

Cabinet

Date: 3rd July 2017

Subject: Budget outturn 2016/17

Lead officer: Roger Kershaw

Lead member: Mark Allison

Recommendations:

- A. That Cabinet note the revenue outturn for 2016/17
- B. That Cabinet consider the outturn position on Capital and approve the slippage into 2017/18 detailed in Appendix 3b and the adjustments to current and future years budgets detailed in the table below:

Scheme	2017/18 Budget	2018/19 Budget	2019/20 Budget	Funding/Re-profiling
<u>Community & Housing</u>				
Libraries Opportunity Fund	75,950	0	0	Arts Council Funding
West Barnes Library Re-Fit	(200,000)	0	200,000	Re-Rofiled to 2019-20
<u>Children, Schools and Families</u>				
Harris Academy Morden	(150,000)	150,000	0	Re-profiling
Harris Academy Merton	(100,000)	100,000	0	Re-profiling
St Mark'S Academy	(200,000)	200,000	0	Re-profiling
Harris Academy Wimbledon	(3,540,600)	2,240,600	1,300,000	Re-profiling
Harris Morden Sec Autism Unit	(170,000)	170,000	0	Re-profiling
Further SEN Provision	(1,824,090)	1,824,090		Re-profiling
Loans to Schools Capital	(104,000)	104,000	0	Re-profiling
Devolved Formula Capital	363,880	0	0	DfE Grant
<u>Environment & Regeneration</u>				
Morden Leisure Centre	(1,386,320)	1,386,320	0	Re-profiling
Bus Stop Accessibility Program TfL	146,340	0	0	Revision of TfL Budget
Casualty Reduction & School Safety Program TfL	304,840	0	0	Revision of TfL Budget
A298/A238 Strategic Corridor (Colliers Wood) TfL	118,050	0	0	Revision of TfL Budget
TfL Principal Road Maint	(1,467,470)	0	0	Revision of TfL Budget
TfL Cycle Quietways	(70,960)	0	0	Revision of TfL Budget
Facilitating Cycle Access & Parking TfL	275,800	0	0	Revision of TfL Budget
Local Transport Scheme - Cycle Improvements TfL	120,870	0	0	Revision of TfL Budget
Beddington Lane Cycle Route TfL	339,750	0	0	Revision of TfL Budget
Strategic Corridor Mitcham TfL	155,990	0	0	Revision of TfL Budget
Figges Marsh/Locks Lane Roundabout TfL	74,000	0	0	Revision of TfL Budget
Mitcham Major schemes - TfL	399,990	0	0	Revision of TfL Budget

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

This report outlines the out-turn position for the last financial year (2016/17) and the issues that arise from it.

Section 2 – Summarises the draft outturn position of the Authority.

Section 3 – Reviews the outturn position for corporate items

Section 4 – Reviews the outturn position for service items

Section 5 – Reviews the detailed outturn position for service departments

Section 6 – Reviews the quality of budget monitoring

Section 7 - Provides information on the capital outturn

Section 8 – Summarises the movement in reserves

Section 2 – REVENUE OUTTURN 2016/17

The following table summarises the outturn position for 2016/17.

OUTTURN	2016/17 Current Budget (Net) £000s	2016/17 Outturn (Net) £000s	2016/17 Variance (Net) £000s	2016/17 Current Budget (excl. overheads) £000s	2016/17 Outturn (excl. overheads) £000s	2016/17 Variance excl. overheads £000s	2015/16 variance excl overheads £000s
Department							
Corporate Services	10,231	9,011	(1,220)	26,968	25,681	(1,287)	(373)
Children, Schools and Families	51,643	52,806	1,163	46,807	47,961	1,154	(7)
Community and Housing	56,743	67,115	10,372	52,044	62,168	10,124	940
Public Health	(347)	(331)	16	(514)	(498)	16	0
Environment & Regeneration	21,999	22,698	699	15,349	16,360	1,011	3,632
Net recharges					13	12	265
NET SERVICE EXPENDITURE	140,269	151,299	11,030	140,654	151,685	11,030	4,457
Corporate Provisions	5,107	60	(5,047)	4,722	(325)	(5,047)	(2,797)
TOTAL GENERAL FUND	145,376	151,359	5,983	145,376	151,360	5,983	1,659

Business Rates	(34,230)	(34,230)	0	(34,230)	(34,230)	0	0
Grants	(32,967)	(33,504)	(536)	(32,967)	(33,504)	(536)	(960)
Council Tax and Collection Fund	(80,399)	(80,399)	(0)	(80,399)	(80,399)	(0)	(0)
FUNDING	(147,596)	(148,132)	(536)	(147,596)	(148,132)	(536)	699

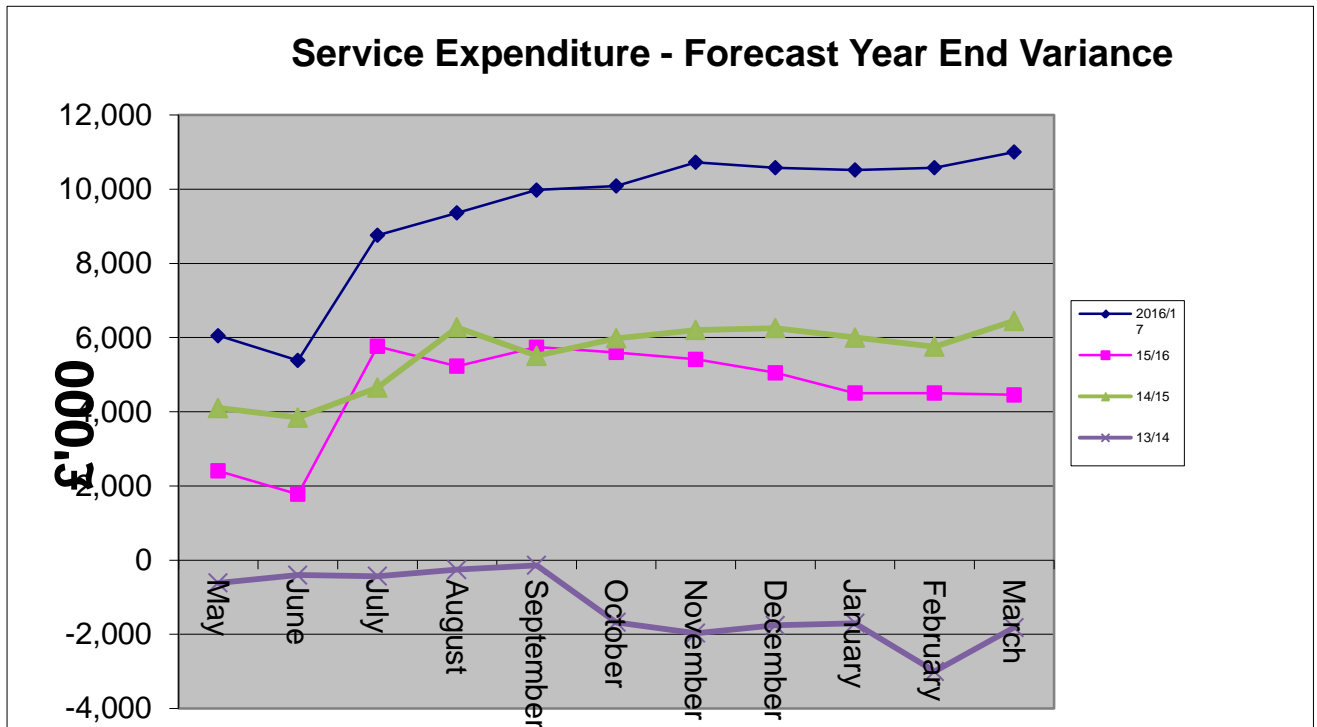
NET OVERSPEND	(2,220)	3,227	5,447	(2,220)	3,227	5,447	699
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Transfers from General and Earmarked Reserves	2,220	(3,227)	(5,447)	2,220	(3,227)	(5,447)	(699)
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In 2016/17 the overall overspend was £5.5m or 1% of the gross budget (£0.7m or 0.1% of the gross budget in 2015/16)

The overall overspend on the General Fund will result on a call on balances which has been the case for the last two financial years, however this action is not sustainable longer term.

Growth has been provided in the 2017/18 budget. Chief officers and finance officers will be required to monitor budgets closely to prevent future year overspending and further calls on reserves.

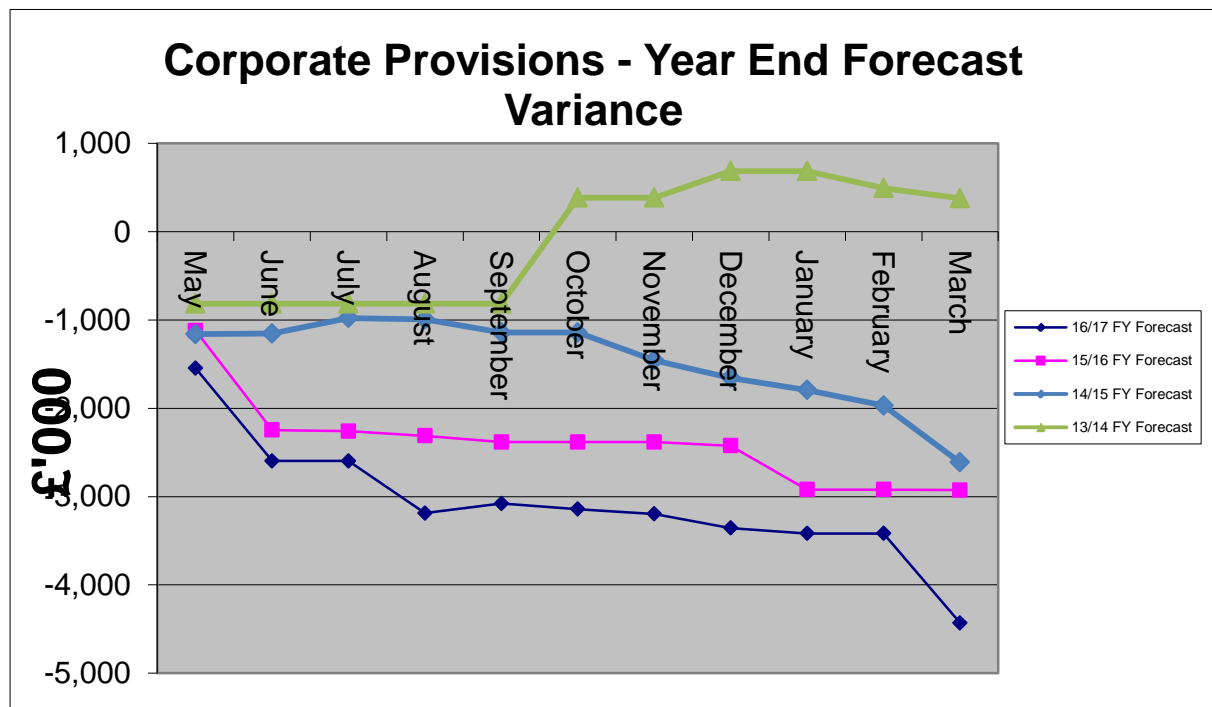


Section 3 Corporate Items

- These budgets cover a wide range of significant areas including treasury management, contingency, contributions to past service deficiency on the pensions fund and contributions from government grants and use of reserves. The details comparing actual expenditure with budget are contained in Appendices 1 and 2. The summary position is as follows:-

Corporate Items	Current Budget 2016/17 £000s	Full Year Forecast (Mar.) £000s	Forecast Variance at year end (Mar.) £000s	Forecast Variance at year end (Jan.) £000s	2015/16 Year end Variance £000s
Impact of Capital on revenue budget	13,643	13,836	193	6	49
Investment Income	(739)	(915)	(176)	(523)	(613)
Pension Fund	5,232	4,734	(498)	(300)	(616)
Pay and Price Inflation	739	0	(739)	(619)	(654)
Contingencies and provisions	3,962	466	(3,495)	(1,825)	(2,716)
Income Items	(948)	(1,279)	(331)	(150)	(667)
Appropriations/Transfers	2,220	(3,227)	(5,447)	0	1,727
Central Items	10,465	(222)	(10,687)	(3,417)	(3,539)
Levies	928	928	(0)	0	0
Depreciation and Impairment	(17,709)	(17,709)	(0)	0	0
TOTAL CORPORATE PROVISIONS	7,326	(3,167)	(10,494)	(3,411)	*(3,491)

* Net of £0.665m funding from reserves.



- From an early stage in the financial year, it became clear that there would be severe pressures on service department budgets, particularly in demand led services such as Adult Social Care. It was therefore necessary to monitor corporate provisions carefully throughout 2016/17 in order to offset the forecast overspend as far as possible by underspends in corporate budgets, mainly in contingencies held to provide flexibility in the event of such pressures.

3. Impact of Capital on Revenue Budget

Throughout 2016/17 a small underspend on the cost of borrowing had been forecast but the outturn has resulted in an overspend of £193k. The reasons for this are currently being investigated and improvements will be made to the modelling of future borrowing costs to improve budgetary control

4. Investment Income

Although the level of investment income exceeded the budget by £176k at year end this was less than had been forecast during the year. This is due to an error in the forecast and procedures will be put in place to ensure this is not repeated in future monitoring.

5. Pension Fund

There are two elements to the underspend. The first reason is that there has been an underspend of £0.3m due to the provision for auto-enrolment not being utilised. These costs have been absorbed within departmental budgets. Secondly, the provision for early redundancy costs has been under-utilised, leading to an underspend of £0.198m against the £1m budget.

6. Pay and Price Inflation

The provision for inflation includes an element for price increases exceeding 1.5% and throughout 2016/17 the level of inflation was relatively low, allowing £0.439m of the original budget of £0.540m to be retained to offset against the forecast overspend in services. The £0.300m provision for Utilities inflation was not used in 2016/17.

7. Contingencies and Provisions

This budget contains budgets for the provision of bad debts, loss of income arising from the P3/P4 site development, direct revenue funding of capital, provision for revaluation, Single Status/Equal Pay and general contingency.

The net underspend of £3.495m consists of the following main variations:-

- a) Contingency – Underspend £0.821m: As much of the contingency as possible was held throughout the year as cover for anticipated pressures in service expenditure, with the balance being allocated to fund social workers in CSF and a payment to HMRC.
- b) P3/P4 - Underspend £0.4m: The underspend is due to the delay in commencing with the proposed development which means that car parking income has continued on the site.
- c) Single Status/Equal Pay – Underspend £60k: The majority of lump sum costs incurred for Single Status/Equal Pay awards agreed in 2016/17 have been charged against the provision set aside for this purpose with a small balance needed to be funded from this budget.
- d) Provision for Loss of HB Admin. Grant – This budget of £200k was not required in 2016/17 and was held to offset against the forecast overspend.
- e) Bad Debt Provision – Underspend £271k: it was only necessary to make a contribution of £229k to the Bad Debt provision against the budget of £500k

- f) Merton Adult Education (MAE) 1st Year redundancies: Underspend £600k: the provision for redundancy costs incurred by MAE was not utilised during 2016/17 and as reported to Cabinet during 2016/17 has been appropriated to a reserve (See note 9 below)
 - g) Revenuisation and Miscellaneous – Underspend £1.127m. It was originally anticipated that this budget would be used to fund capital projects but in light of pressures on service expenditure it was subsequently decided to use the revenue reserve for capital purposes and retain the flexibility that revenue resources provide. The underspend was held to offset against the forecast overspend.
8. Income Items
The underspend is due to slightly increased income (£50k) from CHAS IP/dividend and some other small miscellaneous un-budgeted income .
9. Appropriations/Transfers
There have been a number of movements to/from reserves. The £5.447m variation reflects four main elements which were not anticipated when the budget was set:-
- a) The use of the Savings Mitigation Fund (£1.3m) to offset against the forecast overspend in adults and children’s services.
 - b) The decision was taken not to implement the budgeted transfer of £2.4m to the Balancing the Budget Reserve The underspend was held to offset against the forecast overspend.
 - c) The budget of £0.6m for Merton Adult Education Reduundancies was not utilised in 2016/17 and as reported to Cabinet during the year has been appropriated into a reserve. (See note 7f above)
 - d) The £2.4m drawn from General Fund balances to balance .
10. Funding
The level of funding from central government was c.£0.5m better than budgeted. As reported during the year, this is mainly due to a higher level of New Homes Bonus as a result of the expected 10% top-slice for LEP purposes not taking place.

Section 4 Overall Service Spending

Major outturn issues

Since 2014/15 Merton had been overspending versus the budget.

The pattern in 2016/17 contains similarities to 2015/16 with the three largest areas of overspending but the overspend on adult social care has escalated.

Service Spending 2016/17	Current Budget	Outturn Variance to budget	Outturn Variance to budget	Budget as % of Council Budget	Overspend as % of Overspend
	£'000	£'000	%	£'000	£'000
Adult Social Care	47,980	9,056	18.87%	34.04%	82.31%
Parking	-12,378	1,442	11.65%	8.78%	13.11%
Social Care , Youth Inclusion and Commissioning*	30,292	1,834	6.05%	21.49%	16.67%
Total 3 major areas	65,894	12,332	18.71%	46.75%	112.09%
The Rest	75,070	-1,330	-1.77%	53.25%	-12.09%
Total	140,964	11,002	7.80%	100.00%	100.00%

*budget for education services grant excluded

Service Spending 2015/16	Current Budget	Outturn Variance to budget	Outturn Variance to budget	Budget as % of Council Budget	Overspend as % of Overspend
	£000	£000	%	£000	£000
Adult Social Care	56,189	2,684	4.78%	36.29%	60.22%
Parking	-10,763	3,750	34.84%	6.95%	84.14%
Social Care, Youth Inclusion and Commissioning	28,601	617	2.16%	18.47%	13.84%
Total 3 major areas	74,027	7,051	9.52%	47.81%	158.20%
The Rest	80,798	-2,594	-3.21%	52.19%	-58.20%
Total	154,825	4,457	2.88%	100.00%	100.00%

Section 5 Detailed Service Spending

Corporate Services

	2016/17 Current Budget	2016/17 Outturn	Outturn variance	Forecast variance at year end Jan £000	2015/16 Outturn Variance £000
	£000	£000	£000	£000	£000
Business Improvement	3,051	2,997	-54	-195	-29
Infrastructure & Transactions	9,917	9,485	-431	-498	-249
Resources	6,839	6,524	-314	-135	-243
Human Resources	2,158	2,124	-34	-153	-55
Corporate Governance	2,493	2,164	-330	-294	-426
Customer Services	2,463	2,300	-164	-100	-479
Corporate Items including redundancy costs	47	87	40	512	1109
Total (controllable)	26,968	25,681	-1,287	-864	-373

Overview

The Corporate Services (CS) department have an underspend of £1,287k against the budget at year end. The main reasons for this are detailed below.

Business Improvement - £54k under

The underspend is due to an over-achievement of street naming income and an underspend relating to non-salary expenditure.

Infrastructure & Transactions - £431k under

The main reason for the underspend is a review of capital projects and associated revenue expenditure which could be surrendered to mitigate the current year overall Council overspend. An underspend of approx. £350k has resulted from revenue expenditure associated with the Energy Invest To Save capital budget which has been slipped into next year's programme of works.

There was an over-achievement of income in the post and print room due to increased demand.

Resources - £314k under

There is an underspend of £225k due to pension revenue costs being charged to the pension fund.

Some future year savings have been captured early. These underspends have been partly offset by the additional costs related to the delayed implementation of the E5 finance system, which has been live since 6th February.

Human Resources – £34k under

The underspend is mainly due to reduced expenditure on learning and development. This has been partly offset by some overspend on the cost of the payroll service from Agilysis

Corporate Governance - £330k under

There is a £90k underspend in Internal Audit, a consequence of an Audit Partnership restructure and £38k in Benefits investigation where a 17/18 saving has been captured early.

Merton Legal have an over-achievement of income relating to S106 and Merton Property charges of approx. £65k and there are underspends on supplies and services budgets within Democratic Services of approx. £70k.

The surplus in Local Land Charges (LLC) income is transferred to the LLC reserve pending the outcome of the court case. However £40k of income is required to cover its overheads as the service is required to cover its total cost and break even.

Customer Services - £163k under

The registrars office has overachieved income by £90k and translations services have an overachievement of income of £50k.

The Merton Bailiff Service has overachieved income by £275k which is offset by £75k by underachievement of income in the Shared Bailiff Service.

The communications service underachieved on advertising income targets by approx. £60k which has been the case for several years.

There are savings of approx. £100k on vacant posts which have been held for future year savings.

Corporate Items - £40k over

Redundancy costs and pension strain were £800k over budget with one particular ill health case costing over £400k.

This has been offset by underspends on corporate budgets and agency admin charge of £200k and the release of the housing benefits error rate provision back to revenue as the recent external audit resulted in significantly lower error findings.

Environment & Regeneration

Environment & Regeneration	2016/17 Current Budget	Full year Outturn (March)	Outturn Variance (March)	Forecast Variance at year end (Jan)	2015/16 Outturn Variance
	£000	£000	£000	£000	£000
Public Protection	(11,045)	(9,755)	1,290	917	3,709
Sustainable Communities	12,218	11,429	(789)	(808)	(600)
Waste Services	15,169	15,337	168	522	187
Other	(993)	(651)	342	197	336
Total (Controllable)	15,349	16,360	1,011	828	3,632

Description	2016/17 Current Budget	Outturn Variance (March)	Forecast Variance at year end (Jan)	2015/16 Variance at year end
	£000	£000	£000	£000
Underspend within Shared Regulatory Services	793	(34)	40	141
Overspend within Parking Services	(12,378)	1,442	976	3,750
Underspend within Safer Merton	540	(118)	(99)	(182)
Total for Public Protection	(11,045)	1,290	917	3,709
Underspend within Building & Development Control	(2)	(157)	(233)	16
Underspend within Property Management	(2,548)	(564)	(534)	(559)
Underspend within Future Merton	10,786	(158)	(87)	(185)
Underspend within Leisure & Culture	1,060	(72)	(62)	53
Overspend within Greenspaces	1,923	206	181	223
Underspend within Senior Management & Support	999	(44)	(73)	(149)
Total for Sustainable Communities	12,218	(789)	(808)	(601)
Overspend within Waste Services	15,169	168	522	187
Overspend within Transport Services	(993)	342	197	336
Total for Street Scene & Waste	14,176	510	719	523
Total Excluding Overheads	15,349	1,011	828	3,631

Overview

The department has a year-end direct overspend of £1,011k at year end. The main area of variance is Parking Services, but there are variances within several sections of the department.

Public Protection

Parking & CCTV Services overspend of £1,442k

The overspend is mainly as a result of the problems encountered regarding the implementation of the new ANPR system across the borough. The section did not have a fully functional system on July 3rd 2016, the date upon which budget forecasting for ANPR was based. The contractor was initially required to carry out several upgrades of the ANPR camera software in order to rectify the problems.

In addition to the upgrades undertaken, the contractor was required to undertake a detailed review of each camera location to ensure that each individual camera is performing with a 100% accuracy and in accordance with the original specification. This was concluded at the end of February 2017. The contractor also provided a technical resource during this time based in the parking back office to work with our staff, as we identified that some of the ANPR camera locations “regions of interest” for enforcement were not configured correctly as per our enforcement policy. The positive effects of this e.g. improved traffic flow are expected to be realised during 2017/18.

In addition, the section continued to fund CPZ related expenditure totalling £200k, and provide free parking during the Christmas period resulting in a loss of income of c£60k. These pressures were partially offset by an over-recovery in most areas of on-street/ off-street/ permit/ bay suspension revenue (£159k).

Safer Merton underspend of £118k

The year-end underspend was due to part/full year staffing vacancies (£37k), and third party payments (£43k). The third party payments underspend relates to the recruitment process for an Individual Offender Management co-ordinator, which required three rounds of recruitment to be undertaken until an officer with the relevant skills and attributes to take up this role was secured.

Sustainable Communities

Building & Development Control underspend of £157k

The underspend is mainly due to an overachievement of customer & client receipts of £183k, which is mainly attributable to planning application fees and Planning Performance Agreements where we are being more successful.

Property Management underspend of £564k

The underspend is predominantly as a result of exceeding their commercial rental income expectations by £630k mainly due to conducting the back log of rent reviews in line with the tenancy agreements. The on-going impact of this is being identified.

Future Merton underspend of £158k

The main areas of underspend were seen within Government grants (£265k), mainly as a result of the One Public Estate Government grant of £237k, which supports public sector partnerships to work collaboratively on land and property initiatives.

Greenspaces overspend of £206k

The process of procuring a new external grounds maintenance provider was completed during January 2017 and the new service provider, idverde, commenced on 1 February 2017, with the majority of the pre-existing services and more than 60 staff transferring to idverde at that time. However, as only two month's of the new contract were realised during this financial year there is an associated forecast overspend of around £105k, mainly as a result of historical employee related overspends.

The section also overspent on Events mainly as a result of the 'Live at Wimbledon Park' event being cancelled due to lower than expected ticket sales. The event was cancelled with a total of c£33k of costs incurred net of refunds (£12k of marketing costs incurred within Corporate Services), and although this event was expected to break-even this year, there was a budgeted expectation for it to achieve a surplus of £70k. Efforts continue to identify how we can generate further income from events in parks, including developing working partnerships with external event production companies.

Street Scene & Waste

Waste Services overspend of £168k

The section had an employee related overspend of £436k as a result of covering for absences, sick leave, and in order to maintain the level of service performance. In addition, there was a transport related overspend of £377k relating to ad hoc repairs to service vehicles and the need to hire vehicles when required in order to maintain service delivery. Many of the vehicles were several years old prior to the commencement of Phase C, and this probably contributed to the repairs and maintenance costs incurred.

These pressures were partially offset by an over achievement of Customer & Client Receipts (£496k), notably Garden and Commercial Waste. There has been a steady increase in the number of Garden waste customers since introducing the new rolling year subscriptions.

Transport Services overspend of £342k

The overspend relates to the Operations and Workshop side of the section. Within Transport Operations, an overspend of £166k was experienced mainly as a result of additional agency and overtime requirements due to a number of staffing issues on account of not being able to fill the vacancies. The difficulty in recruiting has caused a knock on effect for covering core routes, which is also compounded by sickness absence or not being able to get agency drivers to cover routes. Therefore, the only option on occasions is to utilise third party transport providers to cover the routes, which results in further unrecoverable costs.

Within the Workshop, the overspend (£186k) is partly due to lower than expected user requirement of the Workshop, but is more attributable to the impact of Phase C inasmuch that Merton continued to receive invoices for payment relating to good/services received prior to 1st April that should have been recharged to internal clients accordingly.

Children Schools and Families

Children, Schools and Families	2016/17 Current Budget £000	Full year Outturn (Mar) £000	Outturn Variance at year end (Mar) £000	Forecast Variance at year end (Jan) £000	2015/16 Variance at year end £000
Commissioning, Strategy and Performance	8,066	9,681	1,615	1,667	677
Education	16,816	16,547	(269)	(292)	34
Social Care and Youth Inclusion	12,067	12,835	768	724	309
Public Health contribution	0	0	0	0	(328)
PFI	7,799	7,250	(549)	(545)	(368)
Redundancy costs	2,059	1,648	(411)	(390)	(331)
Total (controllable)	46,807	47,961	1,154	1,164	(7)

Overview

At the end of March, Children Schools and Families overspent by £1.154m on local authority funded services.

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 are not guaranteed to re-occur 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. Although plans are in place to allocate £1m demographic growth to this area in 2017/18, this would still leave a significant ongoing departmental cost pressure.

Local Authority Funded Services

There are a number of volatile budgets requiring continuous and careful demand management which will be reflected through fluctuating monthly forecasts. Significant cost pressures and underspends identified to date are detailed below:

Description	Budget £000	Outturn Variance £000	Fcst Variance Jan £000	2015/16 variance £000
Fostering and residential placements (ART)	5,056	611	543	377
Supported lodgings/housing	634	1,110	1,247	546
Un-accompanied asylum seeking children (UASC)	60	579	526	308
Procurement & School organisation	550	(448)	(426)	(276)
Legal costs	527	(101)	(114)	(53)
Other small over and underspends	1,239	(136)	(109)	(225)
Subtotal Commissioning, Strategy and Performance	8,066	1,615	1,667	677
SEN Transport	3,785	394	331	374
Staffing underspends across Early Years services	2,873	(333)	(353)	(315)
Children's Centre programme funding	90	(120)	(120)	0
Children with disabilities team (CWD) staffing	541	12	28	8
Youth services	605	(119)	(51)	(78)
Other small over and underspends	8,922	(103)	(127)	45
Subtotal Education	16,816	(269)	(292)	34
No Recourse to Public Funds (NRPF)	20	484	625	470
Social Work staffing	3,075	282	232	151
CAMHS	306	(95)	(63)	(133)
Other small over and underspends	8,666	97	(70)	(179)
Subtotal Children's Social Care and Youth Inclusion	12,067	768	724	309

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 cost pressures as detailed below. Placements are checked on a monthly basis and assumptions reviewed quarterly to ensure that projections of spend are as accurate as possible.

Service	Budget £000	Forecast spend £000	Variance		Placements	
			Mar £000	Jan £000	Mar Nr	Jan Nr
Residential Placements	2,127	2,519	392	305	15	15
Independent Agency Fostering	1,761	1,725	(36)	(17)	40	41
In-house Fostering	905	1,161	256	241	48	48
Secure accommodation	164	17	(147)	(106)	3	2
Mother and baby	99	245	146	120	2	4
Total	5,056	5,667	611	543	108	110

The ART service seeks to make placements with in-house foster carers wherever possible. However, the needs of some looked after children mean that placements with residential care providers or independent fostering agencies are required.

- The residential placement expenditure increased by £87k since the January forecast. This is due to a change in funding agreement between SEN and Placement budget for one placement.

- The agency fostering placement expenditure reduced by £19k since the January forecast. This is due to there being one less young person placed with an IFA in March and a small variance on several packages of care.
- The in-house foster carers expenditure increased by £15k since the January forecast. This is due to agreement for backdated enhanced payment to support the continuation of two placements and a small variance on some packages of care.
- Of the two young people in January's secure accommodation budget return, one placement was not Merton's financial responsibility as they were placed under a DTO and the other turned 18 during this period. This increased the actual underspend compared to the January forecast by £41k. One additional young person was remanded during this quarter.
- There was one new mother and baby assessment placement this quarter and two with additional costs. This increased the actual cost compared to the January forecast by £26k.

The budget for semi-independent and supported lodgings/housing placements overspent by £1,110k at year-end. This budget is used to finance an increased number of placements for young people aged 16/17 and above. These are for young people who require semi-independent provision and for Care Leavers through to independence or, in some cases, through to the age of 21 (older in exceptional circumstances), as part of our statutory duties. There were 53 semi-independent placements for non-UASC young people at the end of March 2017. This compares with 35 young people in semi-independent accommodation at the end of 2014/15 at an average cost of £689 reflecting both the demographic increase and new requirements.

Since 2014/15, the average weekly cost for semi-independent accommodation has reduced by £100 reflecting our robust procurement of these placements. We continue to robustly review all placements in semi-independent provision and our overall approach to providing accommodation and support to our care leavers.

The UASC supported lodgings/housing placements for post-18 children that became eligible for leaving care support overspent by £579k this year due to an increase in cases with no corresponding growth in budget. At the end of March there were 29 current placements for young people aged 18+ with no recourse to public funds in semi-independent accommodation, slightly lower than in the in-year peak.

Procurement and school organisation budgets underspent by £448k as a result of lower spend forecast on revenue 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.

The direct charging budgets for the shared legal service underspent by £101k.

There are various other small over and underspends across the division netting to a £136k underspend. These combine with the items described above to arrive at the total reported divisional overspend of £1,615k.

Education Division

SEN and FE transport cost overspent by £394k, £63k more than the forecast in January. This is due to a combination of a net increase of 6 children supported in the latest two months of the year; and differences arising from setting up a new system of forecasting spend using the new system. We continue to review demand management, cost efficiency of supply, and safeguarding of students with E&R who provide the in-house transport and commission the taxi service. We went live with a Dynamic Purchasing System on 12th December, and this should provide some cost reductions in future.

As part of management action, where possible, recruitment to vacancies in some areas was delayed in preparation for 2017/18 savings with the aim to reduce the overall in-year departmental overspend. This resulted in an overall underspend of £333k.

£120k of accumulated grant funding (which was originally ring-fenced), but which is now able to be used across children's services and has been identified as a once-off contribution towards overspends.

The Children with Disabilities team staffing costs overspent by £12k for 2016/17. 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 budget. This amount equates to two additional social workers. An adjustment of £117k has been made for the full year towards the overspend for these costs. On top of the additional staff, the team also has to cover vacancies with higher cost agency staff.

Youth services budgets underspent by £119k at year-end. This was due to a combination of staff vacancies and lower spend on premises costs.

There are various other small over and underspends across the division netting to a £103k underspend. These combine with the items described above to arrive at the total reported divisional underspend of £269k.

Children's Social Care and Youth Inclusion Division

The NRPF budgets overspent by £484k during the 2016/17 financial year. At year-end we were supporting 13 families with 25 children. The NRPF worker is working closely with housing colleagues to manage cases as they arise and has started to review historic cases to identify ones where claimant circumstances have changed. We continue to use the Connect system to progress cases and have started a process of reviewing all open cases with the aim to limit the cost pressure on the council.

The Central Social Work, MASH and First Response team's staffing costs are expected to overspend by £282k. 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. An adjustment of £348k has been made for the full year towards the overspend of these costs. 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. Following a review of the MASH we have had to change staffing structures to strengthen management oversight given the complexity and volume of current cases. We offset the additional cost through keeping vacancies elsewhere in CSF during 2016/17 and internal budgets were realigned for the new year to ensure the MASH and First Response staffing structure was fully funded.

The Children and Adolescent Mental Health Service (CAMHS) underspent by £95k due to vacancies.

There are various other small over and underspends across the division netting to a £97k overspend. These combine with the items described above to arrive at the total reported divisional overspend of £768k.

Dedicated Schools Grant

DSG funded services have overspent by £410k. These budgets are not within the council's general fund and cannot be offset against or increase the local authority funded budgets. The overspend was funded through the DSG reserve and will be reported to Schools Forum at their June meeting.

The Independent Residential School provision was underspent by £308k at year-end. Our ability to keep these costs low normally means that we incur more Independent Day School expenditure at a lower cost costs which overspent by £650k. This is in the main due to an increase of 21 placements from the new academic year which started in September.

There are various other smaller over and underspends across the DSG netting to a £68k underspend which, combined with the items above, equates to the net overspend of £410k.

Management Action

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 £1,019k. The table below highlights the estimated overspends relating to these duties:

Description	Budget £000	Mar overspend forecast £000	Jan overspend forecast £000
Supported lodgings/housing	634	1,110	1,247
Un-accompanied asylum seeking children (UASC)	60	579	526
No Recourse to Public Funds (NRPF)	20	484	625
Total	714	2,173	2,398

Staffing

The number of Comensura agency social workers used in the third and fourth quarters remained broadly stable at 37 (31.26 WTE) in March 2017, this is a reduction of 8 from December 2015 (45/35.9 WTE). Employed Social Workers make up 81% of the Social Worker workforce. The expenditure on agency Social Workers continues to drop from £761k in Q4 2014/15 to £547k in Q4 (2016/17) with a drop of £38k from the same period last year.

Recruitment continues to be strong, with 8 Social Workers starting in the quarter.

Key areas for recruitment continue to be MASH and First Response and CWD. A new 4 team/rota was established in MASH/First Response in quarter three. Recruitment and retention (R&R) initiatives and our recruitment action plan continue. All Social Workers re-registered with HCPC in the third quarter.

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. It is difficult to predict these negotiations on a monthly basis as they are often connected with children's progress in placement.

Our ART Fostering Recruitment and Assessment team is continuing to recruit new foster carers who will offer locally based placements. This continues to ensure 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 ensure that accurate information about changes to placement costs are kept up to date. We are improving our response to invoice queries by having tight timescales in place. The placement reconciliation is completed on a monthly basis and builds in challenge meetings with colleagues in corporate finance.

Independent analysis of our residential and semi-independent expenditure is continuing to establish what further action we can take to reduce cost whilst meeting the needs of our young people.

We have tightened up our processes with YOS for obtaining information about young people remanded into secure accommodation and reviewed our forecast methodology. We will contact respite providers on a monthly basis going forward to ensure more accurate forecasts.

Transport

We have continued to develop a number of alternatives to transport and to develop a more cost effective continuum of offer to meet our SEN Transport statutory duties. At year-end we had 38 personal budgets. This equates to a £297k annual saving compared to what the cost would be if these clients were transported by taxi. In addition, 15 young people have been through the independent travel training programme this year providing an on-going cost reduction of £134k. We are monitoring tight eligibility thresholds with the view to limit any additional cost pressure.

We are also piloting initiatives to provide more cost effective answers to our statutory duties with a growing population.

The clienting of bus and taxi provision transferred to CSF on the 1st April 2017.

General

The department continues to scrutinise all budgets to see how we can offset the above cost pressures and others created by growing demographics and new burdens. Where possible we will continue to use grant and income flexibly to bring our anticipated spend closer to available budgets.

Community and Housing

Community and Housing forecasted an overspend throughout 2016/17. In January 2017 the service forecast to overspend by £9.4m. The final outturn as at March 2017 is a £10.1m overspend which is £735k more than the January 2017 forecast. The major variance occurred in Adult Social Care (Access & Assessment) placements although £350k of this movement is a non-recurring spend that affects one provider .

C&H Summary Outturn Position

Community and Housing	2016/17 Current Budget	Full Year Outturn	Outturn Variance	Forecast Variance (Jan'17)	2015/16 Outturn Variance
	£'000	£'000	£'000	£'000	£'000
Access and Assessment	37,246	46,681	9,432	8,885	3,259
Commissioning	4,264	4,331	67	(89)	(50)
Direct Provision	5,653	5,484	(169)	(136)	(197)
Directorate	814	540	(274)	(309)	(17)
Care Act Implementation Expenditure	0	0	0	0	(1,230)
Contribution from Public Health	0	0	0	0	(328)
Adult Social Care	47,980	57,036	9,056	8,351	1,437
Libraries and Heritage	2,216	2,128	(88)	(161)	(176)
Merton Adult Education	(204)	297	501	549	218
Merton Adult Education-Commissioning Model	0	0	0	0	0
Housing General Fund	2,052	2,707	655	650	(538)
Total	52,044	62,168	10,124	9,389	940

Access & Assessment- £9.4m overspend

Throughout the financial year this area had forecasted an overspend. Performance on income improved due to the concerted efforts of the Financial Assessment Team and the provision of additional resources to clear assessment backlogs.

There will be a continued focus on Access & Assessment in the department action plan in 2017/18. It is also anticipated that Mosaic will form a significant part of this strategy.

Access & Assessment	Full year Outturn Variance £'000	Jan'17 Forecast Variance £'000	Variance £'000
Gross Placement overspend	8,266	7,323	943
Other A&A under-spends	708	753	-45
Sub-total Net Overspend	8,974	8,076	898
Under/(Over) achievement of income	458	809	-351
Total A&A Forecast over-spend	9,432	8,885	547

Adult Social Care

The main pressures and challenges for Adult Social Care in 2016/17

2016/17 has been a challenging year for Adult Social Care, where a number of long term and national trends have played out as significant budget pressures.

As previously reported, the year started with an underlying deficit brought forward from 2015/16. In 2015/16 there was an overspend in the Adult Services Access & Assessment budget of £3.259m, which was predominantly in the placements budget.

The growth in demand for support in home care, offset by residential and nursing care and the cost of care have combined with this underlying pressure to result in a year end overspend of £9.056m for Adult Social Care.

The causes of the financial position were explored in depth during the year, which resulted in the Council agreeing to provide £9.3m growth for 2017/18.

Complex care needs

The long term growth in the complexity of needs of those eligible for council funded support has continued. This shows itself in two key ways. Firstly, the complexity of needs of those transitioning into adulthood with physical and learning disabilities is growing steadily. This alone adds around £500k of additional financial commitments each year. This reflects national trends where spend on people with learning disabilities has caught up with spend on care for older people.

The level of need of older people supported by social care is also increasing. People are discharged from hospital earlier than in the past, and are therefore less well at the point of discharge. They have less time to recuperate and access physiotherapy to recover confidence and mobility. This has a number of implications, including an increased number of people requiring two carers for each visit, which obviously doubles the costs of those care visits.

Merton has a Hospital to Home team to manage this process, and an in-house reablement team to help people recover confidence and mobility after discharge. However, these teams have been stretched this year particularly in the winter months. There was a small surge in activity in late January and February as some of those admitted to hospital over the holiday period were discharged.

The supply of care

After several years of care fee restraint, the latter part of 2015/16 and 2016/17 saw significant price pressures emerge. In part, this was a push back against the freezing of fees over several years. The National Living Wage (NLW) and pension auto-enrolment have forced many providers to look at their costs and demand fee increases. It should be noted that the average hourly rate for direct care staff was above the NLW before its introduction (£7.68 per hour for home care in 2015/16), but the NLW has forced providers to increase pay rates to compete against other employers.

This has been combined with difficulties in recruiting and retaining care staff. The market for labour in London is competitive. Around 5100 (providers and the council) people work in adult social care across Merton, of which 11% come from EU countries. Turnover was 35% and providers report 6.8% vacancies at any one time. This rises to 10% for home care. Our contracted providers have therefore been struggling to supply the level of carers needed, which has forced the council to spot purchase care, often at a higher price. (Workforce data: 2015/16 Skills for Care)

In addition, the council is competing with those who pay for their own care for a finite supply of residential and nursing care beds. As a consequence and to secure an adequate supply a number of uplifts have been agreed with providers of older people residential and nursing care services which has resulted in a £820k cost pressure.

This is being mitigated by the work of the brokerage team which consistently looks for care within the target rates. In addition, we are in the process of procuring a new Home Care model. It will be implemented, subject to a successful procurement process, from November 2017. Work in underway with South-West London boroughs to explore options to improve the supply of older person's residential and nursing care and to bolster the position of local authority commissioners in the market.

Deprivation of Liberty Assessment (Dolls) (Cheshire West judgement)

The financial pressure has been caused by a significant growth in demand as well as the cessation of the government grant initially provided to respond to the legislative changes. Management action was taken during the year to prioritise assessments on a risk basis in line with the ADASS guidance Adult Safeguarding forecasted an over spend of £136k in January 2017, actual over spend is £168k. This in part is due to the number of complex cases requiring advocates.

Commissioning - £67k overspend

This overspend is caused predominantly by an under-achievement of non-client income.

Direct Provision - £169k underspend

Underspend occurred in supply and services, travel, staffing, over achievement of income and the necessity to be flexible in the Re-ablement service to meet NHS discharge demands. There have been many challenges during the financial year in this service:-

- Reduction in day centre managers from 3 to 2, looking after 4 sites.
- Reduction in residential care managers from 2 to 1.
- Reduction in staff in the Mascot service in expectation of the new Tele-care platform which is expected to be in place in the later part of 2017/18.
- Use of day centre staff to transport clients in order to effectively control transportation costs.

Directorate - £274k under spend

Directorate underspent on supply and services. Underspend is less than forecasted in January 2017 due to additional expenditure on agency costs.

Adult Social Care: other management action

Key elements of progress in the action plan include:

- Placements in care homes have come down to within target levels.
- There is a continued reduction in the backlog of financial assessments which arose from the re-structure
- Clawback of unused funds in direct payments accounts achieved its target.
- There are some focussed reviews continuing to take place for those with large learning disability packages
- Agency staffing has continued to reduce and despite the challenges of the restructure and delay in SCIS go-live it is expected that spend on staffing in assessment and commissioning will be within budget
- Audit work has begun with home care providers not using CM2000 to ensure that invoices are reflecting actual usage.
- An action plan for 2017/18 has been developed which will reflect the on-going pressures on the service.

C&H Other Services

Libraries- £88k underspend

Throughout the year libraries was forecasting an underspend. In January underspend was expected to be £161k but due to the under achievement of income by £41k, the use of agency staff to facilitate Libraries re-organisation to achieve its 2017/18 savings and a negative £46k capital charges forecasted throughout the financial year but not recharged.

Merton Adult Education (MAE) - £501k over spend

The new MAE Commissioning model has achieved a breakeven position as predicted.

The old MAE model has overspent by £501k in comparison to £549k forecasted in January 2017 and still more cost to come. Underspend is due to a reduction in expenditure on salaries and supply and services.

Housing - £655k over-spend

Housing was forecasting an overspend of £650k as at January 2017. This area will continue to face the burden resulting from the demand for temporary accommodation and issues surrounding shortfall in subsidy and client contribution for the foreseeable future. In 2017.18 it is expected that additional challenges will arise from the potential impact of the Homeless Reduction Bill and the continued up take of Universal Credit.

More work will be done in this area over the coming months to review the costs of temporary accommodation.

Public Health

This service has under spent by £347k. This is due to delayed agreed commissioned project and services.

Public Health	2016/17 Current Budget £000	Full year Outturn (Jan) £000	Outturn Variance £000	Forecast Variance (Jan) £000	2015/16 Variance @ Yearend £000
PH- Directorate	703	689	(14)	(24)	(116)
PH - Admin	26	12	(14)	(8)	0
PH- Contraception	748	688	(60)	0	(41)
PH - GUM	2,136	1,958	(178)	(80)	(27)
PH-Sexual Health Advice	29	185	156	(4)	(9)
PH-NHS Health check	367	298	(69)	36	(78)
PH-Falls Prevention	57	57	0	0	0
PH - Obesity	415	415	0	0	(200)
PH - Smoking	0	0	0	2	(16)
PH- Substance Misuse	1,781	1,733	(48)	(58)	(32)
PH-School Nursing	936	1,011	75	103	(16)
PH-Infectious Diseases	0	0	0	0	(10)
PH - Determinants	368	306	(62)	(31)	(83)
PH- Community	0	0	0	0	(1)
PH-New Investments	93	93	0	(16)	2
PH-Health Visiting	3,229	3,229	0	0	(15)
Sub-Total Public Health	10,888	10,674	(214)	(80)	(642)
PH - Main Grant	(8,267)	(8,267)	0	0	642
Other-Income	0	(133)	(133)	(14)	0
PH-Health Visiting Gant	(2,952)	(2,952)	0	0	0
Grand Total(incl overheads)	(331)	(678)	(347)	(94)	0

Summary

The department establishment a weekly meeting to plan management actions during 2016/17 and these will continue into 2017/18 to closely monitor placement budgets.

Section 6 Quality of Budgetary Control

In overall terms the quality of budget monitoring has improved in 2016/17 but there are certain services where focus and further training will be provided in 2017/18.

Quality of Monitoring

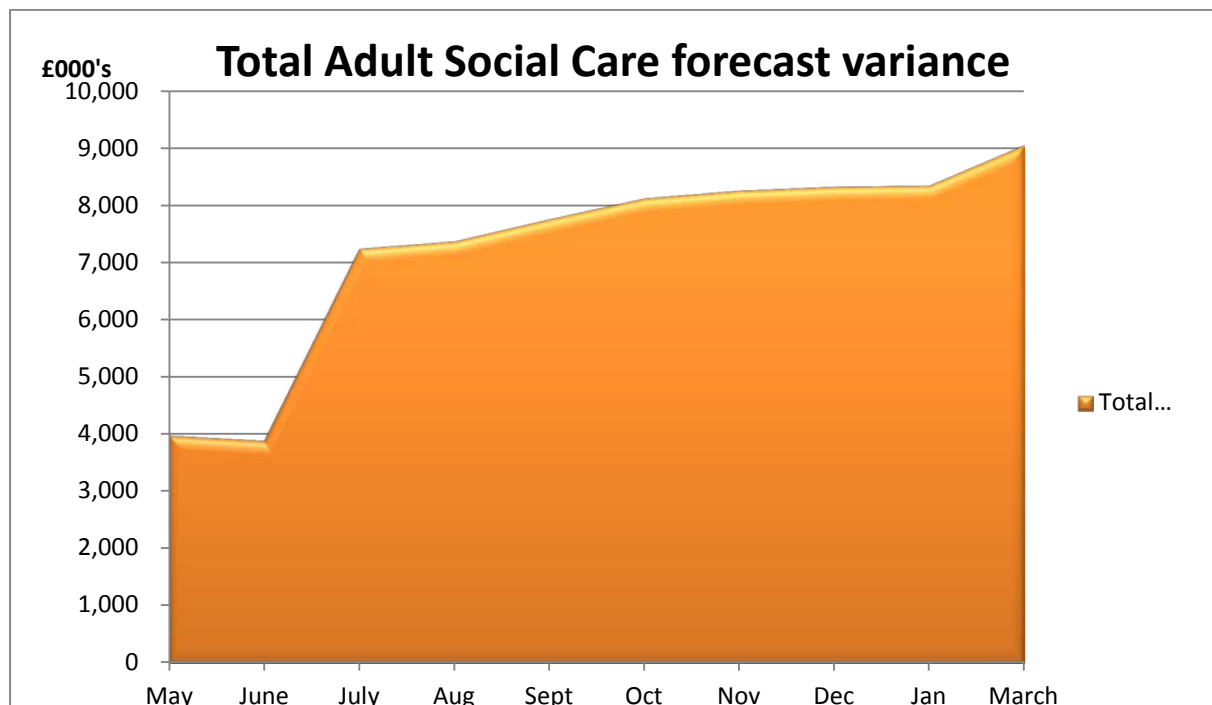
The areas where significant overspending occurred are :

- Adult Social Care
- Parking
- Childrens Social Care

The graphs below examine the quality of monitoring in each of these areas.

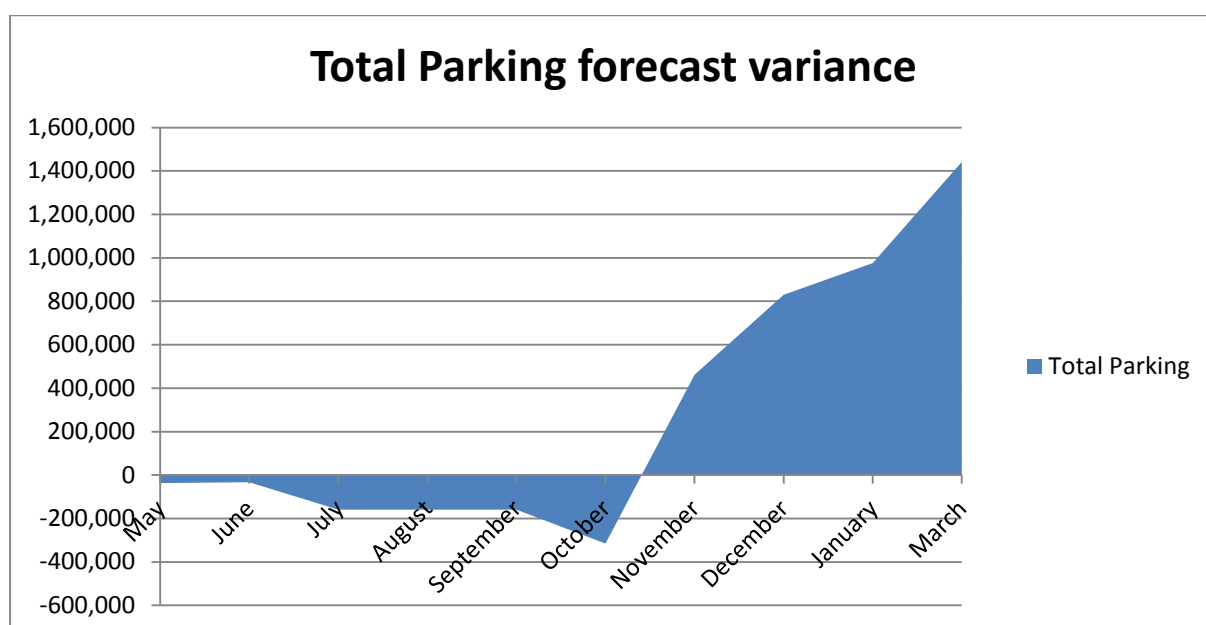
Adult Social Care

The scale of the overspending was underestimated early in the year with steady increases from July onwards. The final outturn overspend was over 2 times greater than the May estimate.



The significant pressure on the adult social care budget was reviewed as part of the budget setting process with growth of £9.3m applied to the 2017/18 budget. An analysis of the allocation this growth will be reported to CMT as part of the quarter 1 monitoring report.

Parking

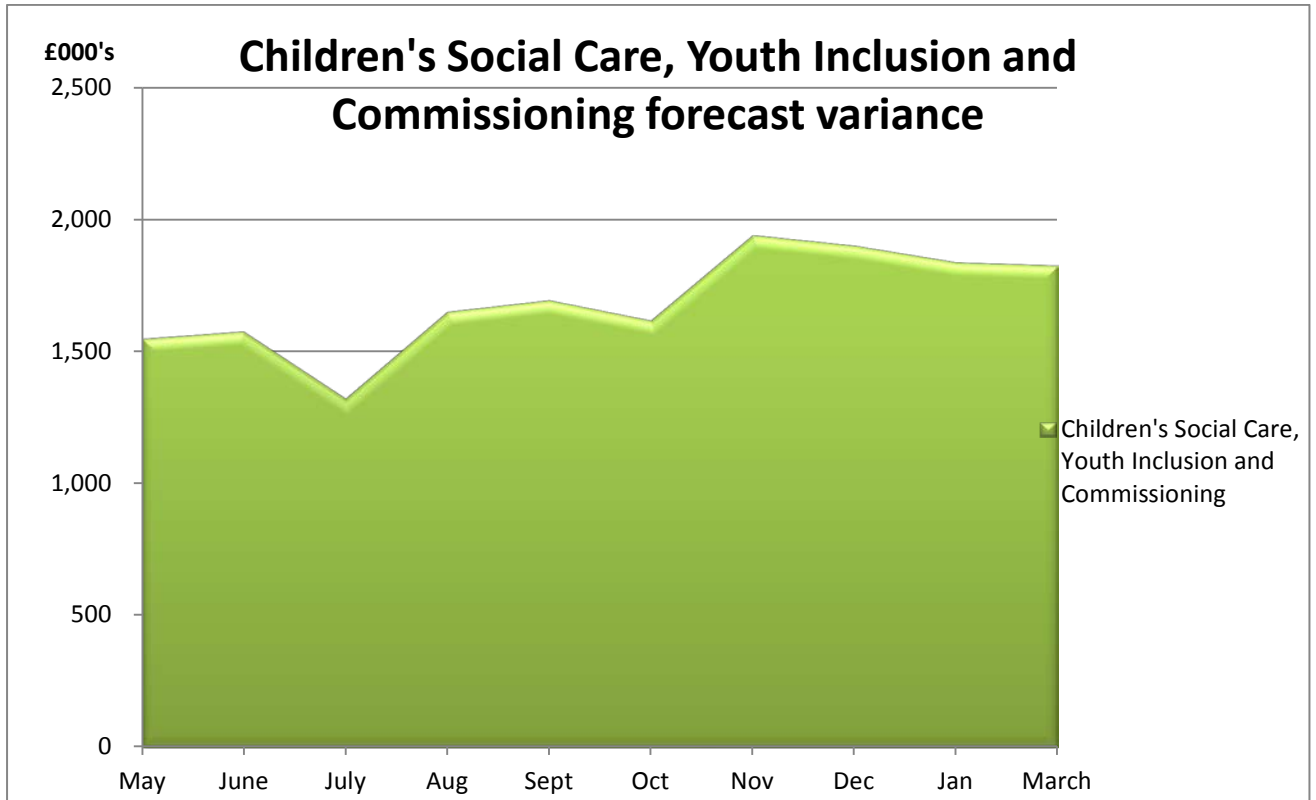


The underachievement of ANPR income was mainly as a result of the problems encountered regarding the implementation of the new system across the borough. The section did not have a fully functional system on July 3rd 2016, which was the original go-live date and the date upon which budget forecasting for ANPR was based. The contractor was required to carry out several upgrades of the ANPR camera software in order to rectify the problems.

The department received £1.582m of growth in 2017/18 within Future Merton (£757k) and Waste Services (£825k). None of the growth received impacts of the budget relating to ANPR expectations.

Children's Social Care

In Children's Social Care the scale of the overspend was estimated at £1.5m in May increasing to £1.8m by the year end. Monthly forecasting was based on cases and found to be significantly more accurate than the forecasting methodology from 15/16.



Section 7 Reserves Position

Actual Movement in Reserves 2016/17	Bal. at 31/3/16	Net Movt. in year	Bal. at 31/3/17
	£'000	£'000	£'000
General Fund Reserve	15,151	(2,372)	12,778
Earmarked Reserves	41,690	(1,455)	40,235
Balances Held by Schools	10,504	(2,258)	8,246
Total General Fund revenue reserves	67,344	(6,085)	61,259

Analysis			
Earmarked Reserves			
Outstanding Council Programme Board	6,282	(1,363)	4,919
For use in future years for budget	5,865	1,924	7,789
Revenue Reserves for Capital / Revn.	7,747	(932)	6,815
Renewable Energy reserve	1,523	0	1,523
Repairs & Renewal Fund	1,224	(77)	1,147
Pension Fund additional contribution	63	434	497
Local Land Charges Reserve	1,645	258	1,903
Apprenticeships	406	(104)	303
Community Care Reserve	1,386	0	1,386
Local Welfare Support Scheme	533	(90)	443
Economic Development Strategy	619	(518)	101
Corporate Services Reserve(other)	290	486	776
Wimbledon Tennis Courts Renewal	102	25	126
Governor Support Reserve	19	24	43
Redundancy Costs reserve	0	600	600
New Homes Bonus Scheme	1037	(746)	291
Adult Social care contributions	350	(350)	0
Culture and Environment contributions	134	(120)	13
Culture and Environment grant	413	(163)	250
Childrens & Education grant	371	(65)	307
Supporting People balances	65	(65)	0
Housing Planning Development grant	101	(101)	0
Housing GF grants	106	0	106
Public Health	22	325	347
CSF reserve	365	(365)	(0)
Insurance Reserve	1,955	0	1,955
DSG Reserve	4,368	(705)	3,663
Refund of PFI contributions	100	0	100
School Standard Fund	0	6	6
Schools PFI Fund	4,600	226	4,826
Total Earmarked Reserves	41,690	(1,455)	40,235

Capital Grants	1,143	(831)	312
Capital Contributions	3011	3,929	6,940
Capital Receipts	29,582	(6,596)	22,986
Capital Reserves	33,736	(3,498)	30,238

Earmarked reserves can only be retained for the purposes for which they were approved and a number have been closed and taken to the OCPB reserve for

investment in efficiency and transformation. There will be further review of the usage of reserves in the year and other reserves that are not being actively used will be treated in a similar manner.

Section 8 CAPITAL

Outturn and Budget Management

The table (a) below shows that Total Capital Expenditure for 2016/17 is £30.6 million compared to the total projected by budget managers in November 2016 of £33.5 million (this equates to a negative variance of 8.5%). This overall total masks considerable variances on individual schemes but was more accurate than the last two financial years and within the performance target (final spend to November revised capital programme) of 10%

Table (a) - Capital Outturn Position 2016/17

Department	Revised Capital programme (approved November 2017)	Final Outturn	Outturn Variance to Budget	November Forecast For Year	November	% Variance to November Forecast
					Forecast Variance to Outturn	
Column	(1)	(2)	(3)	(4)	(5)	(6)
			(2)-(1)		(2)-(4)	(5)/(4)
Children Schools and Families	13,396,210	12,506,350	(889,860)	13,009,470	(503,120)	(3.87)
Community and Housing	1,950,550	1,662,695	(287,855)	1,507,380	155,315	10.30
Corporate Services	8,853,880	3,910,645	(4,943,235)	5,642,702	(1,732,057)	(30.70)
Environment and Regeneration	14,051,040	12,546,481	(1,504,559)	13,310,072	(763,591)	(5.74)
Leasing	212,970					
Total	38,464,650	30,626,172	(7,625,508)	33,469,624	(2,843,452)	(8.50)

Appendix 3a provides additional information on the individual variances on schemes.

Movement in the 2016/17 Original Approved Programme

The Capital Programme for 2016/17 as approved in March 2016 was £39.3 million. Subsequently, slippage from 2015/16 of £6.7 million was added, giving an effective opening programme of £46m. However, during the financial year there was a net reduction in the overall programme mainly from budget being re-profiled into subsequent financial years. These movements are shown in Table (b) below. When final capital outturn is compared to the original capital programme the total slippage is 27%. Whilst this is an improvement on previous years it still needs to be addressed and officers will be focussing on this during 2017/18. It should be noted that centrally officers adjust the total projected capital spend from departments downwards for optimism bias.

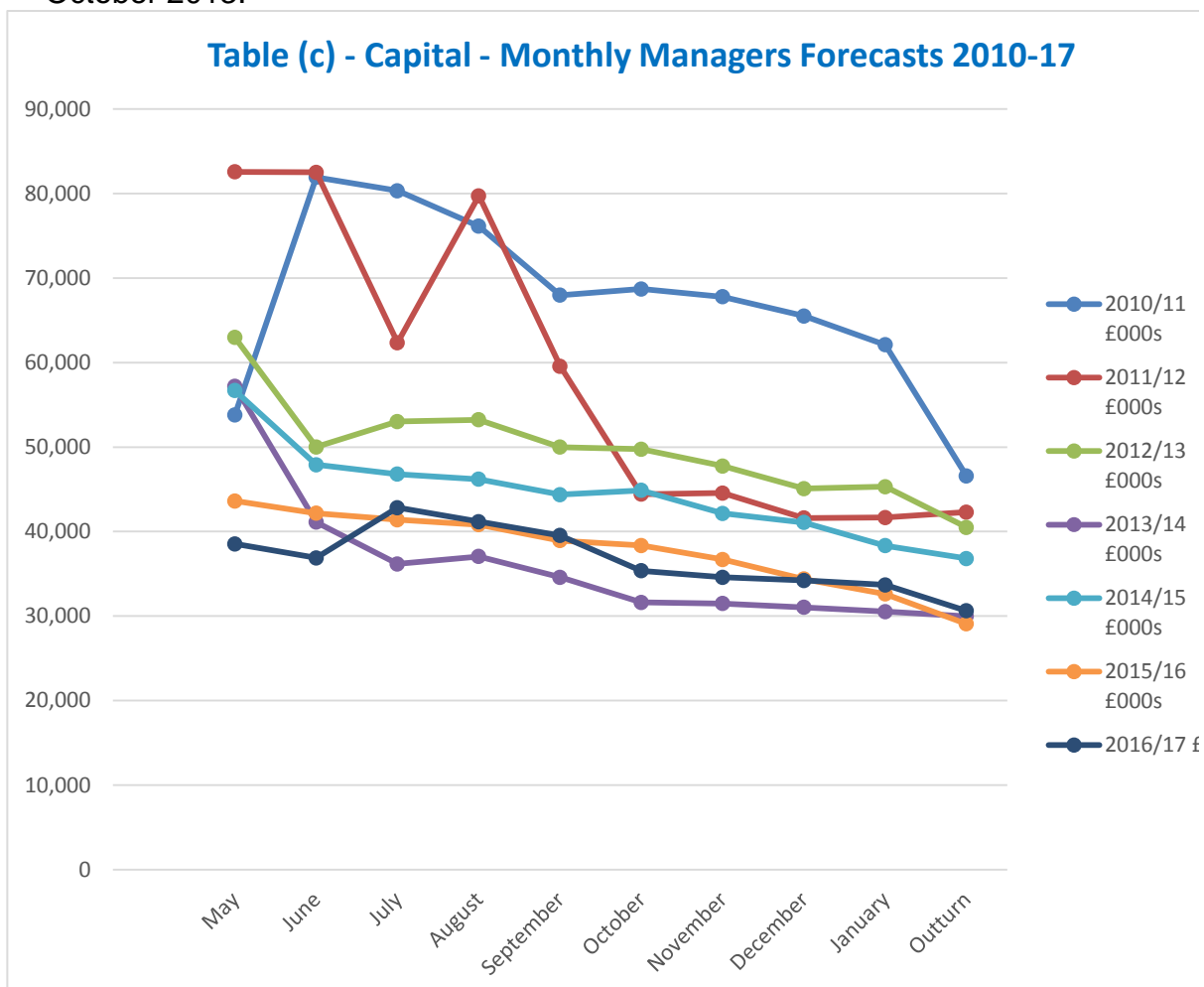
**Table (b) – Movement in the Capital Programme since Approval March 2016
(£000's)**

Depts.	Original Budget 16/17	Slippage 2015/16	Reductions/ Adjustments	New External Funding	New Internal Funding	Re-profiling	Final Budget 16/17
Children Schools & Families	13,998	141	(239)	368	224	(1,096)	13,396
Community & Housing	2,074	271	0	0	(115)	(279)	1,951
Corporate Services	7,565	4,065	(1,267)	341	(125)	(1,605)	8,974
Environment and Regeneration	15,658	2,176	(73)	505	411	(4,534)	14,143
Total	39,295	6,653	(1,579)	1,214	395	(7,514)	38,465

Capital - Monthly Managers Forecast Spend to Outturn

The graph below shows the monthly forecasting by managers of the outturn spend on capital over the last 7 years. There has clearly been an improvement in recent years with a much lower overestimate in spending in the earlier part of the year. For the financial years 2010-12 there was a continued problem with the quality of forecasting around December when the revenue budget for the following year was being prepared. The overestimate in spending feeds through into an overestimate of the budget for capital charges in the following year. For 2013/14, the graph shows that reasonably accurate outturn projections were available from October 2013.

Table (c) - Capital - Monthly Managers Forecasts 2010-17



Considerable time was spent with budget managers profiling their budgets in 2016-17 and this has improved the accuracy of forecasting at year end. Clearly, however, there are still improvements we need to make and we will continue to focus on this in 2017/18.

The Level of Re-Profiling / Slippage from 2016/17

The table below summaries management proposals for treatment of slippage and overspends from the 2016/17 programme.

Table (d) – Management Proposals for under/Overspends with the 2016/17 Capital Programme

Department	Total Year End Variance 2016/17	Recommend Accept Slippage	Justification Required	Surrender	Funded from Reserves etc	Bring Forward from 2017/18
	£000's	£000's	£000's	£000's	£000's	£000's
Children, Schools & Families	(890)	1,035	0	4	(149)	0
Community & Housing	(288)	235	0	53	0	0
Corporate Services	(4,943)	4,893	0	88	(11)	(27)
Environment & Regeneration *	(1,505)	1,880	140	35	(57)	(494)
Total	(7,626)	8,043	140	180	(216)	(522)

Six schemes incurred expenditure above that allowed for in the 2016-17 programme totalling £521k. These schemes are SCIS £27k, GPS Vehicle Tracking £42k, SLWP £316k, Tackling Traffic Congestion £35k, Sports facilities £26k and Parks £75k. This additional spend will be taken from budgets within the 2017-18 budget.

Appendix 3b provides details of the proposed slippage into 2017/18 split by departments.

Revised Capital Programme 2017-21: The table below summarises the proposed changes to the approved Capital programme for 2017-21. A detailed breakdown of the 2017/18 programme is contained in Appendix 3c.

Table (f) - Merton's Capital Programme 2017-21

Department	2017-18			2018-19			2019-20			2020-21
	Updated Budget	Adjustments	Revised Budget	Updated Budget	Adjustments	Revised Budget	Updated Budget	Adjustments	Revised Budget	Original Budget
Corporate Services	*21,009	4,866	*25,875	*16,813	0	*16,813	*10,626	0	*10,626	650
Community & Housing	1,334	111	1,445	629	0	629	280	200	480	630
Children Schools & Families	12,920	(4,690)	8,230	12,116	4,789	16,905	6,236	1,300	7,536	2,135
Environment & Regeneration	18,466	365	18,830	19,295	1,386	20,681	7,241	0	7,241	5,017
Total	53,729	652	54,381	48,853	6,175	55,028	24,383	1,500	25,883	8,432

* Includes provision for the Housing Company and additional Acquisitions Budget

The adjustment figures above include net slippage and the reprofiling and adjustments detailed in Appendix 3d (these are in addition to those contained in 3b). These adjustments are summarised in the narrative below:

- a) Corporate Services – Currently one virement is proposed to provide matchfunding for the replacement of the boiler at New Horizons Centre on Pollards Hill.
- b) Community and Housing – An Arts Council Funded Libraries project of £76k has been added and West Barnes Library Re-Fit has been re-profiled to 2019/20 to dovetail with Crossrail 2.
- c) Children, Schools and Families – £6.089 Million is being re-profiled to future years to match projected spend and £364k has been added for Devolved Formula Capital Grants to Schools.
- d) Environment and Regeneration – The Morden Leisure Centre Scheme is re-profiling £1,386k into 2018-19 and additional TfL budget of £365k is being added is being added to the programme as detailed in Appendix 3d.

Cabinet are being requested to approve the following adjustments to the Capital Programme:

Scheme	2017/18 Budget	2018/19 Budget	2019/20 Budget	Funding/Re-profiling
<u>Community & Housing</u>				
Libraries Opportunity Fund	75,950	0	0	Arts Council Funding
West Barnes Library Re-Fit	(200,000)	0	200,000	Re-Rprofiled to 2019-20
<u>Children, Schools and Families</u>				
Harris Academy Morden	(150,000)	150,000	0	Re-profiling
Harris Academy Merton	(100,000)	100,000	0	Re-profiling
St Mark'S Academy	(200,000)	200,000	0	Re-profiling
Harris Academy Wimbledon	(3,540,600)	2,240,600	1,300,000	Re-profiling
Harris Morden Sec Autism Unit	(170,000)	170,000	0	Re-profiling
Further SEN Provision	(1,824,090)	1,824,090		Re-profiling
Loans to Schools Capital	(104,000)	104,000	0	Re-profiling
Devolved Formula Capital	363,880	0	0	DfE Grant
<u>Environment & Regeneration</u>				
Morden Leisure Centre	(1,386,320)	1,386,320	0	Re-profiling
Bus Stop Accessibility Program TfL	146,340	0	0	Revision of TfL Budget
Casualty Reduction & School Safety Program TfL	304,840	0	0	Revision of TfL Budget
A298/A238 Strategic Corridor (Colliers Wood) TfL	118,050	0	0	Revision of TfL Budget
TfL Principal Road Maint	(1,467,470)	0	0	Revision of TfL Budget
TfL Cycle Quietways	(70,960)	0	0	Revision of TfL Budget
Facilitating Cycle Access & Parking TfL	275,800	0	0	Revision of TfL Budget
Local Transport Scheme - Cycle Improvements TfL	120,870	0	0	Revision of TfL Budget
Beddington Lane Cycle Route TfL	339,750	0	0	Revision of TfL Budget
Strategic Corridor Mitcham TfL	155,990	0	0	Revision of TfL Budget
Figges Marsh/Locks Lane Roundabout TfL	74,000	0	0	Revision of TfL Budget
Mitcham Major schemes - TfL	399,990	0	0	Revision of TfL Budget
Total	(6,837,980)	6,175,010	1,500,000	Revision of TfL Budget

Appendix 3d details the movement in the funding of the Capital Programme 2017-20 for the proposed changes.

It is apparent from the annual spend over the past few years that with current staffing levels officers can progress a capital programme of approximately £30 million. The original budget for 2017/18 (excluding provision for the Housing Company and additional Acquisitions Budget) was already in excess of this figure, and it is clear that the revised 2017/18 capital programme of £54.4 million will need revising to a more deliverable figure. Officers will continue to work with budget managers to revise the capital programme for 2017-18 and 2018-19.

9 CONSULTATION UNDERTAKEN OR PROPOSED

9.1 All relevant bodies have been consulted.

10 TIMETABLE

10.1 In accordance with current financial reporting timetables.

11. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

11.1 All relevant implications have been addressed in the report.

12. LEGAL AND STATUTORY IMPLICATIONS

12.1 All relevant implications have been addressed in the report.

13 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

13.1 Not applicable

14 CRIME AND DISORDER IMPLICATIONS

14.1 Not applicable

14. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

15.1 There is a specific key strategic risk for the Business Plan, which is monitored in line with the corporate risk monitoring timetable.

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

- Appendix 1 Out turn position
- Appendix 2 Corporate items
- Appendix 3a Capital Programme Outturn Position 2016/17
- Appendix 3b Proposed Budget to be Slipped to 2017/18
- Appendix 3c Current Capital Programme 2017-20 including proposed Adjustments
- Appendix 3d Proposed Adjustments to the Capital Programme
- Appendix 3e Revised Funding of the Capital Programme 2017-20
- Appendix 4 Debt Report
- Appendix 5 Departmental graphs

17 **BACKGROUND PAPERS**

- 17.1 Budgetary Control files held in the Corporate Services department.

18. **REPORT AUTHOR**

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APPENDIX 1

OUTTURN	2016/17 Current Budget (Net)	2016/17 Outturn (Net)	2016/17 Variance (Net)	2016/17 Current Budget (excl. overheads)	2016/17 Outturn (excl. overheads)	2016/17 Variance excl. overheads	2015/16 variance excl. overheads
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Department							
Corporate Services	10,231	9,011	(1,220)	26,968	25,681	(1,287)	(373)
Children, Schools and Families	51,643	52,806	1,163	46,807	47,961	1,154	(7)
Community and Housing	56,743	67,115	10,372	52,044	62,168	10,124	940
Public Health	(347)	(331)	16	(514)	(498)	16	0
Environment & Regeneration	21,999	22,698	699	15,349	16,360	1,011	3,632
Net recharges					13	12	265
NET SERVICE EXPENDITURE	140,269	151,299	11,030	140,654	151,685	11,030	4,457
Corporate Provisions	5,107	60	(5,047)	4,722	(325)	(5,047)	(2,797)
TOTAL GENERAL FUND	145,376	151,359	5,983	145,376	151,360	5,984	1,659

Business Rates	(34,230)	(34,230)	0	(34,230)	(34,230)	0	0
Grants	(32,967)	(33,504)	(536)	(32,967)	(33,504)	(536)	(960)
Council Tax and Collection Fund	(80,399)	(80,399)	(0)	(80,399)	(80,399)	(0)	(0)
FUNDING	(147,596)	(148,132)	(536)	(147,596)	(148,132)	(536)	699

NET OVERSPEND	(2,220)	3,227	5,447	(2,220)	3,227	5,447	699
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Transfers from General and Earmarked Reserves	2,220	(3,227)	(5,447)	2,220	(3,227)	(5,447)	(699)
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APPENDIX 2

3E. Corporate Items	Council 2016/17 £000s	Original Budget 2016/17 £000s	Current Budget 2016/17 £000s	Year to Date Actual (Mar.) £000s	Full Year Forecast (Mar.) £000s	Forecast Variance at year end (Mar.) £000s	Forecast Variance at year end (Jan.) £000s	Outturn Variance 2015/16 £000s
Cost of Borrowing	13,643	13,643	13,643	13,836	13,836	193	6	49
Impact of Capital on revenue budget	13,643	13,643	13,643	13,836	13,836	193	6	49
Investment Income	(739)	(739)	(739)	(915)	(915)	(176)	(523)	(613)
Pension Fund	5,232	5,232	5,232	4,734	4,734	(498)	(300)	(616)
Corporate Provision for Pay Award	883	883	0	0	0	0	0	(92)
Provision for excess inflation	540	540	439	0	0	(439)	(419)	(475)
Utilities Inflation Provision	300	300	300	0	0	(300)	(200)	(87)
Pay and Price Inflation	1,723	1,723	739	0	0	(739)	(619)	(654)
Contingency	1,500	1,500	1,035	213	213	(821)	(594)	(725)
Single Status/Equal Pay	100	100	100	40	40	(60)	(60)	(100)
Bad Debt Provision	500	500	500	229	229	(271)	0	12
Loss of income arising from P3/P4	400	400	400	0	0	(400)	(400)	(400)
Loss of HB Admin grant	200	200	200	0	0	(200)	(21)	0
MAE 1st year redundancies	600	600	600	0	0	(600)	0	0
Revenuisation and miscellaneous	1,414	1,414	1,127	(17)	(17)	(1,143)	(750)	(1,503)
Contingencies and provisions	4,714	4,714	3,962	466	466	(3,495)	(1,825)	(2,716)
Local Services Support Grant	204	204	204	(76)	(76)	(280)	(150)	(41)
Other	(1,152)	(1,152)	(1,152)	(1,202)	(1,202)	(50)	0	(626)
Income items	(948)	(948)	(948)	(1,279)	(1,279)	(331)	(150)	(667)
Appropriations: CS Reserves	(1,371)	(1,371)	(564)	(3,462)	(3,462)	(2,897)	0	(0)
Appropriations: E&R Reserves	(520)	(520)	(1,267)	(1,265)	(1,265)	2	0	1
Appropriations: CSF Reserves	44	44	131	131	131	0	0	(0)
Appropriations: C&H Reserves	1,146	1,146	1,188	1,189	1,189	0	0	0
Appropriations: Public Health Reserves	0	0	347	347	347			
Appropriations: Corporate Reserves	2,394	2,394	2,385	(167)	(167)	(2,552)	0	1,726
Appropriations/Transfers	1,693	1,693	2,220	(3,227)	(3,227)	(5,447)	0	1,727
Depreciation and Impairment	(17,638)	(17,638)	(17,709)	(17,709)	(17,709)	(0)	0	0
Central Items	7,681	7,681	6,399	(4,095)	(4,095)	(10,494)	(3,411)	(3,491)
Levies	928	928	928	928	928	(0)	0	0
TOTAL CORPORATE PROVISIONS	8,608	8,608	7,326	(3,167)	(3,167)	(10,494)	(3,411)	(3,491)

Capital Programme Outturn Position 2016/17
Appendix 3a

The tables below show the outturn position by department with reasons for variances:

Children, Schools and Families	£	£	£	Reason for Variance
Hollymount Expansion	0	0	0	
West Wimbledon Capital Maint	71,330	65,244	(6,086)	Slight slip against the anticipated programme as estimated in November
Hatfeild Expansion	40,730	27,404	(13,326)	Total scheme cost was £1.2m. Remaining sum required for follow-on adaptations in summer 2017.
Hatfeild Capital Maintenance	1,870	0	(1,870)	Offsetting the overspend below
Hillcross Expansion	3,090	4,966	1,876	Being offset by Hillcross underspend
Joseph Hood Expansion	3,720	1,000	(2,720)	Total scheme cost was £4.7m. Remaining sum required for follow-on adaptations in summer 2017.
Dundonald Expansion	2,664,410	2,608,341	(56,069)	Total scheme cost was £6m. Remaining sum required for follow-on adaptations in summer 2017.
Dundonald Capital Maintenance	10,000	0	(10,000)	Works delayed to 2017/18 due to school expansion scheme.
Merton Park Capital Maintenance	5,000	5,000	0	
Pelham Expansion	10,660	10,663	3	
Poplar Expansion	1,000	0	(1,000)	Surplus from main contract but some minor items still to resolve.
Poplar Capital Maintenance	18,620	18,623	3	
Wimbledon Chase Capital Maintenance	24,660	24,661	1	
Wimbledon Park Capital Maintenance	15,310	15,307	(3)	
Abbotsbury Capital Maintenance	48,170	48,174	4	
Malmesbury Capital Maintenance	52,410	52,408	(2)	
Beecholme Capital Maintenance*	115,500	189,494	73,994	Part of this capital expenditure was undertaken in revenue and was funded from a revenue contribution. It was identified after the final capital budget had been approved so is visible as an overspend against budget
Bond Capital Maintenance	62,900	62,895	(5)	
Cranmer Capital Maintenance	24,380	24,379	(1)	
Liberty Capital Maintenance	107,720	107,717	(3)	
Links Capital Maintenance	15,590	15,587	(3)	
Singlegate Expansion	1,014,020	864,729	(149,291)	Works deferred to 2017/18 due to listed building planning approval
St Marks Capital Maintenance	28,160	28,158	(2)	
Lonesome Capital Maintenance	78,710	17,212	(61,498)	Works deferred to 2017/18 as initial works revealed additional problems that can only be carried out in the summer holidays
Sherwood Capital Maintenance	73,090	73,091	1	
Stanford Capital Maintenance	29,160	29,161	1	
William Morris Capital Maintenance	18,660	17,042	(1,618)	Project management fees - journal transfer was requested 10.3.17 but was not processed.
Unlocated Primary School Proj	61,490	70,299	8,809	Being offset against Harris Academy Merton
Harris Academy Merton	1,033,440	888,095	(145,345)	Council is in the middle of a £4.5m contract. Payment schedule from contractor was slightly overstated.
Rutlish	88,190	195	(87,995)	Works deferred to 2017/18 due to listed building planning approval
Harris Academy Wimbledon	6,764,500	6,558,601	(205,899)	Some minor delays in payment of design fees for this multi year site project.
Perseid Expansion	150,000	68,214	(81,786)	Council about to commence £1.9m construction contract. Payment schedule for design fees was slightly overstated.
Perseid Capital Maintenance	96,470	90,432	(6,038)	Project management fees - journal transfer was requested 10.3.17 but was not processed.
Cricket Green	1,560	495	(1,065)	Surplus from main contract but some minor items still to resolve.
Unlocated SEN	165,320	55,592	(109,728)	This is Cricket Green expansion - progression of design delayed due to detailed Corporate challenge on the project proceeding.
School Fields	24,100	20,250	(3,850)	Section 106 Scheme that is now complete
School Equipment Loans	104,450	0	(104,450)	Budget is designed to provide funding for loans to schools where entering into finance leases would be disadvantageous for the Authority - there were no claims on this fund in 2016/17
Devolved Formula Capital	367,820	367,818	(2)	
Children's Centres*	0	75,102	75,102	This capital expenditure was undertaken in revenue and was funded from a revenue contribution. It was identified after the final capital budget had been approved so is visible as an overspend against budget
Total Children Schools and Families	13,396,210	12,506,350	(889,860)	

Capital Programme Outturn Position 2016/17
Appendix 3a

Community and Housing	£	£	£	Reason for Variance
ASC IT Equipment	52,410	47,914	(4,496)	Project has slipped against that projected as part of November Monitoring
Disabled Facilities Grant	1,043,170	782,228	(260,942)	Ability to progress grants is limited by the levels of staffing within the team. Funding is ringfenced and complementary schemes need to be developed with the CCG. Have progressed complementary schemes with CCG and this will continue and develop in 2017/18.
Major Projects - Affordable Ho	760,000	760,000	0	
Major Projects - Social Care H	0	216	216	
Library Enhancement Works/Major Library P	94,970	72,237	(22,733)	Slight slippage on the resulting some payments falling due in 2017/18 and not 2016/17
Major Library Projects	0	0	0	
Libraries IT	0	100	100	
Total Community and Housing	1,950,550	1,662,695	(287,855)	

Corporate Services	£	£	£	Reason for Variance
Customer Contact Programme	1,425,930	419,507	(1,006,423)	Due to underperformance of Contractor causing in delaying the payment schedule - currently in commercial dialogue with the contractor
IT Systems Projects	111,030	111,000	(30)	
Social Care IT System	563,420	590,561	27,141	Phase 1 spend slightly ahead of that envisaged when November monitoring submitted
Works to other buildings	370,580	370,580	(0)	
Civic Centre	116,270	161,668	45,398	Slight slip against the anticipated programme as estimated in November
Invest to Save schemes*	705,170	427,054	(278,116)	It has taken longer to progress schemes than envisaged when submitting the November Monitoring
Water Safety Works	150,000	146,006	(3,994)	Slight slip against the anticipated programme as estimated in November
Asbestos Safety Works	80,000	37,184	(42,816)	Programme has slipped against that envisaged when submitting the November monitoring return.
Disaster recovery site	197,000	118,206	(78,794)	Variance caused by core switches required Merton, Gifford and Wandsworth ordered in 2016/17 This is for new switches which were ordered and delivered in 2016/17 but have been charged to the 2017/18 budget.
Planned Replacement Programme	1,161,020	784,485	(376,535)	All budget was committed in 2016/2017, however, new proxy servers, MPLS and secure email system have been paid from 2017/18 budget.
Room and Space Management	0	185	185	
Financial System	556,160	538,088	(18,072)	Have utilised 18 days less consultancy at year end than envisaged when compiling the November Monitoring Return
Acquisitions Budget	1,578,300	206,122	(1,372,178)	Corporate Budgets for which no bids were progressed - budget carried forward into 2017/18 and is available for all departments to bid for.
Capital Bidding Fund	1,839,000	0	(1,839,000)	Corporate Budgets to provide match funding for capital activity - budget carried forward into 2017/18 and is available for all departments to bid for.
Total Corporate services	8,853,880	3,910,645	(4,943,235)	

Capital Programme Outturn Position 2016/17

Appendix 3a

Environment and Regeneration	£	£	£	Reason for Variance
On Street Parking - P&D*	126,150	154,965	28,815	This overspend was capital expenditure identified in Revenue late in the financial year. It was funded by a revenue contribution
Off Street Parking - P&D	0	0	0	
On Street Parking Shop Parades	9,900	0	(9,900)	
CCTV Investment	350,000	322,700	(27,300)	
Public Protection and Developm	35,000	26,111	(8,889)	
Mobile Working	5,000	5,000	(0)	
Fleet Vehicles	488,000	347,618	(140,382)	Two vehicles ordered in March 2017 but not delivered until the new financial year.
GPS Vehical Tracking Equipment	0	42,014	42,014	Funding for this scheme was re-profiled into 2017/18 - Interlinked with the waste contract below
Alley Gating Scheme	40,000	27,245	(12,755)	
Waste SLWP	0	316,412	316,412	Scheme exists in 2017/18 but some expenditure was required inn 2016/17 to progress the new waste contract
Street Trees	60,000	48,899	(11,101)	
Unallocated Roads Budget (unsp	0	0	0	
Highways & Footways	5,258,140	5,142,752	(115,388)	£51K S106 Funding with no expiry date - Works ongoing in FY 17-18; £54K TFL Funded Schemes - TFL Year End extends to Aug 2017 - Works to be completed by then
Cycle Route Improvements	782,820	599,269	(183,551)	TFL Funded Schemes - TFL Year End extends to Aug 2017 - Works to be completed by then
Mitcham Transport Improvements	340,000	262,109	(77,891)	TFL Funded Schemes - TFL Year End extends to Aug 2017 - Ongoing Rediscover Mitcham scheme works
Wimbledon Transport Improvemen	0	603	603	
Electric Vehicle Infrastructur	15,000	0	(15,000)	TFL Funded Schemes - TFL Year End extends to Aug 2017 - Works to be completed by then
Unallocated Tfl	6,900	0	(6,900)	Residual Budget from 2015/16 TFL Slippage
Tracking Traffic Congestion	270,000	305,127	35,127	Scheme progressed faster that envisaged when November Monitoring Return submitted
Industrial Estates	152,350	145,473	(6,877)	S106 Funding - No expiry - Works to upgrade to LED lighting planned for FY 17-18
Colliers Wood Area Regeneratio	488,020	322,388	(165,632)	S106 Funding - Connecting Colliers Wood Scheme - Civils works completed Feb 2017 but Contractor Final Account only agreed in April
Mitcham Area Regeneration	1,114,490	995,653	(118,837)	TFL Funded Schemes - TFL Year End extends to Aug 2017 - Ongoing Rediscover Mitcham scheme works
Wimbledon Area Regeneration	10,700	10,587	(113)	
Morden Area Regeneration	518,140	525,161	7,021	Overspend is offset by underspend in linked scheme in 740406 Borough Regeneration
Borough Regeneration	1,340,020	1,260,149	(79,871)	Morden Retail Gateway Scheme - Now completed - Delays due to issues in ITT & weather impact
Property Management Enhancemen*	32,000	70,265	38,265	Approximately £28k of this overspend was capital expenditure identified in Revenue late in the financial year. It was funded by a revenue contribution
Morden Leisure Centre	1,573,890	476,696	(1,097,194)	The scheme has slipped to that envisaged when submitting the Novemeber monitoring
Sports Facilities	398,650	424,187	25,537	
Cemetaries	11,490	10,691	(799)	
Parks	624,380	704,409	80,029	Officers were able to progress a Heritage Lottery Funded Project reprofiled into 2017/18 earlier that envisaged.
Total Environment and Regeneration	14,051,040	12,546,481	(1,504,559)	

*Schemes where capital expenditure was charged to revenue. This has been capitalised and a revenue contribution has been made to fund the expenditure. Highlighted as overspends as budget formally approved in the Capital Programme

Proposed Budget to be Slipped from 2016/17 to 2017/18

Appendix 3b

Department/Scheme	£	Reason
Children Schools and Families		
West Wimbledon	6,090	Part of a match funded scheme developed with the school, work is scheduled during school holidays.
Hatfeild	13,330	Will finalise the delivery of the expansion
Joseph Hood	2,720	Will finalise the delivery of the expansion
Dundonal Expansion	56,070	Will finalise the delivery of the expansion
Dundonal Capital Maintenance	10,000	Part of a match funded scheme developed with the school, work is scheduled during school holidays.
Poplar Expansion	1,000	Will finalise the delivery of the expansion
Singlegate Expansion	149,290	Will finalise the delivery of the expansion
Lonesome Capital Maintenance	61,500	Part of a match funded scheme developed with the school, work is scheduled during school holidays.
William Morris Capital maintenance	1,620	Part of a match funded scheme developed with the school, work is scheduled during school holidays.
Harris Academy Merton	136,540	Part of the school expansion, the scheme is not underspending, this budget is required to complete the scheme
Rutlish Capital Maintenance	88,000	Part of a match funded scheme developed with the school, work is scheduled during school holidays.
Harris Academy Wimbledon (agreed by May Cabinet)	205,900	Part of the school expansion, the scheme is not underspending, this budget is required to complete the scheme
Perseid Expansion	81,790	Part of the school expansion, the scheme is not underspending, this budget is required to complete the scheme
Perseid Capital maintenance	6,040	Part of a match funded scheme developed with the school, work is scheduled during school holidays.
Cricket Green	1,070	Surplus from main contract but some minor items still to resolve - require budget to be carried forward.
Unlocated SEN	109,730	This is Cricket Green expansion - progression of design delayed due to detailed Corporate challenge on the project proceeding.
School Equipment Loans	104,450	Indications that £100k will be taken up early in the financial year
Total Children Schools & Families	1,035,140	
Community and Housing		
ASC IT Equipment	4,500	Required to complete scheme
Disabled Facilities Grant	207,490	Budget is ringfenced - officers are required to work with CCG to identify possible schemes in addition to disabled facilities grants. In addition officers will also explore greater usage by children's services.
Library Enhancement Works	22,730	Required to deliver the overall scheme
Total Community & Housing	234,720	

Proposed Budget to be Slipped from 2016/17 to 2017/18

Appendix 3b

Corporate Services		
Customer Contact	1,006,420	This budget is required to deliver the Customer Contact Project
Invest to Save	288,720	This budget is part of an overall allocation for facilities based invest to save schemes and revenue savings have been built into the MTFS as a result of the delivery of this programme. This budget forms a key part of delivering those savings
Water Safety Works	3,990	Works committed in 2016/17
Asbestos Safety Works	42,820	Programme of works will utilise this budget
Planned IT Replacement	243,400	This budget will be spent on new proxy servers, MPLS and secure email system this expenditure was scheduled in 2016/17 to be funded from this budget.
Disaster Recovery	78,790	This Budget will be spent on core switches required Merton, Gifford and Wandsworth
New Financial System	18,070	This budget will be spent on 18 days e5 consultancy
Acquisitions Budget	1,372,180	Corporate Budget
Capital Bidding Fund	1,839,000	Corporate Budget to provide match funding to lever in additional funding
Total Corporate Services	4,893,390	
Environment and Regeneration		
CCTV	27,300	Required to complete the scheme
Public Protection and Development	8,890	Remaining element of hand-held upgrade still to be paid.
Boxley Road (S106)	13,810	S106 Funds have no expiry - c/way resurfacing works planned in vicinity of site for FY 17-18
Wimbledon Wayfinding (S106)	37,890	S106 Funds have no expiry - Town Centre Signage Improvement works planned for FY 17-18
TfL	441,530	TfL Year End runs to Aug 2017
Industrial Estates	6,880	S106 Funds have no expiry - LED Lighting Upgrades planned for Lombard Rd Industrial Estate area for financial year 2017-18
Colliers Wood Regeneration	158,610	S106 Funds - Connecting Colliers Wood Scheme - Civils completed - Final Payment now due to contractor
Rediscover Mitcham	8,000	S106 Funds - To be used to fund ongoing Rediscover Mitcham scheme
Borough Regeneration - Morden Sho	30,800	Morden Retail Gateway Project - Delays in ITT process, weather restrictions
Brighter Businesses	34,070	Morden Retail Gateway Project - Delays in ITT process, weather restrictions
CIL	15,000	Final Payment to IT Vendor not due until IT system up and running after 3 months
Morden Leisure centre	1,097,190	Project delayed due to ecological and habitat issues on site and the stage 2 tendering processes - budget required to complete the scheme
Total Environment & Regeneration	1,879,970	

Divisional Breakdown of Capital Programme 2017-20 £000's
Appendix 3c

Description	2017-18			2018-19			2018-19		
	Original Budget	Adjustments	Revised Budget	Original Budget	Adjustments	Revised Budget	Original Budget	Adjustments	Revised Budget
Business Improvement	816	979	1,795	1,377	0	1,377	0	0	0
Facilities Management Total	3,875	368	4,243	1,250	0	1,250	1,250	0	1,250
Infrastructure & Transactions	1,946	322	2,268	1,085	0	1,085	630	0	630
Resources	148	18	166	0	0	0	0	0	0
Corporate Items	14,224	3,179	17,403	13,101	0	13,101	8,746	0	8,746
Corporate Services	21,009	4,866	25,875	16,813	0	16,813	10,626	0	10,626
Community and Housing									
Adult Social Care	79	5	84	0	0	0	0	0	0
Housing	755	207	962	629	0	629	280	0	280
Libraries	500	(101)	399	0	0	0	0	200	200
Community and Housing	1,334	111	1,445	629	0	629	280	200	480
Primary Schools	30	302	332	0	0	0	0	0	0
Secondary School	8,665	(3,560)	5,105	6,156	2,691	8,847	4,481	1,300	5,781
SEN	3,450	(1,795)	1,655	5,310	1,994	7,304	1,000	0	1,000
CSF Schemes	104	364	469	0	104	104	105	0	105
Unlocated School Maint. Budg	670	0	670	650	0	650	650	0	650
Children Schools & Families	12,920	(4,690)	8,230	12,116	4,789	16,905	6,236	1,300	7,536
Environment and Regeneration									
Public Protection and Develop	164	36	201	0	0	0	60	0	60
Street Scene & Waste	1,977	(358)	1,618	5,790	0	5,790	340	0	340
Sustainable Communities	16,325	687	17,012	13,505	1,386	14,891	6,841	0	6,841
Environment and Regeneratio	18,466	365	18,830	19,295	1,386	20,681	7,241	0	7,241

Detailed Capital Programme 2017-20 £000's									
Children Schools & Families	2017-18			2018-19			2018-19		
	Original Budget	Adjustments	Revised Budget	Original Budget	Adjustments	Revised Budget	Original Budget	Adjustments	Revised Budget
Primary Schools									
West Wimbledon Capital Main	0	6	6	0	0	0	0	0	0
Hatfield Expansion	0	13	13	0	0	0	0	0	0
Joseph Hood Expansion	0	3	3	0	0	0	0	0	0
Dundonald Expansion	30	56	86	0	0	0	0	0	0
Dundonald Capital Expansion	0	10	10	0	0	0	0	0	0
Poplar	0	1	1	0	0	0	0	0	0
Singlegate Expansion	0	149	149	0	0	0	0	0	0
Lonesome Capital Maintenance	0	62	62	0	0	0	0	0	0
William Morris Capital Maintenance	0	2	2	0	0	0	0	0	0
Primary Schools	30	302	332	0	0	0	0	0	0
Secondary School									
Harris Academy Morden Expansion	200	(150)	50	2,044	150	2,194	800	0	800
Harris Academy Merton Expansion	3,119	37	3,156	0	100	100	0	0	0
St Mark's Academy Expansion	200	(200)	0	1,424	200	1,624	3,681	0	3,681
Raynes Park Capital Maintenance	0	88	88	0	0	0	0	0	0
Harris Academy Wimbledon	5,146	(3,335)	1,812	2,689	2,241	4,930	0	1,300	1,300
Secondary School	8,665	(3,560)	5,105	6,156	2,691	8,847	4,481	1,300	5,781
SEN									
Perseid Expansion	1,186	82	1,268	650	0	650	0	0	0
Perseid Capital Maintenance	0	6	6	0	0	0	0	0	0
Cricket Green	0	1	1	0	0	0	0	0	0
Secondary School Autism Unit	200	(170)	30	1,160	170	1,330	0	0	0
Unlocated SEN	2,064	(1,714)	350	3,500	1,824	5,324	1,000	0	1,000
SEN	3,450	(1,795)	1,655	5,310	1,994	7,304	1,000	0	1,000
CSF Schemes									
School Equipment Loans	104	0	105	0	104	104	0	0	0
Devolved Formula Capital	0	364	364	0	0	0	105	0	105
CSF Schemes	104	364	469	0	104	104	105	0	105
Unlocated School Maint. Budgets									
Unlocated School Maint. Budget	670	0	670	650	0	650	650	0	650
Unlocated School Maint. Budget	670	0	670	650	0	650	650	0	650
Children Schools & Families	12,920	(4,690)	8,230	12,116	4,789	16,905	6,236	1,300	7,536

Detailed Capital Programme 2017-20 £000's									
	2017-18			2018-19			2018-19		
	Original Budget	Adjustments	Revised Budget	Original Budget	Adjustments	Revised Budget	Original Budget	Adjustments	Revised Budget
Environment and Regeneration									
Public Protection and Development									
On Street Parking - P&D	0	0	0	0	0	0	60	0	60
CCTV Investment	164	27	192	0	0	0	0	0	0
Public Protection and Development	0	9	9	0	0	0	0	0	0
Public Protection and Development	164	36	201	0	0	0	60	0	60
Street Scene & Waste									
Fleet Vehicles	400	0	400	400	0	400	300	0	300
GPS Vehical Tracking Equipment	130	(42)	88	0	0	0	0	0	0
Alley Gating Scheme	40	0	40	40	0	40	40	0	40
Smart Bin Leases - Street Scene	6	0	6	6	0	6	0	0	0
Waste SLWP	1,401	(316)	1,085	5,344	0	5,344	0	0	0
Refuse and Recycling Centre	0	0	0	0	0	0	0	0	0
Street Scene & Waste	1,977	(358)	1,618	5,790	0	5,790	340	0	340
Sustainable Communities									
Street Trees	60	0	60	60	0	60	60	0	60
Highways & Footways	5,210	(815)	4,395	3,581	0	3,581	3,067	0	3,067
Cycle Route Improvements	0	860	860	0	0	0	0	0	0
Mitcham Transport Improvements	0	308	308	0	0	0	0	0	0
Electric Vehicle Infrastructure	0	15	15	0	0	0	0	0	0
Unallocated TfL	0	0	0	1,865	0	1,865	0	0	0
Tracking Traffic Congestion	300	(35)	265	0	0	0	0	0	0
Industrial Estates	446	7	453	0	0	0	0	0	0
Colliers Wood Area Regeneration	0	159	159	0	0	0	0	0	0
Mitcham Area Regeneration	700	519	1,219	0	0	0	0	0	0
Morden Area Regeneration	220	(20)	200	3,000	0	3,000	3,000	0	3,000
Borough Regeneration	0	80	80	0	0	0	0	0	0
Morden Leisure Centre	8,319	(289)	8,030	3,114	1,386	4,501	169	0	169
Sports Facilities	700	(26)	674	1,550	0	1,550	250	0	250
Parks	326	(75)	250	335	0	335	295	0	295
Mortuary Provision	45	0	45	0	0	0	0	0	0
Sustainable Communities	16,325	687	17,012	13,505	1,386	14,891	6,841	0	6,841
Environment and Regeneration	18,466	365	18,830	19,295	1,386	20,681	7,241	0	7,241

Virement, Re-profiling and New Funding - Outturn 2016-17 Report

Appendix 3d

	2017/18 Budget	Virements	Adjusted & New Funding	Reprofiling	Revised 2017/18 Budget	2018/19 Budget	Reprofiling	Revised 2018/19 Budget	Narrative
	£	£	£	£	£	£		£	
Corporate Services									
Capital Bidding Fund	1,839,000	(32,500)			1,806,500				New Horizons Boiler Match Funding - Exceptional Item
Works to other buildings	300,000	32,500			332,500				New Horizons Boiler Match Funding - Exceptional Item
Community & Housing									
Libraries Opportunity Fund	(1) 0		75,950		75,950	0	0	0	Arts Council Funding for schemes based in Libraries
West Barnes Library Re-Fit	(1) 200,000			(200,000)	0	0	0	0	Re-Rofiled to 2019-20
Children, Schools and Families									
Harris Academy Morden	(1) 200,060			(150,000)	50,060	2,043,500	150,000	2,193,500	Re-profiling
Harris Academy Merton	(1) 3,255,520			(100,000)	3,155,520	0	100,000	100,000	Re-profiling
St Mark'S Academy	(1) 200,000			(200,000)	0	1,423,600	200,000	1,623,600	Re-profiling
Harris Academy Wimbledon	(1) 5,322,150			(3,540,600)	1,781,550	2,689,100	2,240,600	4,929,700	Re-profiled to 2018-19 and 2019-20
Harris Morden Sec Autism Unit	(1) 200,000			(170,000)	30,000	1,160,000	170,000	1,330,000	Re-profiling
Further SEN Provision	(1) 2,174,090			(1,824,090)	350,000	3,500,000	1,824,090	5,324,090	Re-profiling
Loans to Schools Capital	(1) 208,900			(104,000)	104,900	0	104,000	104,000	Re-profiling
Devolved Formula Capital	(1) 0		363,880		363,880	0		0	Annual Central Government Grant - finalised figure received after budget despatched to Cabinet in Feb 2016.
Environment & Regeneration									
Morden Leisure Centre	(1) 9,415,860			(1,386,320)	8,029,540	3,114,210	1,386,320	4,500,530	Additioal CIL Funding £2.708 M and Re-profiling
Bus Stop Accessibility Program TfL	(1) 0		146,340		146,340	0		0	Revision of TfL Budget
Casualty Reduction & School Safety Program	(1) 0		304,840		304,840	0		0	Revision of TfL Budget
Bus Stop Compliance TfL		0	(17,090)		(17,090)	0		0	Revision of TfL Budget
A298/A238 Strategic Corridor (Colliers Wood)	(1) 0		118,050		118,050	0		0	Revision of TfL Budget
20 MPH Zones TfL		0	(5,670)		(5,670)	0		0	Revision of TfL Budget
Tfl Principal Road Maint	(1) 1,899,050		(1,467,470)		431,580	0		0	Revision of TfL Budget
TfL Cycle Quietways	(1) 183,550		(70,960)		112,590	0		0	Revision of TfL Budget
Facilitating Cycle Access & Parking TfL	(1) 0		275,800		275,800	0		0	Revision of TfL Budget
Biking Borough - Cycle Parking TfL		0	10,730		10,730	0		0	Revision of TfL Budget
Local Transport Scheme - Cycle Improvemen	(1) 0		120,870		120,870	0		0	Revision of TfL Budget
Beddington Lane Cycle Route TfL	(1) 0		339,750		339,750	0		0	Revision of TfL Budget
Strategic Corridor Mitcham TfL	(1) 77,890		155,990		233,880	0		0	Revision of TfL Budget
Figges Marsh/Locks Lane Roundabout TfL	(1) 0		74,000		74,000	0		0	Revision of TfL Budget
Mitcham Major schemes - TfL	(1) 810,840		399,990		1,210,830	0		0	Revision of TfL Budget
Morden - TfL		220,000	(20,000)		200,000	2,000,000		2,000,000	Revision of TfL Budget
Total	26,506,910	0	805,000	(7,675,010)	19,636,900	15,930,410	6,175,010	22,105,420	

Virement, Re-profiling and New Funding - Outturn 2016-17 Report

Appendix 3d

	2019/20 Budget	Reprofiling	Revised 2019/20 Budget	2020/21 Budget	Reprofiling	Revised 2020/21 Budget	Narrative
	£	£	£	£	£	£	
Community and Housing							
West Barnes Library Re-Fit	0	200,000	200,000				Reprofiled from 2017-18 - Project on Hold until certain decisions made on Crossrail 2
Children, Schools and Families							
Harris Academy Wimbledon	0	1,300,000	1,300,000				Re-profiled from 2017-18
Total	0	1,500,000	1,500,000	0	0	0	

Capital Programme Funding Summary 2017/18

	Funded from Merton's Resources	unded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Approved Capital Programme	38,899	14,830	53,729
Slippage	6,895	626	7,522
<u>Community and Housing</u>			
Libraries Opportunity Fund	0	76	76
West Barnes Library Re-Fit	(200)	0	(200)
<u>Children Schools and Families</u>			
Devolved Formula Capital	0	364	364
Harris Academy Morden	(150)	0	(150)
Harris Academy Merton	(100)	0	(100)
St Mark'S Academy	(200)	0	(200)
Harris Academy Wimbledon	(935)	(2,606)	(3,541)
Harris Morden Sec Autism Unit	(170)	0	(170)
Further SEN Provision	(1,824)	0	(1,824)
Loans to Schools Capital	(104)	0	(104)
<u>Environment & Regeneration</u>			
Bus Stop Accessibility Program TfL	0	146	146
Casualty Reduction & School Safety Program TfL	0	305	305
Bus Stop Compliance TfL	0	(17)	(17)
A298/A238 Strategic Corridor (Colliers Wood) TfL	0	118	118
20 MPH Zones TfL	0	(6)	(6)
Tfl Principal Road Maint	0	(1,467)	(1,467)
TfL Cycle Quietways	0	(71)	(71)
Facilitating Cycle Access & Parking TfL	0	276	276
Biking Borough - Cycle Parking TfL	0	11	11
Local Transport Scheme - Cycle Improvements TfL	0	121	121
Beddington Lane Cycle Route TfL	0	340	340
Strategic Corridor Mitcham TfL	0	156	156
Figges Marsh/Locks Lane Roundabout TfL	0	74	74
Mitcham Major schemes - TfL	0	400	400
Morden - TfL	0	(20)	(20)
Morden Leisure Centre	(1,386)	0	(1,386)
Revised Funding July 2017 Cabinet	40,726	13,655	54,381

Capital Programme Funding Summary 2018/19

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Approved Capital Programme 1-3-17	17,878	15,327	33,205
Acquisitions Budget	5,000	0	5,000
Housing Company	8,101	0	8,101
Morden leisure Centre			
Approved Capital Programme	33,526	15,327	48,853
<u>Children Schools and Families</u>			
Harris Academy Morden	150	0	150
Harris Academy Merton	100	0	100
St Mark'S Academy	200	0	200
Harris Academy Wimbledon	(365)	2,606	2,241
Harris Morden Sec Autism Unit	170	0	170
Further SEN Provision	1,824	0	1,824
Loans to Schools Capital	104	0	104
<u>Environment & Regeneration</u>			
Morden Leisure Centre	1,386	0	1,386
Revised Funding	37,095	17,933	55,028

Capital Programme Funding Summary 2019/20

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Approved Capital Programme	22,037	2,346	24,383
<u>Community and Housing</u>			
West Barnes Library Re-Fit	200	0	200
<u>Children Schools and Families</u>			
Harris Academy Wimbledon	1,300	0	1,300
Revised Funding	23,537	2,346	25,883

Appendix 4

Subject: Miscellaneous Debt Update December 2016

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

- 1.1 A breakdown of departmental net miscellaneous debt arrears, as at 31 March 2017, is shown in column F of the table below.
- 1.2 Please note that on the 6 February 2017 the new financial computer system was implemented and this includes the raising and collection of invoices and the debt recovery system.

Sundry Debtors aged balance – 31 March – not including debt that is less than 30 days old (Please note the new system reports debt up to 30 days whereas previously we reported up to 39 days)

Department a	30 days to 6 months b	6 months to 1 year c	1 to 2 years d	Over 2 years e	March 17 arrears f	Dec 16 Arrears	Direction of travel
	£	£	£	£	£	£	
Env & Regeneration	388,008	66,334	114,593	273,932	842,867	2,841,204	↓
Corporate Services	59,925	11,923	29,955	59,923	161,726	320,679	↓
Housing Benefits	696,225	649,007	1,364,033	1,596,764	4,306,029	4,260,911	↑
Children, Schools & Families	621,431	81,577	38,378	218,547	959,933	556,248	↑
Community & Housing	1,057,617	746,767	830,739	1,532,147	4,167,270	4,776,665	↓
Chief Executive's	0	0	0	0	0	0	↓
CHAS 2013	53,696	19,955	21,501	18,834	113,986	122,250	↓
Total	2,876,902	1,575,563	2,399,199	3,700,147	10,551,811	12,877,957	↓
Mar-16	2,471,268	2,357,958	2,213,792	3,658,637	10,701,655		
<i>Variance March 16 to March 17</i>	<i>405,634</i>	<i>-782,395</i>	<i>185,407</i>	<i>41,510</i>	<i>-149,844</i>		↓

- 1.3 Since the position was last reported in December 2016, the net level of arrears, i.e. invoices over 30 days old, has reduced by £2,326,146.

- 1.4 Since the implementation of the new financial system on 6 February 2017 not all service areas have been raising new invoices as quickly as they normally would and as a result there has been a reduction in the number and value of invoices raised. The consequence of this is a reduction in the level of debt owed to the council. The implementation project team have been working closely with services to ensure that planned timetables are in place to catch up with the backlog of raising invoices.
- 1.5 Due to the above the overall level of sundry debt has reduced from £13.588 million in December 2016 to £7.067 million at the end of March 2017.
- 1.6 However, as at the end of April 2017 the level of debt had increased to £11.048 million outstanding. Of this figure £4.3 million related to invoices raised within the last 30 days compared to £0.6 million at the end of March 2017. This indicates that the work being done with services as mentioned in 1.4 above is now having a positive impact.
- 1.7 There is still a backlog of invoices to be raised for Adult Social Care debt and Community Infrastructure Levy which is being monitored and addressed.
- 1.8 The table below shows the total net level of arrears for the last five years – not including debt that is less than 39 days old or 30 days in March 2017

Sundry debt March 2013 to March 2017 – not including debt that is less than 30/39 days old

Department	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 17
	£	£	£	£	£
Env & Regeneration	724,076	719,101	812,515	1,072,574	842,867
Corporate Services	460,526	378,135	330,763	403,393	161,726
Housing Benefits	3,137,325	3,075,051	3,150,380	4,127,431	4,306,029
Children, Schools & Families	317,776	339,885	370,008	409,079	959,933
Community & Housing	3,784,562	4,528,492	4,146,018	4,595,399	4,167,270
Chief Executive's	0	500	0	0	0
CHAS 2013		88,590	137,912	93,779	113,986
Total	8,424,265	9,129,754	8,947,596	10,701,655	10,551,811

1.7 The figures in the table above show that the major area of increase in debt over the four year period is housing benefit overpayments and Community and Housing. It should be noted that the amount of housing benefit paid out has increased over this period. In 2008/09 £61.3 million was paid out and just under £85 million was paid in 2016/17

1.8 In addition there has been an increase in debt owed to Children Schools and Families which is mainly due to outstanding invoices owed by Lambeth and Croydon councils where we have re-charged them for children placed in our schools. These debts are being actively pursued by the debt recovery team and service departments.

1.9 The action being taken to recover the largest debts is outlined below

2 THE PROCESS FOR COLLECTION OF MISCELLANEOUS DEBT

2.1 In considering the current levels of debt, it is important to outline the general process Merton currently has in place to collect its arrears. In general terms the process has 5 stages, as detailed below, although processes employed vary by debt type. It is important to note that most debtors can not pay their outstanding liabilities other than by payment arrangements. Once a payment arrangement has been made it can not be changed without the debtors consent.

The process for collecting debt

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Invoice issued to debtor with 30 days allowed for payment.	After 30 days and following two requests for payment, a final warning notice is issued and the case passed to the Debt Recovery team.	The debt and debtor is evaluated to ensure the most effective recovery action is taken to attempt recovery. This will include contacting debtors' direct and collecting payment or agreeing repayment plans and passing the debt to collection agents to collect on our behalf, bankruptcy proceedings, attachment to benefit etc.	If the debt remains unpaid then County Court action is taken by the Debt Recovery team's solicitor who administers this process.	The final stage is consideration of the debt for write-off if all other attempts to collect the debt have failed.

3. ACTION BEING TAKEN TO COLLECT OUTSTANDING DEBT

3.1 One of the two largest debts owed to the council is for Community Care Debt and the current level of debt is £3.94 million, a reduction of £1.0 million since last reported.

- 3.2 Over the past few years council staff have been working closely and following new processes to manage this debt. This work involves regular joint meetings between the financial assessments, social services, client financial affairs and debt recovery teams to review the debts of individual clients and establish action plans for each one.
- 3.3 These actions include, but are not limited to: early intervention from social workers to prevent debts from getting out of control and to ensure that clients are supported earlier to get their finances in order; as part of their induction all new Social Workers spend time with the Financial Assessment Team, to understand how financial assessments are carried out; social workers also check to see if there any safeguarding issues around non-payment of bills and work very closely with the Welfare Benefits Officer; there is more use of credit checks and land registry checks when assessing/investigating debt issues; increased involvement from the client financial affairs team to take appointeeship for those without capacity or appropriate deputyship; Increased identification of cases where we will consider legal action to secure the debt and generally to share information and support each other in the collection and prevention of this debt. Although the debt has grown the actions being taken are mitigating the impact.
- 3.4 A new working group chaired by the Director of Community and Housing has been set up to monitor Community Care Debt and to work across departments to improve processes and ensure best practice is in place to maximise collection of debts at all stages. As part of this a Lean review is taking place which will include the assessment and raising of invoices through to debt collection practices.
- 3.5 The table below shows the breakdown of Community Care debt by recovery action

Total Community Care Debt by recovery action as at December 2016 compared to March 2016, June 2016 and September 2016

Community Care Debt	31-Mar-16	% at stage	30-Jun-16	% at stage	30-Sep-16	% at stage	31-Dec-16	% at stage
Invoice stage	656,084	14%	387,608	9%	772,555	16%	646,210	13%
Charge & Deferred Payment	995,753	22%	775,880	18%	706,043	15%	635,671	13%
Payment arrangement	372,108	8%	462,801	11%	451,694	10%	235,667	5%
Probate, DWP & Deputyship	925,447	20%	944,870	22%	895,603	19%	771,456	15%
Court action	147,886	3%	141,345	3%	256,347	5%	188,264	4%
Dept or service query	154,802	3%	182,702	4%	51,821	1%	286,782	6%
No action secured	1,386,446	30%	1,460,347	33%	1,624,173	34%	2,186,747	44%
Total Debt	4,638,526		4,355,553		4,758,236		4,950,797	

- 3.6 In the final quarter of the payments were received to clear three of the larger community care debts, we received payments for £22,000, £31,000 and £134,000. The debt for £134,000 was for the case with the third highest debt and payment had been secured against a charge on the property.
- 3.7 The largest area of debt owed to the council is for housing benefit overpayments with the total level of debt being £8 million, of which £4.4 million is within the sundry debtors system and the remainder of the debt is still within the housing benefit system.
- 3.8 It has been previously reported that the Department of Work and Pensions commenced a “Real Time” Information initiative at the end of September 2014 which was aimed at identifying overpayments of housing benefit. The DWP have compared housing benefit claim data and HMRC data and over the six month life of the initiative highlighted 900 cases for Merton where there were data discrepancies.
- 3.9 In May 2015 the second phase of the initiative commenced and we are receiving approximately 150 cases per month.
- 3.10 As at the end of March 2017, £4 million of overpayments have been identified and created. A number of cases have resulted in overpayments of over £10,000 and have been referred to the Internal Audit team and the new joint DWP Fraud team.
- 3.11 Where possible these overpayments are being recovered from on-going benefit payments. We are entitled to deduct between £10.95 and £23.35 per week from on-going housing benefit dependant on circumstances. Where the change has resulted in housing benefit being cancelled or nil entitlement we contact the claimants employer and are paid a percentage deduction of their salary each month. So far we have over £220,000 secured by this method.
- 3.12 The Department of Work and Pensions commenced another initiative in the final quarter of 2014/15. This initiative is where council’s are encouraged to identify fraud and error within the system and have been awarded set up funding and on-going funding based on achieving performance targets. This initiative is being extended for 2016/17.
- 3.13 The Council exceeded three of the five periods from December 2014 to March 2016 and obtained £60,246. The Council has committed to continuing this initiative for 2016/17 and has received £49,000 funding to administer this. The first quarter target has been exceeded and additional funding of £28,169 has been received. The second quarter target was not met and no additional funding received. The third quarter target was exceeded and additional funding of £6,761 was received.

- 3.14 These two initiatives and the normal churn of claims resulted in the level of housing benefits debt increasing and it is very likely that it will continue to increase. The DWP have confirmed that for 2017/18 these two initiatives are being consolidated and the council will receive funding of £73,000 to process approximately 500-600 RTI cases per month. There will no longer be any incentive for exceeding targets.
- 3.15 Although the overall housing benefit debt has increased there has been an increase in the amount of debt either being recovered from on-going benefit or on arrangements, with £2.9 million being recovered from on going benefit by reducing current housing benefit payments. Just over £5.24 million is on a payment arrangement or recovery from on going benefit
- 3.16 The table below shows breakdown of all housing benefit overpayments by recovery action.

Total Housing Benefit Debt by recovery action from Sept 2015 to March 2017 by quarter

Recovery Stage	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Invoice and Reminder stage	814,303	1,571,934	1,205,885	667,690	624,877	874,548	723,613
On-going recovery	2,839,286	3,237,225	3,105,644	2,928,207	3,048,093	3,032,558	2,928,992
Payment Arrangements	1,324,634	1,606,401	1,792,340	1,922,400	2,134,893	2,220,007	2,314,257
No Arrangements secured	2,255,792	1,608,915	1,870,006	2,528,002	2,544,392	2,162,070	2,113,587
Total HB Debt	7,234,015	8,024,476	7,973,875	8,046,299	8,352,255	8,289,183	8,080,449

- 3.17 We have continued to review and target all housing benefit debt. We have tried to improve the procedures at the beginning of the process when a debt is first identified by ensuring that invoices are raised as soon as possible to give the best chance of recovery, we are targeting debtors who are now in work and we will be applying to recover the overpayments from their employers and we are looking at the oldest debts to consider if they are still collectable. However, it should be noted that a lot of the housing benefit debt is very difficult to recover as

the Council's powers of recovery are very limited unless the debtor works or owns their own property.

- 3.18 The table below shows the amount of debt written off in accordance with financial regulations and scheme of management in 2014/15, 2015/16 and 2016/17.

Debt written off in 2014/15, 2015/16 and 2016/17 by debt type

	2014/15	2015/16	2016/17				
	Total	Total	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Debt type							
Sundry Debt	£347,726	£581,419	£129,338	£0	£0	£0	£129,338
Housing benefit overpayments	£1,050,105	£510,352	£116,012	£68,489	£109,542	£223,424	£517,467
Council Tax	£526,881	£951,280	£118,937	£109,969	£279,547	£115,033	£623,486
Business Rates	£790,373	£659,514	£0	£0	£271,978	£295,930	£567,908
Total	£2,715,085	£2,702,565	£364,287	£178,458	£661,067	£634,387	£1,838,199

- 3.19 Of the business rates debt written off in 2014/15 just over £400,000 related to businesses that went into liquidation. For 2015/16 £392,000 and for 2016/17 £279,000 related to businesses that went into liquidation and therefore it was not possible to collect the rates.
- 3.20 There is approximately £250,000 of sundry debt due to be written off. This task had a lower priority due to the increase in workload for the preparation for the new system and was unfortunately not completed within the financial year. These debts will be written off by the end of the first quarter.
- 3.21 Towards the end of 2014/15 an exercise was commenced targeting the highest housing benefit debts with the aim of agreeing payment arrangements where possible and where appropriate writing debts off. This included many large overpayments, some identified through fraud activity where the prospect of collecting the debt was minimal. In some instances payment arrangements were put in place for 5 years and the remainder of the debt written off. If circumstances change of the debtors or after 5 years all payments are made there is the option of writing part or all of the debt back to collect.
- 3.22 Although the debt written off within any of the years does not relate to one specific year it should be noted that in 2016/17 the council was collecting a net debt of £102.9 million in council tax (this includes the GLA portion), a net debt of £91.3 million in business rates (this includes Business Rates Supplement) and approximately £44 million raised through sundry debts.

3.23 Every effort is made to collect all outstanding debts and debts are only written off as a last resort. The council is still collecting some council tax debts that are greater than 6 years old or will have secured the debts against properties where possible.

4. SUNDRY DEBT COLLECTED

4.1 The table below show the amount of sundry debt raised over the past four years along with the payments received via cash, journals or credits, and shows the amount written off for each year along with the balance outstanding as at the end of December 2016.

As at end of December 2016

Year	Invoices raised	Credits	Journals	Written Off	Payments	O/s	% Collected	% o/s or w/o
2013/14	£44,842,844	-£2,531,232	-£91,213	-£217,833	-£41,252,390	£750,176	97.84%	2.16%
2014/15	£57,041,098	-£6,756,029	£459,436	-£179,094	-£49,731,873	£833,538	98.23%	1.77%
2015/16	£67,409,189	-£11,330,263	-£112,786	-£48,374	-£54,377,668	£1,540,099	97.65%	2.35%
2016/17	£43,058,643	-£4,200,922	-£60,362	-£696	-£30,050,524	£8,746,139	79.70%	20.30%

4.2 Active recovery action continues to be undertaken on all outstanding debts. Included in the amounts outstanding would be cases where the debt has already been secured against a charge on the property or deferred payment arrangement.

4.3 For 2013/14 and 2014/15, invoices for over £101.8 million were raised and over 97.5% has already been collected.

5. PROVISION FOR BAD AND DOUBTFUL DEBTS

5.1 Provision has been made available for writing off bad and doubtful debts held within the ASH and Housing benefits systems. These provisions are £2.96m for ASH miscellaneous debt and £6.95m for debt held in the Housing Benefits system, making a total General Fund provision for bad and doubtful debts of £9.91m. Clearly, every attempt is made to collect debts before write-off is considered. The current level of provision is analysed in the table below.

5.2 The Council adheres to the requirements of the SORP when calculating its provisions. Merton's methodology is to provide on the basis of expected non collection using the collection rates for individual departmental debt, and the age of the debt.

Provision for Bad and Doubtful Debts

Department	Total Provision	
	At 31/03/2016	At 31/03/2017
	£000's	£000's
Env & Regeneration	377	294
Corporate Services	342	471
Housing Benefits	6,287	6,947
Children, Schools & Families	121	296
Community & Housing	1,995	1,898
Total	9,122	9,906

6. EXECUTIVE SUMMARY / CONCLUSION

6.1.1 Merton's total level of miscellaneous debt arrears i.e. invoices over 30 days old, as at 31 March 2017 is £10,551,811. The net level of arrears, when the matter was last reported in December 2016 was £12,877,967.

7. TOTAL DEBT DUE TO MERTON

The total amount due to Merton as at 31 March 2017 is detailed in the table below.

Total debt outstanding as at 31 March 2017 and compared with previous periods over the past 12 months

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
	£	£	£	£	£
Miscellaneous sundry debt Note 1	16,281,729	12,762,026	12,406,364	13,588,220	7,067,219
Housing Benefit debt	7,973,874	8,046,299	8,352,255	8,289,183	8,080,449
Parking Services	2,236,486	2,475,209	2,800,371	3,425,473	3,526,192
Council Tax Note 2	3,696,585	5,028,749	4,524,303	3,822,875	3,866,556
Business Rates Note 3	1,112,781	1,696,598	1,147,749	972,883	654,794
Total	31,301,455	30,008,881	29,231,042	30,098,634	23,195,210

Note 1 This figure differs from the amount shown in Table 1 as it shows all debt, including that which is less than 30 days old.

Note 2 Council tax debt does not include the current year council tax collection.

Note 3 Business rates debt does not include the current year business rates collection

- 7.1 The overall debt outstanding has decreased by £6.9 million since last reported at the end of December 2016.
- 7.2 There has been a reduction of £6.5 million in sundry debt since last reported as explained in section 1 above.
- 7.3 Detailed breakdowns of the Council Car Parking figures are shown in the table below:

Car Parking Aged Debtors – March 2017

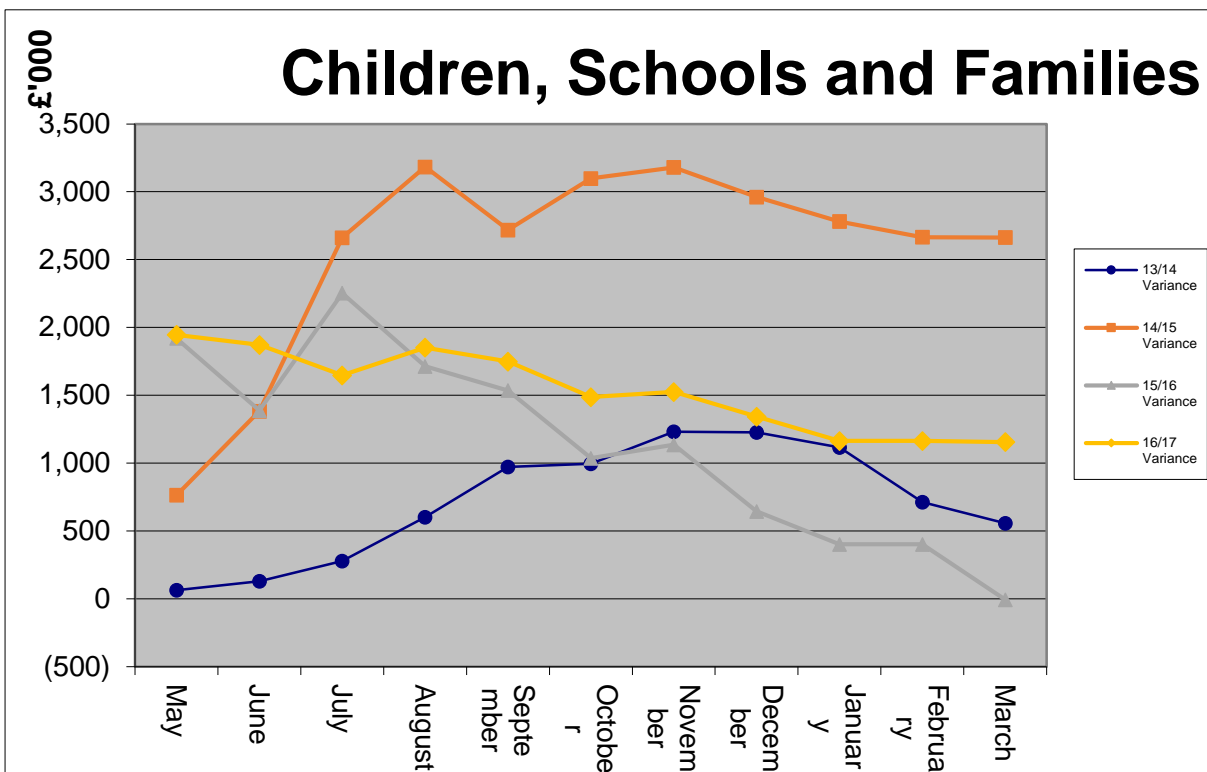
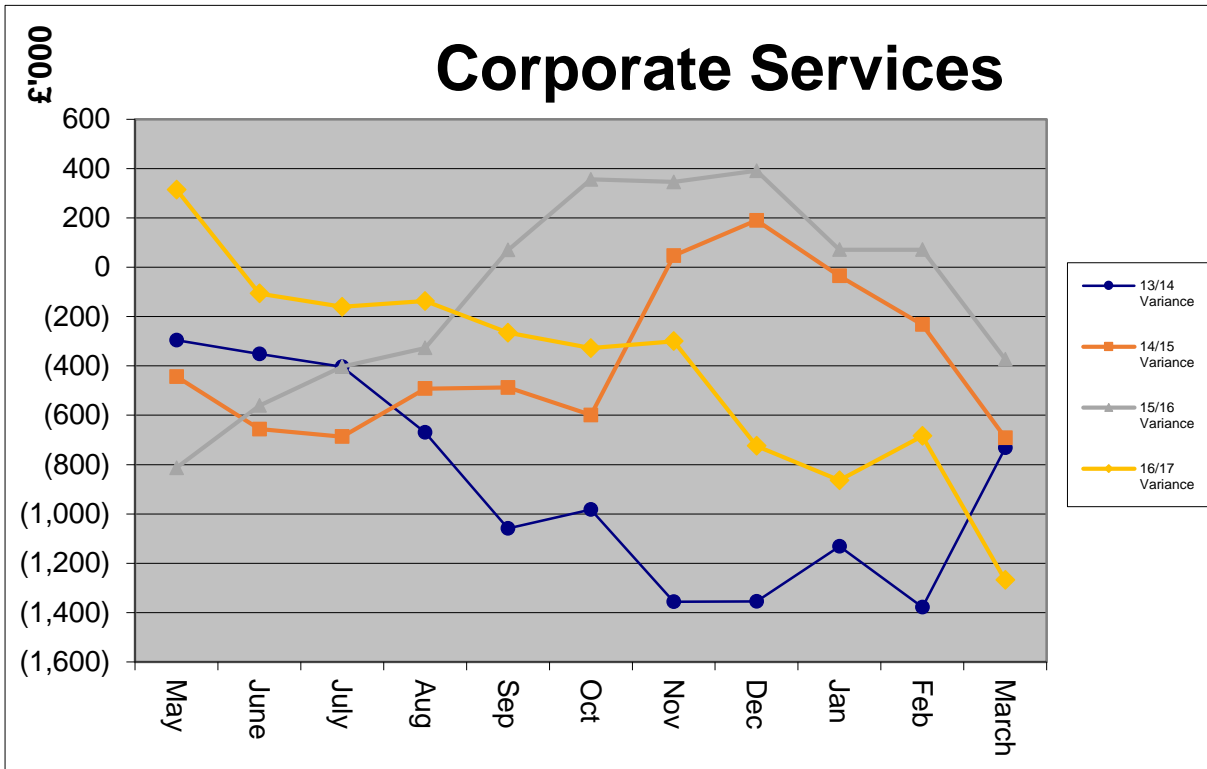
Age of Debt	Outstanding £	Number of PCNs	Average Value £
0-3 months	1,272,244	9,678	131
3-6 months	825,315	4,930	167
6-9 months	487,076	2,782	175
9-12 months	304,218	1,793	170
12-15 months	220,166	1,354	163
Older than 15 months	417,173	2,910	143
Total December 2016	£3,526,192	23,447	150

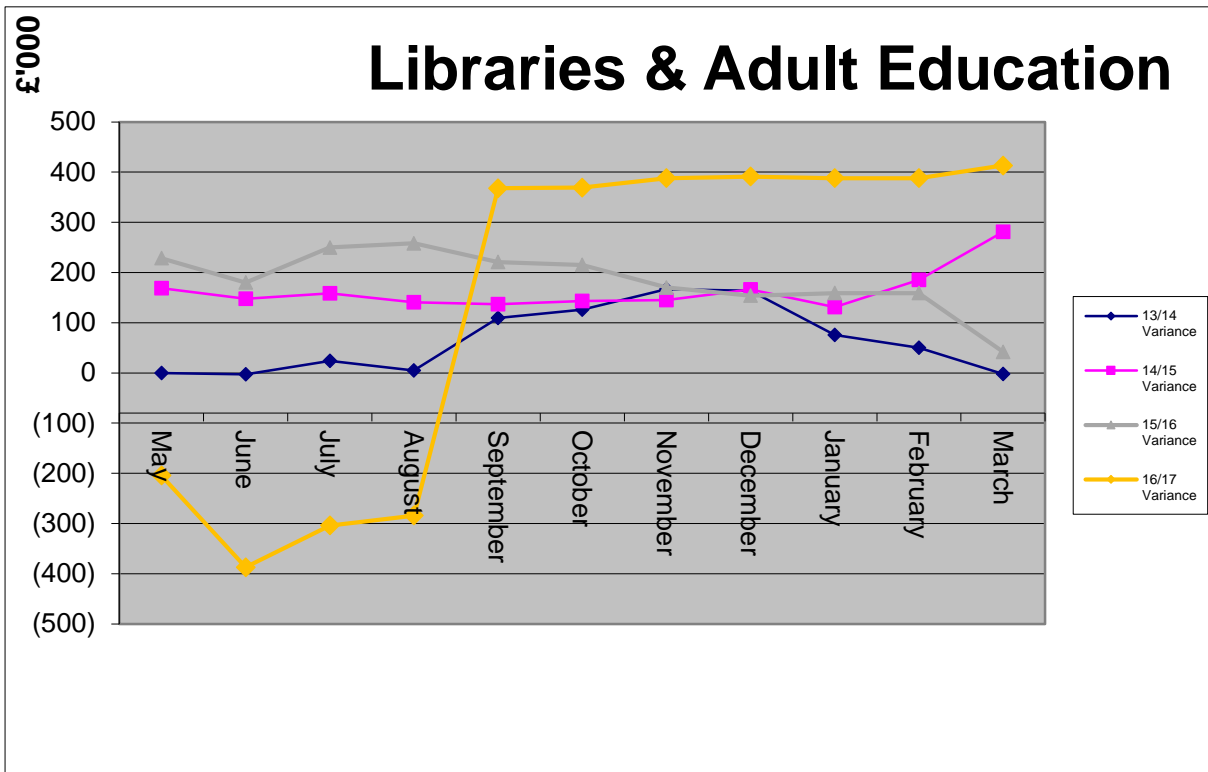
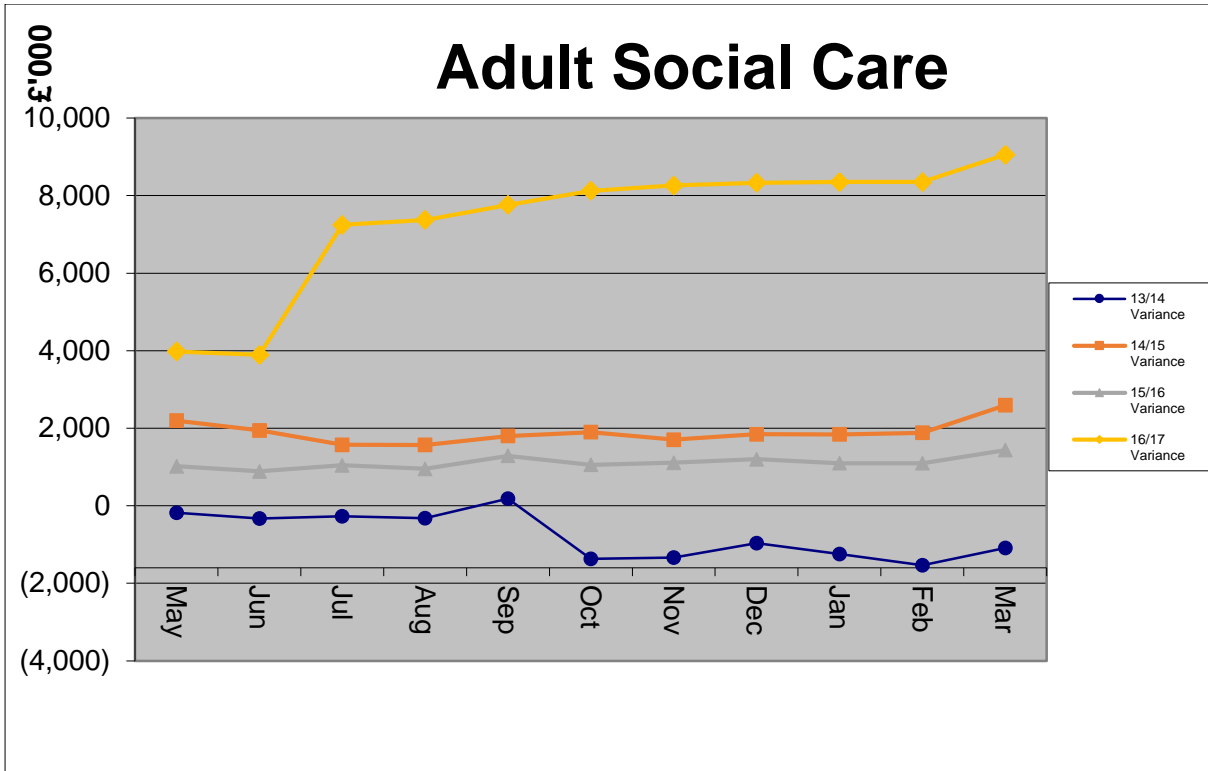
Total December 2016	£3,425,473	24,059	142
Increase/-decrease	£100,719	-612	

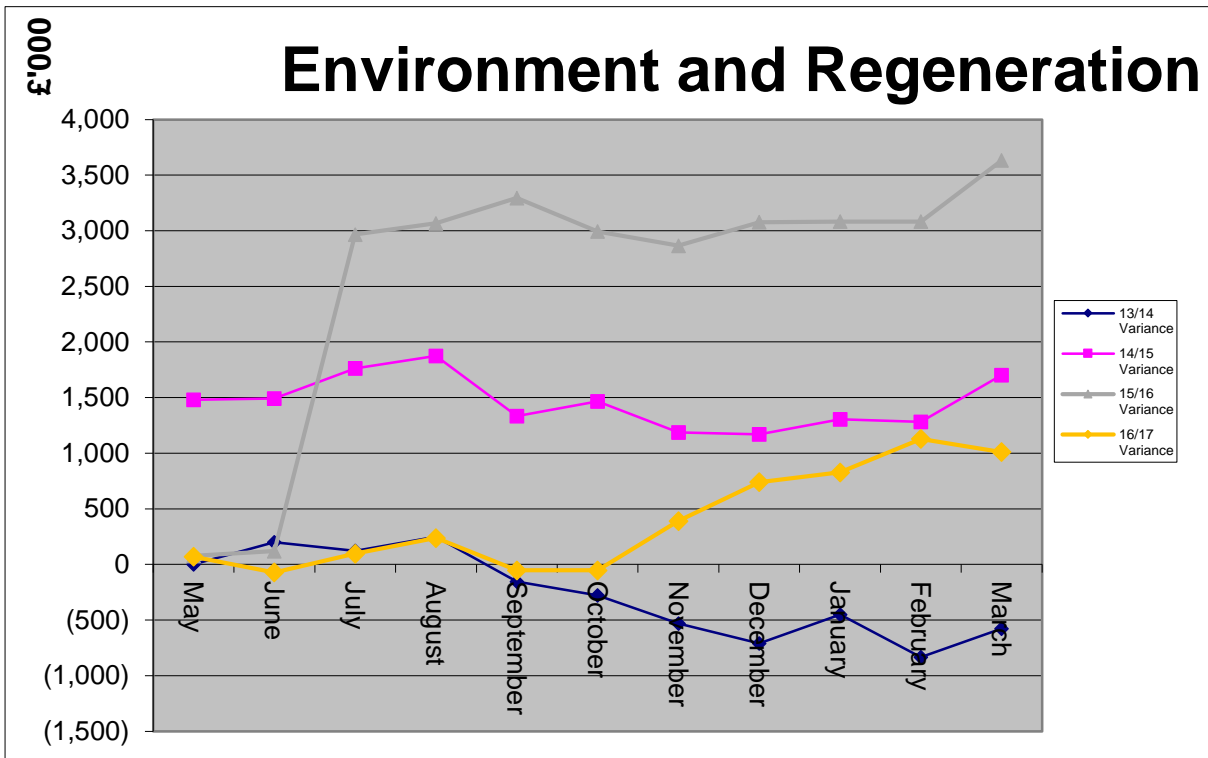
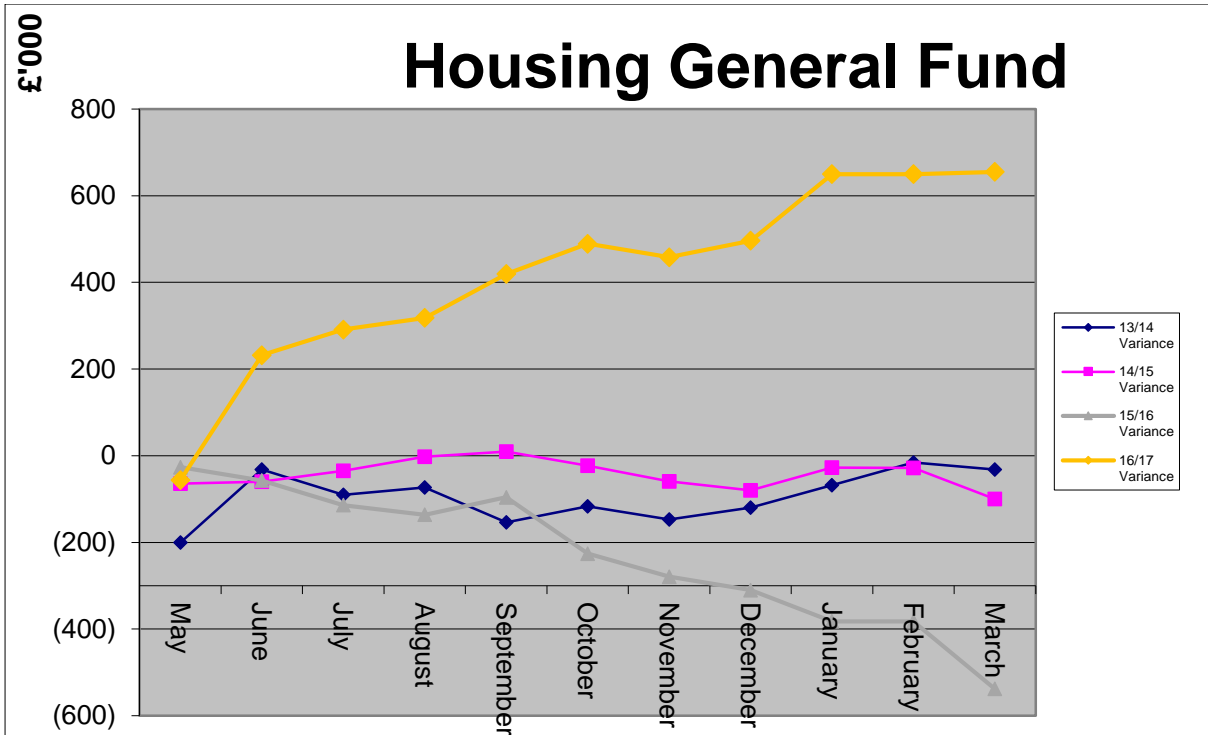
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Appendix 5

The graph below show the forecast variance by department over the last four years.







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