

Cabinet

Date: 16 February 2015

Subject: Financial Report 2014/15 – December 2014

Lead officer: Paul Dale

Lead member: Mark Allison

Recommendations:

- A. That Cabinet note the financial reporting data relating to revenue budgetary control, showing a forecast net overspend at year end of £4.6million, 2.8% of the net budget, at month 9, quarter 3. This is a reduction of £150k from last month.
- B. That Cabinet approves the virement for the additional social work capacity required in CSF. The required virement is £234k (£119k for quarter three and £115k for forth quarter) from the corporate contingency.
- C. That Cabinet note the adjustments to the capital programme as detailed in Appendix 5b. and approve the capital virement of TfL funding below:

<u>Narrative</u>	<u>2014/15</u>
	<u>£</u>
Central Road	(124,000)
Morden Road	48,050
The Broadway	26,750
Coombe Lane	6,500
Parkside	42,700

PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the regular financial monitoring report for 2014/15 presented to CMT in line with the financial reporting timetable. It is based on expenditure and income as at 31st December 2014.

This financial monitoring report provides:-

- The latest budgetary control information on revenue expenditure and income, forecasting a year end overspend of £4.6m (last month £4.75m);
- 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** – At period 9 to 31st December 2014 the forecast is expected to be a net £4.6m overspend compared to the current budget.

Summary Position as at 31st December 2014

	Original Budget 2014/15 £000s	Current Budget 2014/15 £000s	Forecast Variance at year end (Dec) £000s	Forecast Variance at year end (Nov) £000s	Outturn variance 2013/14 £000s
Department					
3A. Corporate Services	11,285	13,646	190	47	(732)
3B. Children, Schools and Families	48,040	49,175	2,962	3,180	556
3C. Community and Housing	61,333	61,988	1,930	1,789	(1,122)
3D. Public Health	0	1,321	0	0	0
3E. Environment & Regeneration	22,853	24,717	1,171	1,187	(576)
Overheads		0	0	0	55
NET SERVICE EXPENDITURE	143,511	150,847	6,253	6,204	(1,820)
3E. Corporate Items					
Impact of Capital on revenue budget	14,103	14,103	0	0	0
Central budgets	3,996	(3,340)	(1,655)	(1,455)	2,429
Levies	931	931	0	0	0
TOTAL CORPORATE PROVISIONS	19,030	11,694	(1,655)	(1,455)	2,429
TOTAL GENERAL FUND	162,541	162,541	4,598	4,749	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)	(9,972)	(81)	(81)	(359)
Council Tax and Collection Fund	(79,578)	(79,578)	0	0	0
FUNDING	(162,541)	(162,543)	(81)	(81)	(610)

It should be noted that C&H and CSF have netted down the forecast overspend by £915k of one-off Public Health money. This reduces the overall overspend from £5.52m to £4.6m reported.

Chart 1 below shows the forecast year end variance for departmental expenditure with a comparison against both 2013/14 and 2012/13.

Service Expenditure - Forecast Year End Variance

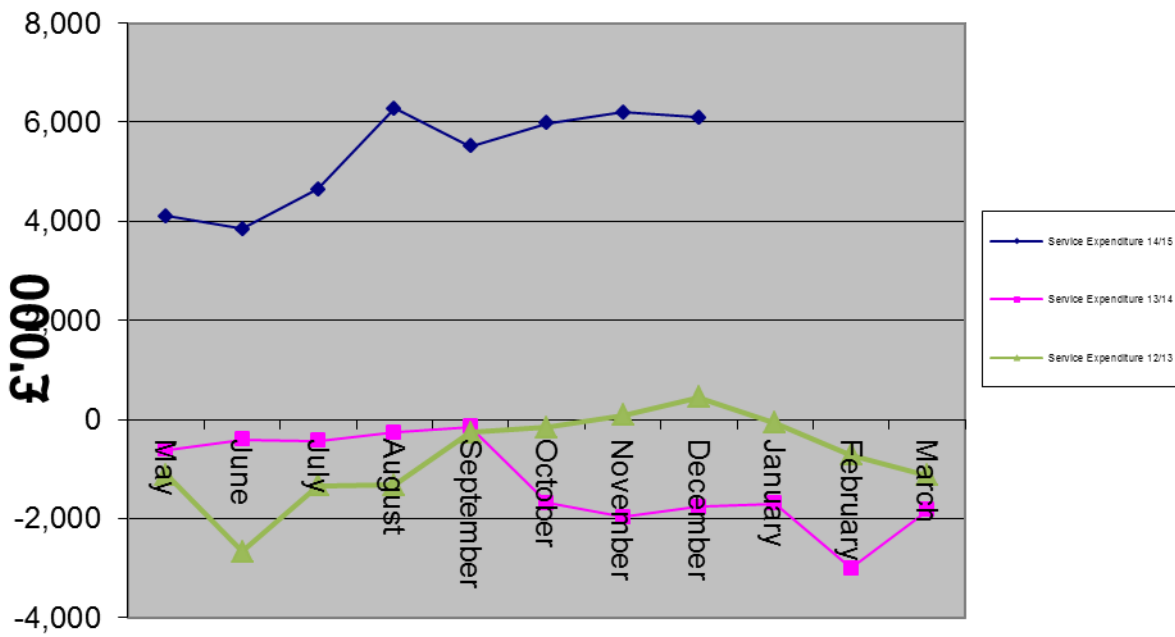
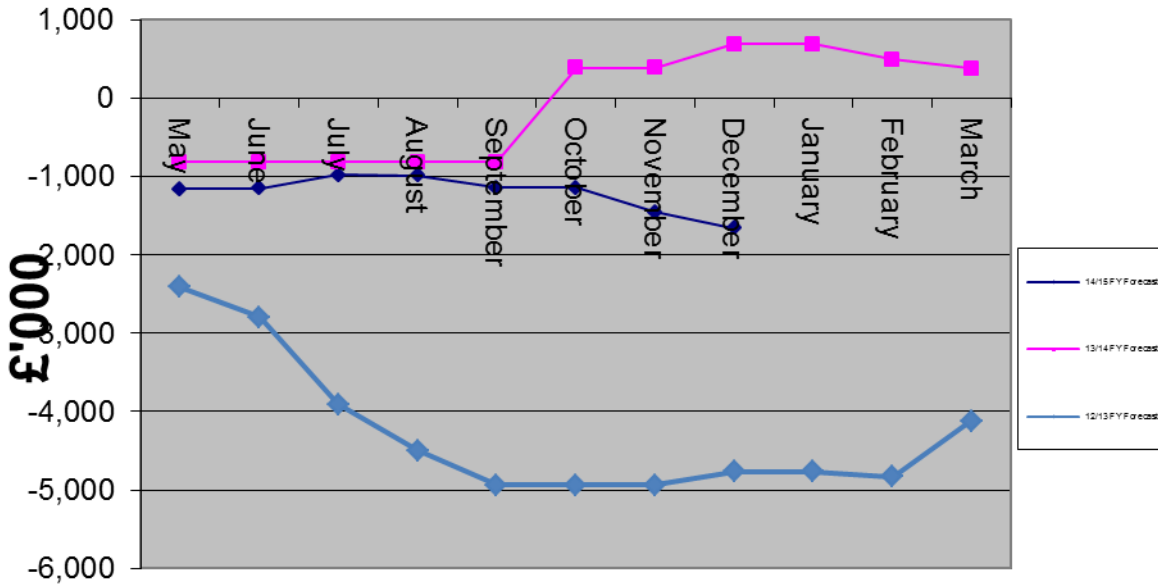


Chart 2 shows the forecast year end variance for corporate provisions with a comparison against both 2013/14 and 2012/13.

Corporate Provisions - Year End Forecast Variance



Subjective analysis at 31th December 2014

	Current Budget 2014/15	Full Year Forecast (Dec)	Forecast Variance at year end (Dec)	Forecast Variance at year end (Nov)	Outturn variance 2013/14
Expenditure	£000	£000	£000	£000	£000
Employees	94,681	95,925	1,244	1,200	275
Premises Related Expenditure	9,153	9,092	(61)	(24)	(891)
Transport Related Expenditure	13,645	14,905	1,260	1,131	20
Supplies and Services	170,536	169,044	(1,493)	(1,700)	1,933
Third Party Payments	85,184	91,622	6,439	6,213	(2,106)
Transfer Payments	108,346	105,002	(3,345)	(3,289)	6,442
Support Services	32,422	32,420	(2)	(1)	1,501
Depreciation and Impairment Losses	15,227	15,226	(1)	(1)	(0)
Corporate Provisions	11,694	10,039	(1,655)	(1,455)	2,429
GROSS EXPENDITURE	540,887	543,274	2,387	2,074	9,603
Income					
Government Grants	(264,105)	(259,931)	4,174	4,103	(6,425)
Other Grants, Reimbursements and Contribs	(24,629)	(26,314)	(1,684)	(1,267)	(2,361)
Customer and Client Receipts	(56,493)	(57,758)	(1,265)	(1,075)	(1,141)
Interest	(44)	(19)	25	25	25
Recharges	(33,020)	(33,019)	1	1	(1,446)
Balances	(55)	905	961	887	2,352
GROSS INCOME	(378,346)	(376,135)	2,211	2,675	(8,994)
NET EXPENDITURE	162,541	167,140	4,598	4,749	610

DEPARTMENTAL SUMMARY OF CURRENT POSITION

3A Corporate Services Department

	2014/15 Current Budget	Full year Forecast December	Forecast variance at year end December	Forecast variance at year end November	2013/14 Variance
	£0	£0	£0	£0	£0
Business Improvement	3,428	3,351	-77	-61	-32
Infrastructure & Transactions	9,644	9,491	-153	-142	-130
Resources	7,403	7,268	-134	-124	-284
Human Resources	2,539	2,557	18	4	-46
Corporate Governance	3,198	2,936	-261	-276	-185
Customer Services	2,305	2,248	-57	-85	-752
Corporate Items including redundancy costs	1,272	2,127	855	733	696
Total (controllable)	29,787	29,977	190	47	-733

Overview

At period 9 (December) the Corporate Services department is forecasting an overspend of £190k. The reason for the movement of £143k from last month of £47k is reduction in staff costs within Business Improvement, and in Coroners costs combined with reduction in expected income in HR and registrars and increased severance pension payments. Further details are provided below in Corporate Items.

Business Improvement – forecast underspend £77k

The reason for the underspend is an overachievement of street naming income of £40k and an underspend of more than £60k on some vacant posts in the new systems and development team structure. Recruitment is underway but the first round of interviews did not lead to appointment so this underspend may increase if recruitment is delayed further.

The underspend is partly offset by a forecast overspend of approx. £40k on 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.

Infrastructure and Transactions – forecast underspend £153k

There is a forecast underspend of £153k due to some vacant posts, reduced first quarter's printing costs and future year savings captured early.

Resources – forecast underspend £135k

The division is forecasting an underspend of £135k due to future year savings being achieved in the current year. The main areas of underspend are salaries and audit fee.

Human Resources – forecast overspend £18k

The cost of resources to address the recruitment process issues has been included at approx. £20k. The WCN system was intended to be a user friendly self service system but has been problematic and resulted in delays in the recruitment process. The most cost effective solution is to engage additional resource to assist managers in the recruitment process until the expiry of the contract.

As reported previously there is a forecast underachievement of schools SLA income of £25k due to the pressure from external providers. There is also £10k pressure in achieving the saving to increase the CRB income target. The overall projected shortfall of £35k is partly offset by £17k underspends elsewhere within the division to leave the net overspend forecast of £18k.

Corporate Governance – forecast underspend £261k

The Benefits Investigation team transferred to the DWP under the Single Fraud Investigation Service on 1st November. An anti- fraud team of 3 posts is being created within the Audit & Investigation service to cover corporate fraud investigations with recruitment underway. The budget for this service is expected to be under spent by approximately £135k in 2014/15 due to the transfer to the DWP and the timescale involved in recruiting to the 3 anti-fraud corporate posts. The budget for 2015/16 will need to be reduced to reflect these changes, include agreed savings and reflect a reduction in Housing benefits admin grant.

There is a projected underspend of approx. £110k on various non salary budgets which are being held as future year savings.

The saving of a FOI/ complaints officer post within the Data Protection team will not be achieved in the current year due to a very high demand on the service. An alternate saving has being identified from various non-salary budgets within the division.

Customer Services – forecast underspend £57k

The Local Welfare Support discretionary scheme continues to underspend in 2014/15. The forecast underspend is circa. £250k. This underspend will be transferred to the local welfare support reserves.

The forecast underspend on vacant posts are approx. £112k.

The Corporate Communications sponsorship, advertising and filming income target remains an on-going issue and budget pressure with a forecast overspend of £75k. This overspend has reduced by £10k since period 8.

The Sutton shared bailiffs income target is also a pressure in 14/15 and expected to underachieve. The forecast underachievement of income is £110k.

Income from Registrars is a further pressure with a forecast underachievement of £63k from citizenship ceremonies.

Corporate items (£855)

As reported last month, the Housing Benefit grant claim (£92.5m) has been audited and identification of a number of errors within testing of claims has resulted in an initial loss of subsidy of £600k. The £122k increase on last month is made out of £158k severance pension payments against £26k reduction in Coroners costs and contribution from MPH for our services.

Following the 2012/13 grant claim audit increased checking and targeted training was implemented, however, this only took effect from December 2013 and the current grant claim covers the 2013/14 financial year. Therefore it is too early to fully analyse the impact of this additional checking and training.

Expenditure on redundancies is higher than that budgeted for.

Management Action

Finance staff will continue to work closely with budget managers to continue to make forecasting more robust.

3B. Children Schools and Families

Children, Schools and Families	2014/15 Current Budget £000	Full year Forecast (Dec) £000	Forecast Variance at year end (Dec) £000	Forecast Variance at year end (Nov) £000	2013/14 Variance at year end £000
Commissioning, Strategy and Performance	7,062	8,251	1,189	1,126	449
Education	16,253	17,554	1,301	1,242	370
Social Care and Youth Inclusion	11,493	12,375	882	1,234	(268)
Public Health contribution	0	(415)	(415)	(415)	0
PFI	7,724	7,712	(12)	(7)	29
Redundancy costs	2,073	2,090	17	0	(24)
Total (controllable)	44,605	47,567	2,962	3,180	556

Overview

At the end of December Children Schools and Families is forecasting a net overspend of £2.962m on local authority funded services. Along with a 39% increase in birth rate, there are a 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 requirement to support care leavers. This was compounded by the Children and Families Act requirements from September 2014. This has been netted down by one off Public Health money of £415k making the underlying overspend £3.377m, (£3.595m last month) a reduction of £218k.

The department is also facing considerable pressures on staffing costs due to the “social work” market factors. To combat these pressures the department has been taking action to ensure that its services are being accessed through robust and consistent eligibility criteria, that it is procuring services with a strong focus on value for money and that it is working closely with the council’s HR department and E & R to address staffing and transport pressures.

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	Dec £000	Nov £000
Fostering and residential placements (ART)	4,169	858	890
Supported lodgings/housing	627	437	391
Un-accompanied asylum seeking children (UASC)	346	161	148
Procurement & School organisation	953	(151)	(151)
Legal cost	519	(110)	(110)
Other small over and underspends	448	(6)	(42)
Subtotal Commissioning, Strategy and Performance	7,062	1,189	1,126
SEN Transport	2,778	1,216	1,019
No Recourse to Public Funds (NRPF)	0	64	64
Children with disabilities team (CWD) staffing	535	66	119
Children with disabilities (CWD) personal support	296	94	94
Other small over and underspends	12,644	(139)	(54)
Subtotal Education	16,253	1,301	1,242
Social work staffing costs	2,689	491	688
No Recourse to Public Funds (NRPF)	20	308	368
Supported lodgings/housing	13	181	174
Special guardianship orders (SGO)	442	137	136
Independent review and service quality	487	218	160
Setting up home allowances	90	170	156
Family & Adolescent Services	178	(108)	(113)
CAMHS	298	(188)	(208)
Serious case review	75	(66)	(75)
Other small over and underspends	7,201	(261)	(52)
Subtotal Children’s Social Care and Youth Inclusion	11,493	882	1,234
Public Health contribution	0	(415)	(415)
Subtotal PFI	7,724	(12)	(7)
Subtotal Redundancy cost	2,073	17	0
Grand total Children, Schools and Families	44,605	2,962	3,180

Commissioning, Strategy and Performance Division

- While the numbers of Looked After Children (LAC) remain stable, the complexity of a significant proportion of cases is causing the net estimated overspend of £858k. This includes on-going pressures in independent agency fostering of £141k, in-house fostering of £247k and residential placements of £658k which is offset by underspends forecast in mother and baby placements of £114k and £74k on secure accommodation costs.
- The budget for semi-independent and supported lodgings/housing placements is estimated to overspend by £437k. 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 forecast 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 UASC payments are expected to overspend by £161k this year due to an increase in the number of claimants turning 18 which is when central government contribution towards these cases ceases.
- Procurement and school organisation budgets are expected to underspend by £151k as a result of not recruiting to vacancies and a lower spend forecast on revenue budgets.
- The direct charging budgets for the shared legal service are currently forecasting £110k underspend.
- There are various other small over and underspends predicted across the division netting to a £6k underspend. These combine with the items described above to arrive at the total reported divisional overspend forecast of £1.189m.

Education Division

- SEN and FE transport cost are expected to overspend by £1.216m due to the increased complexity of cases and higher than anticipated charges from the service provider. The overspend is split between core routes SLA increase (£301k) and taxi usage (£915k). 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 £372k for the current financial year. These overspends are expected across education (£64k) and CSC (£308k). This increase in cost is in response to case law regarding housing families with no recourse to public funds (Zambrano & Clue cases). This is an issue across London.
- The CWD team staffing costs is expected to overspend by £66k. As highlighted in the budget reports to Cabinet and Council, additional capacity is being kept under regular review and funded quarterly from the corporate contingency. This amount equates to two additional social workers. On top of the additional staff, the team also has to cover vacancies with agency staff.

- The Children with Disability section is also forecasting a £94k overspend on personal support budgets due to rising numbers of children with complex needs being supported in this way. These payments often prevent higher cost interventions being required, e.g. residential out of borough care placements.
- There are various other small over and underspends predicted across the division netting to a £139k underspend. These combine with the item described above to arrive at the total reported divisional overspend forecast of £1.301m.

Children's Social Care and Youth Inclusion Division

- The green and purple central social work teams and MASH team staffing budgets are expected to overspend by £491k. The teams are in a similar position to the CWD team with regards to six additional social workers kept under review and funded quarterly from corporate contingency. On top of the additional staff, the teams are also required to cover vacancies with agency staff due to difficulty in recruiting permanent members of staff. This cost could fluctuate during the course of the year depending on our ability to recruit permanent members of staff to our vacancies. A £74k retention payment to 37 permanent social workers was agreed to be paid which has been included as part of December budget monitoring.
- The NRPF budgets are forecast to overspend by £308k 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 £181k. This is due to a combination of one-off overspend as a result of CareFirst packages that was not accrued for in the previous financial year, and on-going support cost increasing.
- Special guardianship orders (SGOs), adoption allowances and residence orders are estimated to overspend by £137k during the current financial year due to an increase in caseload as well as increased fees resulting from case law.
- The independent review and service quality team is expected to overspend by £218k. This is due to the use of agency staff to cover permanent IRO and manager vacancies. 50% of the posts (6 of 12) in the service are covered by agency staff.
- The setting up home allowances budget is expected to overspend by £170k. This is due to a historic budget shortfall which used to be offset by underspends on supported lodgings which, due to increased statutory requirement, are now also overspending.
- We have been able to fund some elements of core salaries from specific one-off grants which will result in a £108k underspend on the service expenditure for the current year.
- The Children and Adolescent Mental Health Service (CAMHS) is expecting to underspend by £188k due to vacancies.
- The serious case review budget is expected to underspend by £66k because there has been no need to commission reviews during the current financial year

- There are various other small over and underspends predicted across the division netting to a £261k underspend. These combine with the item described above to arrive at the total reported divisional overspend forecast of £882k.

Dedicated Schools Grant

DSG funded services are expected to underspend by an estimated £131k (£169k underspend last month) 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 post 16 SEN provision is expected to overspend by £700k. The responsibility of these payments transferred to Authorities in 2013/14. The overspend is due to the DfE not providing sufficient funding to cover the cost of Further Education (FE) colleges and Independent Specialist Providers (ISP).

This overspend is mainly offset by a two year old offer underspend of £632k which will be earmarked to developing this market over the following two years to ensure sufficient capacity. There are various other smaller over and underspends predicted across the DSG which, combined with the items above, equates to the net underspend of £169k.

PFI Agreement

The Council has a PFI scheme whereby six secondary schools were rebuilt in 2003 by a PFI operator. Four schools now remain in the scheme. The schools make an annual contribution to the Council, towards the scheme's cost, as set-out by a formula enshrined in Governing Body Agreements. Following a review of the Governing Body Agreements and changes to the schools' Dedicated Schools Grant funding, the contribution formula is being re-negotiated.

Management Action

Public Health

- Of the £500k public health underspend allocated to CSF, £415k will be used to offset Early Years costs relating to improving young children's health and wellbeing which enabled us to use existing general fund money to offset overspends on LAC placements.

Staffing

- We have recruited 7 NQSW who started before Christmas and a further 2 will start in February supported and quality assured by a practice assessment manager. As these staff complete their assessed year they will reduce our dependency on agency.
- We have recruited 6 permanent staff reducing the full year effect of agency.
- We have worked with HR on a retention payment to reduce social worker turnover.
- These will all have a positive impact on 15/16 and we will continue to take action to bring down agency/staffing costs.

Placements

- Our edge of care panel continue to ensure that entry to care thresholds are maintained and we are in particular raising entry to care in the teenage years. The impact of increased numbers of UASC is in particular affecting our LAC numbers and we remain in the lowest rate of care range in London.

- Work continues to ensure we lever in appropriate health contribution to children with complex needs and our ART service is driving down placement costs including through regional partnership commissioning.
- We have implemented smarter commissioning practices through working with providers to negotiate reductions on PVI placements and supported lodgings/housing placement costs and cost avoidance on proposed fee increases. 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+.

Transport

- We are modelling the potential impact of personal budgets from transport for 15/16 to assist in delivering cost reduction solutions to individual children’s transport needs.
- We are monitoring tight eligibility thresholds and defending appeals and we have extended our independence travel training.
- We have been piloting the use of some of CSF staff to transport very complex needs children to establish if this better meets young people’s needs and reduces cost.
- 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 with the aim to reduce the cost of agency cover. Although sickness levels are reducing, it remains higher than the council average. The ability of the in-house service to transport children with very challenging needs remains an issue.

New burdens

- As previously mentioned, there are a considerable number of duties placed on the Local Authority which have not been fully funded or not funded at all. The table below highlights the estimated overspends relating to these duties:

Description	Budget £000	Dec overspe nd forecast £000	Nov overspe nd forecast £000
Supported lodgings/housing	627	437	391
Un-accompanied asylum seeking children (UASC)	346	161	148
No Recourse to Public Funds (NRPF)	20	372	432
Special guardianship orders (SGO) & residence orders	442	137	136
Fostering	0	15	15
Total	1,435	1,122	1,122

- Young people aged between 18 and 21 now have the right to stay in their foster placements beyond 18 including whilst attending university. This means their fostering placement has to remain open to them and the in-house foster carer or Independent Fostering Agency will have to continue to be paid.
- Young People on remand are classed as being LAC and also have access to care leavers’ services across a range of budgets. These are in excess of the figures in the table above but included within

the overall projections for the department. As the system does not separately identify costs relating to remand cases, it is not possible to identify this separately.

- Unaccompanied Asylum Seeking Young People are also required to receive these leaving care services and we have 11 over 18s which is putting pressure on the UASC budget.
- The majority of families presenting as NRPF needs are housing. Meetings are on-going to discuss options to reduce cost and strengthen processes and procedures. The work being undertaken by Housing Needs to stimulate supply will assist in reducing these costs. Discussions are on-going regarding the most economic way of procuring housing for families with no recourse to public funds.
- We estimate that the equivalent of 6 social worker posts is currently used to support these additional burdens. This increase the actual cost to Merton to £1.392m.

Savings

- 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 £768k will be achieved.

Additional social worker capacity

As highlighted in the budget reports to Cabinet and Council, additional capacity is being kept under regular reviewed and funded quarterly from the corporate contingency. CMT / Cabinet are asked to approve the virement of quarterly requirements (£119k for quarter three and £115k for forth quarter) for the remainder of the year from the corporate contingency. The actual cost will be reported as part of outturn and the estimates adjusted accordingly.

C) Community and Housing

As at the end of period 9 (December), C&H is forecast to over-spend by £1.931m an increase of £142k since the November forecast

Community and Housing	2014/15 Current Budget £000	Full Year Forecast (Dec) £000	Forecast Variance (Dec) £000	Forecast Variance (Nov) £000	2013/14 Variance at year end £000
Access and Assessment	42,314	44,023	1,709	1,584	(1,256)
Commissioning	5,072	4,959	(113)	(120)	(116)
Direct Provision	4,256	5,075	819	801	214
Directorate	893	823	(70)	(61)	70
Contribution from Public Health	0	(500)	(500)	(500)	0
Adult Social Care	52,535	54,380	1,845	1,704	(1,088)
Libraries and Heritage	2,494	2,478	(15)	(12)	27
Merton Adult Education	(282)	(101)	181	155	(29)
Housing General	2,003	1,923	(80)	(58)	(32)

Fund					
Total (controllable)	56,750	58,681	1,931	1,789	(1,122)

This overspending for adult social care has been netted down by one off Public Health money of £500k & £290k of ASC reserves for DOLs meaning that the underlying over-spending for ASC is £2.635m.

Access and Assessment - £1,709k over-spend

Access and Assessment	Foreca st Variance (Dec) £000	Foreca st Variance (Nov) £000
Gross Placements overspend	3,408	3,292
Miles –Reablement over-spend	384	384
Other A&A under-spends	(750)	(759)
Sub-total Net over-spend	3,042	2,917
Over achievement of Client Contribution	(1,004)	(1,004)
Over achievement of CCG Contribution	(329)	(329)
Sub-Total over-achievement of Income	(1,333)	(1,333)
Total A&A Forecast over-spend	1,709	1,584

Over-view

Description	Budget £000	Forecast Variance (Dec) £000	Forecast Variance (Nov) £000
<u>Placements</u>			
Gross Placements	37,621	3,408	3,292
Client & CCG Contribution Income	(11,749)	(1,333)	(1,333)
NHS Social Care Transfer Income	(2,266)	0	0
Placements Reserves Income	(1,000)	0	0
Subtotal Net Placements	22,606	2,075	1,959
Miles Reablement	1,714	384	384
Concessionary Fares & Taxicard	9,045	(53)	(53)
Care-first	146	(132)	(131)
Other Access & Assessment	8,803	(565)	(576)
Total Access & Assessment	42,314	1,709	1,584
<u>Commissioning</u>			
Brokerage, Contracts, Performance & Planning & Comm	1,123	(187)	(185)
Voluntary Organisations - grants	832	167	167
Voluntary Organisations – Contracts	328	(24)	(24)
Voluntary Organisations – Dementia contract	227	20	5
Pollards Hill Contract	170	32	32
Supporting People grant	2,392	(121)	(115)
Sub-total Commissioning	5,072	(113)	(120)
<u>Direct Provision</u>			
Day Centres - Transport	205	606	606
Day Centres	2,144	(44)	(31)
Supported Living	853	50	55
Residential	787	196	161
Mascot	(36)	(6)	(4)
Other Direct Provision	303	17	14
Subtotal Direct Provision	4,256	819	801
Directorate	893	(70)	(61)
Contribution from Public Health – Ageing Well Grants	0	(500)	(500)
Sub-total Adult Social Care	52,535	1,845	1,704
<u>Libraries</u>			
	2,494	(15)	(12)
<u>Merton Adult Education</u>			
	(282)	181	155
<u>Housing</u>			
Temporary Accommodation	95	(84)	0
Homelessness Prevention	353	24	28
Housing Advice & Options	553	(7)	(9)
Housing Needs	277	(48)	(45)
Housing Strategy	137	(11)	(8)
Housing Supply & Development	262	(2)	(4)
Housing Environmental Health	343	(18)	(20)
Merton Action Single Homeless	50	(1)	(2)
Reserves Funding Adjustment	(67)	67	0
Sub-total Housing	2,003	(80)	(58)
Grand total Community and Housing			
	56,750	1,931	1,789

Placements Overspend £3.4m

The total gross placement budget for 2014-15 is £37.6m and forecast total commitment is £41m.

This includes £2.3m net growth allocated in setting the budget to deal with volume increases and savings of £1.916m through improved efficiency, procurement, service changes, and managing demand.

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 details the current number of clients and care packages numbers

Activity Data – Care Package Numbers	No of Care Packages December 2014 (No's)	No of Clients December 2014 (No's)	Total Yearly Commitment December 2014 £000
Service Area			
Mental Health	140	126	£1,638
Physical and Sensory	282	226	£4,337
Learning Disabilities	401	334	£13,045
Older People	1,664	1,232	£21,228
Substance Misuse	14	13	£224
No recourse to public funds	15	10	£201
Transport	0	0	£319
Other Placement Expenditure	0	0	£38
TOTAL Gross placement expenditure	2,516	1,941	£41,029

Placement Pressures :-

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.

Although there is evidence of success in managing demand and making specific savings, there are pressures in this area which are making it difficult to realise all savings. These include:

- Additional £47K commitment on Mental Health placements for joint funded placements. It has been agreed that the joint panel arrangements will be reviewed to ensure funding of placements are apportioned on a fair basis with the CCG.
- Transitions costs of £127k, from children coming through to adult services with greater and more complex needs. For example for those young people attending college, there is an increasing demand for accommodation and support to be arranged for them in holidays rather

than their being with their families. This reflects the increased level of disability and challenging behaviour.

- A higher rate of dependency among those being discharged from hospital. One indicator for this is the number of people requiring two members of staff for transfers (e.g. between bed and chair), commonly referred to as “double ups”. The number requiring this has increased.
- Demography (e.g. increase in dementia in customers over 65 and corresponding increase in support needs)
- Greater challenge from the NHS in some cases where they have been funding or co-funding individuals
- The local provider market for social care. Merton has for some time had the benefit of lower than average unit costs and fees, partly through some long standing block contracts. As these block contracts are coming to an end the providers are demanding what they can get on the open market, and are comparing what Merton will pay with the rates they get from other neighbouring local authorities. This is in some cases causing cost increases.
- The Cheshire West judgement for Deprivation of Liberty Safeguards (DOLS). This Supreme Court interpretation of the Mental Capacity Act legislation has led to a much larger number of people in hospitals, care homes and community settings to require assessment as to whether they have the capacity to consent to where they are and, if they don't, whether the arrangement is in their best interests.
- The No Recourse to Public Funds (NRPF) has increased by 3 packages since budget setting. The associated increase in cost is £20k .

Placements Income

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

However based on latest data, income is currently forecast to over-achieve by £1,333k. There is also increased claw back from Clients receiving Direct Payments.

The Income budgets 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.

The effective overspend on net placements costs is therefore c. £2m

Commissioning under -spend £113k

Salaries budget is £177k under-spend due to vacancies across the commissioning team.

Supporting People grant is forecast to under-spend by £121k; however the Underspend is not guaranteed due to on-going contract negotiation and subsidy movements.

There is an over-spend of £167k on Voluntary organisations grants.

It has been agreed the affected Voluntary organisations currently receiving transitions payments will not receive any funding in 2015/16.

MCCG have refused to pay the invoice for the 2013-14 3rd & 4th quarter contribution for the Dementia contract . This has resulted in a write back of £14,875 for the outstanding invoice

The impact on next years allocation for the contract is to be considered by the Director and discussed with MCCG.

The Pollards Hill contract budget is £32k overspend , mainly due to the overspend on transport charges.

There are other small variances across the commissioning budgets of £10k

Direct Provision over-spend £819k

The main cause of the forecast overspend are Transport and Staffing

Transport SLA (Core-route) - £606k Over-spend

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 as the reduction proposed was not based upon actual variable costs.

Salaries Overspends across Direct Provisions

Supported Living schemes - £50k net overspend

Supported Living use a lot of bank hours , once the budgets are reviewed the correct number of posts can be recruited accordingly .

Included in the forecasts is £233k recharge to the placements budget which relates to Glebelands extra care scheme. This has never been a set budget as it was previously covered by the In-House Home Care service. The technical establishment on I-trent will be updated to formalise the arrangement to recruit staff on a permanent basis.

Day Services - £44k net under-spend

Although Day services is forecasting a net underspend, salaries budgets are overspending .

This is mainly due to a vacancy factor being in place but no staff movement throughout the year. The budget will be re-aligned in 2015/16 and manager and senior positions will be reduced. There are a number of posts at JMC on a fixed term contract which have been kept on that basis to give some flexibility to downsize.

Residential Homes are forecast to over-spend by £196k mainly due to salaries

Riverside Drive Residential home over-spend is due to a temporary spell of poor mental health experienced by one of the residents which necessitated a 1-1 cover for a period of three months. Also the post of a key night worker who has been on long term sick has to be covered.

A more flexible staffing arrangement is also being considered with the aim of reducing one post from many of the shifts.

Meadowsweet has an overspend as they provide staff to cover Cliveden Road, which is a Supported Living unit. There is a discrepancy between the amount of clients supported through the Supported Living team and the budget available. This is the historical Haslemere Avenue budget, when the number of clients supported was 12 clients. The complexity of people supported has also increased. The team now supports a total of 32 clients over four sites.

Some income should be transferred from the LD budget once all clients have been financially assessed .

There are other small variances across the Direct Provisions budgets of £11k

Adult Social Care Management Action

A range of actions are being progressed to help reduce the projected over-spend, as follows:-

- **Staffing** - vacancies across Access and Assessment and Commissioning are being held to help offset the over spend, where such vacancies do not prohibit the delivery of our statutory duties. There is a continued reduction in agency staff usage.

- **Strengthened resource panel arrangements** - the panels now sit twice a week and there is representation from both the Brokerage and occupational therapy teams. Fully costed alternatives are required to be presented for every case in order to ensure the best value alternative.
- **Customer reviews** – the programme of customer review will intensify from November. The objective of the reviews is to ensure that customer’s packages are appropriate to need and reduce any services that are not absolutely needed. This programme is contributing to 2014-15 savings and will also continue into 2015-16.
- **Improved performance information** - the quality of performance data has been adjusted over the past few months in order to ensure we can use more of the data to meet business needs. Team managers now get weekly updates on the volumes of support being authorised from the teams, which can in turn drive immediate discussions and decisions about bringing this into line with the budget. The data is now showing a reduction overall in home care hours and in care home admissions.
- **Third party contract re-negotiation** - following a nine month period of intense negotiations with Eltandia, commissioners have succeeded in securing a rate that though higher than that of our previous block contract, is below the going market rate. Such re-negotiations are on-going with other third party providers. An example is Choice Support with a full year reduction of £400k (£100k in last quarter). Commissioners have taken a collaborative approach to convince providers to continue to work with them.
- **Reablement restructure** - as previously indicated the restructure of the reablement service is underway, and the team are looking for additional opportunities to take costs out. However the restructure will take place in 2015/16.
- **ASC Redesign programme** - There is continuous scanning of best practice across the country in order to look for further savings. A recent example is the report from the Local Government Association.
- **Working with front line staff** – a conference with social workers has taken place and one for occupational therapists took place in November. A major component of these conferences is “promoting independence” and what professional practice needs to be in order to work to this principle.

Libraries- £15k under-spend

Libraries is reporting an under spend on some short term vacancies and the media fund. There are queries relating to cleaning contracts and printing charges. If these issues are resolved then the forecast underspend is likely to increase.

MAE - £181k over-spend

Over-spend has increased over the last period by £26K, due to reduction in SFA Funding for ESOL Transitional Funds.

Over-spend is mainly due to forecast under-achievement of Income due to changes in the SFA funding regime made after budget setting in previous years and the non delivery of savings

Although currently showing an overspend expenditure, the budget manager expects to contain expenditure within budget by the end of the financial year. This should happen once budget is realigned due to class closures. A detailed management action to demonstrate this is required

Strategic options for the service from 2015 onwards are being explored.

Housing - £80k under-spend

There are various small over and underspends predicted across Housing netting to a £80k under-spend.

Bed and Breakfast accommodation budget is forecast to under-spend by £84k based on the housing benefits receipts up to December.

The Homelessness Prevention budget is currently forecast to over-spend by £24k. This budget cannot be viewed in isolation as if spending was restricted on rent deposits there would be a corresponding increase in the use of temporary accommodation.

The balance sheet holding codes are to be reviewed to ascertain if balances can be transferred to revenue .

Public Health

Public Health is forecast to underspend by £764k, an increase of £44k in the under-spend reported last month.

Public Health	2014/15 Current Budget	Full Year Forecast (Dec)	Forecast Variance (Dec)	Forecast Variance (Nov)	2013/14 Final Out-turn
	£000	£000	£000	£000	£000
PH - Directorate	1,137	1,021	(116)	(68)	631
PH- Contraception	706	717	11	11	589
PH - STI Testing and Treatment (GUM)	2,060	2,344	284	284	2,275
PH - SH Advice, Prevent and Promotion	360	273	(87)	(93)	301
PH - NHS Health check	248	248	0	(5)	172
PH - Falls Prevention	66	66	0	0	55
PH - Obesity	338	312	(26)	(4)	357
PH – Live well (including smoking cessation)	355	316	(39)	(39)	346
PH - Substance Misuse (drugs and alcohol)	2,057	1,740	(317)	(340)	1,837
PH - School Nursing (including National Child Measurement programme)	628	612	(16)	(16)	570
PH - Surveillance and Control of Infectious Diseases	10	2	(8)	0	0
PH - Community Services Contract Estates	282	282	0	0	188
PH - New Investments	879	429	(450)	(450)	0
Total Public Health (controllable)	9,126	8,362	(764)	(720)	7,321
PH – Non-Recurrent Projects funded from Reserves	1,321	1,321	0	0	0

Total Public Health (including funding from Reserves)	10,447	9,683	(764)	(720)	7321
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The main causes of the forecast underspend on Public Health involve the capacity issues in the Public Health team reported earlier, as well as the need for the Council to make savings, which has had a knock-on effect on delivery of public health initiatives in the Council. Public Health has been fully staffed from end September and action plans are in place with each of the Council directorates. Some expenditure has had to await reviews of inherited services. These reviews are nearing completion, when the Public Health team will begin procurement of services based on review recommendations.

Salaries budget is forecast to underspend by £107k due to delays in recruitment. All posts have now been recruited to.

The forecast includes expenditure for various Consultancy projects, including Cancer Health Needs, Alcohol strategy, CASH (Contraception and Sexual Health) & HIV Pilot. An update on these projects will be provided.

£120k of prescribing costs is also included in the forecast. Activity data has been requested and estimated costs will be updated.

£1.321m of the £1.634m 2013-14 underspend in reserves is being spent on the approved non-recurrent projects.

3D) Environment & Regeneration

Environment & Regeneration	2014/15 Current Budget	Full year Forecast (Dec)	Forecast Variance at year end (Dec)	Forecast Variance at year end (Nov)	2013/14 Final Out- turn
	£000	£000	£000	£000	£000
Public Protection	(5,802)	(5,807)	(5)	(76)	180
Sustainable Communities (Excl. T&H)	3,441	3,271	(170)	(27)	(54)
Traffic & Highways (T&H)	8,053	8,398	345	268	(122)
Waste Services	14,159	15,403	1,244	1,211	(1,116)
Other	(759)	(1,002)	(243)	(188)	537
Total (Controllable)	19,092	20,253	1,171	1,188	-575

Description	2014/15 Current Budget £000	Forecast Variance at year end (Dec) £000	Forecast Variance at year end (Nov) £000
Employee overspend in Parking Services	2,476	50	27
Employee underspend Safer Merton	840	(78)	(119)
Other	(9,118)	23	(118)
Total for Public Protection	(5,802)	(5)	40
Employee overspend within B&DC	1,580	226	209
General Supplies & Services underspend within B&DC	232	(119)	(64)
Employee related underspend within Traffic & Highways	1,808	(256)	(252)
General Supplies & Services underspend within Traffic & Highways	279	(78)	(82)
Reduction in ability to Capitalise expenditure	(464)	464	464
Underachievement of Customer & Client Receipts in Traffic & Highways	(1,453)	216	216
Overachievement of rental income in Property Management	(4,042)	(185)	(131)
Employee overspend within Greenspaces	2,252	112	112
Premises overspend within Greenspaces	669	77	77
Overachievement of Other Grants & Contributions within Greenspaces	(97)	(146)	(146)
Underachievement of Customer & Client Receipts within Greenspaces	(1,792)	125	125
Overachievement of Other Grants & Contributions within Future Merton	(593)	(89)	(62)
Underspend on 3 rd Party Payments within Future Merton	376	(48)	(33)
Employee underspend within Senior Mgnt & Support	758	(74)	(74)
Other	11,981	(50)	(118)
Total for Sustainable Communities	11,494	175	241
Employee overspend within Waste Services	7,235	202	244
Transport related underspend within Waste Services	1,962	(145)	(159)
General Supplies & Services underspend within Waste Services	1,072	(187)	(201)
Overspend on 3 rd Party Payments – principally SLWP	6,575	869	823
Shortfall in Waste Services income – principally Commercial Waste	(3,067)	573	545
Other	382	(68)	(41)
Total for Waste Services	14,159	1,244	1,211
Transport Services	(759)	(243)	(188)
Total for Street Scene & Waste (Excl. Waste Services)	(759)	(243)	(188)
Total Excluding Overheads	19,092	1,171	1,188

Overview

The department is currently forecasting an overspend of £1,171k at year end. The main areas of variance are Waste Services, Traffic & Highways, Greenspaces, Safer Merton, Property Management, Future Merton, Transport Services, and Senior Management & Support.

Pressures

Public Protection

Safer Merton

An underspend of £92k is being forecast as a result of vacant posts remaining unfilled. A reorganisation of the CCTV function is currently being undertaken and a wider review of the service will follow. The position is unlikely to change until this is concluded.

Sustainable Communities

Greenspaces

The section is forecasting an overspend of £203k due to a few factors. Firstly, an employee overspend of £112k is being forecast, which is as a result of overtime payments to cover for absences, such as annual leave and sickness, in order to maintain service standards (£60k), staffing the paddling pools (£40k), Wimbledon fortnight (£15k), and staffing of the firework displays (£15k). Secondly, an underachievement of income totalling £125k is expected relating mainly to sports bookings (£48k), and the hiring of openspaces e.g. Wimbledon Park athletics track (£60k). These overspends are being partially mitigated by the reversal of a prior year corporate write-off totalling £90k.

Traffic & Highways

The section is forecasting an overspend of £345k, 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 is being progressed for the 2015/16 financial year.

The section also has a forecast income shortfall of £216k, mainly relating to the London Permitting Scheme (LoPS) and street work activities, due to greater compliance.

These forecast overspends are being partially offset by an employee underspend of about £256k.

Property Management

The section is currently forecasting an underspend of £106k. This is as a result of exceeding their commercial rental income expectations by £185k due to a current occupancy rate of 100%. This is being partially offset by slight overspends on premise related R&M costs, and general supplies and services costs.

Future Merton

An underspend of £136k is currently being forecast. This is mainly as a result of an expected £100k contribution from Merton Priory Homes (£10k of which is within Corporate Services), which relates to the Council's preparation of a Local Plan framework to guide the delivery of the estate regeneration project.

The Local Plan preparation is a statutory document. The financial contribution assists with LBM staff resources, LBM consultation and community engagement as well as policy research, background evidence for regeneration and external financial viability expertise.

Senior Management & Support

An underspend of £129k is being forecast due to a combination of not filling vacant posts in order to contribute towards the department's mitigating actions (£73k), and an underspend on supplies & services (£43k).

Street Scene & Waste

Waste Services

The section is currently forecasting an overspend of £1,244k, mainly due to a forecast shortfall in Customer & Client receipts of £573k – more specifically on Commercial activities, which is

forecasting an income shortfall of around £632k. 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.

Following a commercial review of the trade service by Eunomia, the service is currently implementing the agreed action plan. A permanent solution is also being progressed for the 2015/16 financial year.

In addition, the section is currently projecting an employee related overspend of about £202k. This is as a result of a combination of issues, including the need to realign the budget with the actual cost of activities undertaken by refuse collection and street cleansing. There is also 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.

The section is also projecting an overspend of £401k relating to the operational and disposal costs associated with the management of the HRRC and transfer station.

The forecast overspend also includes some one-off costs. Firstly, a couple of HRRC invoices relating to the previous financial year were not accrued for (£229k). Secondly, a sundry debtor balance whereby the income relating to the food waste rebate as a result of the contract renegotiations was over-estimated (£309k). These two one-off costs contribute a total of £538k towards the overall forecast overspend on third party payments of £869k.

Transport Services

The section is forecasting an underspend of £243k, mainly as a result of an employee underspend and an overachievement of external income. The employee underspend is due to a few factors. Firstly, in order to reduce costs and improve efficiency, a restructure was implemented that combined the two manager posts into one. Secondly, due to difficulty in recruiting suitably skilled vehicle fitters, the section has only recently been able to appoint to one of the two vacant posts.

The overachievement of external income is mainly as a result of securing additional work, over and above their original expectations.

Work continues with analysing the varying forecasts seen within E&R and the client departments, so that a permanent solution can be achieved for 2015/16.

Management Action

The department is implementing actions to mitigate the budget pressures where possible, and all managers are aware of the need to contain expenditure and maximise income wherever possible. Corporate guidance regarding the filling of vacant posts will be strictly adhered to.

(E) Corporate Items

The details comparing actual expenditure up to 31 December 2014 against budget are contained in Appendix 2. The main areas of variance as at 31 December 2014 are:-

Corporate Items	Current Budget 2014/15	Full Year Forecast (Dec.)	Forecast Variance at year end (Dec.)	Forecast Variance at year end (Nov)	2013/14 Year end Variance
	£000s	£000s	£000s	£000s	£000s
Cost of borrowing	14,103	14,032	-71	-71	-166
Use for Capital Programme	0	71	71	71	512
Impact of Capital on revenue budget	14,103	14,103	0	0	346
Investment Income	-522	-676	-154	-154	-346
Pension Fund	13,434	14,438	1,004	1,004	21
Pay and Price Inflation	1,619	1,507	-112	-112	-314
Contingencies and provisions	3,982	2,593	-1,389	-1,189	845
Income Items	0	0	0	0	-177
Appropriations/Transfers	-6,626	-7,630	-1,004	-1,004	2,051
Central Items	11,887	10,232	-1,655	-1,455	2,080
Levies	931	931	0	0	0
Depreciation and Impairment	-15,227	-15,227	0	0	3
TOTAL CORPORATE PROVISIONS	11,694	10,039	-1,655	-1,455	2,429

There has been an increase of £0.2m in the forecast underspend since November. It is anticipated that the provision for loss of income due to P3/P4 will not be required in 2014/15.

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

Reserves are attached as Appendix 8

Cashflow will be attached as Appendix 9

4. CAPITAL PROGRAMME 2014-18 – December 2014

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 January Cabinet approved capital programme was just over £44.5 million, the proposed programme is £43.605 million.

Depts.	Spend To Dec 2012	Spend To Dec 2013	Spend To Dec 2014	Variance 2012 to 2014	Variance 2013 to 2014
C&H	427	943	458	32	(485)
CS	1,619	3,071	1,041	(578)	(2,031)
CSF	21,071	7,383	14,568	(6,504)	7,184
E&R	6,600	6,463	3,405	(3,195)	(3,058)
Total Capital	29,717	17,861	19,472	(10,246)	1,610

Outturn £000s	40,487	31,564	
Budget £000s			43,605
Projected Spend Dec 2014 £000s			41,083
Percentage Spend to Budget			44.65%
Percentage Spend to Outturn/Projection	73.40%	56.59%	47.40%
Monthly Spend to Achieve Projected Outturn £			7,204

4.1.2 December three quarters of the way through the financial year, however, departments have only spent 44.7% of their budget or 47.4% of their forecast, in the last two years spend was in the region of 65% of the final outturn by this point. To achieve a projected spend of £41.02m officers will need to spend just over £7.2m per month for each of the remaining 3 months. The table below shows that in December 2014 departments have managed to spend just under £4.1 million.

Department	Spend To Nov 2014	Spend To Dec 2014	Variance
C&H	415	458	43
CS	679	1,041	361
CSF	11,314	14,568	3,253
E&R	2,995	3,405	410
Total Capital	15,405	19,472	4,067

4.2 Capital Programme 2014/15

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

Merton Summary Capital Report - December 2014 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Community and Housing	2,665,230	458,343	815,970	(357,627)	2,056,340	(608,890)
Corporate Services	4,886,600	1,040,652	2,800,220	(1,759,569)	3,333,937	(1,552,663)
Children Schools and Families	24,566,190	14,584,540	15,240,944	(673,406)	24,566,750	560
Environment and Regeneration	11,486,320	3,405,057	6,382,991	(2,977,934)	11,125,857	(360,463)
Total Capital	43,604,340	19,488,592	25,240,125	(5,768,536)	41,082,884	(2,521,456)

Notes

1. Community and Housing – the project underspend is caused by one scheme:
 - a) The Gables Mitcham projected underspend is £577k officers remain confident that it will be committed by 31/3/15 to meet the external funding requirements
2. Corporate Services - the bulk projected under spend is due to two corporate schemes:
 - a) Acquisitions underspend of £1,042k – no bids have been received for this scheme,
 - b) Capital Bidding Fund underspend of £500k – no bids have been received for this scheme this year,
3. Children, Schools and Families - the projected in year underspend relates to one scheme:
 - a) School equipment loans underspend of £313k – officers will re-profile this scheme for LSG/Cabinet
4. Environment and Regeneration - the underspend comprises numerous small variations

4.2.2 The adjustments being made to the capital programme are detailed in Appendix 5b and the impact on funding of these changes is detailed in Appendix 5c. The virement below will require Cabinet Approval:

<u>Narrative</u>	<u>2014/15</u>
	£
Central Road	(124,000)
Morden Road	48,050
The Broadway	26,750
Coombe Lane	6,500
Parkside	42,700

The schemes are funded by TfL and the adjustments have already been approved by them

4.2.3 The Table below shows the adjustments to the Capital Programme since its approval in March 2014:

Changes to the Capital Programme 2014/15 since March 2014

Depts.	Original Budget 14/15	Slippage 2013/14	Reductions	New External Funding	New Internal Funding	Re-profiling	Revised Budget 14/15
CSF	27,193	304	0	1,003	0	(3,934)	24,566
CS	8,829	169	(550)	10	0	(3,571)	4,887
C&H	2,603	302	(170)	577	244	(891)	2,665
E&R	15,920	1,368	(107)	1,106	1,640	(8,440)	11,487
Total	54,545	2,143	(827)	2,696	1,884	(16,836)	43,605

4.2.5 The Table below details the changes made to the approved programme within Appendix 5a-c.

Depts.	November Monitoring Budget 2014/15	Variance	Dec 2014 Monitoring Budget 2014/15	November Monitoring Budget 2015/16	Variance	Dec 2014 Monitoring Budget 2015/16	November Monitoring Budget 2016/17	Variance	Dec 2014 Monitoring Budget 2016/17	November 2014 Monitoring Budget 2017/18	Variance	Dec 2014 Monitoring Budget 2017/18
CSF	25,053	(487)	24,566	15,963	294	16,257	24,277	104	24,381	21,399	104	21,503
CS	5,220	(333)	4,887	5,594	333	5,927	3,862	0	3,862	2,881	0	2,881
C&H	2,765	(100)	2,665	2,061	100	2,161	1,334	0	1,334	340	0	340
E&R	11,495	(9)	11,487	19,096	(5,040)	14,055	17,335	5,000	22,335	5,501	0	5,501
Total	44,534	(930)	43,604	42,713	(4,312)	38,401	46,808	5,104	51,912	30,121	104	30,225

5. DELIVERY OF SAVINGS FOR 2014/15

The table below shows that 2014/15 savings have been substantially delivered by Service Departments, with the exception of Community and Housing. The shortfalls will need to be fully delivered in 2015/16 or alternatives identified in addition to future years savings targets.

Department	Target Savings 2014/15	Projected Savings 2014/15	Period 8 Forecast Shortfall	Period 9 Forecast Shortfall	Period 8 Forecast Shortfall
	£000's	£000's	£000's	%	%
Corporate Services	1,650	1,590	(60)	(3.6)%	(3.6)%
Children Schools and Families	860	768	(92)	(10.7)%	(10.7)%
Community and Housing	2,465	880	(1,585)	(64.3)%	(64.5)%
Environment and Regeneration	3,338	2,847	(491)	(14.7)%	(14.7)%
Total	8,313	6,085	(2,228)	(26.8)%	(26.9)%

The overspendings identified in the report will also need to be eliminated before 2015/16. Detailed progress on savings by department is reported in Appendix 6.

6. MISCELLANEOUS DEBT

6.1 The Miscellaneous Debt report as at December 2014 is attached as Appendix 10

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 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.

14. 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 5a – Current Capital Programme 2014/15 – July Monitoring Information

Appendix 5b – Adjustments to the Capital Programme

Appendix 5c – Funding the Capital Programme

Appendix 6 – Progress on Savings

Appendix 7 - Forecast year end variance by department

Appendix 8 - Reserves

Appendix 9 - Cashflow

Appendix 10 – Miscellaneous Debt as at December 2014

Appendix 11 – Customer and Client Receipts

15. BACKGROUND PAPERS

15.1 Budgetary Control files held in the Corporate Services department.

16. REPORT AUTHOR

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**Summary Position as at
31st December 2014**

Appendix 1

	Original Budget 2014/15 £000s	Current Budget 2014/15 £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 2013/14 £000s
Department								
3A. Corporate Services	11,285	13,646	22,078	20,346	13,836	190	47	(732)
3B. Children, Schools and Families	48,040	49,175	132,725	130,230	52,138	2,962	3,180	556
3C. Community and Housing	61,333	61,988	45,934	45,835	63,918	1,930	1,789	(1,122)
3D. Public Health	0	1,321	1,160	(1,627)	1,321	0	0	0
3E. Environment & Regeneration	22,853	24,717	11,551	7,034	25,888	1,171	1,187	(576)
Overheads		0			0	0	0	55
NET SERVICE EXPENDITURE	143,511	150,847	213,448	201,819	157,101	6,253	6,204	(1,820)
3E. Corporate Items								
Impact of Capital on revenue budget	14,103	14,103	5,019	4,283	14,103	0	0	0
Central budgets	3,996	(3,340)	1,384	217	(4,995)	(1,655)	(1,455)	2,429
Levies	931	931	653	653	931	0	0	0
TOTAL CORPORATE PROVISIONS	19,030	11,694	7,056	5,153	10,039	(1,655)	(1,455)	2,429
TOTAL GENERAL FUND	162,541	162,541	220,504	206,972	167,140	4,598	4,749	610
FUNDING								
Revenue Support Grant	(39,738)	(39,738)	(24,832)	(24,832)	(39,738)	0	0	(249)
Business Rates	(33,253)	(33,253)	(6,271)	6,271	(33,253)	0	0	0
Other Grants	(9,972)	(9,972)	(5,644)	(5,644)	(10,053)	(81)	(81)	(359)
Council Tax and Collection Fund	(79,578)	(79,578)	(79,578)	0	(79,578)	0	0	0
FUNDING	(162,541)	(162,543)	(116,325)	(24,205)	(162,622)	(81)	(81)	(610)

	Current Budget 2014/15	Year to Date Budget (Dec)	Year to Date Actual (Dec)	Full Year Forecast (Dec)	Forecast Variance at year end (Dec)	Forecast Variance at year end (Nov)	Outturn variance 2013/14
Expenditure	£000	£000	£000	£000	£000	£000	£000
Employees	94,681	70,400	71,222	95,925	1,244	1,200	275
Premises Related Expenditure	9,153	7,377	5,674	9,092	(61)	(24)	(891)
Transport Related Expenditure	13,645	10,028	10,319	14,905	1,260	1,131	20
Supplies and Services	170,536	118,107	112,636	169,044	(1,493)	(1,700)	1,933
Third Party Payments	85,184	63,922	62,404	91,622	6,439	6,213	(2,106)
Transfer Payments	108,346	7,652	7,312	105,002	(3,345)	(3,289)	6,442
Support Services	32,422	1	(0)	32,420	(2)	(1)	1,501
Depreciation and Impairment Losses	15,227	0	0	15,226	(1)	(1)	(0)
Corporate Provisions	11,694	7,056	5,153	10,039	(1,655)	(1,455)	2,429
GROSS EXPENDITURE	540,887	284,541	274,720	543,274	2,387	2,074	9,603
Income							
Government Grants	(264,105)	(9,444)	(12,704)	(259,931)	4,174	4,103	(6,425)
Other Grants, Reimbursements and Contribs	(24,629)	(13,678)	(13,403)	(26,314)	(1,684)	(1,267)	(2,361)
Customer and Client Receipts	(56,493)	(40,769)	(41,369)	(57,758)	(1,265)	(1,075)	(1,141)
Interest	(44)	0	0	(19)	25	25	25
Recharges	(33,020)	(108)	(10)	(33,019)	1	1	(1,446)
Balances	(55)	(39)	(263)	905	961	887	2,352
GROSS INCOME	(378,346)	(64,037)	(67,749)	(376,135)	2,211	2,675	(8,994)
NET EXPENDITURE	162,541	220,505	206,972	167,140	4,598	4,749	610

APPENDIX 2

3E. Corporate Items	Council 2014/15 £000s	Original Budget 2014/15 £000s	Current Budget 2014/15 £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
Cost of Borrowing	14,103	14,103	14,103	5,019	4,283	14,032	-71	-71
Use for Capital Programme	0	0	0	0	0	71	71	71
Impact of Capital on revenue budget	14,103	14,103	14,103	5,019	4,283	14,103	0	0
Investment Income	-522	-522	-522	-392	-507	-676	-154	-154
Pension Fund	13,434	13,434	13,434	6,059	6,059	14,438	1,004	1,004
Corporate Provision for Pay Award	807	807	807	538	538	807	0	0
Provision for inflation in excess of 1.5%	538	538	512	0	0	400	-112	-112
Utilities Inflation Provision	300	300	300	0	0	300	0	0
Pay and Price Inflation	1,645	1,645	1,619	538	538	1,507	-112	-112
Contingency	1,500	1,500	1,013	0	24	24	-989	-989
Single Status/Equal Pay	100	100	100	58	18	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	0	-400	-200
Revenuisation and miscellaneous	2,166	2,166	1,969	0	0	1,969	0	0
Contingencies and provisions	4,666	4,666	3,982	58	42	2,593	-1,389	-1,189
Local Services Support Grant					-31	0	0	0
Income items	0	0	0	0	-31	0	0	0
Appropriations: CS Reserves	0	0	-1,912	-1,912	-1,912	-1,912	0	0
Appropriations: E&R Reserves	0	0	-1,819	-73	-73	-1,819	0	0
Appropriations: CSF Reserves	0	0	-904	-904	-904	-904	0	0
Appropriations: C&H Reserves	0	0	-670	-670	-670	-670	0	0
Appropriations: Public Health Reserves	0	0	-1,321	-1,321	-1,321	-1,321	0	0
Appropriations: Corporate Reserves	0	0	0	0	-1,004	-1,004	-1,004	-1,004
Appropriations/Transfers	0	0	-6,626	-4,880	-5,884	-7,630	-1,004	-1,004
Depreciation and Impairment	-15,227	-15,227	-15,227	0	0	-15,227	0	0
Central Items	18,099	18,099	10,763	6,403	4,500	9,108	-1,655	-1,455
Levies	931	931	931	653	653	931	0	0
TOTAL CORPORATE PROVISIONS	19,030	19,030	11,694	7,056	5,153	10,039	-1,655	-1,455

Pay and Price Inflation as at December 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 significant 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 pay award has now been agreed. Details were provided in the November monitoring statement.

The Government has previously 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 0.5% in December 2014, which is down from 1.0% in November 2014. Continuing falls in motor fuel prices, and gas and electricity price rises from the previous year falling out of the calculation, were the main contributors to the drop in the rate of inflation. CPIH, the measure of consumer price inflation including owner occupiers' housing costs, grew by 0.6% in the year to December 2014, down from 1.0% in November 2014. Owner occupiers' housing costs increased by 0.1% between December 2014 and November 2014.

RPI annual inflation stands at 1.6% in December 2014, down from 2.0% in November 2014.

Outlook for inflation:

On 8 January 2015, 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.

In the Minutes of the MPC published on 21 January 2015, it was noted that "the fall in CPI inflation to 0.5% in December was in line with Bank staff's expectations immediately before the data release, but 0.5 percentage points lower than expected at the time of the November *Inflation Report*. the fall in CPI inflation on the month was likely to have largely reflected lower fuel prices and utility price increases in December 2013 dropping out of the annual comparison.

CPI inflation was expected by Bank staff to reach a trough of around zero in March, as lower oil prices fed through to petrol prices, with a roughly even chance that it would temporarily dip below zero at some point in the first half of 2015."

The quarterly inflation report for November 2014 was published on 12 November. This provided an overview of expectations relating to the inflation forecast based on latest economic data. The report indicated that, although UK domestic demand growth remained robust, the outlook for global growth has weakened and is expected to slow slightly in the near term. Specifically, in respect of inflation, it was noted that "inflation has fallen further below the MPC's 2% target, reflecting the impact of lower food, energy and import prices and some continued drag from domestic slack. Inflation is expected to remain below the target in the near term, and is more likely than not to fall temporarily below 1% at

some point over the next six months. It then rises gradually back to the target as external pressures fade

and unit labour cost growth picks up. The MPC's guidance on the expected path for Bank Rate continues to apply. When Bank Rate does begin to rise, the pace of rate increases is expected to be gradual, with rates probably remaining below average historical levels for some time."

In terms of pressure on pay growth the MPC commented that there was evidence that the pace of pay growth had recently picked up and the unemployment rate had fallen to 6.0% with short term unemployment particularly low. However, pay growth might also depend on the development of inflation expectations over the coming months with around 40% of pay settlements being agreed in April when it is likely that CPI inflation is expected to be around zero.

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 (January 2015)			
	Lowest	Highest	Average
	%	%	%
2014 (Quarter 4)			
CPI	0.9	1.8	1.0
RPI	1.9	2.7	2.1
LFS Unemployment Rate	5.8	6.0	5.9
2015 (Quarter 4)	Lowest	Highest	Average
	%	%	%
CPI	0.2	2.3	1.1
RPI	0.2	3.6	2.1
LFS Unemployment Rate	4.9	5.8	5.4

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 8 January 2015, 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 minutes of the MPC published on 21 January 2015 indicated that all members had voted to maintain the status quo. It was noted that "for the two members who had voted in the previous month for an increase in Bank Rate, the decision this month was finely balanced. They believed that the sharp fall in inflation to below the 2% target was probably driven largely by temporary factors and was unlikely materially to affect the behaviour of households and businesses in such a way that it became self-perpetuating. They also noted the most recent evidence that wage growth was more buoyant than they had expected. Nevertheless they noted the risk that low inflation might persist for longer than the temporary factors implied and concluded that this risk would be increased by an increase in Bank Rate at the current juncture."

In the quarterly inflation report for November 2014, the Bank of England's MPC Committee noted that "the UK domestic expansion has continued largely as expected, but the global backdrop has weakened. Some asset and commodity prices have fallen, as have market interest rates. CPI inflation has fallen to 1.2%, in part reflecting falls in energy, food and other import prices, and it is more likely than not that CPI inflation will temporarily fall below 1% at some point during the next six months. Wage and unit labour cost growth remain weak. The expansion in UK output is expected to continue, driven by a gradual pickup in demand abroad, together with a revival in productivity at home. On an assumption that Bank Rate rises gradually to a little under 2%, as the remaining slack in the economy is absorbed and the drag from external prices wanes, a recovery in wage growth should return CPI inflation to the 2% target by the end of the forecast period."

The weakening position is associated with falls in market interest rate forecasts and as a result the MPC are forecasting a notably lower path for Bank Rate than it was forecasting in August. This is summarised in the following table:-

	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	End Q.3 2017	End Q.4 2017
November	0.4	0.5	0.6	0.7	0.8	1.0	1.1	1.2	1.4	1.5	1.5	1.7	1.7
August	0.6	0.7	0.9	1.1	1.3	1.5	1.7	1.9	2.0	2.1	2.2	2.3	

Source: Bank of England Inflation Report November 2014

Low inflation is currently helping the Bank of England to keep rates low particularly given the unexpected drop to 1.2% for the year to September 2014, a five year low.

The MPC makes 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.

Changes to the Bank Base Rate will depend on how quickly the economy recovers and will be set to achieve the inflation target of 2%.

The MPC sets monetary policy to meet the 2% target in the medium term and in a way that helps to sustain growth and employment.

Community & Housing Summary Capital Report - December 2014 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Adult Social Care	874,400	76,456	371,730	(295,274)	287,100	(587,300)
Adult Education and Community	1,980	0	0	0	0	(1,980)
Housing	1,788,850	381,887	444,240	(62,353)	1,769,240	(19,610)
Community and Housing Total	2,665,230	458,343	815,970	(357,627)	2,056,340	(608,890)

Corporate Services Summary Capital Report - December 2014 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Business Improvement Total	578,840	332,402	596,413	(264,011)	578,912	72
Corporate Governance	9,920	9,036	9,921	(885)	0	(9,920)
Corporate Items	1,542,340	0	999,994	(999,994)	0	(1,542,340)
Facilities Management Total	1,138,050	267,057	593,013	(325,957)	1,137,575	(475)
IT Total	1,617,450	432,157	600,879	(168,722)	1,617,450	0
Resources	0	0	12,937	(12,937)	0	0
Corporate Services Total	4,886,600	1,040,652	2,800,220	(1,759,569)	3,333,937	(1,552,663)

Children, Schools & Families Summary Capital Report - December 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
Cranmer expansion	2,051,770	1,963,701	1,706,467	257,234	2,051,770	0
Joseph Hood Permanent Expansn	83,350	(4,052)	83,350	(87,402)	83,355	5
Holy Trinity Expansion	61,000	56,348	61,000	(4,652)	61,000	0
St Mary's expansion*	2,786,850	2,184,984	2,001,605	183,379	2,786,850	0
All Saints/ South Wim YCC exp	14,250	3,147	14,250	(11,103)	14,250	0
Gorringe Park expansion	9,620	(13,028)	9,620	(22,648)	9,620	0
Hillcross School Expansion	3,216,520	1,766,429	1,361,374	405,055	3,216,520	0
Merton Abbey Temp Accomodation	3,524,220	1,944,996	1,999,105	(54,109)	3,524,220	0
Pelham School Expansion	2,992,220	1,243,939	1,741,499	(497,560)	2,992,220	0
Dundonald expansion	788,000	413,171	653,214	(240,044)	788,000	0
Poplar Permanent Expansion	3,586,740	2,347,527	2,586,180	(238,653)	3,586,740	0
Liberty expansion	2,620	2,077	2,620	(543)	2,620	0
Singlegate expansion	2,915,000	1,404,587	1,349,664	54,923	2,915,005	5
Wimbledon Chase DCSF grant	3,580	3,579	3,580	(1)	3,580	0
Wimbledon Park expansion	369,380	209,589	386,874	(177,285)	369,380	0
Primary Expansion	22,405,120	13,495,787	13,960,402	(464,616)	22,405,130	10

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

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Devolved Formula Capital	370,000	272,441	408,830	(136,389)	370,000	0
Free School Meals	465,270	366,049	0	366,049	465,270	0
Schools Access Initiative Inc	0	(711)	0	(711)	0	0
Cricket Green Site	20,000	5,330	50	5,280	20,000	0
Primary school autism unit	99,110	46,775	114,147	(67,372)	99,110	0
Breaks-disabled children grant	0	(4,038)	0	(4,038)	0	0
Perseid	335,670	46,269	117,195	(70,926)	335,670	0
Secondary School Autism Unit	40,000	0	0	0	40,000	0
Lonesome - Main Heating	0	(1,194)	0	(1,194)	0	0
The Sherwood-Boiler&Perim Fnc	0	(1,868)	0	(1,868)	0	0
Schs Cap Maint & Accessibility	666,800	385,751	435,550	(49,799)	666,800	0
Raynes Park Sports Pavilion	4,770	(25,256)	4,770	(47,027)	4,770	0
Secondary School expansion	100,000	0	0	0	100,000	0
Schools Equipment Loans	59,450	0	200,000	(200,000)	60,000	550
Youth&Comm centres reprovision	0	(795)	0	(795)	0	0
	2,161,070	1,088,753	1,280,542	(208,790)	2,161,620	550
Children Schools and Families	24,566,190	14,584,540	15,240,944	(673,406)	24,566,750	560

Environment & Regeneration Summary Capital Report - December 2014 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Footways Planned Works	1,000,000	367,797	564,405	(196,608)	1,000,000	0
Greenspaces	1,258,620	599,552	727,112	(127,560)	1,249,178	(9,442)
Highways General Planned Works	547,660	194,687	405,165	(210,478)	527,250	(20,410)
Highways Planned Road Works	1,783,100	407,804	941,549	(533,745)	1,768,200	(14,900)
Leisure Centres	783,400	584,006	804,176	(220,170)	709,700	(73,700)
Other E&R	67,160	5,362	27,660	(22,298)	67,160	0
On and Off Street Parking	42,910	22,456	29,000	(6,544)	42,910	0
Plans and Projects	70,000	0	70,000	(70,000)	70,000	0
Regeneration Partnerships	2,355,010	395,442	922,135	(526,693)	2,128,000	(227,010)
Street Lighting	410,000	80,344	265,523	(185,179)	410,000	0
Street Scene	80,000	19,526	20,778	(1,252)	80,000	0
Transport for London	2,122,730	553,599	1,053,083	(499,484)	2,122,729	(1)
Traffic and Parking Management	243,230	62,403	382,500	(320,097)	243,230	0
Transport and Plant	620,000	82,603	120,999	(38,396)	605,000	(15,000)
Safer Merton - CCTV & ASB	0	0	0	0	0	0
Environmental Health	0	0	0	0	0	0
Waste Operations	102,500	29,476	48,906	(19,430)	102,500	0
Environment and Regeneration	11,486,320	3,405,057	6,382,991	(2,977,934)	11,125,857	(360,463)

Virement, Re-profiling and New Funding

Appendix 5b

	2014/15 Budget	Virements	Adjusted & New Funding	Reprofiling	Revised 2014/15 Budget	2015/16 Budget	Reprofiling	Revised 2015/16 Budget	2016/17 Budget	Reprofiling	Revised 2016/17 Budget	Revised 2017/18 Budget	Reprofiling	Revised 2017/18 Budget
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Corporate Services														
Improving Financial Systems	333,450	0	0	(333,450)	0	228,250	333,450	561,700	0	0	0	0	0	0
Children, Schools & Families														
Primary School Autism Unit	179,110	0	0	(80,000)	99,110	836,290	80,000	916,290	0	0	0	0	0	0
Free School Meals	575,270	0	0	(110,000)	465,270	0	110,000	110,000	0	0	0	0	0	0
Wimbledon Park Expansion	353,380	0	16,000	0	369,380	0	0	0	0	0	0	0	0	0
School Equipment Loans	372,800	0	0	(313,350)	59,450	0	104,450	104,450	0	104,450	104,450	0	104,450	104,450
Community & Housing														
Disabled Facilities Grant	600,000	0	0	(100,000)	500,000	1,469,470	100,000	1,569,470	784,000	0	784,000	280,000	0	280,000
Environment & Regeneration														
S106 South Park Gardens	15,170	(15,170)	0	0	0	0	0	0	0	0	0	0	0	0
B651 South Park Gardens Pavillion	17,000	(17,000)	0	0	0	0	0	0	0	0	0	0	0	0
Restoration of South Park Gardens	184,890	32,170	0	0	217,060	0	0	0	0	0	0	0	0	0
B488 Landscape Dundonald Rec G	12,000	0	0	(4,520)	7,480	0	4,520	4,520	0	0	0	0	0	0
B489 Landscape Colliers Wood Rec	11,230	0	0	(11,230)	0	0	11,230	11,230	0	0	0	0	0	0
B506 Colliers Wood Rec	5,000	0	0	(5,000)	0	0	5,000	5,000	0	0	0	0	0	0
B626a-c Cottinm Prk&Holind Gdn	0	0	0	5,100	5,100	28,000	(5,100)	22,900	0	0	0	0	0	0
Multi Use Games Area at Canons	215,000	0	39,110	0	254,110	0	0	0	0	0	0	0	0	0
B684 Sailing Boats s106	0	0	10,000	0	10,000	0	0	0	0	0	0	0	0	0
Mobile Working Initiative	65,500	0	0	(50,500)	15,000	0	50,500	50,500	0	0	0	0	0	0
Mitcham Town Centre Improvements	400,000			150,000	550,000	301,630	(150,000)	151,630	0	0	0	0	0	0
Transportation Enhancements	0				0	5,000,000	(5,000,000)	0	0	5,000,000	5,000,000	0	0	0
s106 Cycle Imp Beverley Roundabout	43,500	0		(43,500)	0	0	43,500	43,500	0	0	0	0	0	0
Mitcham - Outer London Fund	78,660	38,900	(50,880)		66,680	0	0	0	0	0	0	0	0	0
B550 Mitcham Means Business	38,900	(38,900)	0	0	0	0	0	0	0	0	0	0	0	0
Transport for London														
TfL Slippage from 2013/14	319,010	25,540	(47,320)	0	297,230	0	0	0	0	0	0	0	0	0
Bewley Bridge	25,540	(25,540)	0	0	0	0	0	0	0	0	0	0	0	0
Central Road (2)	342,000	(124,000)	0	0	218,000	0	0	0	0	0	0	0	0	0
Morden Road	57,950	48,050	0	0	106,000	0	0	0	0	0	0	0	0	0
The Broadway	109,250	26,750	0	0	136,000	0	0	0	0	0	0	0	0	0
Coombe Lane	85,500	6,500	0	0	92,000	0	0	0	0	0	0	0	0	0
Parkside	0	42,700	0	0	42,700	0	0	0	0	0	0	0	0	0
Total	4,440,110	0	(33,090)	(896,450)	3,510,570	7,863,640	(4,312,450)	3,551,190	784,000	5,104,450	5,888,450	280,000	104,450	384,450

1) Schools Contribution

2) Requires Cabinet Approval

Capital Programme Funding Summary 2014/15

Appendix 5c

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Cabinet - January 2015	14,035	30,500	44,535
Corporate Services			
Improving Financial Systems	(333)	0	(333)
Childrens, Schools and Families			
Free School Meals	0	(110)	(110)
Hatfield	0	(80)	(80)
Wimbledon Park School Expansion	0	16	16
School Equipment Loans	(313)	0	(313)
Community and Housing			
Disabled Facilities Grant	0	(100)	(100)
Environment and Regeneration			
B488 Landscape Dundonald Rec G	0	(5)	(5)
B489 Landscape Colliers Wd Rc	0	(11)	(11)
B506 Colliers Wood Rec	0	(5)	(5)
B626a-c Cottnhm Prk&HolInd Gdn		5	5
B684 Sailing Boats S106	0	10	10
Multi Use Games Area at Canons	0	39	39
Mobile working initiative	0	(51)	(51)
Mitcham - Outer London Fund	0	(51)	(51)
TFL Projected Slippage	0	(47)	(47)
Mitcham Town Centre Improvements	0	150	150
S106 Cycle Imp Beverley Rounda	0	(44)	(44)
Cabinet - February 2015	13,389	30,216	43,605

Capital Programme Funding Summary 2015/16

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Cabinet - January 2015	29,195	13,518	43,568
Corporate Services			
Improving Financial Systems	333	0	333
Childrens, Schools and Families			
Free School Meals	0	110	110
Hatfield	0	80	80
School Equipment Loans	104	0	104
Community and Housing			
Disabled Facilities Grant	0	100	100
Environment and Regeneration			
B488 Landscape Dundonald Rec G	0	5	5
B489 Landscape Colliers Wd Rc	0	11	11
B506 Colliers Wood Rec	0	5	5
B626a-c Cottnhm Prk&Hollnd Gdn	0	(5)	(5)
Mobile working initiative	0	51	51
Mitcham Town Centre Improvements	0	(150)	(150)
Transportation Enhancements	(5,000)	0	(5,000)
S106 Cycle Imp Beverley Rounda	0	44	44
Cabinet - February 2015	24,632	13,769	38,401

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	Responsible officer	Comments	R / A Included in Forecast Over/Underspend? Y/N
	Children Social Care							
CSF2012-01	Reduction of the overall detached youth service budgets following service review.	25	25	0	G	Paul Angeli		
CSF2012-09	Participation/Advocacy commissioning	50	50	0	G	Paul Angeli		
CSF2012-10	Duke of Edinburgh reprovide via schools funding	25	25	0	G	Paul Angeli		
CSF2012-12	Family and Adolescent Services Stream - Transforming Families (TF), Youth Offending Team (YOT) and in Education, Training and Employment (ETE)	100	100	0	G	Paul Angeli		
	Education							
CSF2012-02	Increased income generation and management efficiencies	70	70	0	G	Heather Tomlinson		
CSF2012-03	Service restructuring and realignment to deliver efficiencies	100	100	0	G	Heather Tomlinson		
CSF2012-08	Introduce new models of fulfilling the council's statutory responsibilities for the provision of SEN transport	140	70	70	A	Heather Tomlinson	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 reduce the overspend.	Y
	Commissioning, Strategy and Performance							
CSF2012-05	Reduction in commissioning budgets for Early Intervention and Prevention service	50	50	0	G	Paul Ballatt		

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	Responsible officer	Comments	R / A Included in Forecast Over/Underspend? Y/N
CSF2012-06	Reduce expenditure on LAC and SEN placements	200	178	22	A	Paul Ballatt	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.	Y
CSF2012-07	Staffing reduction equivalent to 1 fte	50	50	0	G	Paul Ballatt		
CSF2012-11	Reduction of one post in commissioning and partnerships	50	50	0	G	Paul Ballatt		
	Total Children, Schools & Families Department Savings for 2014-15	860	768	92				

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2014/15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
ASC7	Adult Social Care							
	0% inflation uplift to third party suppliers	550	550	0	G	David Slark	No uplifts have been awarded to date. At this stage we will presume that there will be no uplifts this financial year. This is the 5th year of no uplifts and it is becoming increasingly difficult to sustain with the providers. We will achieve this target.	Y
ASC13/ASC34	Brokerage Efficiencies	300	254	46	A	Julie McCauley	A lot of work is going on within the Brokerage team around negotiating the best value care packages; particularly new customers. The outcome of these negotiations often result in cost avoidance (to date circa £61.7k), which contributes to more efficient management of the placement budget. The projected savings figure is exclusive of the cost avoidance amount detailed.	Y
ASC16	Transitions	50	42	8	G	Jonathan Brown		
ASC19	Monitoring of high value/high cost placements (domiciliary)	50	45	5	G	Jonathan Brown	Prioritised reviews are generating savings from both of these projects. It is anticipated that the combined savings target of £100k will be achieved. Additional savings against the LD budget are being identified to meet other savings targets, in particular those related to Brokerage and Transport. Joint working arrangements are in place across ASC to review existing spend, identify savings and control new spend through the effective use of tools such as the Care Funding Calculator.	Y

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
ASC8	Optimising the use of block and spot contracts- OP&LD	300	0	300	A	David Slark	Savings of £100,000 part year effect have been achieved from the Choice Support contract, and £88,000 from achieving lower rates from spot purchasing residential care placements. However, these have been offset by increased rates for nursing home care, and specifically from the ending of one block contract. This reflects a national upward pressure in fee rates.	Y
ASC45	Reablement (outcome- care packages)	50	50	0	G	Sarah Wells	It was anticipated that reductions in Older People's packages after hospital discharge was possible once the new MILES Reablement service was fully operational. Although there have been delays in the implementation of the new service, there has been a reduction in residential placements. We anticipate that these savings should be achieved.	

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
ASC46	Review Service packages	60	60	0	G	Jean Spencer	The projected savings in Period 7 were circa £50k. With a targeted review programme commencing 5 January 2015 it is anticipated that additional reviews would yield at least a further £10k.	Y
ASC54	Reduction in Mental Health Placement	50	0	50	R	Kamla Sumbhoolual	There has been an increase in care packages and in the number of people requiring placements. In addition CCG have stepped people down from CCG health funded placements, as well as the expectation of the CMHT contributing 50/50. The panel process has been reviewed to ensure all parties make an appropriate contribution. There should be some impact on this budget line, but not enough to achieve the savings.	Y
CH12	Remove day care costs from residential customers	250	0	250	R	Andy Ottaway-Searle	The LD/PD teams place few people in external day care. Those who do mostly live at home and attend highly specialised day services. Brokerage and Social work teams liaise with residential homes to achieve the best value all round package of care which includes day time activities. Withdrawing people in residential care from day services will result in higher charges from residential providers. A full review of in-house day	Y

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
CH14	All Saints Respite extension	36	0	36	G	Julie McCauley	A sound plan was developed to release savings by supporting people with PD at All Saints as well as existing LD users. The building however needs minor adaptation and this has not been progressed. These savings cannot therefore be achieved as planned. Alternative savings are being sought through the Brokerage Team.	Y
CH15	Assistive Technology	70	60	10	A	Andy Ottoway-Searle	AT is increasingly recognised as playing a key part in preventative services. The 'Just Checking' tool allows a more accurate assessment to be made of an individual's needs, enabling a suitably tailored package for care to be prescribed. Work is now being carried out to evaluate figures for both cost avoidance and actual savings following adjustments to care packages after Telecare has been installed. Additionally there has been a reduction in commissioned non-intensive home care hours as well as residential placements which will also have been positively influenced through the provision of AT.	Y

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
CH6	Voluntary Organisation- SLA reduction	150	50	100	A	Rahat Ahmed-Man	The aim was to reduce placement costs through volunteer sector providers, essentially impacting third party spend. The reduction in volumes and hours will impact but the savings will not be achieved in full.	
	Voluntary Sector Grants- reduction in infrastructure	98	0	98	R	Rahat Ahmed-Man	Grants have been reduced from circa £1m in 2013-14 to circa £830k in 2014-15. Due to a decision to provide transitional funding for various voluntary sector organisations this savings will now not be achieved.	
ASC52	Delete 1 management post & reduce management & staffing costs	53	53	0	G	Rahat Ahmed-Man	A Commissioning Manager's post has been deleted. This savings has been achieved.	
ASC53	Meals on wheels contract	50	0	50	R	Rahat Ahmed-Man	It has not been possible to take any more savings out of this contract by removing customers from the service. We are in the process of re-commissioning the service jointly with LB Croydon, with contract due to commence in July 2015. The new contract is estimated to achieve annual savings of circa.£90k.	Y
ASC4	TCES Retail Model (simple equipment)	23	33	(10)	G	Maike Blakemore	It is anticipated this savings target will be achieved.	
ASC44	Remodelling of reablement service	282	282	0	G	Sarah Wells	This savings was due from the remodelled MILES service. The establishment was adjusted accordingly and other vacancies have been held. It is likely this savings will be over achieved.	
ASC47	Additional Reablement Funding (CCG)	500	500	0	G	Sarah Wells	This is not a savings, but additional funding which will cover some of the 2014-15 cost increases.	

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ASC48	Staff Vacancy Factor	105	105	0	G	ALL	This savings was due to be achieved by holding three specific posts vacant. This savings should be overachieved due to the under spend on the staffing budget.	
CH2	Promoting independence	500	280	220	A	Sarah Wells	The delay in implementing the new reablement model has impacted on the ability to fully achieve this saving. Vacancies have been held and other minor budgets frozen to help achieve part of this savings.	
CH4	Reduce management costs & reduction in staffing costs	148	148	0	G	Jonathan Brown/ Jenny Rees & Julie Phillips	The staffing budgets are projected to underspend. This saving will be achieved.	
CH13	Reduction in staffing in Access & Assessment	50	50	0	G	Jonathan Brown/ Jenny Rees & Julie Phillips	The staffing budgets are projected to underspend. This saving will be achieved.	

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
ASC6/ASC49/CH8	Transport	246	0	246	R	Andy Ottaway-Searle	Action has been taken to reduce volume and to reduce usage of fleet vehicles by Direct Provision staff using self-drive vehicles to collect customers from home. However significant price increases in Fleet transport and taxi costs have meant that the savings will not be realised. There is work happening urgently to arrange alternative solutions for the most high cost taxi users. this work has so far yielded savings to year end of circa £9.4k from ten packages, with a further five being currently reviewed.	Y
ASC50/CH7	Staffing savings in Direct Provision	216	216	0	G	Andy Ottaway-Searle	Posts were deleted and budgets reduced at the start of the year. However day centres are overspending due to transport costs as per above.	
ASC23	Partnerships :The health and social care system . Reablement	(2,000)	(2,000)	0	G	Sarah Wells	This is CCG funding received to support the 2014-15 ASC budget.	
	<u>Merton Adult Education</u>							
	Increase income from commercial courses and café, reduction in staff. Admin & marketing cost.	176	0	176	R	Yvonne Tomlin	Budget holder meeting to be arranged to establish an action plan to meet savings as team is already forecasting an overspend.	Y
	<u>Libraries</u>							
	Media fund	10	10	0	G	Anthony Hopkins		
	<u>Housing</u>							
	Homelessness Prevention Grant	92	92	0	G	Steve Langley		
	Total Community & Housing Department Savings for 2014/15	2,465	880	1,585				

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 14-15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R/A Included in Forecast Over/Under
	<u>Business Improvement</u>							
CS1	Rationalisation of management costs	50	50	0	G	Sophie Ellis		
CS3	Generate income through training	5	5	0	R	Sophie Ellis	Alternate saving identified	N
CS4	Expiry of salary protection	10	10	0	G	Sophie Ellis		
	<u>IT Service Delivery</u>							
CS5	Review and challenge of the procurement of Support & Maintenance & Licence Contracts	29	29	0	G	Mark Humphries		
CS6	Consolidation of ITSD Revenue Budgets	34	34	0	G	Mark Humphries		
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	Mark Humphries		
CS9	Fallout of pay protection	16	16	0	G	Mark Humphries		
CS11	Deletion of One Van	5	5	0	G	Mark Humphries		
CS13	Cancellation of all Escrow Agreements (Carefirst, Hometrack Data, Ash, Open Revenues, Proactis, Fibonacci)	4	4	0	G	Mark Humphries		
CS14	Cancellation of ttMobile contract	35	35	0	G	Mark Humphries		
CS19	Energy ReFit Savings (Subject to agreed investment) - Phase 1	100	100	0	G	Mark Humphries		
CS24	Project Manager - Accommodation (Vacant Post)	46	46	0	G	Mark Humphries		

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 14-15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R/A Included in Forecast Over/Under
CS26	Savings realised from the renegotiation of Corporate Cleaning Contract	39	39	0	G	Mark Humphries		
CS28	M&E Term Contract (Amalgamation) of Intruder Alarms	10	10	0	G	Mark Humphries		
CS29	Energy Procurement	200	200	0	G	Mark Humphries		
	<u>Corporate Governance</u>							
CS32	Integrate the FOI and Complaints functions	40	0	40	R	Paul Evans	Alternate savings within division identified and implemented	Y
	<u>Customer Services</u>							
CS35	Close Cash Office	30	30	0	G	Sean Cunniffe		
CS36	Re tendering of Cash Collection Contract	20	15	5	A	Sean Cunniffe	Although contract award yielded a saving the roll-out of cashless parking and increased banking charges may result in target being unachievable in year	Y
CS37	Increase Registrars Income	20	20	0	G	Sean Cunniffe		
CS38	Review of Welfare Benefits and New Welfare Support program	30	30	0	G	David Keppler		
CS39	Impact of Customer Service Review	30	30	0	G	David Keppler		
CS40	Rationalisation of Divisional Budgets	20	20	0	G	David Keppler		
	<u>Resources</u>							
CS41	Resources - Change in Audit Arrangements	185	185	0	G	Paul Dale		
CS42	Resources -Fall Out of Pay Protection Arrangement	45	45	0	G	Paul Dale		

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 14-15

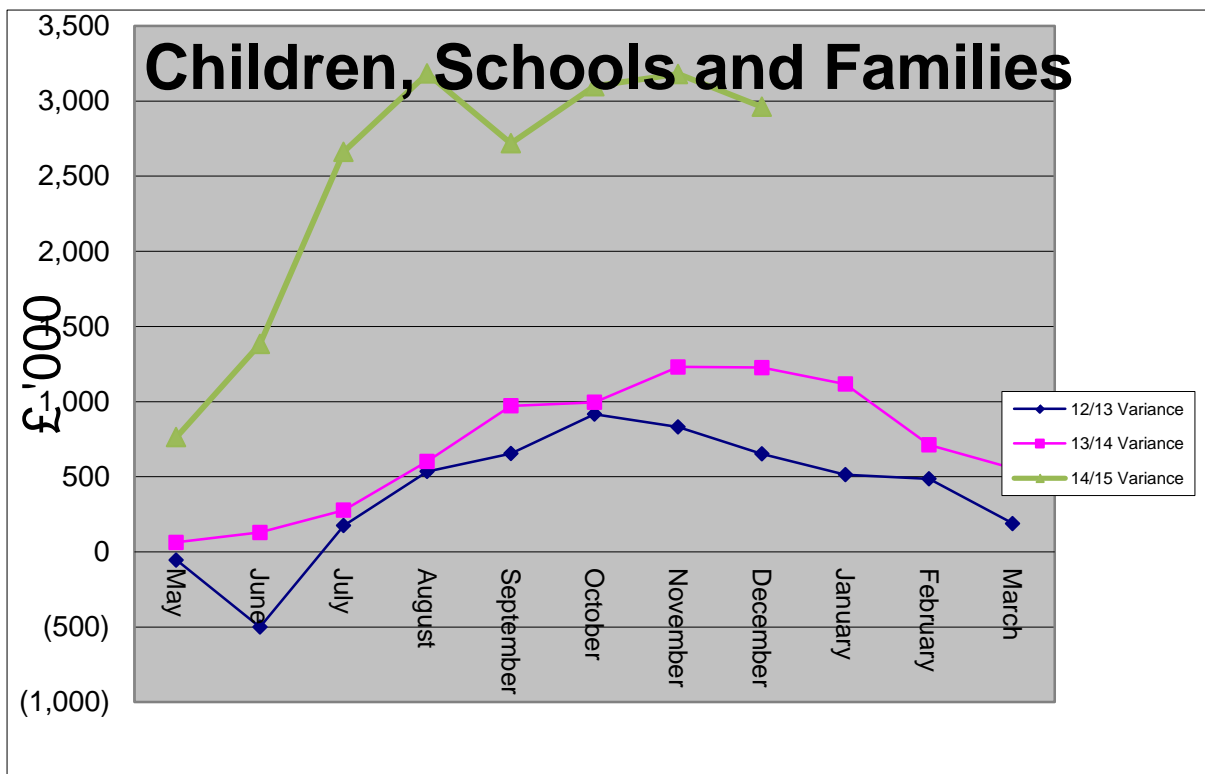
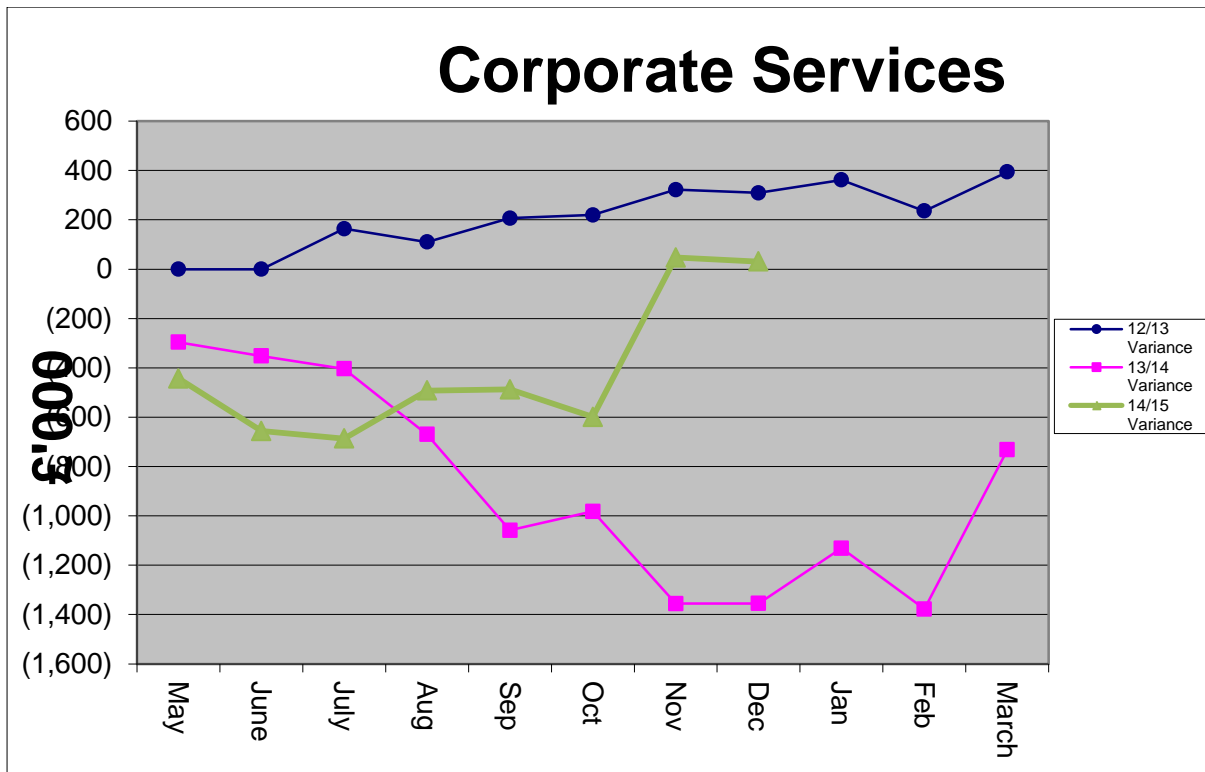
Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R/A Included in Forecast Over/Under
CS43	Resources -Delete Business Planning Post	50	50	0	G	Paul Dale		
CS44	Resources -Review of Insurance Provision	200	200	0	G	Paul Dale		
CS45	Resources -Improved Cash Management	200	200	0	G	Paul Dale		
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	Mark Humphries	Alternate savings to be identified	N
CS46	<u>Human Resources</u> Co-locate all recruitment jobs	60	60	0	G	Dean Shoesmith		
CS47	CRB Income generation via sales to PVI	30	15	15	R	Dean Shoesmith	Alternate savings to be identified as well as further opportunities for income	Y
CS54	<u>Corporate Governance</u> Delete Deputy Head of Service or one Democratic Services Officer post	18	18	0	G	Paul Evans		
CS56	Reduction in overtime payments to staff in Mayor's Office	1	1	0	G	Paul Evans		
	<u>Customer Services</u> Delete Communications Admin Assistant post (vacant)	23	23	0	G	Sophie Poole		
	Delete Advertising, Film and Sponsorship Officer post (vacant)	40	40	0	G	Sophie Poole		
	Total Corporate Services Department Savings for 2014/15	1,650	1,590	60				

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2014-15

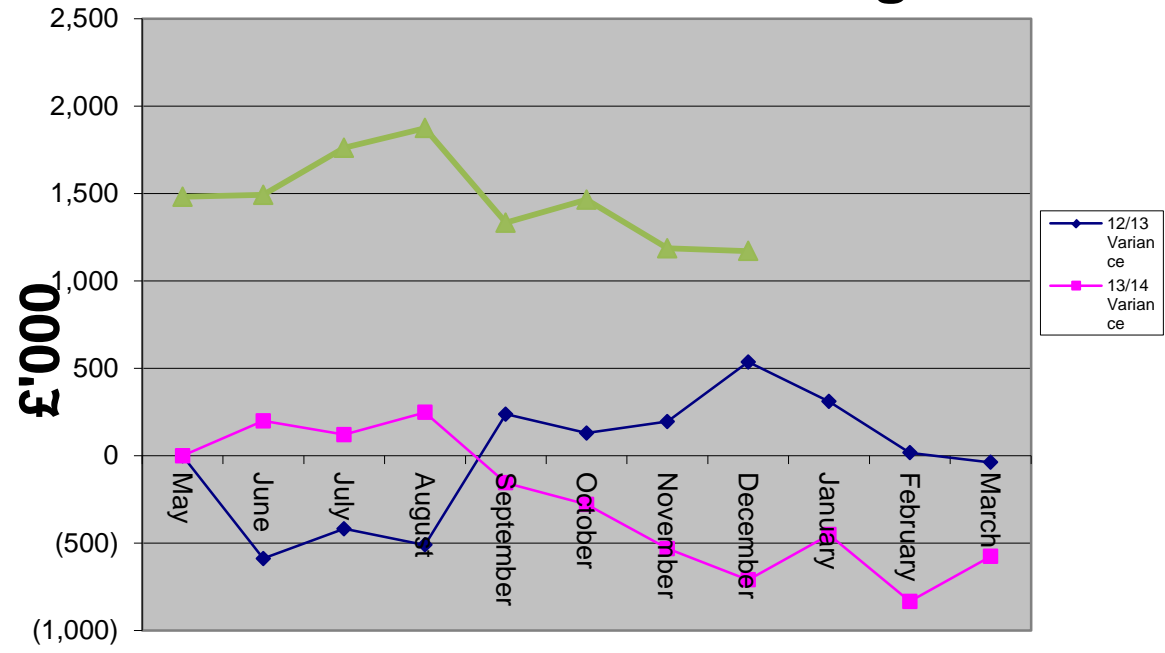
Ref		2014/15 Savings Required £000	2014/15 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R / A Included in Forecast Over/Underspend? Y/N
LEISURE & CULTURE								
ER04	Reductions in supplies & services budgets; Increased income at Morden Assembly Hall and the Watersports Centre; Grant reduction of c15% to both Polka and Attic Theatres.	29	29	0	G	James McGinlay		N
ER05	Increase income through installation of multi use games area at Canons Leisure Centre.	15	15	0	G	James McGinlay		N
EN33	Recharging for staff time & reduction of 0.2fte.	33	33	0	G	James McGinlay		N
EN35	Increased Income through various charging increases.	11	11	0	G	James McGinlay		N
EN36	Increased Income through sale of advice & guidance.	15	15	0	G	James McGinlay		N
EN38	Reduction of Core Arts Grants to Polka Theatre.	4	4	0	G	James McGinlay		N
BUILDING & DEVELOPMENT CONTROL								
EN06	Staff reduction of 2fte.	73	73	0	G	James McGinlay		N
TRAFFIC & HIGHWAYS								
EN23	Reduction in Grounds Maintenance Budget.	50	50	0	G	James McGinlay		N
EN24	Deletion of Major Project Engineer Post.	30	30	0	G	James McGinlay		N
EN25	Reduction in the Surface Water Budget.	18	18	0	G	James McGinlay		N
EN26	Reduction in the Ditching Budget.	11	11	0	G	James McGinlay		N
EN27	Reduction in the Lining Budget.	10	10	0	G	James McGinlay		N
EN28	Reduction in Energy budget.	70	70	0	G	James McGinlay		N
FUTURE MERTON								
EN41	Review of staffing levels by 1.5fte within the section following transformation review.	40	40	0	G	James McGinlay		N
EN43	Community grant scheme reduction.	60	60	0	G	James McGinlay		N
GREENSPACES								
EN45	Further commercialisation and development of sports and allied parks services	96	80	16	R	James McGinlay		Y
ENVIRONMENTAL HEALTH, TRADING STANDARDS & LICENCING								
ER10	Merton & Richmond shared regulatory services.	100	100	0	A	John Hill	Shared Service began on 1st August. Due to the delayed start date, the full £100k saving may not be met this financial year. However, any shortfall is expected to be met from posts currently vacant within the section.	N
WASTE SERVICES								
ER17	Ceasing compensation payments to Sutton as part of SLWP agreement.	10	10	0	G	Cormac Stokes		N N N Y
	Planning costs reduction	59	59	0	G			
	Reduction in costs of waste process per tonne	1207	1207	0	G			
	Consultancy and legal costs cease in relation to new partnership contracts	213	188	25	R			
ER25	Commercial Waste and Recycling	250	0	250	R	Cormac Stokes	The section is currently in the process of recruiting a commercial waste manager following recommendations from Eumonia who undertook a full review of the service. Current income targets will not be achieved. E&R have recently recruited a Strategic commercial sales manager who will be devoting 20% of their time to support the Waste Operation sales area.	Y
EN13	Alter management structure as a result of recommendations in consultants report.	56	56	0	G	Cormac Stokes		N
EN15	Improved performance management and implementation of the Council's new sickness policy resulting in a reduction in agency staff usage.	100	0	100	R	Cormac Stokes	The 2014/15 baseline budget was reduced by £100k, and the agency related expenditure is forecast to reduce from £2,012k in 2013/14 to £1,607k in 2014/15. The street cleansing service is not covering all annual leave and sickness absence to reduce to cost of agency spend. However, the service is still forecasting an overspend.	Y
EN17	Reduction in Staffing 1.5 FTE	65	65	0	G	Cormac Stokes		N
EN18	Reduction in cost of waste processing per tonne (phase B) contract gate fee	135	135	0	G	Cormac Stokes		N
EN19	Reduction/Re-negotiation of Phase A Contracts.	295	295	0	G	Cormac Stokes		N
EN20	Reduction of tonnage to landfill based on current projections for disposal	60	60	0	G	Cormac Stokes		N
EN21	Dividend from positive movements in Foreign Exchange rates associated with capital costs of Phase B facility resulting in improved unitary charge	50	50	0	G	Cormac Stokes		N
PARKING SERVICES								
EN03	Enforcement of new CPZ's (Controlled Parking Zones)	50	10	40	R	John Hill	The CPZ implementation programme for this year is such that it is unlikely to generate the level of income previously forecast from enforcement. The saving will be mitigated by the employment of additional CEOs to cover sickness, absences and areas of non-compliance not routinely patrolled within the existing staff rotas.	Y
EN04	Implementation of Pay & Display machines in new CPZ's (Controlled Parking Zones)	75	15	60	R	John Hill	This is ongoing, but not at the rate previously forecast.	Y
EN12	Refocusing of resources on areas of non-compliance in order to tackle traffic congestion hotspots and increase efficiency of the service.	48	48	0	G	John Hill		N
Total Environment and Regeneration Savings 2014/15		3338	2847	491				

APPENDIX 7

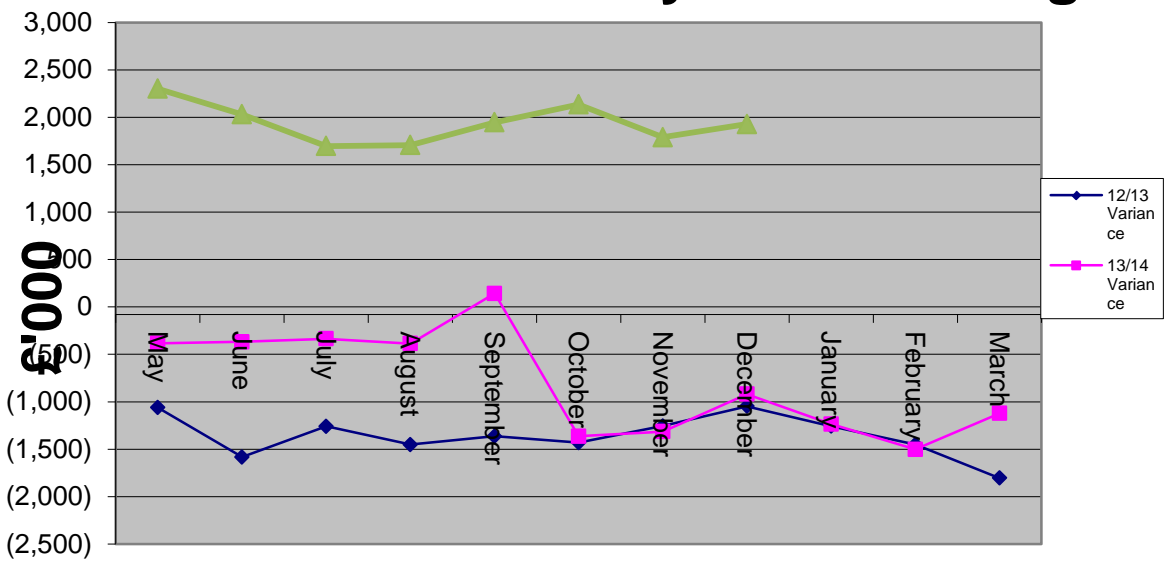
The following charts show the forecast year end variance by department with a comparison for 2012/13 and 2013/14:



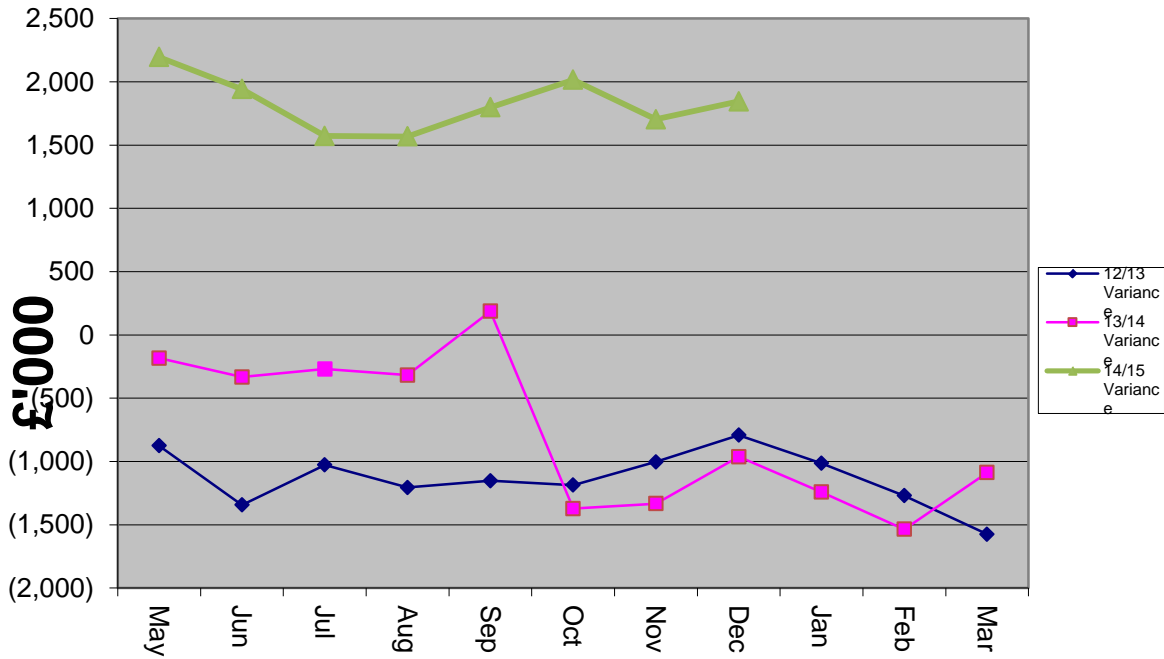
Environment and Regeneration



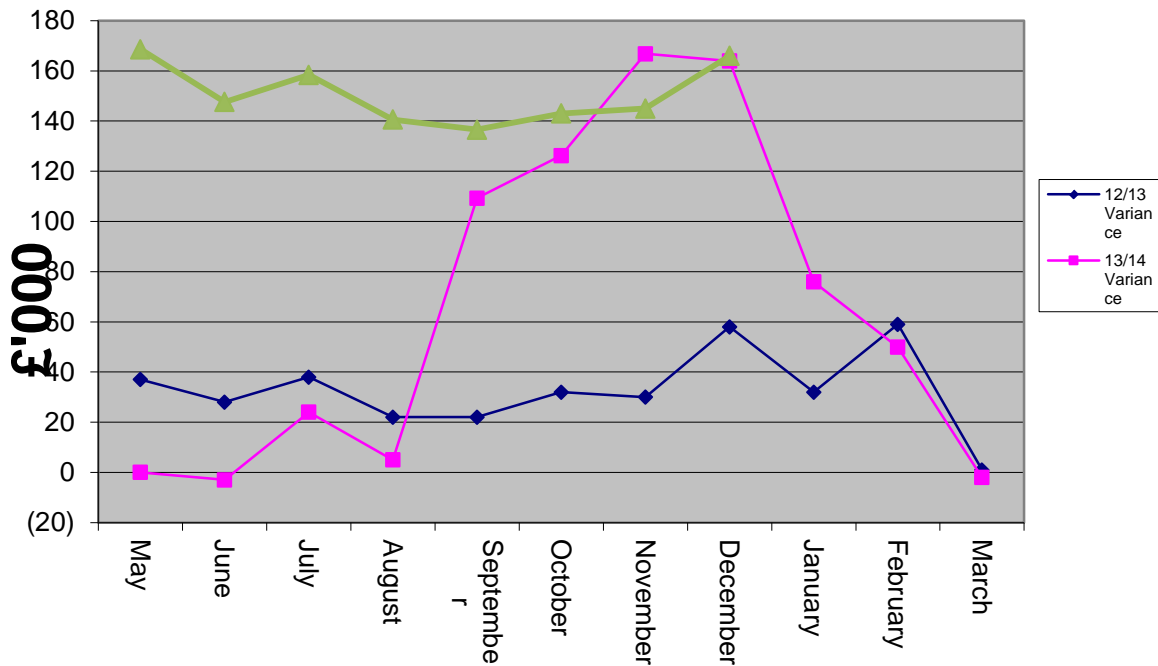
Community and Housing



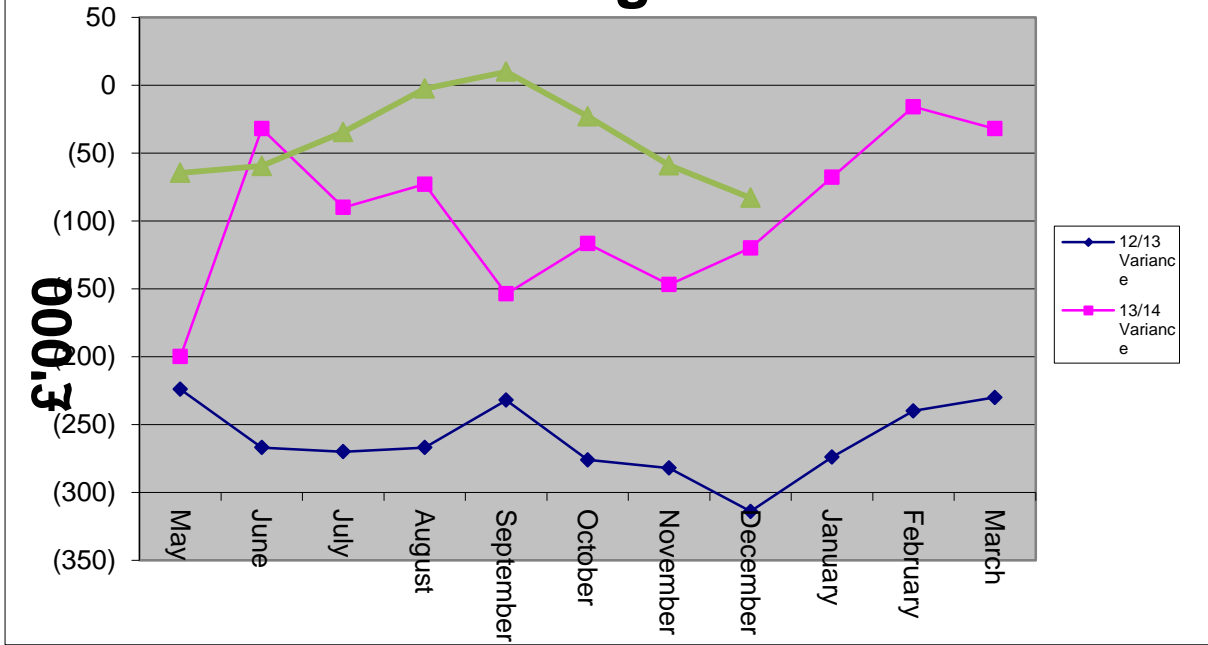
Adult Social Care



Libraries & Adult Education



Housing General Fund



Forecast Movement in Reserves 2013/14	Actual Bal at 31/3/14	Net Movt. in year	Bal. at 31/3/15	Net Movt. in year	Bal. at 31/3/16	Net Movt. in year	Bal. at 31/3/17	Net Movt. in year	Bal. at 31/3/18	Net Movt. in year	Bal. at 31/3/19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Reserve (including HRA)	18,837	(4,747)	14,090	0	14,090	0	14,090	0	14,090	0	14,090
Earmarked Reserves	35,241	(7,403)	27,838	(7,733)	20,105	(513)	19,592	(4,031)	15,561	(150)	15,411
Grants & Contributions	5,398	(2,246)	3,152	(2,254)	898	(19)	879	(19)	860	(19)	841
Total Available Gen. Fund Rev. Reser	59,476	(14,396)	45,080	(9,987)	35,093	(532)	34,561	(4,050)	30,511	(169)	30,342
Fixed to Contracts	1,954	0	1,954	0	1,954	0	1,954	0	1,954	0	1,954
Total General Fund revenue reserves	61,430	(14,396)	47,034	(9,987)	37,047	(532)	36,515	(4,050)	32,465	(169)	32,296

Schools Balances & Reserves	19,058	189	19,247	(302)	18,945	(258)	18,687	(38)	18,649	(211)	18,438
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Analysis											
Earmarked Reserves											
Outstanding Council Programme Board	11,105	(2,106)	8,999	(3,091)	5,907	(887)	5,020	(667)	4,353	0	4,353
For use in future years for budget	8,252	(2,500)	5,752	(2,960)	2,792	597	3,389	(3,389)	0	0	0
Revenue Reserves for Capital / Revn.	5,360	0	5,360	0	5,360	0	5,360	0	5,360	0	5,360
Energy renewable reserve	1,441	0	1,441	0	1,441	0	1,441	0	1,441	0	1,441
Repairs & Renewal Fund	1,424	0	1,424	0	1,424	0	1,424	0	1,424	0	1,424
Transforming families reserve	784	(373)	411	(411)	(0)	0	(0)	0	(0)	0	(0)
Pension Fund additional contribution	1,078	(1,004)	74	0	74	0	74	0	74	0	74
Local Land Charges Reserve	1,260	97	1,357	0	1,357	0	1,357	0	1,357	0	1,357
Apprenticeships	949	(442)	507	(260)	247	(247)	(0)	0	(0)	0	(0)
Community Care Reserve	1,733	(247)	1,486	(250)	1,236	0	1,236	0	1,236	0	1,236
Performance Reward Grant	265	(265)	0	0	0	0	0	0	0	0	0
Economic Development Strategy	1,322	(536)	786	(786)	(0)	0	(0)	0	(0)	0	(0)
Wimbledon Tennis Courts Renewal	28	24	52	25	77	24	101	25	126	(150)	(24)
MertonActionSingleHomelessness	50	(50)	0	0	0	0	0	0	0	0	0
Campus closure	7	0	7	0	7	0	7	0	7	0	7
Other	183	0	183	0	183	0	183	0	183	0	183
Earmarked Reserves	35,241	(7,403)	27,838	(7,733)	20,105	(513)	19,592	(4,031)	15,561	(150)	15,411
Adult Social care contributions	670	(375)	295	(295)	0	0	0	0	0	0	0
Culture and Environment contributions	1,204	(367)	837	(637)	200	0	200	0	200	0	200
Culture and Environment grant	747	(136)	611	(19)	592	(19)	573	(19)	554	(19)	535
Childrens & Education grant	708	(304)	405	(405)	(0)	0	(0)	0	(0)	0	(0)
Adult Social care grants	0	0	0	0	0	0	0	0	0	0	0
Housing Planning Development grant	299	(164)	135	(135)	0	0	0	0	0	0	0
Housing GF grants	106	0	106	0	106	0	106	0	106	0	106
Public Health	1,664	(901)	763	(763)	0	0	0	0	0	0	0
Grants & Contributions	5,398	(2,246)	3,152	(2,254)	898	(19)	879	(19)	860	(19)	841
Total	40,639	(9,649)	30,990	(9,987)	21,003	0	21,003	0	21,003	0	21,003
Insurance Reserve	1,954	0	1,954	0	1,954	0	1,954	0	1,954	0	1,954
Fixed to Contracts	1,954	0	1,954	0	1,954	0	1,954	0	1,954	0	1,954
DSG Reserve	2,728	10	2,738	(500)	2,238	(500)	1,738	0	1,738	0	1,738
Schools Reserve	168	(116)	52	(52)	0	0	0	0	0	0	0
Schools PFI Fund	4,071	295	4,366	250	4,616	242	4,858	(38)	4,820	(211)	4,609
Add Schools own reserves	12,090	0	12,090	0	12,090	0	12,090	0	12,090	0	12,090
Schools Reserves	19,058	189	19,247	(302)	18,945	(258)	18,687	(38)	18,649	(211)	18,438

MONTHLY TREASURY MANAGEMENT REPORT
Snapshot of Borrowing/Investments as at 31 December 2014

Investment and debt summary

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. The potential for a prolonging of the Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low for the next 12 months.

The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity.

Borrowing Strategy

The Council is currently maintain an under-borrowing position. This means that the treasury management policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. This strategy is prudent as investment returns are low and counterparty risk is relatively high. However, there is need for a careful review and monitoring to avoid incurring higher borrowing costs in later times when borrowing rates have increased in comparison with current low rates. The decision must be looked at in conjunction with the possible cost of carry to any new borrowing along with the resulting increase in investments as this will incur a revenue loss between borrowing and investment returns.

Borrowing options

The Council has a number of borrowing options available:

PWLB, Bank Loans (usually for less than 10 years), LOBO's, Municipal Bond Agency when up and running or borrow from other local authorities for periods under 10 years.

Borrowing – Current Portfolio Position

Description	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Actual Debt	116,976	116,976	116,976	116,976
Other long term liabilities (Actual)	36,831	35,283	33,740	32,334
Gross Actual Debt	153,807	152,259	150,716	149,310

The table below show the level of external debt (the treasury management operations)

Description	Rate (%)	Principal (£'000)
Public Works Loan Board	5.08	52,010
Negotiable Loan	6.08	63,000
Stock Loan	11.25	1,966
Total Long Term Debt	5.72	116,976

Prudential Indicators 2014/15	£'000
Authorised Limit	222,173
Operational Boundary	152,173

Council held £100.5m of investments as at 31 December 2014 (£102.7m at 30 November 2014) The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached since April 2014 to 31 December 2014. The Council continues to invest in credit worthy counterparties which meet its strict criteria. All new instruments will be signed off by the Director of Corporate Services before use.

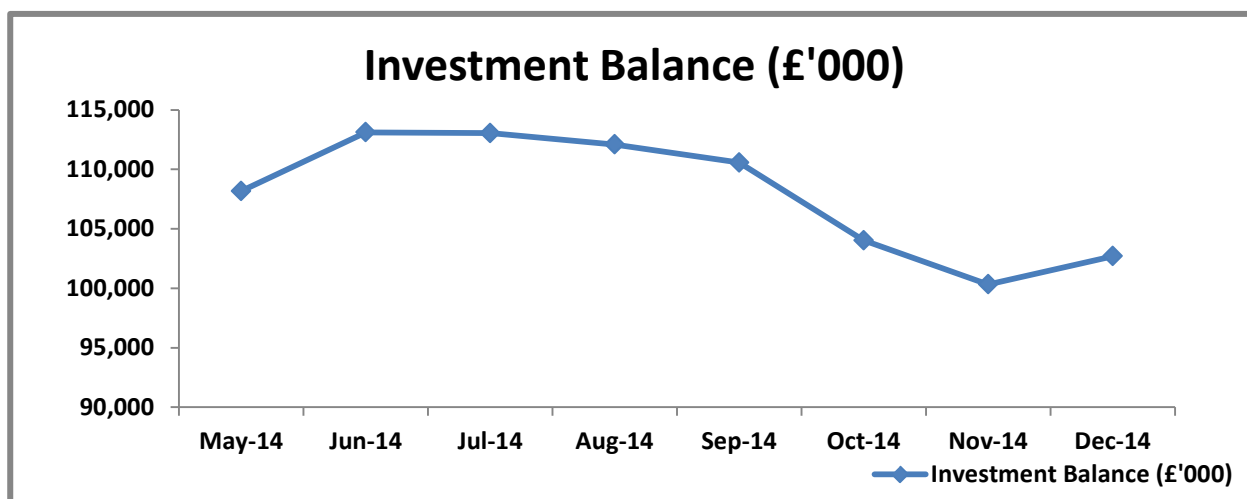
The Council's budgeted investment return for 2014/15 is £522k, and performance for the year to date is £207k above budget.

	%	£'000
Deposit/Investment	0.89	100,530

The return on investment of 0.89% is against a budget of 0.76%

Monthly Investments Balances – April 2014 to December 2014

Month End	Apr £'m	May £'m	June £'m	July £'m	August £'m	Sept £'m	Oct £'m	Nov £'m	Dec £'m
Investment Balance (£'000)	108	113	113	112	110	104	100	103	100



CASHFLOW

The projected investment balance at 31 December 2014 is £76.6m.

Counterparties

The market expectation is that interest rates will be slow to rise and stay low because inflation continues to be a threat and UK government debt levels are high. In addition the strength of the Sterling constrains growth.

In other to increase returns from cash deposits there is a need to lend for longer, use a wide range of counterparties to reduce risk and diversify portfolio.

Investment Counterparty criteria

The current investment counterparty criteria selection stated below was approved in March 2014 by Council. This minimum selection criteria listed below is meeting the requirement of the treasury management function.

As with previous practice, ratings will not be the sole determinant of the quality of an institution. Both micro and macro issues in relation to the economic and political environments in which institutions operate. Such assessments take into account information that reflect the opinion of the markets, share price, credit default swaps and overlay the information on top of the credit ratings. Other information sources used include the financial press and other information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential and current counterparties. The three main rating agencies expect to remove viability and support ratings from their assessment very soon, other new criteria may be provided.

Apart from government owned or part owned banks, the minimum credit criteria the council will use IN 2014/15 for individual counterparties is stated below:

BANKS AND BUILDING SOCIETIES MINIMUM CRITERIA ACROSS ALL THREE RATING AGENCIES			
	FITCH	MOODY'S	S&P
Short Term	F1	P-1	A-1
Long Term	A-	A3	A-
OTHER CRITERIA			
Viability / BFSR Rating	Bbb+	c-	n/a
Support	1	n/a	n/a

Money Market Funds

The Council invests in two money market funds Deutsche and Aberdeen Sterling Global Liquidity Fund (previously known as Scottish Widows Sterling Advisory Fund).

Weighted Average Rate (WAM) for Aberdeen Sterling Liquidity Fund was 54 days while Deutsche Managed Sterling Fund was 51 days respectively.

Split of investments by counterparty

The table below shows the full list of investments held as at 30 November 2014

Counter Party	Institution	Type	Amount £'000	Percentage of Fund %
Barclays	Bank	Fixed Deposit	20,000	19.89
Lloyds	Bank	Fixed Deposit	35,000	34.28
RBS	Bank	Call Account	10	0.01
Nationwide	Building Society	Fixed Deposit	21,400	21.29
Money Market Fund	MMF	Money Market Fund	1,120	1.11
New Castle City Council	Local Authority	Fixed Deposit	3,000	2.98
Northumberland County Council	Local Authority	Fixed Deposit	3,000	2.98
BlackPool Borough Council	Local Authority	Fixed Deposit	2,000	1.99
London Borough of Islington	Local Authority	Fixed Deposit	5,000	4.97
London Borough of Croydon	Local Authority	Fixed Deposit	5,000	4.97
Glasgow City Council	Local Authority	Fixed Deposit	2,000	1.99
Stirling Council	Local Authority	Fixed Deposit	3,000	2.98
Total			100,530	100.00

Investment returns are likely to remain relatively low during 2015/16 and beyond. The tables below show the prospects for investment and borrowing interest rates.

Prospects for Fixed Deposit Interest Rates

Period	1 month	3 month	6 month	9 month	12 month	2 year	3 year	4 year	5 year
%	0.40%	0.50%	0.65%	0.75%	0.90%	1.35%	1.60%	1.80%	1.95%

Prospects for Bank Rate and PWLB Rates

Annual Average	Dec 2014	Dec 2015	Dec 2016	Dec 2017
Bank Rate	0.50%	1.00%	1.5%	2.25%
PWLB 5 year	2.50%	2.90%	3.30%	3.50%
PWLB 25 year	3.90%	4.40%	4.70%	4.90%
PWLB 50 year	3.90%	4.40%	4.70%	4.90%

RECENT ECONOMIC CHANGES

The ECB announced a full QE programme. Quantitative Easing in the Eurozone first appeared on the radar many months ago and with inflation seemingly dropping with every reading and with economic growth remaining stubbornly weak the argument in favour of it has grown stronger and stronger. The ECB did begin a meagre monthly QE programme last year, where it began purchasing covered bonds in October and asset backed securities in November, but it is the commitment to buy sovereign bonds that the market has really been waiting for.

President of the ECB, did say in his statement that it would continue “until we see a sustained adjustment in the path of inflation which is consistent with our aim of achieving inflation rates below, but close to, 2% over the medium term.” This caveat leaves the ECB with the flexibility to continue with QE past September 2016 if it finds it necessary. Although the markets had been pricing in QE for quite some time, recent ECB announcement was at the top end of the range of market forecasts and this resulted in government bond yields falling across the Eurozone.

The Bank of England view is that there is no need to resume purchasing assets despite the fall in inflation.

In light of these recent market occurrences, Counterparty quality remains the key factor when making investment decisions. It is believed that policy rates will tighten at some stage, and this has called into question the benefits of some of the longer dated deals on offer in the market.

Therefore the Council will ensure that before any investment is made checks will be made as to whether the investment is suitable and allowable within the confines of the approved treasury management investment strategy.

THE REGULATORY ENVIRONMENT

Money Market Regulatory Update

The European Commission published its proposal for a new regulatory framework for Money Market Funds (MMFs) on 4th September 2013. According to the Commission, the aim of the new regulations was to reduce “run risk” on MMFs and the potential for a wider impact on financial markets. The publication of the proposals led to the start of the lengthy political process before a final version is in place

In March 2014 the European Parliament cancelled their vote on the proposed changes because of persistent disagreements between members. Due to the lengthy EU political process the new regulations are not expected before July 2015 because once the EU agrees on the regulations, the European Securities and Markets Authority (ESMA) and the European Commission will be required to provide the technical detail ahead of implementation. Furthermore, MMFs will be provided some time to allow them to alter their structure / parameters to meet the new proposals.

Money Market funds continue to offer levels of security, liquidity and diversification that many other investment types cannot.

Changes to Deposit Protection Schemes – The Local Authority Position

Due to incoming European and UK regulation changes, public sector bodies holding unsecured deposits are going to be pushed further down the insolvency creditor hierarchy. The current position is as follows:

- The EU implemented a new, revised, Deposit Guarantee Schemes Directive in April 2014. Within this, one of the key changes was that entity coverage would be widened from individuals and small / medium sized entities (SMEs) to incorporate almost any entity with the exception of financial institutions and public sector bodies.
- In addition, the limit for compensation was set at €100,000, with the exception of a small number of instances, including housing transactions and payments related to retirement etc (so-called Temporary High Balances - THB).
- The Directive is not expected to be implemented until July 2015 as highlighted by the Prudential Regulatory Authority (PRA), the Directive is aimed at harmonising schemes across Europe so the ability to alter the fundamental aspects is limited.
- As a result of this, in October, the PRA released a consultation paper on the Directive which outlined likely changes to the UK's Deposit Protection Scheme, the Financial Services Compensation Scheme (FSCS).
- At the same time as releasing this consultation, the Bank of England also released a document outlining its approach to financial institution resolution in the UK.

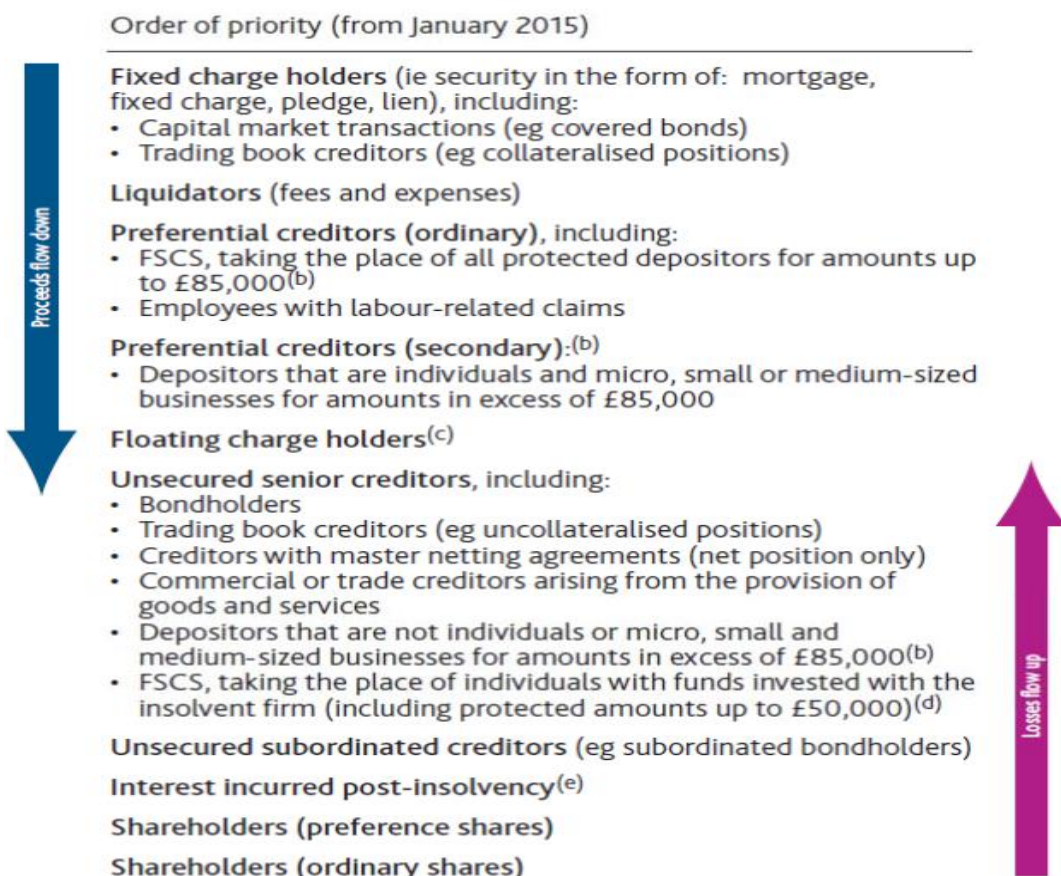
However at the moment, while the entity coverage has expanded, the FSCS limit on compensation remains at £85,000 for each depositor. The ONLY exceptions outlined within the PRA proposals are for THB's which is for £1m, unless the THB is in relation to personal injury or incapacity.

In the Bank of England paper issued in October 2014 which outlined the proposed approach to insolvency creditor hierarchy that will be applied from January 2015. The document sets out the Bank's approach to the resolution of banks, building societies and certain investment firms,(1) including their parent and other group companies. It is intended to provide guidance on the Bank's statutory responsibilities as the resolution authority of the United Kingdom. It explains the purpose and objectives of the resolution regime, its key features, the approach that the Bank intends to take to resolve a failed firm, should that prove necessary, and the arrangements for safeguarding the rights of depositors, clients, counterparties and creditors. It is intended to complement the Code of Practice, issued by HM Treasury (HMT).(2)

Overall, the proposed changes will see some increase in preferential creditors ahead of unsecured depositors within a resolution regime. **Local authorities placing unsecured deposits with financial institutions will not be placed behind large corporates in the insolvency creditor hierarchy**

It is understood that the key factor of regulatory changes are the increased requirements for capital and liquidity that are being imposed and that bail-in, although an important factor is being implemented on a "no creditor worse off" basis in the UK.

Figure 3 Insolvency creditor hierarchy^(a)



- (a) Proceeds recovered through an insolvency are used to meet the claims of creditors in the top row first, with any excess being passed down to meet claims of creditors in the second row, and so on. Any losses arising from a shortfall between proceeds and creditor claims are absorbed firstly by shareholders, and then pass up the creditor hierarchy until they are fully absorbed. Creditors within a row are treated equally (rank 'pari passu').
- (b) Amendments to existing creditor hierarchy introduced by the Bank Recovery and Resolution Directive.
- (c) Floating charges that constitute financial collateral arrangements or collateral security (pursuant to the UK Financial Collateral Arrangements Regulation and the Financial Markets and Settlement Finality Regulations) rank senior to preferential creditors and liquidators' fees and expenses.
- (d) Some smaller businesses are also protected by the FSCS for investment business up to £50,000.
- (e) Ranking for all statutory interest from the date of the winding-up order until a final dividend is declared or all proved debts have been paid — unless otherwise specified by the terms of the debt contract. Statutory interest may rank ahead of unsecured subordinated creditors, depending on the precise circumstances, including the terms of the subordination.

Results of the 2014 Bank of England Stress Test on UK banks

The Bank's stress tests published by the Bank of England (BoE), carried out with the oversight from the Prudential Regulatory Authority (PRA) and the Financial Policy Committee, were designed to assess whether the UK's banks could survive a spike in unemployment to 12%, house price crash of 35%, and an interest rate hike. Both Lloyds and RBS had capital buffers above the minimum level as at the end of 2013, but the PRA said both banks needed to strengthen their capital positions further. The report added the two banks have already taken steps to improve their balance sheets, so they will not be required to submit new capital plans.

Barclays, HSBC, Nationwide, Santander UK, and Standard Chartered were deemed to have adequate capital buffers to weather a fresh crisis.

Bank	Bank of England Stress Test Results
Barclays	The PFA Board judged that this stress test did not reveal capital inadequacies for Barclays given its balance sheet at end of 2013 partly due to its geographic footprint and business model. The PRA Board did not require Barclays to submit a revised capital plan
HSBC	The PFA Board judged that this stress test did not reveal capital inadequacies for HSBC given its balance sheet at end of 2013 partly due to its geographic footprint and business model. The PRA Board did not require HSBC to submit a revised capital plan
Lloyds Banking Group	The PRA Board has judged that as at December 2013, Lloyds Banking Group's capital position needed to be strengthened further. PRA Board did not require Lloyds Banking Group to submit a revised capital plan
Nationwide Building Society	The PFA Board judged that this stress test did not reveal capital inadequacies for Nationwide given its balance sheet at 4 April 2014. The PRA Board did not require Nationwide to submit a revised capital plan
The Royal Bank of Scotland Group	The PRA Board has judged that, as at 31 December 2013, the firm's capital position needed to be strengthened further. The stress test demonstrates that RBS Group remains susceptible to a severe economic downturn. The PRA Board would ordinarily have required RBS Group to submit a revised capital plan in light of the stress-test results. However, given the progress already made and the capital strengthening actions that the bank has incorporated into its updated capital plan, which has been accepted by the PRA Board, an additional plan was judged not to be necessary.

Other instruments available for investments

The Council can also invest in other Instruments in addition to investing in fixed deposits. Investing in all of these instruments do not require further Council approval as they have been approved in the treasury management strategy however it is good practice to inform decision making bodies before commencing use of these instruments once agreed by the S151 Officer.

Some of these instruments are; Certificate of Deposits (CD's), Gilts, Covered Bonds, Corporate Bonds and Property.

2014/15 Estimated Cash Flow Forecast December 2014 Position

Appendix 9

Cash Flow Description	Year to Date	Jan-15	Feb-15	Mar-15	Dec -14	Reported	TMS	Actuals
	Actual	Forecast	Forecast	Forecast	Full year	Full year	Reported	Reported
	£'000	£'000	£'000	£'000	Forecast	Forecast	Position	Position
					£'000	£'000	£'000	£'000
Expenditure								
Bank Charges & Related Expenditure	(750)	(82)	(82)	(86)	(999)	(963)	(916)	(905)
Other Expenditure	(11,587)	(295)	(280)	(308)	(12,470)	(6,050)	(4,117)	(12,916)
Capital Expenditure & S106 Payment	0	0	0	0	0			(1,292)
CHAS Payroll, Tax and VAT	(699)	(200)	(20)	(22)	(941)	(936)	(408)	(281)
Business Rates and CTax Refunds	(4,050)	(352)	(306)	(304)	(5,012)	(4,081)	(3,956)	(4,191)
HMRC Related Payments	(27,691)	(3,070)	(3,070)	(3,100)	(36,931)	(38,737)	(39,800)	(37,906)
Housing Benefit	(71,246)	(7,141)	(7,141)	(7,141)	(92,669)	(92,642)	(94,850)	(91,560)
Invoice Payments (Bacs & Cheques)	(281,982)	(33,800)	(32,300)	(42,300)	(390,382)	(379,729)	(377,250)	(372,117)
Payroll Related Payments (including Schools)	(78,071)	(8,822)	(8,822)	(8,922)	(104,637)	(107,156)	(107,720)	(102,341)
LGPS Pension Contributions	(25,822)	(2,320)	(12,320)	(2,620)	(43,082)	(41,511)	(33,000)	(32,764)
RSG	(28,648)	(2,651)	0	0	(31,299)	(31,028)	(30,490)	(30,490)
Pensioners Payments (met by Employer)	(1,310)	(164)	(164)	(164)	(1,802)	(1,956)	(1,956)	(1,826)
Total Expenditure	(531,856)	(58,897)	(64,505)	(64,967)	(720,225)	(704,789)	(694,464)	(688,589)
Income								
Business Rates Receipts	70,842	7,307	3,100	1,554	82,804	79,323	74,200	73,701
Council Tax Receipts	76,999	8,590	1,900	1,200	88,689	86,613	76,330	79,013
DWP - Housing Benefit Subsidy & Admin Grant	63,697	7,820	7,820	7,820	87,157	93,758	97,086	105,598
Grants	166,651	12,852	25,293	22,015	226,811	214,349	185,897	220,354
Other Income	85,149	8,128	8,628	10,962	112,867	90,266	112,235	94,988
Public Health Grant	6,927	2,309	0	0	9,236	9,236	9,236	8,985
Payroll and Pension Recoupement	68,267	7,601	7,601	7,609	91,079	90,523	90,132	89,041
VAT Reimbursement	16,910	3,000	1,600	1,600	23,110	25,175	22,800	19,251
Total Income	555,443	57,608	55,942	52,760	721,753	689,244	667,916	690,931
Net Income/Expenditure	23,587	(1,289)	(8,563)	(12,207)	1,528	(15,545)	(26,547)	2,342
Interest Received on investments	358	94	60	217	730	522	730	703
Interest Paid on Debt	(4,204)	(928)	0	(1,502)	(6,634)	(6,692)	(6,634)	(6,692)
Estimated Closing Cash Balance		98,558	90,055	76,564				
Estimated Monthly Closing Value of investments	100,530	98,600	90,000	76,600				
Estimated Closing Bank Balance	150	(42)	55	(36)				

Appendix 10

Subject: Miscellaneous Debt Update December 2014

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

1.1 A breakdown of departmental net miscellaneous debt arrears, as at 31 December, is shown in column F of Table 1 below.

Table 1 – Debtors aged balance – December 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	Dec 14 arrears f	Sep 14 Arrears	Direction of travel
	£	£	£	£	£	£	
Env & Regeneration	457,407	101,598	133,285	318,697	1,010,987	839,287	↑
Corporate Services	676,907	49,982	118,912	164,260	1,010,061	628,537	↑
Housing Benefits	882,693	433,440	761,932	1,019,402	3,097,467	2,857,391	↑
Children, Schools & Families	197,352	59,086	261,954	1,096	519,488	407,783	↑
Community & Housing	1,067,601	776,225	1,136,329	1,429,662	4,409,817	4,861,456	↓
Chief Executive's	0	0	500	0	500	500	
CHAS 2013	125,413	16,985	9,384	0	151,782	153,678	↑
Total	3,407,373	1,437,316	2,422,296	2,933,117	10,200,102	9,748,632	↑
Dec-13	2,320,339	1,631,411	2,247,747	2,546,032	8,745,529		
Variance Dec 13 to Dec 14	1,087,034	-194,095	174,549	387,085	1,454,573		↑

1.2 Since the position was last reported in September 2014, the net level of arrears, i.e. invoices over 39 days old, has increased by £451,470.

1.3 The net level of level of arrears has increased by £1,454,573 when compared to the position at the end of December 2013.

- 1.4 The above table shows the separate debt owed to CHAS 2013 Ltd.
- 1.5 There has been an increase of £381,524 in Corporate Services debt since last reported in September, this is mainly due to recharges owed to the Shared Legal Service from its partners. These are being actively being pursued.
- 1.6 In January just over £450,000 in legal recharges were received (over half of the amount outstanding) and further payments are due imminently.
- 1.7 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 December 2010 to December 2014 – not including debt that is less than 39 days old

Department	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014
	£	£	£	£	£
Env & Regeneration	285,724	403,880	803,040	807,539	1,010,987
Corporate Services	133,545	306,021	504,275	372,586	1,010,061
Housing Benefits	2,003,148	2,715,178	3,172,438	3,036,852	3,097,467
Children, Schools & Families	249,172	252,669	761,010	95,675	519,488
Community & Housing	2,387,277	2,843,344	3,777,081	4,266,277	4,409,817
Chief Executive's	0	2,280	0	500	500
CHAS 2013	0	0	0	0	151,782
Total	5,058,866	6,523,372	9,017,844	8,579,429	10,200,102

- 1.6 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 £2.1 million in the four year period.
- 1.7 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

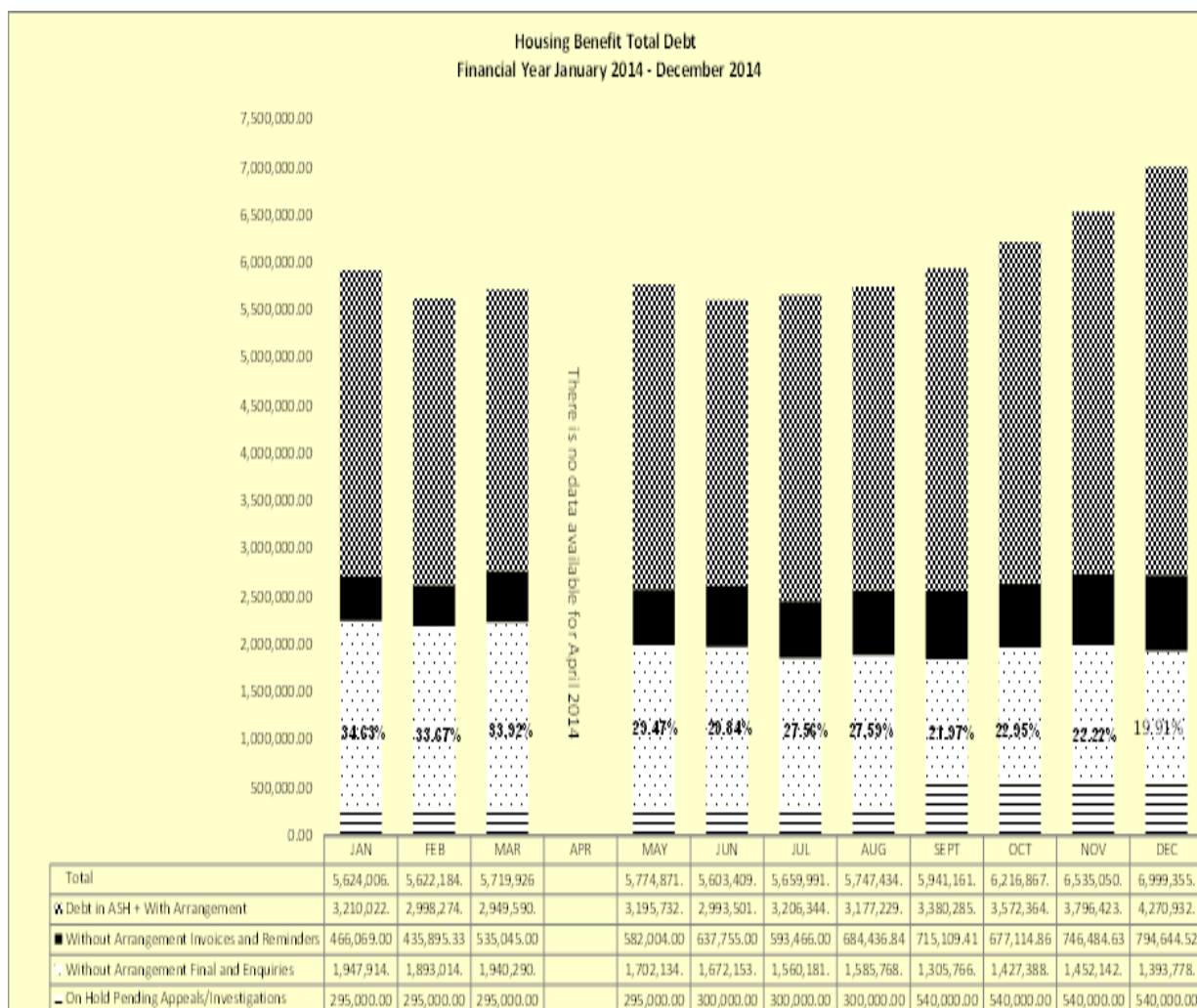
Department	April 2012	Dec 2014	Variance	% Variance
Env & Regeneration	£65,104	£451,983	£386,879	85.60
Corporate Services	£45,461	£283,173	£237,712	83.95
Housing Benefits	£1,695,646	£1,781,334	£85,688	4.81
Childrens, Schools & Families	£54,992	£263,050	£208,058	79.09
Community & Housing	£1,421,831	£2,565,992	£1,144,161	44.59
Chief Executives	£0	£500	£500	0.00
CHAS 2013	£0	£9,384	£9,384	
Total	£3,283,034	£5,355,416	£2,072,382	38.70

- 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 £1,144,161 since April 2012. There is an upward trend in outstanding debt.
- 3.4 Over the past few years council staff have been working closely and following new processes to manage this debt. This work involves regular joint meetings between the financial assessments, social services, client financial affairs and debt recovery teams to review the debts of individual clients and establish action plans for each one.
- 3.5 These actions include, but are not limited to: early intervention from social workers to prevent debts from getting out of control and to ensure that clients are supported earlier to get their finances in order; as part of their induction all new Social Workers spend time with the Financial Assessment Team, to understand how financial assessments are carried out; social workers also check to see if there any safeguarding issues around non-payment of bills and work very closely with the Welfare Benefits Officer; there is more use of credit checks and land registry checks when assessing/investigating debt issues; increased involvement from the client financial affairs team to take appointeeship for those without capacity or appropriate deputyship; Increased identification of cases where we will consider legal action to secure the debt and generally to share information and support each other in the collection and prevention of this debt. Although the debt has grown the actions being taken are mitigating the impact.
- 3.6 The total debt figure for Community and Housing, including debt that is less than 39 days old, is £5.34 million, a reduction of £0.4 million since last reported in September 2014. Of this debt £0.93 million is under 39 days and therefore no formal recovery action has taken place other than issuing an invoice and reminder. Of the remaining £4.41 million debt which is older than 39 days £1.5 million is secured debt either with repayment arrangements or legal action including Charging Orders. We are actively working on securing the remaining £2.91 million debt by similar means.
- 3.7 Within the last quarter we have received payment of £104,000 following the forced sale of a property, £60,000 unsecured debt from the estate, £48,000 where the Council had deputyship and £28,000 from a charging order.
- 3.8 The total amount of housing benefit debt has increased to £6.99 million, an increase of just over £1.0 million since last reported in September 2014.
- 3.9 It was reported last time that the Department of Work and Pensions commenced a "Real Time" Information initiative at the end of

September 2014 which is aimed at identifying overpayments of housing benefit. The DWP have compared housing benefit claim data and HMRC data and over the six month life of the initiative will highlight 900 cases for Merton where there are data discrepancies.

- 3.10 As at the end of December 2014 we have received 4 months data and completed approximately 520 cases. In the vast majority of cases there has been a reduction in housing benefit and some very large overpayments of benefit where the claimant has failed to notify of their change in circumstances. In total so far £625,000 of overpayments have been created and we have identified a number of cases where Merton employees or employees of neighbouring boroughs have failed to advise us of changes to their income or that they have started new jobs. A number of cases have resulted in overpayments of over £10,000 and have been referred to the Internal Audit team and the new joint DWP Fraud team.
- 3.11 Where possible these overpayments are being recovered from on-going benefit payments. We are entitled to deduct between £10.95 and £23.35 per week from on-going housing benefit dependant on circumstances. Where the change has resulted in housing benefit being cancelled or nil entitlement we contact the claimants employer and are paid a percentage deduction of their salary each month. So far we have over £80,000 set up to recover in this way.
- 3.12 Although the overall housing benefit debt has increased there has been an increase in the amount of debt either being recovered from on-going benefit or on arrangements. £2.25 million is being recovered from on going benefit (increased from £1.8 million when last reported) by reducing current housing benefit payments. Just under £4.3 million is on a payment arrangement or recovery from on going benefit.
- 3.13 It should be noted that the level and number of housing benefit overpayments is likely to continue to increase due to the “Real Time” Information initiative detailed above and due to another new initiative from the Department of Work and Pensions commencing in the final quarter of 2014/15 whereby Council’s are encouraged to identify fraud and error within the system. Set up funding will be available to the Council for this initiative and on-going funding based on achieving performance targets. This initiative will run until at least March 2016. Progress of this initiative will be provided in the next report.
- 3.14 The graph below shows breakdown of all housing benefit overpayments by recovery action.

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



3.15 Since the report at the end of June 2014 we have continued to review and target all housing benefit debt. We have tried to improve the procedures at the beginning of the process when a debt is first identified by ensuring that invoices are raised as soon as possible to give the best chance of recovery, we are targeting debtors who are now in work and we will be applying to recover the overpayments from their employers and we are looking at the oldest debts to consider if they are still collectable. However, it should be noted that a lot of the housing benefit debt is very difficult to recover as the Council's powers of recovery are very limited unless the debtor works or owns their own property.

4. 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 31 December 2014 is £10,200,102. The net level of arrears, when the matter was last reported in September 2014 was £9,748,632.

6. TOTAL DEBT DUE TO MERTON

The total amount due to Merton as at 31 December 2014 is detailed in table 6 below.

Table 6 – Total debt outstanding as at 30 December 2014 and compared with previous periods over the past 15 months

	Oct-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
	£	£	£	£	£	£
Miscellaneous sundry debt Note 1	11,960,990	12,415,856	11,967,049	13,448,226	14,437,902	14,039,675
HB debt in Benefit system Note 2	2,532,921	2,469,412	2,507,443	2,681,440	2,818,432	3,339,481
Housing Rent Note 3	103,451	103,371	102,056	102,001	101,388	101,253
Parking Services	2,553,803	2,545,573	2,545,575	2,497,703	2,388,584	2,240,338
Council Tax Note 4	4,263,977	3,906,022	3,540,430	5,011,408	4,444,360	4,100,330
Business Rates Note 5	2,404,348	1,998,789	1,843,931	3,397,378	2,635,958	1,351,593
Total	23,819,490	23,439,023	22,506,484	27,138,156	26,826,624	25,172,670

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 £1.73 million compared to the end of December 2013.
- 6.2 The areas where there has been an increase since December 2013 are sundry debt (£1.62 million), housing benefit debt within the benefit system (£0.86 million) and council tax (£0.2 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 – Dec 2014

Age of Debt	Outstanding £	Number of PCNs
0-3 months	743,871	6,588
3-6 months	370,947	2,399
6-9 months	247,054	1,518
9-12 months	233,870	1,407
12-15 months	201,188	1,235
Older than 15 months	443,408	3,088
Total September 2014	2,240,338	16,235

Total September 2014 **2,388,584** **17,724**

Increase **(148,246)** **(1,489)**

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Customer & Client Receipts - £000's			2014/15						
Department	Division/Service	Total Budget	Year to Date Actual (P9)	Year to Date Budget (P9)	Year to Date Over (under) Spend	Latest Forecast	Forecast Variance	Internal Receipts Forecast	External Receipts Forecast
Childrens Schools & Families	Schools Buy Back	-2,846	-737	-2,082	1,344	-3,036	-190		-3,036
	Early Years & Childrens Centres	-1,247	-1,035	-935	-100	-1,271	-24		-1,271
	Other	-168	-354	-126	-227	-364	-196		-364
	CSF Total	-4,261	-2,126	-3,143	1,016	-4,671	-409	0	-4,671
Corporate Services	Business Improvement	-84	-122	-82	-40	-125	-41	-80	-45
	Corporate Governance	-530	-693	-397	-296	-603	-73	0	-603
	Customer Services	-2,184	-1,358	-1,638	280	-1,841	343	-145	-1,696
	CS Resources	-753	-595	-565	-30	-925	-172	-1	-924
	Human Resources	-569	-372	-385	13	-524	45	-145	-379
	Infrastructure & Transactions	-2,315	-1,736	-1,335	-401	-2,755	-440	-1,766	-989
	CS Total	-6,435	-4,876	-4,402	-474	-6,773	-338	-2,137	-4,636
Environment & Regeneration	Street Scene & Waste	-11,948	-8,246	-8,821	575	-11,408	540	-8,486	-2,922
	Public Protection	-12,502	-9,176	-9,355	179	-12,502	0	-95	-12,407
	Sustainable Communities	-9,937	-8,882	-7,546	-1,336	-9,925	12	-560	-9,365
	E&R Total	-34,387	-26,304	-25,722	-582	-33,835	552	-9,141	-24,694
Community & Housing	Adult Social Care - Client Contribution & Other Cont	-10,125	-7,322	-6,493	-829	-11,469	-1,344	-70	-11,399
	MAE & Libraries	-1,130	-631	-893	262	-869	261	-127	-742
	Housing	-147	-110	-110	0	-143	4	0	-143
	C&H Total	-11,402	-8,063	-7,496	-567	-12,481	-1,079	-197	-12,284
Grand Total		-56,485	-41,369	-40,763	-607	-57,761	-1,275	-11,475	-46,285