

Financial Task Group

Date: 22 July 2014

Subject: Financial Report 2014/15 – June 2014

Lead officer: Paul Dale

Lead member: Mark Allison

Recommendations:

- A. That the Financial Task Group (FTG) note the financial reporting data relating to revenue budgetary control, showing a forecast overspend at year end of £2.69million and consider the need for urgent action by managers to reduce this.
 - B. That FTG note the financial reporting data for capital
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This is the regular financial monitoring report for 2014/15 presented to FTG in line with the financial reporting timetable. It is based on expenditure and income as at end of the first quarter of the financial year.

This financial monitoring report provides:-

- The latest budgetary control information on revenue expenditure and income, forecasting a year end overspend of £2.69m;
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2014/15;

2. 2014/15 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

2.1 **Executive summary** - As at June, the forecast is expected to be a net £2.69m overspend compared to the current budget.

	Current Budget 2014/15 £000s	Full Year Forecast (June) £000s	Forecast Variance at year end (June) £000s	Forecast Variance at year end (May) £000s	Outturn variance 2013/14 £000s
Department					
3A. Corporate Services	12,339	11,683	(656)	(443)	(732)
3B. Children, Schools and Families	48,151	49,534	1,383	763	556
3C. Community and Housing	61,581	63,612	2,031	2,300	(1,122)
3D. Public Health	0	(408)	(408)	0	0
3E. Environment & Regeneration	24,068	25,560	1,493	1,481	(576)
Overheads	0	0	0	0	55
NET SERVICE EXPENDITURE	146,138	149,981	3,843	4,101	(1,820)
3E. Corporate Items					
Impact of Capital on revenue budget	13,581	13,581	0	0	0
Central budgets	1,891	738	(1,153)	(1,160)	2,429
Levies	931	931	0	0	0
TOTAL CORPORATE PROVISIONS	16,403	15,250	(1,153)	(1,160)	2,429
TOTAL GENERAL FUND	162,541	165,231	2,690	2,941	610
FUNDING					
Revenue Support Grant	(39,738)	(39,738)	0	0	(249)
Business Rates	(33,253)	(33,253)	0	0	0
Other Grants	(9,972)	(10,053)	(81)	0	(359)
Council Tax and Collection Fund	(79,578)	(79,578)	0	0	0
FUNDING	(162,541)	(162,622)	(81)	0	(610)

A detailed table is provided as Appendix 1.

It should be noted that C&H and CSF have netted down the forecast overspend by £715k of one-off Public Health money. This reduces the overall overspend from £3.4m to £2.69m reported.

The following table shows the summary position for June, in subjective format.

	Current Budget 2014/15	Full Year Forecast (June)	Forecast Variance at year end (June)	Forecast Variance at year end (May)	Outturn variance 2013/14
Expenditure	£000	£000	£000	£000	£000
Employees	92,065	92,892	827	625	275
Premises Related Expenditure	9,561	9,333	(228)	(308)	(891)
Transport Related Expenditure	13,282	13,954	671	607	20
Supplies and Services	166,170	166,198	28	(1,493)	1,933
Third Party Payments	84,723	88,414	3,692	1,760	(2,106)
Transfer Payments	108,464	108,158	(306)	(250)	6,442
Support Services	32,311	32,311	(0)	(14)	1,501
Depreciation and Impairment Losses	15,226	15,224	(2)	(4)	(0)
Corporate Provisions	16,403	15,250	(1,153)	(1,160)	2,429
GROSS EXPENDITURE	538,205	541,734	3,529	(236)	9,603
Income					
Government Grants	(262,779)	(262,762)	18	253	(6,425)
Other Grants, Reimbursements and Contribs	(23,518)	(23,501)	18	(577)	(2,361)
Customer and Client Receipts	(56,328)	(55,904)	424	1,640	(1,141)
Interest	(44)	(19)	25	0	25
Recharges	(32,872)	(32,872)	0	0	(1,446)
Balances	(121)	(1,446)	(1,324)	1,861	2,352
GROSS INCOME	(375,663)	(376,503)	(839)	3,178	(8,994)
NET EXPENDITURE	162,541	165,231	2,690	2,941	610

3. DEPARTMENTAL SUMMARY OF CURRENT POSITION

Corporate Services Department

	2014/15 Current Budget	Full year Forecast June	Forecast variance at year end June	Forecast variance at year end May	2013/14 Variance
	£000	£000	£000	£000	£000
Business Improvement	2,744	2,857	113	63	-32
Infrastructure & Transactions	9,226	9,172	-53	7	-130
Resources	7,403	7,328	-75	-73	-284
Human Resources	2,198	2,246	48	-22	-46
Corporate Governance	3,186	2,966	-220	-42	-185
Customer Services	2,305	1,836	-469	-370	-752
Corporate Items including redundancy costs	1,272	1,272	0	-5	696
Total (controllable)	28,333	27,677	-656	-443	-733

Overview

At period 3(June) the Corporate Services department is forecasting an underspend of £656k.

Business Improvement – forecast overspend £113k

The restructure of the systems and development team within the Business Improvement division is currently underway. The employee forecast at period 3 for the team is being reported in line with budget.

The outcome and financial impact of vacant posts and salary protection will be reported by period 6.

The forecast overspend of £113k is on RPI and general increases in support and maintenance contracts. Contracts are being reviewed in line with the development of a procurement plan to identify whether there is scope for reduction in these costs.

Human Resources – forecast overspend £48k

There is a forecast underachievement of schools SLA income of £25k due to the pressure from external providers. The iTrent Agilysis costs are also expected to overspend by £30k. There is also pressure in achieving the saving to increase the CRB income target. The shortfall projected is £20k.

These overspends are partly offset by a forecast underspend on learning and development expenditure of £30k. The training needs of the workforce are being reviewed as part of the appraisals process and workforce strategy.

Corporate Governance – forecast underspend £220k

The Benefit Investigation team currently has 7.6 posts investigating both welfare and non welfare benefit. From November 2014, the posts within this team will be transferred to the DWP under the Single Fraud Investigation Service. An anti- fraud team of 3 posts will then be set up within the Audit & Investigation service to cover corporate fraud investigations. The budget for this service will therefore be under spent by approximately £98k in 2014/15. The budget for 2015/16 will need to be reduced to reflect these changes.

The saving of a FOI/ complaints officer post is unlikely to be achieved in the current year due to demands on the service and alternate savings are being identified.

The Merton and Richmond part of the SLLP continues to apply hard charging with an hourly rate of £55. The case management system migration work has completed and shadow charging information will be provided to the Kingston and Sutton part of the structure in 14/15 in anticipation of hard charging from 15/16.

The cost of the recent local elections of approx. £165k will be funded from the corporate contingency.

Customer Services – forecast underspend £469k

The Local Welfare Support discretionary scheme continues to underspend in 14/15 with a forecast underspend of £298k. The underspend in 13/14 was £315k due to the number of claims being significantly lower than anticipated.

The forecast underspend on vacant posts are approx. £115k.

The Corporate Communications sponsorship, advertising and filming income target remains an on-going issue and budget pressure with a forecast overspend of £85k.

The Sutton shared bailiffs income targets is also a pressures in 14/15 and expected to underachieve. The Bailiffs Reform was implemented from April 2014. The fee structure is fixed under the new regulations. The level of activity for Sutton is low in the first quarter.

Management Action

Finance staff will work closely with budget managers this year to continue to make forecasting more robust and accurate.

3B. Children Schools and Families

Children, Schools and Families	2014/15 Current Budget £000	Full year Forecast (Jun) £000	Forecast Variance at year end (Jun) £000	Forecast Variance at year end (May) £000	2013/14 Variance at year end £000
Commissioning, Strategy and Performance	6,938	7,318	380	413	449
Education	16,102	16,615	513	474	370
Social Care and Youth Inclusion	10,743	11,243	500	(124)	(268)
PFI	7,724	7,714	(10)	0	29
Redundancy costs	2,073	2,073	0	0	(24)
Total (controllable)	43,580	44,963	1,383	763	556

Overview

At the end of period 3 (June) Children Schools and Families is forecasting a net overspend of £1,383m on local authority funded services. There are a considerable number of duties placed on the Local Authority which have not been fully funded or not funded at all. These include remand costs, no recourse to public funds (NRPF) and the new requirement to support care leavers. This will be compounded by the Children and Families Act requirements from September 2014. This has been netted down by one off Public Health money of £215k meaning that the underlying overspending is £1,598.

Local Authority Funded Services

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

Description	Budget £000	Jun £000	May £000
Fostering and residential placements (ART)	4,169	249	415
Public Health contribution	0	(215)	0
Supported lodgings/housing	567	337	0
Other small over and underspends	2,202	9	(2)
Subtotal Commissioning, Strategy and Performance	6,938	380	413
SEN Transport	2,734	340	340
No Recourse to Public Funds (NRPF)	0	90	90
Other small over and underspends	13,368	83	44
Subtotal Education	16,102	513	474
Purple central social work team	765	135	0
No Recourse to Public Funds (NRPF)	20	100	0
Supported lodgings/housing	0	150	0
Special guardianship orders (SGO)	100	144	0
Other small over and underspends	9,858	(29)	(124)
Subtotal Children's Social Care and Youth Inclusion	10,743	500	(124)
Subtotal PFI	7,724	(10)	0
Subtotal Redundancy cost	2,073	0	0
Grand total Children, Schools and Families	43,580	1,383	763

Commissioning, Strategy and Performance Division

- While the numbers of Looked After Children (LAC) are relatively stable, the complexity of a significant proportion of cases is causing the net estimated overspend of £249k. This includes on-going pressures in independent agency fostering of £80k, in-house fostering of £187k and residential placement of £305k which is offset by underspends forecast in mother and baby placements of £195k as well as secure accommodation costs including remands which now fall to the Council of £128k.
- Of the £500k public health underspend allocated to CSF, £215k was used to offset Early Years costs which enabled us to use existing general fund money to offset overspends on LAC placements.
- The budget for semi-independent and supported lodgings/housing placements is estimated to overspend by £337k. This budget is used to finance placements for young people aged 16/17 who require semi-independent provision and for Care Leavers through to independence or, in some cases, through to the age of 21. There has been an increase in predicted expenditure since April 2014 due to increase in caseload as some young people have now reached 18 and funding for their placement has transferred from the LAC placement into this budget. Because of their specific needs, some young people have also needed to move placements and this has resulted in increased expenditure on those placements.
- The PFI schools' annual contributions towards the funding gap are calculated using a formula set-out in Governing Body Agreements. Following a review of the Governing Body Agreements and changes to the schools' Dedicated Schools Grant funding, the schools' contribution formula needs to be re-negotiated.
- There are various other small over and underspends predicted across the division netting to a £9k overspend. These combine with the item described above to arrive at the total reported divisional overspend forecast of £380k.

Education Division

- SEN and FE transport cost are expected to overspend by £340k due to the increased number of service users and higher than anticipated charges from the service provider. This is due to more children with challenging behaviour requiring individual transport with accompanying escorts as well as the additional costs of providing cover for transport escorts who are off sick. Work continues to ensure the most cost effective routing for individual young people.
- The No Recourse to Public Funds (NRPF) budgets are forecast to overspend in total by £190k for the current financial year. These overspends are expected across education (£90k) and CSC (£100k). This increase in cost is in response to case law regarding housing families with no recourse to public funds (Zambrano & Clue cases).

- There are various other small over and underspends predicted across the division netting to a £83k overspend. These combine with the item described above to arrive at the total reported divisional overspend forecast of £513k.

Children's Social Care and Youth Inclusion Division

- The central social work teams' budget is expected to overspend by £135k due to the high volume and cost of agency cover. This cost could fluctuate during the course of the year depending on our ability to recruit permanent members of staff to our vacancies.
- The NRPF budgets are forecast to overspend by £100k in CSC for the current financial year. See second bullet point under education division for details.
- The budget for semi-independent and supported lodgings/housing placements in the 14+ team is expected to overspend by £150k. This is a one-off overspend as a result of CareFirst packages that was not accrued for in the previous financial year.
- Special guardianship orders (SGO) are estimated to overspend by £144k during the current financial year due to an increase in caseload as well as increased fees resulting from case law.
- There are various other small over and underspends predicted across the division netting to a £74k underspend. These combine with the item described above to arrive at the total reported divisional underspend forecast of 124k.

Dedicated Schools Grant

DSG funded services are expected to overspend by an estimated £1,324m in 2014-15. These budgets are not within the council's general fund and any over or underspends cannot be offset against the local authority funded budgets. Any movement at year-end will be added to the DSG reserve and applied after consultation with Schools Forum. Variances between individual subjectives have been shown in the overall departmental subjective analyses.

The main reason for the expected overspend relates to post 16 SEN provision. The responsibility of these payments transferred to Authorities in 2013/14. The cost of Further Education (FE) colleges and Independent Specialist Providers (ISP) are expected to be £953k over budget as the DfE has not provided sufficient funding.

Management Action

Transport: a review of the costs of the provision involves all departments is taking place as part of our Transformation work. Issues regarding the costing methodology are being resolved and departments are working closely together to ensure the buses and taxis are used most cost efficiently. E&R are working hard to reduce staff sickness levels, which remain higher than the council average, to reduce the costs of agency cover.

Supported lodgings/housing placements: smarter commissioning practices through working with providers to negotiate reductions on placement costs and cost avoidance on proposed fee increases are being explored. The implementation of a "Staying Put" policy as required by new legislation which enables young people to remain in their foster placements post 18 is likely to be a cheaper option for

those young people who request it rather than moving into semi-independent provision. We are also maximising the uptake of Housing Benefit for young people aged 18+.

NRPF: The majority of families presenting needs are housing. Meetings are on-going to discuss options to reduce cost and strengthen processes and procedures. The expansion of the Merton Action for Single Homeless Hostel agreed at Cabinet will assist with housing supply, but much greater local supply is required. Discussions are on-going regarding the most economic way of procuring housing for families with no recourse to public funds.

Of the £860k savings identified for 2014/15, it is expected that SEN transport and LAC and SEN placements will be partly delivered. Current estimates indicate that £740k will be achieved.

(C) Community and Housing

As at the end of period 3 (June), C&H is forecast to over-spend by £2.031m

Community and Housing	2014/15 Current Budget	Full Year Forecast (June)	Forecast Variance (June)	Forecast Variance (May)	2013/14 Variance at year end
	£000	£000	£000		£000
Access and Assessment	42,106	43,935	1,829	1,573	(1,256)
Commissioning	5,072	4,957	(115)	49	(116)
Direct Provision	4,181	4,955	774	624	214
Directorate	774	728	(45)	(50)	70
Contribution from Public Health	0	(500)	(500)	0	0
Adult Social Care	52,133	54,075	1,943	2,196	(1,088)
Libraries and Heritage	2,504	2,495	(9)	14	27
Merton Adult Education	(272)	(114)	157	155	(29)
Housing General Fund	1,931	1,870	(60)	(65)	(32)
Total (controllable)	56,296	58,327	2,031	2,300	(1,122)

This overspending has been netted down by one off Public Health money of £500,000 meaning that the underlying over-spending is £2.531m an increase from the £2.3 reported in May.

The additional 2014-15 Better Care Fund allocation of £1.3m is included in the above budget allocation. £1m corporate growth was also allocated to the Adult Social Care budget.

Management Action

In order to reduce the forecast over-spend reported in P2, the following actions have been considered:-

£500k of ASC eligible expenditure to improve health gain is to be charged to Public Health Non-recurrent fund. This is a one off measure to off-set placements over-spend and permanent action will need to be identified during the year to prevent re occurrence in 2015/16.

If transitional grant funding to Voluntary Organisations is reduced with effect from September 2014, this will reduce over-spend by £80k.

It is proposed that £200k Better Care Fund allocated to Integrated Community Equipment is reallocated to the placements budget, as there is currently sufficient budget in the pooled equipment fund. Awaiting agreement from CCG. This is a one of measure pending permanent action.

Thresholds for care-packages going to resources panel have been lowered, meaning a lower level of delegation to team managers.

Brokerage team is to be involved in all panel meetings to give further assurance that the best value options are being followed.

Subject to changes in management reports from Care First, real time financial and performance targets and reports to be given to team managers

Audit of cases involving both direct payments and council commissioned services.

The Miles Reablement service workshop to develop the model is schedule to start. Review should generate some savings in the last quarter of the financial year.

ASC has a grant allocation of £125k for the implementation of the Care Act.

The purpose of the grant is to provide additional support with building change management capacity to implement the requirements of the Care Act in advance.

A spend plan has been developed.

Access and Assessment - £1,829k over-spend

Access and Assessment	Forecast Variance (June) £000
Miles –Reablement over-spend	417
Deprivation of Liberty	290
Other A&A under-spend	(786)
Gross Placements overspend	2,549
Sub-total Net over-spend	2,470
Over achievement of Client Contribution	(511)
Over achievement of CCG Contribution	(130)
Sub-Total over-achievement of Income	(641)
Total A&A Forecast over-spend	1,829

The Deprivation of Liberty Safeguards (DoLS) is part of the Mental Capacity Act 2005. In order to ensure the Council is working toward compliance with the law in responding to the new test for Deprivation of Liberty, it has been necessary to take action. The financial implication is an additional budget pressure of £290k based on the DOH guesstimate for Merton which is 400 Dols request for this financial year. This will need to be contained within existing budgets or one off funding from reserves.

Placements Budget Overview

Placements Overspend £3.22m

The total gross placement budget for 2014-15 is £37.6m.

This includes £2.3m net growth allocated in setting the budget to deal with volume increases and savings of £1.916m through improved efficiency, better commissioning and contracting and service changes. There is therefore a net growth in the budget £0.4m plus inflation.

This is based on the latest data but is subject to wide potential variation.

The impact of the savings on the budget position for 2014-15 is being monitored.

The table below identifies the movement in care package numbers:

Activity Data – Care Package Numbers	No of Care Packages as at October 2013 (budget setting)	No of Care Packages as at Jun 2014	Increase/ (decrease) since Budget Setting	Total Yearly Commitment @ Jun 14 £000
Service Area				
Mental Health	157	149	(8)	£1,610
Physical and Sensory	289	288	(1)	£3,967
Learning Disabilities	369	413	44	£12,554
Older People	1,631	1,699	68	£20,928
Substance Misuse	8	13	(5)	£298
No recourse to public funds	12	11	1	£178
Transport				312
Other Placement Expenditure				323
TOTAL Gross placement expenditure	2,466	2,573	107	£40,170

Gross expenditure in the placements budget is complex to monitor and depends on CareFirst records and care packages always being up to date. It is essential to monitor that this continues.

The income budget was re-aligned as part of budget setting.

However based on latest data, income is currently forecast to over-achieve by £641k. This needs to be adjusted with the expenditure budget to more closely align both to the real situation. The

monitoring of income is a key budget area where enhancement of the monitoring is being further developed.

Commissioning over -spend £115k

The main budget pressure in Commissioning is due to no budget allocation for the extension of Transition funding to Voluntary organisations. Management propose to contain this by reducing the second half transitional payments by £80,000 to affected Voluntary Organisations.

There are under-spends in other areas in commissioning which will be used to off-set the overall position of the department.

Direct Provision over-spend £774k

The main cause of the variances is due to an overspend on Transport SLA (Core-route) charges. This budget is forecast to over-spend by £600k.

The department put forward a budget saving of £246k in this area which is clearly not being achieved. Operational measures have been taken to reduce volumes within the SLA, but this volume reduction has not been matched by a reduction in re-charges. This saving was proposed against an already overspending budget

There is also budget pressure on salaries in Direct Provision.

Libraries- £9k under-spend

This underspend is due to the reduction in media fund spend and staff vacancies. Income will remain a challenge but at present is on track.

MAE - £157k over-spend

The over-spend is mainly due to forecast under-achievement of Income and the 2014/15 savings that must be delivered or alternatives found elsewhere in the department.

The service will require a comprehensive review and a management action plan in 2014/15 to ensure that this saving is delivered.

Strategic options have been incorporated into the Target Operating Model

Housing is expected to under-spend by £60k

The main variance is on supplies services budgets.

The newly transferred Housing Environmental Health Team is forecast to overspend by £14k due to additional agency costs.

Public Health

Public Health is forecast to underspend by £408k.

Public Health	2014/15 Current Budget	Full Year Forecast (Jun)	Forecast Variance (Jun)	Forecast Variance (May)	2013/14 Final Out-turn
	£000	£000	£000	£000	£000
PH - Directorate	1,013	1,053	40	4	631
PH- Contraception*	598	614	16	14	589
PH - STI Testing and Treatment (GUM)*	2,060	2,298	238	238	2,275
PH - SH Advice, Prevent and Promotion	360	280	(80)	(91)	301
PH - NHS Health check*	232	246	14	14	172
PH - Falls Prevention	66	57	(9)	0	55
PH - Obesity	348	349	1	0	357
PH – Live well (including smoking cessation)	355	339	(16)	(33)	346
PH - Substance Misuse (drugs and alcohol)	2,057	2,057	0	0	1,837
PH - School Nursing (including National Child Measurement programme)*	628	609	(19)	(27)	570
PH - Surveillance and Control of Infectious Diseases	65	0	(65)	(65)	0
PH - Community Services Contract Estates	192	283	91	90	188
PH - New Investments	1,152	533	(619)	(347)	0
Total Public Health (controllable)	9,126	8,718	(408)	(204)	7321

D) Environment & Regeneration

Environment & Regeneration	2014/15 Current Budget £000	Full year Forecast (June) £000	Forecast Variance at year end (June) £000	Forecast Variance at year end (May) £000	2013/14 Final Out-turn £000
Public Protection	(7,094)	(6,925)	169	199	303
Sustainable Communities (Excl. T&H)	2,509	2,552	43	33	-114
Traffic & Highways (T&H)	8,578	9,107	529	508	-122
Waste Services	14,159	14,985	825	717	-1,116
Safer Merton	1,043	1,005	(38)	0	-63
Other	(752)	(787)	(35)	24	537
Total (Controllable)	18,443	19,936	1,493	1,481	-575

Description	2014/15 Current Budget £000	Forecast Variance at year end (June) £000	Forecast Variance at year end (May) £000
Employee overspend in Parking Services	2,476	85	77
Underachievement of income in Parking Services	(12,184)	67	132
Other	(9,799)	17	(20)
Total for Public Protection	(7,094)	169	199
Employee overspend within B&DC	1,575	38	94
General Supplies & Services underspend within B&DC	232	(73)	(50)
Shortfall in Building & Development Control (B&DC) income	(1,859)	223	98
Employee related underspend within Traffic & Highways	1,821	(109)	(94)
Reduction in ability to Capitalise expenditure	(464)	464	464
Overspend on third party payments within Traffic & Highways	2,058	130	67
Underspend on Supplies and Service in Traffic & Highways	361	(57)	(12)
Underachievement of Customer & Client Receipts in Traffic & Highways	(1,453)	186	115
Overachievement of rental income in Property Management	(4,042)	(46)	(5)
Premises related underspend within Property Management	343	(30)	(54)
Employee underspend within Senior Mgmt & Support	755	(26)	(26)
Other	11,760	(128)	(56)
Total for Sustainable Communities	11,087	572	541
Employee overspend within Waste Services	7,109	341	165
General Supplies & Services underspend within Waste Services	1,111	(194)	(233)
Reduced SLWP related costs	6,270	335	209
Transport related underspend within Waste Services	2,005	(234)	(127)
Shortfall in Waste Services income – principally Commercial Waste	(2,777)	582	643
Transport Services	(752)	(35)	24
Other	441	(5)	60
Total for Street Scene & Waste	13,407	790	741
Employee underspend Safer Merton	840	(38)	0
Other	203	0	0
Total for Safer Merton	1,043	(38)	0
Total Excluding Overheads	18,443	1,493	1,481

Overview

The department is currently forecasting an overspend of £1,493k at year end. The main areas of variance are Waste Services, Traffic & Highways, Parking Services, Transport and Building & Development Control.

Pressures

Public Protection

Parking Services

The section is currently forecasting an overspend of £177k. Within this is a £85k staff overspend, which is the result of employing additional agency CEOs to enforce areas not routinely enforced within the existing staff rotas and to mitigate the effect of staff sickness on enforcement. A further £67k is due to an overall underachievement of income.

Sustainable Communities

Building & Development Control

The section is currently forecasting an overspend of £155k mainly due a shortfall in Customer & Client receipts of £223k. This is partially offset by an underspend of £73k in supplies and services. There is also a forecasted salary overspend of 38k which is the result of the additional temporary staff for the agreed 2 year fixed term enhancement of the service.

Traffic & Highways

The section is forecasting an overspend of £529k, mainly as a result of a clearer understanding of guidelines and actual patterns of expenditure meaning that the section charges a lower level of highways maintenance spend to Capital than previously and, as a result, incurs increased revenue costs. A permanent solution to this issue will be required before the 2015/16 budget is set.

The section also has a forecast shortfall in the London Permitting Scheme (LoPS) and street work activities of £100k due to greater compliance.

These forecast overspends are being partially offset by an employee underspend of £109k and an underspend in supplies and services of £57k.

Street Scene & Waste

Waste Services

The section is currently forecasting an overspend of £825k, which is mainly due to a forecast shortfall income from Commercial Waste, clinical waste and bulky waste collection, which is forecasting an income shortfall of around £582k. This compares to a shortfall of £389k in 2013/14. However, an agreed saving of £250k has been implemented in 2014/15 for Commercial Waste. An action plan to balance the budget and achieve the saving is required.

In addition, the section is currently projecting an employee related overspend of about £341k. This includes an element of non-contractual overtime and agency cover for sick leave absences. Actions are being taken in order to reduce this overspend wherever possible, including an action plan to reduce the level of sick leave absence, and not covering absences with agency staff where this does not impact on service delivery. In addition, the section is currently working with Eunomia to analyse the commercial waste costs / income.

(E) Corporate Items

The details comparing actual expenditure up to 30 June 2014 against budget are contained in Appendix 2. The main areas of variance as at 30 June 2014 are:-

Corporate Items	Current Budget 2014/15 £000s	Full Year Forecast (June) £000s	Forecast Variance at year end (June) £000s	Forecast Variance at year end (May) £000s
Cost of borrowing	14,103	13,976	-127	0
Investment Income	-522	-522	0	0
Use for Capital Programme	0	127	127	0
Impact of Capital on revenue budget	13,581	13,581	0	0
Pension Fund	13,434	13,434	0	0
Pay and Price Inflation	1,624	1,624	0	0
Contingencies and provisions	4,469	3,316	-1,153	-1,160
Income Items	0	0	0	0
Appropriations/Transfers	-2,409	-2,409	0	0
Central Items	17,118	15,965	-1,153	-1,160
Levies	931	931	0	0
Depreciation and Impairment	-15,227	-15,227	0	0
TOTAL CORPORATE PROVISIONS	16,403	15,250	-1,153	-1,160

Corporate Items	Current Budget 2014/15 £000s	Full Year Forecast (June) £000s	Forecast Variance at year end (June) £000s	Forecast Variance at year end (May) £000s	2013/14 Year end Variance £000s
Cost of borrowing	14,103	13,976	-127	0	-166
Investment Income	-522	-522	0	0	-346
Use for Capital Programme	0	127	127	0	512
Impact of Capital on revenue budget	13,581	13,581	0	0	0
Pension Fund	13,434	13,434	0	0	21
Pay and Price Inflation	1,624	1,624	0	0	-314
Contingencies and provisions	4,469	3,316	-1,153	-1,160	845
Income Items	0	0	0	0	-177
Appropriations/Transfers	-2,409	-2,409	0	0	2,051
Central Items	17,118	15,965	-1,153	-1,160	2,426
Levies	931	931	0	0	0
Depreciation and Impairment	-15,227	-15,227	0	0	3
TOTAL CORPORATE PROVISIONS	16,403	15,250	-1,153	-1,160	2,429

There is one main change in June from the position reported in May which is an underspend on capital financing costs of £0.127m. This has arisen due to the impact of the 2013/14 outturn position on minimum revenue provision forecasts for 2014/15.

The net reduction of £0.127m will be used for future investment in the capital programme.

There are no other significant variations in the corporate expenditure forecast against budget in June.

4. CAPITAL PROGRAMME 2014-18

4.1 Capital Expenditure

4.1.1 Over the past three financial years considerable work has been undertaken to reduce the Capital Programme to levels that can be delivered with our current staffing complement. Historically this has been shown to be around £40 million per annum, in 2013/14 this reduced to £30 million. The May 2014 the approved capital programme was just under £53 million.

Comparison of Spend to June between 2012/13, 2013/14 and 2014/15

Department	Spend To June 2012 £000's	Spend To June 2013 £000's	Spend To June 2014 £000's	Variance 2012 to 2014 £000's	Variance 2013 to 2014 £000's
Children Schools and Families	4,194	1,358	2,805	(1,389)	1,447
Corporate Services	466	353	(122)	(588)	(475)
Community and Housing	118	759	(127)	(245)	(886)
Environment and Regeneration	2,078	1,759	798	(1,280)	(961)
Total Capital	6,856	4,229	3,354	(3,502)	(875)

Outturn £000s	40,487	31,564	
Budget £000s			52,508
Projected Spend October 2013 £000s			47,911
Percentage Spend to Budget			6.39%
Percentage Spend to Outturn/Projection	16.93%	13.40%	7.00%

4.1.2 June is one quarter of the way through the financial year however departments have only spent 6.39% of their budget or 7.00% of their forecast, in the last two years spend was in the region of 15% of the final outturn by this point. To achieve a projected spend of £45.6m officers will need to spend just over £4.9m per month for each of the remaining 9 months. The table below shows that in June 2014 they managed to spend just under £2.4 million.

Department	Spend To May 2014	Spend To June 2014	Variance
Children Schools and Families	935	2,805	1,870
Corporate Services	(198)	(122)	76
Community and Housing	(132)	(127)	5
Environment and Regeneration	310	798	488
Total Capital	915	3,354	2,439

4.2 Capital Programme 2014/15

4.2.1 The table below summarises the position in respect of the Capital Programme as at June 2014 the detail is shown in Appendix 5:

Merton Summary Capital Report - June 2014 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Community and Housing	2,735,460	(10,269)	302,740	(430,080)	2,734,499	(961)
Corporate Services	7,269,500	(121,749)	1,157,197	(1,278,946)	4,883,040	(2,386,460)
Children Schools and Families	27,434,730	2,805,028	4,372,328	(1,567,300)	27,362,178	(72,552)
Environment and Regeneration	15,066,720	681,089	1,116,689	(318,529)	12,931,615	(2,135,105)
Total Capital	52,506,410	3,354,099	6,948,954	(3,594,855)	47,911,332	(4,595,078)

Please note negative spend is due to Accrual Reversal

Notes

1. Community and Housing - the projected spend on Disabled Facilities Grants is being closely monitored, it is currently envisaged that demand will increase during the financial year as in previous years and the budget full utilised.
2. Corporate Services the projected under spend is due to three corporate schemes – Acquisitions (£1,042k), Capital Bidding Fund (£1,000k) and Capital Transformation (£306k) which are held to fund transformation activity throughout the organisation.
3. Children, Schools and Families – variance on expenditure to date is based on a consistent monthly spend rather than a formal monthly forecast. Over £21 million of the spend has already been contracted for major primary school expansions and the variance to date is due to some invoicing delays from the contractor.
4. Environment and Regeneration the majority of the under spend is due to two schemes within Regeneration Partnerships - £1,443k Mitcham Major Schemes Budget, this scheme is funded by Transport for London, officers are currently seeking approval from TFL to re-profiling all the budget into 2015/16 - £810k Town Centre Improvement Budget, this scheme is funded by Merton and is currently projected to underspend by £400k.

4.2.2 The June and July monitoring reports will both be presented to Cabinet in September 2014. For clarity all budget adjustments will be progressed on the July Monitoring Report.

5. DELIVERY OF SAVINGS FOR 2014/15

Department	Target Savings 2014/15	Projected Savings 2014/15	Shortfall	Shortfall
	£000's	£000's	£000's	%
Corporate Services	1,650	1,610	(40)	(2.4)%
Children Schools and Families	860	740	(120)	(14.0)%
Community and Housing	2,465	838	(1,627)	(66.0)%
Environment and Regeneration	3,338	1,207	(2,131)	(63.8)%
Total	8,313	4,395	(3,918)	(47.1)%

5.1 The savings projected to be achieved are showing a significant shortfall against the target of approx. £4m. The projected shortfall in C&H and E&R needs to be addressed urgently and highlights that savings are not being implemented.

Detailed progress on savings by department is reported in Appendix 6.

6. MISCELLANEOUS DEBT

6.1 The debt position is reported in Appendix 8.

7. CASH FLOW – Appendix 10

7.1 The Council's forecast cash balance for 31 March 2014 as at 30 June 2014 is estimated at £58.7m. The cash flow forecast includes all estimated income and expenditure for the council as well as some income and expenditure from any shared service which the council is lead borough. The council operates separate cash flow for the pension fund. Investment balance at 30 June 2014 was £110m. This is made up of investments in counterparties listed below. Investments at 30 June 2014

Counterparty	Average Rate	Investment (£'000)
Banks	0.83%	72,430
Building Societies	0.73%	20,000
Local Authorities	0.81%	7,000
Money Market Funds	0.33%	13,620
Total	0.74%	113,050

Long Term Borrowing at 30 June 2014

Counterparty	Average Rate	Loans (£'000)
PWLB	5.08%	52,010
Market Loans	6.07%	63,000
Stock Loan	11.25%	1,966
Total	5.72%	116,976

The council's daily lending list is currently restricted to UK banks, Sterling denominated UK rated money market funds and other local authorities. The lending list will continue to be reviewed and expanded as required.

Long term borrowing remains at £116.9m, financing of the capital program is expected to be met through internal borrowing as interest rates on investments remain low. There is no forecast short or long term borrowing for 2014/15.

8. CONSULTATION UNDERTAKEN OR PROPOSED

8.1 All relevant bodies have been consulted.

9. TIMETABLE

9.1 In accordance with current financial reporting timetables.

10. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

10.1 All relevant implications have been addressed in the report. Appendices 6 and 7 provide the Budgetary Control Monitoring Timetable for 2014/15 and the Business Planning Timetable for 2015-19.

11. LEGAL AND STATUTORY IMPLICATIONS

11.1 All relevant implications have been addressed in the report.

12. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

12.1 Not applicable

13. CRIME AND DISORDER IMPLICATIONS

13.1 Not applicable

14. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

14.1 Officers are currently reviewing risks and issues facing the Authority, the revised Key Strategic Risk Register as at June 2014 will be reported to Cabinet as part of the July Monitoring Report.

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

Appendix 1 – Detailed monthly position table

Appendix 2 – Detailed Corporate Items table

Appendix 3 – Pay and Price Inflation as at June 2012

Appendix 4 – Treasury Management: Outlook

Appendix 5 – Current Capital Programme 2014/15 – June Monitoring Information

Appendix 6 – Progress on Savings

Appendix 7- Customer/ Client Receipts

Appendix 8- Miscellaneous Debt

Appendix 9- Movement on reserves

Appendix 10 – Cashflow 2014/15

16. BACKGROUND PAPERS

16.1 Budgetary Control files held in the Corporate Services department.

17. REPORT AUTHOR

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APPENDIX 1

	Original Budget 2014/15 £000s	Current Budget 2014/15 £000s	Year to Date Budget (June) £000s	Year to Date Actual (June) £000s	Full Year Forecast (June) £000s	Forecast Variance at year end (June) £000s	Forecast Variance at year end (May) £000s
Department	-	-	-	-	-	-	-
3A. Corporate Services	11,285	12,339	32,710	7,615	11,683	(656)	(443)
3B. Children, Schools and Families	48,040	48,151	46,966	41,529	49,534	1,383	763
3C. Community and Housing	-	-	-	-	-	-	-
Adult Social Care	55,894	56,093	14,281	13,661	58,036	1,943	2,196
Libraries & Adult Education	3,232	3,232	1,185	1,074	3,380	148	169
Housing General Fund	2,207	2,256	479	665	2,196	(60)	(65)
3D. Public Health	0	0	(28)	(2,476)	(408)	(408)	0
3E. Environment & Regeneration	22,853	24,068	3,176	263	25,560	1,493	1,481
NET SERVICE EXPENDITURE	143,511	146,138	98,768	62,331	149,981	3,843	4,101
3E. Corporate Items	-	-	-	-	-	-	-
Impact of Capital on revenue budget	13,581	13,581	1,543	836	13,581	0	0
Other Central items	4,518	1,891	-281	-505	738	(1,153)	(1,160)
Levies	931	931	300	300	931	0	0
TOTAL CORPORATE PROVISIONS	19,030	16,403	1,561	631	15,250	-1,153	-1,160
TOTAL GENERAL FUND	162,541	162,541	100,329	62,962	165,231	2,690	2,941
- Funding	-	-	-	-	-	-	-
- Business Rates	-33253	-33253	2231	2231	-33253	0	0
- RSG	-39738	-39738	-24832	-24832	-39738	0	0
- Council Tax Freeze Grant 2014/15	-858	-858	-256	-256	-858	0	0
Section 31 Grant	-1118	-1118	-240	-240	-1199	-81	0
- New Homes Bonus	-3199	-3199	-882	-882	-3199	0	0
- PFI Grant	-4797	-4797	-1199	-1199	-4797	0	0
Grants	-82,963	-82,963	-25,178	-25,178	-83,044	-81	0
Collection Fund - Council Tax Surplus(-)/Deficit	-4608	-4608	0	0	-4608	0	0
Collection Fund - Business Rates Surplus(-)/Deficit	372	372	0	0	372	0	0
Council Tax	-	-	-	-	-	-	-
- General	-75049	-75049	0	0	-75049	0	0
- WPC	-293	-293	0	0	-293	0	0
Council Tax and Collection Fund	-79578	-79578	0	0	-79578	0	0
FUNDING	-162,541	-162,541	-25,178	-25,178	-162,622	-81	0
NET	0	0	75,151	37,784	2,609	2,609	2,941

	Current Budget 2014/15	Year to Date Budget (June)	Year to Date Actual (June)	Full Year Forecast (June)	Forecast Variance at year end (June)	Forecast Variance at year end (May)
Expenditure	£000	£000	£000	£000	£000	£000
Employees	92,065	22,703	21,968	92,892	827	625
Premises Related Expenditure	9,561	3,867	1,858	9,333	(228)	(308)
Transport Related Expenditure	13,282	3,264	2,995	13,954	671	607
Supplies and Services	166,170	41,796	33,642	166,198	28	(1,493)
Third Party Payments	84,723	20,693	18,243	88,414	3,692	1,760
Transfer Payments	108,464	27,005	2,477	108,158	(306)	(250)
Support Services	32,311	6	0	32,311	(0)	(14)
Depreciation and Impairment Losses	15,226	0	0	15,224	(2)	(4)
Corporate Provisions	16,403	1,561	631	15,250	(1,153)	(1,160)
GROSS EXPENDITURE	538,205	120,896	81,814	541,734	3,529	(236)
Income						
Government Grants	(262,779)	(3,050)	(4,222)	(262,762)	18	253
Other Grants, Reimbursements and Contribs	(23,518)	(4,509)	(1,927)	(23,501)	18	(577)
Customer and Client Receipts	(56,328)	(13,122)	(12,553)	(55,904)	424	1,640
Interest	(44)	0	0	(19)	25	0
Recharges	(32,872)	0	(6)	(32,872)	0	0
Balances	(121)	115	(143)	(1,446)	(1,324)	1,861
GROSS INCOME	(375,663)	(20,566)	(18,851)	(376,503)	(839)	3,178
NET EXPENDITURE	162,541	100,330	62,962	165,231	2,690	2,941

APPENDIX 2

3E. Corporate Items	Council 2014/15 £000s	Original Budget 2014/15 £000s	Current Budget 2014/15 £000s	Year to Date Budget (June) £000s	Year to Date Actual (June) £000s	Full Year Forecast (June) £000s	Forecast Variance at year end (June) £000s	Forecast Variance at year end (May) £000s
Cost of Borrowing	14,103	14,103	14,103	1,673	931	13,976	-127	0
Investment Inc.	-522	-522	-522	-131	-95	-522	0	0
Use for Capital Programme	0	0	0	0	0	127	127	0
Impact of Capital on revenue budget	13,581	13,581	13,581	1,543	836	13,581	0	0
Pension Fund	13,434	13,434	13,434	0	0	13,434	0	0
Corporate Provision for Pay Award	807	807	807	202	0	807	0	0
Provision for inflation in excess of 1.5%	538	538	517	0	0	517	0	0
Utilities Inflation Provision	300	300	300	0	0	300	0	0
Pay and Price Inflation	1,645	1,645	1,624	202	0	1,624	0	0
Contingency	1,500	1,500	1,500	0	0	347	-1,153	-1,160
Single Status/Equal Pay	100	100	100	25	11	100	0	0
Bad Debt Provision	500	500	500	0	0	500	0	0
Loss of income arising from P3/P4	400	400	400	0	0	400	0	0
Revenuisation and miscellaneous	2,166	2,166	1,969	0	0	1,969	0	0
Contingencies and provisions	4,666	4,666	4,469	25	11	3,316	-1,153	-1,160
Local Services Support Grant					-8	0	0	0
Income items	0	0	0	0	-8	0	0	0
Appropriations: CS Reserves	0	0	-858	-485	-485	-858	0	0
Appropriations: E&R Reserves	0	0	-1,208	0	0	-1,208	0	0
Appropriations: CSF Reserves	0	0	-89	-23	-23	-89	0	0
Appropriations: C&H Reserves	0	0	-254	0	0	-254	0	0
Appropriations/Transfers	0	0	-2,409	-508	-508	-2,409	0	0
Depreciation and Impairment	-15,227	-15,227	-15,227	0	0	-15,227	0	0
Central Items	18,099	18,099	15,472	1,261	331	14,319	-1,153	-1,160
Levies	931	931	931	300	300	931	0	0
TOTAL CORPORATE PROVISIONS	19,030	19,030	16,403	1,561	631	15,250	-1,153	-1,160

Pay and Price Inflation as at May 2014

In 2014/15, the budget includes 1% for increases in pay and 1.5% for increases in general prices, with an additional amount of £0.517m which is held to assist services that may experience price increases greatly in excess of the 1.5% inflation allowance provided when setting the budget. At present it is not anticipated that there will be a call on this budget but this will not be released until there is greater clarity.

Pay:

2014/15 – The MTFs approved by Council on the 5th March 2014 includes 1% for increases in pay. This equates to £0.807m and is held as a corporate provision.

The national joint council (NJC) trade union side, the negotiators for local government pay, have submitted the following claim for a pay increase for its members in 2014-15:

“A minimum increase of £1 an hour on scale point 5 to achieve the living wage and the same flat rate increase on all other scale points.”

The Local Government Association responded by offering Council employees a pay increase from 1 April 2014. All staff earning £14,880 or more would receive a 1% rise. Staff earning less than this would receive extra, in order to keep their hourly rate at least 25p above the national minimum wage. The national minimum wage is due to increase by 3.0% to £6.50 on 1 October 2014.

Union members rejected the offer and Members took strike action on 10 July. There is no further news at present.

The Government has stipulated that it wants to restrict public sector pay awards to an average of 1% for 2014/15 (Autumn Statement 2011) and 1% for 2015/16 (Spending Round 2013).

Prices:

CPI annual inflation was 1.9% in June 2014, which is up from 1.5% in May 2014. The main contributions to the rise in the rate were from the clothing, food & non-alcoholic drinks and air transport sectors.

CPIH, the new measure of consumer price inflation including owner occupiers' housing costs, grew by 1.8% in the year to June 2014, up from 1.6% in May 2014. Owner occupiers' housing costs increased by 0.1% between May 2014 and June 2014.

RPI annual inflation stands at 2.6% in May 2014, up from 2.4% in April 2014.

Outlook for inflation:

On 10 July 2014, the Bank of England's Monetary Policy Committee (MPC) voted to maintain the Bank Base Rate at 0.5%. The Committee also voted to continue with its programme of asset purchases totalling £375 billion, financed by the issuance of central bank reserves. The MPC reached its decisions in the context of the monetary policy guidance announced alongside the publication of the August 2013 Inflation Report.

MPC minutes 23 JULY 2014

In the May 2014 Inflation Report, it was noted that “the UK economy has performed strongly over the past year. Output is estimated to have grown by over 3% in the year to 2014 Q1. Inflation has fallen back close to the 2% target. And the unemployment rate has declined to its lowest level for over five years. Nevertheless, spare capacity remains and the MPC’s current aim is to keep inflation close to the target, while supporting the economic expansion such that spare capacity is absorbed.”

At its June meeting, the MPC reported that inflation expectations had remained subdued. In the 2014 Q2 Bank/GfK NOP survey, inflation expectations had fallen over the quarter by around 0.3 percentage points at the one-year, two-year and five-year horizons. It also noted that the Labour Force Survey (LFS) unemployment rate had edged down to 6.8% in the three months to March, and was only marginally higher than expected. Average hours had ticked up on the month, and employment had continued to grow robustly. However, “according to official data, wage growth remained subdued and had been surprisingly weak in the latest release.... The twelve-month growth rate of private sector average weekly earnings (AWE) instead fell back to 1.6%. Within that, regular pay growth was 1.1%. The underlying path of AWE was uncertain as it was possible that some people had postponed bonuses and pay this year too.....Overall, unit labour cost growth had remained weak. The Committee continued to expect some recovery in pay growth. A key issue remained whether that would be accompanied a rise in productivity growth, with few implications for inflationary pressure. “

For February to April 2014, the unemployment rate was 6.6% of the economically active population (those in work plus those seeking and available to work), down from 7.2% for November 2013 to January 2014 and down from 7.8% a year earlier.

MPC minutes will be published on 23 July 2014

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

Source: HM Treasury - Forecasts for the UK Economy (July 2014)			
	Lowest %	Highest %	Average %
2014 (Quarter 4)			
CPI	1.0	2.1	1.7
RPI	1.2	4.0	2.6
LFS Unemployment Rate	5.8	6.7	6.2
2015 (Quarter 4)			
CPI	1.6	3.1	2.0
RPI	2.3	4.5	3.3
LFS Unemployment Rate	4.4	6.3	5.8

Clearly where the level of inflation during the year exceeds the amount provided for in the budget, this will put pressure on services to stay within budget and will require effective monitoring and control.

Treasury Management: Outlook

The Bank Base Rate has been kept at its low of 0.5% since March 2009. On 10 July 2014, the Bank of England's Monetary Policy Committee (MPC) voted to maintain the Bank Base Rate at 0.5%. The Committee also voted to continue with its programme of asset purchases totalling £375 billion, financed by the issuance of central bank reserves.

MPC minutes will be published on 23 July 2014

Analysts are predicting that rates will begin to rise in early 2015. Low inflation is currently helping the Bank of England to keep rates low, although the rhetoric from the MPC appears to be indicating that rates will start to move up. The Bank of England has indicated that it is in no rush to raise rates but the economy has "edged closer" to the point where interest rates would need to rise.

The MPC reached its decisions in the context of the monetary policy forward guidance announced alongside the publication of the August 2013 Inflation Report.

This guidance was summarised and reported in the July 2013 monitoring report.

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

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

Bank Base Rates forecasts, based on June 2014, are set out in the following table:-

	End Q.3 2014	End Q.4 2014	End Q.1 2015	End Q.2 2015	End Q.3 2015	End Q.4 2015	End Q.1 2016	End Q.2 2016	End Q.3 2016	End Q.4 2016	End Q.1 2017	End Q.2 2017
Capita	0.5%	0.5%	0.75%	0.75%	1.0%	1.0%	1.25%	1.25%	1.5%	1.75%	2.0%	2.0%
Capital Economics	0.5%	0.5%	0.75%	0.75%	1.0%	1.0%						

Community & Housing Summary Capital Report - June 2014 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Adult Social Care	140,980	(13,585)	2,480	(16,065)	140,019	(961)
Housing	2,594,480	3,316	300,260	(414,015)	2,594,480	0
Community and Housing Total	2,735,460	(10,269)	302,740	(430,080)	2,734,499	(961)

Corporate Services Summary Capital Report - June 2014 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Business Improvement	1,877,350	(5,225)	319,509	(324,734)	1,864,840	(12,510)
Corporate Governance	0	0	0	0	0	0
Corporate Items	2,042,340	0	499,998	(499,998)	0	(2,042,340)
Infrastructure & Transactions						
Facilities Management Total	1,595,920	(152,900)	158,415	(311,315)	1,595,920	0
IT Total	1,113,780	36,376	215,026	(178,650)	1,113,780	0
Resources	333,450	0	0	0	308,500	(24,950)
IT Transformation Unallocated	306,660	0	(35,751)	35,751	0	(306,660)
Corporate Services Total	7,269,500	(121,749)	1,157,197	(1,278,946)	4,883,040	(2,386,460)

Children, Schools & Families Summary Capital Report - June 2014 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Aragon expansion	0	(31,207)	0	(31,207)	0	0
Benedict expansion	0	0	0	0	0	0
Cranmer expansion	2,051,770	1,350,568	(276,240)	1,626,808	2,051,770	0
Primary Expansion Contingency	0	0	(569,000)	569,000	0	0
Joseph Hood Permanent Expansn	219,830	(16,543)	193,760	(210,303)	219,830	0
Holy Trinity Expansion	39,740	(5,202)	39,740	(44,942)	39,740	0
St Mary's expansion*	2,590,210	318,382	343,708	(25,326)	2,598,004	7,794
All Saints/ South Wim YCC exp	9,250	0	9,250	(9,250)	9,250	0
Gorringe Park expansion	18,570	(14,056)	18,570	(32,626)	18,570	0
Hillcross School Expansion	3,492,490	86,814	515,518	(428,704)	3,492,485	(5)
Merton Abbey Temp Accomodation	3,452,300	270,849	530,977	(260,128)	3,452,305	5
Pelham School Expansion	3,200,000	188,829	824,518	(635,689)	3,200,000	0
Dundonald expansion	981,790	156,254	577,448	(421,194)	981,793	3
Poplar Permanent Expansion	3,450,260	453,833	560,868	(107,035)	3,450,263	3
Liberty expansion	2,620	0	2,620	(2,620)	2,620	0
Singlegate expansion	4,291,090	65,747	558,598	(492,851)	4,291,090	0
Wimbledon Park expansion	429,380	5,843	369,380	(363,537)	429,380	0
Primary Expansion	24,229,300	2,830,111	3,699,715	(869,604)	24,237,100	7,800

Children, Schools & Families Summary Capital Report - June 2014 Monitoring Continued ...

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Devolved Formula Capital	439,640	91,257	439,640	(348,383)	365,028	(74,612)
Early Years	0	(59,158)	0	(59,158)	0	0
Free School Meals	437,090	0	0	0	437,090	0
Garden PCP	12,310	0	12,310	(12,310)	12,310	0
Schools Access Initiative Inc	0	(4,000)	0	(4,000)	850	850
SS Peter & Paul PCP	0	0	0	0	0	0
St Ann's Primary Phase	0	3,309	2,460	849	0	0
Cricket Green Site	50,050	0	50	(50)	50,050	0
Primary school autism unit	320,000	0	20,000	(20,000)	320,000	0
Breaks-disabled children grant	0	(4,038)	0	(4,038)	0	0
Perseid	480,600	0	213	(213)	479,750	(850)
Secondary School Autism Unit	40,000	0	0	0	0	(40,000)
Lonesome - Main Heating	0	(1,194)	0	(1,194)	7,370	7,370
The Sherwood-Boiler&Perim Fnc	0	(1,868)	0	(1,868)	9,350	9,350
West Wim-Boiler&Perim Fnc	0	0	0	0	7,090	7,090
Wimb Chase-Dining Hall Roof	0	(760)	0	(760)	0	0
Cricket Gn-Imprvd site access	0	0	0	0	0	0
Morden - Safer access scheme	0	(5,000)	0	(5,000)	0	0
Merton Pk- Entrance adaptation	630	(579)	630	(1,209)	11,080	10,450
Schs Cap Maint & Accessibility	686,170	0	76,170	(76,170)	686,170	0
B631 - Solar PV Raynes Prk Pav	0	(17,000)	0	(17,000)	0	0
Raynes Park Sports Pavilion	4,770	(25,257)	4,770	(30,027)	4,770	0
Secondary School expansion	275,000	0	0	0	275,000	0
Schools Equipment Loans	372,800	0	50,000	(50,000)	372,800	0
ICT Harnessing Technolgy Grant	0	0	0	0	0	0
Wimbledon Chase DCSF grant	68,980	0	68,980	(68,980)	68,980	0
Youth&Comm centres reprovision	17,390	(795)	(2,610)	1,815	17,390	0
Total Other	3,205,430	(25,083)	672,613	(697,696)	3,125,078	(80,352)
Children Schools and Families	27,434,730	2,805,028	4,372,328	(1,567,300)	27,362,178	(72,552)

Environment & Regeneration Summary Capital Report - June 2014 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Footways Planned Works	1,000,000	60,550	249,999	(189,449)	1,000,000	0
Greenspaces	853,160	176,410	282,849	(106,439)	853,160	0
Highways General Planned Works	717,680	71,210	208,006	(136,796)	692,850	(24,830)
Highways Planned Road Works	1,500,000	46,300	375,000	(328,700)	1,500,000	0
Leisure Centres	1,609,290	212,449	317,884	(105,435)	1,609,290	0
Other E&R	114,340	(2,893)	87,180	(90,073)	114,340	0
On and Off Street Parking	42,910	4,000	42,910	(38,910)	42,910	0
Plans and Projects	70,000	0	0	0	70,000	0
Regeneration Partnerships	4,798,400	(1,055)	619,580	(620,635)	2,805,025	(1,993,375)
Street Lighting	410,000	5,523	75,000	(69,477)	410,000	0
Street Scene	357,160	1,385	120,907	(119,522)	315,000	(42,160)
Transport for London	2,346,010	67,432	319,010	(251,578)	2,346,010	0
Traffic and Parking Management	178,500	29,575	43,500	(13,925)	173,230	(5,270)
Transport and Plant	668,870	(7,203)	(1,680,533)	1,673,330	599,400	(69,470)
Safer Merton - CCTV & ASB	145,000	0	9,999	(9,999)	145,000	0
Environmental Health	40,000	6,328	9,999	113,400	40,000	0
Waste Operations	215,400	11,078	35,399	(24,321)	215,400	0
Environment and Regeneration	15,066,720	681,089	1,116,689	(318,529)	12,931,615	(2,135,105)

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

APPENDIX 6

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	RAG	Comments
CSF2012-01	CSF Children Social Care & Youth Inclusion Reduction of the overall detached youth service budgets following service review.	25	25	0	G	
CSF2012-02	CSF School Standards and Quality Increased income generation and management efficiencies	70	70	0	G	
CSF2012-03	CSF Early Years Service restructuring and realignment to deliver efficiencies	100	100	0	G	
CSF2012-05	CSF Commissioning Function and Commissioning Budgets Reduction in commissioning budgets for Early Intervention and Prevention service	50	50	0	G	
CSF2012-06	CSF Commissioning Function and Commissioning Budgets Reduce expenditure on LAC and SEN placements	200	150	50	A	Base budgets were reduced. Increased cost due to higher caseload is causing a cost pressure, some of which is covered by grant funding. Grant funding is not expected to continue which will lead to an even bigger cost pressure in future years.
CSF2012-07	CSF Policy, Planning and Performance Staffing reduction equivalent to 1 fte	50	50	0	G	
CSF2012-08	CSF SEN Transport Introduce new models of fulfilling the council's statutory responsibilities for the provision of SEN transport	140	70	70	A	Base budgets were reduced. The annual SLA charge is circa £300k above the budget due to an increase in 2013/14. Overall transport budget is forecasting an overspend due to increase taxi costs. Procedures have been put in place to generate savings.
CSF2012-09	CSF Children Social Care & Youth Inclusion Participation/Advocacy commissioning	50	50	0	G	
CSF2012-10	CSF Children Social Care & Youth Inclusion Duke of Edinburgh reprovide via schools funding	25	25	0	G	
CSF2012-11	CSF Commissioning Function and Commissioning Budgets Reduction of one post in commissioning and partnerships	50	50	0	G	
CSF2012-12	CSF Children Social Care & Youth Inclusion Family and Adolescent Services Stream - Transforming Families (TF), Youth Offending Team (YOT) and in Education, Training and Employment (ETE)	100	100	0	G	
	Total Children, Schools & Families Department Savings for 2013-14	860	740	120		

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

APPENDIX 6

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	RAG	Comments

H:\TECHACCY\RCCB\REVENUE\BUDCONT\LBC2014-15\Period 3 June 2014.15\Appendices\Appendix 6 - P3 Progress on savings 14.15.xlsx[CS

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS

Ref	Description of Saving	Type of Saving (see key)	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	RAG	Comments
ASC7	Service Description Adult Social Care 0% inflation uplift to third party suppliers		550	450	100	A	It is anticipated that there will be some challenges but this has not yet happened. Each challenge will be dealt with on a case by case basis. However at this point we expect to achieve this target.
ASC13/ASC34	Service Description Adult Social Care Brokerage Efficiencies		300	26	274	R	It is anticipated that this project will not meet its target.
ASC16	Service Description Adult Social Care Transitions		50	15	35	R	It is anticipated that this project will not meet its target.
ASC19	Service Description Adult Social Care Monitoring of high value/high cost placements (domiciliary)		50	15	35	R	It is anticipated that this project will not meet its target.
ASC8	Service Description Adult Social Care Optimising the use of block and spot contracts		300	50	250	R	It is anticipated that this project will not meet its target.
ASC45	Service Description Adult Social Care Reablement (outcome- care packages)		50	50	0	G	It is anticipated this project will meet its target.
ASC46	Service Description Adult Social Care Review Service packages		60	5	55	R	There maybe challenges in meeting this project's target. Project leads will however look to develop a
ASC54	Service Description Adult Social Care Reduction in Mental Health Placement		50	0	50	R	There maybe challenges in meeting this project's target. Project leads will however look to develop a comprehensive plan to achieve as much savings as possible.
CH12	Service Description Adult Social Care Remove day care costs from residential customers		250	0	250	R	It is anticipated that this project will not meet its target.
CH14	Service Description Adult Social Care All Saints Respite extension		36	0	36	R	It is anticipated that this project will not meet its target.
CH15	Service Description Adult Social Care Assistive Technology		70	0	70	R	Although referrals to MASCOT has increased it is likely this project will not meet its target.
CH6	Service Description Adult Social Care Voluntary Organisation- SLA reduction		150	150	0	G	This project should achieve its target
ASC51	Service Description Adult Social Care Voluntary Sector Grants- reduction in infrastructure		98	98	0	G	This project should achieve its target
ASC52	Service Description Adult Social Care Delete 1 management post & reduce management & staffing costs		53	53	0	G	This project should achieve its target
ASC53	Service Description Adult Social Care Meals on wheels contract		50	0	50	R	There maybe a challenge in meeting this projects target. Project lead will however look to develop a comprehensive plan to achieve as much savings as possible.
ASC4	Service Description Adult Social Care TCES Retail Model (simple equipment)		23	23	0	G	This project should achieve its target
ASC44	Service Description Adult Social Care Remodelling of reablement service		282	282	0	G	This project should achieve its target
ASC47	Service Description Adult Social Care Additional Reablement Funding (CCG)		500	500	0	G	This project should achieve its target
ASC48	Service Description Adult Social Care Staff Vacancy Factor		105	105	0	G	This project should achieve its target
CH2	Service Description Adult Social Care Promoting independence		500	500	0	G	This project should achieve its target
CH4	Service Description Adult Social Care Reduce management costs & reduction in staffing costs		148	148	0	G	This project should achieve its target
CH13	Service Description Adult Social Care Reduction in staffing in Access & Assessment		50	50	0	G	This project should achieve its target
ASC6/ASC49/CH8	Service Description Adult Social Care Transport		246	0	246	R	It is anticipated that this project will not meet its target. There are a number of external corporate factors impacting on this target.
ASC50/CH7	Service Description Adult Social Care Staffing savings in Direct Provision		216	216	0	G	This project should achieve its target.
ASC23	Service Description Adult Social Care Partnerships :The health and social care system . Reablement		-2,000	-2,000	0	G	This project should achieve its target.
	Service Description Merton Adult Education Increase income from commercial courses and cafe, reduction in staff. Admin & marketing cost.		176	0	176	R	Budget holder meeting next week to establish an action plan to meet savings as team is already forecasting an overspend.
	Service Description Libraries Media fund		10	10	0	G	This project should achieve its target.
	Service Description Housing Homelessness Prevention Grant		92	92	0	G	This project should achieve its target.
	Total Community & Housing Department Savings for 2014/15		2,465	838	1,627		

In addition to the above 2014/15 savings shortfall there is a £1.115m underachievement of 2013/14 savings to be dealt with.

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 14-15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	RAG	Comments	R/A Included in Forecast Over/Under
CS1	<u>Business Improvement</u> Rationalisation of management costs	50	50	0	A	Awaiting outcome of restructure	N
CS3	Generate income through training	5	5	0	G		
CS4	Expiry of salary protection	10	10	0	G		
CS5	<u>IT Service Delivery</u> Review and challenge of the procurement of Support & Maintenance & Licence Contracts	29	29	0	G		
CS6	Consolidation of ITSD Revenue Budgets	34	34	0	G		
CS7	Reduction of costs through re-procurement of Mobile Telephones Contract against a number of revenue budgets spread across the Council	10	10	0	G		
CS9	Fallout of pay protection	16	16	0	G		
CS11	Deletion of One Van	5	5	0	G		
CS13	Cancellation of all Escrow Agreements (Carefirst, Hometrack Data, Ash, Open Revenues, Proactis, Fibonacci)	4	4	0	G		
CS14	Cancellation of ttMobile contract	35	35	0	G		

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 14-15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	RAG	Comments	R/A Included in Forecast Over/Under
CS19	Energy ReFit Savings (Subject to agreed investment) - Phase 1	100	100	0	G		
CS24	Project Manager - Accommodation (Vacant Post)	46	46	0	G		
CS26	Savings realised from the renegotiation of Corporate Cleaning Contract	39	39	0	G		
CS28	M&E Term Contract (Amalgamation) of Intruder Alarms	10	10	0	G		
CS29	Energy Procurement	200	200	0	G		
CS31	<u>Corporate Governance</u> Integrate the FOI and Complaints functions	40	20	20	R	Alternate savings being identified	Y
CS35	<u>Customer Services</u> Close Cash Office	30	30	0	G		
CS36	Re tendering of Cash Collection Contract	20	20	0	G		
CS37	Increase Registrars Income	20	20	0	G		
CS38	Review of Welfare Benefits and New Welfare Support program	30	30	0	G		
CS39	Impact of Customer Service Review	30	30	0	G		

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 14-15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	RAG	Comments	R/A Included in Forecast Over/Under
CS40	Rationalisation of Divisional Budgets	20	20	0	G		
CS41	<u>Resources</u> Resources - Change in Audit Arrangements	185	185	0	G		
CS42	Resources - Fall Out of Pay Protection Arrangement	45	45	0	G		
CS43	Resources - Delete Business Planning Post	50	50	0	G		
CS44	Resources - Review of Insurance Provision	200	200	0	G		
CS45	Resources - Improved Cash Management	200	200	0	G		
CS37	<u>I&T</u> Introduce a charge for the Archive Service Facility (approximately 0.39p per month - commercial rates x 3300 boxes) to produce income - E02243	15	15	0	A		N
CS46	<u>Human Resources</u> Co-locate all recruitment jobs	60	60	0	G		
CS47	CRB Income generation via sales to PVI	30	10	20	R		Y
CS54	<u>Corporate Governance</u> Delete Deputy Head of Service or one Democratic Services Officer post	18	18	0	G		

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 14-15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	RAG	Comments	R / A Included in Forecast Over/Under
CS56	Reduction in overtime payments to staff in Mayor's Office	1	1	0	G		
	<u>Customer Services</u> Delete Communications Admin Assistant post (vacant)	23	23	0	G		
	Delete Advertising, Film and Sponsorship Officer post (vacant)	40	40	0	G		
	Total Corporate Services Department Savings for 2014/15	1,650	1,610	40			

Appendix 6

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	RAG	Comments
ER04	<p>Service Description</p> <p>Leisure & Culture Reductions in supplies & services budgets. Increased income at Morden Assembly Hall and the Watersports Centre. Service reduction of approx 15% less grant per annum in each of the next three years to Polka and Attic Theatres.</p>	29	29	0	G	
ER05	<p>Service Description</p> <p>Leisure & Culture Increase income through installation of multi use games area to rear of Canons Leisure Centre to provide additional provision for sport/youth activity and generate income.</p>	15	15	0	G	
ER16	<p>Service Description</p> <p>Regulatory Services Merton, Richmond and Croydon sharing regulatory services</p>	100	60	40	A	The Shared service will go live on 1st August 2014 as opposed to original start date Of 1/4/14 hence reduced expected savings. However, this could be offset by vacancies elsewhere in team which would allow target to be met in full.
ER17	<p>Service Description</p> <p>Waste Management Ceasing compensation payments to Sutton agreed as in the overall Slwp financial interest Planning costs reduction Reduction in costs of waste process per tonne Consultancy and legal costs cease in relation to new partnership contracts</p>	10 59 1207 213	0 59 0 183	10 0 1207 30	R G R A	
ER25	<p>Service Description</p> <p>Commercial Services Commercial Waste and Recycling</p>	250	0	250	R	

Appendix 6

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	RAG	Comments
EN03	Service Parking Services Enforcement of new CPZ's (Controlled Parking Zones)	50	0	50	R	There is only one new CPZ anticipated this year which is unlikely to generate this level of income from enforcement. The saving will be mitigated by the employment of 8 agency CEOs to cover sickness, absences and areas of non-compliance not routinely patrolled within the existing staff rotas
EN04	Description Parking Services Implementation of Pay & Display machines in new CPZ's (Controlled Parking Zones)	75	75	0	G	
EN06	Building and Development Control Staff reductions in DC. Post enquiry research officer (admin team) . IT systems manager.	73	73	0	G	
EN07	Parking Services Saving can be achieved through refocusing resources on areas of non-compliance in order to tackle traffic congestion hotspots and increase efficiency of the service.	48	0	48	R	This saving will be mitigated by the employment of 8 agency CEOs to cover sickness, absences and areas of non-compliance not routinely patrolled within the existing staff rotas
EN13	Waste Management Commercial Waste Collection Alter management structure as a result of recommendations in consultants report.	56	0	56	R	
EN15	Waste and Street Cleansing Operations Improved performance management and implementation of the Council's new sickness policy resulting in a reduction in agency staff usage.	100	40	60	A	
EN17	Waste Management Reduction in Staffing 1.5 FTE	65	65	0	G	
EN18	Waste Management Reduction in cost of waste processing per tonne (phase B) contract gate fee	135	0	135	R	
EN19	Waste Management Reduction/Re-negotiation of Phase A Contracts.	295	145	150	A	

Appendix 6

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	RAG	Comments
EN20	Waste Management Reduction of tonnage to landfill based on current projections for disposal	60	0	60	R	
EN21	Waste Management Dividend from positive movements in Foreign Exchange rates associated with capital costs of Phase B facility resulting in improved unitary charge	50	25	25	A	
EN23	Traffic and Highways Reduction in Grounds Maintenance Budget	50	50	0	G	
ER24	Traffic and Highways Deletion of Major Project Engineer Post	30	30	0	G	
EN25	Traffic and Highways Reduction in the Surface Water Budget	18	18	0	G	
EN26	Traffic and Highways Reduction in the Ditching Budget	11	11	0	G	
EN27	Traffic and Highways Reduction in the Lining Budget	10	10	0	G	
EN28	Traffic and Highways Reduction in Energy budget	70	70	0	G	
EN33	Leisure & Culture Development Team Leisure Devt Service Support Staffing - Recharging for staff time & loss of 0.2fte staff member	33	33	0	G	
EN35	Leisure & Culture Development Team Various Budgets - Increased Income through various charging increases	11	11	0	G	
EN36	Leisure & Culture Development Team Various Budgets - Increased Income through sale of advice & guidance	15	15	0	G	
EN38	Leisure & Culture Development Team Reduction of Core Arts Grants to Polka Theatre	4	4	0	G	
EN41	Future Merton Review of staffing levels within the section following transformation review; reduction in 1.5 FTEs from current team through combining posts for greater efficiency.	40	30	10	A	

Appendix 6

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	RAG	Comments
EN43	<p>Future Merton Community grant scheme reduction - grant pot to volunteer sector via a small grants pot. It was combined with Coporate grants pot in 2012/13 for one year only. Proposed to use in 13/14 for capacity building for community centres to support fund raising and long term sustainability for one year only.</p>	60	60	0	G	
EN45	<p>Parks, Greenspaces & Cemeteries Further commercialisation and development of sports and allied parks services</p>	96	96	0	G	
Total Environment and Regeneration Savings 2014/		3338	1207	2131		

Customer & Client Receipts - £000's									
2014/15									
Department	Division/Service	Total Budget	Year to Date Actual (P3)	Year to Date Budget (P3)	Year to Date Over (under) Spend	Latest Forecast	Forecast Variance	Internal Receipts Forecast	External Receipts Forecast
Childrens Schools & Families	Schools Buy Back	-2,836	-90	-518	428	-2,841	-4	-78	-2,841
	PDC	-252	-49	-63	14	-252	-1	-78	-174
	Early Years & Childrens Centres	-1,265	-363	-321	-41	-1,265	0		-1,265
	Other	-168	-42	-42	0	-183	-15		-183
	CSF Total	-4,521	-544	-945	401	-4,541	-20	-78	-4,463
Corporate Services	Business Improvement	-84	-12	-1	-11	-94	-10	-79	-15
	Corporate Governance	-530	15	-132	148	-376	154	0	-375
	Customer Services	-2,184	-486	-546	60	-1,926	259	-140	-1,786
	CS Resources	-753	-324	-188	-136	-757	-4	0	-757
	Human Resources	-569	-157	-47	-110	-526	43	-142	-384
	Infrastructure & Transactions	-2,063	-419	-380	-39	-2,186	-123	-1,552	-634
	CS Total	-6,183	-1,353	-1,295	-88	-5,864	319	-1,914	-3,951
Environment & Regeneration	Street Scene & Waste	-11,258	-2,700	-2,815	114	-10,892	365	-8,299	-2,593
	Public Protection & Development	-12,528	-2,926	-3,132	206	-12,478	50	90	-12,568
	Sustainable Communities	-10,430	-3,236	-2,690	-546	-10,136	294	-1,092	-9,044
	Safer Merton	-6	0	-1	1	-6	0	0	-6
	E&R Total	-34,221	-8,862	-8,638	-224	-33,512	710	-9,301	-24,211
Community & Housing	Adult Social Care - Client Contribution & Other Cont	-17,484	-2,129	-2,593	464	-19,184	-1,700	-39	-19,145
	MAE & Libraries	-1,171	-181	-218	37	-1,022	149	-14	-1,008
	Housing	-152	0	0	0	-152	0	0	-152
	C&H Total	-18,807	-2,310	-2,811	501	-20,358	-1,551	-53	-20,305
Grand Total	-63,732	-13,099	-13,689	590	-64,276	-544	-11,346	-52,929	

Appendix 8

Subject: Miscellaneous Debt Update June 2014

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

1.1 A breakdown of departmental net miscellaneous debt arrears, as at 30 June, is shown in column F of Table 1 below.

Table 1 – Debtors aged balance – June 2014 – not including debt that is less than 39 days old

Department a	39 days to 6 months b	6 months to 1 year c	1 to 2 years d	Over 2 years e	June 14 arrears f	Mar 14 Arrears	Direction of travel
	£	£	£	£	£	£	
Env & Regeneration	347,297	135,642	298,713	102,860	884,512	719,101	↑
Corporate Services	520,869	27,754	193,933	115,671	858,227	378,135	↑
Housing Benefits	505,052	296,628	540,855	1,343,025	2,685,560	3,075,051	↓
Children, Schools & Families	81,918	263,888	10,978	11,100	367,884	339,885	↑
Community & Housing	1,230,092	887,211	1,194,755	1,277,337	4,589,395	4,528,492	↑
Chief Executive's CHAS 2013	101,813	12,013	500		113,826	88,590	↑
Total	2,787,041	1,623,136	2,239,734	2,849,993	9,499,904	9,129,754	↑
<i>Jun-13</i>	<i>2,748,031</i>	<i>1,770,105</i>	<i>2,046,941</i>	<i>2,034,887</i>	<i>8,599,964</i>		
Variance June 13 to June 14	39,010	-146,969	192,793	815,106	899,940		↑

1.2 Since the position was last reported in March 2014, the net level of arrears, i.e. invoices over 39 days old, has increased by £370,150.

1.3 The net level of level of arrears has increased by £899,940 when compared to the position at the end of June 2013.

- 1.4 The above table shows the separate debt owed to CHAS 2013 Ltd.
- 1.5 Table 2 below shows the total net level of arrears for the last five years – not including debt that is less than 39 days old.

Table 2 – net miscellaneous debt June 2010 to June 2014 – not including debt that is less than 39 days old

Department	June 2010	June 2011	June 2012	June 2013	Jun 2014
	£	£	£	£	£
Env & Regeneration	345,964	367,217	315,756	811,346	884,512
Corporate Services	161,574	268,063	527,423	623,983	858,227
Housing Benefits	2,023,895	2,312,383	2,993,179	3,173,011	2,685,560
Children, Schools & Families	330,674	180,184	536,458	133,712	367,884
Community & Housing	1,905,884	3,178,216	3,326,862	4,183,231	4,589,395
Chief Executive's	13,904	3,900	0	3,000	500
CHAS 2013	0	0	0	0	113,826
Total	4,781,895	6,309,963	7,699,678	8,928,283	9,499,904

- 1.5 The figures in table 2 (above) show that the major area of increase in debt over the four year period is housing benefit overpayments and Community and Housing. It should be noted that the amount of housing benefit paid out has increased over this period. In 2008/09 £61.3 million was paid out and just over £100 million was paid in 2013/14. The level of Community and Housing debt over 39 days has increased by over £2.6 million in the four year period.

- 1.6 The action being taken to recover the largest debts is outlined below.

2 THE PROCESS FOR COLLECTION OF MISCELLANEOUS DEBT

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

Table 3 – the process for collecting debt

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

3 DEBT OVER ONE YEAR OLD

3.1 Debt over 1 year old has increased by £1,806,695 since the end of April 2012.

Table 4 – Debt over 1 year old compared to April 2012

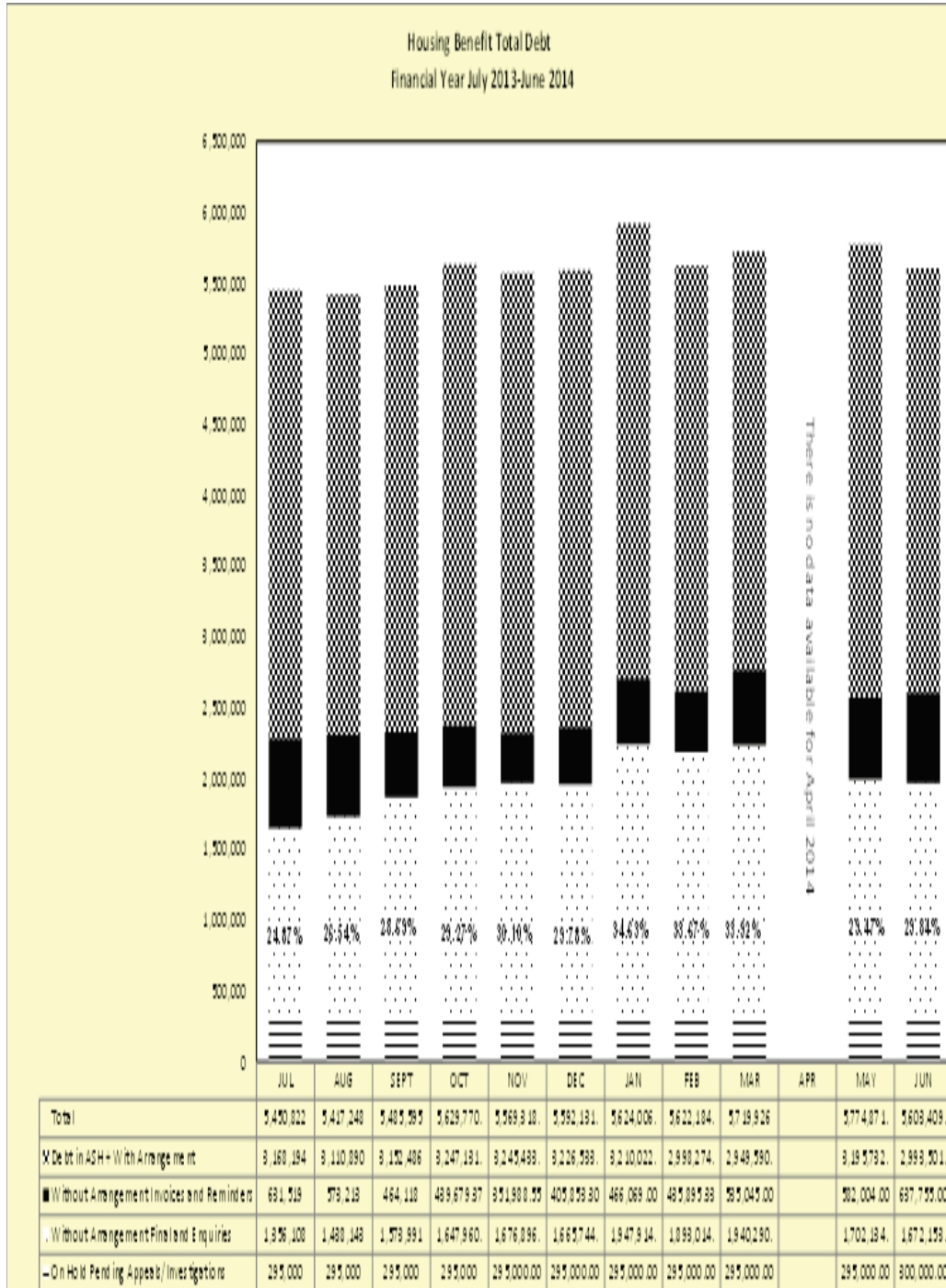
Department	April 2012	June 2014	Variance	% Variance
Env & Regeneration	£65,104	£401,573	£336,469	83.79
Corporate Services	£45,461	£309,604	£264,143	85.32
Housing Benefits	£1,695,646	£1,883,880	£188,234	9.99
Childrens, Schools & Families	£54,992	£22,079	-£32,913	-149.07
Community & Housing	£1,421,831	£2,472,093	£1,050,262	42.48
Chief Executives	£0	£500	£500	0.00
CHAS 2013	£0	£0	£0	
Total	£3,283,034	£5,089,729	£1,806,695	35.50

3.2 The majority of debt over 1 year old is for Community and Housing debts and Housing Benefit overpayments.

3.3 The debt for Community and Housing over a year old has increased by £1,050,262 since April 2012. There is an upward trend in outstanding debt.

- 3.4 The total debt figure for Community and Housing, including debt that is less than 39 days old, is £5.3 million, a reduction of £1.3 million since last reported in March 2014. Of this debt £0.75 million is under 39 days and therefore no formal recovery action has taken place other than issuing an invoice and reminder. Of the remaining £4.5 million debt which is older than 39 days £1.6 million is secured debt either with repayment arrangements or legal action including Charging Orders. We are actively working on securing the remaining £2.9 million debt by similar means.
- 3.5 Proactive recovery action and monitoring of the largest debts is undertaken. This includes identifying cases where we will consider legal action to secure the debt. We have recently received payment on two debts of £42,000 and £30,000 where we had secured the debts against Charging Orders..
- 3.6 The total amount of housing benefit debt is £5.6 million, which has reduced by just over £100,000 since it was last reported at the end of March 2014. Of this debt £1.67 million is being recovered from on going benefit by reducing current housing benefit payments, this equates to approximately £85,000 per month being reduced from payments to off-set these overpayments. Just under £3.0 million is on a payment arrangement or recovery from on going benefit.
- 3.7 It should be noted that the level and number of housing benefit overpayments continues to increase due to the continued drive to identify fraud and failure to declare change in claimant circumstances. In 2013/14 £3.1 million of overpayments were identified and over £1.95 million either recovered or off set against housing benefit. This compares to £3.4 million overpayments identified and £1.85 million recovered or off set against housing benefit in 2012/13.
- 3.8 The graph below shows breakdown of all housing benefit overpayments by recovery action.
- 3.9 There has been an increase of over £0.3 million in Environmental Services debt over a year old. The majority of this debt is within Estates and some miscellaneous debt which is being reviewed.

Graph 1 – Total Housing Benefit Debt by recovery action from June 2013 – (please note due to a resourcing issue we were unable to extract the April 2014 data)



- 3.10 Since the last report at the end of March 2014 we have reviewed and targeted all housing benefit debt. We have tried to improve the procedures at the beginning of the process when a debt is first identified by ensuring that invoices are raised as soon as possible to give the best chance of recovery, we are targeting debtors who are now in work and we will be applying to recover the overpayments from their employers and we are looking at the oldest debts to consider if they are still collectable.
- 3.11 In addition to these approaches we are looking to work with an external company to provide a propensity rating on debts to help identify the most collectable debts, this will enable us to target resources in a better way.
- 3.12 The DWP have recently announced a new initiative to reduce fraud and error to start later in the year by using real time data provided by HMRC. They will provide all Council's with cases and data where they believe there are differences between the HMRC data for earnings and occupational pensions and our data. They will require all local authorities to investigate these cases and where appropriate correct housing benefit claims which will create overpayments. They have estimated that Merton will have 900 of these cases. This exercise is likely to further increase the level of housing benefit overpayments.

4. PROVISION FOR BAD AND DOUBTFUL DEBTS

- 4.1 Provision has been made available for writing off bad and doubtful debts held with the ASH and Housing benefits systems. These provisions are £2.669m for ASH miscellaneous debt and £3.981m for debt held in the Housing Benefits system, making a total General Fund provision for bad and doubtful debts of £6.650m. Clearly, every attempt is made to collect debts before write-off is considered. The current level of provision is analysed in the table below.
- 4.2 The Council adheres to the requirements of the SORP when calculating its provisions. Merton's methodology is to provide on the basis of expected non collection using the collection rates for individual departmental debt, and the age of the debt.

Provision for Bad and Doubtful Debts

Department	Total provision £000's
Env & Regeneration	335
Corporate Services	498
Housing Benefits	3,981
Children, Schools & Families	54
Community & Housing	1,782
Chief Executive's	0
Total	6,650

5. EXECUTIVE SUMMARY / CONCLUSION

5.1.1 Merton's total level of miscellaneous debt arrears i.e. invoices over 39 days old, as at 30 June 2014 is £9,499,912. The net level of arrears, when the matter was last reported in March 2014 was £9,129,761.

6. TOTAL DEBT DUE TO MERTON

The total amount due to Merton as at 30 June 2014 is detailed in table 6 below.

Table 6 – Total debt outstanding as at 30 June 2014 and compared with previous periods over the past 16 months

	Feb-13	Jun-13	Oct-13	Dec-13	Mar-14	Jun-14
	£	£	£	£	£	£
Miscellaneous sundry debt Note 1	18,154,293	11,565,929	11,960,990	12,415,856	11,967,049	13,448,226
HB debt in Benefit system Note 2	2,427,121	2,282,190	2,532,921	2,469,412	2,507,443	2,681,440
Housing Rent Note 3	110,936,	108,058	103,451	103,371	102,056	102,001
Parking Services	2,342,502	2,208,764	2,553,803	2,545,573	2,545,575	2,497,703
Council Tax Note 4	3,402,427	5,056,682	4,263,977	3,906,022	3,540,430	5,011,408
Business Rates Note 5	1,114,885	3,032,636	2,404,348	1,998,789	1,843,931	3,397,378
Total	27,441,228	24,254,259	23,819,490	23,439,023	22,506,484	27,138,156

Note 1 This figure differs from the amount shown in Table 1 as it shows all debt, including that which is less than 39 days old.

Note 2 This is the housing benefit debt within the benefits system

Note 3 This is former tenants rent arrears – leaseholder debts are included in miscellaneous sundry debt

Note 4 Council tax debt does not include the current year council tax collection.

Note 5 Business rates debt does not include the current year business rates collection

- 6.1 The overall debt outstanding has increased by over £2.9 million compared to the same period in 2013.
- 6.2 The areas where there has been an increase since June 2013 are sundry debt (£1.9 million), housing benefit debt within the benefit system (£0.4 million) and business rates (£0.36 million). Action being taken against sundry debt and housing benefit debt has been detailed earlier in this report.

6.3 Detailed breakdowns of the Council Car Parking figures are shown in the Table 7 below:

Table 7 – Car Parking Aged Debtors – June 2014

Age of Debt	Outstanding £	Number of PCNs
0-3 months	694,261	6,215
3-6 months	366,029	2,497
6-9 months	276,669	1,751
9-12 months	282,525	1,729
12-15 months	228,487	1,391
Older than 15 months	649,732	4,283
Total June 2014	2,497,703	17,866

Total March 2014 **2,513,924** **17,936**

Increase **(16,221)** **(70)**

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Movement on Reserves

APPENDIX 9

Reserve	Balance at 31st March 2014	Net Transfer to/from Reserve	Balance at 30th June 2014	Forecast Transfer to/from Reserve	Expected Balance at 31st March 2015
	£000	Up to June 2014 £000	£000	£000	£000
Outstanding Council Programme Board Reserve	11,105	(679)	10,426	(1,121)	9,305
For use in future years' budgets	8,252		8,252	(2,500)	5,752
Revenue Reserve for Capital/Revenuisation	5,360		5,360	(2,684)	2,676
Energy renewable reserve	1,441		1,441	0	1,441
Repairs and Renewals Fund	1,424		1,424	0	1,424
Transforming families reserve	784		784	(784)	(0)
Pension Fund additional contribution	1,078		1,078	0	1,078
Local Land Charges	1,260	0	1,260	0	1,260
Apprenticeships	949		949	(572)	377
Community Care Reserve	1,733	(206)	1,527	0	1,527
Local Welfare Support Reserve	315		315	(30)	285
Performance Reward Grant	265	(265)	0	0	0
Economic Development Strategy	1,322		1,322	(585)	737
Used or eliminated reserves	0		0	0	0
Other	285	0	285	(25)	260
Sub total earmarked reserves	35,574	(1,150)	34,424	(8,302)	26,122
Adult social care contributions	670		670	(127)	543
Culture & Environment contributions	1,204	(53)	1,151	(189)	962
Culture & Environment Grants	747	(48)	699	(68)	631
Childrens & Education Grants	708		708	(619)	89
Adult social care Grants	0		0	0	0
Housing planning development Grants	299		299	(166)	133
Housing GF Grants	106	(0)	106	0	106
Public Health Grant Reserve	1,664		1,664	(1,664)	0
Sub total IFRS earmarked reserves	5,398	(101)	5,297	(2,833)	2,465
Insurance reserves	1,954	0	1,954		1,954
Sub total fixed to contract reserve	1,954	0	1,954	0	1,954
DSG Reserve	2,728	(143)	2,585	(1,270)	1,315
Schools Reserve	168	(23)	145	(38)	107
Schools PFI Fund	4,071		4,071	295	4,366
Sub total Schools reserves	6,967	(166)	6,801	(1,013)	5,788
Grand Total	49,893	(1,417)	48,477	(12,148)	36,329

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