Cabinet

Date: 21 October 2020

Subject: Financial Report 2020/21 – Period 5, August 2020

Lead officer: Roger Kershaw

Lead member: Mark Allison

Recommendations:

~~A.~~ That Cabinet note the financial reporting data for month 5, August 2020, relating to revenue budgetary control, showing a forecast net adverse variance at year-end of £15.954m.

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:

	Budget 2020-21	Budget 2021-22	Narrative
	£	£	
Corporate Services			
Customer Contact	(500,000)	500,000	Re-profiled Budget
Children, Schools and Families			
Pollards Hill Digital Divide	10,000	170,000	SCIL Funding 20-21 Bidding Round
Environment and Regeneration			
Morden Rec Hockey Pitch	0	135,000	SCIL Funding 20-21 Bidding Round
Cycle Lane Works Plough Lane	220,000	0	SCIL Funding 20-21 Bidding Round
Morden TC Regen Match Funding	(150,000)	150,000	Re-profiling in line with projected spend
Total	**(400,000)**	**955,000**	

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

D. That Cabinet approve a virement of £1,763k between heads of services within Community & Housing to align salaries budgets.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the period 5 monitoring report for 2020/21 presented in line with the financial reporting timetable.
This financial monitoring report provides -

- The income and expenditure at period 5 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 5 to 31st August 2020, the year-end forecast is a net adverse variance of £15.954m 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 £4.1m favourable variance, 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 August 2020

	Current Budget 2020/21 £000s	Forecast Variance at year end (Aug) £000s	Forecast Variance at year end (July)	Covid-19 Forecast £000s	Outturn variance 2019/20 £000s
Department					
Corporate Services	10,375	4,718	4,791	3,691	(490)
Children, Schools and Families	62,412	(1,226)	(1,379)	734	(241)
Community and Housing	68,656	314	313	3,583	(319)
Public Health	-157	0	0	0	0
Environment & Regeneration	13,999	9,278	9,519	9,829	783
Overheads	0	0	0	0	120
NET SERVICE EXPENDITURE	**155,284**	**13,084**	**13,244**	**17,837**	**(147)**
Corporate Items					
Impact of Capital on revenue budget	11,190	(19)	(19)	0	(161)
Other Central budgets	(10,536)	650	677	0	(1,405)
Levies	962	0	0	0	(1)
TOTAL CORPORATE PROVISIONS	**1,615**	**631**	**658**	**0**	**(1,567)**
Covid-19		9,036	9,258	**9,036**	**176**
TOTAL GENERAL FUND	**156,900**	**22,750**	**23,160**	**26,873**	**(1,714)**
FUNDING					
Revenue Support Grant	-5,159	0	0	0	0
Business Rates*	(35,586)	2,529	3,990	2,529	(50)
Other Grants	(18,245)	0	0	0	0
Council Tax and Collection Fund*	(97,713)	2,648	7,699	2,648	50
COVID-19	0	(11,973)	(11,973)	(11,973)	0
FUNDING	**(156,703)**	**(6,796)**	**(284)**	**(6,796)**	**0**
NET	**197**	**15,954**	**22,876**	**20,077**	**(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.

<u>Covid-19 Financial Impact</u>

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 have been published and officers are working on this and the estimates should be included in future reports.
- 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. 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.

<u>Covid Expenditure</u>

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.

<u>Income shortfall</u>

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

<u>Impact on savings</u>

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	**August 2020/21 £000s**
Department	-
Corporate Services	3,691
Children, Schools and Families	734
Community and Housing	3,583
Public Health	0
Environment & Regeneration	9829
TOTAL INCOME LOSS & SAVINGS UNACHIEVED	**17,837**
Corporate Items	9,036
ADDITIONAL COVID EXPENDITURE	**9,036**
FUNDING	-
Business Rates	2,529
Council Tax	2,648
TOTAL FUNDING LOSS	**5,177**
GROSS COST OF COVID-19	**32,050**
Covid-19 Emergency funding received	**-10,383**
Covid-19 Emergency funding - July 2020	**-1,590**
NET COST OF COVID-19	**20,077**

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).

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 (August) £000	2020/21 Full Year Forecast Variance (August) £000	2020/21 Full Year Forecast Variance (July) £000	2020/21 Covid-19 Forecast Impact (August) £000	2019/20 Outturn Variance £000
Customers, Policy & Improvement	3,778	4,798	1,020	1,049	464	(169)
Infrastructure & Technology	12,185	12,468	283	335	290	(678)
Corporate Governance	2,168	2,161	(7)	(26)	84	(180)
Resources	5,550	7,877	2,327	2,437	2,267	95
Human Resources	2,083	2,301	218	152	0	187
Corporate Other	173	1,050	877	844	586	255
Total (Controllable)	**25,937**	**30,655**	**4,718**	**4,791**	**3,691**	**(490)**

Overview

At the end of period 5 (August) the Corporate Services (CS) department is forecasting an adverse variance of £4.718m at year end, of which £3.691m is due to the external impact of covid-19. The adverse forecast within CS has reduced by £73k compared with period 4.

Customers, Policy and Improvement - £1,020k adverse variance

The adverse variance in the division is mainly due to spend on the Customer Contact budget which is forecasting a £949k 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 £174k adverse variance and currently anticipating a 40% reduction in income compared to 2019/20, though this will be impacted further should there be a return to increased restrictions. Other adverse variances within the division due to covid-19 include 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 (£141k) mainly due to the use of agency staff covering the Head of Communications post pending the completion of a restructure within the division. There is a further adverse variance of £15k on Blue Badges as the saving (2019-20 CS02) to introduce charging has not yet been implemented.

Partly offsetting the above are various favourable variances including £63k 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 (£57k favourable), Cash Collections (£64k favourable) and Marketing and Communications (£55k favourable).

The forecast adverse variance overall for the division has reduced by £29k compared to period 4. This is mainly due to a reduction in the Customer Contact forecast as a licence comes to an end in

September and will not be extended, as well as the building in of new updates around recruitment to vacancies and length of interim assignments within the division.

Infrastructure & Technology - £283k 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, £59k on the Print and Post room and £114k 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 £116k adverse variance due to the lack of commissions being confirmed since lock-down began in March. There is a variance on Corporate Contracts (£25k adverse) due to savings for reducing cleaning in corporate buildings being unachievable within the current circumstances. £63k 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 £30k mainly from IT licences, whilst the Transactional Services team have a £24k favourable variance from vacancies forecast for part of the year. There is a further £37k favourable variance on the Microsoft EA licences following a review by the supplier.

The forecast variance in Infrastructure and Technology has reduced by £53k compared to period 4. This is mainly due to the reduced price for the Microsoft EA following a full review by the supplier as well as a reduced agency staff forecast in the Business Systems Team following a reassessment of recruitment plans.

Corporate Governance – £7k 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 £64k favourable variance across both services.

The Corporate Governance AD budget is forecasting a £11k favourable variance due to various running costs whilst the Information Governance team also have a favourable £11k variance due to various vacant hours held during the year.

The South London Legal Partnership (SLLp) is currently forecasting a £220k surplus, with £46k to be retained by LBM. The surplus relates mainly to additional chargeable hours being fulfilled.

Outside of SLLp, there is £115k of legal savings not forecast to be achieved in year.

The Corporate Governance favourable forecast has reduced by £19k since period 4. This is mainly due to a reduced forecast on chargeable hours within SLLp, to both LBM clients and other partner boroughs. Partly offsetting this is a reduction in the Information Governance forecast following new and extended periods of vacant hours within the team.

Resources - £2,327k adverse variance

Within Resources there are multiple budgets forecasting adverse variances due to covid-19. The Chief Executive's budget has a £113k 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 £1,275k (including the shared service element), we are currently working on the assumption that the service will resume some limited operations around parking and council tax debt from October but may not resume full operations for the rest of the calendar year. The Local Taxation Service is also showing an adverse variance of £892k 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 (£83k) as a result of the use of agency staff covering vacancies in the team due to difficulties in recruiting.

Favourable variances in the department include £44k and £42k 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 £20k 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 £77k and £23k respectively due to various running costs, vacancies and new burdens funding.

The forecast adverse variance in the division has reduced by £110k compared to period 4. This is largely due to improved forecasts for enforcement income in the Bailiffs service as some enforcement works are due to resume in October. Reduced staffing forecasts in Revenues and Benefits has also contributed to the improved Resources forecast.

Human Resources – £218k adverse variance

The adverse variance in HR is mainly across the AD (£111k) and Learning and Development (£72k) budgets as a result of agency staff covering vacant posts. 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 the impacts from covid-19 and changes to working arrangements.

The forecast variance in HR has increased by £66k (adverse) since period 4 mainly as a result of extending the period of agency cover forecast for the AD and Head of Organisational Development and HR Strategy posts.

Corporate Items - £877k adverse variance

The Housing Benefit Rent Allowances budget is forecasting a net adverse variance of £908k. 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 £101k due to budget not expected to be required in year and £66k on the added years pension budget.

Compared to period 4, the Corporate Items adverse variance has increased by £33k. This is mainly due to a reduced subsidy on HB overpayments forecast which is offset in part by reduced chargeable hours from SLLp to Corporate Services.

Environment & Regeneration

Environment & Regeneration	2020/21 Current Budget £000	Full year Forecast (Aug) £000	Forecast Variance at year end (Aug) £000	Forecast Variance at year end (July) £000	2020/21 Covid-19 Forecast Impact (Aug) £000	2019/20 Outturn Variance £000

Public Protection	(15,539)	(8,688)	6,851	7,077	6,521	1,286
Public Space	15,484	17,523	2,039	1,971	2,346	(364)
Senior Management	1,018	889	(129)	(122)	0	81
Sustainable Communities	7,793	8,311	518	592	1,010	(220)
Total (Controllable)	**8,756**	**18,035**	**9,279**	**9,518**	**9,877**	**783**

Description	2020/21 Current Budget £000	Forecast Variance at year end (Aug) £000	Forecast Variance at year end (July) £000	2019/20 Variance at year end £000
Regulatory Services	601	293	276	87
Parking Services	(17,156)	6,550	6,791	1,171
Safer Merton & CCTV	1,016	8	10	28
Total for Public Protection	**(15,539)**	**6,851**	**7,077**	**1,286**
Waste Services	14,280	583	544	72
Leisure & Culture	467	795	801	(334)
Greenspaces	1,441	689	599	(111)
Transport Services	(704)	(28)	27	9
Total for Public Space	**15,484**	**2,039**	**1,971**	**(364)**
Senior Management & Support	1,018	(129)	(122)	81
Total for Senior Management	**1,018**	**(129)**	**(122)**	**81**
Property Management	(2,990)	(120)	(20)	(251)
Building & Development Control	42	248	265	34
Future Merton	10,741	390	347	(3)
Total for Sustainable Communities	**7,793**	**518**	**592**	**(220)**
Total Excluding Overheads	**8,756**	**9,279**	**9,518**	**783**

Overview

The department is currently forecasting an adverse variance of £9,279k 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 £293k

The section has implemented agreed income savings of £210k 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. The IT transition Project is scheduled for completion by the end of the financial year at which point 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 £103k, leading to an adverse variance against budget of £88k.

Parking Services adverse variance of £6,550k
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, £2,300k, and £1,333k 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 £173k and £37k 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 (£162k), mainly in relation to the planned placement of statutory notices around the borough on emissions based charging.

The adverse variance is being partially offset by an employee related favourable variance of £168k.

<u>Public Space</u>

Waste Services adverse variance of £583k
An adverse variance of £113k 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 £197k. 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 £185k.

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, and an associated report will be presented in due course for Cabinet consideration.

A favourable variance on employee related spend of £54k is partially mitigating the adverse variance.

Leisure & Culture adverse variance of £795k
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. until the phased reopening on 25th July 2020..

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.

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 a net adverse variance of £270k is being forecast, mainly as a result of reduced income.

Greenspaces adverse variance of £689k
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 £365k.

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, which should also help with our insurance claims going forward.
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.

Sustainable Communities

Building and Development Control adverse variance of £248k
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 £409k.

This adverse variance is being partially reduced by a favourable variance on employee related spend (£158k).

Future Merton adverse variance of £390k
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 £261k. 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.

The section is also forecasting a net adverse variance of £177k in relation to the footways & highways reactive maintenance costs.

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 was closed between 26th March 2020 and August resulting in a forecast adverse variance of £190k in relation to room lettings and hall hiring's, and a total variance against budget of £133k. Vestry Hall can only re-open to the wider users on agreement from both Facilities Management and Public Health that the wider users Risk Assessment is acceptable, and approval for this is unlikely to happen before mid-November. In addition, Vestry Hall will be required to constantly monitor the number of people in the building at any one time to maintain the recommended social distancing required. Pre-Covid there could be 200+ people in the building, many are vulnerable residents who may not appreciate their responsibility to maintain a safe distance or follow the Health & Safety requirements.

These adverse variances are being partially mitigated by favourable variances on temporary traffic orders income (£110k), street work & permits income (£51k), 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 Aug £000	Forecast Variance at year end (Aug) £000	Forecast Variance at year end (July) £000	2020/21 Covid-19 Forecast Impact £'000	2019/20 Variance at year end £000
Education	24,627	23,956	(671)	(763)	174	63
Social Care and Youth Inclusion	21,296	21,321	25	49	560	416
Cross Department budgets	893	849	(44)	(29)		(47)
PFI	8,730	8,240	(489)	(490)		(251)
Redundancy costs	1,927	1,880	(47)	(147)		(422)

Total (controllable)	57,473	56,246	(1,226)	(1,380)	734	(241)

Overview

At the end of August 2020, the Children Schools and Families directorate is forecasting a favourable £1.226m variance on local authority funded services, an adverse movement of £154k 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 by the end of October.

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 and other CSC budgets;
- underspend on the SEN transport budget of £357k resulting from lower than expected costs when schools were closed;
- Other Education underspends across a number of areas including £98k in Early Years, £154k in Education Inclusion and £97k in Procurement and School Organisation.

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 2,137 in August, an increase of 126 finalised EHCPs as at the end of August 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	Aug Var £000	July Var £000	2019/20 £000
Procurement & School Organisation	890	(97)	(97)	(306)
SEN transport	6,198	(357)	0	1,289
Early Years services	4,203	(98)	(409)	(314)
Education Inclusion	1,700	(154)	(157)	(350)
Internal legal hard charge	493	0	(14)	(105)
LSCB	77	30	30	(65)
Other over and underspends	11,066	5	(116)	(86)
Subtotal Education	**24,627**	**(671)**	**(763)**	**63**
Fostering and residential placements (Access)	8,379	(290)	(290)	(98)

Un-accompanied asylum seeking children (UASC)	271	(6)	(6)	33
No Recourse to Public Funds (NRPF)	172	(14)	(14)	132
MASH & First Response staffing	1,667	530	215	257
CWD team staffing	562	(16)	(1)	(67)
CWD Placements	634	99	96	(58)
Legal Counsel	129	129	(0)	72
Other over and underspends	9,482	(407)	49	145
Subtotal Children's Social Care and Youth Inclusion	**21,296**	**25**	**49**	**416**

Education Division

£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 £357k underspend, 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 August. The current estimated cost includes COVID-19 relief for our existing suppliers and approx. 8-10% increase in our weekly cost based on pre-covid spend pattern. Buses are also 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 was that we were 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. 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 overall position should be clearer by period the end of October.

The Early Years' service is reporting adverse variance from period 4 of £311k which relates to £40k addition costs for a day care scheme, £91k for Lavender Nursery and £166k increase in the costs for direct payments. This forecast is considered robust.

Education Inclusion is reporting a £154k favourable variance primarily due to staffing underspends within the Youth Service, Education, Employment & Training and Children's Activities teams. This is consistent with period 4.

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 August, Merton had 163 looked after children, an increase of 10 over last month. 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. For period 5 the activity/numbers of children has been updated but the financials have been held at period 4 the forecasting methodology for Access to Resources and Unaccompanied Asylum Seekers is reviewed:

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**	**Aug Forecast spend £000**	**Variance**		**Placements**	
			Aug £000	**July £000**	**Aug No**	**July No**
Residential Placements	1,822	1621	(201)	(201)	10	10
Independent Agency Fostering	1,974	2085	111	111	44	43
In-house Fostering	1,421	1648	227	227	80	76
Secure accommodation	245	245	0	0	2	2
Parent and Baby	105	150	45	45	5	3
Supported lodgings/housing	1,850	1688	(162)	(162)	61	58
Total	**7,417**	**7437**	**20**	**20**	**202**	**192**

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.

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 August. 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 44 placements. We have one new placement in August.
- In-house Foster carer reported a £227k adverse variance. We currently have 80 placements. We have 4 new placements in August. 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 5 Fostering placements. We have two new Parent and Baby Fostering placements in August. We currently have no placement in Residential Parent and Baby placement.
- Semi- Independent expenditure reported a favourable variance of £162k. We currently have 61 placements. This is inclusive of 11 Non- term time placements. We have 3 new placements in August.
- At the end of August, 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	Aug Forecast-spend £000	Variance Aug £000	Variance July £000	Placements Aug No	Placements July No
Independent Agency Fostering	383	679	296	296	10	10
In-house Fostering	378	729	351	351	27	28
Supported lodgings/housing	693	658	(35)	(35)	34	31
UASC grant	(1,200)	(1,819)	(618)	(618)		
Total	**254**	**247**	**(6)**	**(6)**	**71**	**69**

At the end of August, we have a total of 71 USAC placements, 26 under 18 and 45 over 18. Of the 26 under 18 clients, 21 were placed in foster care and 5 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 August, 16 in foster care, 29 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 £13.556m 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 just over £26.3m. There was a separate report on the DSG Deficit Recovery Plan to Cabinet in January 2020 and there will be an updated report to Cabinet later in the year. 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 £7.424m adverse variance on Independent Day School provision. The reason for the significant overspend is due to the high number of placements.

Based on past years' experience, we are expecting the number of placements within Independent day school provision to increase in the year. At this stage it is difficult to predict how many EHCPs' will be issued, or the type of education provision they will require. 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.

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 c£26m cumulative deficit to increase further.

Other adverse variances include £2.092m on EHCP allocations to Merton primary and secondary schools, £1.910m on EHCP allocations to out of borough maintained primary, secondary and special schools, and £1.738m 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 2137 EHCPs in period 5 which is an increase this financial year of 105 finalised EHCPs. As at early September we currently have 204 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 5 the post 16 provision has seen an increase due to high cost placements in the Independent/Further Education colleges agreed during the course of period 5, one of which is £188k. This forecast is based on what is named on individual pupils EHCPs, however, as previously mentioned an audit of EHCP's and where pupils are attending takes place between October and November when the next revised forecast will be made.

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 August 2020 there were 2,137 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 adjusted each July following the end of the previous 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. A full update was included in a separate report on the DSG which went to Cabinet in January 2020.

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 £314k at August 2020, which is consistent with the July forecast. This is made up of forecasted favourable variances in Adult Social Care of £456k, and unfavourable variances in Housing of £517k and Libraries of £253k.

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 Current Budget £'000	2020/21 Full Year Forecast Aug'20 £'000	2020/21 Full Year Forecast Variance Aug'20 £'000	2020/21 Full Year Variance July'20 £'000	2020/21 Covid-19 Forecast Aug'20 £'000	2019/20 Outturn Variance £'000
Adult Social Care	**59,717**	**59,261**	**(456)**	**(443)**	**2,376**	**(717)**
Libraries and Heritage	**2,353**	**2,606**	**253**	**234**	**166**	**70**
Merton Adult Learning	**(5)**	**(5)**	**0**	**0**	**0**	**0**
Housing General Fund	**2,105**	**2,622**	**517**	**522**	**295**	**328**
Public Health	**(157)**	**(157)**	**0**	**0**	**0**	**0**

Total	**64,013**	**64,327**	**314**	**313**	**2,837**	**319**

The forecast above is prepared on the basis of our current understanding of activity. Income is as at period 3 and placement data was unavailable for period 5. 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 gross expenditure of £8.8m which is one-off costs for COVID 19, this includes infection control, and test and track expenditure. Of this £8.8m, £4m has been committed to support care providers.

Further work has been done on this year's savings, as a result of which we have achieved £1.46m of the £2.46m savings target for 2020/21, an improvement of £853k from last period. 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 as no forecasts have been provided. The arrangements whereby health met the costs of all COVID discharges ended on the 31st August. The forecast allows for the likely transfer of costs of those currently paid 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 £456k reflects the reduction in care packages and an increase in community equipment expenditure.

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.

Direct Provision remains in a position of an overall underspend. The Supported Living forecast was increased to reflect a number of issues including tenants increasingly returning to community activities, two tenants returning after living with family, and more day service staff returning to their usual posts after working in this service.

Library & Heritage Service

This service is currently forecasting an unfavourable variance of £253k which is an increase of £19k since July which is mainly due to the under achievability of income on lettings, printing and fines.

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. 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 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 £517k which is a reduction since July which is due to a number of unfavourable variances netted off by an increase in Housing Benefit income.

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 August 2020 there were 210 households in temporary accommodation which represents a decrease of 2 since July.

The moratorium on evictions was initially extended to the 30th September but it seems that a ban on evictions is likely to be in place until March 2021. This will create a rise in expenditure to support and 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 take 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 August 2020

Housing	Budget 2020-21 £000	Forecast (Aug'20) £'000	Forecast Variances (Aug'20) £'000	Forecast Variances (Jul'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)	(363)	(223)	(313)	(321)
Temporary Accommodation-Housing Benefit Income	(2,005)	(2,931)	(926)	(713)	(535)
Temporary Accommodation-Subsidy Shortfall	322	1,365	1,043	978	793
Temporary Accommodation-Grant	0	(943)	(943)	(1,132)	(766)
Subtotal Temporary Accommodation	**580**	**994**	**414**	**281**	**173**
Housing Other Budgets	**1,525**	1,628	103	241	155
Total Controllable (Favourable)/Adverse Variance	**2,105**	**2,622**	**517**	**522**	**328**

Table be shows number of households in Temporary Accommodation to August 2020.

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**
Aug'20	**13**	**15**	**210**	**168**

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 is still liaising with London Programme Board to ensure allocation is adequate to cover potential costs.

Potential Cost pressures:-

- CLCH has indicated the contract is underfunded – that is a risk that has been shared and is significant. Planned meetings are pending.

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. A ring-fenced grant of £965k for Track and Trace is fully committed

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Corporate Items

The details comparing actual expenditure up to 31 August 2020 against budget are contained in Appendix 2. COVID-19 corporate expenditure is again shown on a separate line:-

Corporate Items	Current Budget 2020/21 £000s	Full Year Forecast (Aug.) £000s	Forecast Variance at year end (Aug.) £000s	Forecast Variance at year end (July) £000s	Outturn Variance 2019/20 £000s
Impact of Capital on revenue budget	**11,190**	**11,171**	**(19)**	**(19)**	**(161)**
Investment Income	(707)	(707)	0	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**	**13,465**	**650**	**677**	**(1,405)**
Levies	962	962	0	0	(1)
Depreciation and Impairment	(23,351)	(23,351)	0	0	0
TOTAL CORPORATE PROVISIONS	**1,615**	**2,246**	**631**	**658**	**(1,567)**
COVID-19 Emergency expenditure	0	9,036	9,036	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 July there has been one small change to the forecast where it is now anticipated that the small adverse variance of £27k in Investment Income will not arise and the budget will be achieved at year end.

COVID-19: Loss of Income

The Council is currently completing an analysis of the estimated loss of sales, fees and charges income for submission to MHCLG in order to calculate Government grant to compensate the Council for losses due to COVID-19. Under the scheme, Councils must absorb losses up to 5% of their planned sales, fees and charges income, with the Government compensating them for 75p in every pound of relevant loss thereafter. More details will be provided in next month’s monitoring report.

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:

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	22,742	(500)	**22,242**	17,913	500	**18,413**	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	4,935	15	**4,950**	6,630	220	**6,850**	1,900	0	**1,900**	1,900	0	**1,900**
Environment and Regeneration	15,453	20	**15,473**	12,487	335	**12,822**	8,382	0	**8,382**	7,416	0	**7,416**
TOTAL	**44,681**	**(465)**	**44,217**	**38,859**	**1,055**	**39,914**	**14,931**	**0**	**14,931**	**24,415**	**0**	**24,415**

4.2 <u>Strategic Community Infrastructure Levy (SCIL)</u>
As part of new Regulations and Government guidance that came into effect on 1st September 2019 introducing transparency requirements a formal bidding process has been introduced for SCIL bids which is overseen by the Capital Programme Board. Although, SCIL allows greater flexibility than Section 106 it must deliver a component of infrastructure designed to provide new or better infrastructure/functionality/service or service new customers. SCIL funding can be used on both capital and revenue items

Up to 30th June 2020 £7.7 million of Strategic CIL funding is available for schemes in 2020 and future years. Twenty bids were received during the summer 2020 of which 18 are being progressed amounting to a total of £7.7million (of which £7.6million is capital). All bids are assessed against a prescribed criteria in accordance with government guidance for CIL and council best value considerations. The bid assessment criteria are set out at Appendix 5b(i)

The August Monitoring report is recommending the approval of a first phase of allocations (following the completion of the bidding round) to the Capital Programme totalling £680,405 which is with respect of five bids set out at paragraphs 4.3 c and d below. Further phases of allocations with respect of bids received will be progressed through subsequent monitoring reports.

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

<u>Capital Budget Monitoring - August 2020</u>

Department	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Forecast 2020/21	Full Year Variance
Corporate Services	634,620	1,690,370	(1,055,750)	22,242,070	22,242,070	0
Community and Housing	119,703	304,720	(185,017)	1,551,000	1,364,000	(187,000)
Children Schools & Families	463,746	116,530	347,216	4,950,420	4,950,421	1
Environment and Regeneration	2,057,270	3,270,697	(1,213,426)	15,473,030	15,231,031	(241,999)
Total	**3,275,339**	**5,382,317**	**(2,106,977)**	**44,216,520**	**43,787,522**	**(428,998)**

a) Corporate Services – All budget managers are projecting a full spend against budget. There is one adjustment this month, the £500k Customer Contact Budget is being re-profiled from 2020-21to 2021-22.

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 £187k.

c) Children, Schools and Families – Officers are currently projecting a full spend against budgets. The follow adjustments have been made to departmental budgets:

		Budget 2020-21	Budget 2021-22	Narrative
		£	£	
Children, Schools and Families				
Pollards Hill Digital Divide	(1)	10,000	170,000	SCIL Funding 20-21 Bidding Round
Bond Road Family Centre		5,000	50,000	SCIL Funding 20-21 Bidding Round
Links Primary School		(50,000)		Virement between schemes
William Morris Primary School		50,000		Virement between schemes
Total		**15,000**	**220,000**	

(1) Requires Cabinet approval

d) Environment and Regeneration – Officers are projecting full spend on all budgets apart from favourable variances on three 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.
- Alley Gating is currently showing a favourable variance of £4k

In addition, the following adjustments have been made to the approved departmental programme this month:

		Budget 2020-21	Budget 2021-22	Narrative
		£	£	
Environment and Regeneration				
AFC Wimbledon CCTV	(1)	70,000	0	SCIL Funding 20-21 Bidding Round
Morden Rec Hockey Pitch	(1)	0	135,000	SCIL Funding 20-21 Bidding Round
Cycle Lane Works Plough Lane	(1)	220,000	0	SCIL Funding 20-21 Bidding Round
Residential Secure Cycle Storage		40,000	0	SCIL Funding 20-21 Bidding Round
Figges Marsh Additional Table Tennis		12,000	0	Section 106 Funding
42 Graham Road		(50,000)	50,000	Re-profiling in line with projected spend
Morden TC Regen Match Funding	(1)	(150,000)	150,000	Re-profiling in line with projected spend
Accessibility Programme		(10,240)	0	Reduction in TfL Funding
Casualty Reduction in Schools		(1,520)	0	Reduction in TfL Funding
Safer Walking Routes		(17,670)	0	Reduction in TfL Funding
School Part Time Road Closures		(67,110)	0	Relinquished Budget SCIL Scheme will be replacing
Christmas Lighting		(25,000)	0	Reduction in Budget in line with projected spend
Total		**20,460**	**335,000**	

(1) Requires Cabinet approval

4.4 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	(1,370)	4,079		(4,567)	**22,242**
Community & Housing	2,004	189				(642)	**1,551**
Children Schools & Families	4,566	480		1,034		(1,130)	**4,950**
Environment and Regeneration	18,530	818	(1,733)	1,348	47	(3,537)	**15,473**
Total	**47,199**	**3,487**	**(3,104)**	**6,462**	**47**	**(9,876)**	**44,217**

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

Depts.	Spend To August 2017	Spend To August 2018	Spend to August 2019	Spend to August 2020	Variance 2017 to 2020	Variance 2018 to 2020	Variance 2019 to 2020
CS	714	1,879	900	635	(79)	(1,244)	(266)
C&H	174	408	354	120	(54)	(289)	(234)
CSF	1,213	2,066	3,482	464	(750)	(1,603)	(3,018)
E&R	3,368	5,042	1,554	2,057	(1,311)	(2,984)	503
Total Capital	**5,469**	**9,395**	**6,290**	**3,275**	**(2,194)**	**(6,120)**	**(3,015)**
Outturn £000s	32,230	31,424	26,960				
Budget £000s				44,217			
Projected Spend August 2020 £000s				43,788			
Percentage Spend to Budget				7.41%			
% Spend to Outturn/Projection	16.97%	29.90%	23.33%	7.48%			
Monthly Spend to Achieve Projected Outturn £000s				5,502			

4.6 August is five months into the financial year and departments have spent just under 7.2% 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 July 2020 £000s	Spend To August 2020 £000s	Increase £000s
CS	407	635	228
C&H	81	120	38
CSF	148	464	316
E&R	1,561	2,057	496
Total Capital	**2,198**	**3,275**	**1,078**

4.7 During August 2020 officers spent just over a £1 million, to achieve year end spend officer would need to spend approximately £5.5 million each month to year end. Finance officers will review in detail the projected outturn with budget managers as part of September Monitoring as this is half way through the financial year.

4.8 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 5 Forecast Shortfall	Period Forecast Shortfall (P5)	Period 4 Forecast Shortfall	2021/22 Expected Shortfall
	£000	£000	£000	%	£000	£000
Corporate Services	2,718	1,750	968	35.6%	968	595
Children Schools and Families	2,969	2,235	734	24.7%	734	400
Community and Housing	2,460	1,460	1,000	40.7%	1,853	500
Environment and Regeneration	3,927	812	3,115	79.3%	3,115	0
Total	**12,074**	**6,257**	**5,817**	48.2%	**6,670**	**1,495**

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

Progress on savings 2019/20

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 5B(i) -	Strategic CIL bid assessment criteria
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 (Aug.) £000s	Year to Date Actual (Aug.) £000s	Full Year Forecast (Aug.) £000s	Forecast Variance at year end (Aug.) £000s	Forecast Variance at year end (July) £000s	Outturn Variance 2019/20 £000s
Cost of Borrowing	11,190	11,190	2,631	1,680	11,171	(19)	(19)	(161)
Impact of Capital on revenue budget	**11,190**	**11,190**	**2,631**	**1,680**	**11,171**	**(19)**	**(19)**	**(161)**
Investment Income	**(707)**	**(707)**	**(295)**	**(368)**	**(707)**	**0**	**27**	**(704)**
		-	-	-	-	-		-
Pension Fund	**340**	**340**	**142**	**0**	**340**	**0**	**0**	**(104)**
Corporate Provision for Pay Award	2,231	2,231	929	0	2,881	650	650	0
Corporate Provision for National Minimum Wage	1,500	1,500	625	0	1,500	0	0	0
Provision for excess inflation	450	450	188	0	350	(100)	0	(100)
Pay and Price Inflation	**4,181**	**4,181**	**1,742**	**0**	**4,731**	**550**	**650**	**(100)**
Contingency	1,500	487	203	0	487	0	0	(500)
Single Status/Equal Pay	100	100	42	0	100	0	0	0
Bad Debt Provision	500	500	208	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	10	0	23	0	0	(34)
Apprenticeship Levy	450	450	188	(31)	450	0	0	(22)
Revenuisation and miscellaneous	3,384	1,698	708	169	1,698	0	0	(802)
Growth - Provision against DSG	16,009	16,009	6,670	0	16,009	0	0	0
Contingencies and provisions	**22,378**	**19,268**	**8,028**	**138**	**19,368**	**100**	**0**	**(154)**
Other income	0	0	0	18	0	0	0	(186)
CHAS IP/Dividend	(1,963)	(1,963)	(818)	(60)	(1,963)	0	0	(157)
Income items	**(1,963)**	**(1,963)**	**(818)**	**(42)**	**(1,963)**	**0**	**0**	**(343)**
Appropriations: CS Reserves	(908)	(908)	(378)	0	(908)	0	0	0
Appropriations: E&R Reserves	(317)	(344)	(143)	0	(344)	0	0	0
Appropriations: CSF Reserves	(360)	(448)	(187)	(88)	(448)	0	0	0
Appropriations: C&H Reserves	(104)	(104)	(43)	0	(104)	0	0	0
Appropriations:Public Health Reserves	(1,200)	(1,200)	(500)	0	(1,200)	0	0	0
Appropriations:Corporate Reserves	(8,386)	(5,300)	(2,208)	(5,300)	(5,300)	0	0	0
Appropriations/Transfers	**(11,275)**	**(8,304)**	**(3,460)**	**(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**	**7,971**	**(3,980)**	**1,285**	**631**	**658**	**(1,566)**
Levies	**962**	**962**	**401**	**440**	**962**	**0**	**0**	**(1)**
TOTAL CORPORATE PROVISIONS	**1,754**	**1,615**	**8,372**	**(3,540)**	**2,246**	**631**	**658**	**(1,567)**
COVID-19 Emergency expenditure	**0**	**0**	**0**	**3,305**	**9,036**	**9,036**	**9,258**	**176**
Sub-total: COVID-19 Expenditure	**0**	**0**	**0**	**3,305**	**9,036**	**9,036**	**9,258**	**176**
TOTAL CORPORATE EXPENDITURE inc. COVID-19	**1,754**	**1,615**	**8,372**	**(235)**	**11,282**	**9,667**	**9,916**	**(1,391)**

Appendix 2

Pay and Price Inflation as at August 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 0.2% and RPI at 0.5% and the Council's overall revenue budget under extreme pressure, this budget will be retained as cover and only released in exceptional circumstances.

Pay:
For 2020/21 the final pay award has now been agreed at 2.75% but provision of 2% was included in the MTFS agreed in March, and for the remaining years of the MTFS (2021/22 onwards), pay provision of 2% was also included.

On 24 August 2020 it was announced that the following had been agreed for the 2020/21 pay award:-

- 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.

As previously reported, the impact of a 2.75% pay increase on the Council's budget will increase employee costs in 2020/21 by c.£0.650m for and these will be ongoing and subject to increase for future pay awards. The cost of additional leave has not yet been costed.

Prices:
The latest statistics have been affected by COVID-19. 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 August has reduced to eight; these account for 1.1% of the CPIH basket by weight and made a small downward contribution of 0.01 percentage points to the change in the CPIH 12-month rate; the number of unavailable items is down from 12 for July and a high of 90 for April; for August, the ONS have collected a weighted total of 86.9% of comparable coverage collected previously (excluding unavailable items).

The Consumer Prices Index (CPI) 12-month rate was 0.2% in August 2020, down from 1.0% in July 2020.

The largest contribution to the 12-month inflation rate in August 2020 came from recreation and culture (0.35 percentage points). Falling prices in restaurants and cafes, arising from the Eat Out to Help Out Scheme, resulted in the largest downward contribution (0.44 percentage points) to the change in the 12-month inflation rate between July and August 2020. Other smaller downward contributions came from falling air fares and clothing prices rising by less between July and August 2020 than between the same two months a year ago. The largest, partially offsetting, upward contributions came from games, toys and hobbies, accommodation services, road transport services and second-hand cars.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 0.5% in August 2020, down from 1.1% in July 2020.

The RPI rate for August 2020 was 0.5%, which is down from 1.6% in July 2020.

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 16 September 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.

In the minutes to the MPC meeting ending on 16 September the MPC indicate that the key influences acting on the economic outlook in the short term are the impact of Covid-19 and the Brexit negotiations and how businesses and individuals in the UK react to these. It states that "Twelve-month CPI inflation fell from 1.0% in July to 0.2% in August, consistent with temporary impacts on inflation from the Government's Eat Out to Help Out scheme and the cut in VAT for hospitality, holiday accommodation and attractions. This triggers the exchange of open letters between the Governor and the Chancellor published alongside this monetary policy announcement. CPI inflation is expected to remain below 1% until early 2021, albeit slightly higher than expected at the time of the August Report. The path of growth and inflation will depend on the evolution of the pandemic and measures taken to protect public health, as well as the nature of, and transition to, the new trading arrangements between the European Union and the United Kingdom. It will also depend on the responses of households, businesses and financial markets to these developments. The path of growth and inflation would depend on the evolution of the pandemic and measures taken to protect public health, as well as the nature of, and transition to, the new trading arrangements between the European Union and the United Kingdom. It would also depend on the responses of households, businesses and financial markets to these developments."

In the Monetary Policy Report for August 2020 the MPC made the following assumptions for the 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: Forecasts for the UK Economy

Source: HM Treasury - Forecasts for the UK Economy (September2020)			
2020 (Quarter 4)	Lowest %	Highest %	Average %
CPI	(0.1)	1.8	0.6

RPI	0.1	2.3	1.2
LFS Unemployment Rate	6.2	12.7	8.3
2021 (Quarter 4)	Lowest %	Highest %	Average %
CPI	0.5	3.2	1.9
RPI	1.0	4.9	2.8
LFS Unemployment Rate	5.0	8.6	6.6

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

Independent medium-term projections for the calendar years 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	3.2
LFS Unemployment Rate	5.6	7.6	6.2	5.3	4.9

Appendix 3

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 16 September 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 note that the outlook is being impacted upon by both Covid-19 and uncertainty over the Brexit negotiations although "Indicators of global activity have been broadly in line with the Committee's expectations at the time of the August MPC meeting. The sterling exchange rate index has fallen by around 2%, in part reflecting recent Brexit developments."

It was confirmed in the minutes to the MPC's meeting that it will continue to monitor the situation closely and is prepared to adjust monetary policy accordingly to meet its remit to set monetary policy to meet the 2% inflation target and in a way that helps to sustain growth and employment. The MPC state that it will "keep under review the range of actions that could be taken to deliver its objectives. The Committee did not intend to tighten monetary policy until there was clear evidence that significant progress was being made in eliminating spare capacity and achieving the 2% inflation target sustainably."

<u>Negative Interest Rates</u> As mentioned in the monitoring report for July, it was highlighted that the MPC had discussed its policy toolkit, and the effectiveness of negative policy rates in particular, in the August Monetary Policy Report, in light of the decline in global equilibrium interest rates over a number of years. In this respect the MPC minutes state that "subsequently, the MPC had been briefed on the Bank of England's plans to explore how a negative Bank Rate could be implemented effectively, should the outlook for inflation and output warrant it at some point during this period of low equilibrium rates. The Bank of England and the Prudential Regulation Authority will begin structured engagement on the operational considerations in 2020 Q4."

In its August 2020 Monetary Policy report the MPC has used the following projections implied by current data trends:-

	Projections (August 2020)			
	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

Capital Budget monitoring- August 2020

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Capital	**3,275,339**	**5,382,317**	**(2,106,977)**	**44,216,520**	**43,787,522**	**(428,998)**
Corporate Services	**634,620**	**1,690,370**	**(1,055,750)**	**22,242,070**	**22,242,070**	**0**
Customer, Policy and Improvmen	**115,820**	**0**	**115,820**	**500,000**	**500,000**	**0**
Customer Contact Programme	115,820	0	115,820	500,000	500,000	0
Facilities Management Total	**83,246**	**333,045**	**(249,799)**	**1,445,370**	**1,445,370**	**0**
Works to other buildings	85,443	220,845	(135,402)	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	**435,554**	**857,325**	**(421,771)**	**2,670,490**	**2,670,490**	**0**
Business Systems	34,458	139,475	(105,017)	880,700	880,700	0
Social Care IT System	0	68,220	(68,220)	272,870	272,870	0
Planned Replacement Programme	401,096	649,630	(248,534)	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
Compulsory Purchase Order - Clarion	0	0	0	4,079,460	4,079,460	0
Housing Company	0	500,000	(500,000)	12,816,750	12,816,750	0
Community and Housing	**119,703**	**304,720**	**(185,017)**	**1,551,000**	**1,364,000**	**(187,000)**
Housing	**120,554**	**300,720**	**(180,166)**	**1,177,000**	**990,000**	**(187,000)**
Disabled Facilities Grant	120,554	300,720	(180,166)	827,000	640,000	(187,000)
Major Projects - Social Care H	0	0	0	350,000	350,000	0
Libraries	**(851)**	**4,000**	**(4,851)**	**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	4,000	(4,000)	24,000	24,000	0

Capital Budget monitoring- August 2020

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Children Schools & Families	**463,746**	**116,530**	**347,216**	**4,950,420**	**4,950,421**	**1**
Primary Schools	**242,220**	**0**	**242,220**	**2,335,580**	**2,335,581**	**1**
Hollymount	(356)	0	(356)	0	0	0
West Wimbledon	(901)	0	(901)	39,350	39,350	0
Hatfeild	18,406	0	18,406	54,910	54,910	0
Hillcross	(4,802)	0	(4,802)	83,290	83,290	0
Dundonald	18,754	0	18,754	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	43,535	0	43,535	81,990	81,990	0
Wimbledon Park	425	0	425	40,000	40,000	0
Abbotsbury	67,812	0	67,812	137,200	137,200	0
Malmesbury	0	0	0	35,000	35,000	0
Morden	(2,219)	0	(2,219)	0	0	0
Bond	6,092	0	6,092	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	3,110	0	3,110	170,000	170,000	0
Singlegate	0	0	0	0	0	0
St Marks	14,250	0	14,250	165,000	165,000	0
Lonesome	33,680	0	33,680	46,740	46,741	1
Sherwood	23,155	0	23,155	201,200	201,200	0
Stanford	(1,768)	0	(1,768)	0	0	0
William Morris	0	0	0	53,200	53,200	0
Unlocated Primary School Proj	0	0	0	921,250	921,250	0

Appendix 5a

Capital Budget Monitoring- August 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	**120,473**	**0**	**120,473**	**1,990,260**	**1,990,260**	**0**
Perseid	(15,649)	0	(15,649)	285,970	285,970	0
Cricket Green	43,607	0	43,607	366,150	366,150	0
Melrose	81,932	0	81,932	1,070,590	1,070,590	0
Secondary School Autism Unit	0	0	0	50,000	50,000	0
Unallocated SEN	(9,417)	0	(9,417)	204,210	204,210	0
Melbury College - Smart Centre	20,000	0	20,000	13,340	13,340	0
CSF Schemes	**144,297**	**116,530**	**27,767**	**364,570**	**364,570**	**0**
CSF IT Schemes	(1,353)	0	(1,353)	0	0	0
Devolved Formula Capital	145,650	116,530	29,120	349,570	349,570	0
Children's/Family Centres	0	0	0	5,000	5,000	0
Youth Provision	0	0	0	10,000	10,000	0

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2020/21	Full Year Variance
Environment and Regeneration	**2,057,270**	**3,270,697**	**(1,213,426)**	**15,473,030**	**15,231,031**	**(241,999)**
Public Protection and Developm	**0**	**126,552**	**(126,552)**	**450,340**	**325,340**	**(125,000)**
On Street Parking - P&D	0	30,000	(30,000)	100,000	100,000	0
Off Street Parking - P&D	0	51,450	(51,450)	200,000	75,000	(125,000)
CCTV Investment	0	45,102	(45,102)	150,340	150,340	0
Street Scene & Waste	**(117,973)**	**112,900**	**(230,873)**	**604,630**	**600,630**	**(4,000)**
Fleet Vehicles	0	105,700	(105,700)	542,200	542,200	0
Alley Gating Scheme	1,200	7,200	(6,000)	24,000	20,000	(4,000)
Waste SLWP	(119,173)	0	(119,173)	38,430	38,430	0
Sustainable Communities	**2,175,243**	**3,031,245**	**(856,001)**	**14,418,060**	**14,305,061**	**(112,999)**
Street Trees	4,768	19,800	(15,032)	126,000	126,000	0
Wimbledon Area Roads	0	0	0	125,000	125,000	0
Raynes Park Area Roads	0	7,833	(7,833)	26,110	26,110	0
Highways & Footways	1,771,009	1,158,329	612,680	5,853,890	5,853,891	1
Cycle Route Improvements	107,356	39,717	67,639	352,390	352,390	0
Mitcham Transport Improvements	2,435	28,983	(26,548)	96,610	96,610	0
Colliers Wood Area Regeneratio	6,838	4,500	2,338	15,000	15,000	0
Mitcham Area Regeneration	19,527	686,265	(666,738)	2,935,050	2,935,050	0
Wimbledon Area Regeneration	70,000	236,490	(166,490)	914,920	914,920	0
Morden Area Regeneration	0	60,000	(60,000)	50,000	50,000	0
Borough Regeneration	9,466	159,915	(150,449)	805,630	805,630	0
Morden Leisure Centre	9,693	14,170	(4,477)	55,000	55,000	0
Wimbledon Park Lake and Waters	14,012	60,500	(46,489)	329,500	329,500	0
Sports Facilities	36,816	60,000	(23,184)	458,840	458,840	0
Parks	123,326	494,743	(371,417)	2,274,120	2,161,120	(113,000)

Virement, Re-profiling and New Funding - August 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	-									
Customer Contact	(1)	**1,000,000**		(500,000)		**500,000**	**1,500,000**	500,000	**2,000,000**	Re-profiled Budget
Children, Schools and Families										
Pollards Hill Digital Divide	(1)	**0**		10,000		**10,000**	**0**	170,000	**170,000**	SCIL Funding 20-21 Bidding Round
Bond Road Family Centre		**0**		5,000		**5,000**	**0**	50,000	**50,000**	SCIL Funding 20-21 Bidding Round
Links Primary School		**220,000**	(50,000)			**170,000**			**0**	Virement between schemes
William Morris Primary School		**3,200**	50,000			**53,200**			**0**	Virement between schemes
Environment and Regeneration										
AFC Wimbledon CCTV		**0**		70,000		**70,000**	**0**	0	**0**	SCIL Funding 20-21 Bidding Round
Morden Rec Hockey Pitch	(1)	**0**				**0**	**0**	135,000	**135,000**	SCIL Funding 20-21 Bidding Round
Cycle Lane Works Plough Lane	(1)	**0**		220,000		**220,000**	**0**		**0**	SCIL Funding 20-21 Bidding Round
Residential Secure Cycle Storage		**0**		40,000		**40,000**	**0**		**0**	SCIL Funding 20-21 Bidding Round
Figges Marsh Additional Table Tennis		**0**		12,000		**12,000**	**0**		**0**	Section 106 Funding
42 Graham Road		**50,000**			(50,000)	**0**	**0**	50,000	**50,000**	Re-profiling in line with projected spend
Morden TC Regen Match Funding	(1)	**200,000**			(150,000)	**50,000**	**2,040,000**	150,000	**2,190,000**	Re-profiling in line with projected spend
Accessibility Programme		**27,650**		(10,240)		**17,410**			**0**	Reduction in TfL Funding
Casualty Reduction in Schools		**5,570**		(1,520)		**4,050**			**0**	Reduction in TfL Funding
Safer Walking Routes		**60,770**		(17,670)		**43,100**			**0**	Reduction in TfL Funding
School Part Time Road Closures		**67,110**		(67,110)		**0**			**0**	Relinquished Budget SCIL Scheme will be replacing
Christmas Lighting		**95,000**		(25,000)		**70,000**			**0**	Reduction in Budget in line with projected spend
Total		**1,729,300**	**0**	**(264,540)**	**(200,000)**	**1,264,760**	**3,540,000**	**1,055,000**	**4,595,000**	

(1) Requires Cabinet Approval

Strategic CIL bid assessment criteria

SCIL - What can you bid for/what qualifies?

Must...

- comply with CIL Regulations
  - Infrastructure to support the development of area,
  - not affordable housing,
  - not repayment of loans/interest,
  - not predicated on future receipts).
- deliver a component of infrastructure **designed** to provide new or better infrastructure/functionality/service or serve new customers.
- reflect the Local Plan Infrastructure Delivery Plan and annual Infrastructure Funding Statement
- Be a deliverable and supportable scheme for infrastructure investment in all other respects.

Helpful:

- link to strategic development

e.g. Clarion Estate Regeneration/Wimbledon Stadium or other development identified as a site allocated for development in Merton's Local Plan.

Notes:

- Generally CIL will not be applied to replacement/renewals however a part award may be possible to reflect any enhanced benefit where this is an objective/desired outcome of the project.
- In exceptional circumstances Strategic CIL may be awarded for replacement infrastructure where that infrastructure is critical for the overall functioning of the borough.

Capital Programme Funding Summary 2020/21

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Proposed July Monitoring	31,472	13,209	44,681
Corporate Services			
Customer Contact Programme	(500)	0	(500)
Children, Schools and Families			
Pollards Hill Digital Divide	10	0	10
Bond Road Family Centre	5	0	5
Environment and Regeneration			
AFC Wimbledon CCTV	70	0	70
Cycle Lane Works Plough Lane	220	0	220
Residential Secure Cycle Storage	40	0	40
Figges Marsh Additional Table Tennis	12	0	12
42 Graham Road	(50)	0	(50)
Morden TC Regen Match Funding	(150)	0	(150)
Accessibility Programme	0	(10)	(10)
Casualty Reduction in Schools	0	(2)	(2)
Safer Walking Routes	0	(18)	(18)
School Part Time Road Closures	(67)	0	(67)
Christmas Lighting	(25)	0	(25)
Proposed August Monitoring	31,037	13,179	44,217

Capital Programme Funding Summary 2021/22

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
July 2020 Monitoring	31,689	7,171	38,859
Corporate Services			
Customer Contact Programme	500	0	500
Children, Schools and Families			
Pollards Hill Digital Divide	170	0	170
Bond Road Family Centre	50	0	50
Environment and Regeneration			
Morden Rec Hockey Pitch	135	0	135
42 Graham Road	50	0	50
Morden TC Regen Match Funding	150	0	150
Proposed August Monitoring	32,744	7,171	39,914