CABINET

Date: 7 September 2020

Subject: Financial Report 2020/21 – Period 4, July 2020

Lead officer: Roger Kershaw

Lead member: Mark Allison

Recommendations:

A. That Cabinet note the financial reporting data for month 4, July 2020, relating to revenue budgetary control, showing a forecast net adverse variance at year-end of £22.876m.

B. That Cabinet note the outcome of a review of the Capital Programme and the contents of Section 4 and Appendix 5B and approve the amendments to the Programme contained in the Table below, with the detail of the Neighbourhood CIL projects detailed elsewhere in a report on this agenda

	Budget 2020-21	Budget 2021-22	Budget 2022-23	Budget 2023-24	Narrative
	£	£	£	£	
Corporate Services					
Compulsory Purchase Order – Clarion*	4,079,460	3,143,570	0	0	Fully Funded by Clarion
Children, Schools and Families					
Unallocated - Capital Maintenance	446,750	0	0	0	Additional Central Government Grant net of Review Reduction
Environment and Regeneration					
Hartfield Walk Public Realm	125,000				New NCIL Scheme "Love Wimbledon"
Polka Theatre	150,000				NCIL Contribution to Construction Project
Haydons Rd Shop Front Improvement	257,580				NCIL Grant
Canons Parks for the People - Regeneration	533,020	(533,020)			Re-profiled to match projected spend
Pollards Hill Lighting	100,000				NCIL Grant
Total	**5,691,810**	**2,610,550**	**0**	**0**	

* Please note this item will require Council Approval

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

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the period 4 monitoring report for 2020/21 presented in line with the financial reporting timetable.

This financial monitoring report provides -

- The income and expenditure at period 4 and a full year forecast projection.
- An update on the financial impact of Covid-19
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2020/21;
- Progress on the delivery of the 2020/21 revenue savings

2. THE FINANCIAL REPORTING PROCESS

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

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

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

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

Executive summary – At period 4 to 31st July 2020, the year-end forecast is a net adverse variance of £22.876m when all incremental Covid costs are included, after applying the remaining government emergency Covid-19 grant. If the Covid pressures hadn't arisen, the numbers suggest that we would be reporting a £3.9m underspend, however, there may be other impacts on services arising from Covid that are not apparent at this stage. This will be kept under review.

Summary Position as at 31st July 2020

	Current Budget 2020/21 £000s	Forecast Variance at year end (July) £000s	Forecast Variance at year end (June)	Covid-19 Forecast £000s	Outturn variance 2019/20 £000s
Department					
Corporate Services	10,372	4,791	4,805	3,702	(490)
Children, Schools and Families	62,414	-1,379	-550	734	(241)
Community and Housing	68,656	313	-106	3,583	(319)
Public Health	-157	0	0	0	0
Environment & Regeneration	13,999	9,519	9,947	9,829	783
Overheads	0	0	0	0	120
NET SERVICE EXPENDITURE	**155,285**	**13,244**	**14,096**	**17,848**	**(147)**
Corporate Items					
Impact of Capital on revenue budget	11,190	(19)	(19)	0	(161)
Other Central budgets	(10,536)	677	677	0	(1,405)
Levies	962	0	0	0	(1)
TOTAL CORPORATE PROVISIONS	**1,615**	**658**	**658**	**0**	**(1,567)**
Covid-19		9,258	9,272	**9,258**	**176**
TOTAL GENERAL FUND	**156,901**	**23,160**	**24,026**	**27,106**	**(1,714)**
FUNDING					
Revenue Support Grant	-5,159	0	0	0	0
Business Rates*	(35,586)	3,990	3,990	3,990	(50)
Other Grants	(18,245)	0	0	0	0
Council Tax and Collection Fund*	(97,713)	7,699	7,699	7,699	50
COVID-19	0	(11,973)	(11,973)	(11,973)	0
FUNDING	**(156,703)**	**(284)**	**(284)**	**(284)**	**0**
NET	**198**	**22,876**	**23,742**	**26,822**	**(1,714)**

*** These relate to deficits on the Collection Fund relating to Business rates and Council Tax arising as a result of Covid-19. How these are reported going forward will be reviewed for future reports.**

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

Covid-19 Financial Impact

The ongoing Covid-19 pandemic has had a profound impact on council finances and will continue to do so during lockdown and beyond. Emergency funding of £12.2m has been received to date from Central Government in three tranches.

On 2nd July Central Government announced the following:

- A new scheme to reimburse Councils for lost income from sales, fees and charges. This will involve a 5% deductible rate, whereby the Council will absorb up to 5% and the government compensation will cover 75p in every pound of relevant loss thereafter. The details of this are to be published shortly and not included in the financial forecasts within the report.
- Accounting changes so that local authorities can spread their local tax deficits over three years rather than the usual one in the collection fund accounts. Again we await details of this scheme and are not included within this report.

The funding to date is insufficient to cover the total projected financial impact of this crisis in terms of additional expenditure, income loss and the impact on delivery of savings for 2020/21.

Covid Expenditure

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

Income shortfall

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

Impact on savings

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

A new column is included in departmental summaries to show the Covid effect within the departmental forecast. These, together with the central Covid-19 costs are summarised in the table below:

COVID-19 COST SUMMARY	July 2020/21 £000s
Department	-
Corporate Services	3,702
Children, Schools and Families	734
Community and Housing	3,583
Public Health	
Environment & Regeneration	9829
TOTAL INCOME LOSS & SAVINGS UNACHIEVED	**17,848**
Corporate Items	9,258
ADDITIONAL COVID EXPENDITURE	**9,258**
FUNDING	-
Business Rates	3,990
Council Tax	7,699
TOTAL FUNDING LOSS	**11,689**
GROSS COST OF COVID-19	**38,795**
Covid-19 Emergency funding received	**-10,383**
Covid-19 Emergency funding - July 2020	**-1,590**
NET COST OF COVID-19	**26,822**

Cashflow

The Covid-19 outbreak that emerged in March 2020 created pressure on the council's cash flow which is likely to remain for the rest of the year. Through prudent treasury cash flow procedures, the Council has been able to meet its additional expenditure from its cash in balances in the bank and primarily from liquid cash balances held in Money Market Funds (MMF's). Please see report elsewhere on the agenda for an update on our MMFs.

In light of Government relief announcements, the Council will see a reduction in income going forward. Therefore, in order to meet its commitments going forward the decision was made to keep the Council's available fund in cash/MMF's to maintain liquidly. This meant that as fixed short and medium term deposits matured they were placed in MMF's and bank deposits which are immediately callable.

Cash flow is monitored on a daily basis and the current forecast shows the Council has sufficient funds to meet its payment needs going forward over the medium term. However, if a cash short fall occurs, the Council has the option to borrow from the market in order to meet its needs.

4. DEPARTMENTAL SUMMARY OF CURRENT POSITION

Corporate Services

Division	2020/21 Current Budget £000	2020/21 Full year Forecast (July) £000	2020/21 Full Year Forecast Variance (July) £000	2020/21 Full Year Forecast Variance (June) £000	2020/21 Covid-19 Forecast Impact (July) £000	2019/20 Outturn Variance £000
Customers, Policy & Improvement	3,776	4,825	1,049	1,044	464	(169)
Infrastructure & Technology	12,183	12,518	335	377	286	(678)
Corporate Governance	2,170	2,144	(26)	7	84	(180)
Resources	5,550	7,987	2,437	2,458	2,267	95
Human Resources	2,083	2,235	152	120	15	187
Corporate Other	172	1,016	844	799	586	255
Total (Controllable)	**25,934**	**30,725**	**4,791**	**4,805**	**3,702**	**(490)**

Overview

At the end of period 4 (July) the Corporate Services (CS) department is forecasting an adverse variance of £4.791m at year end, of which £3.702m is due to the external impact of covid-19. The adverse forecast within CS has reduced by £14k compared with period 3.

Customers, Policy and Improvement - £1,049k adverse variance

The adverse variance in the division is mainly due to spend on the Customer Contact budget which is forecasting a £985k variance. This is made up of £172k for the cost of delays in light of the covid-19 pandemic and the remainder from the cost of contracts novated from the previous supplier which fall into the first months of 2020/21 and the estimated annual costs of the new systems.

The Registrars service is forecasting a £160k adverse variance and currently anticipating a 40% reduction in income for the year whilst it is still unclear when some services will be able to resume operating at normal capacity. Other adverse variances within the division due to covid-19 are from Blue Badges (£12k) as the introduction of charging has not commenced and the Translations service (£23k) due to a reduced number of face to face interpretations being fulfilled. The Press and PR budget is also forecasting an adverse variance (£116k) mainly due to the use of agency staff covering the Head of Communications post pending the completion of a restructure within the division.

Partly offsetting the above are various favourable variances including £43k in the AD budget and £30k in Continuous Improvement due to vacancies expected for part of the year. Other forecast variances from less than budgeted running costs are in Merton Link (£46k favourable), Cash Collections (£64k favourable) and Marketing and Communications (£55k favourable).

The forecast variance overall for the division has changed by only £5k compared to period 3.

Infrastructure & Technology - £335k adverse variance

Many of the adverse variances within the division are due to reduced recharges as a result of the change in working arrangements surrounding the covid-19 pandemic. These adverse variances include £86k on the Corporate Print Strategy, £62k on the Print and Post room and £116k on the PDC (Chaucer Centre). Where these are internal recharges they have not been included in calculating the impact of covid-19 on the Council as they will positively impact other departments and are therefore not a net cost to LBM.

The FM External account is also forecasting a £114k adverse variance due to the lack of commissions being confirmed since the lock-down began. There is a variance on Corporate Contracts (£28k adverse) due to savings for reducing cleaning in corporate buildings being unachievable within the current circumstances. £82k adverse variance is also forecast in the Business Systems Team mainly due to budget pressure on IT licenses, support and maintenance. The pandemic has added to this as some system licences have been extended due to the delay on IT projects.

Favourable variances within the division include £21k in Client Financial Affairs and £33k in Safety Services both from less than budgeted staffing costs, £22k on the Civic Centre from rental income over-achievement and £48k on Garth Road also from rental income. IT Service delivery also has a favourable variance of £38k mainly from IT licences, whilst the Transactional Services team have a £24k favourable variance from vacancies forecast for part of the year.

The forecast variance in Infrastructure and Technology has reduced by £42k compared to period 3. This is mainly due to reduced staffing forecasts in both the Safety Services team and Business Systems team reflecting expected recruitment lag for vacancies.

Corporate Governance – £26k favourable variance

A £32k shortfall on the saving to merge Democracy and Electoral Services is expected due to the restructuring coming in to effect mid-year following the retirement of the Head of Democracy Services. This is, however, offset by various vacant hours and running cost budgets within both teams and the receipt of IER grant, resulting in a total £60k favourable variance across both services.

The South London Legal Partnership (SLLp) is currently forecasting a £352k surplus, with £75k to be retained by LBM. The surplus relates mainly to additional chargeable hours being fulfilled. The Corporate Governance AD budget is also forecasting a £11k favourable variance due to various running costs.

Partly offsetting the above is £115k of legal savings not forecast to be achieved in year.
The Corporate Governance forecast has moved by £33k (favourable) since period 3. This is mainly due to the increased chargeable hours forecast within SLLp resulting in a larger surplus being shared between the partner boroughs.

Resources - £2,437k adverse variance

Within Resources there are multiple budgets forecasting adverse variances due to covid-19. The Chief Executive’s budget has a £110k adverse variance mainly due to an interim Head of Recovery being appointed as a result of the pandemic. The Bailiff Service ceased operations and is forecasting an adverse variance of £1,331k (including the shared service element), we are currently working on the assumption that the service will not resume full operations for the rest of the calendar year. The Local Taxation Service is also showing an adverse variance of £913k mainly as a result of covid-19’s impact on court cost income.

Other adverse variances within the division that are not covid-19 related include £128k in the Financial Information Systems (FIS) team due to salary budget pressure as well as system consultancy and support costs for the year. A £57k adverse variance in Insurance is due to property valuation fees incurred in preparation for the re-tendering of insurance contracts and the new contracts not commencing until mid-2020/21 resulting in a saving being unachieved in year. This is, however, partly offset by an overachievement anticipated on income. The Budget Management team also have an adverse variance (£85k) due to the use of agency staff covering vacancies in the team, due to difficulties in recruiting.

Favourable variances in the department include £44k and £50k on the Director of Corporate Services and AD budgets respectively due to consultants and subscription budgets not forecast to be required in year. Corporate Accountancy are forecasting a £19k favourable variance due to reduced banking costs in year, offsetting with agency spend. Within Revenues and Benefits the Benefits Administration and Support Teams are forecasting favourable variances of £47k and £23k respectively due to various running costs, vacancies and new burdens funding.

The forecast adverse variance in the division has reduced by £21k compared to period 3. This is largely due to lower forecasts on running costs within Revenues and Benefits which is, in part, offset by increased agency costs with the Budget Management team.

Human Resources – £152k adverse variance

The adverse variance in HR is mainly across the AD (£86k) and Learning and Development (£40k) budgets as a result of agency staff covering vacant posts and the cost of laptops to support the HR teams working from home. Additionally, there is an adverse variance of £29k relating to the HR Transactions budget for the shared payroll system and iTrent client team charges from Kingston.

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

The forecast variance in HR has increased by £32k since period 3 mainly as a reflection of the estimated charges from Kingston for the iTrent team and payroll system as well as the inclusion of laptop costs to support the team working from home as a result of covid-19. Partly offsetting these is a reduced forecast on Staff Side salary costs.

Corporate Items - £844k adverse variance

The Housing Benefit Rent Allowances budget is forecasting a net adverse variance of £843k. This is due to a shortfall on the subsidy attracted by overpayments compared to the budgeted amount for 2020/21 and is inclusive of the £500k saving built in to the budget this year for improvement of overpayment recovery and therefore reducing the bad debt provision budget which is now not expected to be achievable in light of covid-19.

There is also a one-off saving in 2020/21 for the recovery of old housing benefit debts which had previously been written off, due to new access to information from HMRC. There is a £86k adverse variance and shortfall on the saving as recovery has been significantly impacted by covid-19. On the Coroner's Court budget there is an adverse variance of £40k, of which £25k relates to an adjustment for 2019/20 quarter 4 costs.

Partly offsetting the above are favourable variances on the corporately funded items budget of £77k due to budget not expected to be required in year and £64k on the added years pension budget.

Compared to period 3, the Corporate Items adverse variance has increased by £45k. This is mainly due to information recently received from Westminster on Coroner's Court costs for the first 4 months of 2020/21 as well as an adjustment for 2019/20 quarter 4.

Environment & Regeneration

Environment & Regeneration	2020/21 Current Budget £000	Full year Forecast (June) £000	Forecast Variance at year end (July) £000	Forecast Variance at year end (June) £000	2020/21 Covid-19 Forecast Impact (July) £000	2019/20 Outturn Variance £000
Public Protection	(15,539)	(8,461)	7,077	7,857	6,670	1,286
Public Space	15,484	17,455	1,971	1,707	2,162	(364)
Senior Management	1,018	896	(122)	(117)	0	81
Sustainable Communities	7,793	8,385	592	501	997	(220)
Total (Controllable)	**8,756**	**18,275**	**9,518**	**9,948**	**9,829**	**783**

Description	2020/21 Current Budget £000	Forecast Variance at year end (July) £000	Forecast Variance at year end (June) £000	2019/20 Variance at year end £000
Regulatory Services	601	276	262	87
Parking Services	(17,156)	6,791	7,584	1,171
Safer Merton & CCTV	1,016	10	11	28
Total for Public Protection	**(15,539)**	**7,077**	**7,857**	**1,286**
Waste Services	14,280	544	273	72
Leisure & Culture	467	801	801	(334)
Greenspaces	1,441	599	596	(111)
Transport Services	(704)	27	37	9
Total for Public Space	**15,484**	**1,971**	**1,707**	**(364)**
Senior Management & Support	1,018	(122)	(117)	81
Total for Senior Management	**1,018**	**(122)**	**(117)**	**81**
Property Management	(2,990)	(20)	(115)	(251)
Building & Development Control	42	265	273	34
Future Merton	10,741	347	343	(3)
Total for Sustainable Communities	**7,793**	**592**	**501**	**(220)**
Total Excluding Overheads	**8,756**	**9,518**	**9,948**	**783**

Overview

The department is currently forecasting an adverse variance of £9,518k at year end. The main areas of variance are Regulatory Services, Parking Services, Waste Services, Leisure & Culture, Greenspaces, Building & Development Control, and Future Merton.

Public Protection

Regulatory Services adverse variance of £276k

The section has implemented agreed income savings of £160k over the last few financial years relating to potential commercial opportunities. However, the focus for the financial year 2019/20 needed to refocus from income generation to service improvement including a major IT project and restructure of the service. Key projects and staff vacancies has meant it has not yet been possible to achieve these savings targets. Once the new structure is in place and IT project has been completed, the section will be able to refocus their efforts on generating additional income, for example, through the provision of business advice.

In addition, Covid-19 has impacted on licensing income levels due to factors including street markets being closed and new Government guidelines being relaxed in areas such as pavement licences. Current forecasts estimate the financial impact to be in the region of £104k, leading to an adverse variance against budget of £140k.

Parking Services adverse variance of £6,791k
Covid-19 has affected parking revenue across the board including ANPR, PCNs as well as on and off street charges income. Further work is underway to fully understand the short and longer term impact of this but current forecasts show an adverse variance on PCN, P&D, and permit income of £2,790k, £2,242k, and £1,616k respectively.

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

Covid-19 has also had an impact of other areas of income, namely skip licences and parking bay suspensions, contributing to adverse variances of £165k and £57k being forecast respectively.

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

The section is also forecasting an adverse variance on Supplies & Services (£123k), mainly in relation to the necessity of re-procuring body worn cameras and radios for the Civil Enforcement Officers.

The adverse variance is being partially offset by an employee related favourable variance of £150k.

<u>Public Space</u>

Waste Services adverse variance of £544k
An adverse variance of £104k is being forecast in relation to its waste collection and street cleansing contract, due to recharges for additional services being undertaken by the service provider.

The section is forecasting an adverse variance on disposal costs of £172k. As a result of changes to our residents working arrangements we have seen a greater increase in the number of households now working from home following the current Government advice in relation to Covid-19. This has resulted in an increase in overall domestic waste across all kerbside collection services.
Covid-19 has had a significant impact on the Council's Environmental Enforcement services in respect of enforcing and issuing Fix Penalty Notices for littering which was temporarily suspended and the resource redeployed to support engagement and education in our Parks and Green spaces advising residents and visitors on Government guidelines on social distancing, resulting in a net adverse variance against budget of £148k.

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

A favourable variance on employee related spend of £35k is partially mitigating the adverse variance.

Leisure & Culture adverse variance of £801k
Due to the Covid 19 pandemic, on the 21st March 2020 the Authority's Leisure Centres closed following central Government instruction. Since this request, officers have been working with our service provider, GLL, to consider how best to support them, whilst still ensuring that they maximise the Government benefits; minimise costs whilst keeping their previous customer base supported through such measures as 'free' online exercise classes, etc.

However, it is clear from the continuous dialogue between the two parties that the GLL needs financial support from the council if they are going to survive. Following conversations with the industry, it is estimated that leisure centres might not be able to return to normal working practices until around January 2021. Therefore, the Authority has agreed to forego the guaranteed income due from the GLL contract until the end of December 2020, which equates to about £622k. (this may change depending on how the centres perform once they open).

During closure of the leisure centres, the Authority incurred lower utility costs at these premises, leading to a forecast favourable variance of £82k. Leisure centres reopened on Saturday 25th July.

Covid-19 has also led to the closure of the Wimbledon Sailing base since 20th March 2020. The site re-opened on the 15th June with much smaller programmes available, but due to the closure and social distancing measures an adverse variance of £275k is being forecast, mainly as a result of reduced income.

Greenspaces adverse variance of £599k
The adverse variance is mainly as a result of most of this year's events in our parks and openspaces being cancelled due to Covid-19, which has led to a net variance of £275k.

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

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

An adverse variance of £29k is being forecast in relation to the grounds maintenance contract, which assumes an expected contractual cemetery revenue share for 2018/19 and 2019/20 of £157k will be received. However, in tandem with the Phase C Waste Services (lot1) Annual Review process, a similar process is nearing completion regarding the Grounds Maintenance contract (lot 2), which could affect this revenue share and, therefore, the forecast.

<u>Sustainable Communities</u>

Building and Development Control adverse variance of £265k
Covid-19 has also had a significant impact reducing various types of building and development control applications being submitted, leading to the section forecasting an associated income shortfall of £414k.

This adverse variance is being partially reduced by favourable variances on employee related spend (£115k), and other grants & contributions by (£74k), mainly as a result of allowable CIL income to cover the administration and overhead costs associated with managing the levy.

Future Merton adverse variance of £347k
The section continues to incur staff and consultancy costs in relation to Bishopsford Bridge, for which there is no budget, leading to a forecast adverse variance of £272k. Increased costs include legal fees dealing with contractual issues, fees to divert utilities and the need to pay for access to third party land for the demolition and construction of the new bridge.

Covid-19 has also significantly affected the section's ability to generate income. Firstly, an adverse variance of £203k is being forecast in relation to the income received from the contract for the provision of bus shelters and free standing units advertising within Merton, partly due to the fact that JC Decaux have invoked the force majeure clause in the contract due to lack of demand for advertising due to C-19. This has been agreed by SLLP with a loss of the guaranteed minimum income for at least 4 months.

Secondly, Vestry Hall has been closed since 26th March 2020 resulting in a forecast variance of £151k in relation to room lettings and hall hiring's.

These adverse variances are being partially mitigated by favourable variances on temporary traffic orders income (£110k), and costs associated with CPZ consultation and implementation (£190k)

Children Schools and Families

Children, Schools and Families	2020/21 Current Budget £000	Full year Forecast July £000	Forecast Variance at year end (July) £000	Forecast Variance at year end (June) £000	2020/21 Covid-19 Forecast Impact £'000	2019/20 Variance at year end £000
Education	24,630	23,867	(763)	(328)	174	63
Social Care and Youth Inclusion	21,296	21,346	49	432	560	416
Cross Department budgets	893	864	(29)	(16)		(47)
PFI	8,730	8,240	(490)	(490)		(251)
Redundancy costs	1,927	1,780	(147)	(147)		(422)
Total (controllable)	**57,476**	**56,097**	**(1,379)**	**(549)**	**734**	**(241)**

Overview

At the end of June 2020, the Children Schools and Families directorate is forecasting a favourable £1.380m variance on local authority funded services, a favourable movement of £831k from last month.

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

The forecast's favourable position is mainly due to a number of factors including:

- the Schools PFI forecast of £490k favourable variance. This is due to an overachievement of Schools Contribution Income, due to higher pupil numbers, which is greater than budgeted for;
- an ongoing review of the Unaccompanied Asylum Seekers budgets, favourable forecast of £308k compared with last month; and
- significant staffing underspends this month compared with last on the Early Years and Children's Centres Budgets of £396k.

Despite an increasing population, Merton has managed to hold steady our number of children in care through a combination of actions, which are detailed in the management action section below. EHCP numbers have increased from 2,011 in March, to 2,121 in July, an increase of 110 finalised EHCPs as at the end of July 2020.

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

Local Authority Funded Services

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

Description	Budget £000	July Var £000	June Var £000	2019/20 £000
Procurement & School Organisation	890	(97)	(80)	(306)
SEN transport	6,198	0	0	1,289
Early Years services	4,205	(409)	12	(314)
Education Inclusion	1,700	(157)	(138)	(350)
Internal legal hard charge	493	(14)	0	(105)
LSCB	77	30	31	(65)
Other over and underspends	11,067	(116)	(153)	(86)
Subtotal Education	**24,630**	**(763)**	**(328)**	**63**
Fostering and residential placements (Access)	8,379	(290)	(242)	(98)
Un-accompanied asylum seeking children (UASC)	271	(6)	442	33
No Recourse to Public Funds (NRPF)	172	(14)	(14)	132
MASH & First Response staffing	1,667	215	345	257
CWD team staffing	562	(1)	(130)	(67)
CWD Placements	634	96	5	(58)
Legal Counsel	129	0	(0)	72
Other over and underspends	9,482	49	26	145
Subtotal Children's Social Care and Youth Inclusion	**21,296**	**49**	**432**	**416**

<u>Education Division</u>

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

The procurement and school organisation budget is showing a favourable variance of £97k, £80k of which relates to lower revenue spend on capital projects. Capital programmes contain some expenditure which is not eligible for capitalisation and is affected by slippage of capital schemes. The majority of this is used for temporary classrooms usually required due to rising pupil demand when it is not viable to provide permanent buildings.

The SEN transport budget is forecasting a nil variance, this budget has become increasingly difficult to forecast given COVID-19 and the variability of schools' wider opening and the impact of social distancing requirements on transport commissioning. This is our current best estimate based on the information available at the end of July. The current estimated cost includes a small forecast for mileage claims where parents transport themselves and send in invoices. Buses are still being used to transport young people, but this is a moving target with no real way of predicting what will happen since we don't know what will occur in September and beyond. The position at the end of the summer term is that we are starting to transport more clients – rising from only around a quarter to nearly a half of the normal client base in recent weeks - but in many cases not full time, no reduction is shown at present for this. That being said, if all pupils were to return in the autumn term (before allowing for new applications), we could expect a significant increase in cost. To support the existing cost pressure in this area, £1.496m growth was allocated in 2020/21, but this does not reflect the Covid-19 impact, which was not known at the time.

The Early Years' service is reporting a positive variance of £409k which relates to staffing savings relating to the Contact teams, Lavender Nursery support staffing, EYs Family Support teams and Brightwell staffing.

Education Inclusion is reporting a £157k favourable variance primarily due to staffing underspends within the Youth Service, Education, Employment & Training and Children's Activities teams. This is consistent with period 3.

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

Children's Social Care and Youth Inclusion Division

At the end of July, Merton had 153 looked after children. The numbers of looked after children in Merton remain relatively stable and we continue to maintain relatively low levels of children in care as detailed in the table below:

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

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

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

Service	Budget £000	July Forecast spend £000	Variance		Placements	
			July £000	June £000	July No	June No
Residential Placements	1,822	1621	(201)	(705)	10	11
Independent Agency Fostering	1,974	2085	111	225	43	45
In-house Fostering	1,421	1648	227	228	76	75
Secure accommodation	245	245	0	0	2	2
Parent and Baby	105	150	45	74	3	2
Supported lodgings/housing	1,850	1688	(162)	(88)	58	56
Total	**7,417**	**7437**	**20**	**(266)**	**192**	**191**

The ART service seeks to make placements with in-house foster carers wherever possible and in line with presenting needs, however, the capacity within our in-house provision and the needs of some looked after children mean that placements with residential care providers or independent fostering agencies are sometimes required. Some specific provision is mandated by the courts.

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

- Residential placements reported a favourable variance of £201k at the end of July. This has been offset by pressures within agency and in-house fostering. We currently have 10 placements in total. 3 placements in Residential Homes, 4 in Respite and 3 placed by SEN in Residential Schools.
- Independent Agency Fostering reported an adverse variance of £111k. We currently have 43 placements. One placement moved to In-House Fostering and one moved to Semi-independent placement in July.
- In-house Foster carer reported a £227k adverse variance. We currently have 76 placements. We have one new placement in July. However, as our strategy is to have as many children as possible placed with in-house provision, rather than independent, the movement in the adverse variance should be seen as positive.

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

- Parent and Baby Fostering placement reported a £45k adverse variance. We currently have 3 Fostering placements. We have one new Parent and Baby Fostering placements in July. We currently have no placement in Residential Parent and Baby placement.
- Semi- Independent expenditure reported a favourable variance of £162k. We currently have 58 placements. This is inclusive of 10 Non- term time placements. We have 2 new placements in July.
- At the end of July, UASC placements and previous UASC that are now Care Leavers have reported a favourable variance of £6k.

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

Service	Budget £000	July Forecast-spend £000	Variance		Placements	
			July £000	June £000	July No	June No
Independent Agency Fostering	383	679	296	37	10	10
In-house Fostering	378	729	351	357	28	31
Supported lodgings/housing	693	658	(35)	48	31	30
UASC grant	(1,200)	(1,819)	(618)	0		
Total	**254**	**247**	**(6)**	**442**	**69**	**71**

At the end of July, we have a total of 69 USAC placements, 24 under 18 and 45 over 18. Of the 24 under 18 clients, 21 were placed in foster care and 3 in semi-independent accommodation. The administration's commitment (in line with other London Labour Councils) for Merton is to have the capacity to accommodate 38 unaccompanied asylum-seeking children (equivalent of 0.08% of the child population), this has been achieved. We receive UASC grant towards these placements although it is not sufficient to cover the full cost of placement, subsistence and social work intervention.

Merton had 45 young people aged 18+ who were formerly UASC in our care at the end of July, 17 in foster care, 28 in semi-independent accommodation. Once UASC young people reach age 18, we retain financial responsibility for them as Care Leavers until their immigration status is resolved.

A review of the UASC growth £710k and the above favourable variance forecast of £6k will take place shortly to ensure the budgets are aligned correctly to reflect the true expenditure for Unaccompanied minors across the service, including the increased rates, rather than just the placements budgets.

Placements

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

Our ART Fostering Recruitment and Assessment team is continuing to recruit new foster carers who will offer locally based placements with a campaign targeted at attracting foster carers for teenagers and UASC young people. Changes in the fostering recruitment budget from the corporate communications team has reduced the range of recruitment activity.

We have recruited 5 new foster carers (2 of these are connected persons & 3 are mainstream carers) this year so far, no change from last month. The target for this financial year is to recruit 20 new mainstream foster carers. We are therefore behind in relation to this target.

Our aim is to slow down the increase in more expensive agency foster placements. In addition, we are implementing actions to retain our experienced existing foster carers such as increasing the support offer to them through the trauma-based training and support to enable them to accept and retain children with more challenging behaviours in placement and by implementing the Mockingbird Model. We are also targeting our recruitment to increase our number of in-house parent and child foster placements.

Our ART Placement service is working with providers to establish more local provision and offer better value placements to the Council. We continue to convene the Semi-Independent Accommodation (SIA) Panel which will record costs incurred. We are working to identify our Housing Benefit payments and what we should be getting and what are the actuals received. This work is continuing with the aim to further reduce under-achievement of housing benefits during this year.

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

We have updated our Staying Put policy for young people aged 18+ to enable them to remain with their foster carers in line with statutory requirements and as recommended by Ofsted in our inspection. However, the increased use of Staying-Put for young people aged 18+ impacts on available placements for younger teenagers, therefore highlighting again the need for targeted recruitment for foster carers for teenager and UASC young people. We continue to focus our foster carer recruitment on carers for teenagers to mitigate these potential additional costs.

Schools PFI

Schools PFI is forecasting a £490k favourable variance. This is due to an overachievement of Schools Contribution Income compared with the sums budgeted for.

Dedicated Schools Grant (DSG)

DSG funded services are forecasting an adverse £13.237m variance. The DSG had a cumulative overspend of £12.750m at the end of 2019/20. The overspend in the current financial year will be adding to this balance, currently estimated at £26m. There was a separate report on the DSG Deficit Recovery Plan to Cabinet in January 2020. The DfE met with us on 11 February 2020 to discuss this recovery plan, and they will return to assess our progress in November.

The main reason for the variance relates to a £7.395m adverse variance on Independent Day School provision this is lower than forecast at period 2. The reason for the significant overspend is due to the high number of placements coupled with additional DSG budget of £2.6m applied as part of a realignment exercise.

Based on past years' experience, we are expecting the number of placements within Independent day school provision to increase in the year. At this stage it is difficult to predict how many EHCPs' will be issued, or the type of education provision they will require. However, we note an increase of 75 in the first quarter, and this therefore shows no slowing down, or plateauing of requirements. Requests for EHCPs go through assessment and a decision about issuing a plan and the type of provision is made once all the professional advice is received and reviewed by the SEND Panel. - In July, we received 55 requests for new assessments for an EHCP.

We are seeking to increase the number of local maintained special school places in the borough, which have been built into the future forecasts on the deficit, in order to reduce these costs, but it will take time to bring these additional places on stream. At present the annual increase in the number of EHCPs significantly exceeds the number of additional special school places we are able to create in the borough. Based on the number of new EHCPs still being awarded following assessment, we would expect this cost to still increase towards year-end and the £26m cumulative deficit to increase further.

Other adverse variances include £2.092m on EHCP allocations to Merton primary and secondary schools, £1.873m on EHCP allocations to out of borough maintained primary, secondary and special schools, and £1.724m on one-to-one support, OT/SLT and other therapies as well as alternative education.

Since Period 1 we have seen an increase from 2032 finalised EHCPs to 2121 EHCPs in period 4 which is an increase this financial year of 89 finalised EHCPs. We currently have 223 EHC Needs assessments being undertaken at various weeks within the 20 week statutory timescale. It should be noted that since COVID we have seen a significant increase in referrals for an EHC Needs assessments.

At period 4 of the 2121 EHCP's in Merton we have 233 young people coded to the Post 16 budget (FE College/ISP), this is approximately 11%. It should be noted that this is not a static position and this is not all young people over the age of 16 in provision but those in the Post 16 budget code. We also have another 70 pupils who are leaving secondary school and are awaiting their exam results but are planning to go into FE College/ISP placement. There will be a more accurate forecast in December.

The table below shows the increase in number of EHCPs over the past 4 years since the entitlement changed following the implementation of the Children and Families Act. At the end of July 2020 there were 2,121 EHCPs.

Type of Provision	Jan 2016 Total Statements and EHCPs		Jan 2017 Total Statements and EHCPs		Jan 2018 Total Statements and EHCPs		Jan 2019 Total Statements and EHCPs		Jan 2020 Total Statements and EHCPs	
	No	%	No	%	No	%	No	%	No	%
Early Years (incl. Private & Voluntary Settings)	0	0%	1	0%	7	0%	7	0%	7	0%
Mainstream Schools (incl. Academies, Free and Independent)	422	39%	461	37%	526	35%	584	34%	707	37%
Additional Resourced Provision	110	10%	111	9%	116	8%	125	7%	125	6%
State Funded Special Schools	358	33%	388	31%	416	27%	440	26%	474	25%
Independent Special Schools	132	12%	153	12%	176	12%	228	13%	280	15%
Post 16 College and traineeships	25	2%	93	7%	183	12%	212	12%	199	10%
Post 16 Specialist	10	1%	25	2%	44	3%	37	2%	35	2%
Alternative Education (incl. EOTAS, Hospital Schools and EHE)	15	1%	10	1%	22	1%	28	2%	61	3%
No placement (including NEET)	3	0%	0	0%	28	2%	51	3%	40	2%
Total	**1075**	**100%**	**1242**	**100%**	**1518**	**100%**	**1712**	**100%**	**1928**	**100%**
Change over previous year				16%		22%		13%		11%

We continue to keep abreast of proposed changes to the National Funding Formula, especially in relation to risks associated with services currently funded by de-delegated elements of the DSG. We are also working with other authorities on the DSG deficit issue.

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

Merton was required to return to the DfE a Deficit Recovery Plan for the DSG, which is a 5-year plan, taking us up to 2023/24. This is currently being updated.

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

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

Management action

Staffing report

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

Placements

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

Our aim is to slow down the increase in more expensive agency foster placements. In addition, we are implementing actions to retain our experienced existing foster carers such as increasing the support offer to them through the trauma based training and support to enable them to take and retain children with more challenging behaviours in placement and implementing the Mockingbird Model. We are also targeting our recruitment to increase our number of in-house mother and child foster placements.

Children with additional needs

We are working with colleagues in CCGs through the tripartite process in order to secure appropriate health contributions to funding for children with complex needs, particularly through continuing healthcare (CHC) funding. This is an area we need to improve with closer working with the CCG a focus going forward. This will mainly affect the CWD budget as many of the children discussed will be placed at home with shared packages of care. Details of any arrangements made will be recorded and reflected in budget returns.

We have tried to reduce costs associated with SEND transport through a number of strategies but this is a continuing challenge with the increasing numbers of children eligible for this service. Strategies introduced include: the introduction of a dynamic taxi purchasing system; the re-provisioning of taxi routes to ensure best value for money; the introduction of bus pick up points where appropriate; promotion of independent travel training and personal travel assistance budgets where this option is cheaper. Some cost-saving measures linked to consolidation of routes or shared travel arrangements may not be possible in the light of Covid-19 restrictions

We have a multi-agency SEND panel providing strategic oversight of the statutory assessment process to ensure that at both request-for-assessment stage and the agreement of a final EHCP, criteria and thresholds are met and the best use of resources is agreed.

To limit the increased costs to the DSG High Needs block of the increased number of children with EHCPs we have expanded existing specialist provision including the expansion of Cricket Green special school completed in early 2020, and the opening of an Additionally Resourced Provision (ARP) at Stanford Primary School. There is further expansion of provision in the capital programme, including the expansion of Melrose School (for children with Social, Emotional and Mental Health), which is currently at the statutory consultation and planning application stage. Additional local provision should also assist with minimising increases to transport costs.

New burdens

Following changes introduced through the Children & Social Work Act, local authorities took on new responsibilities in relation to children in care and care leavers. Local authorities are required to offer support from a Personal Adviser to all care leavers to age 25. There has been no on-going funding for the additional work required.

Other unfunded burdens include:

- The increase in the age range of EHCPs, particularly for those young people aged 18-25, due to legislation changes, which is causing cost pressures in both the general fund (in education psychology and SEN transport) and the DSG (High Needs Block costs relating to most EHCP services);
- New statutory duties in relation to children missing from education have increased the cases dealt with by the Education Welfare Service by 79% (from 290 in the 6 months from September to March 2016 to 519 in the same 6 months the following year and the level of referrals has remained at this level).
- SEND tribunals will cover all elements of children’s care packages, not just education.
- New requirement of social work visits to children in residential schools and other provision.

Community and Housing

Community and Housing is forecasting an unfavourable variance of £313k as at July 2020. This is made up of forecasted favourable variances in Adult Social Care of £443k, and unfavourable variances in Housing of £522k and Libraries of £234k.

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

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

Community and Housing Summary Position

Community and Housing	2020/21	2020/21	2020/21	2020/21	2020/21	2019/20
	Current Budget £'000	Full Year Forecast July'20 £'000	Full Year Forecast Variance July'20 £'000	Full Year Forecast Variance June'20 £'000	Covid-19 Forecast Impact July'20 £'000	Outturn Variance £'000
Adult Social Care	59,717	59,274	(443)	(667)	3,227	(717)
Libraries and Heritage	2,353	2,587	234	240	152	70
Merton Adult Learning	(5)	(5)	0	0	0	0
Housing General Fund	2,105	2,627	522	322	205	328
Public Health	(157)	(157)	0	0	0	0
Grand Total	64,013	64,326	313	(106)	3,584	(319)

The forecast above is prepared on the basis of our current understanding of activity. Income is as at period 3. The COVID impacts in the second last column of the table below are those reflected in the budget forecast and relate to unachieved savings and lost income.

In addition, the department is estimating £5.9m of one-off costs of COVID 19. Of this £5.9m, £4m has been committed to support care providers. ASC has also received a separate £1.3m grant in two tranches to support infection control in care. The second tranche of payments to care homes is currently in progress.

At present, we have achieved £607k of the £2.46m savings target for 2020/21. The Department continues to work towards achieving the outstanding savings and maintain a balanced budget this year. We are reviewing outstanding savings against current activity levels to identify offsetting reductions in spend.

Adult Social Care

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

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

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

The net underspend of £443k reflects the reduction in care packages and an increase in community equipment expenditure. A review of equipment spend in underway. We sadly lost 133 (further 18 since June’s report) service users who died of various causes between April and July 2020, compared to 75 the same period last year. There were a number of other changes in care, with a number of packages of care suspended as families took over care during the period of lockdown.

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

The national shielding programme has been suspended, but we continue to work with the voluntary sector to support those who had been shielding who need ongoing support. We have plans in place to re-commence a shielding service if we need to do so.

Library & Heritage Service

This service is currently forecasting an unfavourable variance of £234k which is a reduction of £5.9k since June which is mainly due to the under achievability of income and the favourable forecasts on day to day budget items such as printing, IT and postage.

Whilst the physical buildings were closed Merton’s Library & Heritage Service has enhanced its online offer to provide improved resources including a much expanded e-book offer. In lockdown usage of the libraries online services has increased by 56%. All libraries are now open with a click & collect offer.

Adult Learning

Adult Learning currently forecasting a breakeven position. The service is reporting a break even position. No physical courses have run since lockdown but providers have been innovative in their delivery of courses online and have amended their curriculum plans to respond to the current challenges. As all of the courses planned could not go ahead the GLA and ESFA, who fund the adult learning provision for the borough, have confirmed that they will provide the borough with the full funding allocation for the year and this will be paid proportionately across agreed spend levels to providers.

Courses will re-commence in September with a blend of on-site and online teaching, building on their experience over the last six months. Adult Learning has successfully bid for £360k funding over two years from the GLA to expand the skills offer and to respond to the changes in the job market. Part of the bid is aimed at improving access to IT for those without it so that they can both benefit from online learning and improve their IT skills.

Housing General Fund

This service is currently forecasting an unfavourable variance of £522k which is due to a reduction in expected income from HMO (Homes in Multiple Occupation) licences and increases in staff costs. However Housing Benefit and client contribution remained unchanged.

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

As a result, as at the end of July 2020 there were 212 households in temporary accommodation which represents a decrease of 1 since June.

The moratorium on evictions ends on the 24th August which is expected to create a rise in demand for support to prevent homelessness in line with our duties under the Homelessness Reduction Act 2017. Due the delays in the courts a rise in evictions is expected to happened over several months.

The service is working with former rough sleepers to move them on from temporary to move-on accommodation. This includes input from mental health and drug & alcohol services. Only 12 of the original 52 are awaiting move-on but plans are in place for this to happen soon.

The department has submitted bids to the GLA and MHCLG for revenue and capital funds. The revenue bid, if successful, will offset the costs of the move-on accommodation that exceeds existing grant and provides for further support with mental health and substance misuse issues, to try to ensure that these former rough sleepers remain accommodated. The capital bid is to purchase and convert two adjacent properties to provide six units of accommodation for rough sleepers in line with the Next Steps Accommodation Programme.

Analysis of Housing and Temporary Accommodation Expenditure

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

Housing	**Budget 2020-21 £000**	**Forecast (Jul'20) £'000**	**Forecast Variances (Jul'20) £'000**	**Forecast Variances (Jun'20) £000**	**Outturn Variances (March'20) £000**
Temporary Accommodation-Expenditure	2,403	3,865	1,462	1,462	1,002
Temporary Accommodation-Client Contribution	(140)	(453)	(313)	(313)	(321)
Temporary Accommodation-Housing Benefit Income	(2,005)	(2,718)	(713)	(713)	(535)
Temporary Accommodation-Subsidy Shortfall	322	1,299	978	978	793
Temporary Accommodation-Grant	0	(1,132)	(1,132)	(1,132)	(766)
Subtotal Temporary Accommodation	**580**	**861**	**281**	**282**	**173**
Housing Other Budgets-Over/(**favourable**)adverse	1,525	1,766	241	40	155
Total Controllable	**2,105**	**2,627**	**522**	**322**	**328**

The numbers in temporary accommodation has risen steadily as efforts to move people on has been hampered by moratorium on evictions which expected to end on the 23rd August.

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

Public Health

Public is reporting a breakeven position.

The above current forecast includes funding of £71k for Sexual Health (HIV Pre-Exposure Prophylaxis). The Commissioner still liaising with London Programme Board to ensure allocation is adequate to cover potential costs.

Work is continuing with health commissioners to understand the potential cost pressures and options in community health services provided by CLCH.

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

Additionally, the team, together with public protection, is leading on LBM's outbreak control plan. An initial ring-fenced grant of £965k has been allocated to Merton to support costs for outbreak control. So far £871k has been committed encompassing different departments across the council and forecasted in this area. This includes £250k set aside for a so-called hot-site, that safe place for those that test positive for COVD-19 that are unable return or remain in their home, for example those in shared accommodation.

Corporate Items

The details comparing actual expenditure up to 31 July 2020 against budget are contained in Appendix 1. COVID-19 corporate expenditure is again shown on a separate line:-

Corporate Items	Current Budget 2020/21 £000s	Full Year Forecast (July) £000s	Forecast Variance at year end (July) £000s	Forecast Variance at year end (June) £000s	Outturn Variance 2019/20 £000s
Impact of Capital on revenue budget	**11,190**	**11,171**	**(19)**	**(19)**	**(161)**
Investment Income	(707)	(680)	27	27	(704)
Pension Fund	340	340	0	0	(104)
Pay and Price Inflation	4,181	4,731	550	650	(100)
Contingencies and provisions	19,268	19,368	100	0	(154)
Income Items	(1,963)	(1,963)	0	0	(343)
Appropriations/Transfers	(8,304)	(8,304)	0	0	0
Central Items	**12,815**	**13,492**	**677**	**677**	**(1,405)**
Levies	962	962	0	0	(1)
Depreciation and Impairment	(23,351)	(23,351)	0	0	0
TOTAL CORPORATE PROVISIONS	**1,615**	**2,273**	**658**	**658**	**(1,567)**
COVID-19 Emergency expenditure	0	**9,258**	**9,258**	**9,272**	**176**

The utilisation of corporate budgets is greatly influenced by the pressures and challenges that service departments face and the extent to which they require support from corporate contingency budgets. This is particularly the case in the current financial year with the devastating effect of COVID-19 being felt by many Council services.

Since June, the forecast has been updated for two variations but there is no overall change to the net forecast which remains an unfavourable variance of £0.658m:-

- Provision for Excess Inflation Favourable Variance of £100k
  Given the current low level of inflation and economic forecasts that this will continue for the remainder of this financial year, it is considered appropriate that this provision can be reduced buy £100k.

- Bad Debt Provision
  Given the financial pressures on local businesses and local population caused by COVID-19 it is considered that the current Bad Debt provision of £500k will be under considerable pressure and it is anticipated that an unfavourable variance of £100k will result.

Section 31 Funding – in terms of Section 31 grant to reimburse for Government's support for Business Rates, it is expected that there will be a favourable variance of £382k at year end.

4 Capital Programme 2020-24

4.1 The Table below shows the movement in the 2020/24 corporate capital programme since the last monitoring report and summarises the initial review of the approved capital programme in response to Covid 19:

Depts	Current Budget 20/21	Variance	**Revised Budget 20/21**	Current Budget 21/22	Variance	**Revised Budget 21/22**	Original Budget 2022-23	Variance	**Revised Budget 22/23**	Original Budget 2023-24	Variance	**Revised Budget 23/24**
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Corporate Services	18,663	4,079	**22,742**	14,770	3,144	**17,913**	3,220	0	**3,220**	14,674	0	**14,674**
Community & Housing	1,551	0	**1,551**	1,828	0	**1,828**	1,429	0	**1,429**	425	0	**425**
Children Schools & Families	4,489	447	**4,935**	6,630	0	**6,630**	1,900	0	**1,900**	1,900	0	**1,900**
Environment and Regeneration	14,044	1,409	**15,453**	13,020	(533)	**12,487**	8,382	0	**8,382**	7,416	0	**7,416**
TOTAL	**38,746**	**5,935**	**44,681**	**36,248**	**2,611**	**38,859**	**14,931**	**0**	**14,931**	**24,415**	**0**	**24,415**

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

Capital Budget Monitoring - July 2020

Department	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Forecast 2020/21	Full Year Variance
Corporate Services	407,059	1,485,370	(1,079,339)	22,742,070	22,742,070	0
Community and Housing	81,453	225,540	(144,087)	1,551,000	1,424,000	(127,000)
Children Schools & Families	147,731	116,530	31,201	4,935,420	4,935,420	0
Environment and Regeneration	1,561,337	2,171,376	(610,039)	15,452,570	15,200,570	(252,000)
Total	**2,197,580**	**3,998,816**	**(1,802,264)**	**44,681,060**	**44,302,060**	**(379,000)**

a) Corporate Services – All budget managers are projecting a full spend against budget. There has been one budget adjustment this month for Compulsory Purchase Orders which will be fully reimbursed by Clarion Housing to deliver their Regeneration project:

Narrative	Budget 2020-21	Budget 2021-22	Indicative Budget 2026/27	Indicative Budget 2028/29	Total
Compulsory Purchase Order*	4,079,460	3,143,570	6,119,190	3,459,770	16,801,990

* This adjustment will require Council approval

The Housing Company business case is currently under review.

b) Community and Housing – Budget managers are projecting a full year spend on all budgets apart from Disabled Facilities Grants. This scheme is showing a low spend to date attributable mainly to the impact of Covid 19 lockdown, currently officers are projecting that this will have an impact on outturn and are projecting a favourable variance of £127k.

c) Children, Schools and Families – Officers are currently projecting a full spend against budget. There have been two adjustments to one budget which are detailed in the table over the page. Firstly, the amount of the Schools Capital Maintenance Budget that was being met by Merton's resources (£443k) has been removed from the budget, this was undertaken as part of the Capital Programme Review (adjustments to other departments from the review were progressed as part of June 2020 monitoring). This will remove the need to fund the debt charges caused by this spend. Secondly, £890k of additional newly announced non-ringfenced grant has been added to the Schools Capital Maintenance Budget. Both adjustments result in a net increase in budget of £447k which is shown in appendix 5b but an overall decrease in debt charges:

Children, Schools and Families	Current Budget 2020-21	Capital Prog. Review	New Government Grant	Revised Budget 2020-21	Narrative
	£	£	£	£	
Unallocated - Capital Maintenance*	474,500	(442,850)	889,600	921,250	Detailed Adjustments to the Budget

* This adjustment will require Cabinet approval

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

- Car Park Upgrades are currently showing a favourable variance of £125k. This projection only includes essential Fire Safety Works at St Georges Car Park, all other works as part of this scheme are under review
- Paddling Pools Option 2 are currently showing a favourable variance of £113k. The programme currently contains both options for Paddling Pools only one option will be progressed following a consultation process which is likely to commence over the Autumn of 2020.
- Alley Gating is currently showing a favourable variance of £4k
- Christmas Lighting is currently showing a favourable variance of £10k

The following adjustments have been made to the approved departmental programme this month:

Narrative		Budget 2020-21	Budget 2021-22	Narrative
		£	£	
Hartfield Walk Public Realm*	(1)	125,000		New NCIL Scheme "Love Wimbledon"
Polka Theatre*	(1)	150,000		NCIL Contribution to Construction Project
Elmwood Centre Hub		65,000		NCIL Grant to Age UK for building works
Deen City Farm		36,620		NCIL Grant for Rainwater Harvesting & Pathway Imps.
Windmill Museum		20,000		NCIL Grant for Landscaping & Lighting Imps
Community Arts Venue - Cricket Green School		49,480		NCIL Grant to Mitch Twn Comm Trust
Haydons Rd Shop Front Impr*	(1)	257,580		NCIL Grant
Bramcote Parade Improvements		40,000		NCIL Grant
Pollards Hill Lighting*	(1)	100,000		NCIL Grant
Durnsford Road Rec Facilities		32,000		NCIL Grant
Canons Parks for the People – Regeneration*	(1)	533,020	(533,020)	Re-profiled to match projected spend
Total		**1,408,700**	**(533,020)**	

* Requires Cabinet Approval

The process undertaken to award the Neighbourhood Community Infrastructure Levy (NCIL) is contained within "Merton's Neighbourhood Fund Project Selection 2020".

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

Depts.	Original Budget 20/21	Net Slippage 2020/21	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 20/21
Corporate Services	22,100	2,000	(870)	4,079		(4,567)	**22,742**
Community & Housing	2,004	189				(642)	**1,551**
Children Schools & Families	4,566	480		1,019		(1,130)	**4,935**
Environment and Regeneration	18,530	818	(1,612)	1,006	47	(3,337)	**15,453**
Total	**47,199**	**3,487**	**(2,482)**	**6,105**	**47**	**(9,676)**	**44,681**

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

Depts.	Spend To July 2017	Spend To July 2018	Spend to July 2019	Spend to July 2020	Variance 2017 to 2020	Variance 2018 to 2020	Variance 2019 to 2020
CS	417	1,527	400	407	(10)	(1,120)	7
C&H	114	264	262	81	(33)	(183)	(181)
CSF	682	1,553	3,016	148	(534)	(1,406)	(2,869)
E&R	2,642	4,023	903	1,561	(1,080)	(2,462)	658
Total Capital	**3,855**	**7,368**	**4,582**	**2,198**	**(1,657)**	**(5,170)**	**(2,384)**

Outturn £000s	32,230	31,424	26,960	
Budget £000s				44,681
Projected Spend July 2020 £000s				44,302
Percentage Spend to Budget				4.92%
% Spend to Outturn/Projection	11.96%	23.45%	16.99%	4.96%
Monthly Spend to Achieve Projected Outturn £000s				5,013

4.5 July is over one third of the way into the financial year and departments have spent just under 5% of the budget. Spend to date lower than all three previous financial years shown and is in part due to the impact of Covid 19

Department	Spend To June 2020 £000s	Spend To July 2020 £000s	Increase £000s
CS	349	407	58
C&H	66	81	16
CSF	46	148	102
E&R	759	1,561	802
Total Capital	**1,220**	**2,198**	**978**

4.6 During July 2020 officers spent just under £1 million, to achieve year end spend officer would need to spend approximately £5 million each month to year end. Finance officers will continue to work with budget managers to re-profile and change the Capital Programme appropriately in the light of Covid 19 and the current financial challenges facing the Authority.

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

5. DELIVERY OF SAVINGS FOR 2020/21

Department	Target Savings 2020/21	Projected Savings 2020/21	Period 4 Forecast Shortfall	Period Forecast Shortfall (P4)	Period 3 Forecast Shortfall	2021/22 Expected Shortfall
	£000	£000	£000	%	£000	£000
Corporate Services	2,718	1,750	968	35.6%	964	595
Children Schools and Families	2,969	2,235	734	24.7%	664	400
Community and Housing	2,460	607	1,853	75.3%	1,853	100
Environment and Regeneration	3,927	812	3,115	79.3%	2,991	0
Total	**12,074**	**5,404**	**6,670**	55.2%	**6,472**	**1,095**

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

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

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

Appendix 7 details the progress on unachieved savings from 2019/20 by department and the impact on the current year and next year.

6. CONSULTATION UNDERTAKEN OR PROPOSED

6.1 All relevant bodies have been consulted.

7. TIMETABLE

7.1 In accordance with current financial reporting timetables.

8. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

8.1 All relevant implications have been addressed in the report.

9. LEGAL AND STATUTORY IMPLICATIONS

9.1 All relevant implications have been addressed in the report.

10. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

10.1 Not applicable

11. CRIME AND DISORDER IMPLICATIONS

11.1 Not applicable

12. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

12.1 The emphasis placed on the delivery of revenue savings within the financial monitoring report will be enhanced during 2019/20; the risk of part non-delivery of savings is already contained on the key strategic risk register and will be kept under review.

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

Appendix 1- Detailed Corporate Items table
Appendix 2 – Pay and Price Inflation
Appendix 3 – Treasury Management: Outlook
Appendix 5A – Current Capital Programme
Appendix 5B - Detail of Virements
Appendix 5C - Summary of Capital Programme Funding
Appendix 6 – Progress on savings 2020/21
Appendix 7 – Progress on savings 2019/20

14. BACKGROUND PAPERS

14.1 Budgetary Control files held in the Corporate Services department.

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APPENDIX 1

3E.Corporate Items	Original Budget 2020/21 £000s	Current Budget 2020/21 £000s	Year to Date Budget (July) £000s	Year to Date Actual (July) £000s	Full Year Forecast (July) £000s	Forecast Variance at year end (July) £000s	Forecast Variance at year end (June) £000s	Outturn Variance 2019/20 £000s
Cost of Borrowing	11,190	11,190	2,105	1,680	11,171	(19)	(19)	(161)
Use for Capital Programme						0	0	0
Impact of Capital on revenue budget	**11,190**	**11,190**	**2,105**	**1,680**	**11,171**	**(19)**	**(19)**	**(161)**
Investment Income	**(707)**	**(707)**	**(236)**	**(237)**	**(680)**	**27**	**27**	**(704)**
		-	-	-	-	-		-
Pension Fund	**340**	**340**	**113**	**0**	**340**	**0**	**0**	**(104)**
Corporate Provision for Pay Award	2,231	2,231	744	0	2,881	650	650	0
Corporate Provision for National Minimum Wage	1,500	1,500	500	0	1,500	0	0	0
Provision for excess inflation	450	450	150	0	350	(100)	0	(100)
Pay and Price Inflation	**4,181**	**4,181**	**1,394**	**0**	**4,731**	**550**	**650**	**(100)**
Contingency	1,500	487	162	0	487	0	0	(500)
Single Status/Equal Pay	100	100	33	0	100	0	0	0
Bad Debt Provision	500	500	167	0	600	100	0	1,304
Loss of income arising from P3/P4	400	0	0	0	0	0	0	(100)
Loss of HB Admin grant	34	23	8	0	23	0	0	(34)
Apprenticeship Levy	450	450	150	2	450	0	0	(22)
Revenuisation and miscellaneous	3,384	1,698	566	141	1,698			(802)
Growth - Provision against DSG	16,009	16,009	5,336	0	16,009	0	0	0
Contingencies and provisions	**22,378**	**19,268**	**6,423**	**143**	**19,368**	**100**	**0**	**(154)**
Other income	0	0	0	(3)	0	0	0	(186)
CHAS IP/Dividend	(1,963)	(1,963)	(654)	(60)	(1,963)	0	0	(157)
Income items	**(1,963)**	**(1,963)**	**(654)**	**(63)**	**(1,963)**	**0**	**0**	**(343)**
Appropriations: CS Reserves	(908)	(908)	(303)	0	(908)	0	0	0
Appropriations: E&R Reserves	(317)	(344)	(115)	0	(344)	0	0	0
Appropriations: CSF Reserves	(360)	(448)	(149)	(88)	(448)	0	0	0
Appropriations: C&H Reserves	(104)	(104)	(35)	0	(104)	0	0	0
Appropriations:Public Health Reserves	(1,200)	(1,200)	(400)	0	(1,200)	0	0	0
Appropriations:Corporate Reserves	(8,386)	(5,300)	(1,767)	(5,300)	(5,300)	0	0	0
Appropriations/Transfers	**(11,275)**	**(8,304)**	**(2,768)**	**(5,388)**	**(8,304)**	**0**	**0**	**0**
Depreciation and Impairment	**(23,351)**	**(23,351)**	**0**	**0**	**(23,351)**	**0**	**0**	**0**
Central Items	**793**	**654**	**6,377**	**(3,866)**	**1,312**	**658**	**658**	**(1,566)**
Levies	**962**	**962**	**321**	**364**	**962**	**0**	**0**	**(1)**
TOTAL CORPORATE PROVISIONS	**1,754**	**1,615**	**6,697**	**(3,501)**	**2,273**	**658**	**658**	**(1,567)**
COVID-19 Emergency expenditure	**0**	**0**	**0**	**2,994**				**176**
Total: COVID-19 Expenditure	**0**	**0**	**0**	**2,994**	**9,278**	**9,278**	**0**	**176**

Pay and Price Inflation as at July 2020
In 2020/21, the budget includes 2.0% for increases in pay and 1.5% for increases in general prices, with an additional amount, currently £0.450m, which is held to assist services that may experience price increases greatly in excess of the inflation allowance provided when setting the budget. With CPI inflation currently at 0.8% and RPI at 1.5% and the Council's overall revenue budget under extreme pressure, this budget will be retained as cover and only released in exceptional circumstances.

Pay:

The local government pay award for 2020/21 has not yet been agreed. On 16 April 2020. the National Employers made an improved, final pay offer to the unions representing the main local government NJC workforce as follows:

- With effect from 1 April 2020, an increase of 2.75 per cent on all NJC pay points 1 and above
- With effect from 1 April 2020, an increase of one day to the minimum annual leave entitlement. This increase would apply just to those employees whose leave entitlement at 1 April 2020 is twenty one days (plus extra statutory and public holidays)
- joint work on mental health.

UNISON's national joint council (NJC) committee met on 5 June, to consider feedback from regions and decide on next steps in the NJC pay negotiation process.

The Local Government Association has made it clear that it will not approach the UK government to request any further money for local government pay. UNISON will send a full consultation pack to branches in the week of 22 June, and branches will then send key information to members and ask them to vote on whether they accept or reject the pay offer. They will have around six weeks to make up their mind and discuss the offer with fellow members.

The impact of a 2.75% pay increase on the Council's budget will increase employee costs by c.£0.650m for which additional budget would be required. The cost of additional leave has not yet been costed.

Prices:
The latest statistics have been affected by COVID-19. As a result of the ongoing coronavirus (COVID-19) pandemic, However, as the restrictions caused by the ongoing coronavirus (COVID-19) pandemic have been eased, the number of CPIH items that were unavailable to UK consumers in July has reduced to 12; these account for 1.3% of the CPIH basket by weight and Consumer price inflation dataset made no overall contribution to the change in the CPIH 12-month rate; the number of unavailable items is down from 67 unavailable items for June, and 74 and 90 unavailable items for May and April, respectively; for July, the ONS have collected a weighted total of 82.0% of comparable coverage collected previously (excluding unavailable items).

The Consumer Prices Index (CPI) 12-month rate was 1.0% in July 2020, up from 0.6% in June.

The largest contribution to the 12-month inflation rate in July 2020 came from recreation and culture (0.33 percentage points). Clothing, rising petrol prices, and furniture and household goods made large upward contributions to the change in the 12-month inflation rate between June and July 2020. Falling food prices resulted in a partially offsetting small downward contribution to the change.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 1.1% in July 2020, up from 0.8% in June.

The RPI rate for July 2020 was 1.6%, which is up from 1.1% in June 2020.

The increase in July was larger than anticipated and one cause is thought to be retailers pushing up prices of some goods in an attempt to recoup some of the earlier losses resulting from the pandemic.

Outlook for inflation:
The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment. Previously at a special meeting on 19 March 20020, the Monetary Policy Committee (MPC) unanimously voted to cut interest rates from 0.25% to 0.1% and to increase holdings of UK government and corporate bonds by £200bn in response to the COVID-19 crisis.

At its meeting ending on 4 August 2020, the MPC voted unanimously to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to continue with its existing programmes of UK government bond and sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, maintaining the target for the total stock of these purchases at £745 billion.

The MPC also published its August Monetary Policy Report which sets out projections for activity and inflation. It summarises the overall context of the situation as one in which "although recent developments suggest a less weak starting point for the Committee's latest projections, it is unclear how informative they are about how the economy will perform further out. The outlook for the UK and global economies remains unusually uncertain. It will depend critically on the evolution of the pandemic, measures taken to protect public health, and how governments, households and businesses respond to these factors."

In the minutes to the meeting the MPC note that "Recent data outturns suggest that the fall in global GDP in 2020 Q2 will be less severe than expected at the time of the May Monetary Policy Report. There are signs of consumer spending and services output picking up, following the easing of Covid-related restrictions on economic activity. Recent additional announcements of easier monetary and fiscal policy will help to support the recovery. Downside risks to the global outlook remain, however, including from the spread of Covid-19 within emerging market economies and from a return to a higher rate of infection in advanced economies. UK GDP contracted by around 20% in April, following a 6% fall in March. Evidence from more timely indicators suggests that GDP started to recover thereafter. Payments data are consistent with a recovery in consumer spending in May and June, and housing activity has started to pick up recently."

In terms of the outlook for inflation the MPC minutes state that "twelve-month CPI inflation increased to 0.6% in June from 0.5% in May. CPI inflation is expected to fall further below the 2% target and average around ¼% in the latter part of the year, largely reflecting the direct and indirect effects of Covid-19. These include the impact of energy prices and the temporary cut in VAT for hospitality, holiday accommodation and attractions. As these effects unwind, inflation rises, supported by a gradual strengthening of domestic price pressures as spare capacity diminishes. In the MPC's central projection, conditioned on prevailing market yields, CPI inflation is expected to be around 2% in two years' time."

In the Monetary Policy Report for August 2020 the MPC conclude that "the reduction in output in recent months has reflected declines in both the demand for goods and services as well as the economy's supply capacity, and the balance between the two is difficult to gauge. Overall, the MPC judges that a material amount of additional spare capacity has emerged, and this will be predominately in the form of increased unemployment towards the end of the year. Although there may also be spare capacity within some firms, others will have a reduced capacity to supply because of new working practices. Spare capacity in the economy is expected to weigh on domestic price pressures. However, …. the MPC expect the impact of spare capacity on inflation to be a little smaller than usual. In the near term, inflation is expected to remain well below the 2% target, reflecting the continued drag from lower energy prices and the temporary cut in VAT for the hospitality sector. Demand is projected to recover over the forecast period, eroding the degree of spare capacity and causing domestic price pressures to strengthen. Inflation is projected to return to target during 2022."

One of the assumptions made by the MPC in formulating its projections is Key judgement 3. This assumes that inflation is weak in the near term, but it returns to the target (2%) as the drag from temporary Covid-related factors wanes and spare capacity is eroded. The MPC state that "In the near term, there are risks around the extent to which the cut in VAT is passed through to prices. CPI inflation is projected to fall a little further over the second half of the year, in part reflecting the impact of the Government's cut to VAT for some goods and services. The MPC's projections assume that 50% of the cut in VAT is initially passed through to consumer prices, with that effect fading over time. But there are risks around that assumption. The outlook for CPI inflation will be influenced by the sectoral dispersion of the shock to activity. Throughout the forecast period, CPI inflation will be affected by the extent of spare capacity, and the distribution of that spare capacity across sectors. The effects of the pandemic have fallen unevenly across sectors. Those differences may interact with other differences — such as the frequency with which prices are changed, or the mix of inputs used in production — to alter how any spare capacity affects inflation. Bank staff analysis suggests that the hit to output arising from Covid-19 has been concentrated in highly consumer facing services, which tend to exhibit higher price stickiness than the average CPI basket. As a result, any spare capacity might have a smaller downward effect on CPI inflation than is usually assumed, consistent with the judgement underlying the MPC's central projection. Cost pressures are also likely to vary across sectors. " The table shows the MPC's four-quarter CPI inflation rate projections:-

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

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

Table 11: Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (August 2020)			
2020 (Quarter 4)	Lowest %	Highest %	Average %
CPI	-0.1	1.8	0.5
RPI	0.3	2.2	1.1
LFS Unemployment Rate	5.0	12.7	8.3
2021 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.6	3.2	2.1
RPI	1.1	4.6	2.7
LFS Unemployment Rate	5.0	8.8	6.5

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

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

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

Treasury Management: Outlook

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

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

At its meeting ending on 4 August 2020, the MPC voted unanimously to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to continue with its existing programmes of UK government bond and sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, maintaining the target for the total stock of these purchases at £745 billion.

The MPC has also published its August Financial Policy and Stability Report. It summarises the economic outlook as “the outlook for the UK and global economies remains unusually uncertain. It will depend critically on the evolution of the pandemic, measures taken to protect public health, and how governments, households and businesses respond to these factors. The MPC’s projections assume that the direct impact of Covid-19 on the economy dissipates gradually over the forecast period. Conditional on that assumption, UK GDP is projected to continue to recover over the forecast period. Activity is also supported by substantial fiscal and monetary policy actions. Nonetheless, the recovery in demand takes time as health concerns drag on activity. The risks are skewed to the downside.”

The MPC has used the following projections implied by current data trends:-

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

The MPC have also modelled the outlook conditioned on the alternative assumption of constant interest rates at 0.1%. It concludes that “activity is still projected to recover over the forecast period, although it is slightly weaker. As a result, excess demand builds to a somewhat lesser extent, and CPI inflation is projected to be a little lower. The assumption is that Bank Rate remains at 0.1% throughout the three years of the forecast period, before moving towards the market path over the subsequent three years."

So are negative interest rates likely? The MPC is "currently considering whether the ELB for Bank Rate could be below zero; that is whether a negative policy rate could provide economic stimulus. The effectiveness of a negative policy rate will depend, in part, on the structure of the financial system and how the policy transmits through banks to the interest rates facing households and companies. It will also depend on the financial and economic conditions at the time. The MPC will continue to keep under review the appropriateness of a negative policy rate alongside all of its policy tools." However, it devotes four pages of its August 2020 Monetary Policy Report on the pros and cons associated with this measure.

"Negative policy rates

Since the financial crisis, nominal interest rates in the UK and elsewhere have reached historically low levels. As that has happened, central banks have had to make judgements about the 'effective lower bound' (ELB) for their respective policy rates — the point at which further cuts in the policy rate no longer provide stimulus or at which adverse effects, such as in the financial sector, can arise. Some central banks have judged their ELB to be below zero

In 2016, the Bank of England judged that the ELB had fallen to 'close to, but a little above zero'. Those judgements were based on evidence about how any further rate cuts might be passed through to the economy at that time, and the risks they might pose to the financial sector. Cuts that result in negative policy rates would affect the economy through some of the same channels as cuts that keep rates positive… In practice, a negative policy rate means that some or all of the cash reserves held by private sector banks at the central bank are charged interest rather than earning interest. The rate of interest on those reserves influences a wide range of interest rates in the economy and borrowing costs in financial markets. Asset prices would be expected to rise in response to a reduction in rates, as companies' future earnings are discounted at a lower interest rate. Higher asset prices would boost the economy by increasing the value of companies' and households' collateral, thereby enabling them to raise external funds more cheaply and encouraging borrowing. Lower financial market interest rates would also be expected to lead to a depreciation of the exchange rate, boosting demand for UK exports, and raising inflation via higher import prices. …but some aspects of the transmission mechanism are likely to be different, which could have an impact on how effective a negative interest rate policy would be in boosting the economy. A cut to Bank Rate below zero might not affect interest rates in the wider economy in the same way as when it is cut to a level above zero, however. In particular, the transmission to household deposit rates might be attenuated. A report from the Committee on the Global Financial System at the Bank for International Settlements on unconventional monetary policy concluded that, in countries that have set negative policy rates, many aspects of the monetary policy transmission mechanism functioned roughly as normal after a cut in policy rates to below zero. But deposit rates for households typically did not fall below zero. That, in turn, can affect banks' behaviour, increasing uncertainties about the macroeconomic effects of negative policy rates. The borrowing rates faced by most households and businesses tended to fall in other countries, but remained positive. The effectiveness of the transmission of a negative policy rate might also be affected if it is perceived to be unusual and affects households' and businesses' confidence.

What are the uncertainties around the effectiveness of negative policy rates on the macro economy? All policy tools come with uncertainties as to their impact on the economy and the MPC regularly reviews the effectiveness of all its policy tools. The MPC assesses the appropriate monetary policy stance at each meeting, and also keeps under review the appropriate tools for achieving its objectives. The appropriateness of each policy tool can change over time. It can depend on the shock hitting the economy — for example, tools which act to loosen credit constraints might be desirable in response to a financial shock. It can also depend on the state of the economy — for example, according to the balance sheet strength of households, businesses and financial institutions. The following section considers the particular issues around the effectiveness of negative policy rates. Uncertainties about the impact of negative policy rates arise particularly from the tendency for household deposit rates to not fall below zero. As policy rates fall, interest rates faced by households and businesses in the economy usually follow. International experience suggests that, while some corporate deposit rates fall below zero, interest rates on households' bank deposits tend not to go below zero. In part, that might reflect the existence of cash as an alternative to holding money in deposit accounts. If deposit rates go negative, depositors may decide to withdraw their savings and hold them in cash rather than pay a fee to hold their money with a bank. While there are some costs and difficulties with holding cash, such as storage costs and the practicalities of paying bills and receiving wages, the incentive to use it as an alternative to a deposit account is likely to increase if interest rates fall below zero. Banks might also be unwilling to lower deposit rates below zero for other reasons. For example, a negative interest rate could affect depositors' confidence.

Conclusion

The effectiveness of a negative policy rate in stimulating the economy will depend importantly on its transmission through the banking sector. The appropriate policy tools for achieving the MPC's objectives can change over time depending on economic and financial conditions. At present, banks' balance sheets will be negatively affected by the period of severe economic disruption arising from Covid-19. And they have an important role to play in helping the UK economy recover by providing finance for individuals and companies. As a result, negative policy rates at this time could be less effective as a tool to stimulate the economy. That said, the wider economy and banks' balance sheets would be boosted by stimulus. The net effect of negative policy rates depends on these, among other, factors. The MPC will continue to review the appropriateness of a negative policy rate as a policy tool alongside its broader toolkit. The MPC has other instruments available — for example, asset purchases and forward guidance. The MPC will continue to assess the appropriate monetary policy stance and will keep the appropriate tools for achieving its remit — including negative policy rates — under review."

Brexit

The MPC's central projections are conditioned on the assumption that there is an immediate but orderly move to a comprehensive free trade agreement with the EU on 1 January 2021. Consistent with government policy, and as in previous Reports, the MPC's central projections assume that there is an immediate but orderly move to a comprehensive free trade agreement between the UK and the EU on 1 January 2021. Some restrictions on trade between the UK and EU are assumed to come into place at that point as the UK leaves the EU's Single Market and Customs Union.

MPC Key Judgements

Key judgement 1: as uncertainty dissipates gradually, household spending recovers.

Key judgement 2: there is some long-lasting scarring, largely due to persistent weakness in productivity.

Key judgement 3: inflation is weak in the near term, but it returns to the target as the drag from temporary Covid-related factors wanes and spare capacity is eroded.

Capital Budget monitoring- July 2020

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Capital	**2,197,580**	**3,998,816**	**(1,802,264)**	**44,681,060**	**44,302,060**	**(379,000)**
Corporate Services	**407,059**	**1,485,370**	**(1,079,339)**	**22,742,070**	**22,742,070**	**0**
Customer, Policy and Improvmen	**105,220**	**0**	**105,220**	**1,000,000**	**1,000,000**	**0**
Customer Contact Programme	105,220	0	105,220	1,000,000	1,000,000	0
Facilities Management Total	**69,271**	**268,045**	**(198,774)**	**1,445,370**	**1,445,370**	**0**
Works to other buildings	71,468	155,845	(84,377)	701,690	701,690	0
Civic Centre	0	37,200	(37,200)	268,680	268,680	0
Invest to Save schemes	(2,198)	75,000	(77,198)	475,000	475,000	0
Infrastructure & Transactions	**232,568**	**717,325**	**(485,785)**	**2,670,490**	**2,670,490**	**0**
Business Systems	13,233	139,475	(127,270)	880,700	880,700	0
Social Care IT System	0	68,220	(68,220)	272,870	272,870	0
Planned Replacement Programme	219,335	509,630	(290,295)	1,516,920	1,516,920	0
Corporate Items	**0**	**500,000**	**(500,000)**	**17,626,210**	**17,626,210**	**0**
Multi Functioning Device (MFD)	0	0	0	270,000	270,000	0
Westminster Ccl Coroners Court	0	0	0	460,000	460,000	0
Housing Company	0	500,000	(500,000)	12,816,750	12,816,750	0
Compulsory Purchase Order	0	0	0	4,079,460	4,079,460	0
Community and Housing	**81,453**	**225,540**	**(144,087)**	**1,551,000**	**1,424,000**	**(127,000)**
Housing	**82,304**	**225,540**	**(143,236)**	**1,177,000**	**1,050,000**	**(127,000)**
Disabled Facilities Grant	82,304	225,540	(143,236)	827,000	700,000	(127,000)
Major Projects - Social Care H	0	0	0	350,000	350,000	0
Libraries	**(851)**	**0**	**(851)**	**374,000**	**374,000**	**0**
Library Enhancement Works	(851)	0	(851)	0	0	0
Major Library Projects	0	0	0	350,000	350,000	0
Libraries IT	0	0	0	24,000	24,000	0

Capital Budget monitoring- July 2020

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Children Schools & Families	**147,731**	**116,530**	**31,201**	**4,935,420**	**4,935,420**	**0**
Primary Schools	**84,694**	**0**	**84,694**	**2,335,580**	**2,335,580**	**0**
Hollymount	(356)	0	(356)	0	0	0
West Wimbledon	(901)	0	(901)	39,350	39,350	0
Hatfeild	7,258	0	7,258	54,910	54,910	0
Hillcross	(5,227)	0	(5,227)	83,290	83,290	0
Dundonald	0	0	0	79,500	79,500	0
Garfield	29,680	0	29,680	42,620	42,620	0
Merton Abbey	(530)	0	(530)	0	0	0
Poplar	(4,824)	0	(4,824)	24,010	24,010	0
Wimbledon Chase	0	0	0	81,990	81,990	0
Wimbledon Park	0	0	0	40,000	40,000	0
Abbotsbury	32,930	0	32,930	137,200	137,200	0
Malmesbury	0	0	0	35,000	35,000	0
Morden	(2,219)	0	(2,219)	0	0	0
Bond	0	0	0	6,030	6,030	0
Cranmer	0	0	0	34,000	34,000	0
Gorringe Park	0	0	0	86,650	86,650	0
Haslemere	(795)	0	(795)	0	0	0
Liberty	(487)	0	(487)	33,640	33,640	0
Links	(690)	0	(690)	220,000	220,000	0
St Marks	0	0	0	165,000	165,000	0
Lonesome	33,680	0	33,680	46,740	46,740	0
Sherwood	(1,059)	0	(1,059)	201,200	201,200	0
Stanford	(1,768)	0	(1,768)	0	0	0
William Morris	0	0	0	3,200	3,200	0
Unallocated Primary School Proj	0	0	0	921,250	921,250	0

Capital Budget monitoring- July 2020

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Secondary School	**(43,243)**	**0**	**(43,243)**	**260,010**	**260,010**	**0**
Harris Academy Merton	0	0	0	34,170	34,170	0
Raynes Park	0	0	0	5,590	5,590	0
Ricards Lodge	0	0	0	5,580	5,580	0
Rutlish	0	0	0	19,000	19,000	0
Harris Academy Wimbledon	(43,243)	0	(43,243)	195,670	195,670	0
SEN	**(8,887)**	**0**	**(8,887)**	**1,990,260**	**1,990,260**	**0**
Perseid	(16,158)	0	(16,158)	285,970	285,970	0
Cricket Green	(71,284)	0	(71,284)	366,150	366,150	0
Melrose	68,552	0	68,552	1,070,590	1,070,590	0
Secondary School Autism Unit	0	0	0	50,000	50,000	0
Unallocated SEN	(9,997)	0	(9,997)	204,210	204,210	0
Melbury College - Smart Centre	20,000	0	20,000	13,340	13,340	0
CSF Schemes	**115,167**	**116,530**	**(1,363)**	**349,570**	**349,570**	**0**
CSF IT Schemes	(1,353)	0	(1,353)	0	0	0
Devolved Formula Capital	116,520	116,530	(10)	349,570	349,570	0

Capital Budget monitoring- July 2020

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Environment and Regeneration	**1,561,337**	**2,171,376**	**(610,039)**	**15,452,570**	**15,200,570**	**(252,000)**
Public Protection and Development	**0**	**84,368**	**(84,368)**	**450,340**	**325,340**	**(125,000)**
On Street Parking - P&D	0	20,000	(20,000)	100,000	100,000	0
Off Street Parking - P&D	0	34,300	(34,300)	200,000	75,000	(125,000)
CCTV Investment	0	30,068	(30,068)	150,340	150,340	0
Street Scene & Waste	**(117,973)**	**53,000**	**(170,973)**	**604,630**	**600,630**	**(4,000)**
Fleet Vehicles	0	48,200	(48,200)	542,200	542,200	0
Alley Gating Scheme	1,200	4,800	(3,600)	24,000	20,000	(4,000)
Waste SLWP	(119,173)	0	(119,173)	38,430	38,430	0
Sustainable Communities	**1,679,310**	**2,034,008**	**(354,698)**	**14,397,600**	**14,274,600**	**(123,000)**
Street Trees	(3,564)	13,200	(16,764)	126,000	126,000	0
Wimbledon Area Roads	0	0	0	125,000	125,000	0
Raynes Park Area Roads	0	5,222	(5,222)	26,110	26,110	0
Highways & Footways	1,421,795	770,886	650,909	5,910,430	5,910,430	0
Cycle Route Improvements	107,356	26,478	80,878	132,390	132,390	0
Mitcham Transport Improvements	705	19,322	(18,617)	96,610	96,610	0
Colliers Wood Area Regeneration	2,050	3,000	(950)	15,000	15,000	0
Mitcham Area Regeneration	1,747	457,510	(455,763)	2,935,050	2,935,050	0
Wimbledon Area Regeneration	70,000	157,660	(87,660)	844,920	844,920	0
Morden Area Regeneration	0	40,000	(40,000)	200,000	200,000	0
Borough Regeneration	1,987	116,610	(114,623)	880,630	870,630	(10,000)
Morden Leisure Centre	621	14,170	(13,549)	55,000	55,000	0
Wimbledon Park Lake and Waters	14,012	39,500	(25,489)	329,500	329,500	0
Sports Facilities	28,816	45,000	(16,184)	458,840	458,840	0
Parks	33,786	325,450	(291,664)	2,262,120	2,149,120	(113,000)

Virement, Re-profiling and New Funding - July 2020

Appendix 5B

		2020/21 Budget	Virements	Funding Adjustments	Reprofiling	Revised 2020/21 Budget	2021/22 Budget	Movement	Revised 2021/22 Budget	Narrative
		£	£		£	£	£		£	
Corporate Services										
Compulsory Purchase Order - Clarion	(2)	**0**		4,079,460		**4,079,460**		3,143,570	**3,143,570**	Fully Funded by Clarion
Children, Schools and Families										
Unallocated - Capital Maintenance	(1)	**474,500**		446,750		**921,250**	**1,900,000**		**1,900,000**	Additional Central Govt Grant net of Review Reduction
Environment and Regeneration										
Hartfield Walk Public Realm	(1)	**0**		125,000		**125,000**			**0**	New NCIL Scheme "Love Wimbledon"
Polka Theatre	(1)	**0**		150,000		**150,000**			**0**	NCIL Contribution to Construction Project
Elmwood Centre Hub		**0**		65,000		**65,000**			**0**	NCIL Grant to Age UK for building works
Deen City Farm		**0**		36,620		**36,620**			**0**	NCIL Grant for Rainwater Harvesting & Pathway Imps.
Windmill Museum		**0**		20,000		**20,000**			**0**	NCIL Grant for Landscaping & Lighting Imps
Community Arts Venue - Cricket Green School		**0**		49,480		**49,480**			**0**	NCIL Grant to Mitch Twn Comm Trust
Haydons Rd Shop Front Impr	(1)	**224,000**		257,580		**481,580**			**0**	NCIL Grant
Bramcote Parade Improvements		**50,000**		40,000		**90,000**			**0**	NCIL Grant
Pollards Hill Lighting		**0**		100,000		**100,000**			**0**	NCIL Grant
Durnsford Road Rec Facilities		**0**		32,000		**32,000**			**0**	NCIL Grant
Canons Parks for the People - Regeneration	(1)	**2,278,230**			533,020	**2,811,250**	**533,020**	(533,020)	**0**	Re-profiled to match projected spend
Total		**3,026,730**	**0**	**5,401,890**	**533,020**	**8,961,640**	**2,433,020**	**2,610,550**	**5,043,570**	

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

Capital Programme Funding Summary 2020/21

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Proposed June Monitoring	**31,040**	**7,707**	**38,746**
Corporate Services			
Compulsory Purchase Order - Clarion	**0**	**4,079**	**4,079**
Children, Schools and Families			
Unallocated - Capital Maintenance	**(443)**	**890**	**447**
Environment and Regeneration			
Canons Parks for the People - Regeneration	**0**	**533**	**533**
Hartfield Walk Public Realm	**125**	**0**	**125**
Polka Theatre	**150**	**0**	**150**
Elmwood Centre Hub	**65**	**0**	**65**
Deen City Farm	**37**	**0**	**37**
Windmill Museum	**20**	**0**	**20**
Community Arts Venue - Cricket Green School	**49**	**0**	**49**
Pollards Hill Lighting	**100**	**0**	**100**
Durnsford Road Rec Facilities	**32**	**0**	**32**
Haydons Rd Shop Front Impr	**258**	**0**	**258**
Bramcote Parade Improvements	**40**	**0**	**40**
Proposed July Monitoring	**31,472**	**13,209**	**44,681**

Capital Programme Funding Summary 2021/22

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Proposed June Monitoring	**31,689**	**4,560**	**36,249**
Corporate Services			
Compulsory Purchase Order - Clarion	**0**	**3,144**	**3,144**
Environment and Regeneration			
Canons Parks for the People - Regeneration	**0**	**(533)**	**(533)**
Proposed July Monitoring	**31,689**	**7,171**	**38,859**

APPENDIX 6

Department	Target Savings 2020/21	Projected Savings 2020/21	Period 4 Forecast Shortfall	Period Forecast Shortfall (P4)	Period 3 Forecast Shortfall	2021/22 Expected Shortfall
	£000	£000	£000	%	£000	£000
Corporate Services	2,718	1,750	968	35.6%	964	595
Children Schools and Families	2,969	2,235	734	24.7%	664	400
Community and Housing	2,460	607	1,853	75.3%	1,853	100
Environment and Regeneration	3,927	812	3,115	79.3%	2,991	0
Total	**12,074**	**5,404**	**6,670**	55.2%	**6,472**	**1,095**

Updated for June 2020

APPENDIX 6

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	Adult Social Care										
CH72	**Deferred Savings - Transport**	100	100	0	G	100	0	G	John Morgan	Although the implementation of the review has been delayed, there has been a drop in transport activity, particularly taxis, due to C19. There is also a projected underspend on concessionary fares	
CH76	**OPMH Staffing**	100	0	100	R	0	100	R	John Morgan	We need to review the demand for MH services with the trust due to C19. We are expecting demand to rise making this saving no longer achievable	
CH87	**Mascot Income**	100	0	100	R	100	0	A	Andy Ottaway-Searle	Income from MASCOT is currently down by £25k due to a net loss of 57 customers. LGA Peer Challenge delayed. Other options to make savings are being explored.	
CH88	**Home Care Monitoring System: -**The aim of this proposal is to roll out a home care monitoring system for all home care providers to ensure that we can monitor the delivery of home care visits.	78	0	78	A	78	0	G	Phil Howell	The project has been delayed by actions necessary due to C19. We are currently paying on commissioned hours. The system provider has delayed roll out to	
CH82 / 83 / 90	**Out of Area Placements**	1,100	0	1,100	A	1,100	0	A	John Morgan	The project has been delayed by actions necessary due to C19. A desktop review linked to London wide research is underway to re-start the work. We also need to	
CH91	**Supported Living / Residential review**	400	0	400	R	400	0	A	John Morgan	The project has been delayed by actions necessary due to C19. The work will be linked to London wide research that is being commissioned by ADASS. We	
CH92	**Mobile Working**	50	7	43	A	50	0	G	John Morgan	C19 has prompted a major move towards mobile working. Public transport costs are down £7k, other recharges awaited	
CH96	**Home Care Monitoring**	32	0	32	R	32	0	G	John Morgan	The project has been delayed by actions necessary due to C19	
CH99	**Placements**	500	500	0	G	500	0	G	John Morgan	There has been a reduction in gross costs of care forecast as at period 2..Placements are subject to continued senior management scrutiny	

	Updated for June 2020										APPENDIX 6	
DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2020/21												
Ref	**Description of Saving**	**2020/21 Savings Required £000**	**2020/21 Savings Achieved £000**	**Shortfall**	**RAG**		**2021/22 Savings Expected £000**	**2021/22 Expected Shortfall £000**	**21/22 RAG**	**Responsible Officer**	**Comments**	**R /A Included in Forecast Over/Underspend? Y/N**
	Subtotal Adult Social Care	2,460	607	1,853		0	2,360	100				
	Total C & H Savings for 2020/21	**2,460**	**607**	**1,853**			**2,360**	**100**				

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Forecast £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
	Customers, Policy & Improvement										
CS2016 -06	Merton Link - efficiency savings	30	30	0	G	30	0	G	Sean Cunniffe		
2019-20 CS02	Charge for Blue Badges	15	0	15	R	15	0	A	Sean Cunniffe	Charges not yet in place - to be reviewed.	Y
2019-20 CS28	cash collection reduction	12	12	0	G	12	0	G	Sean Cunniffe		
2020-21 CS5	Reduction in various running costs across the division	20	20	0	G	20	0	G	CPI AD		
2020-21 CS6	Community engagement - reduction in running costs	8	8	0	G	8	0	G	Kris Witherington		
	Resources										
2018-19 CS06	Miscellaneous budgets within Resources	17	17	0	G	17	0	G	Resources Senior Management		
2018-19 CS07	Retender of insurance contract	50	0	50	R	13	37	A	Nemashe Sivayogan	New contract comes into place mid 2020/21. Insurance premiums cost will be reduced but variance remains adverse due to historic budget pressure. This will be offset in part during 2020/21 and fully during 2021/22 by an overachievement on income	Y
2018-19 CS08	Increase in income from Enforcement Service	20	0	20	R	20	0	A	David Keppler	Not achieveable in light of covid-19 circumstances. Bailiff service is currently not operational.	Y
2019-20 CS06	Revs and Bens reduction in staffing	146	146	0	G	146	0	G	David Keppler		
2019-20 CS07	Treasury - increase in investment income	20	20	0	G	20	0	G	Nemashe Sivayogan		
2019-20 CS08	Insurance reduction in staffing	15	15	0	G	15	0	G	Nemashe Sivayogan		
2020-21 CS1	Right sizing charge to Pension Fund for Pension Manager time	24	24	0	G	24	0	G	Nemashe Sivayogan		
2020-21 CS2	Savings in Insurance Fund top up budget	70	70	0	G	70	0	G	Nemashe Sivayogan		
2020-21 CS3	Increase in Investment Income	100	100	0	G	100	0	G	Nemashe Sivayogan		
2020-21 CS15	Miscellaneous savings (eg. Subscriptions)	39	39	0	G	10	0	G	Resources Senior Management	Part of this is a one-off saving - there is only £10k saving built in for 2021/22	
2020-21 CS16	Saving in Consultancy costs	20	20	0	G	20	0	G	Resources Senior Management		
CSREP 2020-21 (1)	Savings in Insurance Fund top up budget	30	30	0	G	30	0	G	Nemashe Sivayogan		
	Corporate Governance										
2018-19 CS12	SLLp - reduction in legal demand	50	0	50	A	50	0	A	Louise Round	Saving to to reviewed to determine level of achieveability and if replacement may be required	Y
2019-20 CS14	impose criminal litigation cap at 20k	20	0	20	A	20	0	A	Louise Round	Saving to to reviewed to determine level of achieveability and if replacement may be required	Y
2019-20 CS15	reduce civil litigation legal support by 50%	45	0	45	A	45	0	A	Louise Round	Saving to to reviewed to determine level of achieveability and if replacement may be required	Y
2019-20 CS27	merge democracy services and electoral services	70	38	32	A	70	0	G	Louise Round	Post holder retiring mid-year, shortfall in year offsets with other underspends within the services	Y
2020-21 CS13	Corp Gov AD - Running Costs	24	24	0	G	24	0	G	Louise Round		

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Forecast £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
2020-21 CS14	Information governance - reduction in consultancy spend	10	10	0	A	10	0	G	Karin Lane	Expected to be achieved but will be dependent upon the number of complaints	N
	Human Resources										
2019-20 CS24	Realignment/redesign of HR services to provide services to the organisation and mitigate associated risks	50	47	3	A	47	3	A	Liz Hammond	Restructure of HR staffing completed to reduce staffing structure cost by £47k	Y
2019-20 CS25	Charge for voluntary sector payroll	7	7	0	G	7	0	G	Liz Hammond		
	Infrastructure & Technology										
2019-20 CS19	Reduction in the Repairs and Maintenance budgets for the corporate buildings.	100	17	83	A	100	0	G	Edwin O'Donnell	Worked carried out to buildings in light of covid-19	Y
2019-20 CS20	Reduction in the energy 'Invest to Save' budget for the corporate buildings.	100	100	0	G	100	0	G	Edwin O'Donnell		
2019-20 CS22	Reduction in the frequency of the cleaning within the corporate buildings	25	0	25	R	0	25	A	Edwin O'Donnell	Not achieveable in light of covid-19 circumstances	Y
CSD7	Restructure Post & Print section and delete 2 FTE posts	47	47	0	G	47	0	G	Keith Bartlett		
CS2015-03	Review of Transactional Services team	100	100	0	G	100	0	G	Pamela Lamb		
2018-19 CS03	Adjust current Local Authority Liaison Officer (LALO) arrangements to require Assistant Directors to undertake the duties as part of their job description.	33	33	0	G	33	0	G	Adam Viccari	Nil shortfall as this has effectively been replaced by growth added to the safety services budget from 2020/21	
2020-21 CS8	A further £100k reduction of the repairs and maintenance budget for corporate buildings.	100	100	0	G	100	0	G	Edwin O'Donnell		
2020-21 CS9	Reduction in the frequency of the cleaning within the Councils corporate buildings.	30	0	30	R	0	30	A	Edwin O'Donnell	Not achieveable in light of covid-19 circumstances	Y
2020-21 CS12	Cancel lease on two Council vans	5	0	5	R	5	0	A	Edwin O'Donnell/ Richard Warren	To be reviewed but may not be achievable in light of covid-19 circumstances	Y
	Corporate										
2019-20 CS09	CHAS dividend	460	460	0	G	460	0	G	Ian McKinnon	CHAS revenue is being maintained at a good level so far during the covid-19 pandemic which would allow for this dividend payment	
2019-20 CS10	Recharges to Merantun Developments	75	71	4	A	75	0	G		Overheads set at £71k for 2020/21	Y
2019-20 CS11	Amend discretionary rate relief policy	75	75	0	G	75	0	G	David Keppler		
2019-20 CS12	Increase in Empty Homes Premium for long term empty properties	36	36	0	G	36	0	G	David Keppler		
2019-20 CS13	Improved collection of HB overpayments and reduce Bad Debt Provision	500	0	500	R	0	500	A	David Keppler	Not achievable due to covid-19	Y
2020-21 CS4	Housing benefit written off debt recovery (one off)	120	34	86	A			N/A	David Keppler	Reduced recovery due to covid-19. One-off saving not built in for 2021/22	Y
	Total CS Savings for 2020/21	**2718**	**1750**	**968**		**1974**	**595**	**0**			

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APPENDIX 3

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2020-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG		2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	2021/22 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	SUSTAINABLE COMMUNITIES											
ENV1920-03	Property Management: Realign rental income budgets to better reflect current levels of income being achieved from conducting rent reviews in line with tenancy agreements	300	300	0	G		300	0	G	James McGinlay	Currently expecting to achieve saving, but it remains to be seen how C-19 will impact the viability of businesses.	**N**
ENV1920-06	Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway.	40	0	40	R		40	0	G	James McGinlay	Covid-19 estimated to impact on saving, due to JC Decaux requesting to remove Q2 guaranteed income payment due to LBM.	**Y**
ALT1920-01	Property Management: Increased income already being achieved from conducting rent reviews in line with tenancy agreements	70	70	0	G		70	0	G	James McGinlay	Currently expecting to achieve saving, but it remains to be seen how C-19 will impact the viability of businesses.	**N**
	PUBLIC PROTECTION											
ENV1819 - 02	Parking: Operational efficiencies. Parking services manage a high level of transactional applications, for PCN, Permit and general enquiries. Through improved use of technology and a review of practices, including the development of self service transactions by customers opposed to back office staff processing, efficiency savings can be made.	57	57	0	G		57	0	G	Cathryn James		**N**
ENV1819-03	Parking: The objective of the proposal is to support the delivery of key strategic council priorities including public health, air quality and sustainable transportation, in addition to managing parking, kerbside demand and congestion. Whilst implementation of the proposals will have the incidental effect of generating additional revenue, it is difficult to assess the level of change in customer behaviour and any subsequent financial impact arising from the changes. This will be monitored after implementation and any resulting impacts will be considered during the future years' budget planning cycles. **The above will be subject to the outcome of the consultation process in 2019.**	1,900	0	1,900	R		1900	0	A	Cathryn James	The new charges were implemented on 14th January 2020. Early analysis shows a reduction in sales of Permits, including scratch cards, and a greater number of 6 month permits being sold than 12 month permits against historic trends, which is even more evident in the case of diesel cars Permits. Unfortunately Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a significant change in Permit sales, which has made projections very difficult. Following the introduction of On Street charges, data showed expected income was being achieved, but off street showed a slight under recovery on estimated. Unfortunately, Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a reduction in parking activity, which makes analysis against budget projection near on impossible.	**Y**
ENV1819 - 04	Parking: Reduction in the number of pay & display machines required.	13	13	0	A		13	0	G	Cathryn James		**N**
ENV1920-01	Parking: Application to change Merton's PCN charge band from band B to band A. To effect this a full business case will need to be presented to Full Council. Following this, an application will be made to the London Councils Transport, and Environment Committee. Depending on the outcome at the Committee, the Mayor will also be required to ratify the application and the Secretary of State has final sign off. This 'saving' reflects the impact on estimated revenue until motorist compliance takes full effect .The objective is to reduce non-compliance but if the band change is implemented it is likely that there will be a short term increase in revenue. The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.	340	0	340	R		340	0	A	Cathryn James	This saving will not be achieved in 2020/21. The consultation process has been extended to 28th June 2020 to allow further time for responses to be received due to the Covid 19 emergency. It is expected that, If the finding is to approve the policy, the application will be put before London Council in the summer. However, due to Covid 19 it is unknown when this aplication will be heard. Awaiting confirmation from London Councils. If approved at London councils, and by Secretary of State thereafter, an April/May 2021 may be possible. Any delay in statutory body approval will result in a delayed implementation. Or if the application is rejected this saving will not be met.	**Y**
ENV1920-02	Compliance rates for ANPR Moving Traffic Offences have not decreased significantly or as estimated since the implementation of the ANPR cameras and as a consequence the PCN revenue remains above original estimations. This 'saving' recognises revenue currently being received by the Council rather than any estimated increase. The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are	300	0	300	R		300	0	A	Cathryn James	Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers are starting to increase, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, whilst the longer term impact is being analysed.	**Y**

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APPENDIX 3

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2020-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG		2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	2021/22 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ALT1920-02	Parking: The use of ANPR to enforce moving traffic contraventions has been operational since July 2016. The number of cameras has increased and the locations varied over this period and the number of PCNs remains above initial estimates.	337	0	337	R		337	0	A	Cathryn James		
	PUBLIC SPACE											
E3	Leisure: Polka Theatre Grant Reduction	30	30	0	G		30	0	G	John Bosley	Polka are aware of this revenue saving, however are delayed in opening their theatre which in turn increases financial pressures on their business.	**N**
ENV1920-04	Waste: The service change in October 2018 has had a significant impact on waste arisings and recycling levels. Residual waste volume has reduced by c12% whilst recycling levels have increased from c34% to c45% . Whilst we have already built £250k into the MTFS we believe that this can be added to.	250	250	0	A		250	0	G	John Bosley	The service has maintained a high recycling rate in 2019/20 and recycled 43% of all domestic waste and delivered significant (above target) savings in the disposal cost . This budget is now under pressure due to the sudden growth in domestic waste following the National impact of COVID 19 and residents now self isolating and working from home. The service continue sto monitor this growth closely and is amending the financial forecast accordingly.	**N**
ENV1920-05	Waste: The Kingdom environment enforcement contract is due for reprocurement and renewal in Spring 2020. This provides an opportunity for it to be broadened and also to ensure that its operation is as effective as possible for the Council .	50	50	0	G		50	0	G	John Bosley	Between April - July 2020 the service as been redeployed to support enforcement activities in our Parks and Green spaces along with weekly support to the Mobile Testing Unit (MTU) in Morden for Covid 19. As such the level of FPNs issued has reduced. We are currently reviewing the deployment arrangements with our service provider with the aim of returning to a BAU approaches our town centres re open and the level of footfall increases at our transport hubs.	**N**
ALT1920-03	Leisure: Increased income from Leisure Centres Management Contract	10	0	10	R		10	0	G	John Bosley	This amount is already included in the income target for this year and going forward, but with Covid 19 changing the uses of leisure centres this will not be achieved this year	**Y**
ALT1920-04	Waste Services: Increase level of Environmental Enforcement activities of both internal team & service provider - ensuring the operational service is cost neutral	150	26	124	R		150	0	G	John Bosley	Between April - July 2020 the service has been redeployed to support enforcement activities in our Parks and Green spaces along with weekly support to the Mobile Testing Unit (MTU) in Morden for Covid 19. As such the level of FPNs issued has reduced. We are currently reviewing the deployment arrangements with our service provider with the aim of returning to a BAU approaches our town centres re open and the level of footfall increases at our transport hubs. The commisioning and procurement of a new enforcemnt contract along with the wider Public Space restructure scheduled for late 20/21	**N**
ALT1920-05	Waste Services: Reduction in external training budget.	6	6	0	G		6	0	G	John Bosley	Completed - all new training and development requirement will be assesed and manged in line with the corperate L&D team.	**N**
ALT1920-06	Greenspaces: Reduction in grant to Deen City farm as part of agreement involving capital investment	10	10	0	G		10	0	G	John Bosley		**N**
ALT1920-07	Greenspaces: Realign budgets to better reflect current levels of income from outdoor events.	64	0	64	R		64	0	G	John Bosley	Many events due for 2020/21 have been cancelled due to Covid-19.	**Y**
	Total Environment and Regeneration Savings 2018/19	**3,927**	**812**	**3,115**			**3,927**	**0**				

APPENDIX 6

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Expected £000	Shortfall	20/21 RAG		2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	20/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	Education											
CSF2017-07	Review schools trade offer, raise charges or consider ceasing services from 2020.	**60**	**60**	**0**			**60**	**0**		**Jane McSherry**	Delivered in Full	
CSF2018-08	Review Early Years service: radically reduce some services and/or consider withdrawing the Early Years offer.	**150**	**150**	**0**			**150**	**0**		**Jane McSherry**	Delivered in Full	
CSF2019-08	Review of school premises and contracts staffing structure	**45**	**45**	**0**			**45**	**0**		**Jane McSherry**	Delivered in Full	
CSF2019-09	Repurposing of some posts in education inclusion service	**150**	**150**	**0**			**150**	**0**		**Jane McSherry**	Delivered in Full	
CSF2019-10	Reduced contribution towards the MSCB	**44**	**10**	**34**			**44**	**0**		**Jane McSherry**	Won't be able to deliver more than approx £10k if reorganisation is undertaken in 3rd quarter.	
CSF2019-21	Review and reshaping of Short Break provision across CWD	**200**	**60**	**140**			**200**	**0**		**Jane McSherry**	This is progressing, but slowly (discussion with parent reps 20/5). Need to engage with parents and providers of short breaks. Hard to do during Covid. Won't secure full year effect. Currently paying for commissioned services not being delivered in line with government advice. There may, in due course, be additional expenses as a result. Increased provision for shielded children. Maximum of £60k deliverable, and only if it's possible to initiate the consultation in 3rd quarter. (May be able to secure some savings against this line by coding some additional activity against the Covid Budget)	
CSF2019-22	SEND Travel	**50**	**0**	**50**			**50**	**0**		**Jane McSherry**	Likely to have to spend more against this budget because of Covid-related distancing requirements in our transport options. Will also need to delay the start of this review because of the consultation requirements.	
CSF2019-20	Revenue costs of capital projects	**200**	**200**	**0**			**200**	**0**		**Jane McSherry**	Delivered in Full	
CSF2019-03	Early help re-design	**100**	**100**	**0**			**100**	**0**		**Jane McSherry**	Delivered in Full	
CSF2019-21	Legal Hard Charging	**75**	**75**	**0**			**75**	**0**		**Jane McSherry**	Delivered in Full	
				0				**0**				
	Children Social Care & Youth Inclusion			**0**				**0**				
				0				**0**				
CSF2017-03 **CSF2017-05**	Delivery of preventative services through the Social Impact Bond	**45**	**45**	**0**			**45**	**0**		**El Mayhew**	This saving should be set against the placements budget. Effective MST avoids entry to care and new placement costs	

APPENDIX 6

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Expected £000	Shortfall	20/21 RAG		2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	20/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSF2019-15	South London Family Drug and Alcohol Court commissioning	45	15	30			45	30		El Mayhew	South London Family Drug and Alcohol Court contract has been decommissioned. Plan is to deliver savings from practice changes supported by the wider CSC & YI reorganisation. The reorganisation is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21. Will deliver no more than £15k if consultation can take place in 3rd quarter of financial year. Some mitigating activity through temporary recruitment to posts likely to be impacted in the reorganisation.	
CSF2019-02	Establish more cost effective Merton independent living provision	400	200	300			400	300		El Mayhew	This savings work has been significantly impacted by Covid-19 and the need to re-direct aspects of the transformation resource (Graduate Management Trainee) to Ofsted preparation. The transformation resource leaves CSC &YI in September 2020. Unlikely to achieve savings in 2020/21. Proposed CSC reorganisation creates recourse for this savings work to be delivered in 2021/22.	
CSF2019-04	Deliver the 14+ leaving care service through personal advisors rather than social workers	60	20	40			60	0		El Mayhew	Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21Will deliver no more than £20k, if consultation can take place in 3rd quarter of financial year.	
CSF2019-05	Full year effect of transfer of adoption service to Adopt London South	30	30	0			30	0		El Mayhew	Delivered in full. However, additional costs have emerged in relation to both retained functions and increased costs of service delivery passed on by ALS. Future funding for ALS will be based on demand and use. Early indications are that ALS costs are rising.	
CSF2019-06	Review of safeguarding and social work training budgets	60	60	0			60	0		El Mayhew	Delivered in full	
CSF2019-07	Reduction of Central recruitment cost budget	30	30	0			30	0		El Mayhew	Delivered in full	

APPENDIX 6

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Expected £000	Shortfall	20/21 RAG		2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	20/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
CSF2019-13	Review of current Adolescent and Family service	**100**	**30**	**70**			**100**	**70**		**El Mayhew**	Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21. Will deliver no more than £30k, if consultation can take place in 3rd quarter of financial year. Some mitigating activity - vacancies being held and only recruited to on a fixed term basis.	
CSF2019-15	Development of Family Network Co-Ordinators Service	**45**	**15**	**0**			**45**	**0**		**El Mayhew**	DfE funding withdrawn. Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures. Subject to approval process, reorganisation consultation planned to start in Q3 with mobilisation in Q4 2020/21. Unlikely to achieve savings in 2020/21	
CSF2019-17	Culture change and clarification of financial support entitlement for care leavers	**50**	**0**	**50**			**50**	**0**		**El Mayhew**	Financial payments to care leavers have increased due to the impact of Covid-19 restrictions and requirement to match DWP Covid-19 increase in benefit rates - some of this will be set against the Covid-19 cost centre. Timing not appropriate to shift funding culture where continued Covid-19 situation impacts on external resources and progression of other agencies decision-making i.e. Home Office asylum decisions	
CSF2019-18	Implementation of the DfE National Minimum rate	**20**	**0**	**20**			**20**	**0**		**El Mayhew**	Covid-19 restrictions have impacted on foster carer recruitment and approval. Older age demographics of in-house carers increases risk of reduced capacity due to increased likelihood of Covid-19 health complications. This savings work would likely have resulted in short term impact on in-house fostering capacity - this risk is too high in current context. Plan to revisit this savings work when Covid-19 situation stabilises.	

APPENDIX 6

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Expected £000	Shortfall	20/21 RAG		2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	20/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
CSF2019-19	Increased use of in-house foster carers	**20**	**20**	**0**			**20**	**0**		**El Mayhew**	DfE Covid-19 guidance requires local authorities to increase placement sufficiency. Recruitment campaign building on Covid-19 'community spirit' in motion.	
CSF2019-01	Review of CSF admin structure	**200**	**200**	**0**			**200**	**0**		**El Mayhew**	Business Support restructure completed in July 2019. There are no additional savings arising from this.	
				0								
	Commissioing			**0**								
				0								
CSF2019-11	Review of centralised commissioning budgets	**90**	**90**	**0**			**90**	**0**			Delivered in full	
				0			**0**	**0**				
	CSF Other			**0**			**0**	**0**				
				0			**0**	**0**				
CSF2019-22	PFI Unitary charges	**400**	**400**	**0**			**400**	**0**				
CSF2019-23	Pension and Redundancies charges	**300**	**300**	**0**			**300**	**0**				
	Total Children, Schools and Families Department Savings for 2020/21	**2,969**	**2,305**	**734**			**2,969**	**400**				

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

APPENDIX 7

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 19-20

Ref	Description of Saving	2019/20 Savings Required £000	2019/20 Savings Achieved £000	Shortfall	RAG	2020/21 Expected Shortfall £000	20/21 RAG	2021/22 Expected Shortfall £000	21/22 RAG	Responsible Officer	Comments
	Infrastructure & Technology										
2018-19 CS14	M3 support to Richmond/Wandsworth	20	0	20	R	20	A	0	A	Clive Cooke	This is dependent on agreement with RSP, may be at risk if they don't migrate to M3 system.
	Resources										
2018-19 CS05	Reduction in permanent staffing	30	0	30	R					Roger Kershaw	Saving replaced from 2020/21.
CSREP 2019-20 (3)	Increase in income from Enforcement service	50	0	50	R	50	R	0	A	David Keppler	The service is not currently operational in light of the covid-19 circumstances.
	Total Corporate Services Department Savings for 2019/20	100	0	100		70		0			

APPENDIX 3

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2019-20

Ref	Description of Saving	2019/20 Savings Required £000	2019/20 Savings Achieved £000	Shortfall	RAG	2020/21 Savings Expected £000	2020/21 Expected Shortfall £000	2020/21 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ENV1819-05	Highways advertising income through re-procurement of the advertising contract for the public highway. New contract due to be in place by last quarter of 2019/20.	55	10	45	R	0	55	R	James McGinlay	Covid-19 estimated to impact on saving, due to JC Decaux requesting to remove Q2 guaranteed income payment due to LBM.	Y
E1	Investigate potential commercial opportunities to generate income from provision of business advice. This follows on from the expansion of the RSP to include Wandsworth from November 2017, and increased resilience.	60	0	60	R	0	60	R	Cathryn James	This saving is conditional on income being generated from chargeable business advice/consultancy. The focus for the financial year 2019/20 needed to refocus from income generation to service improvement including a major IT project and restructure of the service. Key projects and staff vacancies has meant it has not been possible to achieve the savings targets set for this financial year.	Y
ENR4	Charge local business' for monitoring of their CCTV	100	0	100	R				Cathryn James	Alternative saving has been agreed for 2020/21.	N
ENV1819-03	The objective of the proposal is to support the delivery of key strategic council priorities including public health, air quality and sustainable transportation, in addition to managing parking, kerbside demand and congestion. Whilst implementation of the proposals will have the incidental effect of generating additional revenue, it is difficult to assess the level of change in customer behaviour and any subsequent financial impact arising from the changes. This will be monitored after implementation and any resulting impacts will be considered during the future years' budget planning cycles. The above will be subject to the outcome of the consultation process in 2019.	1,900	662	1,238	R	0	1900	R	Cathryn James	The new charges were implemented on 14th January 2020. Early analysis shows a reduction in sales of Permits, including scratch cards, and a greater number of 6 month permits being sold than 12 month permits against historic trends, which is even more evident in the case of diesel cars Permits. Unfortunately Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a significant change in Permit sales, which has made projections very difficult. Following the introduction of On Street charges, data showed expected income was being achieved, but off street showed a slight under recovery on estimated. Unfortunately, Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a reduction in parking activity, which makes analysis against budget projection near on impossible.	Y
ALT3	Reduction in the number of pay & display machines required.	14	0	14	R	14	0	A	Cathryn James		N
ENR9	Increase level of Enforcement activities of internal team ensuring the operational service is cost neutral	200	165	35	R				John Bosley	Alternative saving has been agreed for 2020/21.	N
E2	Thermal Treatment of wood waste from HRRC	30	0	30	R				John Bosley	This saving was replaced from 2020/21 by the underspend in residual waste disposal costs following the October 2018 service change.	N
E5	Letting of remaining vacant facilities in Greenspaces	50	0	50	R	0	50	R	John Bosley	One vacant property recently let, but saving impacted by C-19.	Y
E6	Increased tenancy income in Greenspaces	40	0	40	R				John Bosley	Alternative saving has been agreed for 2020/21.	Y
	Total Environment and Regeneration Savings 2018/19	**2,449**	**837**	**1,612**		**14**	**2,065**				

	Updated to June 2020										APPENDIX 7	
DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2019/20												
Ref	**Description of Saving**	**2019/20 Savings Required £000**	**2019/20 Savings Achieved £000**	**Shortfall**	**RAG**		**2020/21 Savings Expected £000**	**2020/21 Expected Shortfall £000**	**20/21 RAG**	**Responsible Officer**	**Comments**	**R /A Included in Forecast Over/Underspend? Y/N**
	Adult Social Care											
CH89	**Older People Day Care Activities:-**As less people are choosing to attend these formal day centre we currently having increasingly vacancies within these provisions which are not been utilised. The proposal seeks to assess and analyse the demand and supply of activity aimed at supporting older people to access community activity. This will objectively look at the supply of building based and non-building based activity, its utilisation and the limitations on providing what people expect and need within the current model. It is envisaged that this will include a rationalisation and reduction of the current level of building based 'day centre' activity. This is based on current demand statistics and will include consideration of the effect of 2018/19 reductions in contracted day centre services; which is covered in a separate EIA for that specific proposal.	236	118	118	R		236	0	G	Richard Ellis	Engagement with the new owner has established an agreed timeline that means that the majority of savings will not be achieved until the new year. The work is underway to ensure that delivery	Y
	Subtotal Adult Social Care	236	118	118			236	0				

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