b>	<b>37,183,710</b>	<b>20,969,994</b>	<b>28,560,615</b>	<b>(7,590,622)</b>	<b>32,611,475</b>	<b>(4,572,235)</b>

- a) Community and Housing - The major cause of the projected year end variance is a projected outturn on disabled facilities grant of £450k compared to the budget of £650k.
- b) Corporate Services – The majority of the projected variance is caused by five major corporate schemes
- a. the Acquisition Fund £1,033k - this budget is held corporately and currently the only expenditure relates to £463,500 paid for the purchase of a freehold interest of a property on which we have restrictive covenants. The balance on this budget will be slipped into 2016/17,
  - b. Bidding Fund £1,357k- this is a centrally held fund to provide match funding to secure external funding there is currently no commitments against this budget. This budget will be slipped into 2016/17
  - c. Transformation Budget £8k – this budget is held corporately and vired as transformation projects are identified. This small budget will be relinquished at year end.
  - d. Disaster Recovery is showing a projected slippage of £182k – It is envisaged that full DR testing will not take place until the new financial year. It is proposed that any unspent budget is slipped into 2016/17 to ensure there are financial resources available to undertake any work identified by this testing.
  - e. Invest to Save – Although an appropriate Retrofit Framework to source and supply and install photovoltaic (PV) panels was identified towards the end of 2015, the installation programme covering schools and operational properties was delayed by a review and reduction in the level of feed in tariff (FIT) available from central government. As a result, the financial viability of individual projects, which depend on the level of FIT, will need to be carefully analysed to ensure they still meet the financial criteria for the overall project. A number of the schemes will also need, for operational reasons, to be carried out in the Summer months.
  - f. Replacement Social Care System – current slippage shown as £143k - final review underway to determine re-profiling to be included in the February Cabinet Report

- c) Children, Schools and Families – The spend to date is very close overall compared to the profiled budget. Primary Expansions – On 18 January 2016 Cabinet agreed a maximum addition of £750,200 to enable officers to agree the worst case collective overspend on three major primary school expansion projects. The maximum exposure has now reduced to £550k, with two further final accounts to agree. Finally there has been no request for loans for the purchase of equipment (need to adjust for Lonesome) (£104k). Secondary Expansions – are showing slippage of £15k.
- d) Environment and Regeneration – Spend to date compared to the profiled budget highlights a £2.9 million slippage against the profile. It is expected that this underspend will reduce to £735k by the year end – this projection assumes that the majority of the budget will be spent including Regeneration Partnerships (spend of £2.1million required for which £0.7 million of commitments exist), TfL (spend of £1.4 million required for which £0.9 million of commitments exist) and Transport and Plant (spend of £0.54 million required for which a £116k commitment exists). There are five major causes of the variance from budget at year end:
- The Heritage Lottery fund scheme for Canons Parks (of £104k) which is currently being consulted on. This budget will be re-profiled as the results of this consultation are progressed.
  - Street Scene Enhancements work is underway to develop two schemes with this budget, however, this budget will not be spent by year end and £43k will remain unspent. This budget will be relinquished at year end.
  - Street Lighting where there is a £100k slippage on one of the projects. Unspent budget in relation to the retrofit project will be slipped into 2016/17.
  - Transport and Plant is showing an underspend against budget of £152k, any unspent budget will be relinquished at year end
  - Transport for London has an expected slippage into 2016/17 of £324k

4.3 Appendix 5b details the adjustments being made to the Capital Programme this month. A brief description of the adjustment is provided in this Appendix. The capital proposals contained in this report have minimal impact on the Medium Term Financial Strategy being presented to Council on 7 March 2016.

4.4 The table below shows the movement in the Capital programme for 2015/16 since its approval in March 2015, this table is the same as that presented last month:

Depts.	Original Budget 15/16	Net Slippage 2014/15	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 15/16
Community and Housing	2,161	1,436	189	0		(2,174)	1,612
Corporate Services	7,428	2,408	(171)	0	175	(3,009)	6,831
Children Schools and Families	17,105	1,014	(56)	(7)	750	(4,187)	14,619
Environment and Regeneration	15,240	2,345	(2,720)	249	296	(1,287)	14,123
<b>Total</b>	<b>41,933</b>	<b>7,203</b>	<b>(2,758)</b>	<b>242</b>	<b>1,221</b>	<b>(10,657)</b>	<b>37,184</b>

## DELIVERY OF SAVINGS

Department	Target Savings 2015/16	Projected Savings 2015/16	Period 10 Forecast Shortfall	Period 10 Forecast Shortfall	Period 9 Forecast Shortfall	Period 9 Forecast Shortfall
	£000's	£000's	£000's	%	£000's	%
Corporate Services	1,170	1,099	(71)	(6.1)%	(71)	(6.1)%
Children Schools and Families	781	781	0	0.0%	0	0.0%
Community and Housing	2,154	2,171	17	0.8%	(139)	(6.5)%
Environment and Regeneration	4,192	760	(3,432)	(81.9)%	(3,428)	(81.8)%
<b>Total</b>	<b>8,297</b>	<b>4,811</b>	<b>(3,486)</b>	<b>(42.0)%</b>	<b>(3,638)</b>	<b>(43.8)%</b>

Appendix 7 details the progress on savings for 2015/16 by department.

£3.2m of the E&R savings shortfall relates to the unsuccessful legal challenge to the award of the contract for the provision and maintenance of ANPR camera. This will be met next year.

In relation to the remaining shortfalls – these are reviewed regularly by DMT and where it is deemed that the savings cannot be achieved alternative savings have been/ will be proposed to Cabinet.

Mitigating actions continue to be applied wherever possible in order to minimise the in-year pressures.

Adult Social Care have initiated various management actions to recoup the savings shortfall

This includes new innovative commissioning approaches and reviewing the current commissioning strategy.

Also working on a number of other innovative ideas to help meet a growing need in a different way to the current process.

### 2014/15 Savings not fully achieved

Department	Savings 2014/15	Savings Achieved 2014/15	14/15 Shortfall	15/16 Shortfall expected
	£000's	£000's	£000's	£000's
Corporate Services	975	972	(3)	0
Children Schools and Families	140	100	(40)	0
Community and Housing	2,626	259	(2,367)	(1,188)
Environment and Regeneration	784	280	(504)	(115)
<b>Total</b>	<b>4,525</b>	<b>1,611</b>	<b>(2,914)</b>	<b>(1,303)</b>

Appendix 8 reports the 2014/15 savings not achieved and projects the full year affect of these savings in 2015/16. Further work is being performed to ensure the 2014/15 savings shortfall is being addressed in the current year and for Community and Housing in 2016/17 as well.

## 5. CONSULTATION UNDERTAKEN OR PROPOSED

6.1 All relevant bodies have been consulted.

## **7. TIMETABLE**

7.1 In accordance with current financial reporting timetables.

## **8. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

8.1 All relevant implications have been addressed in the report.

## **9. LEGAL AND STATUTORY IMPLICATIONS**

9.1 All relevant implications have been addressed in the report.

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

10.1 Not applicable

## **11. CRIME AND DISORDER IMPLICATIONS**

11.1 Not applicable

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

12.1 The emphasis placed on the delivery of revenue savings within the financial monitoring report and the risk of part non-delivery of savings is contained on the key strategic risk register and will be kept under review.

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

Appendix 1-	Detailed monthly position table
Appendix 2 –	Detailed Corporate Items table
Appendix 3 –	Pay and Price Inflation as at September 2015
Appendix 4 –	Treasury Management: Outlook
Appendix 5a –	Current Capital Programme 2015/16
Appendix 5b –	Current Capital Programme 2015/16 – Adjustments December 2015
Appendix 6 -	Departmental charts
Appendix 7 -	Progress on 2015/16 savings
Appendix 8-	2014/15 savings achieved and expected in 2015/16

## **14. BACKGROUND PAPERS**

14.1 Budgetary Control files held in the Corporate Services department.

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**Summary Position as at 31st January  
2016**

APPENDIX 1

	Original Budget 2015/16	Current Budget 2015/16	Year to Date Budget (Jan)	Year to Date Actual (Jan)	Full Year Forecast (Jan)	Forecast Variance at year end (Jan)	Forecast Variance at year end- previous month (Dec)	Outturn Variance 2014/15
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000
<b>Department</b>	-	-	-	-	-	-	-	-
3A. Corporate Services	14,025	15,258	30,375	21,415	15,342	84	391	(691)
3B. Children, Schools and Families	50,894	53,000	163,283	158,338	53,401	401	644	2,663
<b>3C. Community and Housing</b>	-	-	-	-	-	-	-	0
Adult Social Care	56,080	56,448	46,575	43,704	57,547	1,099	1,202	2,593
Libraries & Adult Education	3,169	3,282	3,098	2,680	3,441	159	154	281
Housing General Fund	2,151	2,154	1,718	763	1,772	(382)	(310)	(100)
3D. Public Health	320	1,154	(774)	(2,485)	1,224	70	(106)	(0)
3E. Environment & Regeneration	23,986	24,039	5,450	7,272	27,123	3,084	3,077	1,703
Overheads	0	0	0	0	0	0	0	0
<b>NET SERVICE EXPENDITURE</b>	<b>150,624</b>	<b>155,335</b>	<b>249,725</b>	<b>231,686</b>	<b>159,850</b>	<b>4,515</b>	<b>5,051</b>	<b>6,448</b>
<b>3E. Corporate Items</b>	-	-	-	-	-	-	-	-
Impact of Capital on revenue budget	14,117	14,117	4,464	5,153	14,092	(25)	(25)	205
Other Central items	-10,651	-15,362	-3,523	1,433	-18,258	-2,896	-2,421	(2,817)
Levies	926	926	779	779	926	0	0	0
<b>TOTAL CORPORATE PROVISIONS</b>	<b>4,392</b>	<b>-320</b>	<b>1,721</b>	<b>7,366</b>	<b>-3,240</b>	<b>-2,921</b>	<b>-2,446</b>	<b>-2,612</b>
<b>TOTAL GENERAL FUND</b>	<b>155,016</b>	<b>155,016</b>	<b>251,446</b>	<b>239,052</b>	<b>156,610</b>	<b>1,595</b>	<b>2,605</b>	<b>3,836</b>
<b>- Funding</b>	-	-	-	-	-	-	-	-
- Business Rates	(33,686)	(33,686)	(6,586)	(6,586)	(33,686)	0	0	0
- RSG	(30,425)	(30,425)	(26,735)	(26,735)	(30,425)	0	0	0
- Council Tax Freeze Grant 2014/15	(861)	(861)	(781)	(781)	(861)	0	0	6
- Section 31 Grant	(1,134)	(1,134)	(969)	(969)	(1,134)	0	0	(160)
- New Homes Bonus	(2,642)	(2,642)	(3,984)	(3,984)	(2,642)	0	0	0
- PFI Grant	(4,797)	(4,797)	(3,598)	(3,598)	(4,797)	0	0	0
<b>Grants</b>	<b>(73,545)</b>	<b>(73,545)</b>	<b>(42,654)</b>	<b>(42,654)</b>	<b>(73,545)</b>	<b>0</b>	<b>0</b>	<b>(154)</b>
Collection Fund - Council Tax Surplus(-)/Deficit	(4,813)	(4,813)	0	0	(4,813)	0	0	0
Collection Fund - Business Rates Surplus(-)/Deficit	393	393	0	0	393	0	0	0
<b>Council Tax</b>	-	-	-	-	-	-	-	-
- General	(76,758)	(76,758)	0	0	(76,758)	0	0	0
- WPCC	(293)	(293)	0	0	(293)	0	0	0
<b>Council Tax and Collection Fund</b>	<b>(81,471)</b>	<b>(81,471)</b>	<b>0</b>	<b>0</b>	<b>(81,471)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUNDING</b>	<b>(155,016)</b>	<b>(155,016)</b>	<b>(42,654)</b>	<b>(42,654)</b>	<b>(155,016)</b>	<b>0</b>	<b>0</b>	<b>(154)</b>
<b>NET</b>	<b>0</b>	<b>(1)</b>	<b>208,792</b>	<b>196,399</b>	<b>1,595</b>	<b>1,595</b>	<b>2,605</b>	<b>3,682</b>

	Year to Date Budget (Jan)	Year to Date Actual (Jan)	Full Year Forecast (Jan)	Forecast Variance at year end (Jan)	Full Year forecast at year end (Dec)	Forecast Variance at year end (Dec)
<b>Expenditure</b>	£000	£000	£000	£000	£000	£000
Employees	81,699	80,560	98,134	100	98,799	668
Premises Related Expenditure	7,674	5,786	8,756	(334)	8,533	(374)
Transport Related Expenditure	12,136	11,343	14,681	16	14,770	104
Supplies and Services	142,608	137,591	173,837	(1,853)	173,824	(1,957)
Third Party Payments	71,407	69,927	95,568	5,694	94,877	5,264
Transfer Payments	86,418	78,611	98,290	(5,755)	99,160	(4,885)
Support Services	0	1	31,901	(1)	31,901	(1)
Depreciation and Impairment Losses	12	0	16,505	(0)	16,505	(0)
Corporate Provisions	1,721	7,366	(3,240)	(2,921)	(2,822)	(2,446)
<b>GROSS EXPENDITURE</b>	<b>403,673</b>	<b>391,186</b>	<b>534,433</b>	<b>(5,053)</b>	<b>535,547</b>	<b>(3,628)</b>
<b>Income</b>						
Government Grants	(90,100)	(88,786)	(261,524)	5,827	(262,050)	5,279
Other Grants, Reimbursements and Contribs	(10,358)	(14,918)	(25,071)	(2,333)	(24,955)	(2,248)
Customer and Client Receipts	(48,025)	(48,347)	(58,868)	2,763	(58,728)	2,643
Interest	0	0	(20)	24	(20)	24
Recharges	(3,584)	0	(32,547)	1	(32,547)	1
Balances	(160)	(82)	207	367	375	535
<b>GROSS INCOME</b>	<b>(152,228)</b>	<b>(152,134)</b>	<b>(377,822)</b>	<b>6,648</b>	<b>(377,926)</b>	<b>6,234</b>
<b>NET EXPENDITURE</b>	<b>251,447</b>	<b>239,052</b>	<b>156,610</b>	<b>1,595</b>	<b>157,621</b>	<b>2,605</b>

**APPENDIX 2**

3E. Corporate Items	Council 2015/16 £000s	Original Budget 2015/16 £000s	Current Budget 2015/16 £000s	Year to Date Budget (Jan.) £000s	Year to Date Actual (Jan.) £000s	Full Year Forecast (Jan.) £000s	Forecast Variance at year end (Jan.) £000s	Forecast Variance at year end (Dec.) £000s
Cost of Borrowing Use for Capital Programme	14,117	14,117	14,117	4,464	5,153	14,092	(25) 0	(25) 0
<b>Impact of Capital on revenue budget</b>	<b>14,117</b>	<b>14,117</b>	<b>14,117</b>	<b>4,464</b>	<b>5,153</b>	<b>14,092</b>	<b>(25)</b>	<b>(25)</b>
<b>Investment Income</b>	<b>(559)</b>	<b>(559)</b>	<b>(559)</b>	<b>(233)</b>	<b>(815)</b>	<b>(797)</b>	<b>(238)</b>	<b>(305)</b>
<b>Pension Fund</b>	<b>5,042</b>	<b>5,042</b>	<b>5,042</b>	<b>4,702</b>	<b>4,702</b>	<b>5,042</b>	<b>0</b>	<b>0</b>
Corporate Provision for Pay Award	189	189	0	0	0	(92)	(92)	0
Provision for inflation in excess of 1.5%	543	543	475	0	0	75	(400)	0
Utilities Inflation Provision	100	100	100	0	13	50	(50)	0
<b>Pay and Price Inflation</b>	<b>832</b>	<b>832</b>	<b>575</b>	<b>0</b>	<b>13</b>	<b>33</b>	<b>-542</b>	<b>0</b>
Contingency	1,500	1,500	1,040	0	0	0	(1,040)	(1,040)
Single Status/Equal Pay	100	100	100	0	22	50	(50)	(50)
Bad Debt Provision	500	500	500	0	0	500	0	0
Loss of income arising from P3/P4	400	400	400	0	0	0	(400)	(400)
Revenuisation and miscellaneous	3,525	3,525	2,211	0	0	2,211	0	0
<b>Contingencies and provisions</b>	<b>6,025</b>	<b>6,025</b>	<b>4,251</b>	<b>0</b>	<b>22</b>	<b>2,761</b>	<b>(1,490)</b>	<b>(1,490)</b>
Local Services Support Grant	0	0	0	0	3	0	0	0
Other	(174)	(174)	(174)	0	0	(800)	(626)	(626)
<b>Income items</b>	<b>(174)</b>	<b>(174)</b>	<b>(174)</b>	<b>0</b>	<b>3</b>	<b>(800)</b>	<b>(626)</b>	<b>(626)</b>
Appropriations: CS Reserves	(3,003)	(3,003)	(4,053)	(4,053)	(110)	(4,053)	0	0
Appropriations: E&R Reserves	(1,631)	(1,631)	(1,672)	(1,672)	(114)	(1,672)	0	0
Appropriations: CSF Reserves	(618)	(618)	(1,218)	(1,218)	(1,218)	(1,218)	0	0
Appropriations: C&H Reserves	(545)	(545)	(700)	(700)	(700)	(700)	0	0
Appropriations: Public Health Reserves	(320)	(320)	(1,154)	(1,154)	(1,154)	(1,154)	0	0
Appropriations: Corporate Reserves	806	806	806	806	806	806	0	0
<b>Appropriations/Transfers</b>	<b>(5,311)</b>	<b>(5,311)</b>	<b>(7,992)</b>	<b>(7,992)</b>	<b>(2,491)</b>	<b>(7,992)</b>	<b>0</b>	<b>0</b>
<b>Depreciation and Impairment</b>	<b>(16,506)</b>	<b>(16,506)</b>	<b>(16,506)</b>	<b>0</b>	<b>0</b>	<b>(16,506)</b>	<b>0</b>	<b>0</b>
<b>Central Items</b>	<b>3,466</b>	<b>3,466</b>	<b>(1,245)</b>	<b>941</b>	<b>6,587</b>	<b>(4,166)</b>	<b>(2,921)</b>	<b>(2,446)</b>
<b>Levies</b>	<b>926</b>	<b>926</b>	<b>926</b>	<b>779</b>	<b>779</b>	<b>926</b>	<b>0</b>	<b>0</b>
<b>TOTAL CORPORATE PROVISIONS</b>	<b>4,392</b>	<b>4,392</b>	<b>(320)</b>	<b>1,721</b>	<b>7,366</b>	<b>(3,240)</b>	<b>(2,921)</b>	<b>(2,446)</b>

Pay and Price Inflation as at December 2015

In 2015/16, the budget includes 1% for increases in pay and 1.5% for increases in general prices, with an additional amount of £0.543m which is held to assist services that may experience price increases greatly in excess of the 1.5% inflation allowance provided when setting the budget. At present it is not anticipated that there will be a significant call on this budget and it will only be released when it is certain that it will not be required.

Pay:

The pay award for 2015/16 was agreed as part of a two year settlement which ends on 31 March 2016

Prices:

The Consumer Prices Index (CPI) rose by 0.3% in the year to January 2016, compared with a 0.2% rise in the year to December 2015. This is the third consecutive month of small increases, with the rate in January 2016 being the

same as it was in January 2015. The main contributors to the rise in the rate were motor fuels, and to a lesser extent food, alcoholic beverages and clothing. Air fare prices partially offset the rise in the rate, falling by more than they did a year ago,

following a large increase in prices in December 2015. CPIH, a measure of UK consumer price inflation that includes owner occupiers' housing costs, grew by 0.6% in the year to January 2016, up from 0.5% in December 2015.

RPI annual inflation stood at 1.3% in January 2016, up from 1.2% in December 2015.

Outlook for inflation:

At its meeting ending on 3 February 2016, the MPC voted unanimously to maintain Bank Rate at 0.5%. The Committee also voted unanimously to maintain the stock of purchased assets financed by the issuance of central bank reserves at £375 billion.

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. In the February 2016 Inflation Report, the MPC concluded that "In December, twelve-month CPI inflation stood at 0.2%, almost 2 percentage points below the inflation target. Oil prices were more than a third lower, in sterling terms, than a year earlier. Together with muted growth in world prices, the appreciation of sterling since early 2013 has pulled down on import prices more broadly. Overall, these factors can explain the vast majority of the deviation of inflation from the target in December.... The remainder of the undershoot reflects subdued domestic cost growth, particularly unit labour costs....The scale of recent commodity price falls means that CPI inflation is likely to remain below 1% until the end of the year. As the drags from energy and other imported goods unwind, however, domestic cost pressures are projected to build up sufficiently such that, conditioned on the path for Bank Rate implied by market interest rates, CPI inflation is likely to exceed the 2% target slightly at the two-year point and then rise further above it. This central projection for inflation is modestly below that of three months ago for much of the forecast period but broadly similar by the end. The MPC judges the risks to the central projection to be skewed a little to the downside in the near term, reflecting the possibility of greater persistence of low inflation."

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

Source: HM Treasury - Forecasts for the UK Economy (February 2016)			
2016 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.4	1.9	1.1
RPI	1.0	2.8	2.2
LFS Unemployment Rate	4.6	5.5	5.0
2017 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.6	2.9	2.0
RPI	1.4	3.6	2.9
LFS Unemployment Rate	4.4	5.3	4.9

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 2015 to 2019 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (February 2016)					
	2016	2017	2018	2019	2020
	%	%	%	%	%
CPI	0.7	1.7	2.0	2.1	2.0
RPI	1.7	2.6	3.2	3.1	3.2
LFS Unemployment Rate	5.0	4.9	4.8	4.9	4.9

## Treasury Management: Outlook

The Bank Base Rate has been kept at its low of 0.5% since March 2009. At its meeting ending on 3 February 2016, the MPC voted unanimously to maintain Bank Rate at 0.5%. The Committee also voted unanimously to maintain the stock of purchased assets financed by the issuance of central bank reserves at £375 billion.

In the February 2016 Inflation Report it was noted that “CPI inflation has begun to rise, but remains close to zero due primarily to falls in the prices of energy, food and other imported goods prices. Following a period of above-average growth, four-quarter GDP growth has slowed by slightly more than expected. The prices of risky assets have fallen since the November Report and oil prices, the sterling exchange rate and the yield curve are lower. In the MPC’s central projection, conditioned on Bank Rate rising very gradually, four-quarter GDP growth rises back to around 2½%. Although CPI inflation is likely to remain low in the near term, once the temporary drag from energy and other imported goods prices has faded, strengthening domestic cost growth is projected to take inflation back to the 2% target in around two years and then slightly above it.”

In the February Inflation Report, the Bank Rate is forecast to reach 1.1% by quarter 1 in 2019, and GDP growth is expected to rise to around 2.5% over the forecast period. The MPC note that “external forecasters, on average, expect Bank Rate to rise more gradually than projected at the time of the November Report, with an average expectation of 2.1% in three years’ time. This is, however, still materially higher than implied by market interest rates.”

At its meeting ending on 3 February 2016, the MPC judged it appropriate to leave the stance of monetary policy unchanged. The MPC “judges it more likely than not that Bank Rate will need to increase over the forecast period to ensure inflation remains likely to return to the target in a sustainable fashion. All members agree that, given the likely persistence of the headwinds weighing on the economy, when Bank Rate does begin to rise, it is expected to do so more gradually and to a lower level than in recent cycles. This guidance is an expectation, not a promise. The actual path Bank Rate will follow over the next few years will depend on the economic circumstances.”

The MPC’s forecasts of Bank Base Rate in recent Quarterly Inflation Reports is summarised in the following table:-

	End Q.3 2015	End Q.4 2015	End Q.1 2016	End Q.2 2016	End Q.3 2016	End Q.4 2016	End Q.1 2017	End Q.2 2017	End Q.3 2017	End Q.4 2017	End Q.1 2018	End Q.2 2018	End Q.3 2018	End Q.4 2018	End Q.1 2019
Feb. '16			0.5	0.5	0.5	0.5	0.6	0.6	0.7	0.8	0.9	0.9	1.0	1.1	1.1
Nov '15		0.5	0.5	0.5	0.6	0.6	0.7	0.8	0.9	1.0	1.1	1.1	1.2	1.3	
Aug. '15	0.5	0.5	0.6	0.7	0.9	1.0	1.2	1.3	1.4	1.5	1.6	1.7	1.7		
May '15	0.5	0.5	0.6	0.7	0.8	0.9	1.0	1.1	1.2	1.3	1.3	1.4			
Feb. '15	0.5	0.5	0.6	0.6	0.7	0.8	0.9	1.0	1.0	1.1	1.1				
Nov '14	0.7	0.8	1.0	1.1	1.2	1.4	1.5	1.5	1.7	1.7					
Aug. '14	1.1	1.3	1.5	1.7	1.9	2.0	2.1	2.2	2.3						

Source: Bank of England Inflation Report August 2015

The MPC makes its decisions in the context of the monetary policy forward guidance announced alongside the publication of the August 2013 Inflation Report. This guidance was summarised and reported in the July 2013 monitoring report.

The Inflation Report for February 2014 provided a summary of the Bank of England's approach to its proposed monetary policy as the economy recovers and once the unemployment threshold has been reached:-

- The MPC sets policy to achieve the 2% inflation target, and, subject to that, to support the Government's economic policies, including those for growth and employment.
- Despite the sharp fall in unemployment, there remains scope to absorb spare capacity further before raising Bank Rate.
- When Bank Rate does begin to rise, the appropriate path so as to eliminate slack over the next two to three years and keep inflation close to the target is expected to be gradual.
- The actual path of Bank Rate over the next few years will, however, depend on economic developments.
- Even when the economy has returned to normal levels of capacity and inflation is close to the target, the appropriate level of Bank Rate is likely to be materially below the 5% level set on average by the Committee prior to the financial crisis.
- The MPC intends to maintain the stock of purchased assets at least until the first rise in Bank Rate.
- Monetary policy may have a role to play in mitigating risks to financial stability, but only as a last line of defence if those risks cannot be contained by the substantial range of policy actions available to the Financial Policy Committee and other regulatory authorities.

Changes to the Bank Base Rate will depend on how quickly the economy recovers and will be set to achieve the inflation target of 2%.

The MPC sets monetary policy to meet the 2% target in the medium term and in a way that helps to sustain growth and employment.

## Community &amp; Housing Summary Capital Report - January 2016 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
<b>Adult Social Care</b>						
The Gables Mitcham	576,280	420,926	576,280	(155,354)	576,280	0
Other	54,450	2,065	53,880	(51,815)	53,833	(617)
<b>Libraries</b>						
Library Self Service	270,000	6,968	270,000	(263,032)	270,000	0
<b>Housing</b>						
8 Wilton Road	60,160	47,362	60,161	(12,799)	60,160	0
Disabled Facilities	650,000	388,343	539,215	(150,872)	450,000	(200,000)
<b>Community and Housing Total</b>	<b>1,610,890</b>	<b>865,664</b>	<b>1,499,536</b>	<b>(633,872)</b>	<b>1,410,273</b>	<b>(200,617)</b>

## Corporate Services Summary Capital Report - January 2016 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Business Improvement	855,180	238,851	472,016	(233,165)	750,200	(104,980)
Corporate Governance	880	0	880	(880)	0	(880)
Corporate Items	2,862,530	463,500	1,161,520	(698,020)	463,500	(2,399,030)
Facilities Management	1,713,280	385,424	1,388,110	(1,002,686)	1,078,373	(634,907)
IT Total	927,550	166,649	588,880	(422,231)	745,624	(181,926)
Resources	471,700	98,403	9,100	89,303	471,700	0
<b>Corporate Services Total</b>	<b>6,831,120</b>	<b>1,352,827</b>	<b>3,620,506</b>	<b>(2,267,679)</b>	<b>3,509,397</b>	<b>(3,321,723)</b>

## Children, Schools &amp; Families Summary Capital Report - January 2016 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Aragon expansion	0	(11,083)	0	(11,083)	0	0
Cranmer expansion	31,260	10,030	31,260	(21,230)	31,260	0
Joseph Hood Permanent Expansn	3,830	(2,965)	3,830	(6,795)	3,830	0
St Mary's expansion	157,080	46,975	157,080	(110,105)	157,080	0
All Saints/ South Wim YCC exp	3,550	3,547	3,550	(3)	3,550	0
Hillcross School Expansion	1,560,510	1,433,978	1,560,510	(126,532)	1,560,510	0
Merton Abbey Temp Accomodation	1,179,940	1,156,157	1,072,440	83,717	1,179,940	0
Pelham School Expansion	3,161,140	3,142,360	3,161,140	(18,780)	3,161,140	0
Dundonald expansion	2,300,000	1,749,364	2,300,000	(550,636)	2,300,000	0
Poplar Permanent Expansion	289,900	237,930	190,188	47,742	289,900	0
Singlegate expansion	970,000	680,389	1,257,992	(577,603)	970,000	0
Primary School Exp. Overspen Provision	750,200	0	0	0	555,131	(195,069)
Wimbledon Park expansion	70,530	10,603	70,530	(59,927)	70,530	0
<b>Primary Expansion</b>	<b>10,477,940</b>	<b>8,457,285</b>	<b>9,808,520</b>	<b>(1,351,235)</b>	<b>10,282,871</b>	<b>(195,069)</b>



## Children, Schools &amp; Families Summary Capital Report - January 2016 Monitoring Continued ...

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Devolved Formula Capital	361,710	301,460	267,740	33,720	361,710	0
Early Years	0	(59,158)	0	(59,158)	0	0
Free School Meals	193,080	168,415	193,080	(24,666)	193,080	0
Cricket Green Site	40,000	30,720	40,000	(9,280)	40,000	0
Primary school autism unit	1,145,240	962,844	1,108,950	(146,106)	1,145,240	0
Breaks-disabled children grant	0	(7,242)	0	(7,242)	0	0
Perseid	1,139,680	869,529	1,139,680	(270,151)	1,139,680	0
Schs Cap Maint & Accessibility	777,320	641,289	742,320	(101,031)	777,320	0
B631 - Solar PV Raynes Prk Pav	0	(1,000)	0	(1,000)	0	0
Raynes Park Sports Pavilion	4,770	0	4,770	(4,770)	4,770	0
Secondary School expansion	270,000	146,104	61,000	85,104	255,000	(15,000)
Schools Equipment Loans	104,450	0	0	0	0	(104,450)
Admissions IT System	105,000	91,875	0	91,875	105,000	0
	<b>4,141,250</b>	<b>3,144,836</b>	<b>3,557,540</b>	<b>(412,705)</b>	<b>4,021,800</b>	<b>(119,450)</b>
<b>Children Schools and Families</b>	<b>14,619,190</b>	<b>11,602,121</b>	<b>13,366,060</b>	<b>(1,763,940)</b>	<b>14,304,671</b>	<b>(314,519)</b>

## Environment &amp; Regeneration Summary Capital Report - January 2016 Monitoring

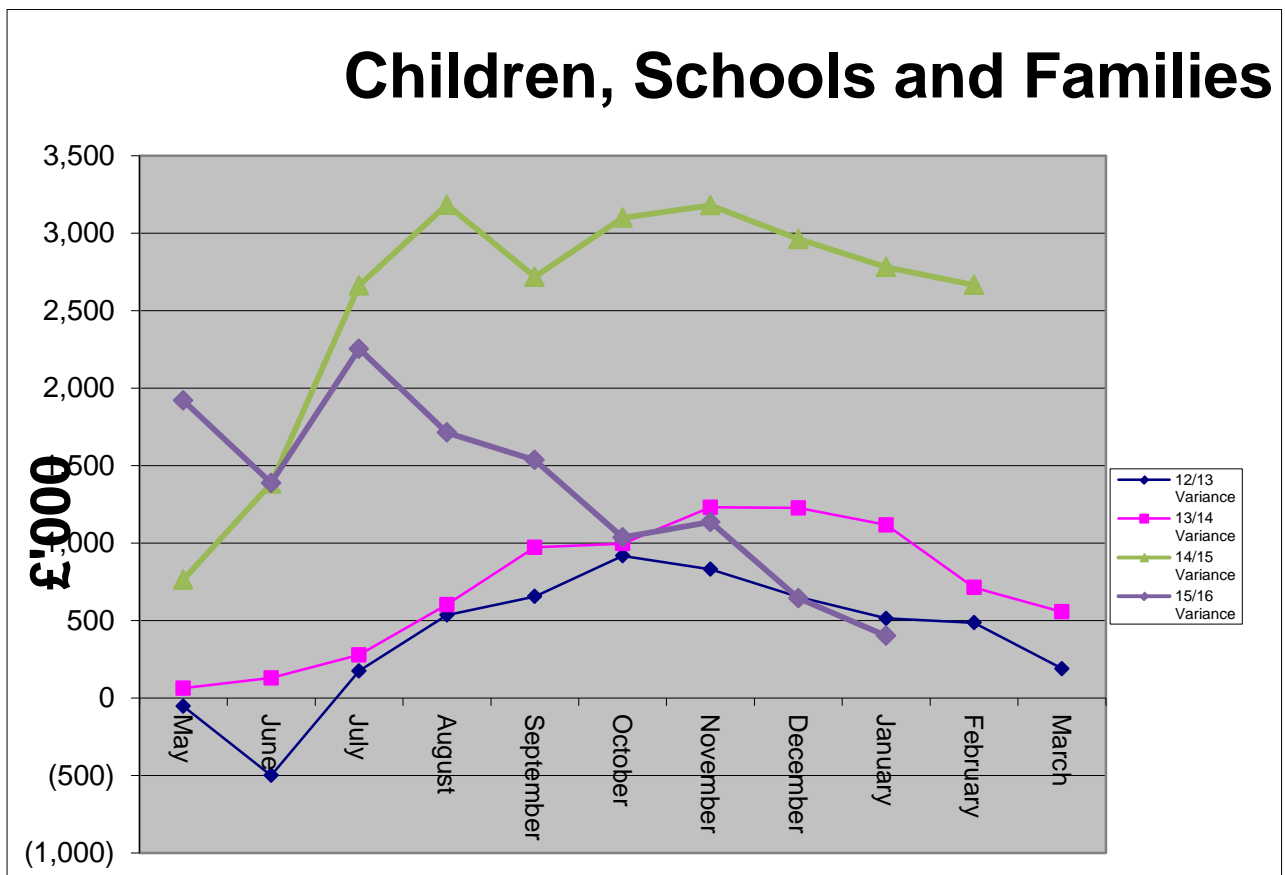
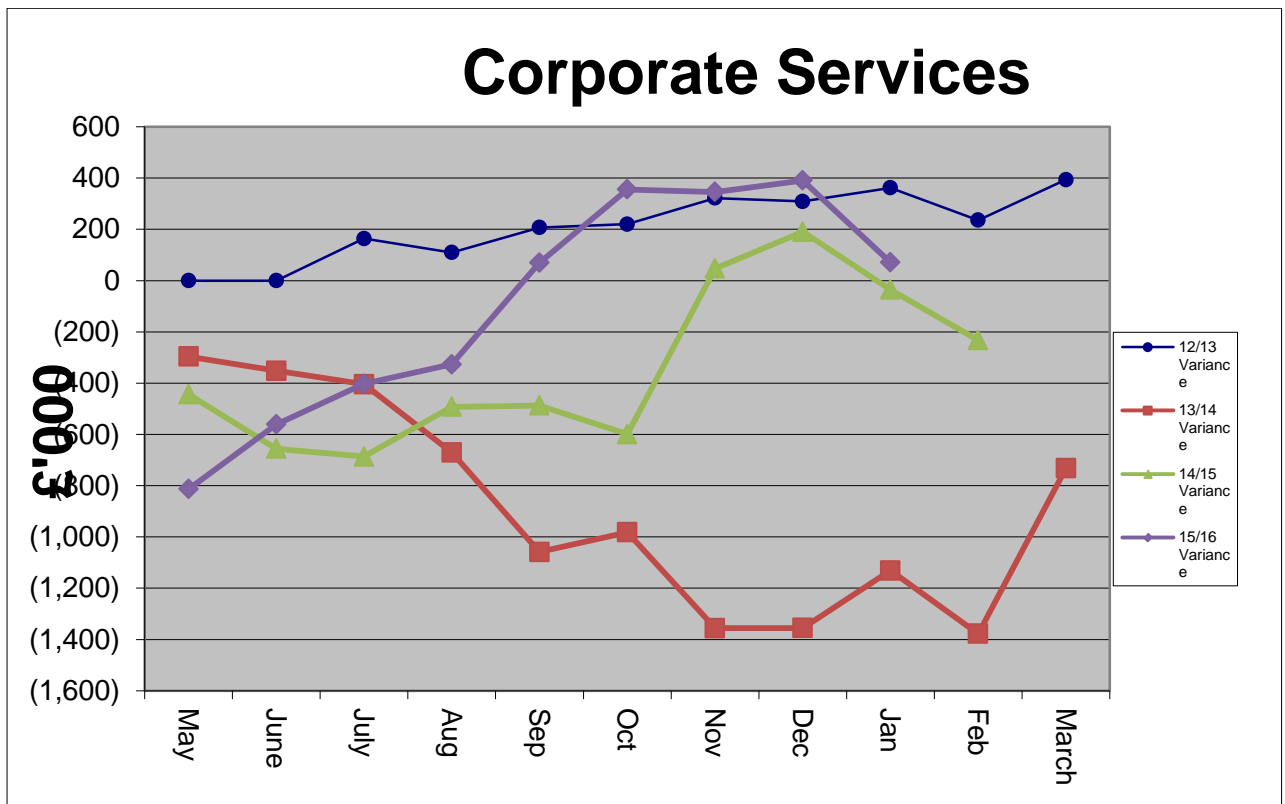
Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Footways Planned Works	1,060,000	925,994	514,180	411,814	1,060,000	0
Greenspaces	992,640	594,000	835,321	(241,321)	908,289	(84,351)
Highways General Planned Works	484,230	138,721	342,002	(203,281)	465,194	(19,036)
Highways Planned Road Works	1,500,000	1,489,092	1,072,150	416,942	1,500,000	0
Leisure Centres	1,022,170	375,883	720,466	(344,583)	1,022,170	0
Other E&R	93,260	33,744	93,260	(59,516)	93,260	0
On and Off Street Parking	20,140	10,236	20,140	(9,904)	20,140	0
Regeneration Partnerships	3,617,630	1,520,942	2,587,965	(1,067,023)	3,617,630	0
Street Lighting	600,000	152,976	466,670	(313,694)	500,000	(100,000)
Street Scene	150,690	45,687	96,706	(51,019)	107,510	(43,180)
Transport for London	2,878,200	1,427,354	2,312,700	(885,346)	2,554,200	(324,000)
Traffic and Parking Management	316,560	70,091	167,640	(97,549)	313,460	(3,100)
Transport and Plant	816,090	113,851	343,828	(229,977)	656,000	(160,090)
Safer Merton - CCTV & ASB	201,000	42,947	150,000	(107,053)	201,000	0
Waste Operations	369,900	207,864	351,485	(143,621)	368,281	(1,619)
<b>Environment and Regeneration</b>	<b>14,122,510</b>	<b>7,149,382</b>	<b>10,074,513</b>	<b>(2,925,131)</b>	<b>13,387,134</b>	<b>(735,376)</b>

**Virement, Re-profiling and New Funding – January 2016**

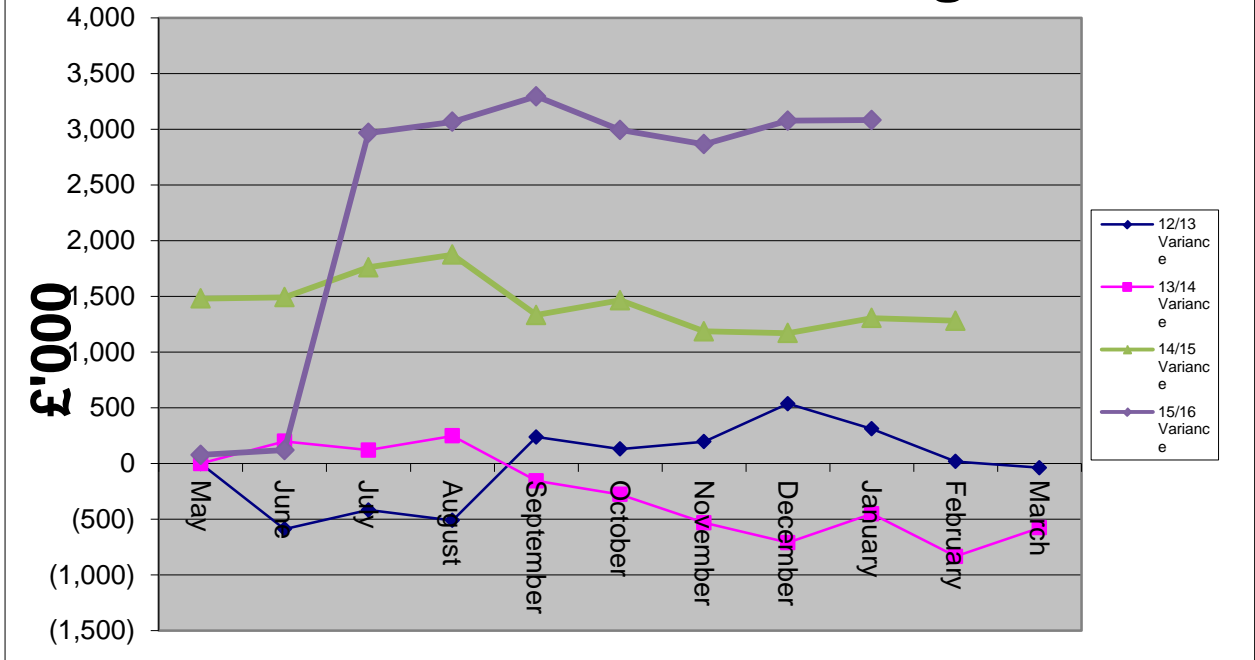
	2015/16 Budget	Virements	Revised 2015/16 Budget		Narrative
-	£	£	£		
<b><u>Environment &amp; Regeneration</u></b>					
Street Scene Enhancements	83,180	(40,000)	43,180		Budget transferred to fund the contract for Health and Safety windows works for properties in Osier Way
Industrial Estate Investment	100,000	40,000	140,000		Budget transferred to fund the contract for Health and Safety windows works for properties in Osier Way
<b>Total</b>	<b>183,180</b>	<b>0</b>	<b>183,180</b>		

APPENDIX 6

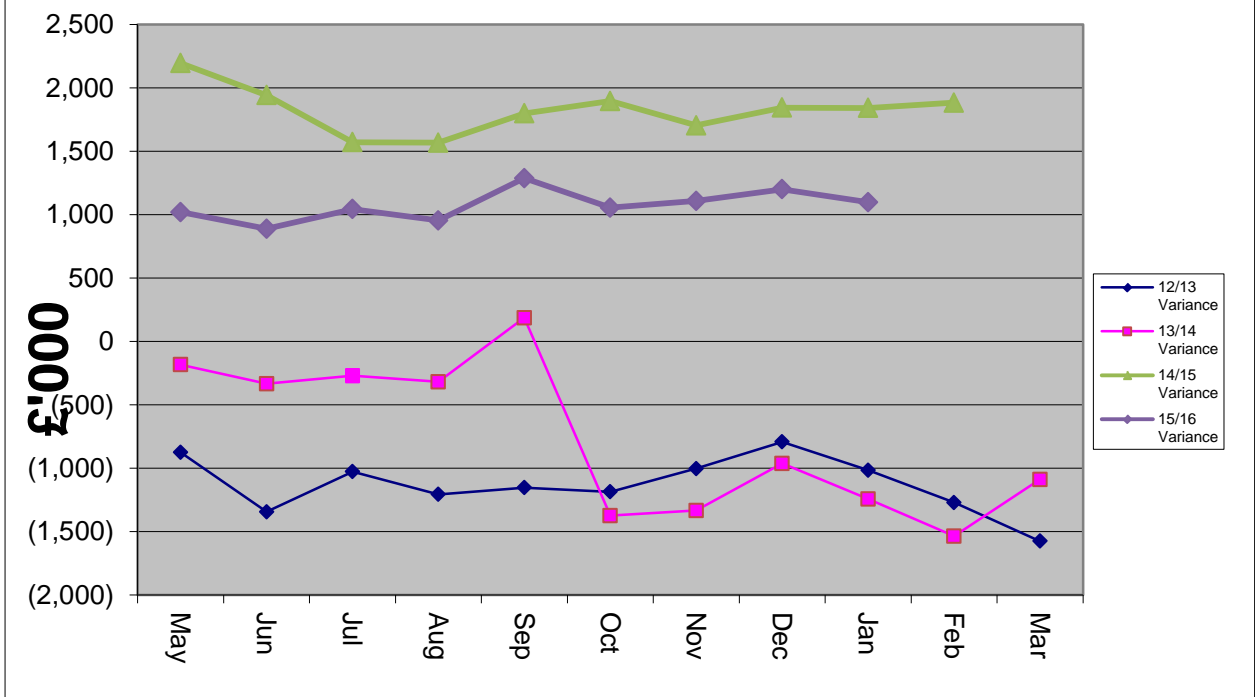
The following charts show the forecast year end variance by department with a comparison for 2012/13, 2013/14 and 2014/15:



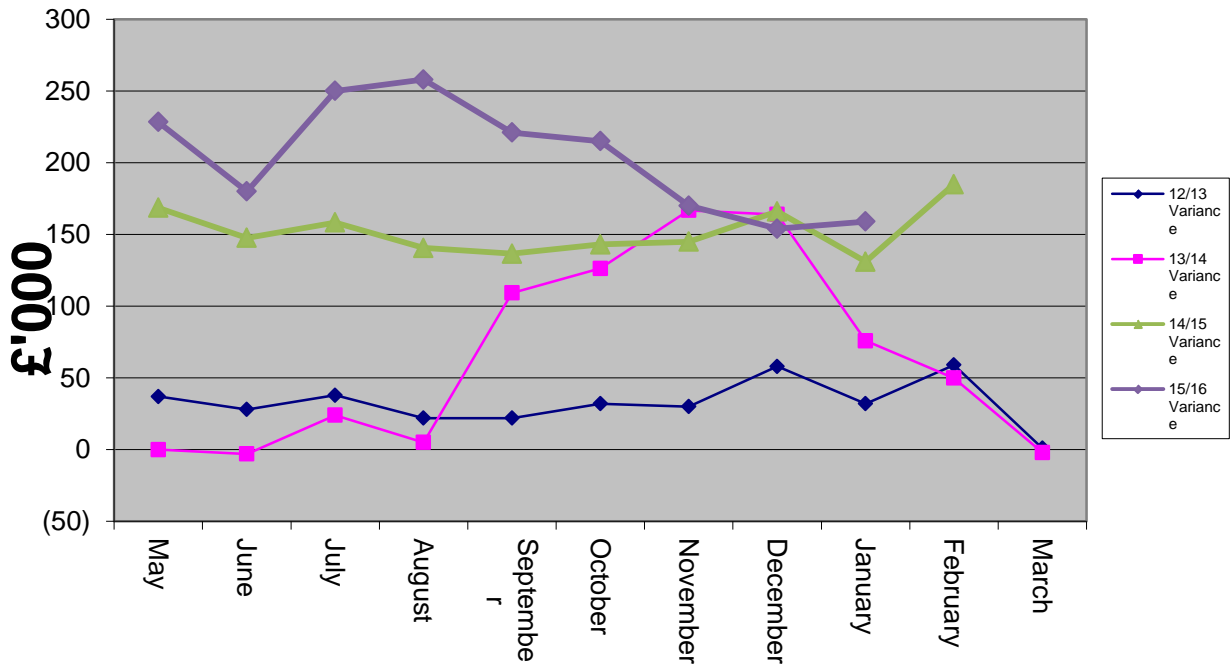
## Environment and Regeneration



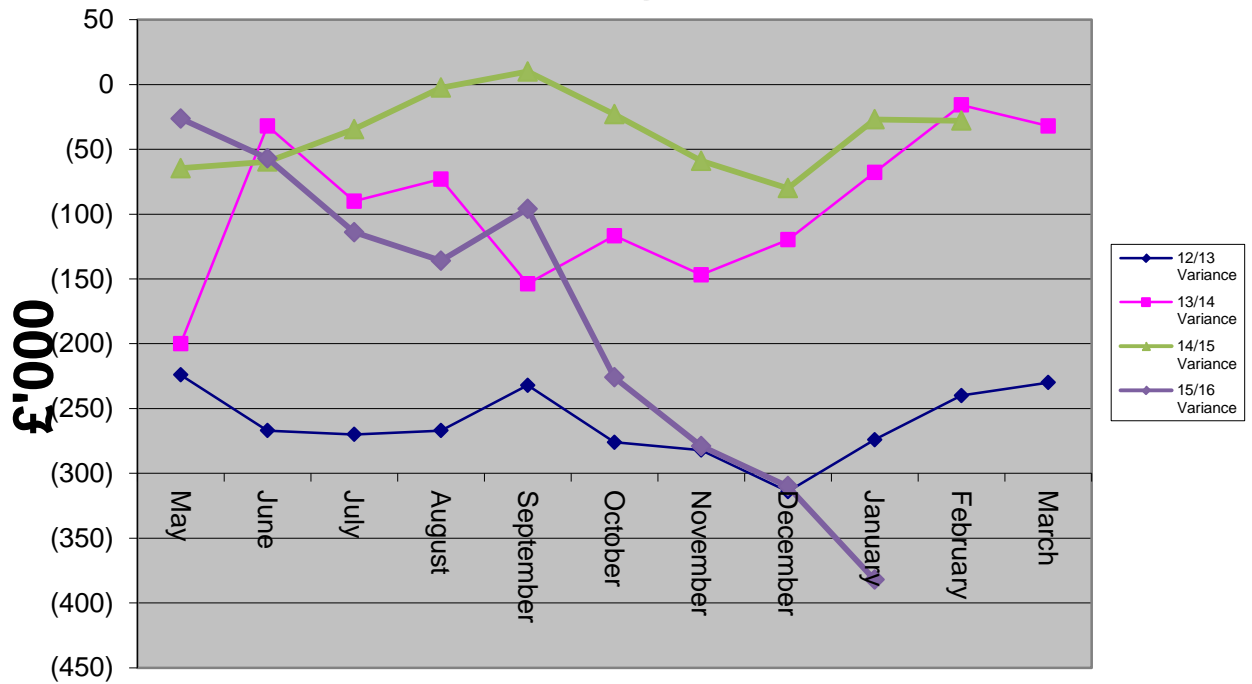
## Adult Social Care



## Libraries & Adult Education



## Housing General Fund



## DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	15/16 RAG	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	<b><u>CSF Commissioning Function and Commissioning Budgets</u></b>										
CSF2012-04	Reduce expenditure on LAC and SEN placements	100	100	0	A	100	0	A	Paul Ballatt	Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Placements are reviewed on a monthly basis and detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter. At quarter 3, total cost reductions of £294k has been achieved of which £261k related to the general fund base line budget of £5.192m.	Y
	<b><u>Commissioning, Strategy and Performance</u></b>										
CSF2014-02	This is a re-profiling of the budgeted saving agreed by Council for 2015-17 on 5 March 2014. Due to demographic pressures on the budget we reduced the post 16 LAC/CL accommodation saving for 2015/16 from £100k to £58k.	58	58	0	A	58	0	A	Paul Ballatt	Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Placements are reviewed on a monthly basis and detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter. At quarter 3, total cost reductions of £294k has been achieved of which £261k related to the general fund base line budget of £5.192m.	Y
	<b><u>CSF Children Social Care &amp; Youth Inclusion</u></b>										
CSF2012-07	Family and Adolescent Services Stream - Transforming Families (TF), Youth Offending Team (YOT) and in Education, Training and Employment (ETE)	220	220	0	G	220	0	G	Paul Angeii		
	<b><u>CSF Early Years</u></b>										
CSF2013-01	Substantial reduction in EY budgets whilst retaining existing Children's Centres targeted work in areas of higher deprivation (up to 10% reduction overall to Children's Centre services). Reduction in funding and in kind contributions to voluntary sector organisations	160	160	0	G	160	0	G	Jane McSherry		
	<b><u>School Standards and Quality</u></b>										
CSF2014-01	This is a re-profiling of the budgeted savings for 2015-17 agreed by Council on 5 March 2014. Instead of spreading the income generation and management efficiencies saving of £80k over two years, we propose bringing the total saving forward to 2015/16.	80	80	0	G	80	0	G	Jane McSherry		

## DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	15/16 RAG	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
	<b><u>Commissioning, Strategy and Performance</u></b>										
CSF2014-03	This will be achieved through a combination of reducing our training for facilitators of parenting programmes and decommissioning a service where the commissioned outcomes are not being delivered.	63	63	0	G	63	0	G	Paul Ballatt		
	<b><u>Youth Services</u></b>										
CSF2014-04	Reduced investment in commissioned and in-house youth services.	100	100	0	G	100	0	G	Jane McSherry		
	<b>Total Children, Schools and Families Department Savings for 2015/16</b>	<b>781</b>	<b>781</b>	<b>0</b>		<b>781</b>	<b>0</b>				

CSF2012-04 and CSF2014-02 is shown as amber because, although the savings are met, the overall budgets are overspending due to demographic pressures.

## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	15/16 RAG	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments
	<b>Adult Social Care</b>									
ASC7	Below Inflation Uplift to third party suppliers	350	174	176	R	176	174	R	Simon Williams	Care home market pressures, which are outside of our control, have driven up costs, with providers, during 2015/16 resulting in increases in costs of £1.1m. However, this amount has been negotiated down to £368.5k. In January a number of local providers increased their prices backdated to August 2015 which has had an impact on the on-going underachievement of this saving. Work is continuing in negotiating further reductions in cost.
ASC9	Remodelling and re-procuring the domiciliary care service, following the end of the 3 year contract starting in 2012.	250	0	250	R	0	250	R	Simon Williams	Domiciliary care home market pressures, which are outside of our control, have driven up costs with providers during 2015/16, so no reductions in current costs could be negotiated. Providers requested costs to be increased by £439k, however, this amount was re-negotiated down to £169k.
	<b>Merton Adult Education</b>									
CH15	Increased income and some staff reductions	14	0	14	R	0	14	R	Yvonne Tomlin	Saving not delivered due to changes in SFA funding



## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	15/16 RAG	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments
CH3	Procurement Opportunities (Placement budget)	32	26	6	A	32	0	G	Simon Williams	£26k so far achieved and it is anticipated full saving will be achieved.
CH10	Procurement Opportunities	250	363	(113)	G	363	(113)	G	Simon Williams	Orchard Hill contract re-let and re-tender of extra care schemes have resulted in this target over-achieving.
ASC19A	Review of care packages with a view to an overall average reduction in line with promoting independence	100	250	(150)	G	250	(150)	G	Simon Williams	Reviews so far have identified savings and the end of year projection is £485, exceeding the total for the 3 savings.
*ASC18	* Review of care packages	75	105	(30)	G	105	(30)	G	Simon Williams	

## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	15/16 RAG	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments
CH2	Domiciliary care service	31	130	(99)	G	130	(99)	G	Simon Williams	
ASC2A	Outsource Reablement Service & realise benefits / efficiencies of the remodelled service	100	100	0	G	100	0	G	Sarah Wells	Required restructuring has taken place and the budget has been adjusted so the projected savings to be realised.
*CH1	* First Contact Service .Reduce in-house provision of a first contact screening and assessment service, and have this provided within the voluntary sector within the overall costs the sector currently operate within.	125	125	0	G	125	0	G	Simon Williams	Required restructuring has taken place so projected savings will be realised. MAAT closed and its role is now fulfilled a new Information, Advice and Support Hub will be operated in partnership with the Voluntary Sector.
*ASC18	*Supporting People	300	302	(2)	G	302	(2)	G	Simon Willaims	Savings target of £300k as a minimum is expected to be achieved.
CH4	Staffing reductions within the Commissioning Team	71	71	0	G	71	0	G	Simon Willaims	Vacant posts used to achieve savings
CH4	Staffing reductions across Direct Provision	99	99	0	G	99	0	G	Andy Ottaway-Searle	The required staff restructuring has already taken place so these savings will be fully achieved.
CH1	Brokerage efficiency savings	31	100	(69)	G	100	(69)	G	Simon Williams	Projected savings have already gone above the £31k target by £64k and expect to exceed annual target by £69k - this figure has been taken out of 15/16 and applied against the 14/15 saving.

## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	15/16 RAG	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments
*CH3	* Day Care Sevices -Change the day services offer for learning and physically disabled customers who currently use in house day services, mainly High Path and All Saints.	200	200	0	G	200	0	G	Andy Ottaway-Searle	Savings delivered
	<b>Libraries</b>									
CH5	Reduction in Media Fund	12	12	0	G	12	0	G	Anthony Hopkins	Full saving identified and achieved
CH6	Increase income - Libraries	10	10	0	G	10	0	G	Anthony Hopkins	Full saving identified and expected to be achieved. 10 month budget analysis shows that we are currently above target for the year.
	<b>Housing</b>			0						
CH8	Homelessness Prevention Grant	35	35	0	G	35	0	G	Steve Langley	Saving delivered
Trf from F&P	Enviromental Health Salaries	69	69	0	G	69	0	G	Steve Langley	Saving delivered
	<b>Total Community &amp; Housing Department Savings for 2015/16</b>	<b>2,154</b>	<b>2,171</b>	<b>(17)</b>		<b>2,179</b>	<b>(25)</b>			

## DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	15/16 RAG	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
<b>Business Improvement</b>											
CS1	Rationalisation of management costs	50	50	0	G	50	0	G	Sophie Ellis		
CS3	Generate income through training	5	5	5	G	5	0	G	Sophie Ellis	Alternate saving identified	Y
CSD36	Business Systems Team Restructure Phase 1	10	10	0	G	10	0	G	Sophie Ellis		
<b>IT Service Delivery</b>											
CS5	Review and challenge of the procurement of Support & Maintenance & Licence Contracts	60	60	0	G	60	0	G	Mark Humphries		
CS7	Reduction of costs through re-procurement of Mobile Telephones Contract against a number of revenue budgets spread across the Council.	10	10	0	G	10	0	G	Mark Humphries		
CS8	Reduction of costs through re-procurement of Wide Area Network (WAN) Links contract. Savings achieved against a number of revenue budgets spread across the Council.	10	10	0	G	10	0	G	Mark Humphries		
CS15	Asset and Change Analyst Vacant Part Post (0.8)	24	24	0	G	24	0	G	Mark Humphries		
CS17	Delete one Transactional Services Assistant Post (Compulsory Redundancy)	30	30	0	G	30	0	G	Mark Humphries		
CS18	Delete Assistant Vendor Maintenance - Part Post 0.7 FTE (Compulsory Redundancy)	24	24	0	G	24	0	G	Mark Humphries		
CS20	Energy ReFit Savings (Subject to agreed investment) - Phase 2	100	100	0	G	100	0	G	Mark Humphries		
CS21	Increase income targets for building repairs and maintenance works	45	45	0	G	45	0	G	Mark Humphries		
CS22	Restructure of Archive Store	15	15	0	R	15	0	G	Mark Humphries	Alternate to be identified but being offset by underspends elsewhere within the division in current year	Y
CS23	Outsourcing Buildings Services and Security Service	35	35	0	G	35	0	G	Mark Humphries		
CS25	Delete one post from the Building Repair and Maintenance team (Compulsory Redundancy)	30	30	0	G	30	0	G	Mark Humphries		
CS27	Consolidation of Utilities budgets	50	50	0	G	50	0	G	Mark Humphries		
CS28	M&E Term Contract (Amalgamation) of Intruder Alarms	20	20	0	G	20	0	G	Mark Humphries		
CS31	Rationalise Health and Safety and Business Continuity Planning - if possible explore shared service	35	35	0	G	35	0	G	Mark Humphries		
CSD1	Increase FM's external fee income target associated with schools service level agreements and associated project works	31	0	31	R	31	0	G	Mark Humphries	Saving unlikely to be delivered in 2015/16 but alternate has been identified	Y

## DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	15/16 RAG	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
<b>Corporate Governance</b>											
CS30	Rationalise Benefits and Corporate Investigation team - possible shared resources	30	30	0	G	30	0	G	Paul Evans		
CS33	Rationalise Internal Audit teams - possible shared service	40	40	0	G	40	0	G	Paul Evans		
CS34	Services and suppliers savings within Corporate Governance	86	86	0	G	86	0	G	Paul Evans		
<b>Customer Services</b>											
CS36	Re tendering of Cash Collection Contract	10	10	0	G	10	0	G	Sean Cunniffe	Achieved from commencement of 2015/16	
CS39	Impact of Customer Service Review	30	30	0	G	30	0	G	David Keppler	Achieved from commencement of 2015/16	
CSD12	Rationalisation of Divisional Budgets	15	15	0	G	15	0	G	David Keppler	Achieved from commencement of 2015/16	
CSD13	Reduce Customer Access Point Assistant by 0.6FTE	15	15	0	G	15	0	G	Sean Cunniffe	Achieved from commencement of 2015/16.	
CSD17	Reduce Marketing budget - Increase self service by using Panacea - marketing solution software in order to reduce designer costs for smaller marketing jobs.	3	3	0	G	3	0	G	Sophie Poole		
<b>Resources</b>											
CS42	Resources -Fall Out of Pay Protection Arrangement	5	5	0	G	5	0	G	Paul Dale		
CSD20	Increased income	14	14	0	G	14	0	G	Paul Dale		
CSD46	Reduce budget for LCGS to match actual contribution	3	3	0	G	3	0	G	Paul Dale		
<b>Human Resources</b>											
CS49	Introduction of new application tracking system	5	5	0	G	5	0	G	Dean Shoesmith	On target for achievement	
CSD31	Review of HR business support	19	19	0	G	19	0	G	Dean Shoesmith	Change already completed and the associated post deleted	
CSD33	HR transactional service income generation	20	20	0	G	20	0	G	Dean Shoesmith	Discussions progressing with Kingston to obtain costs for i-Trent service	
<b>Corporate Items</b>											
	Dividend income from CHAS 2013 Limited	174	174	0	G	174	0	G	Paul Dale	Alternative saving found due to CHAS IP payment.	
	Reduction in interest charges through cash management	117	117	0	G	117	0	G	Paul Dale		
<b>Total Corporate Services Department Savings for 2015/16</b>		<b>1,170</b>	<b>1,099</b>	<b>71</b>		<b>1,170</b>	<b>0</b>				

## DEPARTMENT: ENVIRONMENT &amp; REGENERATION SAVINGS PROGRESS: 2015-16

Ref		2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	15/16 RAG	2016/17 Savings Expected £000	Shortfall	16/17 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ER10	Merton & Richmond shared regulatory services.	230	110	120	R	230	0	G	John Hill	New structure commenced in October 2015, so only a part-year effect saving will be achieved this year. The in-year shortfall will be partially offset by underspends elsewhere within the section. The shortfall is not expected to repeat in 2016/17.	Y
EN29	Re-Structure of Traffic and Highway Services	252	192	60	R	252	0	G	James McGinlay	Due to delay in implementation, the full effect of this saving will not be realised this year.	Y
EN45	Further commercialisation and development of sports and allied parks services (eg. increase in fees and charges (3.75%); cost recovery plus; service bundling; sponsorship of bedding plants,etc), aligned to the emerging strategy for sports.	39	5	34	R	5	34	R	James McGinlay	This saving forms part on the ongoing Phase C procurement exercise, and it is envisaged that the final agreement will result in this saving being met in full.	Y
EV02	Increase charges for the following types of parking permits Business £5, Trade £5, Teachers £5. Please note no allowance has been made for elasticity of demand this figure could reduce by 10%.	4	0	4	R	0	4	R	John Hill	This saving may not be fully achieved due to a recent decline in the number of permits being issued. If so, an alternative saving will be put forward to Members.	Y
EV12	Introduction of unattended automatic number plate recognition CCTV parking enforcement cameras at fixed locations.	3,214	0	3,214	R	3,214	0	G	John Hill	The legal challenge to award the ANPR contract was resolved in October 2015. The implementation phase of the contract is under way with the installation of the ANPR cameras starting in April 2016 with completion due June 2016.	Y
EN42	Consultancy Income.	40	40	0	A	40	0	A	James McGinlay	No definitive income streams identified as yet, but the section is attempting to secure some one-off income until permanent income streams can be identified.	Y
EN35	Various Budgets - Increased Income through various charging increases.	14	14	0	G	14	0	G	James McGinlay		N
EN36	Various Budgets - Increased Income through sale of advice & guidance.	10	10	0	G	10	0	G	James McGinlay		N
EN37	Merton Active Plus - Increased Income	5	5	0	G	5	0	G	James McGinlay		N
EV09	Renegotiation of contract with GLL for management of Leisure Centres	120	120	0	G	120	0	G	James McGinlay		N
EN16	Deletion of a vacant post within our Sheltered Placement team (£20k), and a reduction in transport related budgets.	66	66	0	G	66	0	G	Cormac Stokes		N
EV01	Reprocurement of CCTV maintenance contract leading to efficiency savings.	36	36	0	G	36	0	G	John Hill		N
EN05	Introduction of mobile phone payments for parking	37	37	0	G	37	0	G	John Hill		N
EV11	Increase all pay and display charges for on and off street parking by 10%. it should be noted that no allowance has been made for elasticity of demand this figure could reduce by 25%	125	125	0	G	125	0	G	John Hill	This figure will be achieved not by increasing charges by 10% but through the introduction of linear tariffs for on street P&D plus the initial increase in revenue from the introduction of cashless parking.	N
<b>Total Environment and Regeneration Savings 2014/15</b>		<b>4,192</b>	<b>760</b>	<b>3,432</b>		<b>4,154</b>	<b>38</b>				

DEPARTMENT: CHILDREN, SCHOOLS & FAMILIES SAVINGS PROGRESS: 2014-15

APPENDIX 8

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	RAG	Responsible officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
<b>Education</b>													
CSF2012-08	Introduce new models of fulfilling the council's statutory responsibilities for the provision of SEN transport	140	100	40	140	0	G	140	0	G	Jane McSherry	The full year effect of the travel training programme and the roll-out of personal budgets will result in achieving this saving during 2015/16. To date £93k has been met from ITT and £96k from PB. The overall transport budget is expected to overspend due to complexity of caseloads and increased prices. A transport board has been set up to review the various cost reduction actions being implemented	N

## DEPARTMENT: COMMUNITY &amp; HOUSING SAVINGS PROGRESS 2014/15- Jan16

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Actuals Savings £000	Shortfall £000	2015/16 Savings Expected	2015/16 Expected Shortfall	RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
<b>Adult Social Care</b>													
ASC13/ASC34	Brokerage Efficiencies	300	118	182	187	113	R	187	113	R	Julie McCauley	Negotiations are on-going with existing service providers, however savings are dependent on market pressures and the current market is that prices are increasing, making negotiating reductions more difficult. However, further savings have been made of £69k have been made in 15/16 but full target unlikely to be met.	Y
ASC8	Optimising the use of block and spot contracts-OP&LD	300	141	159	253	47	R	253	47	R	David Slark	Negotiations are on-going with existing service providers, however savings are dependent on market pressures and the current market is that prices are increasing, making negotiating reductions more difficult.	Y
ASC34	Reduction in Mental Health Placement	50	0	50	0	50	R	0	50	R	Henrietta Brown	There was an increase in customers with higher needs, which led to a greater expense of placements. In addition, there were not sufficient opportunities for people to move to a lower level of support, so savings were not achieved.	Y
CH12	Remove day care costs from residential customers	250	0	250	0	250	R	0	250	R	Andy Ottaway-Searle	Due to the small number of residential customers this target was not able to be achieved.	Y
CH14	All Saints Respite extension	36	0	36	0	36	R	0	36	R	Julie McCauley	Building work not started to accommodate suitable environment for customers with physical disabilities, therefore savings not achieved.	Y
CH15	Assistive Technology	70	0	70	0	70	R	70	0	A	Andy Ottaway-Searle	Assisted technology used with new customers but tracking cost avoidance is difficult to demonstrate as previously these customers have not incurred costs. Work needed to review existing customers to identify if any savings can be made.	Y
CH6	Voluntary Organisation- SLA reduction	150	0	150	0	150	R	150	0	A	Simon Williams	Work on-going with voluntary sector to review funding to meet savings targets.	Y



Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Actuals Savings £000	Shortfall £000	2015/16 Savings Expected	2015/16 Expected Shortfall	RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ASC53	Meals on wheels contract	50	0	50	0	50	R	0	50	R	Simon Williams	Meals on Wheels contract will not be renewed, however the saving on the contract cost is a 16/17 saving.	Y
ASC6/ASC 49/CH8	Transport	246	0	246	0	246	R	0	246	R	Andy Ottaway-Searle	Use of LBM transport has been reduced through using day centre staff driving and escorting on leased vans to save money. However as Transport costs are re-apportioned this saving has not been met.	Y
ASC50/CH 7	Staffing savings in Direct Provision	216	0	216	216	0	A	216	0	A	Andy Ottaway-Searle	Posts were deleted and budgets reduced at the start of the year, but, increased volumes from 12 to 38 people at our supported living services, plus the need to back fill long term sickness to meet CQC standards led to other staffing budgets overspending. This offset the planned savings. Since increased activity remains unfunded this overspend will only be recouped in 2015-16 if other savings targets are over achieved.	Y
Page 57	<u>Merton Adult Education</u> Increase income from commercial courses and café, reduction in staff. Admin & marketing cost.	176	0	176	0	176	R	0	176	R	Yvonne Tomlin	Saving not delivered due to changes in SFA funding	
ASC44	Remodelling of reablement service	282	0	282	282	0	G	282	0	G	Sarah Wells	Saving achieved in 2015/16.	
CH2	Promoting independence	500	0	500	500	0	A	500	0	A	Simon Williams	Negotiations are on-going with existing service providers, however savings are dependent on market pressures and the current market is that prices are increasing, making negotiating reductions more difficult.	
	<b>Total Community &amp; Housing Dep't Savings for 2014/15</b>	<b>2,626</b>	<b>259</b>	<b>2,367</b>	<b>1,438</b>	<b>1,188</b>		<b>1,658</b>	<b>968</b>				

## DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 14-15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	RAG	Responsible Officer	Comments
CS1	Rationalisation of management costs	50	50	0	50	0	50	0	G	Sophie Ellis	
CS3	Generate income through training	5	5	0	5	0	5	0	G	Sophie Ellis	Alternate saving identified
CS4	Expiry of salary protection	10	10	0	10	0	10	0	G	Sophie Ellis	
	<b>IT Service Delivery</b>										
CS5	Review and challenge of the procurement of Support & Maintenance & Licence Contracts	29	29	0	29	0	29	0	G	Mark Humphries	
CS6	Consolidation of ITSD Revenue Budgets	34	34	0	34	0	34	0	G	Mark Humphries	
CS7	Reduction of costs through re-procurement of Mobile Telephones Contract against a number of revenue budgets spread across the Council	10	10	0	10	0	10	0	G	Mark Humphries	
CS9	Fallout of pay protection	16	16	0	16	0	16	0	G	Mark Humphries	
CS11	Deletion of One Van	5	5	0	5	0	5	0	G	Mark Humphries	
CS13	Cancellation of all Escrow Agreements (Carefirst, Hometrack Data, Ash, Open Revenues, Proactis, Fibonacci)	4	4	0	4	0	4	0	G	Mark Humphries	
CS14	Cancellation of ttMobile contract	35	35	0	35	0	35	0	G	Mark Humphries	
CS19	Energy ReFit Savings (Subject to agreed investment) - Phase 1	100	100	0	100	0	100	0	G	Mark Humphries	
CS24	Project Manager - Accommodation (Vacant Post)	46	46	0	46	0	46	0	G	Mark Humphries	
CS26	Savings realised from the renegotiation of Corporate Cleaning Contract	39	39	0	39	0	39	0	G	Mark Humphries	
CS28	M&E Term Contract (Amalgamation) of Intruder Alarms	10	10	0	10	0	10	0	G	Mark Humphries	
CS29	Energy Procurement	200	200	0	200	0	200	0	G	Mark Humphries	

## DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 14-15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	RAG	Responsible Officer	Comments
CS32	<u>Corporate Governance</u> Integrate the FOI and Complaints functions	40	40	0	40	0	40	0	G	Paul Evans	Alternate savings within division identified and implemented
CS37	<u>I&amp;T</u> Introduce a charge for the Archive Service Facility (approximately 0.39p per month - commercial rates x 3300 boxes) to produce income - E02243	15	15	0	15	0	15	0	G	Mark Humphries	Saving achieved from the wider consolidated facilities management budgets
CS47	CRB Income generation via sales to PVI	30	27	3	30	0	30	0	G	Dean Shoesmith	Income shortfall in 14/15
	Total	975	972	3	975	0					

## DEPARTMENT: ENVIRONMENT &amp; REGENERATION SAVINGS PROGRESS: 2014-15

Ref		2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	2016/17 Savings Expected £000	2016/17 Expected Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
EN45	Further commercialisation and development of sports and allied parks services	96	67	29	81	15	R	81	15	R	James McGinlay	This saving forms part on the ongoing Phase C procurement exercise, and it is envisaged that the final agreement will result in this saving being met in full.	Y
EN15	Improved performance management and implementation of the Council's new sickness policy resulting in a reduction in agency staff usage.	100	0	100	0	100	R	0	100	R	Cormac Stokes	Improved management of the sickness monitoring is in place. All LTA being seen by HofS.  However, although the technical establishment has been signed off, it is not possible to confirm if this saving has been met, as further work is required in order to reconcile the use of temporary staff and the extent to which they are covering annual/sick leave etc.	Y
ER17	Consultancy and legal costs cease in relation to new partnership contracts	213	188	25	213	0	G	213	0	G	Cormac Stokes	On track to be delivered in 15/16	N
ER25	Commercial Waste and Recycling	250	0	250	250	0	G	250	0	G	Cormac Stokes	Saving replaced for 2015/16 by EV12.	N
EN03	Enforcement of new CPZ's (Controlled Parking Zones)	50	10	40	50	0	G	50	0	G	John Hill		Y
EN04	Implementation of Pay & Display machines in new CPZ's (Controlled Parking Zones)	75	15	60	75	0	G	75	0	G	John Hill		Y
<b>Total Environment and Regeneration Savings 2014/15</b>		<b>784</b>	<b>280</b>	<b>504</b>	<b>669</b>	<b>115</b>		<b>669</b>	<b>115</b>				