Cabinet
Date: 7 February 2022

Subject: Financial Report 2021/22 – Period 9 December 2021

Lead officer: Roger Kershaw

Lead member: Councillor Owen Pritchard

Recommendations:

A. That Cabinet note the financial reporting data for month 9, December 2021, relating to revenue budgetary control, showing a forecast net adverse variance at year end on net service expenditure of £5.373m, increasing to £7.276m when corporate and funding items are included, a decrease of £82k compared to last month

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

	Budget 2021-22	Narrative
Corporate Services	£	
Business Systems - Payroll IT System	3,000	Additional Costs Funded from a Rev. Reserve
Invest to Save - Decarbonisation Scheme	(397,240)	Revised Grant Funded Scheme
Business Systems - SENDIS	(109,410)	Remaining MIB Money Project 53 tor Revenue
Children, Schools and Families		
Harris Academy Wimbledon	72,740	SCIL Funding for additional costs of the scheme
Links - Capital Maintenance	(15,000)	Virement reflecting projected outturn
Sherwood - Capital Maintenance	15,000	Virement reflecting projected outturn
Environment and Regeneration		
Borough Regeneration - Carbon Offset Funding	150,000	Section 106 Scheme
Total	**(280,910)**	

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the period 9 monitoring report for 2021/22 presented in line with the financial reporting timetable.
This financial monitoring report provides -

- A full year forecast projection as at period 9.
- 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 2021/22;
- Progress on the delivery of the 2021/22 revenue savings

2. THE FINANCIAL REPORTING PROCESS

2.1 The budget monitoring process for 2021/22 continues to focus on the ongoing financial impact of Covid-19. The Council's services remain under pressure due to the need to support businesses and residents, particularly vulnerable groups in need of social care and there has been a major reduction in the Council's income which is expected to continue for some time. The detrimental impact of Covid-19 is being monitored closely as the situation evolves.

2.2 There are also significant pressures on the Dedicated Schools Grant (DSG) which are being monitored. The cumulative deficit at the end of 2020/21 was £24.981m and the deficit is forecast to continue to increase in 2021/22, the cumulative deficit is now estimated to be £37.817m by the end of this financial year. A positive outcome of the Safety Valve discussions could have an impact on the overall financial outturn, if grant is received this financial year.

2.3 Chief Officers, together with budget managers with support from 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.

3. 2021/22 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

Executive summary – At period 9 to 31 December 2021, the year end forecast is a net adverse variance of £7.276m when all incremental Covid costs are included, after applying known government grant funding. Whilst Merton has been part of the Safety Valve discussions with the DfE, at the time of writing the outcome is not yet known. If support is confirmed, this could have a positive impact on the 2021/22 outturn position.

Summary Position as at 31st December 2021

	Current Budget 2021/22 £000s	Forecast Variance at year end (December) £000s	Forecast Variance at year end (November) £000s	Covid-19 Forecast Variance £000s	Outturn variance 2020/21 £000s
Department					
Corporate Services	11,890	1,179	1,202	845	3,746
Children, Schools and Families	63,049	496	499	714	(2,971)
Community and Housing	69,470	(1,202)	(1,339)	1,133	(2,264)
Public Health	(0)	0	0	0	(18)
Environment & Regeneration	15,329	4,900	4,646	7,084	10,689
Overheads	0	0	0	0	0
NET SERVICE EXPENDITURE	**159,737**	**5,373**	**5,008**	**9,776**	**9,182**
Corporate Items					
Impact of Capital on revenue budget	11,157	(145)	(145)	0	(27)
Other Central budgets	(7,488)	106	553	0	2,151
Levies	959	0	0	0	0
TOTAL CORPORATE PROVISIONS	**4,628**	**(39)**	**408**	**0**	**2,124**
Covid-19	**0**	833	833	**833**	**176**
TOTAL GENERAL FUND	**164,365**	**6,167**	**6,249**	**10,609**	**11,306**
FUNDING					
Revenue Support Grant	(5,187)	0	0	0	0
Business Rates	(34,339)	0	0	0	0
Other Grants	(16,949)	0	0	0	(382)

Council Tax and Collection Fund	(98,434)	0	0	0	4
COVID-19 emergency funding	(6,811)	0	0	0	0
Income compensation for SFC	(2,643)	1,109	1,109	1,109	
FUNDING	**(164,363)**	**1,109**	**1,109**	**1,109**	**(378)**
NET	**2**	**7,276**	**7,358**	**11,718**	**10,928**

The current level of GF balances is £14.0m and the minimum level reported to Council for this is £14.0m.

Covid-19 Financial Impact

The government announced a scheme to reimburse Councils for lost income from sales, fees and charges. This involves a 5% deductible rate, whereby the Council absorbs up to 5% and the government compensation covers 75p in every pound of relevant loss thereafter. The scheme was extended for the first quarter of 2021/22. Amounts expected from the income compensation scheme have now been included in the forecast, subject to confirmation by DLUHC. This is c.£1.5m which represents a shortfall against a budgeted £2.643m as the circumstances around the pandemic and impact on income greatly improved for the first quarter compared to when the budget was set, particularly around parking income.

The ongoing situation with high levels of uncertainty, and the Omicron variant, continues to make forecasting difficult for the year ahead as it's unclear if or when some service areas will see activity return to pre-covid levels.

Covid Expenditure

Covid expenditure which is incremental is reported centrally on Corporate items – Covid costs. These are the incremental costs not covered by specific covid grants.

Income shortfall

Income budgets are included within departments so the impact of Covid-19 on lost income is reflected in departmental forecasts.

Savings unachieved

Departmental budgets are adjusted for the agreed savings targets for 2021/22 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 departments. This is inclusive of 2020/21 savings which remain under pressure.

Covid-19 Summary

COVID-19 COST SUMMARY	Forecast as at December 2021 2021/22 £000s	Forecast as at November 2021 2021/22 £000s
Department	-	-
Corporate Services	845	846
Children, Schools and Families	714	714
Community and Housing	1,133	1137
Environment & Regeneration	7,084	6,854
TOTAL INCOME LOSS & SAVINGS UNACHIEVED	**9,776**	**9,551**
Corporate Items - Covid costs		
Corporate Services	115	115
Children, Schools and Families	180	180
Community and Housing	242	242
Environment & Regeneration	296	296
ADDITIONAL COVID EXPENDITURE	**833**	**833**
FUNDING		
Business Rates	4,494	4,717
Council Tax	0	0
TOTAL FUNDING LOSS	**4,494**	**4,717**
GROSS COST OF COVID-19	**15,103**	**15,101**
Covid general funding	**-6,811**	**-6,811**
Income compensation for sales, fees & charges	**-1,534**	**-1,534**
NET COST OF COVID-19	**6,758**	**6,756**

Covid-19 impact on the Collection Fund

Due to COVID-19 the amount of Business Rates collected will be less than budgeted for 2021/22 when the budget was approved by Council in March 2021. There is usually a small surplus or deficit which arises because the amount collected during the year will vary for different reasons such as new businesses arriving and leaving during the year.

Due to Covid-19 the level of collection is less than expected and will result in a deficit in Business Rates for the financial year 2021/22. This deficit is currently estimated at £4.494m as shown in the covid table above to demonstrate the full impact of covid, however, due to the way Business Rates are accounted for in local authorities, any shortfall will not be reflected in the 2021/22 financial year but will be managed via the Collection Fund and accounted for in future years. The Council will build estimates for Business Rates including any deficit/surplus from previous accounting years into the MTFS and budgets for 2022/23 onwards. The estimated deficit is therefore not reflected in the main summary position table for 2021/22 as it will not impact the general fund outturn.

In 2020/21 Merton collected 90.04% of its Business Rates income. As at the end of December, 2021/22 business rates collected is 0.67% more than the equivalent for last year. The collection rate is forecast to be 91% by year end, an improvement on 2020/21.

On 3 March 2021 the government confirmed that the Expanded Retail Discount would continue to apply in 2021/22 at 100% for three months, from 1 April 2021 to 30 June 2021, and at 66% for the remaining period, from 1 July 2021 to 31 March 2022. The government confirmed that there would be no cash cap on the relief received for the period from 1 April 2021 to 30 June 2021. From 1 July 2021, relief will be capped at £105,000 per business, or £2 million per business where the business is in occupation of a property that was required, or would have been required, to close, based on the law and guidance applicable on 5 January 2021.

In December 2021 a further business rate relief scheme was announced which could see bills reduced by £4.7m. However, at the time of writing the details of how the scheme will be applied are yet to be confirmed and may not be applied in time for March 2022. If the scheme's reliefs are applied during 2021/22 it will improve the overall collection rate achieved.

Cashflow

The Covid-19 outbreak created pressure on the council's cash flow but the position started to settle down since summer 2021. Through prudent treasury cash flow management, 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 (MMFs).

In light of Government relief announcements made last year, the Council continues to see a reduction in income. Therefore, in order to meet its commitments going forward it was decided to keep the bulk of the Council's available funds in cash/MMFs to maintain liquidly. This approach helped the council meet its cash flow needs and avoided any short term unplanned borrowing. In November 2020 the council increased its number of MMF and MMF limits to maintain a healthy liquid position.

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

Even though the UK Economy showed a pre pandemic growth in November, in December due to the spread of Omicron/and moving to Plan B of the pandemic the economy slowed down. However the Bank of England base rate was increased from 0.10% to 0.25% on the 16 December and as a result of this the Council was able to get better interest income on our deposits.

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

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, but there remains a concern over the longer term in the context of the DSG deficit, subject to successful Safety Valve funding. However, if a cash shortfall 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	Current Budget £000	Full year Forecast (December) £000	Full Year Forecast Variance (December) £000	Full Year Forecast Variance (November) £000	Covid-19 Forecast Impact (December) £000	Outturn Variance 2020/21 £000
Customers, Policy & Improvement	5,755	5,542	(214)	(216)	60	915
Infrastructure & Technology	12,545	12,682	137	131	176	(51)
Corporate Governance	1,750	1,830	80	79	17	(88)
Resources	5,698	5,978	280	295	472	1,811
Human Resources	1,903	2,111	207	234	120	102
Corporate Other	710	1,398	688	679	0	1,057
Total (Controllable)	**28,361**	**29,540**	**1,179**	**1,202**	**845**	**3,746**

Overview

The department is currently forecasting an adverse variance of £1,179k at year end of which £845k is due to the external impact of covid-19. The adverse forecast variance has reduced by £23k since November.

Customers, Policy and Improvement - £214k favourable variance

The favourable variance is primarily due to various vacancies expected to be held for part of the year, such as in the AD (£134k) and Programme Office budgets (£61k).

The Voluntary Sector Coordination budget is also forecasting a favourable variance of £43k on grants expenditure as commitments are less than the overall budget.

The Registrars services are also forecasting a favourable variance of £57k due to the strong recovery of income levels following the cessation of covid restrictions earlier this year. The forecast has seen a £13k favourable movement since period 8 (November) mainly due to reduced staff costs as winter months mean fewer ceremonies and weddings hence a reduction in reliance on casual staff.

Additional favourable variances include £49k due to an over-achievement of income forecast against the cash collection saving, £30k staffing underspends within the complaints team and £27k within Merton Link's supplies and services budget lines.

Partially offsetting the favourable variances are the Press and PR budget which is forecasting a £128k adverse variance owing to the use of agency staff to cover the Head of Communications post pending the completion of a restructure. There is also a net adverse variance of £60k in the Translations services due to under-achievement against the income budget as external demand remains low and a £23k adverse variance in the Policy and Strategy team partly due to the use of agency staff.

Infrastructure & Technology - £137k 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 £214k on the Corporate Print Strategy and £103k on the PDC (Chaucer Centre). These are reviewed throughout the year and adjusted depending on the level of staff returning to the office. 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 £96k adverse variance due to the lack of commissions since the pandemic began, though the forecast is significantly improved on the outturn position for 2020/21. There is a variance on Corporate Contracts (£28k adverse) due to 2020/21 savings for reducing cleaning in corporate buildings remaining unachievable within the current circumstances. A further £41k adverse variance is within the Client Financial Affairs team, mainly relating to the unachieved saving (reference 2019-20 CS23) relating to the introduction of a charging scheme.

There are also multiple favourable variances within the division, such as on the Microsoft EA (Enterprise Agreement) which is forecast less than budgeted by £130k and £78k in Safety Services due to recruitment lag as well as contingency not expected to be required in year. There is a favourable £46k variance forecast for Garth Road from rental income. Transactional Services are forecasting an underspend of £43k. This is due to an underspend on salaries resulting from a vacant post (now filled), plus recovered expenses. The Business Systems Team is also forecasting a £36k favourable variance due to vacancies in the team.

Corporate Governance – £80k adverse variance

The adverse variance is primarily due to forecast overspend within LBM Legal Service (£128k) of which £115k results from prior year unachieved savings which are recommended to be reversed as part of the MTFS to be presented to Cabinet in February.

The adverse variance has been partially offset by favourable variances within the division which include £15k within AD Corporate Governance due to recharges to migration work for the AD's salary costs, £10k within Democracy Services from IT costs and Mayor's allowances spend being less than budgeted, £17k across Electoral Services largely from less than budgeted canvass pay and £15k within the South London Legal Partnership (SLLp).

SLLp is currently forecasting a £76k surplus overall, £15k is forecast to be LBM's share. The variance in SLLp is largely due to reduced running costs as staff largely continue to work remotely and less than budgeted staffing costs.

Resources - £280k adverse variance

The adverse variance forecast within Resources has reduced by £15k since November. The favourable movement is partly due to new income not previously forecasted against the Local Taxations Services worth £30k and a £20k reduction in Benefits Administration partly offset by a £31k adverse movement against the AD resources budgeted line resulting from the E payments project.

Within Resources there are multiple budgets forecasting adverse variances due to Covid-19. Resulting from covid is an adverse variance forecast in the Bailiffs service of £326k (inclusive of the shared service element) as a result of unachieved income which will be monitored as the circumstances around the pandemic improve and the service is able to operate more fully. The Local Taxation Service has a £153k favourable variance overall due to additional funding from the GLA and new burdens income from DWP.

The Corporate Accountancy service is forecasting a £152k adverse variance which includes agency cover due to long-term sickness and an increase in fee proposed by the Council's external auditors, EY, though confirmation of the fee increase is still outstanding. A further adverse variance of £120k is forecast on insurance premium. Even though six schools moved out of the council cover, the insurance premium did not change significantly. The service is currently working on the open claims and are planning to reduce the annual insurance provision to the insurance fund to mitigate the overspend on the insurance premium. They are also doing detailed work on the properties and there is a possibility that a few of the properties can be removed from the insurance cover for next year and this will help to reduce the insurance premium from 2022/23.

The Financial Systems Team is forecasting a £33k adverse variance owing to salary budget pressure as well as revenue costs for upgrading the financial system planned for later this year.

Within the Benefits Administration service a £143k favourable variance is largely due to grant receipts from DWP.

Favourable variances within Resources include £12k on the Director of Corporate Services budget due to consultants and subscription budgets not required in year. The Support team within Revenues and Benefits has £30k favourable variances mainly against staffing costs. Additional underspends within resources include £16k due to vacancies with the Budget Management team.

Human Resources – £207k adverse variance

The adverse variance has seen a £27k favourable movement since period 8 (November). This has been a result of an in-depth review of the Learning & Development budgets which have identified favourable variances against the training budget line and have resulted in a favourable movement of £57k since period 8 (November). The favourable movement is partially offset by a £21k adverse movement in HR transactions following forecast information received from Kingston.

This adverse variance is primarily due to agency cover in place against the AD budget (£102k variance) and staff side budget resulting from maternity leave (£20k).

Additionally, there is an adverse variance of £148k relating to the HR Transactions budget for the shared payroll system and iTrent client team charges from Kingston. This is reflective of a saving not expected to be achieved in year as new contract negotiations were delayed as a result of covid during 2020/21.

The Payroll service is anticipating a £46k favourable variance across various staffing and running costs as well as overachievement of schools buyback income.

Corporate Items - £688k adverse variance

The Corporate Items budget has seen an adverse movement of £10k since period 8 (November). This is primarily due to a £32k increase in forecast costs from Westminster Coroner's Service following the latest charge information received for quarter 3.

The above is partially offset by a £11k favourable movement in added years pension forecast.

Environment & Regeneration

Environment & Regeneration	2021/22 Current Budget £000	Full year Forecast (Dec) £000	Forecast Variance at year end (Dec) £000	Forecast Variance at year end (Nov) £000	2021/22 Covid-19 Forecast Impact (Dec) £000	2020/21 Outturn Variance £000
Public Protection	(16,031)	(11,427)	4,603	4,289	6,019	8,973
Public Space	16,205	16,721	516	576	596	2,003
Senior Management	1,043	868	(175)	(191)	0	(134)
Sustainable Communities	8,330	8,285	(44)	(27)	469	(153)
Total (Controllable)	**9,546**	**14,446**	**4,900**	**4,646**	**7,084**	**10,689**

Description	2021/22 Current Budget £000	Forecast Variance at year end (Dec) £000	Forecast Variance at year end (Nov) £000	2020/21 Variance at year end £000
Regulatory Services	625	261	183	194
Parking Services	(17,675)	4,369	4,107	8,804
Safer Merton & CCTV	1,019	(27)	0	(25)
Total for Public Protection	**(16,031)**	**4,603**	**4,289**	**8,973**
Waste Services	14,553	395	395	875
Leisure & Culture	549	213	279	764
Greenspaces	1,832	(79)	(79)	525
Transport Services	(729)	(14)	(19)	(161)
Total for Public Space	**16,205**	**516**	**576**	**2,003**
Senior Management & Support	1,043	(175)	(191)	(134)
Total for Senior Management	**1,043**	**(191)**	**(191)**	**(134)**
Property Management	(2,636)	(294)	(269)	(381)
Building & Development Control	(15)	en170	137	281
Future Merton	10,981	81	105	(53)
Total for Sustainable Communities	**8,330**	**(44)**	**(27)**	**(152)**
Total Excluding Overheads	**9,546**	**4,900**	**4,646**	**10,689**

Overview

The department is currently forecasting an adverse variance of £4,900k at year end. The main areas of variance are Regulatory Services, Parking Services, Waste Services, Leisure & Culture, Greenspaces, Property Management, Development & Building Control and Future Merton.

Public Protection

Regulatory Services adverse variance of £261k

The section has cumulative income savings of £210k relating to potential commercial opportunities. However, the focus for the financial year 2020/21 needed to be redirected from income generation to Covid-19 service delivery and service improvement including a major IT project The section will be undertaking a review in the new financial year on the commercial opportunities that remain post-pandemic.

The IT transition Project is scheduled for completion in the first quarter of 22/23 which will then permit some resources to refocus on income generation. Covid-19 continues to impact licensing income due to continually changing business and restrictions resulting in a reduction in income from, Premises Licences, Massage and Special Treatment Licences, Street Trading Licences and Gambling Licences. Licensing income has improved through an increase in licence applications some resulting from the new Pavement Licencing Regime. Business recovery does show signs of improvement however licensing income remains below pre-pandemic levels. The economic impact on businesses arising from Covid-19 has also resulted in an increased trend (circa 30%) for non-payment of outstanding annual fees and an amount of unlicensed business activity. Officers are undertaking increased engagement with these businesses to ensure compliance. Current forecasts estimate an adverse variance against the licencing income budget of £30k.
Parking Services adverse variance of £4,369k The income forecast has moved adversely by £262k since November. Covid-19 continues to affect parking revenue across the board including ANPR, PCNs as well as on and off-street charges income. Analysis to better understand the short and longer-term impact of this is ongoing, but current forecasts show the adverse variance on PCN, P&D, and permit income of £2.1m, £1.26m, and £1.08m respectively. This is primarily due to a reduction in proposed income from across the various permit categories.

These adverse variances are being partially offset by a favourable variance on parking admin fee of £206k, employee spend of £115k and supplies and services £18k (of which £135k relates to the research and modernisation of SSZs cameras which will not be utilised until next year).

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. The extent to which behaviour has been affected is masked by the impact of Covid-19, but work continues to try and better understand this. A recent review of the budget expectation has indicated a shortfall of £2,100k. Additionally, there is a 2020/21 and 2021/22 saving (ENV1920-01) of £680k 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 February 2022.

It should also be noted that that £750k EBC savings target this year will now be met from the corporate contingency, for which a budget transfer has taken place following Cabinet approval in October 2021

Public Space

Waste Services adverse variance of £395k

Period 9 forecasts have been reviewed and there has been no movement since period 8. The omicron variant has not had a significant impact on the services being deployed however the service has activated its Business Continuity Plan and is prioritising general and food waste collections. They will continue to be monitored closely.

The section is forecasting an adverse variance on disposal costs of £368k. 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 Government advice in relation to Covid-19. This has resulted in an increase in overall domestic waste across all kerbside collection services. In order to mitigate this cost, the service is currently supporting SLWP in the planning of the re-procurement of both Food and Garden waste processing services which currently expire in 2022.

An adverse variance of £223k is being forecast in relation to its waste collection and street cleansing contract, as a result of agreed and necessary services being undertaken on our behalf by the service provider.

An adverse variance of £164k is also being forecast in relation to the Household, Reuse, Recycling Centre (HRRC), mainly as a result of extending the current contract during 2020/21, via a contract variation, in order to both minimise future costs and to align the contract period with the other SLWP boroughs. The service is currently exploring alternative access for residents to neighbouring sites along with implementing improvements to the current booking system which has contributed to the management of waste volumes. To date there are no planned service changes, and we note that any significant change to the provision of this service will first be presented to Cabinet for consideration.

Favourable variances on the Council's Environmental Enforcement services in respect of enforcing and issuing Fix Penalty Notices for littering (£199k), and employee related spend (£113k) is partially mitigating these adverse variances.

Leisure & Culture adverse variance of £213k

Due to the ongoing impact of Covid-19 the Authority continues to support our service provider, GLL and this has resulted in an income shortfall of £368k against a budget of £818k. In the last financial year, Merton loaned GLL £575k, GLL have indicated that they would either be able to payback an interest free amount of £400k or a proportion of the guaranteed income starting from October 2021.During this time the Authority has been incurring lower utility costs at these premises, leading to a forecast favourable variance of £8k.

The continuation of Covid-19 related restrictions at the Wimbledon Sailing Base has also led to programmes with less attendees being available, resulting in a net adverse variance of £45k being forecast.

Favourable variances on one-off reimbursement costs of £100k, and employee related spend of £85k and supplies and services related spend of £43k is partially mitigating these adverse variances.

Greenspaces favourable variance of £79k

The favourable variance is primarily due to an increase in rental income from Wimbledon Tennis Fortnight outdoor events of £152k and over recovery of Phase C income of £62k. This will need to be closely monitored to ensure any changes to outdoor events due to the Omicron variant are reflected in future outturns.

The variance is reduced by anticipated under-recovery of income from outdoor events entertainment (£90k) and Parking Charges (£50k) resulting from the Covid-19 restrictions at the start of the year.

Sustainable Communities

Property Management favourable variance of £294k

The favourable movement has increased by £25k from period 8 (November). This is primarily due to the service receiving £60k funding from the GLA against a budget of £40k.

The principal reason for the favourable variance relates to exceeding the commercial rental income expectations by £571k, which includes £167k of one-off income from conducting the backlog of rent reviews in line with the tenancy agreements. There is also a favourable variance on employees of £116k due to underspend being forecast on salaries against a budget of £312k.

This is being partially offset by an adverse variance of £138k on premises related expenditure, for example, building improvements, utilities, repairs & maintenance costs, and £178k on supplies & services related expenditure, for example, on employment of consultants to progress rent reviews due to lack of internal resource, and valuations to support asset valuations and potential disposals.

Building and Development Control adverse variance of £170k

The adverse movement has increased by £33k since period 8 (November). This is due to an increase in staffing costs of £83k, which have been partly offset by a £46k favourable movement within the Development Control income resulting from an increase in application numbers and a significant increase in pre-apps being booked.

The adverse variance is primarily due to a £199k under recovery in Building control income and £122k adverse variance on the employee budget lines. This adverse variance is partly offset by a £114k anticipated over recovery in Development Control income and £34k supplies and services underspend.

Children Schools and Families

CMT Summary

Children, Schools and Families (£000's)	2021/22 Current Budget	Full Year Forecast	Forecast Variance December	Forecast Variance November	2021/22 Covid Forecast Impact
Education					
Education Budgets	£ 17,110	£ 17,245	£ 135	£ 148	£ 274
Depreciation	£ 9,801	£ 9,801			
Other Education Budgets	£ 127	£ 127			
Education Services Grant	-£ (1,062)	-£ (1,062)			
Education Sub-total	**£ 25,976**	**£ 26,111**	**£ 135**	**£ 148**	**£ 274**
Other CSF					
Child Social Care & Youth Inclusion	£ 21,009	£ 21,344	£ 336	£ 326	£ 440
Cross Department	£ 908	£ 983	£ 25	£ 25	
PFI Unitary Costs	£ 8,168	£ 8,168	£ -		
Pension and Redundancy Costs	£ 1,592	£ 1,592			
Other CSF Sub-total	**£ 31,677**	**£ 32,087**	**£ 361**	**£ 351**	**£ 440**
Grand Total	**£ 57,653**	**£ 58,198**	**£ 496**	**£ 499**	**£ 714**

Overview

At the end of December 2021, the Children Schools and Families directorate is forecasting an adverse variance against budget of £0.496m on local authority funded services. This is a small favourable movement since period 8. Since period 6 there is the inclusion of £300k costs relating to the DSG "Safety Valve" team.

£714k Covid-19 cost pressure has been identified relating to savings shortfalls from the last financial year. These have been included in the forecast position. There remains some uncertainty about the likely level of increased costs due to Covid-19. We are currently reviewing one of the larger savings for this year relating to the PFI that requires additional modelling by the service and finance jointly. The £400k saving based on Public Health commissioning is not achievable as this recommissioning has not taken place. The increased numbers of children needing CP plans last year is now reducing nearer to expected levels and our looked after children numbers are stable. An additional temporary project team was secured to help with the increased demand in our first response service which has helped to keep caseloads at acceptable levels.

It has remained difficult to forecast the patterns of demand across all services as families, communities and services return to normal life, subject to the current Omicron variant. We continue to monitor the situation closely and respond in a timely way to changes.

Local Authority Funded Services

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

Local Authority Funded Services (£000's)	Budget		December Variance		November Variance	
Child Social Care and Youth Inclusion						
Adolescent & Family Services	£	2,113	-£	(349)	-£	(359)
Asylum Seeker Costs (14+)	£	137	£	126	£	126
Asylum Seeker Costs (ART)	£	306	£	30	£	30
Children Cntrl Social Wrk Serv	£	4,285	-£	(88)	-£	(88)
Head of ChildSoclCare& YthIncl	£	213	-£	(45)	-£	(45)
Mash & Child Protection Serv	£	2,643	-£	(152)	-£	(152)
Safeguarding, Stndrds & Train	£	1,210	-£	(159)	-£	(159)
Senior Management	£	271	-£	(4)	-£	(4)
Children In Care and Resources	£	9,831	£	976	£	976
CSC & Youth Incl Total		**21,009**		**335**		**325**
Education						
Contracts, Proc & School Org	£	7,455	£	180	£	3
Early Years & Children Centres	£	4,100	-£	(240)	£	172
Education - School Improvement	£	20	-£	(9)	-£	(3)
Education Inclusion	£	1,780	-£	(130)	-£	(102)
Schools Delegated Budget	£	-	£	-	£	-
SEN & Disability Integrat Serv	£	2,076	-£	(44)	-£	(181)
Senior Management	£	864	£	293	£	204
Policy, Planning & Performance	£	523	£	122	£	92
Departmental Business Support	£	211	-£	(37)	-£	(37)
Education Total	**£**	**17,029**	**£**	**135**	**£**	**148**

Children’s Social Care and Youth Inclusion Division

The Children in Care service is recording an adverse forecast of £976k compared with budget the same as the position in period 8. To note, the full £400k Public Health saving which was predicated on recommissioning integrated services, which has not taken place, (referred to in the overview section above) has all been put against this budget. This savings option is now no-longer achievable. Over the past year there has been an increase in placements of children with complex needs in high cost provision. Additionally, providers have increased the cost of caring for the most complex children. We continue to ensure that children’s plans are reviewed regularly with senior managers offering support and challenge to explore alternative arrangements coupled with a focus on commissioning and procurement activity to ensure best value is obtained through a more systemised purchasing approach.

The Division overall is forecasting an adverse variance against budget of £335k at period 9 which is a very small increase since period 8.

Education Division

The Education forecast for Senior Management includes forecast costs for the agency staff which are part of the DSG Safety Valve team. Spend to the end of the year is likely to be in the region of £300k and these costs have been included within the forecast.

The Education Division forecast has been based on a spend situation returning to more normal levels.

Transport costs have risen to more usual levels and seen some increases where transport has been more difficult to commission, we will continue to closely monitor this area of spend. Work is underway to reduce transport spend but in the short term higher provider costs and demand have increased costs. Underspends in Early Years have offset some of the increased transport costs and these were due to staff movement and a reduction in the need for additional staff previously anticipated.

The Division overall is forecasting an adverse variance against budget of £135k, this is a small favourable movement from period 8.

Schools PFI

The schools PFI budget will balance this year. However, the higher inflation rate will significantly increase the budget requirement for 2022/23. Discussion are underway as to how this is met.

Dedicated Schools Grant (DSG)

The Dedicated Schools Grant (DSG) is forecasting an outturn of £12.836m. This is a decrease of £21k from last period.

Dedicated Schools Budget (£000's)	Budget		December Variance		November Variance	
Education						
Contracts, Proc & School Org	£	286	£	3	-£	(4)
Early Years & Children Centres	£	16,335	-£	(522)	-£	(590)
Education - School Improvement	£	1,107	-£	(131)	-£	(131)
Education Inclusion	£	1,468	£	30	£	38
SEN & Disability Integrat Serv	£	17,468	£	12,608	£	11,423
Sub-total	£	36,664	£	11,988	£	10,736
CSC & Youth Inclusion						
Adolescent & Family Services	£	3	£	-	-£	(2)
Sub-total	£	3	£	-	-£	(2)
Schools Delegated Budget						
DSG Reserve	£	-	£	-	£	-
Retained Schools Budgets	£	2,945	-£	(1,123)	-£	(946)
Schools Delegated Budget	-£	(39,744)	£	1,971	£	3,069
Sub-total	-£	(36,799)	£	848	£	2,123
DSG Total	**-£**	**(132)**	**£**	**12,836**	**£**	**12,857**

The DSG had a cumulative overspend of £24.981m at the end of 2020/21.

Merton has been selected as one of the LAs to take part in the 'safety valve' intervention programme with the DfE as it has one of the highest percentage deficits in the country as at the end of 2020/21. The programme aims to agree a package of reform to our high needs system that will bring the DSG deficit to a positive position. We have provided an updated plan to the DfE which they will present to Ministers. An update will be provided to Cabinet in February as part of the MTFS report, but if successful, we are unlikely to hear about the detail of any financial support and performance targets until late January.

From last month, Independent placement day school placements have increased from 377 in total to 378 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. 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 the overall DSG deficit to be in line with current forecast. The current additional pressure of the DSG is forecast to be £12.836m for 2021/22, with an overall estimated cumulative deficit of £37.817m by year end.

Main DSG reporting variances against DSG budget is £7.4m Independent placements,
£1.2m EHCPs in primary and secondary schools in Merton, £1.9m Out of Borough day schools, £1.8m special school top ups, and Out of Borough EHCPs £500k.

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.

In addition to the pressures on the high needs block, which are clear from the budget monitoring figures highlighted above and which continue into 2022/23 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. 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 and whilst some extra funding has been provided, it is still insufficient to meet the increase in demand from EHCPs.

Community and Housing

Overview

Community and Housing is currently forecasting a favourable variance of £1.2m as at December 2021. This is made up of forecasted favourable variances in Adult Social Care of £1.6m, and a reduced unfavourable variance in Housing to £328k, and an increased unfavourable variance in Libraries of £54k. Public Health and Merton Adult Learning continue to forecast a breakeven position.

Community and Housing Summary Position

The forecast reflects the uncertainty surrounding the impact of the pandemic on the departments' budgets which may be further affected by the Omicron variant.

Community & Housing	2021/22 Current Budget £	2021/22 Full Year Forecast £ (Dec)	2021/22 Full Year Variance £ (Dec)	2021/22 Full Year Variance £ (Nov)	2021/22 Covid-19 Forecast £ (Dec)	2021/22 Outturn Variance £ (Mar'21)
Adult Social Care	58,822	57,238	(1,584)	(1,723)	1,077	(2,947)
Libraries and Heritage	2,475	2,529	54	32	56	195
Merton Adult Learning	0	0	0	0	0	0
Housing General Fund	3,333	3,661	328	352	0	489
Public Health	(163)	(163)	0	0	0	0
Total Favourable/ Unfavourable	64,467	63,265	(1,202)	(1,339)	1,133	(2,263)

Adult Social Care

Adult Social Care is forecasting a favourable variance of £1.6m for December 2021. The current position reflects an increase in placements and client contribution between November to December, of £347k plus an estimated £400k for an expected increase in activity to March. It also reflects Hospital Discharge Pathway income to date from the NHS (National Health Service) Southwest London Clinical Commissioning Group.

Monthly Movements in Packages of Care

Month	New Customers	Deceased Customers	Customers No Longer Receiving a Service	Net Movement
April'21	48	-9	-13	26
May'21	31	-16	-18	-3
June'21	32	-17	-22	-7
July'21	45	-13	-13	19
Aug'21	43	-14	-25	4
Sept'21	53	-22	-25	6
Oct'21	58	-16	-24	18
Nov'21	50	-18	-16	16
Dec'21	57	-28	-20	9
Total to Date	**417**	**-153**	**-176**	**88**
Average to Date	**46**	**-17**	**-20**	**9**
Average 2020/21	**37**	**-27**	**-17**	**-7**
Average 2019/21	**34**	**-24**	**-24**	**-14**
Average 2018/19	**36**	**-23**	**-25**	**-11**

The above table shows that there were 417 new customers since April to December. It is also shows that since September new customers per month were greater than or equal to 50. The service is currently undertaking a deep dive into the placement data to ascertain reasons for this increase, this process continues but increases are in the older people cohort.

The service is now implementing the winter plan with health partners. The service successfully bid for over £1m from the NHS to support winter resources and those proposals are being implemented. One of the most significant risks to those plans are the difficulties in recruitment both by the Council, buy our partners and providers. This is true across grades and disciplines in the health and care system and has a direct impact on the ability to keep pace with discharge activity, both initial acute discharge and 4 week follow up at the end of the designated NHS funded discharge period.

The Omicron variant has added additional pressures to the system, including demand for care. Mandatory vaccination of the health and social care workforce phase two is in implementation alongside the wider push to roll out booster jabs and testing at a scale. The deadline for care home vaccination expired on the 11th of November 2021 and Merton based providers are able to cope with the impact. Phase 2 implementation is from 1st April 2022. Levels of vaccination amongst Home

Care staff is much lower so real efforts are required to increase take up ahead of the deadline. There is a risk that if insufficient home care is available, we will need to use more expensive temporary options such as residential care.

The Discharge to Assess model still continues with health partners. Customers transferred to the borough via the Hospital Discharge Pathway funded nationally for four weeks there is evidence that these customers are then transfer to new packages which will become a budget pressure in 2022/23. Based on numbers as at December the full year estimate annual effect could be £400k assuming all things remain equal. Discharge activity is expected to remain under severe pressure into 2022/23 as general hospital activity is at record levels, amplified by, but despite Omicron, together with an ever-growing backlog of elective procedures.

Pathways: -

Pathway 0- 50 % of Clients

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

Pathway 1- 45% of clients

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

Pathway 2- 4% of clients

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

Pathway 3-1% of clients

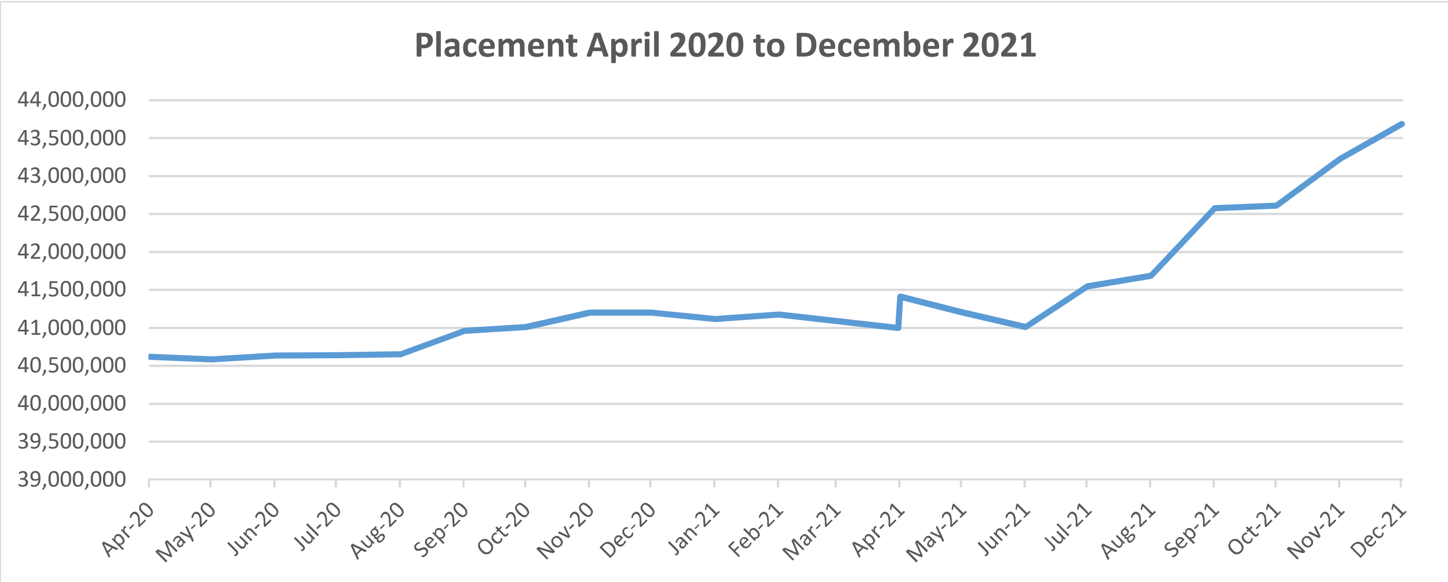
- People who require 24 hours bed based care

Pathway Discharge Activities			
Date	**Pathway 1**	**Pathway 2**	**Pathway 3**
Average April to Dec'21	**35**	**8**	**3**
Average April to Dec'20	**25**	**5**	**3**
Average April to Oct'21	**34**	**8**	**3**
Average April to Oct'20	**24**	**5**	**2**

The above table shows average number of customers discharged to LBM from April to December.

The line graph below continues to indicate that there is an upward trend in placements, and it is especially in additional support for current customers thus reason for additional £400k estimated activity added to December's forecast. Also as previously alluded to the current increase seems to be from the older people cohort which could be due to the impact of the covid-19 pandemic possibly the effects of long covid-19.

This trend may also be partly explained by sectors of the economy reopening and a return for many to more 'normal' working patterns. The upturn in trend also coincides with the winding up of the Government Furlough scheme and where family carers can no longer support people, in the same way they could through lockdowns and therefore packages of care are needed to replace this support. There can also often be a more complex presentation of need as a result. However, this situation could also change again due to the Omicron variant and any future government guidance and restrictions.



Adult Social Care Internal Provision –favourable Variance - £102k

The Internal provision service is currently forecasting a favourable position which is an improved position since November. This is mainly due to revised forecast on budget lines that will remain unspent or less will be spent due to covid-19 and staffing costs.

This service favourable variance is a result of some underspend in salaries at JMC and Glebelands, where there have been some issues in staff recruitment. This has been delayed due to some I-Trent issues, but posts are now available to advertise. We have revised the forecast of the Merton Employment Team as we have not yet drawn on all of the additional expenditure for the planned employment pilot. This will be fully utilised in the new financial year. Salaries are stable across the service despite some sickness issues which are being tackled with HR input.

JMC reduced its forecast as some specialist equipment which was planned is not currently needed. There has been an adjustment made as a sum of £11,961 claimed in 2020/21 for Infection Control Grant usage was not utilised and this sum was not recovered last year, but has now been identified and will be reclaimed this year

Library & Heritage Service- Unfavourable Variance - £54k

This service at the end of December is showing an unfavourable variance of £54k, which is an increase of £22k since November, and this is the net effect of additional income from on-line printing and lettings but increased legal costs.

Due to the impact of the pandemic and the reduced service offering in the first half of the year there is underachieved income from fees, fines and charges. The security services contract and utilities costs also continue to overspend and have been included in forecasts since the start of the year.

Demand for services continues to recover and usage of libraries is increasing month on month.

Online services and new services like Connecting Merton, the services IT equipment loaning and training project, are in particularly high demand. The Barclay's community banking offer at 3 libraries launched in January and of a business start-up centre at Mitcham Library is scheduled to open shortly too.

Adult Learning- Breakeven position

Adult Learning continues to forecast a breakeven position. Merton Adult Learning is fully funded by external grants from the GLA (Greater London Authority) and ESFA (Education and Skills Funding Agency).

Adult Learning budgets operate to an academic year and the new grant allocations from the GLA and ESFA started in August. This year's curriculum has been developed to even further focus on reskilling residents for the post-pandemic job market and has a particular focus on increasing participation from residents in priority wards in the east of the borough.

Housing General Fund- Unfavourable variance - £328k

This service is currently forecasting an unfavourable variance of £328k as at December which is a net reduction of £24k since November. Please note that housing benefit forecast was not updated in December's forecast as it was not possible to process in time before the ledger closed and would have distorted the projections.

There are no further approaches from Afghan Families and currently there is only one in temporary accommodation as the second family has been rehoused in the private sector.

The demand for accommodation continues to exceed supply which creates difficulties in the re-housing of households with acute housing need including those living in expensive temporary accommodation.

However, notwithstanding the challenges of predicting demand upon the TA (Temporary Accommodation) budget there is also the need to be mindful of the effects to TA subsidy, HB (Housing Benefit) contributions and client contributions which are all factors which shape the service's predictions.

It remains the case that there has not been a significant increase in demand due to the end of the eviction ban, but there continues to be increased pressure in terms of homeless approaches due to domestic abuse following the Domestic Abuse Act.

Analysis of Housing and Temporary Accommodation Expenditure to December 2021

Housing	Total Budget 2021/22 £000	Forecast Expenditure (Dec'21) £'000	Forecast Variances (Dec'21) £'000	Forecast Variances (Nov'21) £'000	Outturn Variances (March'21) £000
Temporary Accommodation-Expenditure	2,439	3,503	1,064	1,064	1,286
Temporary Accommodation-Client Contribution	(140)	(331)	(191)	(191)	(253)
Temporary Accommodation-Housing Benefit Income	(2,087)	(2,552)	(465)	(465)	(931)
Temporary Accommodation-Subsidy Shortfall	322	1,155	833	833	1,029
Temporary Accommodation-Grant	0	(985)	(985)	(985)	(851)
Subtotal Temporary Accommodation	**534**	**790**	**256**	**256**	**280**
Housing Other Budgets	2,799	2,871	72	96	209
Total Controllable (Favourable)/Unfavourable Variance	**3,333**	**3,661**	**328**	**352**	**489**

The above is an analysis of Housing expenditure to date. Please note that the temporary accommodation forecast was not updated for December.

Number of households in Temporary Accommodation as at December 2021

Temporary Accommodation	Numbers In	Numbers Out	Net Movement	Previous Year
Mar’17	-	-	186	Position as at March for previous financial years
Mar’18	16	16	165	
Mar’19	15	11	174	
Mar’20	12	6	199	
Mar’21	11	7	197	
			2021/22	2020/21
Apr’21	12	10	199	196
May’21	16	17	198	204
June’21	9	16	191	213
July’21	24	8	207	212
Aug’21	12	12	207	210
Sept’21	19	9	217	211
Oct’21	14	16	215	214
Nov’21	13	12	216	208
Dec’21	13	10	219	200

Total numbers in temporary accommodation (TA) as at December were 219 family units this is an increase of three since November. In comparison to December 2020/21 and 2019/20 the numbers were 200 and 183, respectively. The above also demonstrates that net numbers in temporary accommodation have increased steadily since April.

Public Health –Breakeven positions

The service is forecasting a breakeven position as at December 2021.

Potential Cost pressures

The service continues to seek a resolution with NHS provider CLCH for both the children's contract (health visitors and school nurses) and for sexual health. The provider is currently involved in an open-book exercise.

Covid-19 Related Programmes

The team, together with public protection, is leading on outbreak management and Covid-19 resilience, implementing the refreshed Local Outbreak Management Plan (LOMP) which includes provision of local contact tracing, support for community testing with Lateral Flow Tests (LFTS) and surge testing in cases of outbreaks and variants of concern.

LOMP implementation costs will be covered by Control Outbreak Management Fund (COMF), or directly charged to DHSC (Department of Health & Social Care) (Department of Health & Social Care) where there is a variant of concern. It is expected that the COMF will be able to be carried forward into 2022/23 in agreement with DHSC. A new grant for Community Vaccine Champions was announced recently and LBM has will receive an allocation of £485k which needs to be spent by the end of July 2022.

Corporate Items

The details comparing actual expenditure up to 31 December 2021 against budget are contained in Appendix 2. COVID-19 corporate expenditure is again shown on a separate line:-

Corporate Items	Current Budget 2021/22 £000s	Full Year Forecast (Dec.) £000s	Forecast Variance at year end (Dec.) £000s	Forecast Variance at year end (Nov.) £000s	Outturn Variance 2020/21 £000s
Impact of Capital on revenue budget	**11,157**	**11,012**	**(145)**	**(145)**	**(27)**
Investment Income	(387)	(467)	(80)	(83)	(141)
Pension Fund	86	86	0	0	2,646
Pay and Price Inflation	3,338	2,813	(525)	(525)	(250)
Contingencies and provisions	24,294	19,533	(4,761)	(4,311)	331
Income Items	(2,223)	(2,223)	0	0	7,413
Appropriations/Transfers	(7,002)	(1,530)	5,472	5,472	(7,848)
Central Items	**29,262**	**29,223**	**(39)**	**408**	**2,124**
Levies	959	959	0	0	0
Depreciation and Impairment	(25,593)	(25,593)	0	0	0
TOTAL CORPORATE PROVISIONS	**4,628**	**4,589**	**(39)**	**408**	**2,124**
COVID-19 Emergency expenditure	0	818	818	833	5,356
TOTAL CORPORATE EXPENDITURE inc. COVID-19	**4,628**	**5,407**	**779**	**1,241**	**7,480**

Based on expenditure to 31 December 2021, a favourable variance of £39,000 is forecast for corporate expenditure items. There has been a net improvement of £447,000 in the overall position since November due to:-

- A small adverse change of £3,000 in the forecast for investment income
- An increase of £250,000 in the anticipated underspend in the corporate contingency
- It is expected that the current budget of £200,000 for loss of income arising from the P3/P4 scheme will not be required

5 Capital Programme 2021-25

5.1 The Table below shows the movement in the 2021/25 corporate capital programme since the last monitoring report:

Depts	Current Budget 21/22	Variance	Revised Budget 21/22	Current Budget 22/23	Variance	Revised Budget 22/23	Original Budget 2023-24	Variance	Revised Budget 23/24	Original Budget 2024-25	Variance	Revised Budget 24/25
Corporate Services	8,364	(474)	**7,890**	9,072		**9,072**	5,245		**5,245**	13,071		**13,071**
Community & Housing	1,412		**1,412**	2,530		**2,530**	972		**972**	720		**720**
Children Schools & Families	7,237	73	**7,310**	5,629		**5,629**	1,900		**1,900**	1,900		**1,900**
Environment and Regeneration	15,053	150	**15,203**	14,357		**14,357**	7,918		**7,918**	7,324		**7,324**
Total	**32,066**	**(251)**	**31,815**	**31,588**	**0**	**31,588**	**16,035**	**0**	**16,035**	**23,016**	**0**	**23,016**

5.2 The table below summarises the position in respect of the 2021/22 Capital Programme as at December 2021. The detail is shown in Appendix 5a.

Capital Budget Monitoring - December 2021

Department	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Forecast 2020/21	Full Year Variance
Corporate Services	1,201,675	1,467,185	(265,510)	7,889,900	3,331,093	(4,558,807)
Community and Housing	943,422	839,881	103,541	1,412,160	1,412,160	0
Children Schools & Families	5,063,204	4,568,188	495,016	7,309,840	7,309,840	0
Environment and Regeneration	7,332,279	9,234,503	(1,902,224)	15,202,780	14,819,290	(383,490)(383,490)
Total	**14,540,580**	**16,109,757**	**(1,569,177)**	**31,814,680**	**27,263,093**	**(4,551,587)**

a) Corporate Services – After the adjustments in the table below budget managers are projecting full spend on all budgets apart from:

		Budget 2021-22	Narrative
Corporate Services	-	£	
Business Systems - Payroll IT System	(1)	3,000	Additional Costs Funded from a Rev. Reserve
Invest to Save - Decarbonisation Scheme	(1)	(397,240)	Revised Grant Funded Scheme
Business Systems - SENDIS	(1)	(109,410)	Remaining MIB Money Project 53 tor Revenue
Business Systems - GIS System		29,650	Funded by Merton Improvement Board Project 56

(1) Requires Cabinet approval

- Despite regular chasing officers do not receive regular updates in relation to Westminster Coroner Court (£60k) and Clarion CPO schemes (£4,079k), both of these schemes show no expected spend at outturn.
- Within Business Systems; Public Protection and Planning (£341k), Ancillary Systems (£50k) and the Regulatory Systems Project (£29k) will not be progressed this financial year and are showing favourable variances.

b) Community and Housing – There are no budget adjustments this month and all budget managers are projecting full spend.

c) Children, Schools and Families – After adding £73k to Harris Academy Wimbledon (which is SCIL funded) and moving £15k budget from Links Primary to Sherwood Primary for capital Maintenance , officers are expecting a full spend on all budgets
The Melrose School expansion is a major scheme which is due to be completed by the end of February 2022, some two months later than expected. The contract is subject to a series of cost claims by the contractor which are being considered by the council's appointed project manager and quantity surveyor. It may be some time before a final account contract sum is agreed.

d) Environment and Regeneration – There are no budget adjustments this months, all budget managers are projecting full spend apart from:

- Officers are projecting a £1k favourable variance on Alley Gating
- Officers are projecting a £5k favourable variance on Borough Regeneration – Bramcote Parade Improvements
- Rowan Park Community Facility a £150k favourable variance is projected as it not expected that any expenditure is likely to be incurred this financial year
- Wimbledon Park Car Park Resurfacing a £40k favourable variance is currently projected as no expenditure is expected this financial year
- Officers are projecting a £147k favourable variance on the Canons Parks for the People Scheme (split £141k within Mitcham Area Regeneration and £6k within Parks Investment).
- SLWP – Waste Bins - £10k favourable variance
- SLWP - Sub Cleanse Depot in Mitcham - £15k favourable variance
- Wimbledon Area Regeneration - Deen City Farm - £16k favourable variance from refunded grant as they were not able to progress part of the scheme

5.3 It is envisaged that the majority of favourable variances identified in paragraph 5.2 will be slipped into 2022-23.

5.4 The table below summarises the movement in the Capital Programme for 2021/22 since its approval in March 2021 (£000s):

Depts.	Original Budget 21/22	Net Slippage 2021/22	Adjustments	New External Funding	New Internal Funding	Re-profiling	Revised Budget 21/22
Corporate Services	11,205	1,123	(707)	(722)	186	(3,195)	**7,890**
Community & Housing	1,132	135	(50)	262	12	(80)	**1,412**
Children Schools & Families	9,050	432	135	1,139	73	(3,519)	**7,310**
Environment and Regeneration	19,408	3,141	(718)	55	1,444	(8,127)	**15,203**
Total	**40,795**	**4,831**	**(1,339)**	**734**	**1,714**	**(14,921)**	**31,815**

5.5 The table below compares capital expenditure (£000s) to December 2021 to that in previous years':

Depts.	Spend To December 2018	Spend To December 2019	Spend to December 2020	Spend to December 2021	Variance 2018 to 2021	Variance 2019 to 2021	Variance 2020 to 2021
CS	3,975	1,982	1,289	1,202	(2,774)	(781)	(87)
C&H	635	645	298	943	309	298	646
CSF	4,777	6,843	1,257	5,063	286	(1,780)	3,806
E&R	11,155	5,856	6,614	7,332	(3,823)	1,476	718
Total Capital	**20,542**	**15,327**	**9,458**	**14,541**	**(6,002)**	**(786)**	**5,083**

Outturn £000s	31,424	26,960	15,123	
Budget £000s				31,815
Projected Spend December 2021 £000s				27,263
Percentage Spend to Budget				45.70%
% Spend to Outturn/Projection	65.37%	56.85%	62.54%	53.33%
Monthly Spend to Achieve Projected Outturn £000s				3,808

5.6 December is three quarters of the way through the financial year and departments have spent just over 45.7% of the budget. Spend to date is higher than one of the last three previous financial years

Department	Spend To November 2021 £000s	Spend To December 2021 £000s	Increase £000s
CS	891	1,202	311
C&H	840	943	104
CSF	4,719	5,063	344
E&R	6,605	7,332	727
Total Capital	**13,055**	**14,541**	**1,486**

5.7 During December 2021 officers spent just under £1.5 million, to achieve year end spend officers would need to spend approximately £3.8 million each month to year end. Finance officers will continue to review in detail the projected outturn with budget managers. Based on previous years spend patterns the estimated outturn is expected to be between £21 to £24m with a most likely outturn of £22m

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

6 DELIVERY OF SAVINGS FOR 2021/22

Progress on savings 2021/22

Department	Target Savings 2021/22	Projected Savings 2021/22	Period 9 Forecast Shortfall	Period Forecast Shortfall (P9)	2022/23 Expected Shortfall
	£000	£000	£000	%	£000
Corporate Services	1,322	1,090	232	17.5%	80
Children Schools and Families	1,460	410	1,050	71.9%	400
Community and Housing	2,541	1,517	1,024	40.3%	1,000
Environment and Regeneration	1,580	311	1,269	80.3%	750
Total	**6,903**	**3,328**	**3,575**	51.8%	**2,230**

Appendix 6 details the progress on unachieved savings from 2021/22 by department and the impact on the current year and next year.

Progress on savings 2020/21

Department	Target Savings 2020/21	Shortfall 2020/21	Projected Shortfall 2021/22 (December)	Projected Shortfall 2022/23 (December)
	£000	£000	£000	£000
Corporate Services	2,718	883	213	678
Children Schools and Families	2,969	664	500	0
Community and Housing	2,460	128	128	128
Environment and Regeneration	3,927	3,373	2,837	0
Total	**12,074**	**5,048**	**3,678**	**806**

Appendix 7 details the progress on unachieved savings from 2020/21 by department and the impact on the current year and next year.

7. CONSULTATION UNDERTAKEN OR PROPOSED

7.1 All relevant bodies have been consulted.

8. TIMETABLE

8.1 In accordance with current financial reporting timetables.

9. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

9.1 All relevant implications have been addressed in the report.

10. LEGAL AND STATUTORY IMPLICATIONS

10.1 All relevant implications have been addressed in the report.

11. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

11.1 Not applicable

12. CRIME AND DISORDER IMPLICATIONS

12.1 Not applicable

13. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

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

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

Appendix 1- Detailed Corporate Items table
Appendix 2 – Pay and Price Inflation
Appendix 3 – Treasury Management: Outlook
Appendix 4 - Miscellaneous Debt Update December 2021
Appendix 5A – Current Capital Programme
Appendix 5B - Detail of Virements
Appendix 5C - Summary of Capital Programme Funding
Appendix 6 – Progress on savings 2021/22
Appendix 7 – Progress on savings 2020/21

15. BACKGROUND PAPERS

15.1 Budgetary Control files held in the Corporate Services department.

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APPENDIX 1

3E.Corporate Items	Original Budget 2021/22 £000s	Current Budget 2021/22 £000s	Year to Date Budget (Dec.) £000s	Year to Date Actual (Dec.) £000s	Full Year Forecast (Dec.) £000s	Forecast Variance at year end (Dec.) £000s	Forecast Variance at year end (Nov.) £000s	Outturn Variance 2020/21 £000s
Cost of Borrowing	11,157	11,157	8,368	3,762	11,012	(145)	(145)	(27)
Use for Capital Programme						0	0	0
Impact of Capital on revenue budget	**11,157**	**11,157**	**8,368**	**3,762**	**11,012**	**(145)**	**(145)**	**(27)**
Investment Income	**(387)**	**(387)**	**(290)**	**(341)**	**(467)**	**(80)**	**(83)**	**(141)**
Pension Fund	**86**	**86**	**65**	**0**	**86**	**0**	**0**	**2,646**
Pay and Price Inflation	**3,338**	**3,338**	**2,503**	**0**	**2,813**	**(525)**	**(275)**	**(250)**
Contingency	1,500	500	375	12	250	(250)	0	(365)
Bad Debt Provision	1,500	1,500	1,125	270	1,500	0	0	388
Loss of income arising from P3/P4	400	200	150	0	0	(200)	0	0
Loss of HB Admin grant	23	23	17	0	23	0	0	(23)
Apprenticeship Levy	450	450	338	97	450	0	0	(80)
Revenuisation and miscellaneous	8,005	7,544	5,658	362	3,233	(4,311)	(4,311)	411
Growth - Provision against DSG	14,078	14,078	10,559	0	14,078	0	0	0
Contingencies and provisions	**25,955**	**24,294**	**18,221**	**741**	**19,533**	**(4,761)**	**(4,311)**	**331**
Other income	0	0	0	(5)	0	0	0	7,413
CHAS IP/Dividend	(2,223)	(2,223)	(1,668)	(1,172)	(2,223)	0	0	0
Income items	**(2,223)**	**(2,223)**	**(1,668)**	**(1,177)**	**(2,223)**	**0**	**0**	**7,413**
Appropriations: CS Reserves	(1,656)	(1,156)	(867)	500	(1,156)	0	0	0
Appropriations: E&R Reserves	(50)	(337)	(253)	0	(337)	0	0	0
Appropriations: CSF Reserves	(303)	(200)	(150)	(200)	(200)	0	0	0
Appropriations: C&H Reserves	(104)	(104)	(78)	0	(104)	0	0	0
Appropriations:Public Health Reserves	(93)	(93)	(70)	0	(93)	0	0	0
Appropriations:Corporate Reserves	(5,472)	(5,112)	(3,834)	360	360	5,472	5,472	(7,848)
Appropriations/Transfers	**(7,678)**	**(7,002)**	**(5,252)**	**661**	**(1,530)**	**5,472**	**5,472**	**(7,848)**
Depreciation and Impairment	**(25,593)**	**(25,593)**	**0**	**0**	**(25,593)**	**0**	**0**	**0**
Central Items	**4,654**	**3,669**	**21,947**	**3,646**	**3,630**	**(39)**	**658**	**2,124**
Levies	**959**	**959**	**719**	**959**	**959**	**0**	**0**	**0**
TOTAL CORPORATE PROVISIONS	**5,614**	**4,628**	**22,666**	**4,606**	**4,589**	**(39)**	**658**	**2,124**
COVID-19 Emergency expenditure	0	0	0	818	818	**818**	**1,036**	**5,356**
Sub-total: COVID-19 Expenditure	0	0	0	818	818	818	1,036	5,356
TOTAL CORPORATE EXPENDITURE inc. COVID-19	**5,614**	**4,628**	**22,666**	**5,423**	**5,407**	**779**	**1,694**	**7,480**

APPENDIX 2

Pay and Price Inflation as at December 2021
In 2021/22, the budget includes 1,5% for increases in pay and 1.5% for increases in general prices, with an additional amount 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 5.4% and RPI at 7.5% and the Council's overall revenue budget under extreme pressure, this budget will be retained as cover and only released in exceptional circumstances.

Pay:
As previously advised, in February 2021, unions submitted a pay claim of 10% plus other requirements but on 14 May 2021 the National Employers made a pay offer of 1.5% to the NJC unions.

On 27 July 2021, the National Employers made a "final offer" as follows:
- With effect from 1 April 2021, an increase of 2.75 per cent on NJC pay point 1
- With effect from 1 April 2021, an increase of 1.75 per cent on all NJC pay points 2 and above
- Completion of the outstanding work of the joint Term-Time Only review group

The employers also considered non-pay elements of union proposals and hope joint discussions can begin on the basis of the following:-

- A national minimum agreement on homeworking policies for all councils

In response the unions UNISON, GMB and Unite are urging local government employers to rethink their revised pay offer of a 1.75% pay rise (with 2.75% for those on the bottom pay point) for 2021/22 by "awarding an increase that will properly and fairly reward council and school support staff". Unite are to ballot its 70,000 members on whether they should take industrial action, including the option to strike. The ballot will run from 1 September 2021 to 4 October 2021. Unions have consulted their members and further information about future action is awaited.

With 1.5% provided for a pay award in 2021/22, if unions accept the 1.75% offer it will require additional budget of c.£0.225m in 2021/22 and future years. (a 1% increase costs c.£0.9m per year).

Prices:
The Consumer Prices Index (CPI) rose by 5.4% in the 12 months to December 2021, up from 5.1% in November. On a monthly basis, CPI increased by 0.5% in December 2021, compared with a rise of 0.3% in December 2020. The largest upward contributions to the December 2021 12-month inflation rate came from housing and household services and transport, principally from motor fuels and second-hand cars.
The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 4.8% in the 12 months to December 2021, up from 4.6% in the 12 months to November. The largest upward contributions to the change in the CPIH 12-month inflation rate between November and December 2021 came from food and non-alcoholic beverages, restaurants and hotels, furniture and household goods, and clothing and footwear. These were partially offset by large downward contributions to change from transport, and recreation and culture.

The RPI rate for December 2021 was 7.5%, which is up from 7.1% in November 2021.

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 15 December 2021, the MPC voted by a majority of 8-1 to increase Bank Rate by 0.15 percentage points, to 0.25%. The Committee voted unanimously for the Bank of England to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £20 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £875 billion, and so the total target stock of asset purchases at £895 billion. The minutes of the next meeting of the MPC will be published on 3 February 2022.

The MPC state that "In the MPC's central projections in the November Monetary Policy Report, global and UK GDP were expected to recover further from the effects of Covid-19 (Covid) in the near term. Conditioned on the rising path for Bank Rate expected by financial markets at that time, upward pressure on CPI inflation was expected to dissipate over time, as supply disruption eased, global demand rebalanced from goods to services, and energy prices stopped rising. Earnings growth was also expected to fall back from its current rate. As a result, inflation was projected to fall back materially from the second half of next year.."

In terms of the outlook going forward, however, the MPC believe that "relative to the November Report projection, there has been significant upside news in core goods and, to a lesser extent, services price inflation. Bank staff expect inflation to remain around 5% through the majority of the winter period, and to peak at around 6% in April 2022, with that further increase accounted for predominantly by the lagged impact on utility bills of developments in wholesale gas prices. Indicators of cost and price pressures have remained at historically elevated levels recently, and contacts of the Bank's Agents expect further price increases next year driven in large part by pay and energy costs. CPI inflation is still expected to fall back in the second half of next year….The Committee judges that an increase in Bank Rate of 0.15 percentage points is warranted at this meeting."

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 (January 2022)			
2021 (Quarter 4)	Lowest %	Highest %	Average %
CPI	3.5	5.1	4.7
RPI	6.0	6.8	6.6
LFS Unemployment Rate	4.0	4.7	4.4
2022 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.6	5.1	3.5
RPI	3.3	6.8	5.0
LFS Unemployment Rate	3.6	4.7	4.2

Independent medium-term projections for the calendar years 2021 to 2025 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (November 2021)					
	2021	2022	2023	2024	2025
	%	%	%	%	%
CPI	2.4	4.0	2.6	2.5	2.3
RPI	3.8	5.8	4.1	3.7	3.5
LFS Unemployment Rate	4.7	4.6	4.2	4.1	4.1

APPENDIX 3

Treasury Management: Outlook

The Bank's Monetary Policy Committee (MPC) sets monetary policy to keep inflation low and stable, which supports growth and jobs. Subject to maintaining price stability, the MPC is also required to support the Government's economic policy. The Government has set the MPC a target for the 12-month increase in the Consumer Prices Index of 2%.

The MPC currently uses two main monetary policy tools.

1. setting the interest rate that banks and building societies earn on deposits, or 'reserves', placed with the Bank of England — this is Bank Rate.
2. buying government and corporate bonds, financed by the issuance of central bank reserves — this is asset purchases or quantitative easing.

At its meeting ending on 15 December 2021, the MPC voted by a majority of 8-1 to increase Bank Rate by 0.15 percentage points, to 0.25%. The Monetary Policy Committee's (MPC's) core approach is summarised in the minutes as they note that "The MPC's remit is clear that the inflation target applies at all times, reflecting the primacy of price stability in the UK monetary policy framework. The framework also recognises that there will be occasions when inflation will depart from the target as a result of shocks and disturbances. In the recent unprecedented circumstances, the economy has been subject to very large shocks. Given the lag between changes in monetary policy and their effects on inflation, the Committee, in judging the appropriate policy stance, will as always focus on the medium term prospects for inflation, rather than factors that are likely to be transient."

The MPC outlined the background behind the decision as "in the United Kingdom, market-implied expectations for the path of Bank Rate had fallen sharply immediately following the MPC's November meeting. Market contacts were expecting Bank Rate to rise in the coming months. In the days running up to the MPC's December meeting, most contacts had expected Bank Rate to remain at 0.1% at this meeting. Following the UK CPI release on 15 December, however, market pricing had become more finely balanced between Bank Rate remaining at 0.1% and an increase of 15 basis points at this meeting. Further out, the market-implied path for Bank Rate reached 1.1% by the end of 2022. Volatility in UK short-term interest rate markets had remained elevated since the Committee's previous meeting, in part reflecting diminished market liquidity, some of which was expected to persist over the year-end period. Medium-term inflation compensation measures in the United Kingdom had remained above their average levels of the past decade. That contrasted with similar measures in the United States and the euro area which had been around their average levels of the past decade. As the Committee had discussed at its previous meeting, interpreting UK medium-term inflation compensation measures was not straightforward. The use of UK inflation markets for hedging large pension liabilities and the uncertain future wedge between consumer price and RPI inflation meant that inflation compensation measures did not provide a direct read of market participants' fundamental views on the inflation outlook. Nevertheless, models that attempted to extract medium-term market expectations for CPI inflation, and intelligence gathered from market contacts, suggested that higher inflation expectations and greater perceived risks to inflation might have in part accounted for the above-average levels of medium-term inflation compensation measures, alongside other factors.

At this meeting, most members of the Committee judged that an immediate, small increase in Bank Rate was warranted. Although the conditions for tightening set out in November had been met, the decision at this meeting was finely balanced because of the uncertainty around Covid developments. There was some value in waiting for further information on the degree to which

Omicron was likely to escape the protection of current vaccines and on the initial economic effects of this new wave. There was, however, also a strong case for tightening monetary policy now, given the strength of current underlying inflationary pressures and in order to maintain price stability in the medium term. The economic impact of the new variant could, in some scenarios, increase these inflationary pressures further. Moreover, maintaining the current monetary policy stance when CPI inflation was materially above the 2% target and the output gap appeared to be closed might cause medium-term inflation expectations to drift up further."

In the November 2021 Monetary Policy report the MPC has used the following projections implied by current data trends:-

	Projections (November 2021)			
	2021 Q.4	2022 Q.4	2023 Q.4	2024 Q.4
GDP	6.7	2.9	1.1	0.9
CPI Inflation	4.3	3.4	2.2	1.9
LFS Unemployment Rate	4.5	4.0	4.1	4.4
Excess Supply/Excess Demand	0.25	0.25	0	-0. 5
Bank Rate	0.2	1.0	1.1	1.0

The conclusions that the MPC reach in the November 2021 Monetary Policy Report are supported by the following Key Judgements:--

Key judgement 1: supply disruption constrains global and UK activity in the near term, and bottlenecks exert upward pressure on prices, but they dissipate over time as demand and supply adjust.

Key judgement 2: UK unemployment does not rise materially over the forecast period, and any frictions in matching workers and jobs are temporary, with underlying wage growth falling back from current rates

Key judgement 3: by the end of the forecast period, supply growth returns to around 1½%; demand growth is somewhat lower.

Key judgement 4: inflation rises further above the target in the near term, largely reflecting the impact of transitory factors; in the medium term, conditioned on the market-implied path for Bank Rate, inflation falls back to just under 2%.

Appendix 4

Subject: Miscellaneous Debt Update December 2021

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

1.1 A breakdown of departmental net miscellaneous debt arrears, as at 31 December 2021, is shown in column F of the table below.

Sundry Debtors aged balance – 31 December 2021 – not including debt that is less than 30 days old (Please note the new system reports debt up to 30 days whereas previously we reported up to 39 days)

Department a	30 days to 6 months b	6 months to 1 year c	1 to 2 years d	Over 2 years e	Dec 21 arrears f	Sept 21 arrears	Direction of travel
	£	£	£	£	£	£	
Env & Regeneration	£1,653,991	£754,881	£439,329	£729,563	£3,577,764	£4,736,030	↓
Corporate Services	£574,150	£164,633	£114,742	£119,257	£972,782	£942,241	↑
Housing Benefits	£549,781	£260,573	£571,180	£3,439,948	£4,821,482	£4,650,972	↑
Children, Schools & Families	£310,668	£139,203	£209,718	£495,514	£1,155,103	£1,182,089	↓
Community & Housing	£927,898	£914,971	£848,411	£1,363,862	£4,055,142	£7,991,705	↓
Chief Executive's					£0	£0	-
CHAS 2013	£40,135	£1,462	£0	£0	£41,598	£100,654	↓
Total	£4,056,622	£2,235,724	£2,183,381	£6,148,144	£14,623,870	£19,603,690	↓

1.3 Since the position was last reported on 30 September 2021, the net level of arrears, i.e. invoices over 30 days old, has reduced by £4,979,820.

1.4 Since last reported at the end of September there has been small increases in debt for Corporate Services and Housing Benefit.

1.5 The debt recovery team continue to proactively pursue all outstanding sundry debt, working with service departments to improve collection.

2 IMPACT OF COVID19

2.1 Towards the end of March 20, all recovery action for council tax, business rates, sundry debt, parking PCN's and enforcement work ceased.

2.2 Gradually over the next year recovery action was re-commenced for all debt types.

2.3 **Council Tax**

2.4 At the end of March 2021, the full year collection rate was 0.98% down from the previous year. The shortfall in council tax income for the year was £1.197 million, Merton's share of this shortfall was £946,000.

2.5 The collection rate for 2021/22 as at the end of December was 83.76%, this is a slight increase from 2020/21 when the collection rate was 83.48%. Just over £110.5 million in council tax has been collected.

2.6 Normal recovery action for non-payment of council tax has been undertaken with reminders, SMS and summonses being issued. Monthly remote Liability Order Hearings are talking place.

2.7 Debts are also regularly being referred to the enforcement team to pursue debts where the residents have failed to contact us or adhere to payment arrangements

2.8 At the end of March 21 the arrears figure for all previous years council tax debt was £10.927 million. As at the end of December 21 this has reduced to £7.858 million.

2.9 **Business Rates**

2.10 At the end of March 2021, the full year collection rate was 7.87% down from the previous year. The shortfall in business rates income for the year was £3.814 million, Merton's share of this shortfall was £1.144 million.

2.11 The collection rate for 2021/22 as at the end of December was 74.43%, this is an increase on the 2020/21 figure of 73.76%. Just over £56.5 million has been collected.

2.12 From the 1st April 2021 to 30 June 2021 100% retail and nursery relief had been granted to all qualifying businesses. From 1st July this relief reduced to 66%. This means that many retail, hospitality, leisure businesses, and nurseries received a rates bill for the first time in 15 months.

2.13 For the five years prior to the pandemic the yearly collection rate was between 97.7% and 98.8%. Last year the collection rate was 90.08%. The collection rate for 2021/22 is on course to be higher than last year.

2.14 The government has provided funding of £4.7 million to reduce business rates bills for businesses that had not received the extended retail relief or nursery relief. This will be an application based process that will commence in February. Whilst it may not be possible to credit business rates accounts before the end of March this additional funding will improve the collection rate further for 2021/22.

2.15 Recovery action has taken place although where businesses are contacting us for help we are continuing to defer their payments for both this year and last year. Reminders and summonses have been issued and we have obtained Liability Orders for non-payment against some businesses. Selected cases have been passed to the enforcement team for collection

2.16. **Sundry Debt**

2.17 As detailed in the table above in 1.2, debt older than 30 days for all departments has reduced since September 21 by just under £5 million.

2.18 Normal recovery action continues to take place, with reminders and final notices being issued.

2.19 Staff are progressing cases to the in-house legal service for collection.

2.20 Adult Social Care debt has reduced from £3.876 million at the end of September 21 to £3.211 million at the end of December 21. A reduction of £665,000

2.21 The overall trend is that Adult Social Care debt has reduced over the past two years. In June 20 the debt was £4.648 million. The current debt level is the lowest it has been. The improvements to working processes, targeted collection, increased legal action and ongoing monitoring has contributed to the improvement

2.22 **Housing Benefit Overpayments**

2.23 Housing Benefit overpayment debt has reduced from £6.995 million in September 21 to £6.784 million at the end of December 21.

2.24 A large proportion of the housing benefit debts not on payment arrangements are over two years old. An exercise has commenced to target these debts to establish where recovery is possible. It is likely that some will have to be written off as uncollectable.

3. TOTAL DEBT DUE TO MERTON

The total amount due to Merton as at 30 September 21 is detailed in the table below.

Total debt outstanding as at 31 December 21 and compared with previous periods over the past 15 months

	Sep-20	**Dec-20**	**Mar-21**	**Jun-21**	**Sep-21**	**Dec-21**
	£	**£**	**£**	**£**	**£**	**£**
Miscellanous sundry debt Note 1	15,943,871	16,453,772	16,414,842	17,762,694	19,775,064	17,859,937
Housing Benefit debt	7,611,691	7,342,968	7,190,534	7,186,188	6,995,264	6,784,811
Parking Services	3,967,251	4,895,362	4,661,940	4,201,421	4,724,415	4,975,404
Council Tax Note 2	7,721,592	7,139,145	10,927,588	9,054,527	8,579,459	7,858,125
Business Rates Note 3	3,689,921	3,611,524	8,414,383	6,234,231	5,258,727	3,003,815
Total	**38,934,326**	**39,442,771**	**47,609,287**	**44,439,061**	**45,332,929**	**40,482,092**

Note 1 The amount shown against miscellaneous sundry debt above differs from the amount shown in table 1 as it shows all debt, including debt which is less than 30 days old and table

1only includes debt over 30 days old and also includes housing benefit overpayments which is shown separate in the table above.
Note 2 Council tax debt now includes unpaid council tax for 2020/21 in March 21 figures hence the increase.
Note 3 Business rates debt now includes unpaid business rates for 2020/21 in March 21 figure hence the increase.

3.1 The overall debt outstanding has reduced by £4,850,837 since last reported at the end of September 21.

3.2 A more relevant comparison is between December 20 and December 21. The changes in outstanding debt are as follows

Overall £1,039,321 increase
Sundry debt £1,406,165 increase
Housing Benefit 558,157 decrease
Council Tax £718,980 increase
Parking £80,042 increase
Business Rates £607,709 decrease

3.3 The increase in previous years debts for council tax is due to the lower collection rates due to the impact of the pandemic and the fact that we have not undertaken normal recovery action during the year.

3.4 There has been a large reduction of business rates debt between September 21 and December 21. This was due to an exercise to write off of old debts where the businesses had gone into liquidation. This resulted in £1.4 million of debt written off.

3.5 Detailed breakdowns of the Council Car Parking figures as at 31 December 2021 are shown in the table below:

Age of Debt			
Age of Debt **0-3 months**	**Outstanding** **£**	**Number of PCNs**	**Average Value** **£**
3-6 months	£1,580,052	13,559	**£116**
6-9 months	£790,121	4,696	**£168**
9-12 months	£591,748	3,266	**£181**
12-15 months	£233,640	1,285	**£181**
Older than 15 months	£381,912	2,148	**£178**
Total	£1,397,931	7,772	**£179**
	£4,975,404	32,726	**£152**
Total September 2021	**£4,724,415**	**33,402**	
Increase/-decrease	**£250,989+**	**676-**	

APPENDIX AUTHOR - David Keppler (020 8545 3727/**david.keppler@merton.gov.uk**)

Appendix 5a

Capital Budget Monitoring – December 2021

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2021/22	Full Year Variance
Capital	**14,540,580**	**16,109,757**	**(1,569,177)**	**31,814,680**	**26,872,383**	**(4,942,297)**
Corporate Services	**1,201,675**	**1,467,185**	**(265,510)**	**7,889,900**	**3,331,093**	**(4,558,807)**
Customer, Policy and Improvmen	**113,383**	**0**	**113,383**	**150,000**	**150,000**	**0**
Customer Contact Programme	113,383	0	113,383	150,000	150,000	0
Facilities Management Total	**415,259**	**952,240**	**(536,981)**	**972,890**	**972,890**	**0**
Works to other buildings	374,940	455,000	(80,060)	740,000	740,000	0
Civic Centre	0	0	0	60,000	60,000	0
Invest to Save schemes	40,319	497,240	(456,921)	172,890	172,890	0
Infrastructure & Transactions	**473,033**	**314,945**	**158,088**	**2,427,550**	**2,008,203**	**(419,347)**
Business Systems	185,789	121,640	64,149	900,670	481,323	(419,347)
Social Care IT System	68,290	0	68,290	47,770	47,770	0
Disaster recovery site	0	0	0	332,960	332,960	0
Planned Replacement Programme	218,954	193,305	25,649	1,146,150	1,146,150	0
Resources	**0**	**0**	**0**	**0**	**0**	**0**
Financial System	0	0	0	0	0	0
Corporate Items	**200,000**	**200,000**	**0**	**4,339,460**	**200,000**	**(4,139,460)**
Acquisitions Budget	200,000	200,000	0	200,000	200,000	0
Capital Bidding Fund	0	0	0	0	0	0
Multi Functioning Device (MFD)	0	0	0	0	0	0
Westminster Ccl Coroners Court	0	0	0	60,000	0	(60,000)
Corporate Capital Contingency	0	0	0	0	0	0
Compulsory Purchase Orders	0	0	0	4,079,460	0	(4,079,460)
Community and Housing	**943,422**	**839,881**	**103,541**	**1,412,160**	**1,412,160**	**0**
Adult Social Care	**0**	**0**	**0**	**0**	**0**	**0**
Telehealth	0	0	0	0	0	0
Housing	**822,614**	**700,000**	**122,614**	**1,212,330**	**1,212,330**	**0**
Disabled Facilities Grant	822,614	700,000	122,614	1,212,330	1,212,330	0
Major Projects - Social Care H	0	0	0	0	0	0
Libraries	**120,807**	**139,881**	**(19,074)**	**199,830**	**199,830**	**0**
Library Enhancement Works	0	0	0	0	0	0
Major Library Projects	120,807	123,081	(2,274)	175,830	175,830	0
Libraries IT	0	16,800	(16,800)	24,000	24,000	0

* It is envisaged that some of the costs of the technology partner will be funded from this budget

Appendix 5a

Capital Budget Monitoring – December 2021

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2021/22	Full Year Variance
Children Schools & Families	**5,063,204**	**4,568,188**	**495,016**	**7,309,840**	**7,309,840**	**0**
Primary Schools	**1,939,293**	**1,632,958**	**306,335**	**2,922,910**	**2,922,910**	**0**
Hollymount	50,226	50,000	226	60,000	60,000	0
West Wimbledon	304,516	170,000	134,516	360,000	360,000	0
Hatfeild	44,566	65,000	(20,434)	135,000	135,000	0
Hillcross	153,507	93,093	60,414	195,000	195,000	0
Joseph Hood	28,881	38,000	(9,119)	65,000	65,000	0
Dundonald	128,832	113,625	15,207	159,010	159,010	0
Merton Abbey	50,605	15,000	35,605	65,000	65,000	0
Merton Park	3,156	0	3,156	50,000	50,000	0
Pelham	37,375	20,000	17,375	55,000	55,000	0
Wimbledon Chase	88,981	97,340	(8,359)	181,000	181,000	0
Wimbledon Park	194,880	303,330	(108,450)	450,000	450,000	0
Abbotsbury	63,232	59,200	4,032	79,000	79,000	0
Malmesbury	96,261	78,000	18,261	108,000	108,000	0
Morden	(2,219)	0	(2,219)	0	0	0
Bond	27,900	7,000	20,900	38,000	38,000	0
Cranmer	20,986	18,000	2,986	64,000	64,000	0
Haslemere	8,264	0	8,264	80,000	80,000	0
Liberty	(487)	0	(487)	0	0	0
Links	121,941	120,000	1,941	145,000	145,000	0
St Marks	96,854	60,900	35,954	125,900	125,900	0
Lonesome	(1,875)	0	(1,875)	5,000	5,000	0
Sherwood	291,402	248,520	42,882	345,000	345,000	0
William Morris	131,509	75,950	55,559	158,000	158,000	0

Appendix 5a

Capital Budget Monitoring – December 2021

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2021/22	Full Year Variance
Secondary School	**350,497**	**341,265**	**9,232**	**484,170**	**484,170**	**0**
Harris Academy Merton	0	25,628	(25,628)	34,170	34,170	0
Rutlish	27,408	12,295	15,113	40,000	40,000	0
Harris Academy Wimbledon	323,090	303,342	19,748	410,000	410,000	0
SEN	**2,503,650**	**2,350,083**	**153,567**	**3,506,310**	**3,506,310**	**0**
Perseid	259,226	245,425	13,801	369,130	369,130	0
Cricket Green	131,670	195,480	(63,810)	195,480	195,480	0
Melrose	2,076,277	1,777,878	298,399	2,590,000	2,590,000	0
Melrose Whatley Ave SEN	24,023	45,000	(20,977)	100,000	100,000	0
Unallocated SEN	6,832	10,000	(3,168)	20,000	20,000	0
Melbury College - Smart Centre	(1,857)	4,165	(6,022)	7,500	7,500	0
Medical PRU	0	52,500	(52,500)	200,000	200,000	0
Mainstream SEN (ARP)	7,480	19,635	(12,155)	24,200	24,200	0
CSF Schemes	**269,763**	**243,882**	**25,881**	**396,450**	**396,450**	**0**
Devolved Formula Capital	267,363	237,632	29,731	356,450	356,450	0
Children's Centres	0	6,250	(6,250)	20,000	20,000	0
Youth Provision	2,400	0	2,400	20,000	20,000	0

Capital Budget Monitoring – December 2021

	Actuals	Budgeted Spend to Date	Variance to Date	Final Budget	Final Year Forecast 2021/22	Full Year Variance
Environment and Regeneration	**7,332,279**	**9,234,503**	**(1,902,224)**	**15,202,780**	**14,819,290**	**(383,490)**
Public Protection and Development	**135,461**	**382,660**	**(247,199)**	**882,110**	**882,110**	**0**
On Street Parking - P&D	0	278,000	(278,000)	530,000	530,000	0
Off Street Parking - P&D	81,167	19,950	61,217	120,000	120,000	0
CCTV Investment	45,974	84,710	(38,736)	222,110	222,110	0
Public Protection and Development	8,320	0	8,320	10,000	10,000	0
Street Scene & Waste	**180,008**	**298,790**	**(118,782)**	**747,000**	**721,000**	**(26,000)**
Fleet Vehicles	298,792	298,790	2	673,000	673,000	0
Alley Gating Scheme	389	0	389	2,000	1,000	(1,000)
Waste SLWP	(119,173)	0	(119,173)	72,000	47,000	(25,000)
Sustainable Communities	**7,016,810**	**8,553,053**	**(1,536,243)**	**13,573,670**	**13,216,180**	**(357,490)**
Street Trees	20,328	0	20,328	134,590	134,590	0
Raynes Park Area Roads	2,188	0	2,188	2,970	2,970	0
Highways & Footways	4,636,107	5,472,898	(836,791)	7,335,690	7,335,541	(149)
Cycle Route Improvements	109,596	104,040	5,556	217,650	217,650	0
Mitcham Area Regeneration	958,810	1,069,890	(111,080)	1,840,230	1,549,480	(290,750)
Wimbledon Area Regeneration	94,377	48,191	46,186	378,160	361,744	(16,416)
Morden Area Regeneration	0	30,000	(30,000)	75,000	75,000	0
Borough Regeneration	236,717	82,204	154,513	823,180	818,525	(4,655)
Morden Leisure Centre	15,846	0	15,846	15,850	15,850	0
Wimbledon Park Lake and Waters	251,484	824,572	(573,088)	1,177,960	1,177,960	0
Sports Facilities	132,569	284,095	(151,526)	410,470	410,470	0
Parks	558,789	637,163	(78,374)	1,161,920	1,116,400	(45,520)

Appendix 5b

Virement, Re-profiling and New Funding - December 2021

		2021/22 Budget	Virements	Funding Adjustments	Reprofiling	Revised 2021/22 Budget	Narrative
-		£	£		£	£	
Corporate Services							
Business Systems - Payroll IT System	(1)	**153,200**		3,000		**156,200**	Additional Costs Funded from a Rev. Reserve
Invest to Save - Decarbonisation Scheme	(1)	**497,240**		(397,240)		**100,000**	Revised Grant Funded Scheme
Business Systems - SENDIS	(1)	**157,180**		(109,410)		**47,770**	Remaining MIB Money Project 53 tor Revenue
Business Systems - GIS System		**48,550**		29,650		**78,200**	Funded by Merton Improvement Board Project 56
Children, Schools and Families							
Harris Academy Wimbledon	(1)	**337,260**		72,740		**410,000**	SCIL Funding for additional costs of the scheme
Links - Capital Maintenance	(1)	**160,000**	(15,000)			**145,000**	Virement reflecting projected outturn
Sherwood - Capital Maintenance	(1)	**330,000**	15,000			**345,000**	Virement reflecting projected outturn
Environment and Regeneration							
Borough Regeneration - Carbon Offset Funding	(1)	**0**		150,000		**150,000**	Section 106 Scheme
Total		**1,683,430**	**0**	**(251,260)**	**0**	**1,432,170**	

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

Capital Programme Funding Summary 2021/22

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Proposed November Monitoring	16,842	15,224	32,066
Corporate Services			
Business Systems - Payroll IT System	3	0	3
Invest to Save - De Carbonisation Scheme	0	(397)	(397)
Business Systems - SENDIS	(109)	0	(109)
Business Systems - GIS System	30	0	30
Children, Schools and Families			
Harris Academy Wimbledon	73	0	73
Environment and Regeneration			
Borough Regeneration - Carbon Offset Funding	150	0	150
Proposed December Monitoring	16,988	14,827	31,815

APPENDIX 6

Department	Target Savings 2021/22	Projected Savings 2021/22	Period 9 Forecast Shortfall	Period Forecast Shortfall (P9)	2022/23 Expected Shortfall
	£000	£000	£000	%	£000
Corporate Services	1,322	1,090	232	17.5%	80
Children Schools and Families	1,460	410	1,050	71.9%	400
Community and Housing	2,541	1,517	1,024	40.3%	1,000
Environment and Regeneration	1,580	311	1,269	80.3%	750
Total	**6,903**	**3,328**	**3,575**	51.8%	**2,230**

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APPENDIX 6

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2021-22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Achieved £000	Shortfall	RAG		2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	2022/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	SUSTAINABLE COMMUNITIES											
ENV2021-01	Future Merton: Street works team income (increase in income)	100	100	0	G		100	0	G	James McGinlay		
ENV1920-06	Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway.	70	0	70	R		70	0	G	James McGinlay	Covid-19 estimated to impact on saving. Should be achieved from 2022/23.	Y
ENV2021-10	D&BC: Savings as a result of the 'Assure' M3 upgrade . Reduce BC/DC admin by 1 FTE	15	15	0	A		15	0	G	James McGinlay	Staff issue with the admin manager being off sick has delayed progress.	Y
ENV2021-02	D&BC: Increase PPA's income (increased income) through a dedicated Majors team	80	0	80	R		80	0	G	James McGinlay	Staff issue with the admin manager being off sick has delayed progress.	Y
ENV2021-05	D&BC: Reduction is various minor budget spends	12	12	0	G		12	0	G	James McGinlay		
	PUBLIC PROTECTION											
ENV1819 - 04	Parking: Reduction in the number of pay & display machines required.	26	26	0	G		26	0	G	Cathryn James	Please refer to Item ENV 2021-04 below where the modernisation project is due to be rolled out in October 2021 and will deliver the reduction targets.	
ENV1920-01	Parking: Application to change Merton's PCN charge band from band B to band A. To effect this a full business case will need to be presented to Full Council. Following this, an application will be made to the London Councils Transport, and Environment Committee. Depending on the outcome at the Committee, the Mayor will also be required to ratify the application and the Secretary of State has final sign off. This 'saving' reflects the impact on estimated revenue until motorist compliance takes full effect .The objective is to reduce non-compliance but if the band change is implemented it is likely that there will be a short term increase in revenue. The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.	340	56	284	R		340	0	G	Cathryn James	Following the consultation process and approval by Merton, approved is required by the follong: London Councils, GLA, Mayor for London and Secretary of State. Applications are now with Secretary of state for final sign off. Possible implementation date Q4 2022. Process was delayed due to London Mayoral Election, officers working with GLA to progress the application. Additional questions raised by GLA have now been responded to and approved. Estimated operational date Feb 2022 resulting in 2 months (£56k) pro rata of this saving being achieved. to be sent by GLA to Mayor for London.	Y
ENV2021-04	Parking: EBC - potentially commencing in 2nd half of 2021/22. Assumes a 10% reduction in 2023/24, and a further 10% in 2024/25.	750	0	750	R		0	750	R	Cathryn James	EBC no longer going ahead - saving to be removed from next financial year. In th current year this has been met from the corporate contingency.	Y
ENV2021-08	Parking: Activity to improve On Street parking compliance.	100	50	50	R		100	0	A	Cathryn James	Due to Coved and current on street activity this saving has not been met in Q1-3 2021. Operational consideration now being worked through for implementation in Q4. Possible Risk £50k will be achieved next year rather than this financial year.	Y
ENV2021-06	Service restructure across Safer Merton and CCTV	35	0	35	R		35	0	A	Cathryn James	Cost pressures within the CCTV budget present a challenge to meeting this savings target. The CCTV upgrade programme will reduce the CCTV revenue costs (e.g. the upgrades to the network will lower data transmission costs), therefore the delivery of these savings is contingent on the timely implantation of the upgrade programme.	Y
	PUBLIC SPACE											

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APPENDIX 6

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2021-22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Achieved £000	Shortfall	RAG		2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	2022/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ENV2021-09	Zero tolerance approach to littering and environmental offences leading to increase in the intensification of patrols and subsequent fix penalty notices being issued.	52	52	0	G		52	0	G	John Bosley		
	Total Environment and Regeneration Savings 2021/22	**1,580**	**311**	**1,269**			**830**	**750**				

APPENDIX 6

DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2021/22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Forecast £000	Shortfall	RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Under spend? Y/N
	Customers, Policy & Improvement										
2019-20 CS28	cash collection reduction	19	19	0	G	19	0	G	Sean Cunniffe		
2021-22 CS01	Cash collection contract	23	23	0	G	23	0	G	Sean Cunniffe		
2021-22 CS05	Contract savings and IT procurement	200	200	0	G	200	0	G	CPI AD		
2021-22 CS15	Delete a post from Customer Contact	32	32	0	G	32	0	G	Sean Cunniffe		
	Resources										
2018-19 CS07	Retender of insurance contract	25	0	25	R	0	25	A	Nemashe Sivayogan	Expected saving to be reviewed following six schools leaving the insurance SLA, new contract has delivered cost savings but there is shortfall against the budgeted saving due to original pressures in the budget	Y
2018-19 CS08	Increase in income from Enforcement Service	15	0	15	R	0	15	R	David Keppler	Not achievable in year due to covid	Y
2021-22 CS11	Review of shared Bailiff service with Sutton	40	0	40	R	0	40	R	David Keppler	Team structure reduced but saving not achievable in year due to covid impacting income levels	Y
2021-22 CS12	Miscellaneous savings within Resources (eg. Consultancy)	69	69	0	G	35	0	G	Resources Senior Management	Includes a one off saving of £34k, saving target reduces to £35k from 2022/23 onwards	
	Corporate Governance										
2021-22 CS04	Establish income grant budget for transparency agenda	13	13	0	A	13	0	A	Paul Phelan	Grant income expected but not yet confirmed by central govt.	N
2021-22 CS07	Remove previous inflation built in to reduce Overall Members' Allowances Budget	11	9	2	A	11	0	G	Andrew Robertson	Currently forecasting saving shortfall of 2K	Y
2021-22 CS08	reduced running costs due to canvass reform	10	10	0	G	10	0	G	Andrew Robertson	Currently on track even with decision to send household notification letters in early 2022.	
2021-22 CS09	legal services - reduce affiliation, counsel and land registry fees	40	40	0	G	40	0	G	Paul Phelan		
2021-22 CS10	reduce AD budget running costs	6	6	0	G	6	0	G	Louise Round		
2021-22 CS14	Local Land Charges - amend income budget for service to reflect net cost recovery	90	90	0	G	90	0	G	Paul Phelan		
	Human Resources										
2019-20 CS26	Review of contract arrangements	120	0	120	R	120	0	G	Liz Hammond	The iTrent contract renewal did not proceed to an early exit as previously expected and the savings will now not start until 22/23.	Y
	Infrastructure & Technology										
2019-20 CS21	Implement phase 2 of the Flexible Working Programme to generate additional vacant floor space and generate income from commercial lease arrangements.	90	90	0	G	90	0	G	Edwin O'Donnell		
2019-20 CS23	Implement a means assessed charging scheme for appointeeships undertaken by the CFA team.	30	0	30	R	30	0	A	Tina Dullaway	Charging scheme yet to be agreed and implemented	Y
2021-22 CS06	Facilities Management - Reduction in various running costs.	75	75	0	G	75	0	G	Various I&T managers		
	Corporate										
2019-20 CS12	Increase in Empty Homes Premium for long term empty properties	16	16	0	G	16	0	G	David Keppler		
2021-22 CS02	Corporately funded items (eg. Supplies and services)	75	75	0	G	75	0	G	Senior Management		
2021-22 CS03	Realignment of Pension Added years budget	63	63	0	G	63	0	G	Senior Management		
2021-22 CS13	CHAS Dividend	260	260	0	G	260	0	G	Senior Management		
	Total CS Savings for 2021/22	**1322**	**1090**	**232**		**1208**	**80**	**0**			

	Updated Dec'21										APPENDIX 6	
DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2021/22												
Ref	**Description of Saving**	**2021/22 Savings Required £000**	**2021/22 Savings Expected £000**	**Shortfall**	**RAG**		**2022/23 Savings Expected £000**	**2022/23 Expected Shortfall £000**	**22/23RAG**	**Responsible Officer**	**Comments**	**R /A Included in Forecast Over/Underspend? Y/N**
	Adult Social Care											
CH93	LD Offer- Proposal to review the LD offer to adults with learning disabilities	500	500	0	G		500	0	G	Gill Moore	The programme is underway and additional resources are being put in place to ensure delivery	
CH94	Integration- Merton Health & Care Together Partnership Programme	500	0	500	R		0	500	R	Phil Howell	Changes in the health landscape make savings through integrated working more difficult to deliver at this time. This will be kept under review as the new ICS arrangements emerge	
CH95	Public Health	500	100	400	R		0	500	R	Dagmar Zeuner	the impact of COVID and provider issues make this undeliverable at this time.	
CH96	Home care monitoring	110	110	0	G		110	0	G	Keith Burns	Project to broaden number of providers using ECM solution is in progress.	
CH98	Transport	200	200	0	A		200	0	G	Phil Howell	The transport review has been delayed by COVID but this is offset in year by reduced concessionary fares costs (one off)	
CH99	Promoting Independence	500	500	0	G		500	0	G	Phil Howell		
CH102	Dementia Hub Recommissioning	55	55	0	G		55	0	G	Richard Ellis	The savings has been delivered for 2021/22 by achievement of additional contribution from health	
CH103	HRS Decommissiong Floating Support	176	52	124	A		176	0	G	Steve Langley	The work was delayed by COVID but is now on track to be delivered by end Dec 2021 with fye 2022/23	
	Subtotal Adult Social Care	2,541	1,517	1,024		0	1,541	1,000				
	Total C & H Savings for 2021/22	2,541	1,517	1,024			1,541	1,000				

APPENDIX 6

DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 21-22

Ref	Description of Saving	2021/22 Savings Required £000	2021/22 Savings Expected £000	Shortfall	21/22 RAG		2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
CSF2019-12	Review of public health commissioned services	**400**	**0**	**400**	R		**0**	**400**	R	**Sue Myers**	This saving is unachievable as it is related to a saving in Public Health related to recommisioning integrated service that didn't occur	
CSF2019-16	National Minimum rate for Fostering/Guardianship/Adoption	**20**	**20**	**0**	G		**20**	**0**	G	**Sue Myers**	Review in progress full upddate to be provided in Period 10	
CSF2019-17	Increased use of in-house foster care	**40**	**40**	**0**	G		**40**	**0**	G	**Sue Myers**	Review in progress full upddate to be provided in Period 10	
CSF2019-18	Review and reshape shortbreaks provision	**200**	**0**	**200**	R		**200**	**0**	G	**Elizabeth Fitzpatrick**	Shortbreaks review was delayed by Covid and the saving is therefore also delayed	
CSF2019-19	SEND travel assistance	**150**	**150**	**0**	G		**150**	**0**	G	**Elizabeth Fitzpatrick**	Review in progress full upddate to be provided in Period 10	
2021-22 CSF01	Education & Early Help -Reduction made in provision for PFI Unitary Charges	**450**	**0**	**450**	R		**450**	**0**	G	**Elizabeth Fitzpatrick**	Finance review of the PFI Unitary charge model needed	
2021-22 CSF03	CSF - Ongoing underspend	**200**	**200**	**0**	A		**200**	**0**	G	**Sue Myers/Elizabeth Fitzpatrick**	Currently CSF forecasting overspend so this saving is at risk to be reveiwed in Period 10	
	Total Children, Schools and Families Department Savings for 2021/22	**1,460**	**410**	**1,050**	**0**		**1,060**	**400**	**0**			

APPENDIX 7

Department	Target Savings 2020/21	Shortfall 2020/21	Projected Shortfall 2021/22 (December)	Projected Shortfall 2022/23 (December)
	£000	**£000**	**£000**	**£000**
Corporate Services	2,718	883	213	678
Children Schools and Families	2,969	664	500	0
Community and Housing	2,460	128	128	128
Environment and Regeneration	3,927	3,373	2,837	0
Total	**12,074**	**5,048**	**3,678**	**806**

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APPENDIX 7

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2020-21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	2021/22 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ENV1920-06	Future Merton: Highways advertising income through re-procurement of the advertising contract for the public highway.	40	0	40	R	0	40	R	40	0	G	James McGinlay	Covid-19 estimated to impact on saving. Should be achieved from 2022/23.	Y
ENV1819-03	Parking: The objective of the proposal is to support the delivery of key strategic council priorities including public health, air quality and sustainable transportation, in addition to managing parking, kerbside demand and congestion. Whilst implementation of the proposals will have the incidental effect of generating additional revenue, it is difficult to assess the level of change in customer behaviour and any subsequent financial impact arising from the changes. This will be monitored after implementation and any resulting impacts will be considered during the future years' budget planning cycles**The above will be subject to the outcome of the consultation process in 2019.**	1,900	0	1,900	R	0	1900	R	1900	0	A	Cathryn James	PARKING PERMITS: The new charges were implemented on 14th January 2020. Early analysis shows a reduction in sales of Permits, including scratch cards, and a greater number of 6 month permits being sold than 12 month permits against historic trends, which is even more evident in the case of diesel cars permits. Unfortunately Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a significant change in Permit sales, which has made projections very difficult. Permit sales for 20/21 were estimated to be down by approx. 10% overall for the calendar year 2020. Due to the reasons above this saving will not be fully met in 2020/21. Lockdown continued in quarter 1 of 2021/22 and activity will continue to be monitored and reviewed. ON STREET PARKING CHARGES - PAY & DISPLAY. Following the introduction of On Street charges, data showed expected income was being achieved, but off street showed a slight under recovery on estimated. Unfortunately, Covid 19 began only approximately 2 months after the introduction of the new charges, resulting in a reduction in parking activity, which makes analysis against budget projection very difficult. For the period June through to October20/21 data showed off street activity at 50% of pre covid and on street at 80%. Lockdown 2 (Nov 2020) resulted in a reduction in 'on and off street' parking activity Lockdown 3 had a further significant detrimental effect in 'on and off street parking' activity. Covid / lockdown and associated change in social behaviour during the last quarter 2020/21 continued to have a direct effect on service activity and resulted in the saving not being met. This saving will continue to be reviewed and monitored on a monthly basis but lockdown during the first quarter in 2021/22 continues to affect income levels. As at October 2021 savings continue to be monitored but lockdown and change in driver behaviour continues to result in this saving not being achieved.	Y
ENV1819 - 04	Parking: Reduction in the number of pay & display machines required.	13	0	13	R	13	0	G	13	0	G	Cathryn James	Expected to be achieved in 2021/22.	
ENV1920-01	Parking: Application to change Merton's PCN charge band from band B to band A. To effect this a full business case will need to be presented to Full Council. Following this, an application will be made to the London Councils Transport, and Environment Committee. Depending on the outcome at the Committee, the Mayor will also be required to ratify the application and the Secretary of State has final sign off. This 'saving' reflects the impact on estimated revenue until motorist compliance takes full effect .The objective is to reduce non-compliance but if the band change is implemented it is likely that there will be a short term increase in revenue. The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.	340	0	340	R	340	0	A	340	0	G	Cathryn James	Following the consultation process and approval by Merton, the proposal was put before London Council, GLA, Mayor for London and Secretary of State to approve. Process was delayed due to London Mayoral Election, officers are working with GLA to progress the application. GLA now approved application and Sec of State has 3 weeks to comment. Earliest implementation will be in January 2022.	N
ENV1920-02	Parking: Compliance rates for ANPR Moving Traffic Offences have not decreased significantly or as estimated since the implementation of the ANPR cameras and as a consequence the PCN revenue remains above original estimations. This 'saving' recognises revenue currently being received by the Council rather than any estimated increase. The purpose of PCN parking charges is to dissuade motorists from breaking parking restrictions and charges must be proportionate. The income from charges must only be used in accordance with the Road Traffic Regulation Act 1984. These purposes are contained within the Council's traffic management and other policy objectives.	300	0	300	R	0	300	R	300	0	A	Cathryn James	Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. It is however expected that this saving will not be met. Tier 4 and Lockdown 3 will result in less 'on street' activity. It is therefore estimated that there will be a greater shortfall in achieving this saving this year. Current traffic movements remain affected with less ANPR activity. It is projected that this saving will not be met in 2021/22.	Y
ALT1920-02	Parking: The use of ANPR to enforce moving traffic contraventions has been operational since July 2016. The number of cameras has increased and the locations varied over this period and the number of PCNs remains above initial estimates.	337	0	337	R	0	337	R	337	0	A	Cathryn James	Since mid-March 2020 there has been an unprecedented reduction in traffic on our roads. This has resulted in the number of PCNs being issued by ANPR to drop to less than 10% of normal activity for April/May 2020. Although numbers started increasing through June to September, due to this change in activity as a result of Covid 19, this saving projection will not be met in 2020/21, and the longer term impact continues to be analysed. The November 2020 lockdown had limited effect on driver habits. It is however expected that this saving will not be met. Tier 4 and Lockdown 3 will result in less 'on street' activity. It is therefore estimated that there will be a greater shortfall in achiving this saving this year. Lockdown continues in Q1 2021/22 and on street activity remains lower than normal. Saving for 2020/21 is unlikely to be met on current trends. Current traffic movements remain affected with less ANPR activity. It is projected that this saving will not be met in 2021/22.	Y
ENV1920-04	Waste: The service change in October 2018 has had a significant impact on waste arisings and recycling levels. Residual waste volume has reduced by c12% whilst recycling levels have increased from c34% to c45% . Whilst we have already built £250k into the MTFS we believe that this can be added to.	250	0	250	R	0	250	R	250	0	A	John Bosley	The service maintained a high recycling rate in 2019/20, recycled 42% of all domestic waste and delivered significant (above target) savings in the disposal cost. This budget is now under pressure due to the sudden growth in domestic waste following the National impact of COVID 19 and residents now self isolating and working from home. With the national increase in the level of recycling being generated, processing facilities a becoming stricter with regards to the quality of the material being accepted, resulting in areas of non compliance being rejected. CONFIDENTIAL The current national shortage of drivers impacting the collection schedule, the service has been required to combine rounds and co collect waste streams. This is being monitored through our BCP and the financial impact amended through our budget forecasting.	Y

ALT1920-03	Leisure: Increased income from Leisure Centres Management Contract	10	0	10	R	0	10	R	10	0	G	John Bosley	This amount is already included in the income target for this year and going forward, but with Covid 19 changing the uses of leisure centres this will not be achieved this year	Y
ALT1920-04	Waste Services: Increase level of Environmental Enforcement activities of both internal team & service provider - ensuring the operational service is cost neutral	150	31	119	R	150	0	G	150	0	G	John Bosley	The commisioning and procurement of a new enforcement contract along with the wider Public Space restructure is scheduled for late 21/22 and we hope to implement this in the new year subject to any continuity plans which may take presedent over these two work streams.	
ALT1920-07	Greenspaces: Realign budgets to better reflect current levels of income from outdoor events.	64	0	64	R	64	0	G	64	0	G	John Bosley		
	Total Environment and Regeneration Savings 2020/21	**3,404**	**31**	**3,373**		**567**	**2,837**		**3,404**	**0**				

Dec'21

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DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG		2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	Adult Social Care														
CH76	OPMH Staffing	100	0	100	R		0	100	R	0	100	R	John Morgan	We need to review the demand for MH services with the trust due to C19. Further work is required to establish the necessary resourcing	
CH87	Mascot Income	100	72	28	R		72	28	R	72	28	R	Andy Ottaway-Searle	MASCOT income has fallen due to cancelled services	
	Subtotal Adult Social Care	200	72	128		0	72	128		72	128				
	Total C & H Savings for 2020/21	200	72	128			72	128		72	128				

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DEPARTMENT: CORPORATE SERVICES SAVINGS PROGRESS 2020/21

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	RAG	2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	21/22 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Outturn Over/Under spend? Y/N
	Customers, Policy & Improvement													
2019-20 CS02	Charge for Blue Badges	15	0	15	R	15	0	A	15	0	A	Sean Cunniffe	Looking to have an outsourced solution that can incorporate charges for BB's	Y
2018-19 CS07	Retender of insurance contract	50	0	50	R	7	43	A	7	43	A	Nemashe Sivayogan	Expected saving to be reviewed following six schools leaving the insurance SLA, new contract has delivered cost savings but there is shortfall against the budgeted saving due to original pressures in the budget	Y
2018-19 CS08	Increase in income from Enforcement Service	20	0	20	R			N/A	0	20	R	David Keppler	Not achievable in light of covid-19 circumstances. Saving removed from 2021/22 and deferred to 2022/23 per December 2020 Cabinet report	Y
	Corporate Governance													
2018-19 CS12	SLLp - reduction in legal demand	50	0	50	R	0	50	A	0	50	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
2019-20 CS14	impose criminal litigation cap at 20k	20	0	20	R	0	20	A	0	20	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
2019-20 CS15	reduce civil litigation legal support by 50%	45	0	45	R	0	45	A	0	45	A	Louise Round	Saving to be reviewed to determine level of achievability and if replacement may be required	Y
	Infrastructure & Technology													
2019-20 CS22	Reduction in the frequency of the cleaning within the corporate buildings	25	0	25	R	0	25	A	25	0	G	Edwin O'Donnell	Not achievable in light of covid-19 circumstances	Y
2020-21 CS9	Reduction in the frequency of the cleaning within the Councils corporate buildings.	30	0	30	R	0	30	A	30	0	G	Edwin O'Donnell	Not achievable in light of covid-19 circumstances	Y
	Corporate													
2019-20 CS13	Improved collection of HB overpayments and reduce Bad Debt Provision	500	0	500	R			N/A	0	500	R	David Keppler	Saving removed from 2021/22 and deferred to 2022/23 per December 2020 Cabinet report	Y
	Total CS Savings for 2020/21	**755**	**0**	**755**		**22**	**213**	**0**	**77**	**678**				

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	20/21 RAG		2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	20/21 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSF2019-10	Reduced contribution towards the MSCB	44	10	34	R		44	0	G				Elizabeth Fitzpatrick	Won't be able to deliver more than approx £10k if reorganisation is undertaken in 3rd quarter of 2021/22..	
CSF2019-21	Review and reshaping of Short Break provision across CWD	200	60	140	R		0	200	R				Elizabeth Fitzpatrick	This is progressing, but slowly (discussion with parent reps 20/5). Need to engage with parents and providers of short breaks. Hard to do during Covid. Won't secure full year effect. Currently paying for commissioned services not being delivered in line with government advice. There may, in due course, be additional expenses as a result. Increased provision for shielded children. Maximum of £60k deliverable, and only if it's possible to initiate the consultation in 3rd quarter. (May be able to secure some savings against this line by coding some additional activity against the Covid Budget).	
CSF2019-15	South London Family Drug and Alcohol Court commissioning	45	15	30	R		15	30	R				Sue Myers	South London Family Drug and Alcohol Court contract has been decommissioned. Plan is to deliver savings from practice changes supported by the wider CSC & YI reorganisation. The reorganisation has been delayed due to coronavirus alternative operating measures. Will deliver no more than £15k. Some mitigating activity through temporary recruitment to posts likely to be impacted in the reorganisation.	
CSF2019-02	Establish more cost effective Merton independent living provision	400	200	200	R		200	200	R				Sue Myers	This savings work has been significantly impacted by Covid-19 and the need to re-direct aspects of the transformation resource (Graduate Management Trainee) to Ofsted preparation. Proposed CSC reorganisation creates recourse for this savings work to be delivered in 2021/22.	
CSF2019-04	Deliver the 14+ leaving care service through personal advisors rather than social workers	60	20	40	R		60	0	G				Sue Myers	Part of wider CSC reorganisation which was delayed due to coronavirus alternative operating measures. Will deliver no more than £20k.	
CSF2019-13	Review of current Adolescent and Family service	100	30	70	R		30	70	R				Sue Myers	Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures. Will deliver no more than £30k, some mitigating activity - vacancies being held and only recruited to on a fixed term basis.	
CSF2019-15	Development of Family Network Co-Ordinators Service	45	15	30	R		45	0	G				Sue Myers	DfE funding withdrawn. Part of wider CSC reorganisation which is delayed due to coronavirus alternative operating measures.	

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

Ref	Description of Saving	2020/21 Savings Required £000	2020/21 Savings Achieved £000	Shortfall	20/21 RAG		2021/22 Savings Expected £000	2021/22 Expected Shortfall £000	20/21 RAG	2022/23 Savings Expected £000	2022/23 Expected Shortfall £000	22/23 RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSF2019-17	Culture change and clarification of financial support entitlement for care leavers	**50**	**0**	**50**	R		**50**	**0**	G				**Sue Myers**	Financial payments to care leavers have increased due to the impact of Covid-19 restrictions and requirement to match DWP Covid-19 increase in benefit rates - some of this has been set against the Covid-19 cost centre. Timing not appropriate to shift funding culture where continued Covid-19 situation impacts on external resources and progression of other agencies decision-making i.e. Home Office asylum decisions.	
CSF2019-18	Implementation of the DfE National Minimum rate	**20**	**0**	**20**	R		**20**	**0**	G				**Sue Myers**	Covid-19 restrictions have impacted on foster carer recruitment and approval. Older age demographics of in-house carers increases risk of reduced capacity due to increased likelihood of Covid-19 health complications. This savings work would likely have resulted in short term impact on in-house fostering capacity - this risk is too high in current context. Plan to revisit this savings work when Covid-19 situation stabilises.	
	Total Children, Schools and Families Department Savings for 2020/21	**964**	**350**	**614**			**464**	**500**		**0**	**0**	**0**			