

Cabinet

Date: 14 September 2015

Subject: Financial Report 2015/16 – June 2015

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 underspend at year end of £0.47million, 0.3% of the net budget.
- B. That Cabinet note the following capital adjustments:

Scheme	2015/16 £000s	2016/17 £000s	Narrative
Poplar Permanent Expansion	40	0	Contribution from school for landscaping works
Colliers Wood Library Re-Fit	(200)	200	Expenditure profile for the scheme now established and budgeted spend in 2016/17
Industrial Estate Investment	(550)	550	The works required under the scheme pending the outcome of the Asset Review
Total	(710)	750	

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1 This is the first quarter's financial monitoring report for 2015/16 presented in line with the financial reporting timetable.

This financial monitoring report provides:-

- The income and expenditure at period 3 and a full year forecast projection.
- An update on the capital programme and detailed monitoring information;
- An update on Corporate Items in the budget 2015/16;
- Progress on the delivery of the 2015/16 revenue savings
- An update on the delivery of 2014/15 savings

2. 2015/16 FORECAST OUTTURN BASED UPON LATEST AVAILABLE DATA

Executive summary – At the end of the first quarter to 30th June 2015 the year end forecast is net £0.47m underspend, 0.3% of the net budget.

Summary Position as at 30 June 2015

	Current Budget 2015/16 £000s	Full Year Forecast (June) £000s	Forecast Variance at year end (June) £000s	Forecast Variance at year end-previous month (May) £000s	Outturn variance 2014/15 £000s
Department					
3A. Corporate Services	14,996	14,435	(561)	(813)	(691)
3B. Children, Schools and Families	51,290	52,678	1,388	1,920	2,663
3C. Community and Housing	61,555	62,567	1,012	1,222	2,774
3D. Public Health	320	137	(183)	(0)	(0)
3E. Environment & Regeneration	23,999	24,119	120	77	1,703
Overheads	0	0	0	0	0
NET SERVICE EXPENDITURE	152,160	153,936	1,776	2,406	6,448
3E. Corporate Items					
Impact of Capital on revenue budget	14,117	14,092	(25)	(25)	205
Central budgets	(12,186)	(14,408)	(2,222)	(1,096)	(2,817)
Levies	926	926	0	0	0
TOTAL CORPORATE PROVISIONS	2,856	609	(2,247)	(1,121)	(2,612)
TOTAL GENERAL FUND	155,016	154,545	(471)	1,285	3,836
FUNDING					
Revenue Support Grant	(30,425)	(30,425)	0	0	0
Business Rates	(33,686)	(33,686)	0	0	0
Other Grants	(9,434)	(9,434)	0	0	(154)
Council Tax and Collection Fund	(81,471)	(81,471)	0	0	0
FUNDING	(155,016)	(155,016)	0	0	(154)

	Current Budget 2015/16	Full Year Forecast (June)	Forecast Variance at year end (June)	Forecast Variance at year end (May)
Expenditure	£000	£000	£000	£000
Employees	96,576	97,537	961	668
Premises Related Expenditure	8,562	8,227	(335)	(476)
Transport Related Expenditure	13,601	13,657	56	1,459
Supplies and Services	174,169	173,537	(632)	(222)
Third Party Payments	89,060	92,216	3,156	2,114
Transfer Payments	104,029	103,841	(189)	(591)
Support Services	31,902	31,900	(2)	(2)
Depreciation and Impairment Losses	16,505	16,506	0	0
Corporate Provisions	2,856	609	(2,247)	(1,121)
GROSS EXPENDITURE	537,260	538,029	769	1,830
Income				
Government Grants	(266,025)	(265,837)	188	224
Other Grants, Reimbursements and Contribs	(25,505)	(26,675)	(1,170)	(1,105)
Customer and Client Receipts	(58,124)	(59,194)	(1,070)	(840)
Interest	(44)	(20)	24	24
Recharges	(32,547)	(32,546)	1	1
Balances	1	789	787	1,151
GROSS INCOME	(382,244)	(383,484)	(1,239)	(545)
NET EXPENDITURE	155,016	154,545	(471)	1,285

Chart 1 below shows the forecast year end variance for departmental expenditure with a comparison against 2014/15, 2013/14 and 2012/13.

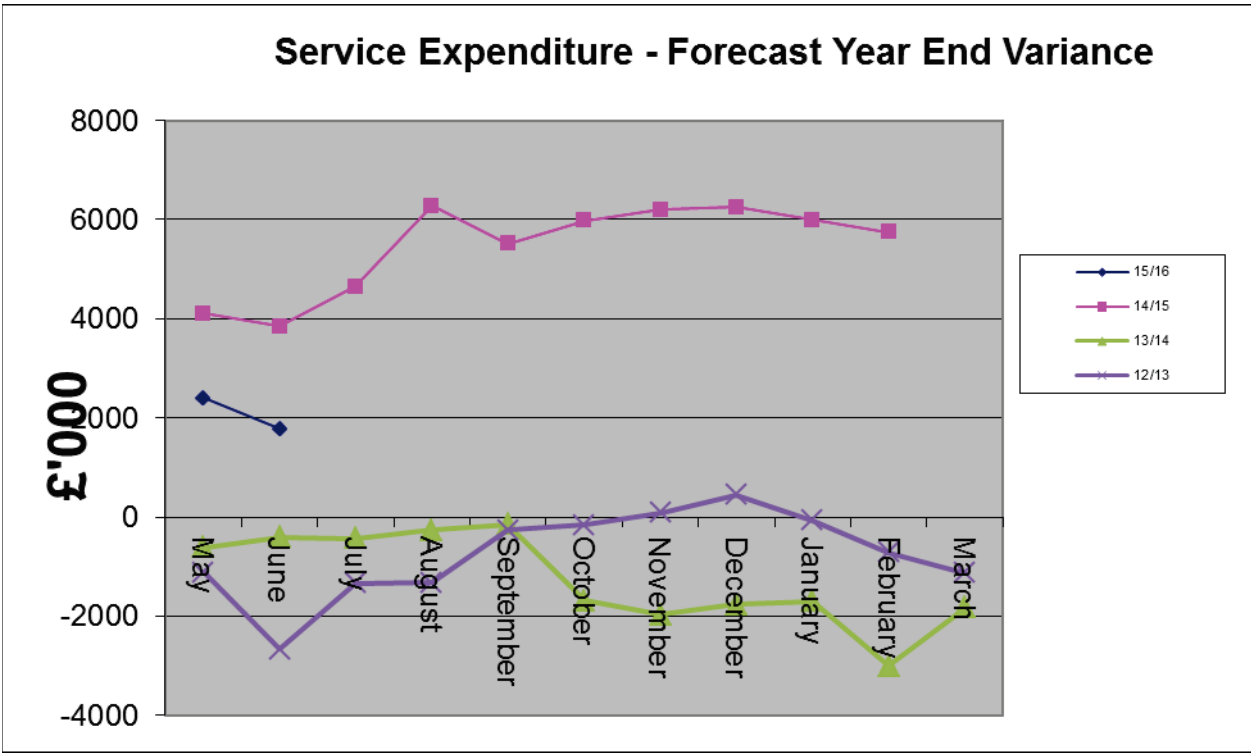
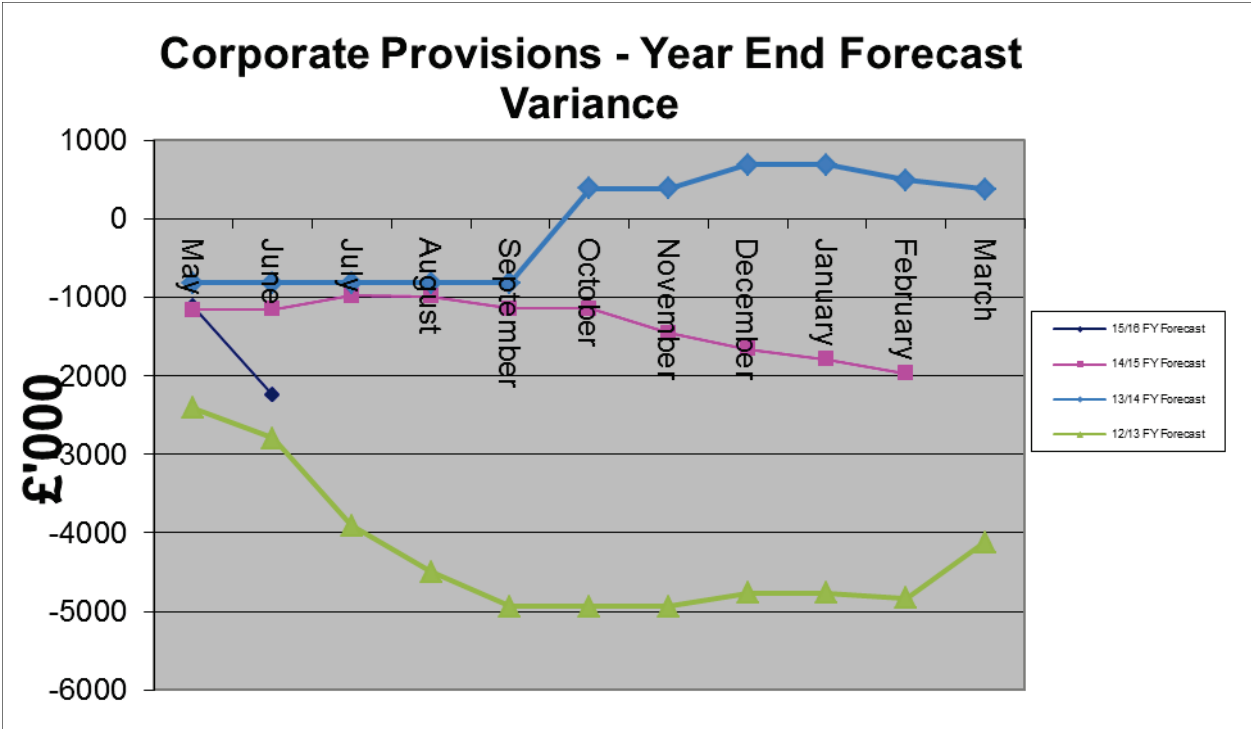


Chart 2 shows the forecast year end variance for corporate provisions with a comparison against 2014/15, 2013/14 and 2012/13.



3. DEPARTMENTAL SUMMARY OF CURRENT POSITION

Corporate Services

	2015/16 Current Budget	Full year Forecast June	Forecast variance at year end June	Forecast variance at year end May	2014/15 Outturn Variance
	£000	£000	£000	£000	£000
Business Improvement	4,776	4,696	-80	-82	-259
Infrastructure & Transactions	9,669	9,488	-181	-95	-347
Resources	7,660	7,593	-67	-48	-255
Human Resources	2,373	2,358	-15	-6	-26
Corporate Governance	3,204	3,000	-204	-298	-433
Customer Services	2,627	2,263	-364	-284	-273
Corporate Items including redundancy costs	1,295	1,645	350	0	1,320
Total (controllable)	31,604	31,043	-561	-813	-273

Overview

At the end of the first quarter (June 2015) the Corporate Services department are forecasting an underspend of £561k at year end.

Business Improvement – underspend £80k

The main reason for the forecast underspend is an overachievement of street naming income. There are some vacant posts in the new systems and development team structure due to the delay in successful recruitment but these are being offset by agency cover.

Infrastructure and Transactions – underspend £181k

The forecast underspend relates to the revenue generated from the Corporate Print Strategy and an overachievement of income in the Post service following the introduction of Docqticket system and the renegotiation of the postal and print contracts. Some vacant posts are being held and underspends on non salary budgets to offset savings, whilst alternative savings are identified.

Resources – underspend £67k

There is a forecast underspend of £100k due to vacant posts being partly offset by an overspend on insurance premiums.

Corporate Governance – forecast underspend £204k

There is a forecast underspend of approx. £130k following the transfer of the Benefits Investigation team to the DWP under the Single Fraud Investigation Service. There will be

an underspend in the current year due to DCLG funding but the cost of this service will increase next year. There is a forecast underspend of £35k for vacant posts and £45k for future year saving captured early.

Customer Services – forecast underspend £364k

There is a forecast underspend of approx. £130k due to vacant posts within the division.

Additional funding received from the DWP for welfare reforms eases the pressure on the benefits and local tax team where an underspend of £60k is forecast.

The translation services are forecasting an overachievement of income of £30k.

Corporate items - forecast overspend £350k

The forecast overspend of £350k is to provide for a loss of subsidy for the 2015/16 housing benefits grant claim audit based on the results of the previous audit.

Although the forecast for redundancies is in line with budget, the year to date spend on redundancy at period 3 is high compared to the budget. This will be monitored and any expected variance against budget will be reported.

The budget monitoring process will focus on pressures to ensure remedial action is taken and underspends can be held to offset any overspends.

Environment & Regeneration

Environment & Regeneration	2015/16 Current Budget £000	Full year Forecast (June) £000	Forecast Variance at year end (June) £000	Forecast Variance at year end (May) £000	2014/15 Outturn Variance £000
Public Protection	(9,405)	(9,536)	(131)	(203)	(53)
Sustainable Communities	12,673	12,531	(142)	(153)	203
Waste Services	15,438	15,804	366	434	1,440
Other	(876)	(876)	0	0	(291)
Total (Controllable)	17,830	17,923	93	78	1,299

Description	2015/16 Current Budget £000	Forecast Variance at year end (June) £000	Forecast Variance at year end (May) £000	2014/15 Variance at year end £000
Employee overspend within Parking Services	3,175	110	99	99
Overachievement of Customer & Client Receipts within Parking Services	(15,486)	(231)	(377)	(377)
Employee overspend within Regulatory Services	2,051	99	99	99
Overachievement of Other Grants & Contributions within Regulatory Services	(1,188)	(40)	(40)	(40)
Other	855	(69)	16	16
Total for Public Protection	(9,405)	(131)	(203)	(203)
Employee overspend within B&DC	1,564	169	45	200
General Supplies & Services underspend within B&DC	281	(73)	(109)	(64)
Shortfall in Building & Development Control (B&DC) income	(1,862)	90	200	(46)
Employee related overspend within Future Merton	2,632	58	117	(129)
Overspend on third party payments within Future Merton	2,937	73	(72)	64
Overachievement of Customer & Client Receipts within Future Merton	(1,527)	(73)	13	(39)
Premises related underspend within Property Management	283	(61)	(83)	32
Overachievement of rental income within Property Management	(4,042)	(198)	(111)	(181)
Underachievement of Customer & Client Receipts within Greenspaces	(1,831)	61	0	79
Employee underspend within Senior Mgmt & Support	860	(131)	(41)	(51)
Other	13,378	(57)	(99)	338
Total for Sustainable Communities	12,673	(142)	(153)	203
Employee overspend within Waste Services	7,546	106	264	316
Overspend on 3 rd Party Payments	6,651	462	502	909
Overachievement of Customer & Client Receipts within Waste Services	(2,357)	(131)	22	527
Other	2,722	(71)	(7)	(603)
Total for Street Scene & Waste	14,562	366	434	1,149
Total Excluding Overheads	17,830	93	78	1,299

Overview

The department is currently forecasting an overspend of £93k at year end. The main areas of variance are Waste Services, Parking Services, Greenspaces, Property management, and Building & Development Control.

Pressures

Public Protection

Parking Services

The section is currently forecasting an underspend of £134k mainly due to off-street parking and bay suspension income (£107k), and income from Tramtrack for occupying parking bays in Queens Road car park under licence until mid-October whilst rail improvements at Wimbledon station are carried out (£118k). This is being partially offset by an employee overspend of £110k.

Sustainable Communities

Building & Development Control

The section is currently forecasting an overspend of £156k mainly due to an employee overspend of £169k, and an underachievement of income of £90k. This is partially offset by an underspend of £73k in supplies and services.

The employee overspend is the result of both the additional temporary staff for the agreed 2-year fixed term enhancement of the service, and the use of agency staff (which are more costly) to cover vacancies whilst a commercial plan is being finalised to improve the market share and competitiveness of the building control service.

Property Management

The section is currently forecasting an underspend of £250k. This is as a result of exceeding their commercial rental income expectations by £198k due to a current high occupancy rate. There is also an NNDR related underspend of £70k whereby the authority is not currently liable for the fee.

Future Merton

The employee overspend is in relation to the recent restructure between Future Merton and Traffic & Highways, which commenced in May. Therefore, due to notice periods, protected allowances and only a part-year effect seen during this year, the full effect of this saving will not be realised this year.

However, it is expected that this pressure will, in the main, be mitigated from underspends elsewhere within the section.

Greenspaces

The section is currently forecasting an overspend of £77k, which is mainly as a result of an underachievement of internment income (£35k), sports income (£61k), income relating to rents (£45k), and the hiring of openspaces e.g. Wimbledon Park athletics track (£20k).

Street Scene & Waste

Waste Services

The section is currently forecasting an overspend of £367k, which is mainly due to the ongoing operational and disposal costs associated with the management of the HRRC and transfer station (£603k). Although the site will be under new management from October, this overspend is due to the part year effect of the current arrangements. However, it is expected that this pressure will not reoccur next year.

Waste services are also working closely with SLWP to manage operational cost associated to both the HRRC and Waste transfer station. In preparation for the second half of the year, the service is looking at the feasibility of the transfer station and undertaking a commercial review to assess its long term viability.

In addition, the section is currently projecting an employee related overspend of about £106k. 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.

Waste Operations are currently reviewing the service provision for weekend working (Saturday) with the aim of reducing agency spend. The section is also assessing the financial viability of procuring two additional vehicles to mitigate the need for overtime to cover mechanical breakdowns.

These overspends are expected to be partially mitigated from an overachievement of income, more specifically regarding the sale of textiles and litter enforcement.

Monthly meetings have been scheduled with the Head of Service and Director of E&R to monitor the financial pressures.

Management Action

The department is looking into potential 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 is strictly adhered to.

Children Schools and Families

Children, Schools and Families	2015/16 Current Budget £000	Full year Forecast (Jun) £000	Forecast Variance at year end (Jun) £000	Forecast Variance at year end (May) £000	2014/15 Variance at year end £000
Commissioning, Strategy and Performance	8,763	9,732	969	509	1,287
Education	16,346	17,279	134	1,334	953
Social Care and Youth Inclusion	11,494	12,006	512	77	580
Public Health contribution	0	(328)	(328)	0	(415)
PFI	7,983	8,084	101	0	6
Redundancy costs	2,091	2,091	0	0	39
Total (controllable)	46,677	48,864	1,388	1,920	2,450

Overview

At the end of June Children Schools and Families had a forecast overspend of £1.388m on local authority funded services. Although the department received growth for placements, this was not sufficient to cover the total shortfall caused by the increased birth rate and additional burdens from central government. An additional budget allocation of £799k for transport cost has also been included in this month's forecast. The overspend has also been netted down by one off Public Health money of £328k making the underlying overspend £1.716m, (£1.920m last month) a reduction of £204k. Hence, on a like for like bases, there has been an increase in the projected overspend of £595k since May.

There is a potential risk of an in-year claw back on the Public Health grant allocation as a result of the recent budget announcement by the chancellor, estimated nationally as £200m. Details of how this will be allocated across PH grants or how it will be taken back in year have not been agreed. Estimate is around 7% of the grant allocation (£646k). This may affect the funding allocated to CSF.

Local Authority Funded Services

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

Description	Budget £000	Jun £000	May £000	2014/15 £000
Fostering and residential placements (ART)	4,845	733	691	1,052
Supported lodgings/housing	629	294	137	427
Un-accompanied asylum seeking children (UASC)	60	336	0	193
Procurement & School organisation	545	(325)	(325)	(128)
Other small over and underspends	2,684	(69)	6	(257)
Subtotal Commissioning, Strategy and Performance	8,763	969	509	1,287
SEN Transport	2,809	42	1,210	1,165
Children with disabilities team (CWD) staffing	526	123	9	24
Other small over and underspends	13,011	(31)	115	(236)
Subtotal Education	16,346	134	1,334	953
No Recourse to Public Funds (NRPF)	20	451	255	441
Independent review and service quality	526	210	0	210
Other small over and underspends	10,948	(149)	(178)	(71)
Subtotal Children's Social Care and Youth Inclusion	11,494	512	77	580

Public Health contribution	0	(328)	0	(415)
Subtotal PFI	7,983	101	0	6
Subtotal Redundancy cost	2,091	0	0	39
Grand total Children, Schools and Families	46,677	1,388	1,920	2,450

Commissioning, Strategy and Performance Division

While the numbers of Looked After Children (LAC) remain relatively stable, the complexity of a significant proportion of cases is causing the net overspend of £733k. There have been 3 children accommodated with very complex and relatively high cost needs this financial year. This includes on-going pressures on independent agency fostering of £88k, in-house fostering of £411k and residential placements of £375k which is offset by underspends in mother and baby placements of £39k and secure accommodation costs of £102k.

The budget for semi-independent and supported lodgings/housing placements is estimated to overspend by £294k. 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 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 £336k this year due to both an increase in cases and 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 £325k as a result of lower spend forecast on revenue budgets. This budget relates to construction projects that cannot be classified as capital. The majority of this is required for temporary classrooms due to rising pupil demand when it is not viable to provide permanent buildings. This year demand for reception year places is slightly lower than forecast so there has been no need for temporary classrooms.

There are various other small over and underspends forecast across the division netting to a £75k underspend. These combine with the items described above to arrive at the total reported divisional overspend of £969k.

Education Division

SEN and FE transport cost are expected to overspend by £42k. This represents cost on external home to school transport as additional budget was received to balance the internal transport cost based on the June 2015 forecast.

The CWD team staffing costs is expected to overspend by £123k. 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. No additional funding has been included in this forecast yet. On top of the additional staff, the team also has to cover vacancies with agency staff.

There are various other small over and underspends forecast across the division netting to a £31k underspend. These combine with the item described above to arrive at the total reported divisional overspend of £134k.

Children's Social Care and Youth Inclusion Division

The NRPF budgets are forecast to overspend by £451k for the current financial year. 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 independent review and service quality team is expected to overspend by £210k. This is due to the use of agency staff to cover permanent IRO vacancies as well as additional resources above establishment to ensure appropriate caseloads to support the quality assurance function.

There are various other small over and underspends forecast across the division netting to a £149k underspend. These combine with the item described above to arrive at the total reported divisional overspend of £512k.

Dedicated Schools Grant

DSG funded services is forecast to underspend by £787k. These budgets are not within the council's general fund and cannot be offset against the local authority funded budgets. Any underspend 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 analyses.

The main reasons for the forecast relates to an estimated underspend of £789k in Independent Residential School provision. This figure is expected to reduce towards year-end as additional placements are made throughout the year.

There are various other smaller over and underspends forecast across the DSG which, combined with the items above, equates to the net underspend of £787k.

Management Action

Staffing

Agency cost continues to be a cost pressure for the department. The continued recruitment drive including recruitment of NQSWs and retention payments which we started with last year will all have a positive impact on the current financial year and we will continue to take action to bring down anticipated overspends on agency/staffing costs.

Placements

Our edge of care panel continues to ensure that entry to care thresholds is maintained. The impact of increased numbers of UASC is in particular affecting our LAC and care leaver 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.

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. 6 personal budgets were approved this financial year providing an on-going cost reduction of £26k.

New burdens

There are a considerable number of duties placed on the Local Authority which have not been fully funded or not funded at all. However this still leaves a net departmental overspend of £307k. The table below highlights the estimated overspends relating to these duties:

Description	Budget £000	Feb overspend forecast £000	Jan overspend forecast £000
Supported lodgings/housing	629	294	137
Un-accompanied asylum seeking children (UASC)	60	336	0
No Recourse to Public Funds (NRPF)	20	451	255
Total	709	1,081	392

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.

Community and Housing

Overview

At the end of June Community and Housing is forecast to overspend by £1.012m as shown in summary table 1 below. This variance has occurred despite the Department's budget for 2015-16 including growth to protect social care services through the Better Care Fund additional funding to manage the new duties arising from the Care Act 2014 and inflation. This growth totalled £3.9m

This extra funding was not, however, sufficient to cover the total shortfall caused by non-achievement of savings increasing costs in the social care market, the new requirements imposed through the Care Act, and other new burdens such as the Cheshire West judgement on Deprivation of Liberty Safeguards. The Department also under delivered its savings in 2014-15. Therefore, the Department is complementing its existing savings plan with a number of other mitigating actions designed to manage these pressures and recoup the shortfall in savings carried forward from 2014-15. However, It seems that the 2015/16 savings will also be underachieved at this stage of the year.

Table 1 Community and Housing	2015/16 Current Budget £000	Full Year Forecast (Jun) £000	2015/16 Forecast Variance (Jun) £000	2015/16 Forecast Variance (May) £000	2014/15 Variance at year end £000
Access and Assessment	42,690	43,584	894	505	2,648
Commissioning	4,727	4,612	(115)	(101)	(221)
Direct Provision	3,966	4,411	445	628	892
Directorate	1,048	1,042	(6)	(12)	(223)
**Contribution from Public Health	0	(328)	(328)	0	(500)
Adult Social Care	52,431	53,321	890	1,020	2,595
Libraries and Heritage	2,393	2,395	2	49	4
Merton Adult Education	(180)	(3)	177	179	254
Housing General Fund	1,900	1,843	(57)	(26)	(105)
Total (controllable)	56,544	57,556	1,012	1,222	2,748

It should be noted that Adult Social Care forecast overspend has been netted down by £328k of one-off Public Health money giving an underlying overspend of £1.382m

Also a corporate settlement of £328k budget transfer has been approved to reduce the transport forecast over-spend. Hence on a like for like basis there has been an increase in the projected overspend of £466,000 since May.

Access and Assessment - £893k over-spend

Access and Assessment	Forecast Variance (June) £000	Forecast Variance (May) £000
Gross Placements overspend	2,175	1,841
Miles Re-ablement under-spend	(217)	(97)
Other A&A under-spends	(775)	(803)
Sub-total Net over-spend	1,183	941
Over achievement of Client Contribution	(265)	(386)
Helping People at home grant **	(25)	(50)
Sub-Total over-achievement of Income	(290)	(436)
Total Access & Assessment	893	505

<u>Description</u>	2015/16 Budget £000	Forecast Variance (Jun) £000	Forecast Variance (May) £000	2014/15 Variance at year end £000
<u>Access & Assessment</u>				
Gross Placements	38,570	2,175	1,841	3,689
Client & CCG Contribution Income	(11,875)	(265)	(386)	(612)
Helping People at home revenue grant	0	(25)	(50)	(75)
Miles Reablement	1,567	(217)	(97)	371
Concessionary Fares & Taxicard	9,203	(157)	(157)	(45)
Care-first	136	(129)	(129)	(117)
Other Access & Assessment	9,516	(514)	(517)	(564)
Better Care Fund – NHS Social Care Transfer Income	(4,427)	0	0	0
Sub-total Access & Assessment	42,690	893	505	2,648
<u>Commissioning</u>				
Brokerage, Contracts, Performance & Planning & Comm	1,188	(143)	(166)	(237)
Voluntary Organisations - grants	909	(87)	(56)	138
Voluntary Organisations – Contracts	200	(23)	(23)	(24)
Voluntary Organisations – Dementia contract	230	8	8	11
Pollards Hill Contract	172	30	30	32
Supporting People Grant	2,128	100	106	(141)
Better Care Fund – NHS Social Care Transfer Income	(100)	0	0	0
Sub-total Commissioning	4,727	(115)	(101)	(221)
<u>Direct Provision</u>				
Day Centres – Transport	208	274	598	604
Day Centres	2,059	(14)	(97)	(58)
Supported Living	873	(8)	7	109
Residential	805	173	94	222
Mascot	382	5	0	5
Other Direct Provision	39	15	26	10
Better Care Fund – NHS Social Care Transfer Income	(400)	0	0	0
Sub-total Direct Provision	3,966	773	628	892
<u>Directorate</u>				
Staffing Costs	929	(6)	(12)	(223)
Adult Social Care Redesign – Projects	300	0	0	0
Care Act Implementation	1,265	0	0	0
Care Act Implementation-Grant	(865)	0	0	0
Better Care Fund – NHS Social Care Transfer Income	(181)	0	0	0
Better Care Fund – NHS Social Care Transfer Income – Care Act Implementation	(400)	0	0	0
Subtotal Directorate	1,048	(6)	(12)	(223)
Contribution from Public Health – Ageing Well Grants	0	(328)	0	(500)
Sub-total Adult Social Care	52,431	890	1,020	2,595

<u>Description</u>	2015/16 Budget £000	Forecast Variance (Jun) £000	Forecast Variance (May) £000	2014/15 Variance at year end £000
<u>Libraries</u>	2393	2	49	4
Merton Adult Education	(180)	177	179	254
<u>Housing</u>				
Temporary Accommodation	116	(7)	34	84
Homelessness Prevention	320	0	0	(127)
Housing Advice & Options	500	0	0	(7)
Housing Needs	281	(9)	(45)	(43)
Housing Strategy	139	(13)	0	(18)
Housing Supply & Development	266	(15)	0	(3)
Housing Environmental Health	227	(14)	(15)	(59)
Merton Action Single Homeless	51	0	0	0
Reserves Funding Adjustment	0	0	0	(67)
Sub-total Housing	1,900	(57)	(26)	(106)
Grand-total Community & Housing	56,544	1,012	1,222	2,648

Budget Pressures

The department is facing a number of budget pressures. The main area of challenge is around social care placements and many of the below pressures feed into that one budget area. The main pressures are listed below:

- **Under achievement of savings in 2014/15 (£2.265m)** The savings programme developed for 2014/15 contained a number of savings which had high levels of risk and despite the best efforts of officers were not delivered. The savings programme for 2015/16 has been rebalanced to include a series of proposals that we believe are more deliverable, although still high risk, and managers are working to bring in additional savings to close the gap (see mitigations section below) . If these savings had been delivered then the budget for 2015/16 would be underspending despite the pressures discussed below. Similarly there are savings of £2,154m to be delivered in 2015/16. The current estimates of achievement would seem to be rather over optimistic.
- **Existing Placements Commitments (£2.175m gross and £1.183m net)** - The cost of commitments to pay for 3rd party support packages for adults/ older people with eligible support needs at the end of June 2015 was forecast to be £2.175m more than the 2015-16 budget i.e. commitments are £40.75m versus a budget of £38.6m.
- **Demographic pressures (£640k estimated pressure)** This is based on national agreed prediction systems - POPPI (Projecting Older People Population Information System) and

PANSI (Projecting Adult Needs and Service Information System), alongside specific local data such as actual young people entering adult services through transitions.

- **Price pressures (£515k)** Nationally the market in social care has shown that providers are successfully demanding increases in fees and have very limited scope for making further cash efficiencies. This is due to pressures such as clarification over the definition of minimum wage and increasing challenges in hiring staff. Merton has in recent years held fees low compared with other boroughs, for example not offering an increase for inflation for five years. However if providers can obtain better prices from neighbouring boroughs and/or the NHS, it means that Merton may have to pay more if it is to secure access to care provision.
- **New responsibilities from the Cheshire West judgement, Care Act 2014** Although the Government has provided some funding to cover the implications of the Care Act (£865k) and Cheshire West judgement around Deprivation of Liberty Assessments (DOLs) (£80k), there are risks that the costs of the Care Act may exceed this funding, and it is already clear that the costs of implementing the Cheshire West judgement are well in excess of £80k.
- **Transport costs – Day Centres (£274k)** There is an on-going overspend in the budget for transporting service as fleet transport unit costs have risen and unachievable savings have been agreed in recent years.
A corporate budget transfer of £328k has been approved to reduce the above overspend from £602k to £274k.
To mitigate the effects of the rise in costs Direct Provision staff have taken over escorting duties and staff use self-drive vehicles to collect some of the day service customers. Savings in the use of taxis are being achieved on an on-going basis
- **Direct Services Staffing costs (£350k)** There are a number of pressures to Direct Provision staffing costs including the on-going impact of Single Status Agreement, growth in demand for our Supported Living Service and extra costs related to the move from the Gables back to Doliffe Close.
- **NHS pressures** the pressures especially on acute hospitals are well known, and this is leading to the discharge of more people at a greater level of dependency. It can be challenging to find care packages often at short notice. As an indicator of this pressure, the number of people needing “double ups” (i.e. two carers at any one time to manage personal care for a customer) has increased.
- **Other items (£372k)** In addition to the above we have a number of other pressures including three new Ordinary residence cases (£193k) passed by neighbouring boroughs and
- Merton Adult Education is forecast to over-spend by £179k caused by in year reductions in SFA funding.

Management action

Management actions to mitigate the pressures above and to recoup the savings shortfall from 2014-15 include:

- **Strengthened Resource Panel and cost/activity monitoring systems:** The panels now sit twice a week and there is representation from both the Brokerage and Occupational Therapy teams. Chairing arrangements have been strengthened. Every team is getting a monthly breakdown, with an aim to make it fortnightly, on its performance on activity and finance as against the required trajectory to stay within budget.
- **A savings delivery plan to ensure MTFs targets are achieved:** An over-arching savings plan exists to ensure the delivery of the savings in the MTFs and where possible exceed savings targets to recoup the savings shortfall in 2014-15. The basis plan is designed to deliver £2.234m of savings in 2015-16 in line with the MTFs and there are areas where we will

achieve more savings than originally forecast – we will continue to press these as hard as possible.

- **The ASC redesign programme to deliver the target operating model:** The Adult Social Care Redesign Programme is the Department's overarching programme to deliver our Target Operating Model, our savings plan and in response to the Care Act. This is being delivered as part of the council's corporate portfolio. This plan around 30 individual projects that taken together will redesign the way the department manages the support needs of our clients in the most efficient method and continues to support independence. Some key elements are described below:
- **Cost avoidance / delaying costs arising:** the Programme includes a review to ensure that we are using our grant funding, early intervention and universal services to support prevention and recovery.
- **Process redesign work** As part of implementing the new social care system, Mosaic, and in response to the Care Act 2014 the department is redesigning its processes to make the delivery of social care even more efficient. In addition like the rest of the Council our staff are adopting flexible and mobile work approaches to improve productivity. This will enable staff resources to be freed up to implement the Care Act 2014, work in a more integrated way with the NHS and to help us to manage the increased flow of work from the NHS..
- **Market management/shaping work:** Recognising the challenges posed by the market costs we are undertaking a number of individual negotiations with providers looking at what models of delivery we can design that will enable the services to be delivered in partnership with providers for the lowest costs. In addition, there are some areas where we feel we can negotiate even keener prices and we are actively pursuing those as well. So far these negotiations have led to increases estimated to cost £515k in 2015-16 against requested rises that we estimate would have cost at least twice this amount in 2015-16 had we agreed to the suppliers initial price increase demands. However, there are delays in updating CareFirst with agreed rates which is causing difficulties in estimating costs and will also affect migration to the new system before it goes live in October.
- **New innovative commissioning approaches:** Related to the above, as well as delivering the current savings plan and our current commissioning strategy we are working on a number of other innovative ideas to help us meet a growing need in a different way to what we currently do. Ideas being pursued include new ways of procuring access to care home placements, creating a more flexible market for domiciliary care based on personal assistants and investigating how we can use econometric tools to forecast demand even more accurately and reduce void costs.
- **Developing staff resources** Staff resources including structures are being reviewed to ensure they staff consistently work to promote and to ensure structure are affordable given the staff savings in the MTFS
- **Moving to a commissioning model for adult education** this will end the recurrent overspend in this area since Merton will simply commission as much as is available through central government funding and any other sources of funds.

Public Health

Public Health is forecast to under-spend by £183k .

Public Health	2015/16 Budget £000	Period 3 (June) Forecast £000	Forecast Variance (June) £000	Forecast Variance (May) £000	2014/15 Final Out-turn Variance £000
PH - Directorate	1,247	1,100	(147)	(153)	(305)
PH- Contraception	713	713	0	0	(26)
PH - STI Testing and Treatment (GUM)	2,060	2,194	134	284	110
PH - SH Advice, Prevent and Promotion	217	219	2	0	(97)
PH - NHS Health check	282	282	0	0	17
PH - Falls Prevention	66	66	0	0	(1)
PH – Obesity	579	538	(41)	0	(28)
PH – Live well (including smoking cessation)	345	331	(14)	(14)	(35)
PH - Substance Misuse (drugs and alcohol)	2,100	1,997	(103)	(101)	(422)
PH - School Nursing (including National Child Measurement programme)	849	849	0	0	(4)
PH - Surveillance and Control of Infectious Diseases	10	10	0	0	(9)
PH- Determinants	160	160	0	0	0
PH - Community Services Contract Estates	284	284	0	0	0
PH - New Investments	152	138	(14)	(16)	(275)
Total Public Health (controllable)	9,064	8,881	(183)	0	(1,075)
PH – Non-Recurrent Projects funded from Reserves (Balance to be agreed)	498	498	0	0	0
Total Public Health (including funding from Reserves)	9,562	9,379	(183)	0	(1,075)

There is a potential risk of an in-year claw back on the Public Health grant allocation as a result of the recent budget announcement by the chancellor, estimated nationally as £200m. Details of how this will be allocated across PH grants or how it will be taken back in year have not been agreed. Estimate is around 7% of the grant allocation (£646k). This may affect the funding allocated to C&H and CSF.

Corporate Items

The details comparing actual expenditure up to 30 June 2015 against budget are contained in Appendix 2. The main areas of variance as at 30 June 2015 are:-

Corporate Items	Current Budget 2015/16 £000s	Full Year Forecast (June) £000s	Forecast Variance at year end (June) £000s	Forecast Variance at year end (May) £000s	2014/15 Year end Variance £000s
Cost of borrowing	14,117	14,092	(25)	(25)	205
Use for Capital Programme	0	0	0	0	0
Impact of Capital on revenue budget	14,117	14,092	(25)	(25)	205
Investment Income	(559)	(655)	(96)	(96)	(385)
Pension Fund	5,042	5,042	0	0	(300)
Pay and Price Inflation	697	697	0	0	(883)
Contingencies and provisions	6,025	4,525	(1,500)	(1,000)	64
Income Items	(174)	(800)	(626)	0	(914)
Appropriations/Transfers	(6,712)	(6,712)	0	0	(399)
Central Items	4,319	2,097	(2,222)	(1,096)	(2,817)
Levies	926	926	0	0	0
Depreciation and Impairment	(16,506)	(16,506)	0	0	0
TOTAL CORPORATE PROVISIONS	2,856	609	(2,247)	(1,121)	(2,612)

The changes in the forecast variance at year end since the May report are:-

- a) The forecast underspend on contingencies and provisions of £1m in May was offset by a contra in service departments relating to anticipated transport overspends. These have now been removed from both corporate items and services due to the reallocation based on latest estimated outturn. The underspend on contingencies and provisions for June consists of £0.4m for loss of income arising from development of P3/P4 and £1.1m from the main contingency.
- b) The anticipated CHAS dividend of £0.174m is now forecast to be replaced by a receipt for CHAS Intellectual Property payment of £0.8m, which is the same as 2014/15. This will be reviewed in two years.

4. CAPITAL PROGRAMME 2015-19

4.1 Capital Expenditure

4.1.1 The table below compares capital expenditure to June over the last four years:

Depts.	Spend To June 2012	Spend To June 2013	Spend To June 2014	Spend To June 2015	Variance 2012 to 2015	Variance 2013 to 2015	Variance 2014 to 2015
C&H	143	755	(127)	(13)	(155)	(767)	115
CS	466	353	(122)	131	(335)	(223)	253
CSF	4,194	1,358	2,805	1,869	(2,325)	511	(936)
E&R	2,054	1,763	798	376	(1,677)	(1,387)	(422)
Total Capital	6,856	4,229	3,354	2,363	(4,493)	(1,865)	(991)

Outturn £000s	40,487	31,564	36869	
Budget £000s				46,113
Projected Spend June 15 £000s				42,176
Percentage Spend to Budget				5.13%
Percentage Spend to Outturn/Projection	16.93%	13.40%	9.10%	5.60%
Monthly Spend to Achieve Projected Outturn £				4,424

4.1.2 June is one quarter through the financial year, however, departments have only spent 5.13% of their budget or 5.60% of their forecast outturn, in the last three years spend was in the region of 10-15% of the final outturn by this point. To achieve a projected spend of 44.2m officers will need to spend just over £4.4m per month for the rest of the financial year. The table below shows that in June 2015 departments have managed to spend just over £1.9 million.

Department	Spend To May 2015 £000s	Spend To June 2015 £000s	Increase £000s
C&H	(13)	(13)	0
CS	24	131	107
CSF	436	1,869	1,432
E&R	(65)	376	441
Total Capital	383	2,363	1,980

- 4.1.3 In part the spend to June this year is suppressed by the level of accruals raised in 2014/15. The table below shows the level of capital accruals from 2012/13 to 2014/15:

Financial Year	Accruals 2012/13	Accruals 2013/14	Accruals 2014/15
Total Accruals	1,640,057	2,643,541	4,525,170

Accruals are credited to the subsequent financial year and must be offset by expenditure. The accruals raised in 2014/15 are nearly £2m higher than those raised in 2013/14.

- 4.2 The Table below shows the movement in the 2015/19 corporate capital programme since it's approval at 29 June Cabinet:

Depts	Revised Budget 15/16*	Adjustments	Revised Budget 15/16	Original Budget 16/17	Adjustments	Revised Budget 16/17	Original Budget 17/18	Variance	Revised Budget 17/18	Original Budget 18/19	Variance	Revised Budget 18/19
C&H	3,797	(200)	3,597	784	200	984	340	0	340	340	0	340
CS	8,768		8,768	4,890		4,890	2,881	0	2,881	2,757	0	2,757
CSF	15,909	40	15,949	28,911		28,911	20,979	0	20,979	20,104	0	20,104
E&R	18,349	(550)	17,799	26,242	550	26,792	10,327	0	10,327	6,379	0	6,379
TOTAL	46,823	(710)	46,113	60,826	750	61,576	34,526	0	34,526	29,579	0	29,579

- 4.3 The table below summarises the position in respect of the Capital Programme as at June 2015 the detail is shown in Appendix 5a

Merton Summary Capital Report - June 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Community and Housing	3,597,150	101,982	264,557	(277,236)	3,596,533	(617)
Corporate Services	8,768,310	130,949	2,249,474	(2,118,526)	5,245,466	(3,522,844)
Children Schools and Families	15,948,900	1,868,859	6,371,151	(4,502,292)	15,848,893	(100,007)
Environment and Regeneration	17,798,600	261,500	2,316,397	(2,054,897)	17,484,800	(113,800)
Total Capital	46,112,960	2,363,290	11,201,579	(8,952,951)	42,175,692	(3,737,268)

- a) Community and Housing – At present it is assumed that Disabled Facilities Grants will fully spend.
- b) Corporate Services – The majority of the projected variance is caused by four major corporate schemes
- the Acquisition Fund £1,542k - this budget is held corporately,
 - Bidding Fund £1,357k (subject to business cases for European Funding)

- c. Transformation Budget £197k – this budget is held corporately and vired as transformation projects are identified.
 - d. Customer Contact Programme and Document Management System projects which are being progressed under one contract are currently showing slippage of £420k. currently this is an estimate of the likely outturn for 2015/16 as the contract milestones for payments are not yet entirely confirmed
- c) Environment and Regeneration – Two small projected slippages on Transport for London Schemes account for the underspend shown.
- d) Children, Schools and Families the £100k projected slippage is on one of the Perseid schemes.

4.3 Appendix 5b details the adjustments being made to the Capital Programme this month, these are itemised in the table below:

Scheme	2015/16 £000s	2016/17 £000s	Narrative
Poplar Permanent Expansion	40	0	Contribution from school for landscaping works
Colliers Wood Library Re-Fit	(200)	200	Expenditure profile for the scheme now established and budgeted spend is in 2016/17
Industrial Estate Investment	(550)	550	Expenditure profiled for the works required under the scheme pending the outcome of the Asset Review is now in 2016/17
Total	(710)	750	

4.4 Appendix 5c details the change in funding the programme. Members are asked to note that available Section 106 funding has been applied against the existing programme – officers have confirmed that this application meets the conditions of the funding. The table below shows the movement in the Capital programme for 2015/16 since its approval in March 2015:

Depts.	Original Budget 15/16	Net Slippage 2014/15	Adjustments	New External Funding	New Internal Funding	Re- profiling	Revised Budget 15/16
Community and Housing	2,161	1,436	200	0		(200)	3,597
Corporate Services	7,428	2,408	(21)	0	0	(1,047)	8,768
Children Schools and Families	17,105	1,014	137	60	0	(2,367)	15,949
Environment and Regeneration	15,240	2,345	21	468	275	(550)	17,799
Total	41,933	7,203	337	528	275	(4,164)	46,112

5. DELIVERY OF SAVINGS FOR 2015/16

Department	Target Savings 2015/16	Projected Savings 2015/16	Period 3 Forecast Shortfall	Period 3 Forecast Shortfall
	£000's	£000's	£000's	%
Corporate Services	1,170	1,099	(71)	(6.1)%
Children Schools and Families	781	781	0	0.0%
Community and Housing	2,154	1,940	(214)	(9.9)%
Environment and Regeneration	978	839	(139)	(14.2)%
Total	5,083	4,659	(424)	(8.3)%

Appendix 7 details the progress on savings for 2015/16 by department.

Appendix 8 reports the 2014/15 savings not achieved and projects the full year affect of these savings in 2015/16. Further work will be performed to ensure the 2014/15 savings shortfall is addressed in the current year.

6. MISCELLANEOUS DEBT

6.1 The Miscellaneous Debt report as at June 2015 is attached as Appendix 9

7. CONSULTATION UNDERTAKEN OR PROPOSED

7.1 All relevant bodies have been consulted.

8. TIMETABLE

8.1 In accordance with current financial reporting timetables.

9. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

9.1 All relevant implications have been addressed in the report.

10. LEGAL AND STATUTORY IMPLICATIONS

10.1 All relevant implications have been addressed in the report.

11. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

11.1 Not applicable

12. CRIME AND DISORDER IMPLICATIONS

12.1 Not applicable

13. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

13.1 The emphasis placed on the delivery of revenue savings within the financial monitoring report will be enhanced during 2015/16, the risk of part non-delivery of savings is already contained on the key strategic risk register and will be kept under review.

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

Appendix 1-	Detailed monthly position table
Appendix 2 –	Detailed Corporate Items table
Appendix 3 –	Pay and Price Inflation as at June 2015
Appendix 4 –	Treasury Management: Outlook
Appendix 5a –	Current Capital Programme 2015/16
Appendix 5b –	Current Capital Programme 2015/16 – Adjustments May 2015
Appendix 5c –	Funding Current Capital Programme 2015/16 & 2016/17
Appendix 6 -	Departmental charts
Appendix 7 -	Progress on 2015/16 savings
Appendix 8-	2014/15 savings achieved and expected in 2015/16
Appendix 9	Miscellaneous Debt Update June 2015

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 30th
June 2015**

APPENDIX 1

	Original Budget 2015/16	Current Budget 2015/16	Year to Date Budget (June)	Year to Date Actual (June)	Full Year Forecast (June)	Forecast Variance at year end(June)	Forecast Variance at year end- previous month (May)	Outturn Variance 2014/15
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000
Department	-							
3A. Corporate Services	14,025	14,996	10,148	8,681	14,435	(561)	(813)	(691)
3B. Children, Schools and Families	50,894	51,290	50,466	42,165	52,678	1,388	1,920	2,663
3C. Community and Housing	-							0
Adult Social Care	56,080	56,160	14,475	12,520	57,049	889	1,020	2,593
Libraries & Adult Education	3,169	3,244	1,154	1,042	3,424	180	228	281
Housing General Fund	2,151	2,151	471	87	2,094	(57)	(26)	(100)
3D. Public Health	320	320	(86)	(2,413)	137	(183)	(0)	(0)
3E. Environment & Regeneration	23,986	23,999	2,056	656	24,119	120	77	1,703
Overheads	0	0	0	0	0	0	0	0
NET SERVICE EXPENDITURE	150,624	152,160	78,684	62,738	153,936	1,776	2,406	6,448
3E. Corporate Items								
Impact of Capital on revenue budget	14,117	14,117	3,529	906	14,092	(25)	(25)	205
Other Central items	-10,651	-12,186	701	-399	-14,408	-2,222	-1,096	(2,817)
Levies	926	926	299	299	926	0	0	0
TOTAL CORPORATE PROVISIONS	4,392	2,856	4,529	806	609	-2,247	-1,121	-2,612
TOTAL GENERAL FUND	155,016	155,016	83,213	63,544	154,545	-471	1,285	3,836
- Funding	-							
- Business Rates	(33,686)	(33,686)	(2,117)	(2,117)	(33,686)	0	0	0
- RSG	(30,425)	(30,425)	(13,829)	(13,829)	(30,425)	0	0	0
- Council Tax Freeze Grant 2014/15	(861)	(861)	(173)	(173)	(861)	0	0	6
- Section 31 Grant	(1,134)	(1,134)	(215)	(215)	(1,134)	0	0	(160)
- New Homes Bonus	(2,642)	(2,642)	(1,221)	(1,221)	(2,642)	0	0	0
- PFI Grant	(4,797)	(4,797)	(1,199)	(1,199)	(4,797)	0	0	0
Grants	(73,545)	(73,545)	(18,756)	(18,756)	(73,545)	0	0	(154)
Collection Fund - Council Tax Surplus(-)/Deficit	(4,813)	(4,813)	0	0	(4,813)	0	0	0
Collection Fund - Business Rates Surplus(-))/Deficit	393	393	0	0	393	0	0	0
Council Tax								
- General	(76,758)	(76,758)	0	0	(76,758)	0	0	0
- WPC	(293)	(293)	0	0	(293)	0	0	0
Council Tax and Collection Fund	(81,471)	(81,471)	0	0	(81,471)	0	0	0
FUNDING	(155,016)	(155,016)	(18,756)	(18,756)	(155,016)	0	0	(154)
NET	0	0	64,458	44,788	(471)	(471)	1,285	3,682

	Current Budget 2015/16	Year to Date Budget (June)	Year to Date Actual (June)	Full Year Forecast (June)	Forecast Variance at year end (June)	Forecast Variance at year end (May)
Expenditure	£000	£000	£000	£000	£000	£000
Employees	96,576	24,223	24,130	97,537	961	668
Premises Related Expenditure	8,562	3,243	1,503	8,227	(335)	(476)
Transport Related Expenditure	13,601	3,369	2,194	13,657	56	1,459
Supplies and Services	174,169	44,718	33,062	173,537	(632)	(222)
Third Party Payments	89,060	20,388	15,300	92,216	3,156	2,114
Transfer Payments	104,029	2,500	2,439	103,841	(189)	(591)
Support Services	31,902	0	0	31,900	(2)	(2)
Depreciation and Impairment Losses	16,505	515	0	16,506	0	0
Corporate Provisions	2,856	4,529	806	609	(2,247)	(1,121)
GROSS EXPENDITURE	537,260	103,485	79,433	538,029	769	1,830
Income						
Government Grants	(266,025)	(2,708)	(4,247)	(265,837)	188	224
Other Grants, Reimbursements and Contribs	(25,505)	(3,483)	(846)	(26,675)	(1,170)	(1,105)
Customer and Client Receipts	(58,124)	(12,999)	(10,773)	(59,194)	(1,070)	(840)
Interest	(44)	0	0	(20)	24	24
Recharges	(32,547)	(1,075)	0	(32,546)	1	1
Balances	1	(6)	(23)	789	787	1,151
GROSS INCOME	(382,244)	(20,271)	(15,890)	(383,484)	(1,239)	(545)
NET EXPENDITURE	155,016	83,214	63,544	154,545	(471)	1,285

APPENDIX 2

3E. Corporate Items	Council 2015/16 £000s	Original Budget 2015/16 £000s	Current Budget 2015/16 £000s	Year to Date Budget (June) £000s	Year to Date Actual (June) £000s	Full Year Forecast £000s	Forecast Variance at year end £000s	Forecast Variance at year end (May) £000s
Cost of Borrowing	14,117	14,117	14,117	3,529	906	14,092	(25)	(25)
Use for Capital Programme							0	0
Impact of Capital on revenue budget	14,117	14,117	14,117	3,529	906	14,092	(25)	(25)
Investment Income	(559)	(559)	(559)	(140)	(88)	(655)	(96)	(96)
Pension Fund	5,042	5,042	5,042	840	225	5,042	0	0
Corporate Provision for Pay Award	189	189	117		0	117	0	0
Provision for inflation in excess of 1.5%	543	543	480		0	480	0	0
Utilities Inflation Provision	100	100	100		0	100	0	0
Pay and Price Inflation	832	832	697	0	0	697	0	0
Contingency	1,500	1,500	1,500		0	400	(1,100)	0
Single Status/Equal Pay	100	100	100		10	100	0	0
Bad Debt Provision	500	500	500		0	500	0	0
Loss of income arising from P3/P4	400	400	400		0	0	(400)	0
Revenuisation and miscellaneous	3,525	3,525	3,525		0	3,525	0	(1,000)
Contingencies and provisions	6,025	6,025	6,025	0	10	4,525	(1,500)	(1,000)
Local Services Support Grant	0	0	0	0	0	0	0	0
Other	(174)	(174)	(174)	0	803	(800)	(626)	0
Income items	(174)	(174)	(174)	0	803	(800)	(626)	0
Appropriations: CS Reserves	(3,003)	(3,003)	(3,914)		(293)	(3,914)	0	0
Appropriations: E&R Reserves	(1,631)	(1,631)	(1,631)		0	(1,631)	0	0
Appropriations: CSF Reserves	(618)	(618)	(953)		(357)	(953)	0	0
Appropriations: C&H Reserves	(545)	(545)	(700)		(700)	(700)	0	0
Appropriations: Public Health Reserves	(320)	(320)	(320)		0	(320)	0	0
Appropriations: Corporate Reserves	806	806	806		0	806	0	0
Appropriations/Transfers	(5,311)	(5,311)	(6,712)	0	(1,350)	(6,712)	0	0
Depreciation and Impairment	(16,506)	(16,506)	(16,506)		0	(16,506)	0	0
Central Items	3,466	3,466	1,931	4,230	507	(316)	(2,247)	(1,121)
Levies	926	926	926	299	299	926	0	0
TOTAL CORPORATE PROVISIONS	4,392	4,392	2,856	4,529	806	609	(2,247)	(1,121)

Pay and Price Inflation as at June 2015

In 2015/16, the budget includes 1% for increases in pay and 1.5% for increases in general prices, with an additional amount of £0.543m 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 and it will only be released when it is certain that it will not be required.

Pay:

The pay award for 2015/16 was agreed as part of a two year settlement which ends on 31 March 2016

Prices:

The Consumer Prices Index (CPI) was unchanged in the year to June 2015 (i.e., a 12-month rate of 0.0%) compared with a 0.1% fall in the year to May 2015. Falls in clothing and food prices were the main contributors to the change in the rate along with smaller rises in air fares than a year ago. There were no large upward effects to offset the change.

CPIH grew by 0.3% in the year to June 2015, down from 0.4% in May 2015.

RPI annual inflation stands at 1.0% in June 2015, unchanged from May 2015.

Outlook for inflation:

On 9 July 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.

The MPC minutes will be published on 22 July.

In the May 2015 Inflation Report it was noted that "CPI inflation was 0.0% in March, well below the MPC's 2% target. That undershoot largely reflects falls in the prices of commodities and some other imported goods. Those falls will bear down on inflation for much of this year, but the path of inflation thereafter is expected to depend more on domestic cost pressures. Domestic pressures have been weak, as seen in low wage growth in recent years. They are likely to build over the forecast period, as a steady expansion in demand absorbs the remaining economic slack. The MPC judges that it is currently appropriate to set policy so that it is likely that inflation will return to the 2% target within two years. Conditional on Bank Rate following the path currently implied by market yields — such that it rises gradually over the forecast period — that is judged likely to be achieved."

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

Source: HM Treasury - Forecasts for the UK Economy (July 2015)			
	Lowest %	Highest %	Average %
2015 (Quarter 4)			
CPI	0.0	1.0	0.6
RPI	(0.2)	1.9	1.4
LFS Unemployment Rate	4.7	5.5	5.1
2016 (Quarter 4)	Lowest %	Highest %	Average %
CPI	1.2	2.7	1.8
RPI	1.5	3.6	2.8
LFS Unemployment Rate	3.6	5.5	4.9

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

Independent projections for the calendar years 2015 to 2019 are summarised in the following table:-

Source: HM Treasury - Forecasts for the UK Economy (May2015)					
	2015	2016	2017	2018	2019
	%	%	%	%	%
CPI	0.3	1.5	1.9	1.9	1.9
RPI	1.1	2.4	3.0	3.2	3.0
LFS Unemployment Rate	5.4	5.1	5.0	4.9	4.8

Treasury Management: Outlook

The Bank Base Rate has been kept at its low of 0.5% since March 2009. On 9 July 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 minutes will be published on 22 July. In the MPC minutes published on 17 June 2015 it was noted that "the Committee agreed that the path for UK monetary policy would depend on the prospects for inflation in the United Kingdom and would not be determined by the actions of other central banks.....given the likely persistence of headwinds weighing on the economy, when Bank Rate did begin to rise, it was expected to do so more gradually than in previous cycles. Moreover, the persistence of those headwinds, together with the legacy of the financial crisis, meant that Bank Rate was expected to remain below average historical levels for some time to come. The actual path Bank Rate would follow over the next few years was uncertain, and would depend on economic circumstances. "

The MPC have previously stated that in practice this means that the Committee will seek to set monetary policy so that it would be likely that inflation would return to the 2% target within two years.

In the quarterly inflation report for May 2015, the MPC noted that "that, as set out in the February 2014 Report, the interest rate required to keep the economy operating at normal levels of capacity and inflation at the target was likely to continue to rise as the effects of the financial crisis faded further. Despite this, beyond the three-year forecast horizon the yield curve had flattened further over the past year."

The MPC's forecasts of Bank Base Rate in recent Quarterly Inflation Reports is summarised in the following table:-

	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	End Q.1 2018	End Q.2 2018
May 2015		0.5	0.5	0.5	0.6	0.7	0.8	0.9	1.0	1.1	1.2	1.3	1.3	1.4
February 2015	0.4	0.4	0.5	0.5	0.6	0.6	0.7	0.8	0.9	1.0	1.0	1.1	1.1	
November '14	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 '14	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 February 2015

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 - June 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Adult Social Care						
The Gables Mitcham	576,280	0	0	0	576,280	0
Other	133,550	617	13,470	(12,853)	132,933	(617)
Libraries						
Library Self Service	350,000	0	0	0	350,000	0
Colliers Wood Library Re-Fit	0	0	0	0	0	0
Housing						
8 Wilton Road	0	(13,296)	0	(13,296)	0	0
Western Road	875,000	0	28,752	(28,752)	875,000	0
Disabled Facilities	1,662,320	114,661	222,335	(222,335)	1,662,320	0
Community and Housing Total	3,597,150	101,982	264,557	(277,236)	3,596,533	(617)

Corporate Services Summary Capital Report - June 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Business Improvement Total	2,440,570	61,283	724,232	(662,950)	2,019,940	(420,630)
Corporate Governance	880	0	880	(880)	0	(880)
Corporate Items	2,899,340	0	249,999	(249,999)	0	(2,899,340)
Facilities Management Total	1,700,280	55,197	770,953	(715,756)	1,695,276	(5,004)
IT Total	930,550	14,469	321,349	(306,880)	930,550	0
Resources	561,700	0	57,063	(57,063)	561,700	0
IT Transformation Unallocated	234,990	0	124,998	(124,998)	38,000	(196,990)
Corporate Services Total	8,768,310	130,949	2,249,474	(2,118,526)	5,245,466	(3,522,844)

Children, Schools & Families Summary Capital Report - June 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Aragon expansion	0	(11,083)	0	(11,083)	0	0
Beecholme expansion	95,000	0	23,750	(23,750)	95,000	0
Cranmer expansion	31,260	(3,845)	31,260	(35,105)	31,260	0
Joseph Hood Permanent Expansn	3,830	(2,965)	3,830	(6,795)	3,830	0
St Mary's expansion	157,080	2,254	19,870	(17,616)	157,078	(2)
All Saints/ South Wim YCC exp	3,550	3,547	3,550	(3)	3,550	0
Hillcross School Expansion	1,560,510	453,239	748,595	(295,356)	1,560,510	0
Merton Abbey Temp Accomodation	1,179,940	324,044	440,035	(115,991)	1,179,940	0
Pelham School Expansion	3,135,400	515,582	1,301,005	(785,423)	3,135,400	0
Dundonald expansion	3,106,710	207,576	1,128,015	(920,439)	3,106,712	2
Poplar Permanent Expansion	289,900	152,858	(135,609)	288,467	289,900	0
Singlegate expansion	1,412,810	46,483	572,737	(526,254)	1,412,803	(7)
Wimbledon Park expansion	70,530	(4,497)	70,530	(75,027)	70,530	0
Primary Expansion	11,046,520	1,683,193	4,207,568	(2,524,375)	11,046,513	(7)

Children, Schools & Families Summary Capital Report - June 2015 Monitoring Continued ...

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Devolved Formula Capital	568,830	90,438	145,986	(55,548)	568,830	0
Early Years	0	(59,158)	0	(59,158)	0	0
Free School Meals	193,080	0	90,580	(90,580)	193,080	0
Cricket Green Site	137,470	300	39,932	(39,632)	137,470	0
Primary school autism unit	1,145,240	0	803,139	(803,139)	1,145,240	0
Breaks-disabled children grant	0	(7,242)	0	(7,242)	0	0
Perseid	1,239,680	169,814	301,978	(132,164)	1,139,680	(100,000)
Secondary School Autism Unit	0	0	77,499	(77,499)	0	0
Schs Cap Maint & Accessibility	738,860	(7,486)	251,360	(258,846)	738,860	0
B631 - Solar PV Raynes Prk Pav	0	(1,000)	0	(1,000)	0	0
Raynes Park Sports Pavilion	4,770	0	4,770	(4,770)	4,770	0
Secondary School expansion	770,000	0	387,499	(387,499)	770,000	0
Expansion Inflation Contingency	0	0	8,615	(8,615)	0	0
Schools Equipment Loans	104,450	0	52,225	(52,225)	104,450	0
	4,902,380	185,666	2,163,583	(1,977,917)	4,802,380	(100,000)
Children Schools and Families	15,948,900	1,868,859	6,371,151	(4,502,292)	15,848,893	(100,007)

Environment & Regeneration Summary Capital Report - June 2015 Monitoring

Scheme Description	Total Budget	YTD Actual	YTD Budget	Variance To Date	Forecast For Year	Forecast Variance
Footways Planned Works	1,060,000	44,180	44,181	(1)	1,060,000	0
Greenspaces	1,398,710	81,499	118,140	(36,641)	1,398,710	0
Highways General Planned Works	462,460	(10,842)	25,875	(36,717)	462,460	0
Highways Planned Road Works	1,500,000	12,150	12,150	0	1,500,000	0
Leisure Centres	1,328,760	1,555	73,080	(71,525)	1,328,760	0
Other E&R	93,260	24,965	42,760	(17,795)	93,260	0
On and Off Street Parking	20,140	10,236	20,140	(9,904)	20,140	0
Plans and Projects	25,740	0	25,740	(25,740)	25,740	0
Regeneration Partnerships	5,473,890	8,784	1,269,228	(1,260,444)	5,573,890	(100,000)
Street Lighting	600,000	0	10,000	(10,000)	200,000	0
Street Scene	340,690	29,078	50,000	(20,922)	340,690	0
Transport for London	2,636,230	109,953	263,510	(153,557)	2,622,430	(13,800)
Traffic and Parking Management	1,462,630	1,376	306,790	(305,414)	1,462,630	0
Transport and Plant	877,690	(52,757)	(11,172)	(41,585)	877,690	0
Safer Merton - CCTV & ASB	300,000	0	0	0	300,000	0
Waste Operations	218,400	1,323	65,975	(64,652)	218,400	0
Environment and Regeneration	17,798,600	261,500	2,316,397	(2,054,897)	17,484,800	(113,800)

Virement, Re-profiling and New Funding

Appendix 5b

	2015/16 Budget	Adjusted & New Funding	Reprofiling	Revised 2015/16 Budget	2016/17 Budget	Reprofiling	Revised 2016/17 Budget
Corporate Services	£	£	£	£	£	£	£
Children, Schools & Families							
Poplar Permanent Expansion (1)	249,900	40,000		289,900	0	0	0
Community & Housing							
Colliers Wood Library Re-Fit	200,000		(200,000)	0	0	200,000	200,000
Environment & Regeneration							
Industrial Estate Investment	550,000		(550,000)	0	0	550,000	550,000
Total	999,900	40,000	(750,000)	289,900	0	750,000	750,000

Capital Programme Funding Summary 2015/16

Appendix 5c

	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Cabinet - 29 June 2015	22,836	23,987	46,823
Poplar	0	40	40
ReFit of Colliers Wood Library	(200)	0	(200)
Industrial Estate Investment	(550)	0	(550)
Cabinet - Sept June 2015 Monitoring	22,086	24,027	46,113

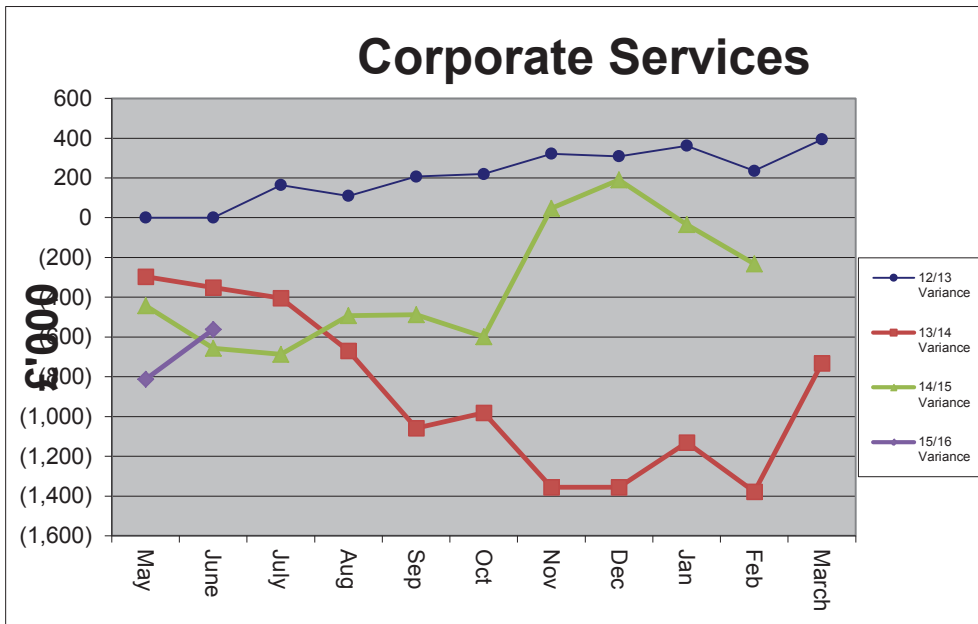
Capital Programme Funding Summary 2016/17

Appendix 5c

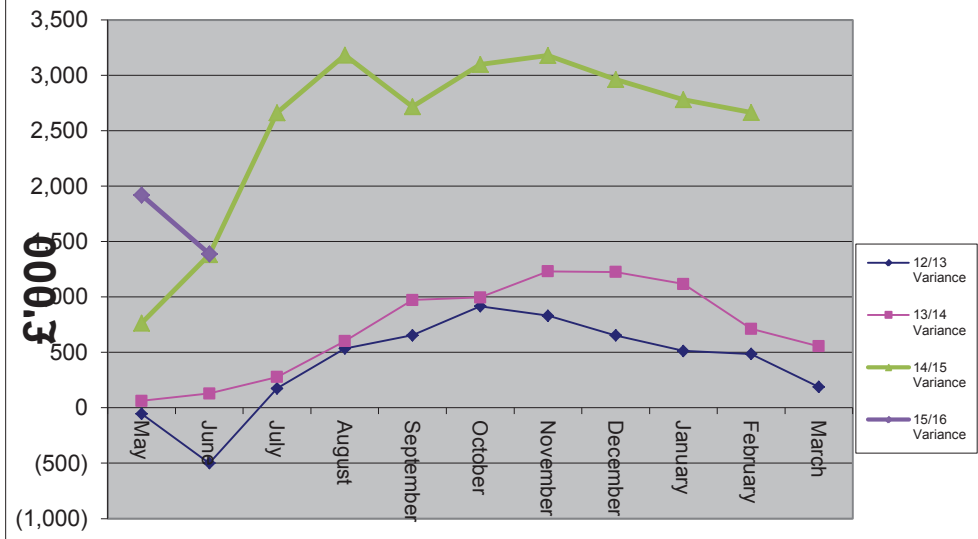
	Funded from Merton's Resources	Funded by Grant & Capital Contributions	Total
	£000s	£000s	£000s
Cabinet - 29 June 2015	48,619	12,207	60,826
ReFit of Colliers Wood Library	200	0	200
Industrial Estate Investment	550		550
Cabinet - Sept June 2015 Monitoring	49,369	12,207	61,576

APPENDIX 6

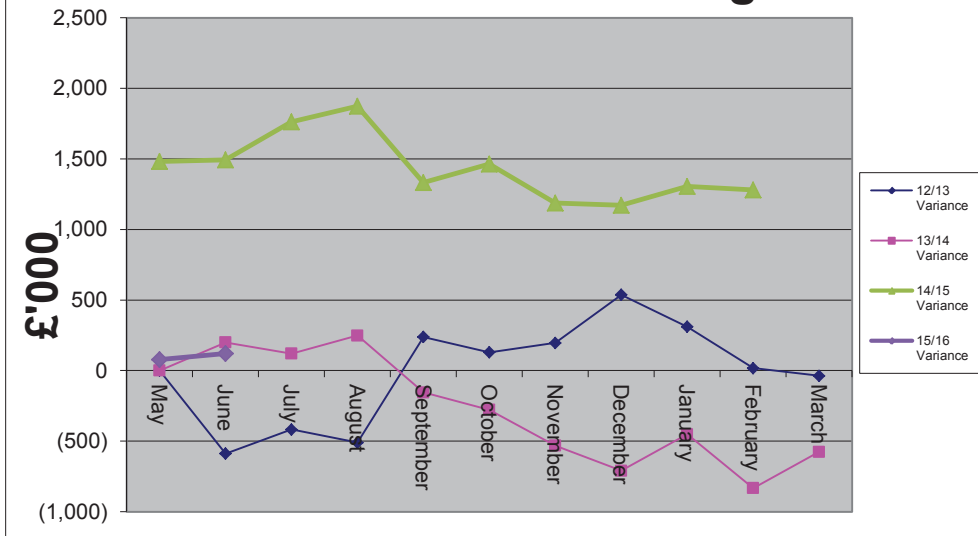
The following charts show the forecast year end variance by department with a comparison for 2012/13, 2013/14 and 2014/15:

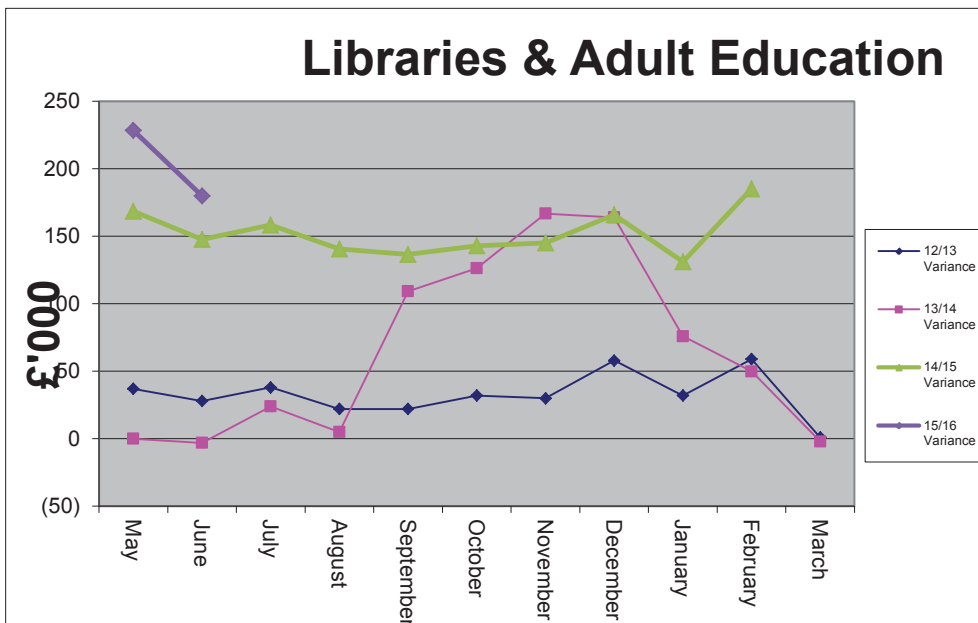
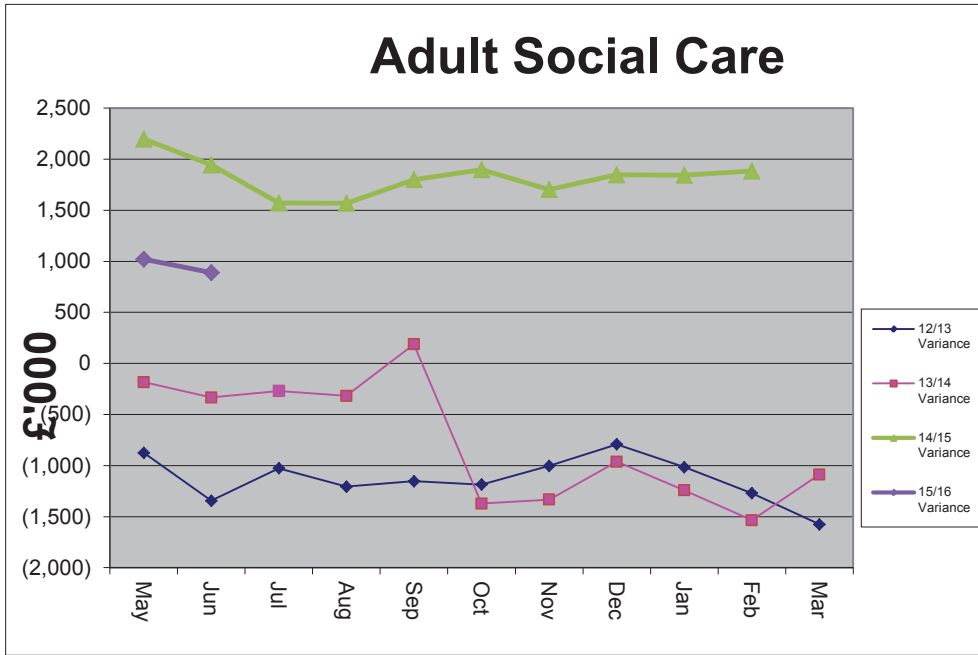


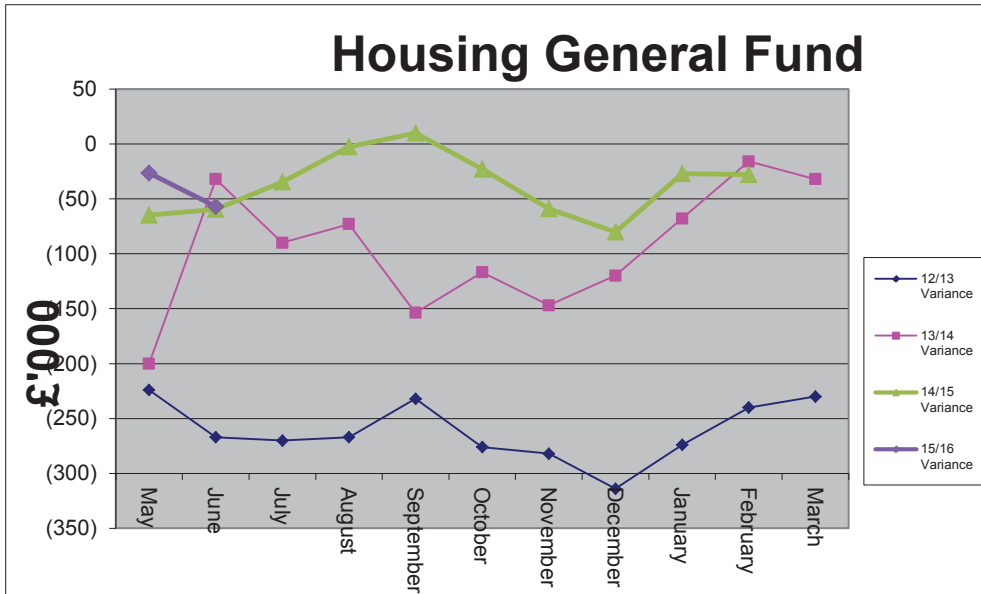
Children, Schools and Families



Environment and Regeneration







DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	<u>CSF Commissioning Function and Commissioning Budgets</u>							
CSF2012-04	Reduce expenditure on LAC and SEN placements	100	100	0	A	Paul Ballatt	Base budgets were reduced for the savings target. Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter.	Y
	<u>CSF Children Social Care & Youth Inclusion</u>							
CSF2012-07	Family and Adolescent Services Stream - Transforming Families (TF), Youth Offending Team (YOT) and in Education, Training and Employment (ETE)	220	220	0	G	Paul Angeli		
	<u>CSF Early Years</u>							
CSF2013-01	Substantial reduction in EY budgets whilst retaining existing Children's Centres targeted work in areas of higher deprivation (up to 10% reduction overall to Children's Centre services). Reduction in funding and in kind contributions to voluntary sector organisations	160	160	0	G	Jane McSherry		
	<u>School Standards and Quality</u>							
CSF2014-01	This is a re-profiling of the budgeted savings for 2015-17 agreed by Council on 5 March 2014. Instead of spreading the income generation and management efficiencies saving of £80k over two years, we propose bringing the total saving forward to 2015/16.	80	80	0	G	Jane McSherry		
	<u>Commissioning, Strategy and Performance</u>							
CSF2014-02	This is a re-profiling of the budgeted saving agreed by Council for 2015-17 on 5 March 2014. Due to demographic pressures on the budget we are proposing to reduce the post 16 LAC/CL accommodation saving for 2015/16 from £100k to £58k.	58	58	0	A	Paul Ballatt	Base budgets were reduced for the savings target. Although we expect to achieve the savings target, increased cost due to higher and more complex caseload is causing the service area to overspend. Detailed analysis to back up the cost reduction in placement costs through negotiations with providers are reported to DMT every quarter.	Y
	<u>Commissioning, Strategy and Performance</u>							

DEPARTMENT: CHILDREN, SCHOOLS AND FAMILIES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSF2014-03	This will be achieved through a combination of reducing our training for facilitators of parenting programmes and decommissioning a service where the commissioned outcomes are not being delivered.	63	63	0	G	Paul Ballatt		
CSF2014-04	<u>Youth Services</u> Reduced investment in commissioned and in-house youth services.	100	100	0	G	Jane McSherry		
	Total Children, Schools and Families Department Savings for 2015/16	781	781	0				

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
	Adult Social Care							
ASC7	Below Inflation Uplift to third party suppliers	350	350	0	A	Rahat Ahmed-Man	The 2015-16 budget build allowed inflation growth of £872k, but after 5 yrs of zero % contract price increases suppliers are increasingly choosing not to trade with merton LBC. In response to this and to secure a viable and sustainable market Commissioning staff are negotiating good value contracts going forward. To date the financial impact of these are estimated to be £365k in 2015-16 for res and nursing care contracts so for now savings of £507k look possible, but with more contracts being renegotiated there is a risk that further price increases will be agreed and the full £350k saving may not be fully achieved in 2015-16, hence, the Amber rating.	
ASC4	Remodelling and re-procuring the domiciliary care service, following the end of the 3 year contract starting in 2012.	250	(150)	(400)	R	Rahat Ahmed-Man	Since this savings target was set market conditions have changed. Providers are being required to pay staff travel time and are under pressure to pay the London living wage. Therefore. price increases are more likely than price reductions. So far renegotiated dom care contracts are estimated to cost an extra £150k in 2015-16. This means compensating savings will need to be found by over achieving against other targets, hence, the red rating.	
CH10	Procurement Opportunities	250	362	112	G	Rahat Ahmed-Man	The Orchard Hill LD Supported Living Contract was relet from 16th February 2015. The new price assuming care hours do not exceed 1,350 in a year is £980k p.a. This compares to an annual cost under the old contract of £1.391m i.e. whole year savings forecast is £411k. The pro rata savings in 2015-16 are therefore £362k, so the £250k target will be over-achieved in 2015-16 by £112k. This will help compensate for the Dom care savings (above) unlikely to be achieved.	

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
CH1	Brokerage efficiency savings	31	60	29	G	Rahat Ahmed-Man	Based on actual savings in previous years which exceeded £100k the Brokerage Manager is confident that this is a feasible savings target from better sourcing/re negotiations in 2015-16 and <u>there is a good chance of exceeding the target substantially.</u>	
ASC10A	Review of care packages with a view to an overall average reduction in line with promoting independence	100	145	45	A	Rahat Ahmed-Man	A high cost complex cases review will be initiated in 2015-16, but savings from it are likely to be realised from 2016-17 onwards i.e. in 2015-16 reviews will focus on mid-range packages of £400-£1500 p.w. (excl. Dir Payments as these were reviewed in 2014-15). The £206k savings target represents about 1% of the annual cost of these packages, so it is feasible, but these cases have been reviewed in previous years and inevitably in some cases costs will properly increase in line with increased needs after a review so careful monitoring will be in place. Note: reviews of Direct payment cases in the last few months of 2014-15 reduced costs by £57k p.a. 25% Of this £12k related to 2014-15 and £45k of savings (being £57k-£12k) has already been set up for delivery. <u>Again this is expected to compensate for any savings planned from Dom Care Remodelling that are not achieved.</u>	
*ASC18	* Review of care packages	75	75	0	A	Rahat Ahmed-Man		
CH2	Domiciliary care service	31	31	0	A	Rahat Ahmed-Man		
CH3	Procurement Opportunities (Placement budget)	32	32	0	A	Rahat Ahmed-Man	So far annual savings of £20k to £25k have been identified from changes to night cover arrangements and overhead reduction	
ASC2A	Outsource Reablement Service & realise benefits / efficiencies of the remodelled service	100	100	0	G	Sarah Wells	Required restructuring has taken place i.e. the projected savings will be realised.	
*CH1	* First Contact Service .Reduce in-house provision of a first contact screening and assessment service, and have this provided within the voluntary sector within the overall costs the sector currently operate within.	125	125	0	G	Rahat Ahmed-Man	The required restructuring has taken place i.e. projected savings will be realised. MAAT closed and its role is now fulfilled a new Information, Advice and Support Hub will be operated in partnership with the Voluntary Sector.	

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2015/16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Expected Savings £000	Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Undersp end? Y/N
*ASC18	*Supporting People	300	300	0	A	Rahat Ahmed-Man	Savings is expected to be achieved with continued negotiations with providers.	
CH4	Staffing reductions within the Commissioning Team	71	71	0	A	Rahat Ahmed-Man	Staff restructuring is necessary to deliver this saving and this process has begun and it is anticipated that it will deliver these savings in full in 2015-16.	
CH4	Staffing reductions across Direct Provision	99	99	0	A	Andy Ottaway-Searle	Some of the required restructuring has taken place so these £48k of these savings are secure. This leaves £51k still to be found in the rest of the year.	
*CH4	* Day Care Sevices -Change the day services offer for learning and physically disabled customers who currently use in house day services, mainly High Path and All Saints.	200	200	0	G	Andy Ottaway-Searle	The required restructuring has taken place. As a result more volunteers will work at centres, and there will be a closer link with Merton Mencap will result in that group offering activities previously supported by staff and outside normal opening hours, but extra single status costs will add new staff costs in Direct Care Services	
	Libraries			0				
CH5	Reduction in Media Fund	12	12	0	G	Anthony Hopkins		
CH6	Increase income - Libraries	10	10	0	G	Anthony Hopkins		
	Merton Adult Education			0				
CH15	Increased income and some staff reductions	14	14	0	G	Yvonne Tomlin		
	Housing			0				
CH8	Homelessness Prevention Grant	35	35	0	G	Steve Langley		
Trf from E&R	Enviromental Health Salaries	69	69	0	A	Steve Langley		
	Total Community & Housing Department Savings for 2015/16	2,154	1,940	(214)				

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CS1	Business Improvement Rationalisation of management costs	50	50	0	G	Sophie Ellis		
CS3	Generate income through training	5	0	5	R	Sophie Ellis	Alternate saving to be identified	N
CSD36	Business Systems Team Restructure Phase 1	10	10	0	G	Sophie Ellis		
CS5	IT Service Delivery Review and challenge of the procurement of Support & Maintenance & Licence Contracts	60	60	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		
CS8	Reduction of costs through re-procurement of Wide Area Network (WAN) Links contract. Savings achieved against a number of revenue budgets spread across the Council.	10	10	0	G	Mark Humphries		
CS15	Asset and Change Analyst Vacant Part Post (0.8)	24	24	0	G	Mark Humphries		
CS17	Delete one Transactional Services Assistant Post (Compulsory Redundancy)	30	30	0	G	Mark Humphries		
CS18	Delete Assistant Vendor Maintenance - Part Post 0.7 FTE (Compulsory Redundancy)	24	24	0	G	Mark Humphries		
CS20	Energy ReFit Savings (Subject to agreed investment) - Phase 2	100	100	0	G	Mark Humphries		
CS21	Increase income targets for building repairs and maintenance works	45	45	0	G	Mark Humphries		
CS22	Restructure of Archive Store	15	15	0	A	Mark Humphries	Alternate to be identified	Y

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CS23	Outsourcing Buildings Services and Security Service	35	35	0	G	Mark Humphries		
CS25	Delete one post from the Building Repair and Maintenance team (Compulsory Redundancy)	30	30	0	G	Mark Humphries		
CS27	Consolidation of Utilities budgets	50	50	0	G	Mark Humphries		
CS28	M&E Term Contract (Amalgamation) of Intruder Alarms	20	20	0	G	Mark Humphries		
CS31	Rationalise Health and Safety and Business Continuity Planning - if possible explore shared service	35	0	35	R	Mark Humphries	Alternate to be identified	Y
CSD10	Increase FM's external fee income target associated with schools service level agreements and associated project works	31	0	31	R	Mark Humphries	Saving unlikely to be delivered in 2015/16 but alternate has been identified	Y
Corporate Governance								
CS30	Rationalise Benefits and Corporate Investigation team - possible shared resources	30	30	0	G	Paul Evans		
CS33	Rationalise Internal Audit teams - possible shared service	40	40	0	G	Paul Evans		
CS34	Services and suppliers savings within Corporate Governance	86	86	0	G	Paul Evans		
Customer Services								
CS36	Re tendering of Cash Collection Contract	10	10	0	G	Sean Cunniffe	Achieved from commencement of 2015/16	
CS39	Impact of Customer Service Review	30	30	0	G	David Keppler	Achieved from commencement of 2015/16	
CSD12	Rationalisation of Divisional Budgets	15	15	0	G	David Keppler	Achieved from commencement of 2015/16	
CSD13	Reduce Customer Access Point Assistant by 0.6FTE	15	15	0	G	Sean Cunniffe	Achieved from commencement of 2015/16.	

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 15-16

Ref	Description of Saving	2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
CSD17	Reduce Marketing budget - Increase self service by using Panacea - marketing solution software in order to reduce designer costs for smaller marketing jobs.	3	3	0	G	Sophie Poole		
CS42	Resources Resources -Fall Out of Pay Protection Arrangement	5	5	0	G	Paul Dale		
CSD20	Increased income	14	14	0	G	Paul Dale		
CSD46	Reduce budget for LCGS to match actual contribution	3	3	0	G	Paul Dale		
CS49	Human Resources Introduction of new application tracking system	5	5	0	G	Dean Shoesmith	On target for achievement	
CSD33	Review of HR business support	19	19	0	G	Dean Shoesmith	Change already completed and the associated post deleted	
CSD33	HR transactional service income generation	20	20	0	G	Dean Shoesmith	Discussions progressing with Kingston to obtain costs for i-Trent service	
	Corporate Items Dividend income from CHAS 2013 Limited	174	174	0	R	Paul Dale	Alternative saving found due to CHAS IP payment.	
	Reduction in interest charges through cash management	117	117	0	G	Paul Dale		
	Total Corporate Services Department Savings for 2015/16	1,170	1,099	71				

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2015-16

Ref		2015/16 Savings Required £000	2015/16 Savings Expected £000	Shortfall	RAG	Responsible Officer	Comments	R / A Included in Forecast Over/Underspend? Y/N
LEISURE & CULTURE								
EN35	Various Budgets - Increased Income through various charging increases.	14	14	0	G	James McGinlay		N
EN36	Various Budgets - Increased Income through sale of advice & guidance.	10	10	0	G	James McGinlay		N
EN37	Merton Active Plus - Increased Income	5	5	0	G	James McGinlay		N
EV09	Renegotiation of contract with GLL for management of Leisure Centres	120	120	0	G	James McGinlay		N
TRAFFIC & HIGHWAYS								
EN29	Re-Structure of Traffic and Highway Services	252	222	30	R	James McGinlay	The full effect of this saving will not be realised this year due to notice periods, protected allowances and a delay in implementation.	Y
FUTURE MERTON								
EN42	Consultancy Income.	40	40	0	A	James McGinlay	No definitive income streams identified as yet.	N
GREENSPACES								
EN45	Further commercialisation and development of sports and allied parks services (eg. increase in fees and charges (3.75%); cost recovery plus; service bundling; sponsorship of bedding plants,etc), aligned to the emerging strategy for sports.	39	20	19	R	James McGinlay	Shortfall based on P3 forecast.	Y
WASTE SERVICES								
EN16	Deletion of a vacant post within our Sheltered Placement team (£20k), and a reduction in transport related budgets.	66	66	0	G	Cormac Stokes		N
SAFER MERTON								
EV01	Reprocurement of CCTV maintenance contract leading to efficiency savings.	36	36	0	G	John Hill		N
REGULATORY SERVICES								
ER10	Merton & Richmond shared regulatory services.	230	110	120	R	John Hill	New structure estimated to commence in October 2015, so only a part-year effect saving will be achieved this year.	Y
PARKING SERVICES								
EN05	Introduction of mobile phone payments for parking	37	37	0	G	John Hill		N
EV02	Increase charges for the following types of parking permits Business £5, Trade £5, Teachers £5. Please note no allowance has been made for elasticity of demand this figure could reduce by 10%.	4	4	0	G	John Hill		N
EV11	Increase all pay and display charges for on and off street parking by 10%. it should be noted that no allowance has been made for elasticity of demand this figure could reduce by 25%	125	125	0	G	John Hill		N
Total Environment and Regeneration Savings 2014/15		978	809	169				

Department	Target Savings 2015/16	Projected Savings 2015/16	Period 3 Forecast Shortfall	Period 3 Forecast Shortfall
	£000's	£000's	£000's	%
Corporate Services	1,170	1,099	(71)	(6.1)%
Children Schools and Families	781	781	0	0.0%
Community and Housing	2,154	1,940	(214)	(9.9)%
Environment and Regeneration	978	809	(169)	(17.3)%
Total	5,083	4,629	(454)	(8.9)%

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

APPENDIX 8

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible officer	Comments	R / A Included in Forecast Over/Underspend? Y/N
CSF2012-08	Introduce new models of fulfilling the council's statutory responsibilities for the provision of SEN transport	140	100	40	140	0	G	Heather Tomlinson	The full year effect of the travel training programme and the roll-out of personal budgets will result in achieving this saving during 2015/16. The overall transport budget is expected to overspend due to increase costs and complexity of caseloads.	

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

APPENDIX 8

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible officer	Comments	R / A Included in Forecast Over/Underspend? Y/N
	Total Children, Schools & Families Department Savings for 2014-15	860	820	40	860	0				

DEPARTMENT: COMMUNITY & HOUSING SAVINGS PROGRESS 2014/15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall £000	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
ASC7	Adult Social Care									Y
ASC19	Monitoring of high value/high cost placements (domiciliary)	50	46	4	0	(4)	G	Jonathan Brown	Prioritised reviews are generating savings from both of these projects. The combined in year savings amount to £99. In additional saving 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. Recent reviews specifically around Direct Payment customers will yield an additional saving circa £31.5k p.a. going forward with £3,895 being saved in 2014-15.	Y
ASC46	Review Service packages	60	108	(48)	0	48	G	Jean Spencer	Actual savings from regular reviews by Period 7 were circa £51k. Thereafter a far more targeted review process was adopted and this has yielded savings in 2014-15 by focusing on Direct Payments. Since it was initiated in January 2015 the weekly cost of Direct payments reduced from £104k p.w. to £100.4k p.w. i.e. the full year effect of these reductions is £3,566 x 52 weeks = £186k p.a. Of this £23K (being £26.6k total savings less £3.8k that relates to LD see ASC19 above) applies to 2014-15 while the remaining £132k (being £160k total savings less £27.6k related to LD see ASC19 above) will be saved in 2015-16.	Y
CH6							G			
ASC4	TCES Retail Model (simple equipment)	23	32	(9)	0	9	G	Maike Blakemore	Actual savings of £32k.	

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall £000	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Underspend? Y/N
	Total Community & Housing Department Savings for 2014/15	2,465	39	2,426	2,357	53				

DEPARTMENT: CORPORATE SERVICES - PROGRESS ON SAVINGS 14-15

Ref	Description of Saving	2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible Officer	Comments	R / A Included in Forecast Over/Unde
	<u>Corporate Governance</u>									
CS32	Integrate the FOI and Complaints functions	40	0	40	40	0	G	Paul Evans	Alternate savings within division identified and implemented	Y
	<u>I&T</u>									
CS37	Introduce a charge for the Archive Service Facility (approximately 0.39p per month - commercial rates x 3300 boxes) to produce income - E02243	15	0	15	15	0	G	Mark Humphries	Saving achieved from the wider consolidated facilities management budgets	Y
CS47	CRB Income generation via sales to PVI	30	27	3	27	3	R	Dean Shoesmith	Income shortfall at year end less than forecast during the year	Y
	Total Corporate Services Department Savings for 2014/15	1,650	1,592	58	1,647	3				

DEPARTMENT: ENVIRONMENT & REGENERATION SAVINGS PROGRESS: 2014-15

Ref		2014/15 Savings Required £000	2014/15 Savings Achieved £000	Shortfall	2015/16 Savings Expected £000	2015/16 Expected Shortfall £000	RAG	Responsible Officer	Comments	R /A Included in Forecast Over/Unders pend? Y/N
GREENSPACES										
EN45	Further commercialisation and development of sports and allied parks services	96	67	29	85	11	R	James McGinlay		Y

WASTE SERVICES											
ER17	Consultancy and legal costs cease in relation to new partnership contracts	213	188	25		213	0	G	Cormac Stokes		N
ER25	Commercial Waste and Recycling	250	0	250		250	0	G	Cormac Stokes	Saving replaced for 2015/16 by EV12.	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		100	0	A	Cormac Stokes		N
PARKING SERVICES											
EN03	Enforcement of new CPZ's (Controlled Parking Zones)	50	10	40		10	40	R	John Hill	The shortfall will met from "Tackling Traffic Congestion" revenue in 2015/16	Y
EN04	Implementation of Pay & Display machines in new CPZ's (Controlled Parking Zones)	75	15	60		2	73	R	John Hill	The shortfall will met from "Tackling Traffic Congestion" revenue in 2015/17	Y
Total Environment and Regeneration Savings 2014/15		784	280	504		660	124				

Department	Target Savings 2014/15	Savings Achieved 2014/15	14/15 Shortfall	Shortfall	15/16 Shortfall expected
	£000's	£000's	£000's	%	£000's
Corporate Services	1,650	1,592	(58)	(3.5)%	(3)
Children Schools and Families	860	820	(40)	(4.7)%	0
Community and Housing	2,465	39	(2,426)	(98.4)%	(53)
Environment and Regeneration	784	280	(504)	(64.3)%	(124)
Total	5,759	2,731	(3,028)	(52.6)%	(180)

Appendix 9

Subject: Miscellaneous Debt Update June 2015

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

1.1 A breakdown of departmental net miscellaneous debt arrears, as at 30 June 2015, is shown in column F of Table 1 below.

Table 1 – Debtors aged balance – 30 June 2015 – not including debt that is less than 39 days old

Department a	39 days to 6 months b	6 months to 1 year c	1 to 2 years d	Over 2 years e	June 15 arrears f	Mar 15 Arrears	Direction of travel
	£	£	£	£	£	£	
Env & Regeneration	319,976	176,500	85,869	314,649	896,994	812,515	↑
Corporate Services	86,022	15,407	29,273	159,426	290,128	330,763	↓
Housing Benefits	690,662	730,201	570,001	1,205,144	3,196,008	3,150,380	↑
Children, Schools & Families	845,150	-36,582	178,968	8,297	995,833	370,008	↑
Community & Housing	1,568,397	837,778	1,070,095	1,600,448	5,076,718	4,146,018	↑
Chief Executive's CHAS 2013	0	0	0	0	0	0	↓
Total	3,630,593	1,735,843	1,955,265	3,287,964	10,609,665	8,947,596	↑
<i>Jun-14</i>	<i>2,787,041</i>	<i>1,623,136</i>	<i>2,239,234</i>	<i>2,849,993</i>	<i>9,499,404</i>		
Variance Jun 14 to Jun 15	843,552	112,707	-283,969	437,971	1,110,261		↑

1.2 Since the position was last reported in March 2015, the net level of arrears, i.e. invoices over 39 days old, has increased by £1,662,069.

1.3 The net level of level of arrears has increased by £1,110,261 when compared to the position at the end of June 2014.

- 1.4 The above table shows the separate debt owed to CHAS 2013 Ltd.
- 1.5 Children's Schools and Families have had an increase of £625,825 since March 2015 and Community and Housing an increase of £930,700.
- 1.6 The Children's Schools and Families increase in debt is due to one invoice of £670,434 raised against the London Borough of Lambeth for recoument of SEN charges. This debt is no longer outstanding as it was paid on the 7 July 2015 just after the reporting period ended.
- 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 June 2011 to June 2015 – not including debt that is less than 39 days old

Department	June 2011	June 2012	June 2013	Jun 2014	June 2015
	£	£	£	£	£
Env & Regeneration	367,217	315,756	811,346	884,512	896,994
Corporate Services	268,063	527,423	623,983	858,227	290,128
Housing Benefits	2,312,383	2,993,179	3,173,011	2,685,560	3,196,008
Children, Schools & Families	180,184	536,458	133,712	367,884	995,833
Community & Housing	3,178,216	3,326,862	4,183,231	4,589,395	5,076,718
Chief Executive's	3,900	0	3,000	500	0
CHAS 2013	0	0	0	113,826	153,984
Total	6,309,963	7,699,678	8,928,283	9,499,904	10,609,665

- 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 under £100 million was paid in 2014/15. The level of Community and Housing debt over 39 days has increased by just under £1.9 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 £153,504 since the end of June 2014, an increase of just 2.93%.

Table 4 – Debt over 1 year old compared to June 2014

Department	June 2014	June 2015	Variance	% Variance
Env & Regeneration	£401,573	£400,518	-£1,055	-0.26
Corporate Services	£236,451	£188,700	-£47,751	-25.31
Housing Benefits	£1,883,880	£1,775,145	-£108,735	-6.13
Childrens, Schools & Families	£22,079	£187,266	£165,187	88.21
Community & Housing	£2,472,093	£2,670,544	£198,451	7.43
Chief Executives	£500	£0	-£500	0.00
CHAS 2013	£73,152	£21,059	-£52,093	
Total	£5,089,728	£5,243,232	£153,504	2.93

- 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 £198,451 since June 2014.
- 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 £5.6 million. Of this debt £0.5 million is under 39 days and therefore no formal recovery action has taken place other than issuing an invoice and reminder. Of the remaining £5.1million debt which is older than 39 days just over £1.0 million is secured debts against charging orders or where the council has deputyship. In addition a further £0.65 million has repayment arrangements in place. We are actively working on securing the remaining £3.45 million debt by similar means.
- 3.7 In the past quarter we have received total payments of over £80,000 on three accounts from the estates of the debtors and over £50,000 on two accounts where the council holds deputyship.
- 3.8 The total amount of housing benefit debt has increased to £7.45 million, an increase of just over £0.38 million since last reported in March 2015.
- 3.9 It has been previously reported that the Department of Work and Pensions commenced a “Real Time” Information initiative at the end of September 2014 which was aimed at identifying overpayments of housing benefit. The DWP have compared housing benefit claim data

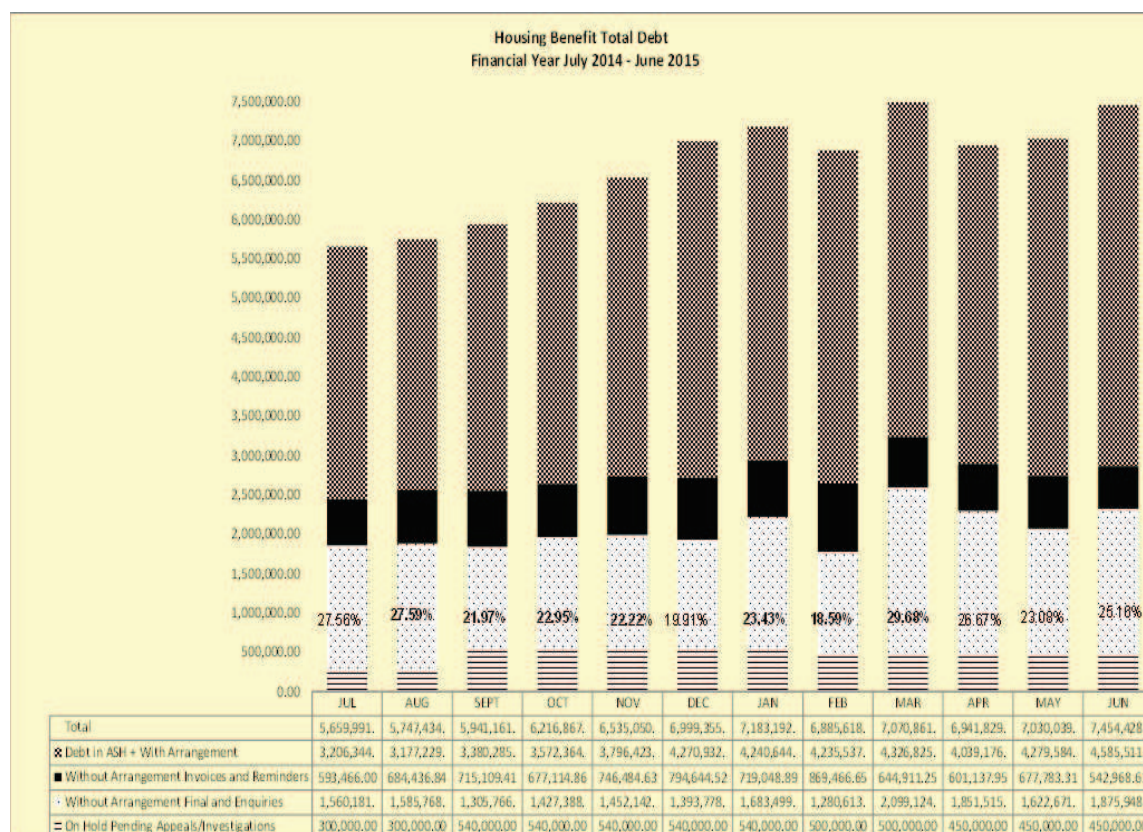
and HMRC data and over the six month life of the initiative highlighted 900 cases for Merton where there were data discrepancies.

- 3.10 This initiative finished in February 2015 and just over 900 cases were reviewed. In the vast majority of cases there has been a reduction in housing benefit paid out and some very large overpayments of housing benefit where the claimant has failed to notify of their change in circumstances. In total just over £1.0 million of overpayments have been identified and created and we have identified a number of cases where Merton employees or employees of neighbouring boroughs have failed to advise 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 £125,000 set up to recover in this way.
- 3.12 In May 2015, the second phase of the “Real Time” Information initiative commenced. The council will receive approximately 150 cases per month until January 2016. Already large overpayments are being identified from these cases.
- 3.13 The Department of Work and Pensions commenced another initiative in the final quarter of 2014/15. This initiative is where council’s are encouraged to identify fraud and error within the system and have been awarded set up funding and on-going funding based on achieving performance targets. This initiative will run until at least March 2016. The Council has not yet received its final performance data for the final quarter of 2014/15. The provision data indicates that the council has exceeded the required target and is likely to receive between £20,000 and £25,000 in additional grant for achieving this. An update of progress will be provided in the next quarterly report.
- 3.14 These two initiatives and the normal churn of claims has resulted in the level of housing benefits debt increasing and it is very likely that it will continue to increase. Between April 2015 and June 2015 over £1.4 million of overpayments were identified. During the same period just over £0.72 million has been recovered through the housing benefit system either through the recovery of overpayments against on going benefit or off set against new awards of housing benefit.
- 3.15 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. £3 million is being recovered from on

going benefit (increased from £2.6 million when last reported) by reducing current housing benefit payments. Just under £4.6 million is on a payment arrangement or recovery from on going benefit.

- 3.16 The graph below shows breakdown of all housing benefit overpayments by recovery action.

Graph 1 – Total Housing Benefit Debt by recovery action from July 2014



- 3.17 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.

- 3.18 The table below shows the amount of debt written off in accordance with financial regulations and scheme of management in 2014/15 and the first quarter of 2015/16.

Table 5 - Debt written off in 2014/15 and 2015/16 by debt type

	2014/15	2015/16				
	Total	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Sundry Debt	£347,726	£0				£0
Housing benefit overpayments	£1,050,105	£194,200				£194,200
Council Tax	£526,881	£177,455				£177,455
Business Rates	£790,373	£0				£0
Total	£1,317,254	£177,455	£0	£0	£0	£177,455

- 3.19 Of the business rates debt written off in 2014/15 just over £400,000 related to businesses that went into liquidation and therefore it was not possible to collect the rates.
- 3.20 Towards the end of 2014/15 an exercise was commenced targeting the highest housing benefit debts with the aim of agreeing payment arrangements where possible and where appropriate writing debts off. This included many large overpayments, some identified through fraud activity where the prospect of collecting the debt was minimal. In some instances payment arrangements were put in place for 5 years and the remainder of the debt written off. If circumstances change of the debtors or after 5 years all payments are made there is the option of writing part or all of the debt back to collect.
- 3.21 Although the debt written off within 2014/15 does not relate to one specific year it should be noted that in 2014/15 the council was collecting a net debt of £101 million in council tax (this includes the GLA portion), a net debt of £87.8 million in business rates (this includes Business Rates Supplement) and approximately £44 million raised through sundry debts.
- 3.22 Every effort is made to collect all outstanding debts and debts are only written off as a last resort. The council is still collecting some council tax debts that are greater than 6 years old or will have secured the debts against properties where possible.

4. PROVISION FOR BAD AND DOUBTFUL DEBTS

- 4.1 Provision has been made available for writing off bad and doubtful debts held within the ASH and Housing benefits systems. These provisions are £2.85m for ASH miscellaneous debt and £6.34m for debt held in the Housing Benefits system, making a total General Fund provision for bad and doubtful debts of £9.19m. Clearly, every attempt

is made to collect debts before write-off is considered. The current level of provision is analysed in the table below.

- 4.3 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	
	At 31/03/2014	At 31/03/2015
	£000's	£000's
Env & Regeneration	335	332
Corporate Services	498	432
Housing Benefits	3,981	6,344
Children, Schools & Families	54	90
Community & Housing	1,782	1,996
Total	6,650	9,194

- 4.4 The £2.363m increase in the Housing Benefit debt provision is due to:

- an increase of £1.7m in outstanding Housing Benefit debt itself, to £7.07m (see Graph 1 at Paragraph 3.16)
- advice received from the Council's external auditors, EY, recommending that the provision be set at 90% of outstanding debt, to reflect that much Housing Benefit debt is very difficult to recover.

5. EXECUTIVE SUMMARY / CONCLUSION

- 5.1.1 Merton's total level of miscellaneous debt arrears i.e. invoices over 39 days old, as at 30 June 2015 is £10,609,665. The net level of arrears, when the matter was last reported in March 2015 was £8,947,596.

6. TOTAL DEBT DUE TO MERTON

The total amount due to Merton as at 30 June 2015 is detailed in table 6 below.

Table 6 – Total debt outstanding as at 30 June 2015 and compared with previous periods over the past 12 months

	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
	£	£	£	£	£
Miscellaneous sundry debt Note 1	13,448,226	14,437,902	14,039,675	14,417,437	14,211,557
HB debt in Benefit system Note 2	2,681,440	2,818,432	3,339,481	3,679,980	4,144,016
Housing Rent Note 3	102,001	101,388	101,253	24,174	23,027
Parking Services	2,497,703	2,388,584	2,240,338	2,143,597	2,197,074
Council Tax Note 4	5,011,408	4,444,360	4,100,330	3,730,152	5,281,972
Business Rates Note 5	3,397,378	2,635,958	1,351,593	638,077	1,758,523
Total	27,138,156	26,826,624	25,172,670	24,633,417	27,616,169

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 just under £0.5 million in the past 12 months compared to the end of June 2014.
- 6.2 The areas where there has been an increase since June 2014 are sundry debt (£0.75 million) and housing benefit debt within the benefit system (£1.4 million). Action being taken against sundry debt and housing benefit debt has been detailed earlier in this report.

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

Table 7 – Car Parking Aged Debtors – June 2015

Age of Debt	Outstanding £	Number of PCNs
0-3 months	£689,473	6,291
3-6 months	£386,238	2,562
6-9 months	£298,150	1,870
9-12 months	£245,369	1,499
12-15 months	£198,313	1,189
Older than 15 months	£379,531	2,809
Total June 2015	£2,197,074	16,220

Total March 2015 **2,143,597** **15,443**

Increase **£53,477** **777**

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2015/16 Estimated Cash Flow Forecast June 2015 Position and 2016/17 to 2018/19 Forecast

Description	2013/14	2014/15	2015/16	2015/16 July	2015/16 Forecast	2016/17	2017/18
	Actual £	Actual £	Actual £	-March Forecast	as at June 2015 Forecast £	Forecast £	Forecast £
Expenditure							
Bank Charges & Related Expenditure	-280,105	-252,277	-68,505	-196,700	-265,205	-283,080	-300,180
Other Expenditure	-6,283,525	-7,828,102	-2,057,308	-3,569,443	-5,626,751	-4,835,324	-4,876,024
CHAS Payroll, Tax and VAT	-281,042	-404,799	-299,371	-554,000	-853,371	-990,000	-1,009,600
Business Rates and CTax Refunds	-4,191,413	-5,601,262	-1,363,421	-3,115,600	-4,479,021	-4,261,000	-4,486,000
HMRC Related Payments	-37,905,995	-37,321,464	-9,073,480	-28,440,000	-37,513,480	-38,130,000	-38,310,000
Housing Benefit (excluding HPU)	-91,560,234	-92,065,094	-27,099,567	-70,995,000	-98,094,567	-93,807,800	-94,418,000
Invoice Payments (Bacs & Cheques & CHAPS)	-380,133,952	-395,055,881	-94,460,688	-325,580,000	-420,040,688	-434,440,000	-442,740,000
Payroll Related Payments (including Schools)	-102,340,589	-104,256,311	-27,003,044	-81,595,000	-108,598,044	-108,489,000	-107,652,000
LGPS Pension Contributions, Additional Payments and Others)	-20,531,501	-30,964,991	-3,898,957	-16,380,000	-20,278,957	-20,443,000	-20,620,000
NET Business Rates Retention Scheme	-30,490,439	-31,348,193	-5,507,065.00	-8,263,485.00	-13,770,550	-14,670,550	-14,670,550
Teachers Pension	-12,232,378	-13,009,538	-3,163,614	-10,092,000	-13,255,614	-13,660,000	-13,920,000
Pensioners Payments (Added Year met by Employer)	-1,826,040	-2,118,019	0	-960,000	-960,000	-960,000	-960,000
Total Expenditure	-688,057,214	-720,225,930	-173,995,018	-549,741,228	-723,736,246	-734,969,754	-743,962,354
Income							
Business Rates Receipts	81,049,805	83,475,794	24,064,589	61,645,266	82,309,855	86,171,320	87,509,200
Council Tax Receipts	86,306,899	89,153,249	25,681,129	24,881,129	88,431,964	91,720,000	92,956,000
DWP - Housing Benefit Subsidy & Admin Grant & Discretionary Housing Payment grant&S31 Grant)	105,597,732	87,289,045	26,838,968	70,380,000	97,218,968	95,040,000	95,400,000
Grants (Including Public Health Grants)	232,347,884	232,223,392	63,209,770	155,647,235	218,853,962	222,935,620	223,814,180
Other Income	94,988,434	112,583,965	31,219,596	81,000,657	116,420,253	110,562,735	113,484,876
Payroll and Pension Recoupement	89,636,321	91,751,577	22,811,619	69,578,690	92,390,309	94,788,400	95,033,000
VAT Reimbursement	19,250,750	24,246,574	6,169,799	18,100,000	24,269,799	25,300,000	25,800,000
Total Income	709,177,824	720,723,595	199,995,470	481,232,978	719,895,109	726,518,075	733,997,256
Net Income/Expenditure	21,120,610	497,665			-3,841,137	-8,451,679	-9,965,098
Interest Received on investments		777,103			593,938	387,000	393,165
Interest on Pooled Property Investment		0			260,000	260,000	260,000
Interest Paid on Debt		-6,635,976			-6,641,405	-6,641,405	-6,641,405
		-5,361,209	0	0	-9,628,603	-14,446,084	-15,953,338
B/F Cash Balance	80,000,000	79,945,773			86,248,938	64,710,335	50,264,251
B/F Short Term Debt	0	11,910,000			-11,910,000	0	0
B/F Bank Balance	-54,227	-245,626			0		
Debt Repaid In Year							-3,966,268
New Debt In Year							
Estimated Closing Cash Balance	79,945,773	86,248,938			64,710,335	50,264,251	30,344,645
Estimated Monthly Closing Value of investments	80,000,000	86,100,000			65,000,000	50,300,000	30,400,000
Estimated Closing Value of Short Term Debt	0	11,910,000			0		
Estimated Closing Bank Balance	-54,227	-245,626			-289,665	-35,749	-55,355